



MANAGEMENT BOARD

Wednesday 5 June, 10am to 12 noon in Room 1-09, Millbank House

Agenda

1. **Continuous improvement** **MB/2013/42**
[Andrew Makower, 20 minutes]
RESTRICTED ACCESS: MANAGEMENT
 2. **CRS financial report RESERVED** **MB/2013/43**
[Carl Woodall/ Jake Vaughan, 20 minutes]
RESTRICTED ACCESS: MANAGEMENT. COMMERCIAL
 3. **2013-14 Pay remit RESERVED** **MB/2013/44**
[Tom Mohan, 15 minutes]
RESTRICTED ACCESS: MANAGEMENT
 4. **Pensions: auto-enrolment** **MB/2013/45**
[Tom Mohan, 10 minutes]
RESTRICTED ACCESS: MANAGEMENT
 5. **Fourth quarter reports:**
 - **Finance report** [Andrew Makower] **MB/2013/46**
 - **Performance report** [Rob Whiteway] **& 46A**[15 minutes] **MB/2013/47**
RESTRICTED ACCESS: MANAGEMENT/ COMMERCIAL **&47A**
 6. **Corporate risk register as at 27 May** **MB/2013/48**
[10 minutes]
RESTRICTED ACCESS: MANAGEMENT
 7. **Risk report: Facilities (i)** **MB/2013/49**
[Carl Woodall, 10 minutes]
RESTRICTED ACCESS: MANAGEMENT/ COMMERCIAL
 8. **Any other business:**
 - Oral updates
- For information:
9. **Sharing ratios** **MB/2013/50**
[Andrew Makower, 20 minutes]

The following minutes are circulated electronically only for information:

- PEB, 29 April
- PICTAB, 15 April



Sharing ratios

Responsible Board Members Andrew Makower (Lords) and Myfanwy Barrett (Commons)
Paper prepared by Andrew Makower
Date 23 May 2013

Summary The Board is invited to:

- of actions requested:*
- Note that the Finance Directors are to review sharing ratios for services, contracts and programmes shared (or joint) between the two Houses.
 - Stand by to get involved as owners of services.
 - Check the attached list of services, contracts and programmes.
 - Give any necessary preliminary steer.

Introduction

1. Our predecessors commissioned a review of cost sharing ratios for shared services from the Internal Auditors of both Houses. They reported in October 2010; the report (which was not a standard Internal Audit report) is available in SPIRE in Financial Management / Cost Sharing / Sharing ratios. This paper takes the matter forward.
2. The delay has been deliberate. We agreed in 2011 to put the matter on hold in order not to blur the line of sight between both Houses' savings targets and outcomes. The Commons Savings Programme will deliver in 2014/15; we therefore agreed to aim to act on the 2010 review in the planning round for 2015/16. That round will start early in 2014; so work needs to begin shortly.

Scope

3. The Internal Audit report covered the following matters:
 - a. Principles underlying sharing ratios – the report sought arrangements which were simple and sustainable and which broadly related costs to benefits;
 - b. Sharing ratios for each shared service (whether in-House or contracted out) and PICT – the report sought to reduce the range of ratios from six (60:40, 69:31, 70:30, 75:25, 80:20, 85:15) to four (50:50, 60:40, 70:30, 80:20);
 - c. Methodology – the report relied on statistical analysis based on a “principal cost driver” for each service;
 - d. Coverage of sharing ratios – the report recommended extending this to pension costs (which are shared for PICT but otherwise not) and other overheads;
 - e. Costs of accommodation occupied by shared services - the report recommended no change;
 - f. Governance of shared services – the report recommended equal responsibility for both administrations regardless of sharing ratio.
4. We propose that the scope of our follow-up action should be the same. A list of services and ratios is appended; we would be grateful to hear of any errors or omissions. The list

has of course changed a bit since 2010; in particular there are more ICT-related programmes and we propose to include them. Joint contracts whose costs fall within a joint or shared service, e.g. PED and PICT contracts, will be covered as part of that service. Joint contracts where costs are divided on a pay-as-you-go basis rather than on a ratio are excluded; this applies, for example, to contracts let jointly by the Libraries (except the press aggregator) and the Catering Services. It is not proposed to review arrangements for joint committees. On governance, we propose to take this opportunity to update the model SLA agreed by our predecessors.

