Management Board

Business Planning 2010/11 to 2012/13

Note by Head of the Office of the Chief Executive
and Director of Financial Management

Purpose

1. This paper provides an overview of three year business plans submitted by departments and asks the Board to reassess, in the light of recent events and departmental returns, the approach to be taken in this business planning round and in presenting options to the Finance and Services Committee in July.

Action for the Board

2. The Board is invited to agree further work to identify budget reductions of 10% and 30% against 2009/10 budget allocations should these be sought, as well as policy options for handling staffing consequences.

Background

3. The 2010 planning round has been undertaken in the context of an adverse economic climate and political uncertainty. At the April 2009 Board meeting it was agreed the planning exercise should adopt the 2008/09 outturn, adjusted for subsequent pay award uplifts and other new work included in the 2009 Corporate Business Plan, as the starting point for planning purposes. The Board did not wish proactively to plan for further savings at this stage, but wanted work to be done to explore different scenarios, in case of significant cuts in budgets in future. It agreed to retain Estates, ICT and delivery of Members' Allowances as the three priority areas.

4. Against this backdrop departments were asked to think innovatively about the use of resources. In particular,

- Where departmental work priorities lay and the scope for real reductions to budgets if these were to be sought;
- How existing services might be delivered more effectively and cost efficiently (i) over the planning period and (ii) in the longer term;
- How new work activities that might be funded by redistribution of existing resources.

5. Discussions with Business Management Directors have shown that there are potential areas for significant future saving such as through:

- Consolidation of existing work and greater sharing of services;

- Investing to save (which may be particularly desirable if expenditure is set to tighten in future years);

- Providing services that are sufficient for Member needs, rather than striving to meet all requests to the highest standard.

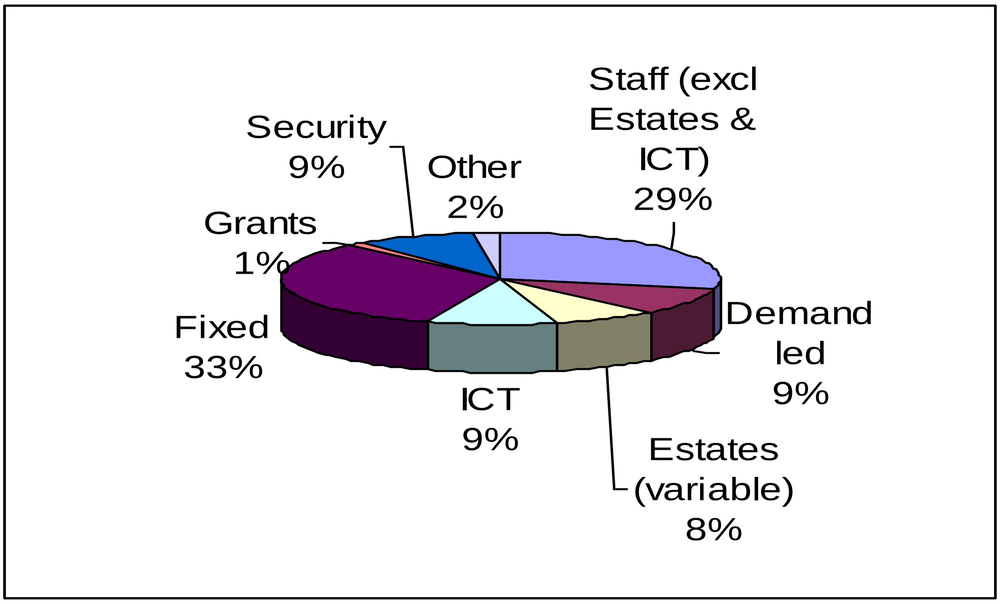
6. However, Business Management Directors are clearly unwilling to develop these options further without clear support from their Departmental Management teams.

Recent events and their impact

7. Recent events have increased the need to consider radical options. The Prime Minister's Statement on 10 June sought a Parliament that costs less, appeared to envisage external scrutiny of the efficiency and value for money in Parliament's expenditure (not just the Members Estimate), together with other constitutional reforms that could have a significant impact on both the procedural and structural operations of both Houses going forward. The setting up of a Parliamentary Standards Authority may well result in lower costs being borne on the Administration Estimate.

