HOUSE OF LORDS

F/21-22
5th Meeting

HOUSE OF LORDS FINANCE COMMITTEE

Agenda

The Committee will meet in hybrid on Wednesday 3 November at 3.15pm in Committee Room G and on Microsoft Teams

1. **Apologies**

2. **Agreeing the minutes of the previous meeting and matters arising**

3. **Parliamentary Procurement and Commercial Service (OSCC update)**
   Richard Blake, Director, Parliamentary Procurement and Commercial Service
   F/21-22/17 HIGHLY RESTRICTED

4. **Quarter 2 Combined Performance Pack**
   Fehintola Akinlose, Finance Director
   Claire Arlington, Head of Finance Business Partnering
   F/21-22/18 RESTRICTED

5. **Medium Term Financial Plan – 1st review**
   Fehintola Akinlose, Finance Director
   Jonathan Smith, Head of Finance
   Claire Arlington, Head of Finance Business Partnering
   F/21-22/19 HIGHLY RESTRICTED

For information

Forward Work Programme
F/21-22/20 UNRESTRICTED

Members are free to discuss the contents of restricted papers with their colleagues, unless the paper is marked highly restricted or Parliament secret. Papers marked unrestricted are proactively published.

Jen Mills
Clerk
HLFinanceCommittee@parliament.uk

Finance Committee

Draft Minutes

Tuesday 12 October at 3.15pm in Room G.32 Millbank House

Present:

Lord Vaux of Harrowden (Chair)
Lord Colgrain
Lord Collins of Highbury
Earl of Courtown
Lord Davies of Brixton
Lord Lee of Trafford
Baroness Noakes
Lord Stoneham of Droxford

together with the Clerk of the Parliaments.

Fehintola Akinlose (Finance and Procurement Director) and Claire Arlington (Head of Finance Business Partnering) were in attendance. Patrick Vollmer (SRO, Archives Relocation Programme) attended for item on the archives; Isabel Coman (Managing Director, In House Services and Estates) and Carl Woodall (Director of Facilities) attended for the item on In House Services and Estates; and Abigail Fox-Smith (Director of Visitor Experience) and Matthew Morgan (Commercial Visits Business Manager) attended for the item on tours.

Apologies

Apologies were received from Lord Levene of Portsoken and Lord Campbell-Savours.

Agreeing the minutes of the last meeting, and matters arising

The minutes of the Committee's July meeting were agreed.

Archives Relocation Programme Update F/21-22/13 [RESTRICTED]

Patrick Vollmer presented an update to the Committee. Iterations of the Archives Relocation Programme had been around since 2015. The current SRO took over in 2019 and set out to define and agree the programme mandate. The Accounting Officers agreed the mandate of the programme: to reduce the risk to the collection and people; move the collection out of the Victoria Tower by summer 2025 for Restoration and Renewal (R&R); and to enable continued access to the collection during that time. Additionally, the programme would consider long term solutions for the location of the Archive and how to increase its usage.

As part of the Outline Business Case process the programme considered various options for owned and leased facilities and the option of partnerships. When assessed the highest scoring option was a partnership with the National Archives in Kew. The partnership would give greater public access, retrievals would be made in 30 minutes rather than half a day as at present. It would be possible to hold exhibitions both in the Palace and at Kew. The option would also provide career progression options for staff who would be transferred to the National Archives under the Transfer of Undertakings (Protection of Employment) Regulations 2006. The ownership of the collection would remain with Parliament to allow the Clerk of the Parliaments to continue to discharge their statutory duties.

Following discussion with senior political office holders the programme had looked at the options for retaining a small on-site collection. The paper set out three options to do so and asked for the Committee's steer. It was not within the gift of the programme to deliver any of the options, but it proposed to recommend an option to the Chair of the R&R Sponsor Body.

The Committee was supportive of the partnership with the National Archives and felt that the collection was best kept together in one place with the option of holding exhibitions in the Palace, leaving any decision on the future use of the Victoria Tower to be part of the R&R process. The Committee felt this was the best option both for the safety of the collection and for its practical use for research.

The Committee thanked Patrick for all his work to get the programme to its current position.

