HOUSE OF LORDS FINANCE COMMITTEE

For guidance: Committee remit and effectiveness

Paper from Jen Mills, Committee Clerk

Purpose

1. The Chair would like to spend some time at the Committee's September meeting discussing how well the committee is fulfilling its remit (as set by the Commission and approved by the House) and whether it is working effectively.

2. Some of the questions he has suggested it might be helpful to discuss are:

    - Do you feel the committee is working effectively?
    - How might the work of the committee be improved to make a difference to the wider running of Parliament?
    - Is there anything about the way the committee works that you would like to change?

Members are of course welcome to raise additional matters.

3. To support this discussion, we have provided:

- Annex A: the Finance Committee remit
- Annex B: the latest paper provided to the Commission outlining the Committee's recent work, presented in May.

Action for the Committee

4. The Committee is asked to discuss the remit and effectiveness of the Committee.

Jen Mills
Finance Committee Clerk
September 2022

Annex A: Finance Committee remit

The Commission has delegated the following functions to the Finance Committee, within the strategic parameters the Commission set:

- Consideration of annual financial plans and draft Estimates, for agreement by the Commission based on selective examination and enquiry
- Monitoring spending against budgets (including the outturn forecast) and receiving financial progress reports on major ongoing programmes
- Receiving reports on the use of the Reserve
- Advising the Commission on proposals for:
    - significant changes in spending or revenue-raising which affect the House and are not covered by the financial plans for future years, including proposals from other committees or from the Government;
    - major new savings initiatives brought forward by the House of Commons or the House of Lords Administration;
    - new expenditure on additional services and novel or contentious expenditure; and
    - transfer inter-office of budget greater than £100k.
- Monitoring specific areas of spending, as requested by the Commission
- Consideration of any other financial matter referred by the Commission.

Annex B: Commission paper on recent Finance Committee work, presented in May 2022

HOUSE OF LORDS COMMISSION

Update on the work of the Finance Committee

Paper from Lord Vaux, Chair of the Finance Committee

Purpose

1. This paper provides the Commission with an overview of the Finance Committee's recent work.

Decision

2. The Commission is invited to note the update on the work of the Finance Committee.

Key issues

3. Detail on the issues we have considered over the last six months is set out below, but there are three key issues I would like to draw to your attention:

   i. A recurring theme in recent meetings has been that a number of departments are struggling with high levels of staff vacancies and difficulties in recruiting the right people in the current job market.

   ii. Large projects continue to be an area of particular concern and focus for the Committee, particularly Victoria Tower (including lessons learned from the Elizabeth Tower project) and Transforming Digital.

   iii. We are working with the finance team to instigate a zero-based budgeting review, and are of the view that this will need senior buy-in in order to be effective.

Financial planning and performance

4. At the end of last year the Committee reviewed the Forecast Outturn, and agreed to recommend to you that the Supplementary Estimate be submitted. In reaching that view, we particularly queried the process for assessing whether individual projects should proceed where costs increase after initial approval.

5. We also completed our review of the Medium Term Financial Plan. Two key issues that we considered were the reductions to the In-House Services and Estates' (IHSE's) capital budget, and the need to keep House of Lords pay competitive compared to the House of Commons. We recommended that the Plan be submitted to you for approval.

6. We reviewed the Quarter 3 Combined Performance Pack, which included improvements we had suggested in the previous quarter. As part of this review we discussed the valuation of Millbank House, the variances in IHSE's figures and the impact of staff turnover. The new Pack has been very helpful, as it allows us to review the quality of decisions made against set objectives. It is a great improvement on the previous reports, and we are grateful to the team for their work on it.

7. We have been working with the Finance team to develop their plans for a phased zero-based budgeting review, and are grateful to the Finance Director and her team for being receptive to the concept and pushing it forward. When the Committee discussed the plans, we emphasised the need for visible support from the Clerk of the Parliaments and other senior officials for the process to be effective. We look forward to helping to take those plans forward in the coming months.

Regular financial monitoring

8. We have continued to receive the regular Portfolio Performance Report which covers category A projects and programmes. Through this process we clarified the cost of the Transforming Digital work and, in turn, highlighted the need for consistent cost reporting across projects. We heard about progress on developing the new project management model; and we also advised the team that term-time works may be appropriate where they lead to significant cost or time savings, and offered to support the Clerk of the Parliaments in scheduling work accordingly. There is still scope to improve the clarity and usefulness of the Report itself, and we provide feedback on this at each review.

9. The Committee received a specific update from the Parliamentary Digital Service, noting a forecast underspend for the year and the state of play regarding the Transforming Digital programme.

10. IHSE provided us with an update on their Action Plan for improving project delivery, and we have kept this under review each time the team visits the Committee.

11. We also received an update from the Parliamentary Procurement and Commercial Service, including details of issues with the recent competition for a broadcasting contractor and their recruitment challenges; and an update from the Parliamentary Security Department.

12. We have had a discussion with the Catering and Retail Services team about the net cost of catering, and have passed our views on to Lord Touhig to assist the Services Committee's consideration of the same matter. In the coming months we expect to consider the financial implications of further joint working with the Commons.

13. Prompted by our regular reviews of the quarterly reports, we have also received an overview of the Communications team's work, to help us better understand their financial position; and also requested and received a paper from the HR Director setting out the financial impact of current levels of staff turnover.

Parliamentary Estate

14. We have reviewed and provided feedback on both the Parliamentary Asset Management Plan and the Property Review, including on the proxy of commercial value, the maintenance costs, differentiating the requirements of Members and staff, and ways to improve the overall clarity of the Plan.

15. We requested an update on the Victoria Tower project, specifically the lessons that had been learned from previous projects. We also advised the team that we did not support

the option of wrapping the tower while the works are underway; the same position was later taken by the House of Commons' Finance Committee.

16. Similarly we have received an update on the lessons learned from the Elizabeth Tower project. We asked that more detail be provided, and expect to see a further paper in due course.

17. We also received an update on the Parliament Square Streetscape Project, including changes to its funding due to the financial pressures arising from the pandemic. While understanding the reason for the initial funding coming solely from Parliament, the Committee felt strongly that all parties involved should contribute to the next stages in a fair way and that this should be agreed at the earliest opportunity.

Restoration and Renewal

18. As the Commission may recall, I had been intending for the Committee to review and provide commentary on the request for funding within the Phase One Expenditure Limit to inform your own discussions. This became moot when the original funding bid was withdrawn, and the approval timeline for the revised bid did not allow time for the Committee to consider it.

Other matters

19. In February we were informed of the financial impact of recent staffing reviews, and how the in-year costs of additional staff would be met.

20. The Committee has also agreed a new operating framework to make it clear to committee members and those bringing matters to them how the Finance Committee works and what the expectations are on all parts. As part of this we agreed that all papers put to us should be for information, guidance or recommendation to the Commission, to ensure the purpose of each visit to the Committee is clear.

21. I continue to meet regularly with Nicholas Brown MP, the chair of the House of Commons Finance Committee, to discuss matters of shared interest and keep up to date on the work of the Commons Finance Committee. We have agreed to hold a trial joint meeting in July to enable a more flexible discussion of bicameral interests and implications: that meeting will focus on the work of IHSE.

22. Finally, I and the Finance Director are participating in the independent financial review being carried out by Lord Morse into the Commons and Bicameral departments. We will ensure that anything relevant to the House of Lords is acted on once that review is complete.

Lord Vaux
Chair, Finance Committee
May 2022