5. The 2010 review had regard to the financial impact of its recommendations on each House (reckoned to be a net transfer of costs from Commons to Lords of around £810k p.a.). We will of course likewise have regard to this.

Methodology

6. We intend to approach this in a spirit of decluttering. We will look not only at the ratios but also at the processes we use to implement the ratios, with a view to simplification. If we move to a smaller number of ratios, applied to whole services or cost centres at a less granular level, it may be possible to simplify month-end processes in HAIS/HAISL and financial reporting, with benefits to budget holders and both Management Boards.
7. We will invite input from the owners of each shared service in each House, while aiming – as the internal auditors did – not to make heavy weather of fieldwork. Andrew will lead on this exercise, while Myfanwy leads on this year's MTIP. (The two are of course somewhat connected.) We aim to report to the Boards by Christmas, so that decisions can be taken early in 2014, in good time to inform the planning round later that year.

Financial implications, communication and risk

8. No extra resource is sought for the review.
9. We see this as a low-profile exercise, of interest to senior managers and finance teams but not to staff in general or to the public. Member committees will be interested, particularly if the outcome is a significant shift of costs from one House to the other.
10. The review aims to mitigate risk in the areas of efficiency and relations between the Houses. We are mindful of the risk of unintended consequences.

Recommendation

11. We invite the Management Boards to note this exercise, to stand by to get involved as owners of services, to check the attached list, and to give us any necessary preliminary steer.

23 May 2013

**Andrew Makower, Finance Director, House of Lords
Myfanwy Barrett, Finance Director, House of Commons**

Appendix: Joint and shared services, contracts and programmes

| Service etc. | Sharing ratio HC/HL |
|--|--------------------------------|
| PICT | 80/20 |
| <i>Provided by Commons</i> | |
| Broadcasting | 60/40 |
| Business Continuity (Commons OCE) | 70/30 |
| Delegation Support | Pro rata to delegation size |
| Education | 70/30 |
| Estates Procurement (Commons Commercial Services) | 80/20 |
| Facilities Finance | 80/20 |
| Fire and Safety (PED) | 60/40 |
| Hansard Production Unit | 70/30 |
| Members' Staff Verification Office | 75/25 |
| Offsite Consolidation contract management (Commons Accommodation & Logistics) | 70/30 |
| Outreach | 70/30 |
| Parliamentary Security Director | 69/31 |
| Pass Office | 75/25 |
| PED (core PED, Palace, Estate-wide) | 60/40 |
| POST | 70/30 |
| Programme & Project Assurance | 80/20 |
| Restoration & Renewal programme team (Commons Facilities) | 60/40 |
| Restoration & Renewal works (PED) | 60/40 |
| Safety Health & Wellbeing | 75/25 |
| SPIRE benefits (Commons OCE) | 85/15 |
| Visitors | 70/30 |
| Web and Intranet | 75/25 |
| Works of Art Curator (PED) | 60/40 |
| <i>Provided by Lords</i> | |
| Parliamentary Archives | 40/60 |
| <i>Contracted out</i> | |
| Cleaning | 60/40 |
| Information security accreditation | 75/25 |
| Mail screening | 85/15 |
| Media database | 70/30 |
| Offsite Consolidation Centre | 70/30 |
| Police | 69/31 |
| Postal services | 85/15 |
| Press aggregator | 75/25 |
| Travel Office | 80/20 |
| <i>ICT-related Programmes</i> | |
| Corporate Services ICT | Lords pay-as-you-go |
| Digital Preservation | 75/25 |
| Facilities ICT | 75/25 |
| Information Services ICT | 75/25 |
| Network | 80/20 |
| Parliamentary Business | 75/25 |