

**MANAGEMENT BOARD****2008/09 STEWARDSHIP REPORT**

*Note by the Director of Financial Management*

Purpose

1. This paper provides a detailed financial analysis of the performance of the House and of the departments against their budgets for 2008/09. The accounts for the year are still being finalized and then will be subject to audit, so there may be some adjustments made to the final published figures.
2. The attached annex shows the final position for 2008/09 compared with the budget for the year and also compared with the mid-year and final forecasts for the year. This suggests that further improvement to the quality of budgeting and forecasting should be sought in future years.

Action for the Board

3. The Board is asked to note the conclusions reached and for Heads of Departments to encourage their managers, through their finance teams supported by FMD, to deliver more realistic planning and forecasting of resources.

Overall Position

4. The outturn Resource expenditure for the year is currently £234 million compared with the original budget of £244 million – an underspend of £10 million (4.1%). This compares favourably with the 4.8% underspend 2007/08 and the 7.3% underspend in 2006/07.
5. When the outturn is compared with the final forecast, the underspend reduces to £4.2 million (1.8%) which compares favourably with 2007/08 (2.6%) and 2006/07 (4.7%).
6. The tables in the attached Annex provide a detailed breakdown of the outturn. The major areas of variance are:
  - a. Salaries – an underspend of £2.3 million (2.9%). Although the Band A to E pay award was not agreed until near to the year end, departments were asked to forecast on the basis of existing pay levels, with a contingency being held in central reserves to cover the eventual settlement. A budget adjustment was then provided to offset the back payments that appeared on management reports towards the year end. As a result both the budget profile and forecast should have remained aligned;

- b. Accommodation – an underspend of £3.1 million (8.9%) occurring in the following areas:
  - i. Projects – an underspend of £1.8 million. As is normal in an area where the expenditure reflects a large programme of projects there were quite a lot of changes in the final programme delivered. The most significant changes were not proceeding with the refurbishment of the Terrace Servery (£0.5 million) and the blast resistant glazing of 1 Parliament Street (£0.7 million).
  - ii. Property - an underspend of £1.3 million due to lower than anticipated utility prices and savings on rates on 14 Tothill Street as the building was not occupied during the year as anticipated in the budget.
- c. Security – an underspend of £1.2 million (5.5%) reflecting improved cost control and contract management on the contract with the Metropolitan Police Service.
- d. Information – an underspend of £1.2 million (7.6%) mainly relating to lower TSO printing charges (£0.7 million) and lower expenditure on official publications (£0.4 million). Both of these areas are demand led and are difficult to estimate accurately.
- e. Communications – an underspend of £0.8 million (10.8%) principally due to reduced usage by Members of pre-paid envelopes. This is lower than the £1.1 million underspend in 2007/08 but is probably an impact of the introduction of the Communication Allowance. The baseline for 2009/10 has been reduced to reflect this trend.
- f. Computers – a planning underspend of £1.9 million (26.0%) due to:
  - i. Underspend in PICT of £0.3 million (6.6%). In 2007/08, the costs of electronic data backup increased substantially and increasing costs were factored into the 2008/09 budget. Changes to reduce the levels of backup and contract management action reduced the actual level of costs incurred;
  - ii. The balance represents funds set aside in the Project Provision at the outset of the year to cover expected commitments. When approved these funds were distributed and spent over various budget categories which explains part of the difference between the original budget and final forecast.

- g. Travel and Subsistence – an underspend of £0.8 million (17.0%). The majority of this arose against:
- i. UK Conferences where expenditure is principally determined by international assemblies and their UK delegations;
  - ii. Select committee travel where expenditure is principally determined by the decisions of the committees; and
  - iii. Witnesses' expenses which are demand led.

The budget allocated to Select Committee travel has been fixed for the duration of the current parliament by the Commission. The budget for Witnesses' expenses for 2009/10 has been reduced in recognition of the past trend of underspending in this category.

h. Non-cash items – an overspend of £2.2 million (3.4%) principally due to higher than anticipated impact of the revaluation of the estate on Depreciation charges and higher Cost of Capital Charges due to a higher than anticipated opening balance.