Update on the In House Services and Estates Action Plan F/21-22/14 [RESTRICTED]

Isabel Coman provided the Committee with an update on the In House Services and Estates (IHSE) Action Plan. The IHSE Action Plan brought together all the actions IHSE had been taking to improve project delivery. The collation of the actions had taken place around a year ago and the update circulated to the Committee showed that a significant portion of the actions had now been closed out, including many cultural and system changes.

A number of key actions were highlighted to the Committee:

- The creation and approvals process for business cases had been changing, improving both the quality and speed of approval of business cases;
- A standard cost plan has been developed and rolled out across all projects;
- Together with the Royal Institute of Chartered Surveyors (RICS), IHSE was developing a benchmarking tool which will be able to measure progress in projects that are underway It was hoped that once up and running it could be utilised by other public bodies, particularly those with historical estates;
- There was now a performance and reporting team in place, standardising the reporting and data collection process;
- A significant amount of work had been done on the structure and capability of delivery teams and a benchmarking process would take place to align pay scales to market rates for commercial specialities; and
- A new soft landing process had been implemented to improve the handover of projects to business as usual running, which had proved successful in the recent handover of Derby Gate.

The improvements that had been put in place would take time to move through the delivery process to the point the Committee would start to see clear results, but the Managing Director was confident that the actions were making a difference.

Historically a lack of surveys completed ahead of projects being approved and works starting had caused scope creep and significant increases in budgets. Surveys were now a fundamental part of the early stages of projects, with projects able to apply for funding at the outline business case for surveys to take place before the full business case was submitted and approved.

The new SRO/Executive Sponsor model was now being trialled on a number of projects. Job descriptions for the SRO role had been redefined and recruitment was underway to ensure there was sufficient capability in the team. An independent review of the new model had taken place and would be reporting to the Joint Investment Board next month. Final sign off of the new model would come from the Accounting Officers. Subject to that sign off, work could then progress on the development of an Expert Panel to support projects and programmes.

The role of the Executive Sponsor was to challenge the SRO and hold them to account for the delivery of projects on time and on budget. With the SRO previously having to take on this role in addition to being responsible for the delivery of the project, it was felt that the Executive Sponsor Role was able to act as a source of independent challenge and the move was a welcome change.

IHSE had worked with PDS to prioritise the software upgrades it required, including providing the funding to PDS where required. The same approach would be taken in the next financial planning round.

The Committee took note of the encouraging report and welcomed future updates.

Options for the future of tours of the Palace of Westminster and Elizabeth Tower F/21-22/15 [RESTRICTED]

Abigail Fox-Smith and Matthew Morgan provided an overview of the options for tours. Before the Tower closed prior to refurbishment it had the capacity for 12.5k visitors a year; with the refurbishments and new tours it was expected this would increase to 28k visitors a year. The paper set out a number of options for the tours of the Tower. All models other than offering all tours of the Tower as democratic access tours were cost neutral, with most allowing the Visitors Services team to make an overall contribution to Parliament. Consideration was also being given to an allocation model that would allow for mixed groups to take part in tours, with a number of tickets reserved for democratic access each year.

The Committee was supportive of a mixture of democratic access and commercial tours of the Tower, which it felt should as a minimum break even. It felt that the Tower, unlike the Palace, could be marketed as a commercial tourist attraction, whereas the focus of Palace tours was the work of the Houses and role of democracy.

The final decision would be taken by the Commissions of both Houses.

Any other business

The Committee would next meet on Wednesday 3 November at 3.15pm.

The Forward Work Programme and Future Dates had been shared with the Committee. It was expected that an additional meeting would be needed on R&R as the Commission had asked the Committee to look at the Phase 1 funding.

It was confirmed that a Chief Operating Officer had been appointed and was expected to join the Administration in January, with the announcement to be made in due course.

Once agreed the date for a further informal session with EPMO would be shared with the Committee.

The Committee would continue to receive electronic circulations, unless members requested a hard copy.

Text in italics will be redacted before publication and the following text added:

Small sections of these minutes have been redacted, usually for reasons such as commercial confidentiality and sensitive management information.