8. It is suggested that – to stimulate real attention to the need for significant savings - departments should be asked to plan for reductions of 10% and 30% against 2009/10 budget levels for 2010/11 onwards. **The Board is invited to agree that Director Generals should give a clear steer to their Departments that they must engage seriously in exploring the scope for real savings, including reduction in services.**

2009/10 expenditure plans



9. A significant proportion (33%) of total expenditure is fixed. This includes the capital charges (i.e. depreciation - £17.3 million, cost of capital - £27.9 million) on freehold properties, rent and other running costs associated with leased buildings - £16 million, together with actuarial adjustments on pension commitments - £18.4 million. The Treasury has however, decided to abandon the use of cost of capital for 2010/11 onwards which will reduce the House requirement by around £28 million (10.8%). In line with other Government departments this cannot be regarded as an efficiency saving as all Supply Estimates will be automatically adjusted.

10. Other demand driven expenditure includes the TSO printing contract - £11.2 million, other printing and publications - £2.2 million, conferences, travel and subsistence - £5.2 million, and Metropolitan Police Services costs - £22.8 million, although the latter contract is due to be re-negotiated with a potential for further savings to be achieved.

11. The remainder of the 2009/10 budget comprises:

	£m	
Estates (non-fixed)[1]		20.7
ICT related[2]	24.2	
Staff related	73.7	
Security	22.8	
Grants		3.7
Other	5.0	
	150.1	(58.2%)

12. Although this appears to limit the scope for achieving real cost reductions in the short term, there remains scope for reducing both fixed and demand led costs by radical initiatives towards the end of the planning period and beyond. For example,

- What services could be shared with the Lords (e.g. information services, education and outreach, finance, HR, House systems – HAIS/HAISL, catering)?

- Which House activities could be outsourced and what impact would this have on the effectiveness and efficiency of services?

- Is there scope for reducing the size of the Estate through alternative working arrangements for Members' and House staff, and more efficient use of space?

- How can ICT delivery enhance Member services at a reduced cost, especially around printing and publishing – Vote Bundle, Hansard, Select Committee reports?

[1] Includes staff related costs but not fixed costs such as depreciation and rent
[2] Includes staff related costs and all other ICT running costs

- What would be the impact of restricting the scope of catering outlets, menu choice, opening times and subsidy offered?

Departmental returns

13. Annex A provides a summary of the financial returns submitted by departments. Overall this would represent planned resource expenditure that is broadly level with the 2009/10 budget of £258 million (i.e. £259 million in 2010/11 and £256.5 million in 2011/12). The figures are at current values (i.e. they exclude pay awards and inflation uplifts beyond 2009/10) and are significantly higher that 2008/09 outturn of £234 million plus uplifts originally proposed.

14. The resource and capital costs shown include details of the initial Works and ICT investment programme figures provided. These are expected to be further refined by PEB and PICT-AB prior to firmer figures being made available at the end of June. The Finance Directors of both Houses are arranging a workshop for Estates, PICT and Security to review expenditure options in these areas of joint spending.

15. Annex B provides further background on departmental returns.

Staffing

16. Given how much of our budget is spent on staffing, this is an area which cannot be ignored if real savings are to be achieved. The primary issue is about whether the growth in staff numbers is fully justified or necessary. Related questions which the Board may wish to address are:

- Should we consider reducing staff levels; measures might include a recruitment freeze, encouragement for early departures or management delayering?
- Should we be actively pursuing outsourcing as an option?

17. **The Board is invited to consider whether we should be seriously considering reducing staffing.**

Finance and Services Committee

18. The Management Board has endorsed in principle the proposal that outline financial plans should be shared with the Finance and Services Committee in July, in order to establish their views at a time when they can influence the development of plans. The slightly thin response at the initial bid stage means that, by its meeting on 9 July, we will not be able to offer the Committee robust plans or clearly costed options. However, the Board may think there is still value in engaging the Committee at this stage in our working, in order to establish their views on what budgetary constraints we should anticipate, whether there will be Member acceptance of loss of services, and how best we should manage the current political uncertainty in our planning.