#### Outturn by Department

7. An analysis of the outturn by Department is given in the attached Annex.
8. Speaker's Office. Underspend of £0.1m against the budget (13.7%). The most significant area was Travel and Subsistence where the expenditure was curtailed at the beginning of the year.
9. DCCS - Underspend of £5.3 million (7.3%) against the budget and £2.8 million (3.95%) against the final forecast. The principal areas of underspend against the budget were:
  - a. Salaries - £1.6 million. The most significant part of the underspend derives from vacancies that actually occurred during the year while the budget assumed full staffing. In addition, the departmental budget assumed a 30.3% level of pension contribution with actual percentage applied being 26.2%.
  - b. Security - £1.2 million (see paragraph 5c for explanation);
  - c. Information - £1.1 million (see paragraph 5d for explanation);
  - d. Travel and Subsistence - £0.6 million (see paragraph 5g for explanation); and
  - e. Professional Services - £0.2 million due to underspends in the demand led areas of transcription and recording services and specialist advisers.

Most of these underspends were reflected in the final forecast but not to a high enough level. The only category where underspend against the forecast was at a similar level to the underspend against the budget was Information.

10. Department of Facilities – The outturn was significantly affected by the increase in Depreciation charges (£2.6m) resulting from the revaluation of the estate which were not known until after the final forecast was completed. Omitting the impact of these additional charges, the underspend against budget was £3.7m (6.7%) and against the forecast £1.4 million (2.6%). The principal areas of difference between the outturn and the budget were:

- a. Salaries – an overspend of £0.6 million due to the costs of overtime and the increased costs of interim staff covering vacant posts;
- b. projects (£1.7 million) and Property (£1.3 million) as discussed in paragraph 5b; and
- c. Communications - £0.7 million on postage costs as discussed in paragraph 5e.

Most of these variances were reflected in the final forecast but not to a high enough level.

11. Department of Information Services – Underspend of £0.9 million (6.0%) against the budget and £0.6 million (3.8%) against the forecast. The principal areas of underspend against the budget were:

- a. Salaries - £0.5 million due to delays in recruiting new outreach staff and in filling other vacancies. In addition, the departmental budget assumed a 30.3% level of pension contribution with actual percentage applied being 26.2%.
- b. Travel and Subsistence - £0.2 million due to different working patterns than assumed for outreach staff and a delay in the launch of the schools visit transport subsidy pilot.

These underspends were reflected in the forecast but not at a high enough level for Salaries.

12. Department of Resources – Overspend of £0.2 million (1.5%) against the budget and £0.1 million (1.0%) against the forecast. The significant areas of difference were:

- a. Professional Services – Overspend of £0.4 million. This was principally due to increased expenditure relating to Members Allowances and Freedom of Information activity. There was also £0.1 million corporate expenditure on compensation, losses and ex gratia payments for which no provision is made in the budget.
- b. Depreciation – Underspend of £0.2 million.

These variances were reflected in the forecast but not at a high enough level.

13. Office of the Chief Executive – Underspend against the budget of £126,000k (6.9%) and against the forecast of £76,000 (4.3%). The only significant difference was on Salaries with an underspend of £154,000 against the budget due to recruitment of new staff at lower pay levels than the average salary costs assumed in the business case for additional staff. In addition, the departmental budget assumed a 30.3% level of pension contribution with actual percentage applied being 26.2%.

The underspend was reflected in the forecast but not at a high enough level.

14. PICT – Underspend of £0.8 million (4.5%) against the budget and £0.8 million against the forecast (4.7%). The principal areas of underspend were:

- a. Communications - £0.2 million principally reflecting user driven costs such as call charges;
- b. Computers - £0.3 million for the reasons discussed in paragraph 5.f. above; and
- c. Depreciation - £0.3 million. There has been a great deal of work undertaken to ensure that ICT assets are fully captured and recorded properly. Further work is being done to refine this and the results will be incorporated into the planning process in future years.