Jen Mills
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HOUSE OF LORDS FINANCE COMMITTEE

Parliamentary Procurement and Commercial Service (PPCS) Report – Oct 21

Paper from Richard Blake, Director Parliamentary Procurement and Commercial Service

Purpose

1. The aim of the attached "Top 10" report (spreadsheet) is to provide a snapshot update of procurement activities and the major delivery challenges in PPCS to mid October 2021. This report is produced from a bicameral perspective.

Decision for the Committee

2. The Committee is invited to consider and discuss the report.

Summary of the Report

3. The key achievements since the last report include:

   a) the KPIs for Q1 and Q2 are reported for the first time and are all Green;

   b) two significant procurements have been brought to a successful conclusion - for the Travel Service and for Member's Security. Each has seen a change of contractor with qualitative improvements. Contract managers have been appointed and exit planning / transition is progressing well;

   c) significant progress has been made in Information and Communication Technology with demanding timelines for Transforming Digital met and key re-procurements achieved such as Protective Monitoring (the first line of our cyber defence);

   d) an In House Services and Estates Pipeline Review Board has been formed with Director level representation and with a remit:

      … to ensure that the IHSE Senior Leadership Team direct and oversee improved visibility of future demand of projects, services and products across the estate allowing IHSE and PPCS to optimise resources, consider appropriate delivery strategies in a timely manner and achieve greater value for money from the supply chain;

   e) the re-let of the Primary Broadcasting contract remains flagged as Red, a full verbal update will be provided at the meeting. The current contract ended in July and at the time of writing (12 October) an extension had not yet been achieved.

4. In respect of the ostensibly high figures for waivers reported for the first time (see the KPIs), the majority by volume and value are routine decisions each well below the relevant Procurement Regulation thresholds. There have been three exceptional cases:

1) in Q1, two direct awards to Mitie to proceed with Flood Alleviation and the Data Centre move out of 7 Millbank (£4M) necessitated by urgency following competition disinterest from the market;

2) in Q2, the sum of direct awards to Pick Everard (totalling £3.5M) under the Mechanical, Electrical, Public Health and Fabric Safety (MEPFS) programme which whilst lawful was becoming unreasonable in scale; the Senior Responsible Officer has now agreed that design work for subsequent phases should be competed;

3) in Q2, use of Government-mandated suppliers for utility and communication requirements (2 instances, total £3.3M).

The overall target is to remain under £90M by year end and we are well on track to achieve that.

Current Matters of Interest

5. In addition to those highlighted in the "Top 10" RAG report:

a) an additional post is needed in our Information Communication and Technology Category Team and this has now been approved for 2 years;

b) originally forecast for end of the calendar year 2021, Cabinet Office have now announced that the post-Brexit new Procurement Regulations are unlikely to come into force until early 2023. The next stage is to publish the results of consultation on the December 2020 Green Paper. This issue was highlighted as a major risk for PPCS in 2021/22 and we now have greater time to prepare;

c) there is an increasing level of supply chain volatility both in terms of availability and price. It is highly likely that post-Brexit and Covid-19 related supply chain disruptions will be with us for some time. We are undertaking robust contract monitoring and continuous and collaborative risk assessment. In the medium/longer term we may find it more difficult to secure firm/fixed prices for our contracts after an era of being able to price out to 5 years and beyond;

d) the PPCS budget submission has been prepared for 2022/23 and includes a number of lines for debate associated with future PPCS resourcing and direction;

e) our thinking on the re-let of the Off-Site Consolidation Centre contract is maturing and this critical requirement has been added to the "Top Ten" (Serial 8) and will be tracked through to completion.

Richard Blake
Director PPCS
October 2021

HIGHLY RESTRICTED - COMMERCIAL

F/21-22/17

DIRECTOR PPCS "TOP 10" COMMERCIAL ACTIVITY REPORT- OCTOBER 21

RAG Rating Key

Progress is good, no issues	Progress is good, minor issues
Significant issues to be resolved	Significant issues to be resolved, success in jeopardy