19. If the Board does think we should present these issues to the Finance and Services Committee in July, it would be helpful to have the Board's steer on handling, and in particular the extent to which we should expose to the Committee the scope for more radical savings.

Summary

20. The returns received suggest further work is required to provide the Board with sufficient information to consider radical options for delivery of services going forward. Both the economic and political climate have added impetus to the planning process.

21. It is recommended that:

- a strategic overview be put to the Finance & Services Committee in July 2009, in order to establish views in principle on the options to be pursued;

- Departments be asked to consider more radical options along the lines set out in paragraphs 4, 5 and 12 - with a Board endorsement requiring departments to plan for reductions of both 10% and 30% against 2009/10 budget levels for 2010/11 onwards;

- Revised plans be submitted to DG Resources by the end of July 2009 allowing time for further analysis in advance of a zero based review of expenditure plans in September 2009.

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Chris Ridley
June 2009

ANNEX A

FINANCIAL ANALYSIS OF DEPARTMENTAL PLANNING RETURNS

(a) Resource

	2010/11			2011/12		
	Original Baseline	Revised Baseline	Bids	Original Baseline	Revised Baseline	Bids
Speaker's Office	666	569	666	666	569	666
DCCS	74,710	67,765	69,241	74,695	67,750	69,841
DF	75,931	74,854	77,162	75,921	74,844	77,230
DIS	17,672	16,540	17,092	17,672	16,540	16,692
DR	10,871	10,933	10,933	10,871	10,933	10,933
OCE	1,867	1,719	1,800	1,867	1,719	1,800
Security	200	64	80	200	64	80
PICT	18,804	17,955	21,087	18,193	17,343	20,579
Grants	3,771	3,771	3,771	4,890	4,890	3,771
Project Provision	7,921	8,277	9,062	6,638	6,994	6,944
Central Provision	51,087	48,053	48,106	51,387	48,054	47,964
Total	263,500	250,500	259,000	263,000	249,700	256,500

		Original Baseline	Revised Baseline	Bids	Original Baseline	Revised Baseline	Bids
Change from Original Baseline				-4,500			-6,500
1. Investment in the Estate							
	Projects in Baseline		12,348			12,347	
	Revised Projects		9,735	-2,613		9,735	-2,612
2. Investment in ICT							
	Projects in Baseline		7,921			6,638	
	Revised Projects		9,062	1,141		6,944	306
Other							
1. Maintenance	In Baseline		7,702			7,702	
	In bids		9,559	1,857		9,559	1,857
2. Rent, Rates & Utilities							
	In Baseline		20,099			20,099	
	In bids		21,850	1,751		21,850	1,751
Ring fenced							
	Printing			-1,191			-1,191
	Security			-2,099			-2,099
	Postage			-772			-772

Central		
Provision	-1,778	-2,220
Other	-796	-1,520
Total	-4,500	-6,500

(b) Capital

	2010/11 Original Baseline		2011/12 Original Baseline	
Speaker's Office	0		0	0
DCCS	1,341	1,341	1,386	1,386
DF	25,248	32,705	27,991	33,985
DIS	135	135	135	135
DR	5	5	5	5
OCE	2	2	2	2
Security	0	0	0	0
PICT	971	3,606	805	1,095
Grants	0	0	0	0
Project Provision	4,250	3,000	0	2,000
Central Provision	1,048	6	1,676	37
Total	33,000	40,800	32,000	38,645
Change		7,800		6,645
Estates		5,665		4,355
ICT		2,635		290
Member Services		-500		2,000

ANNEX B

BACKGROUND ON DEPARTMENTAL PLANNING RETURNS

DCCS

1. The 2009 Corporate Business Plan included a number of new Member driven initiatives (e.g. Regional Committees) that would require the department to achieve real savings of nearly £7 million (9.0%) if they were restricted to the 2008/09 outturn. They have identified efficiencies worth £5.5 million that can be delivered without jeopardising the delivery of services to the existing standard. This suggests that further savings could only be achieved by delivering a different type of Member service – this would entail further consultation to identify the level of services thought sufficient by Members rather than the enhanced level of services currently provided. Such an exercise would need to be undertaken within a House culture that currently has no expectation of rationing of procedural services, nor a clear mechanism for agreeing restrictions or radical changes. The scope for achieving this could however be influenced by the Parliamentary reform agenda.