#### Areas for improvement

15. Further improvement to the quality of budgeting and forecasting is still required. In most departments, the level of variance against the forecast is lower than the variance against the budget indicating that actual performance in year is being taken into account in the forecast.

16. A major element is that budget managers continue to be over-cautious and this is particularly obvious in the area of Salaries. The underspends over the last three years suggest some improvement on staff cost forecasting, but a more adverse position on staff planning:

	Underspend against budget		Underspend against forecast	
	£m	%	£m	%
2006/07	1.3	2.0	1.9	3.0
2007/08	1.0	1.3	0.7	0.9
2008/09	2.3	2.9	0.8	1.0

The majority of the underspend occur because departments assume that they will be fully staffed and do not make allowance for vacancies and the length of time that it will take to fill vacancies when they occur. Further work is needed to ensure that budgets and forecasts realistically take into account the impact of vacancies.

17. The majority of the other significant variances tend to occur in the ring fenced areas which include mainly demand led services. There is a measure of caution in budgeting and forecasting in each area and when added together the cumulative effect is almost certainly going to be an underspend. A way of reducing this in the future could be to reduce the budgets to departments to say, 95% of the expected demand and to hold a weighted central reserve to cover any pressures that become apparent in the year. The required weighted reserve would be less than the sum of the 5% withheld. This would give confidence to budget holders, provide a method of flexibly responding to pressures and would reduce the level of underspend overall.
18. Uncertainties will always remain on notional pension liabilities and Estate revaluation adjustments which are subject to economic conditions. These can give rise to significant year end adjustments based on independent advice from the Government Actuary's Department (GAD) and the Valuation Office Agency (VOA) respectively. The absence of a central reserve, surrendered as part of the 2009/10 settlement, places greater emphasis on the accuracy of forecasting to ensure there is sufficient flexibility in the Estimate to manage such year end adjustments.
19. In addition, better quality forecasting will require greater accuracy on the profiling of expenditure. Currently, a large proportion of budgets and forecasts are profiled evenly over the year. Without the reserve that underspending gives us, in-year decisions on the use of resources will be more dependent on the accuracy of the profiles. FMD will continue to work with the departments on improving profiling.

C Ridley  
Director of Financial Management  
14 May 2009

## 2008/09 Resource Budget - House of Commons Only

## Overall Position

	Forecasts		Budget £m	Outturn £m	Budget Variance		Forecast Variance	
	Mid-year £m	Final £m			£m	%	£m	%
Receipts	(9.1)	(9.4)	(9.2)	(9.3)	0.1	-1.1%	(0.1)	1.1%
Salaries	78.0	78.3	79.8	77.5	2.3	2.9%	0.8	1.0%
Accommodation								
- Projects	4.5	4.3	5.5	3.7	1.8	32.7%	0.6	14.0%
- Maintenance	9.1	9.6	9.3	9.4	(0.1)	-1.1%	0.2	2.1%
- Property	19.2	18.9	19.8	18.5	1.3	6.6%	0.4	2.1%
- Other	0.2	0.2	0.3	0.2	0.1	33.3%	0.0	0.0%
Sub Total Accommodation	33.0	33.0	34.9	31.8	3.1	8.9%	1.2	3.6%
Security	21.6	21.0	21.9	20.7	1.2	5.5%	0.3	1.4%
Information	15.9	15.8	15.8	14.6	1.2	7.6%	1.2	7.6%
Communications	7.2	7.0	7.4	6.6	0.8	10.8%	0.4	5.7%
Computers	7.1	6.9	7.3	5.4	1.9	26.0%	1.5	21.7%
Professional Services	3.8	3.9	3.9	4.2	(0.3)	-7.7%	(0.3)	-7.7%
Travel & Subsistence	4.1	4.1	4.7	3.9	0.8	17.0%	0.2	4.9%
Grants	4.0	4.0	4.0	4.0	0.0	0.0%	0.0	0.0%
Catering Supplies	3.9	3.9	3.9	3.9	0.0	0.0%	0.0	0.0%
Other	5.1	4.5	5.4	4.3	1.1	20.4%	0.2	4.4%
Sub-total	174.6	173.0	179.8	167.6	12.2	6.8%	5.4	3.1%
Non-cash Items								
Depreciation	17.9	17.7	17.9	18.5	(0.6)	-3.4%	(0.8)	-4.5%
Cost of Capital Charge and Interest on Pension Fund	46.2	47.4	46.2	47.2	(1.0)	-2.2%	0.2	0.4%
Other non-cash	0.1	0.1	0.1	0.7	(0.6)		(0.6)	
Total non-cash	64.2	65.2	64.2	66.4	(2.2)	-3.4%	(1.2)	-1.8%
Overall Total	238.8	238.2	244.0	234.0	10.0	4.1%	4.2	1.8%