Serial A5:I5A5:H5A5A5:K5	Issue	Key Date	Issue Owner	House	Risk / Impact	Value £M	Progress Report	Previous RAG Status	Current RAG Status	Notes
	CURRENT ISSUES									
1	Security enhancements to entrances on the Parliamentary Estate (Peers entrance, St Stephen's entrances, 1 Parliament Street entrance, etc.) and New Palace Yard enhancement all in response to the security review.	Construction Programme various	PPCS Works Cat Team Mgr.	Joint	High - security risks, high profile Works	£40M	The New Palace Yard contract and price negotiations with BAM continue in earnest in the face of changed requirements, supply chain issues and difficulties siting welfare facilities. Electronic Security Framework award is imminent, one of the selected companies went into administration with no prior warning. Ballistics Protection Cabin sourcing being assisted by MoD.			Remains a significant body of work with regular challenges.
2	Moves programme including 21 Dartmouth & 64 Victoria Street Fit-Out and Decant Works	Original programme delivery by July 20, revised date Summer 21 for 64 VS	PPCS Works Cat Team Mgr.	HOC	High - Moves programme critical (7 MB, NSN & RH decants)	£14M & £16M	64 VS is now in occupation. The crisis concerning key, externally sourced Project Team members and IR35 has been overcome. 14 Tothill St contract (which links to 21 DS) has been awarded. 21 DS Category B refurbishment is fully under way. Programme challenges continue, for instance 7 Wooton St where we have removed the original contractor Wilmot Dixon in the face of their unacceptable attempts to de-risk their bid position post-award. The contract will now be delivered as part of the Norman Shaw North contract with Wates.			Nothing additional
3	Re-let of the Parliamentary Estate door access control / security systems (AACS) and associated maintenance and re-supply.	July 22 (TBC)	TBC (has a Works and an ICT component)	Joint	High - direct impact on Parliament operations	>£1.5M per annum	The original procurement (a decade ago) left Time Data Security (TDS) with a supply monopoly based on software ownership of a closed protocol system. We intend to break that monopoly which is a business risk, value for money cannot be tested and Procurement Regulations intent is being thwarted. There are multiple internal stakeholders.			A Project Team has now been formed and a Security Adviser appointed to take this forward.
4	Re-let of the primary Broadcasting "Sound and Vision" contract (now "Vision, Sound & AV")	Contract award now January 21 to allow sufficient lead-time	PPCS S&S Cat Team Mgr.	Joint	High - direct impact on Parliament operations	>£1.5M per annum	Current contract with NEP Bow Tie expired August 21, extension not yet achieved at time of writing (12 Oct 21). Re-procurement has been signalled to the market but response has been underwhelming and ITT issue, due 8 October, has yet to be achieved because (1) the SOR has been delayed and (2) withholding of TUPE data. The input nature of the SOR coupled with TUPE means that prospects for effective competition are considered very poor.			Verbal update to be provided, competition in some jeopardy.
5	Cleaning	1 August 22	PPCS S&S Cat Team Mgr.	Joint	Medium - reputational, everyone is a stakeholder	£20M over 5 years	Current contract with Servest Group has been extended. IHSE have engaged an external SME to produce the next Statement of Requirement and allow sufficient time to run an effective competition. The internal / external resource mix is under consideration. TUPE will apply.			Progress to date is good, resources in place and competition will commence on time.
6	Publication of a Parliamentary Future Contract Pipeline	Was June 21, May 22 now considered likely	Assistant Director PPCS	Joint	Medium - reputational	N/A	Best practice in public sector procurement demands that we publish our future requirements at 6 monthly interval or more. A Works only version was published Dec 20 and there is an in-house version covering about 80% of ICT. The S&S situation is less well developed. Previously, progress has been thwarted by a lack of resources and poor data systems.			Publication target has been abandoned, the data is simply not of sufficient accuracy and quality. MD IHSE has brought additional resources to bear and a Review Board of all HOC Directors with procurement responsibilities has been formed to take the issue forward.
7	Victoria Tower refurbishment	1 September 22 (estimated)	PPCS S&S Cat Team Mgr.	Joint	Medium - reputational	£75M	Strategic Outline Case (SOC) including project scope approved, procurements about to be launched for Project and Cost Management support and Design all using the existing Parliamentary Frameworks. Anticipated date for Works contract award is Sep 22.			Project scope now extended to include full refurbishment.
8	Re-let of the Off-Site Consolidation Centre contract	1 November 22 (estimated)	PPCS S&S Cat Team Mgr.	Joint	High - direct impact on Parliament operations	£33M	Procurement strategy under consideration. Likelihood is that we will utilise the Crown Commercial Service Logistics Framework.	New		New

