



HOUSE OF LORDS

Management Board

Joint Meeting with the Management Board of the House of Commons

12th Meeting
2 November 2011

MINUTES

Present:	David Beamish	<i>Clerk of the Parliaments (Chairman for item 1)</i>
	Liz Hallam Smith	<i>Information Services</i>
	David Leakey	<i>Black Rod's Department</i>
	Andrew Makower	<i>Financial Resources</i>
	Joan Miller	<i>Director of Parliamentary ICT</i>
	Tom Mohan	<i>Human Resources</i>
	Edward Ollard	<i>Parliamentary Services</i>
	Rhodri Walters	<i>Corporate Services</i>
	Carl Woodall	<i>Facilities</i>
	Malcolm McCaig	<i>Member of the House of Lords Audit Committee</i>
	Robert Rogers	<i>Chief Executive (Chairman for item 2), House of Commons</i>
David Natzler	<i>Chamber and Committee Services, House of Commons</i>	
John Borley	<i>Facilities, House of Commons</i>	
John Pullinger	<i>Information Services, House of Commons</i>	
Andrew Walker	<i>Human Resources and Change, House of Commons</i>	
Myfanwy Barrett	<i>Finance, House of Commons</i>	
Alex Jablonowski	<i>External, House of Commons</i>	
In attendance:	Elizabeth Honer	<i>Director of Savings, House of Commons</i>

I Medium Term Investment Plan

1.1 **Myfanwy Barrett** introduced the Medium Term Investment Plan (MTIP), which was intended to improve the two Administrations' joint planning processes. The paper was considered in the context of the House of Commons seeking to reduce expenditure, while the House of Lords intended not to increase expenditure. The MTIP was intended to provide a clear framework for the operation of PICTAB and PEB, set out the place of business cases within the framework, assist in the prioritisation between portfolios, enhance accountability and reduce underspend. *[Additional information - Restricted Access]*

1.2 **Andrew Makower** noted that the MTIP included: expenditure from already agreed business cases, such as SPIRE; from business cases which had not yet been agreed, such as the supplementary bid from the procedural data programme; and expenditure for which a business case had not yet been received. In retrospect, it would have been helpful if these three categories had been distinguished, and this would be considered for next time. The MTIP was not a substitute for business case approval; inclusion of expenditure did not signal agreement. The timetable for future years envisaged that outline business cases for all new expenditure would have been developed by the summer recess.

1.3 *[Additional information - Restricted Access]*

John Pullinger noted that Rebecca Elton, the secretary of PICTAB, had spoken to SROs about the impact of budget cutting on each programme. This would enable an assessment of what effect changes to programme budgets would have on those programmes in order to facilitate prioritisation.

1.4 **John Borley** suggested that the ICT forward plan could be over-programmed, as was the case with the Estates Programme. **Myfanwy Barrett** noted that there was more risk associated with over-programming in ICT as the portfolio contained fewer projects which were larger in scale and expenditure than the Estates portfolio; this made the ICT portfolio less flexible.

1.5 The Boards discussed the allocation of programmes between portfolios. **Andrew Walker** suggested that infrastructure programmes should be grouped in the same portfolio in the MTIP in order that funding could be effectively prioritised between these different programmes. Placing the network programme, which was essentially an infrastructure project, in the ICT portfolio could create problems as it was artificial to make smaller business-change projects within the ICT portfolio compete with the network programme compete. The network programme might beneficially therefore be grouped with other infrastructure projects in the Estates portfolio. Some other Board members agreed. **Myfanwy Barrett** said that ICT and Estates projects had been grouped separately to mirror the PEB and PICTAB set up. John Borley was the SRO for the network programme which ensured that there was crossover between the management and interests of the two portfolios. The allocation of programmes between portfolios would continue to be refined in future MTIPs. She also noted that it was not yet clear how funding would be reallocated between different portfolios.

1.6 **Edward Ollard** asked how likely it was that expenditure for which business cases had not yet been agreed, but which was included within the MTIP, would be agreed for 2012/13. **Andrew Makower** noted that under the ideal timeframe set out in the plan, the outline business cases would have been developed by the summer recess. *[Additional information - Restricted Access]*

1.7 *[Additional information - Restricted Access]*

1.8 The following further points were raised in discussion:

- *[Additional information - Restricted Access]*
- The MTIP was a positive step as it listed all programmes in one place and provided an overview and structure of these programmes.
- Effective prioritisation of resources between programmes was required and in order for this process to be effective, consideration of business needs would need to be built into the decision making model.

1.9 **David Beamish** thanked the Finance Directors and noted that the MTIP was only the start of work on prioritising and managing investments.

1.10 The Boards approved the Medium Term Investment Plan and agreed:

- The total proposed investment.
- The balance between portfolios.

2 House of Commons savings programme

2.1 **Robert Rogers** took the chair. David Beamish thanked the Commons for engaging with the Lords on the savings programme. Robert Rogers said that the Commons was putting a lot of effort into consultation. It still had a lot of progress to make if it was to achieve its target. Income generation and market testing were sensitive, novel areas and the Commons wanted to discuss these with the Lords. He invited John Pullinger to provide an update on latest developments in income generation.