## 2008/09 Resource Budget - House of Commons Only

## Speaker's Office

	Forecasts		Budget £000s	Outturn £000s	Budget Variance		Forecast Variance	
	Mid-year £000s	Final £000s			£000s	%	£000s	%
Receipts							0	
Salaries	419	415	430	420	10	2.3%	(5)	-1.2%
Accommodation	2	3	2	3	(1)	-50.0%	0	0.0%
Security			1		1	100.0%	0	
Information	4	4	4	3	1	25.0%	1	25.0%
Communications	1	1	1	1	0	0.0%	0	0.0%
Computers	1		1		1	100.0%	0	
Professional Services	6	6	8	4	4	50.0%	2	33.3%
Travel & Subsistence	144	171	178	126	52	29.2%	45	26.3%
Other	9	19	29	9	20	69.0%	10	52.6%
<b>Sub-total</b>	<b>586</b>	<b>619</b>	<b>654</b>	<b>566</b>	<b>88</b>	<b>13.5%</b>	<b>53</b>	<b>8.6%</b>
Non-cash Items								
Depreciation	3	2	2		2	100.0%	2	100.0%
<b>Overall Total</b>	<b>589</b>	<b>621</b>	<b>656</b>	<b>566</b>	<b>90</b>	<b>13.7%</b>	<b>55</b>	<b>8.9%</b>



## 2008/09 Resource Budget - House of Commons Only

## Department of Chamber and Committee Services

	Forecasts		Budget £000s	Outturn £000s	Budget Variance		Forecast Variance	
	Mid-year £000s	Final £000s			£000s	%	£000s	%
Receipts	(458)	(439)	(510)	(456)	(54)	10.6%	17	-3.9%
Salaries	28,121	27,907	28,702	27,080	1,622	5.7%	827	3.0%
Accommodation	24	36	40	31	9	22.5%	5	13.9%
Security	21,555	21,003	21,923	20,687	1,236	5.6%	316	1.5%
Information	13,596	13,455	13,554	12,502	1,052	7.8%	953	7.1%
Communications	1,239	1,253	1,177	1,225	(48)	-4.1%	28	2.2%
Computers	52	47	58	48	10	17.2%	(1)	-2.1%
Professional Services	1,485	1,360	1,535	1,300	235	15.3%	60	4.4%
Travel & Subsistence	3,610	3,497	3,884	3,321	563	14.5%	176	5.0%
Other	1,677	1,433	1,805	1,284	521	28.9%	149	10.4%
<b>Sub-total</b>	<b>70,901</b>	<b>69,552</b>	<b>72,168</b>	<b>67,022</b>	<b>5,146</b>	<b>7.1%</b>	<b>2,530</b>	<b>3.6%</b>
Non-cash Items								
Depreciation	461	697	641	454	187	29.2%	243	34.9%
<b>Overall Total</b>	<b>71,362</b>	<b>70,249</b>	<b>72,809</b>	<b>67,476</b>	<b>5,333</b>	<b>7.3%</b>	<b>2,773</b>	<b>3.9%</b>