RAG Rating Key

Green	Progress is good, no issues
Yellow	Progress is good, minor issues
Orange	Significant issues to be resolved
Red	Significant issues to be resolved, success in jeopardy

Serial A5:I5A5:H 5A5A5:K5	Issue	Key Date	Issue Owner	House	Risk / Impact	Value £M	Progress Report	Previous RAG Status	Current RAG Status	Notes
	CURRENT ISSUES									
9	New Procurement Regulations	Not yet known	PPCS Policy Team Mgr.	N/A	High - direct impact on all procurement	N/A	Expected late 21, Cabinet Office have now advised that early 23 is now more likely but there are still concerns as to how we will access training and new documentation through largely unofficial channels.	New	Yellow	New
10	Furniture	1 September 22 (estimated)	PPCS S&S Cat Team Mgr.	Joint	Medium - key component of Parliamentary operations	£30M	Current bespoke Parliamentary framework has been extended to Sep 22. New framework approach via Crown Commercial Service or a bespoke competition now under consideration.	New	Yellow	New

KPIs	Q1	Q2	Q3	Q4
1. **Customer Satisfaction** - in each Award Report, the Budget Holder will have an opportunity to provide comment on the level and quality of service provided by PPCS and give a ranking on a scale of 1 – 10 across a range of sub-indicators. PPCS's key performance target in this respect will be an average of **>7.5 over any 12 month period**.	9.2	9.1		
2. **Competition** – measured by award value, PPCS's key performance target will be **>80% new contracts or orders to be competed over any 12 month period**.	80%	90%		
3. **Waivers** - the total value of waivers granted will be **<10% of the sum of award values (i.e. <£90,000,000) for all Parliament contracts** considered "live" at the time of the assessment.	£7.8M	£8.2M		

CLOSED POST PREVIOUS REPORT

Original Serial	Issue	Key Date	Issue Owner	House	Risk / Impact	Value £M	Last Progress Report	Previous RAG Status	Current RAG Status	Closure update
1	Response to HOC Contract Lifecycle Management Report, i.e. (1) lack of contract documentation (2) supplier financial viability (3) contract management issues	Various to March 21	Director PPCS	Joint	Medium - reputational, Joint Audit Committee actively following	N/A	Having been rolled out effective 1 September 20, pressure has been brought to bear across Parliament on contract management planning and completion of mandated training. The new supplier financial viability policy has been examined by the HOL audit team whose report is generally positive. Work continues on the new contract structure which is currently being amended to include enhanced modern slavery and information management provisions.	Green		Final element, the new contract structures, completed September 21; now business as usual.
5	MP security (IPSA funded)	Contract award required by end June 21 to allow sufficient lead-time	PPCS S&S Cat Team Mgr.	HOC	High - MPs and personal staff security at risk	>£1.5M per annum	Contract awarded to Tyco Fire & Integrated Security with IPSA consent.	Green		Transition from Chubb now in process, reported as proceeding well. Chubb will complete pre-existing orders.
9	Travel Service	31 August 21	PPCS S&S Cat Team Mgr.	Joint	Medium - reputational	£400K p.a. administering £5M p.a. travel spend	Contract awarded to Read & Mackay, a formal challenge from the incumbent was answered and resolved.	Green		Transition from Chambers Travel Management now in progress, reported as proceeding well.

F/21-22/18
Restricted: Management

House of Lords

Combined Performance Pack
2021-22 Financial Year as at Quarter 2

Authors: Claire Arlington, Grace Akora, Aisha Bi, and Emma Gendall

Contents

Money | People | Outcomes

Objective 1		
Members' Finance	Lord Speaker's Office	Journal Office
Committee Office	HoL Virtual Chamber	Members' Digital Services
Overseas Office	Clerk of the Parliaments' Office	Postal Charges
Legislation Office	Hansard excl. Broadcasting	Library
Black Rod's Office excl. Relocation & Emergency Planning		

Objective 2
Communications
Parliamentary Archives
Archives Relocation Programme
Broadcasting (Hansard)
Participation shared services