2.2 **John Pullinger** said that income generation was about surplus – the current visitor services operation, for example, deliberately only covered costs. Setting up a charitable trust to manage income generation would be a radical change for Parliament, but almost every other organisation operating in a historic monument had taken such a step to help pay for the specific and significant costs involved. The Royal Household and St Paul's were good examples. It was an opportunity to relieve a burden on the Exchequer. People would be willing to donate money to maintain the building and educate the public about democracy, but these had to be clearly separated from the cost of politics itself. In consultations so far, proposals relating to income generation had received the most positive response. The House had been advised by representatives from the catering and culture and heritage industries, who had put forward different options. One was to simply try harder with our current income generation activities, with a better placed shop and so on. That was expected to bring in £2 million. Another was to set up a charitable trust and seek private investment, for example appeals for a particular project or the commercial letting of function rooms in the recess. That was expected to make £3.5 million. *[Additional information - Restricted Access]*

2.3 **John Borley** updated the Boards on latest developments in the market testing savings strand. No function was excluded from the outset, including joint functions with the House of Lords. The first filter in the decision-making process asked of each function whether it would be appropriate, economic or workable to market test it. Those functions that failed the economic test (that is, they were just too small to be worth market testing) would be considered in the operations strand. It was possible that could lead to them being aggregated and returned to the market testing strand. The next stage was to decide on priorities. Those functions would then go to business improvement teams. It was best to concentrate on a few key areas with one or a few teams driving the process. The next stage was market testing (rather than benchmarking) and, finally, the decision whether or not to outsource. Fewer and fewer functions would stay in as the stages went on. Some of the stages would happen in parallel. It could be argued, for example, that the Administration Committee's catering inquiry had been a business improvement process. The market testing strand now had a list of functions and the criteria were being worked on. Once agreed, there would be a scoping report which would go to the savings programme board and the Management Board. *[Additional information - Restricted Access]*

2.4 **Malcolm McCaig** asked what savings were expected from market testing. **John Borley** said that £5million was the starting point, for Commons savings. *[Additional information - Restricted Access]*

Myfanwy Barrett added that the £5 million included the operations strand, which covered a lot of activities, including a big drive to improve procurement.

2.5 **David Beamish** asked about Member resistance and noted that staff would talk to Members about their concerns. **John Borley** said that there had not been any resistance from Members so far. The Administration Committee had been content with the proposals. *[Additional information - Restricted Access]*

2.6 **Carl Woodall** asked whether investment was required for market testing, for example for business improvement teams. **Myfanwy Barrett** explained that the savings programme had a budget of about £500k to support the programme, including delivery of the various strands. Some strands did not need additional investment: the ICT Strategy and Estates strands, for example, were covered by existing budgets. But others, such as market testing and income generation, needed more support. The savings board would consider allocations at its next meeting.

2.7 **Liz Hallam Smith** asked whether the anticipated profit from income generation took full costs into account. **John Pullinger** said it did as far as possible. The advisers had had full access to accounts, but some services had clearer information on costs than others. **Robert Rogers** added that the Board was very aware of interdependencies – for example the possible effects on the Lords, or the impact of any changes to sitting hours.

2.8 **Andrew Makower** asked whether any other Parliament had set up a charitable trust and whether the strand had sought legal advice. He wanted to know when the Treasury would be consulted. **John Pullinger** replied that he had not come across other Parliaments which had themselves set up trusts but a number of Parliaments had invested in visitor facilities. The US Congress had built a spectacular new facility for example, with a very large retail offering. It had had a huge fundraising drive to achieve that, but had not felt the need to separate that drive from politics. But in the current political context in the UK, it would be impossible to raise revenue unless the charitable purpose was explicitly separate. There were a few examples of trusts working within Parliament. He had not yet sought internal legal advice, but the strand's advisers had looked at the legal processes other organisations had gone through. The most recent was Birmingham Library, which was being set up as a trust by the City Council. He was not proposing to discuss the issue with the Treasury, but he did have a meeting planned with Ed Vaizey, the Culture Minister. He believed the plans fitted with the cultural entrepreneurship the Government wanted from organisations across the DCMS portfolio.

2.9 **Rhodri Walters** commented that some income generation activities would have quite low margins and would presumably require large throughput. He also asked what services were excluded from market testing. **John Borley** said that everything was currently in, including Chamber services. **Robert Rogers** added that it was important not to prejudice any areas.

2.10 **David Leakey** said that there was a lot of potential in income generation, and the advisers had given many examples of success, but it was also important to learn from business failures and conduct a realism check. If we agreed to increase throughput, we would have to address the bottlenecks through which visitors currently had to go and the costs of improving access had to be taken into account. *[Additional information - Restricted Access]*

Robert Rogers said that that was a good warning and those issues were already being considered. **John Pullinger** said it was important to be aware that the proposals did not rely on getting huge numbers through, just more tiered packages, making use of empty function rooms, and specialist tours. Lots of places in the Palace were unused assets and could be used to relieve pressure on the line of route.

2.11 **Carl Woodall** said that he welcomed the idea of a retail strategy for Parliament, as the evidence showed both retail services would sell more if they sold more of each others' products. He also welcomed the proposal to be more creative, such as packages linking up tours and catering. The workshop on income generation had been very valuable in helping to come up with ideas. He believed the best approach would be incremental, rather than trying to

do too much too soon. The uncertainty over plans for the modernisation of the Palace also had to be taken into account in any proposals.

2.12 **Ed Ollard** asked whether the advisers had looked at Commons-only income generation, or the Commons share of Parliament-wide income generation. **John Pullinger** explained that they had looked at the Palace as a whole. He had used 70% of the advisers' estimated figures, then subtracted an 20% optimism bias, then halved it again to account for the fact that it would be a new process for the House.

2.13 *[Additional information - Restricted Access]*

2.14 *[Additional information - Restricted Access]*

2.15 **Robert Rogers** said it had been an excellent discussion and thanked the members of both management boards.

3 Any Other Business

3.1 No other business was raised.

Next Meeting: 30 November at 10am.

Secretary to the Management Board
7 November 2011