## 2008/09 Resource Budget - House of Commons Only

## Department of Facilities

	Forecasts		Budget £000s	Outturn £000s	Budget Variance		Forecast Variance	
	Mid-year £000s	Final £000s			£000s	%	£000s	%
Receipts	(8,140)	(8,395)	(8,220)	(8,398)	178	-2.2%	3	0.0%
Salaries	19,301	19,397	18,966	19,615	(649)	-3.4%	(218)	-1.1%
Accommodation								
- Projects	4,547	4,266	5,457	3,709	1,748	32.0%	557	13.1%
- Maintenance	9,084	9,565	9,322	9,341	(19)	-0.2%	224	2.3%
- Property	19,175	18,917	19,765	18,496	1,269	6.4%	421	2.2%
<b>Sub Total Accommodation</b>	<b>32,806</b>	<b>32,748</b>	<b>34,544</b>	<b>31,546</b>	<b>2,998</b>	<b>8.7%</b>	<b>1,202</b>	<b>3.7%</b>
Security					0		0	
Information	72	61	81	57	24	29.6%	4	6.6%
Communications	3,935	3,803	4,290	3,584	706	16.5%	219	5.8%
Computers	43	63	30	41	(11)	-36.7%	22	34.9%
Professional Services	90	93	207	69	138	66.7%	24	25.8%
Travel & Subsistence	203	202	208	204	4	1.9%	(2)	-1.0%
Catering Supplies	3,906	3,948	3,761	3,946	(185)	-4.9%	2	0.1%
Other	1,340	1,208	1,625	1,103	522	32.1%	105	8.7%
<b>Sub-total</b>	<b>53,556</b>	<b>53,128</b>	<b>55,492</b>	<b>51,767</b>	<b>3,725</b>	<b>6.7%</b>	<b>1,361</b>	<b>2.6%</b>
Non-cash Items								
Depreciation	12,167	12,168	12,162	14,781	(2,619)	-21.5%	(2,613)	-21.5%
<b>Overall Total</b>	<b>65,723</b>	<b>65,296</b>	<b>67,654</b>	<b>66,548</b>	<b>1,106</b>	<b>1.6%</b>	<b>(1,252)</b>	<b>-1.9%</b>

## 2008/09 Resource Budget - House of Commons Only

## Department of Information Services

	Forecasts		Budget £000s	Outturn £000s	Budget Variance		Forecast Variance	
	Mid-year £000s	Final £000s			£000s	%	£000s	%
Receipts	(491)	(555)	(490)	(498)	8	-1.6%	(57)	10.3%
Salaries	12,098	12,290	12,544	12,010	534	4.3%	280	2.3%
Accommodation	151	173	229	160	69	30.1%	13	7.5%
Security				4	(4)		(4)	
Information	1,973	1,931	1,993	1,875	118	5.9%	56	2.9%
Communications	61	72	60	81	(21)	-35.0%	(9)	-12.5%
Computers	72	67	66	15	51	77.3%	52	77.6%
Professional Services	108	118	114	127	(13)	-11.4%	(9)	-7.6%
Travel & Subsistence	114	132	342	132	210	61.4%	0	0.0%
Other	361	369	286	354	(68)	-23.8%	15	4.1%
<b>Sub-total</b>	<b>14,447</b>	<b>14,597</b>	<b>15,144</b>	<b>14,260</b>	<b>884</b>	<b>5.8%</b>	<b>337</b>	<b>2.3%</b>
Non-cash Items								
Depreciation	204	309	117	84	33	28.2%	225	72.8%
<b>Overall Total</b>	<b>14,651</b>	<b>14,906</b>	<b>15,261</b>	<b>14,344</b>	<b>917</b>	<b>6.0%</b>	<b>562</b>	<b>3.8%</b>