Objective 3	
In-House Services and Estates	
Relocation & Emergency Planning (Black Rod's Office)	
Independent Complaints and Grievance Scheme	
Cyber Programme	Security Costs
Department of Facilities	

Corporate Services
PDS: R&R Moves and Buildings, BAU, Portfolio excluding Cyber Programme, Transforming Digital Programme
Finance Department, Procurement, Centrally Held Funds
Catering and Retail Services
Human Resources

Executive Summary

Money | People | Outcomes

Money:

Income: The pandemic has continued to impact commercial tours this year as Q1 saw no tours took place and reduced numbers in Q2 to limit capacity as Covid protocols continue to be observed. Reduced numbers are expected to continue to year-end and into next financial year as reflected in the early budget numbers for 22-23. Catering & Retail Services (CRS) receipts are slightly up on the YTD budget (£95k) but expected to be c.25% below budget (c.£900k) which was set with the assumption that business would return to near normal levels more quickly this year.

Pay: There are a number of unfilled vacancies across Lords budgets and PDS which is reflected in the YTD underspend of £1.1m, however the majority are forecast to be filled by year-end with additional posts expected to be recruited, including support for the Chief Operating Officer, although there is a risk of some recruitment slipping to the right.

Operating Expenditure: Members' Finance is the main contributor to both the YTD and forecast outturn underspends - £4.4m and £5.2m respectively. Whilst In-House Services & Estates is reporting a £1.5m YTD underspend, this is forecast to be a £428k overspend with the additional costs of some project spend being reclassified from capital to resource. The unused reserves and contingency within Centrally Held Funds account for the YTD underspend of £1.2m, increasing to £3.7m by year-end with the majority of reserves being released.

Capital: IHSE is the main contributor to the YTD and forecast outturn underspends from the continued delays to and pausing of a number of projects and programmes which will result in costs shifting to the right. It is recognised the cost of these may change as a result of a number of reviews of various projects in progress. This has been noted as a risk.

£000's	YTD Budget (A)	YTD Actuals (B)	Variance (A-B)	Variance % (A-B)	Original Budget (C)	Forecast @Q2 (D)	Variance (D-C)	Variance % (D-C)
Income	-840	-652	-189	-22.4%	-4,491	-3,213	-1,278	-28.5%
Pay	20,623	19,471	1,152	5.6%	41,693	41,484	209	0.5%
Operating Expenditure	45,335	36,439	8,896	19.6%	98,817	90,231	8,585	8.7%
Subtotal	*65,118*	*55,258*	*9,860*	*15.1%*	*136,019*	*128,502*	*7,517*	*5.5%*
Non-cash costs	6,057	5,398	659	10.9%	12,114	12,114	0	0%
Resource Total	**71,175**	**60,656**	**10,519**	**14.8%**	**148,133**	**140,652**	**7,517**	**5.1%**
Capital Total	**34,970**	**13,268**	**21,702**	**62.1%**	**71,771**	**47,088**	**24,682**	**34.4%**

People:

Q2 has confirmed what was anticipated in Q1, in that the initial uptick in recruitment and leaver numbers is cementing itself into a trend for the year. The numbers of leavers, vacant posts, and recruitment campaigns have all surpassed 2020/21's full year figures already, and are matching the levels that were seen in 2019/20. The number of new starters is currently not reflecting the increase completely, however the recruitment process is known to take time, and we expect that number to keep increasing over the course of the year. Sickness levels appear to be remaining largely consistent.

Outcomes:

The definitions and red, amber, green scales for all of the performance measures referred to under the outcomes section of the report are available on request.

- This year we are reporting on 31 performance measures. Of those 21 have met or exceeded target (green), seven are slightly below target (amber), and three measures (managing financial resources, processing payments and payroll, and Catering and Retail services: Net Subsidy) are off target (red).
- This year we are reporting on 20 milestones relating to initiatives in the Corporate Business plan, (noting that initiatives reported on in the bicameral Portfolio Performance Report are generally excluded, to avoid duplication). Of the 20 initiative milestones, Three have been completed, 13 were on track to be delivered (green), four were slightly delayed but still due to be delivered by the end of the financial year (amber).