2. DCCS has already delivered a number of service improvements and efficiencies (e.g. full services provided to newly–established departmental select committees within existing resources). Further cost efficiencies may also arise from the re-negotiation of the Metropolitan Police Service and postage screening contracts currently underway. Any further efficiency savings would need to be set against a peak of select committee activity that traditionally arises in the first two full years of a new Parliament that will occur during the planning period.

3. Other efficiencies identified would require endorsement by the relevant select committees, including the Procedure Committee and the Liaison Committee, prior to implementation. Examples of potential areas include:

- Discontinued publication of the Hansard Sessional Index in bound volume form;
- Reduced frequency in publication of added names to Early Day Motions;
- Ceasing printing of evidence to select committees.

4. Further resources have been sought as follows:

- Following withdrawal of external broadcasters' support for PARBUL from August 2011, additional running costs of £1 million (shared 60:40 with the Lords) are required;
- Other minor bids will be considered as part of the annual budgeting round. These included an additional 1.0 Pay Band C member of staff in the Office of the Parliamentary Commissioner for Standards which may need to be re-considered in the light of planned parliamentary reforms.

DIS

5. The department will be undertaking further work prior to the summer recess to identify how better use may be made of existing resources, and where further efficiency savings might be made. Significant budgetary reductions would have an adverse effect on the services provided given most expenditure is staff related.

6. A bid for £400,000 additional resources in 2010/11 only to cover the production of updated Educational DVDs following the General Election is sought. If agreed this bid would be meet out of the Estimate savings generated by reduced levels of activity in the year following an Election. Other ICT related bids contained within the PICT investment programme include:

- Knowledge management: £0.93 million in 2010/11;
- SPIRE: £2.17 million in 2010/11.

DR

7. The 2009 Corporate Business Plan included ICT investment of £5 million (i.e. £3 million in 2010/11 and £2 million in 2011/12) for automated provision of Members' Allowance claims and reporting, as well as other HAIS enhancements.

8. Most departmental core activities are likely to be directly affected by the parliamentary reforms and further planning is difficult in the absence of firm proposals for managing the processing of Member expenses claims.

DF

9. A major addition to resource will be the Off-site Consolidation Centre, which is expected to add around £3.9 million (shared 60:40 with the Lords) to annual running costs.

10. Potential savings on catering and retail could be worth £300,000 although this would need to be offset against the cost of running catering in new buildings such as 14 Tothill Street. Other additional costs (e.g. Fire Officers) should be met from budget transfers.

11. The Facilities Management Board will be considering ways to reduce staff and other costs at a planning day to be held in July.

PICT

ICT planning is at a very early stage of definition, but initial figures suggests an additional gross resource costs of up to £3 million each year on core PICT activities, together with £3 million resource and £4.8 million capital investment on infrastructure and other renewal projects in 2010/11. There has been insufficient time to undertake a full analysis of the figures, which are shared between the Commons and Lords.

A key driver is the renewal / upgrade timetable for systems which generally follows a 5 to 7 year cycle. Much of the parliamentary ICT infrastructure and desktop is currently being replaced through the infrastructure programme. However, many business applications (e.g. Vote Bundle, Hansard, PIMS, HAIS) were created in the period 2001 to 2005, since when there has been little new investment. This in turn raises questions about the extent to which business processes have changed, or are likely to change, as well as the developments in supporting technology in recent years. For example, the development of ‘software as a service’ (SaaS) where software is no longer bought, but the service itself accessed through the web and hosted by the provider on its data centre.

A recent discussion with Business Management Directors has further highlighted uncertainties around bidding for departmental ICT funds. Clarification has been provided but further work will be required to ensure that all requirements have been identified whilst avoiding any duplication of bids.