## 2008/09 Resource Budget - House of Commons Only

## Department of Resources

	Forecasts		Budget £000s	Outturn £000s	Budget Variance		Forecast Variance	
	Mid-year £000s	Final £000s			£000s	%	£000s	%
Receipts	(1)	(1)		(2)	2		1	-
Salaries	6,868	6,845	6,869	6,893	(24)	-0.3%	(48)	-0.7%
Accommodation					0		0	
Security					0		0	
Information	104	86	72	78	(6)	-8.3%	8	9.3%
Communications	6	4	3	3	0	0.0%	1	25.0%
Computers	24	41	22	38	(16)	-72.7%	3	7.3%
Professional Services	1,509	1,776	1,506	1,868	(362)	-24.0%	(92)	-5.2%
Travel & Subsistence	45	47	30	57	(27)	-90.0%	(10)	-21.3%
Other	1,228	1,059	1,216	1,122	94	7.7%	(63)	-5.9%
<b>Sub-total</b>	<b>9,783</b>	<b>9,857</b>	<b>9,718</b>	<b>10,057</b>	<b>(339)</b>	<b>-3.5%</b>	<b>(200)</b>	<b>-2.0%</b>
<b>Non-cash Items</b>								
Depreciation	325	235	325	136	189	58.2%	99	42.1%
<b>Overall Total</b>	<b>10,108</b>	<b>10,092</b>	<b>10,043</b>	<b>10,193</b>	<b>(150)</b>	<b>-1.5%</b>	<b>(101)</b>	<b>-1.0%</b>

## 2008/09 Resource Budget - House of Commons Only

## Office of the Chief Executive

	Forecasts		Budget £000s	Outturn £000s	Budget Variance		Forecast Variance	
	Mid-year £000s	Final £000s			£000s	%	£000s	%
Receipts	(2)	(2)	(2)	(1)	(1)	50.0%	(1)	50.0%
Salaries	1,249	1,152	1,247	1,093	154	12.3%	59	5.1%
Accommodation								
Security					0		0	
Information	50	39	39	24	15	38.5%	15	38.5%
Communications	2	2	2	1	1	50.0%	1	50.0%
Computers		1	4	4	0	0.0%	(3)	300.0%
Professional Services	510	541	507	539	(32)	-6.3%	2	0.4%
Travel & Subsistence	3	5	4	5	(1)	-25.0%	0	0.0%
Other	46	45	34	42	(8)	-23.5%	3	6.7%
<b>Sub-total</b>	<b>1,858</b>	<b>1,783</b>	<b>1,835</b>	<b>1,707</b>	<b>128</b>	<b>7.0%</b>	<b>76</b>	<b>4.3%</b>
<b>Non-cash Items</b>								
Depreciation	2	4	2	4	(2)	100.0%	0	0.0%
<b>Overall Total</b>	<b>1,860</b>	<b>1,787</b>	<b>1,837</b>	<b>1,711</b>	<b>126</b>	<b>6.9%</b>	<b>76</b>	<b>4.3%</b>

## 2008/09 Resource Budget - House of Commons Only

## PICT

	Forecasts		Budget £000s	Outturn £000s	Budget Variance		Forecast Variance	
	Mid-year £000s	Final £000s			£000s	%	£000s	%
Receipts				(1)	1		1	
Salaries	9,049	8,883	8,592	8,615	(23)	-0.3%	268	3.0%
Accommodation	34	35	34	31				
Security					0		0	
Information	111	134	118	130	(12)	-10.2%	4	3.0%
Communications	1,920	1,842	1,918	1,738	180	9.4%	104	5.6%
Computers	4,211	4,229	4,241	3,960	281	6.6%	269	6.4%
Professional Services	18	32	37	35	2	5.4%	(3)	-9.4%
Travel & Subsistence	19	25	34	34	0	0.0%	(9)	-36.0%
Other	412	296	432	350	82	19.0%	(54)	-18.2%
<b>Sub-total</b>	<b>15,774</b>	<b>15,476</b>	<b>15,406</b>	<b>14,892</b>	<b>511</b>	<b>3.3%</b>	<b>580</b>	<b>3.7%</b>
Non-cash Items								
Depreciation	2,493	2,417	2,455	2,164	291	11.9%	253	10.5%
<b>Overall Total</b>	<b>18,267</b>	<b>17,893</b>	<b>17,861</b>	<b>17,056</b>	<b>802</b>	<b>4.5%</b>	<b>833</b>	<b>4.7%</b>