Financial risks and issues relating to reporting year (top 3)

- IHSE: Over-optimistic forecasting within projects and programmes.
- Uncertainty of impact on resources and budgets from various reviews due to be completed this year including the Committee Office and Lord Speaker's Office.
- Hansard (Broadcasting): Potential for increased costs if a return to more substantial hybrid activity is required if further Covid-19 restrictions are imposed.

Short/medium term opportunities (top 3)

- CRS: Banqueting bookings cancelled from the first part of this year have been rescheduled to the second half of the year (within current Covid guidelines).
- Utilisation of forecast underspends across a number of offices to fund other pressures.
- Changes to future ways of working across Corporate Services and other Objectives.

Forward look (top 3)

Potential Financial risks and concerns

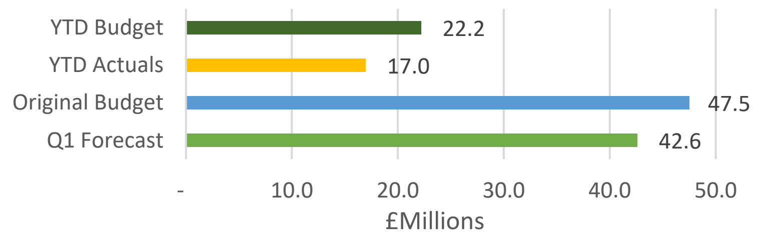
- IHSE: Impact of delays relating to recruitment and works on projects/programmes on future year budgets.
- Delays in filling vacancies may lead to further pressure on existing resources.

Long term opportunities

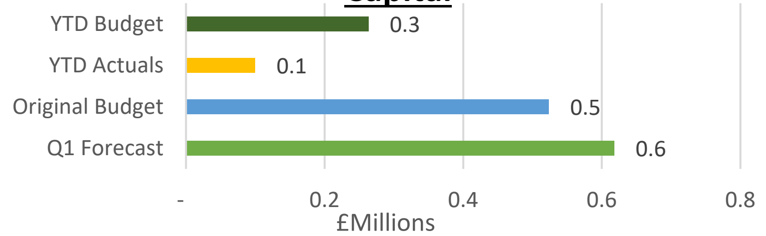
- PDS: Potential efficiencies from each phase of TD.

1. Provide excellent services to facilitate the work of the House and its Members

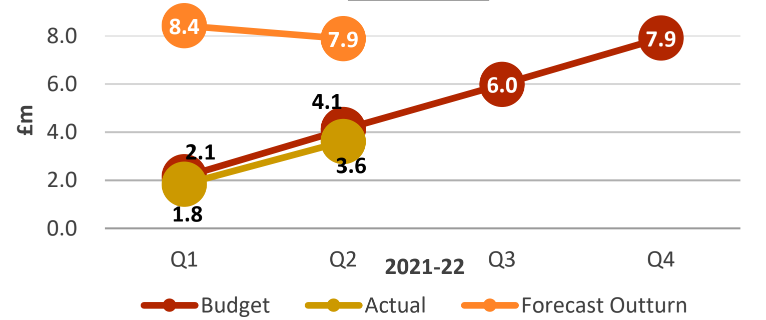
Resource



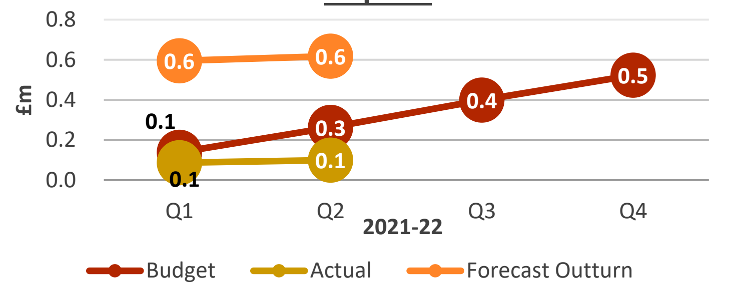
Capital



Resource



Capital



YTD Analysis				
£	Resource (excl non-cash)		Capital	
YTD Budget	22,195,925		263,320	
YTD Actuals	16,973,870		99,827	
Variance £ / %	5,222,055	23.5%	163,493	62.1%
Full Year Analysis				
Original Budget	47,527,834		523,630	
Q2 Forecast	42,603,151		617,986	
Variance £ / %	4,924,683	10.4%	-94,356	-18.0%

Pay and staffing data					
YTD Budget	YTD Actuals	Variance	Original Budget	Forecast @Q2	Variance
8,636,448	8,480,987	155,460	17,344,215	18,112,810	-768,595
FTEs	No. of Vacancies	Vacancy rate	No. of Leavers YTD	Sickness	Turnover
285.6 / 322	46	14.3%	18	0.8% / 284	5.6%
Staff Training - Discretionary/Mandatory					
YTD Budget	YTD Actuals	Variance	Original Budget	Forecast @Q2	Variance
56,901	38,639	18,262	130,800	112,500	18,300

Performance - KPIs	2020-21		2021-22	
	Q3	Q4	Q1	Q2
House sat as planned, without disruption				
Key procedural documents and briefs: timeliness				
Key procedural documents and briefs: accuracy				
Coverage of House Business by Library briefings				
Timeliness of Library briefings				
Availability of key digital systems				

Activity / Cost	Quarter 2 21-22	Quarter 2 20-21	Activity / Cost	Quarter 2 21-22	Quarter 2 20-21
Sitting days	24	39	Library enquiries	665	873
Time after 10pm (hrs:mins)	05:06	10:19	- of which from Members	500	728
Amendments covered	649	805	Research briefings published	52	68
No. of Members eligible to attend at period end	788	797	Briefings distributed by Library	4,264	6,012
Divisions	29	16	Library website page hits	165,638	-
Average division size	389	427	Committee reports	26	33
Average daily attendance	366	245	Number of Grand Committee meetings	14	13
Members Finance: - Attendance expenses	£6.25m	£2.64m	Committee meetings	134	166
- Member claims processed	3,276	2,065	Number of witnesses	186	242

1. Provide excellent services to facilitate the work of the House and its Members

Commentary

Money:

Of the £5.2m YTD resource underspend, £4.4m is within Members' Finance due to less sitting days than expected during the first half of the year, a longer prorogation period and the impact of Covid-19. This has been reflected in the Q2 forecast of £5.2m underspend with the uncertainty of future Member sitting patterns and attendance claims; the forecast will be reviewed again in November. The underspend in Members Finance will not impact future years. The Clerk of the Parliaments' budget is showing a YTD underspend of £151k due to timing differences between the profiled budget and actual spend for Internal Audit costs and the delay to recruitment of vacant posts. The Q2 forecast outturn of £471k overspend includes a number of new posts such as the Chief Operating Officer (COO) and support posts; this is partly offset by the provision held within Centrally Held Funds for the estimated cost of the COO's salary.

The Committee Office is showing a YTD underspend of £260k due to a delay in filling vacant posts. The forecast outturn shows a reduced underspend of £17k as recruitment and other non-pay spend is expected to increase to year end, although vacancies may remain unfilled longer than planned. The Overseas Office has a £271k YTD underspend within Parliamentary Delegations and Inter-Parliamentary Grants, both impacted by the pandemic. Parliamentary Delegations spend is expected to continue to underspend, reflected in the £187k Q2 forecast, as International Parliamentary Assemblies are increasingly holding hybrid meetings, with physical travel by Lords and MPs increasing in line with the relaxation of international travel restrictions. This is expected to spend to increase in this area but not to pre-pandemic levels.

The YTD underspends are offset by overspends in four areas; the most significant within the Virtual Chamber cost centre (£104k) for residual work on the Virtual Hubs not completed last financial year and pay costs of Lords staff supporting the virtual proceedings; this is forecast to increase to £132k for year-end from management consultancy costs. This is not expected to continue into future years.

Capital expenditure shows a YTD underspend of £163k and an overspend of £94k for the Q2 forecast outturn. Most budgets are currently underspending to date; the largest of which is Members' Digital Services at £200k under budget, although spend is expected to increase in line with budget with the planned refresh of equipment. Of the two areas showing a YTD overspend, the HoL Virtual Chamber accounts for £66k, forecast to increase to £90k by year-end relating to the completion of work on the Virtual Hubs.

People:

This area has had the highest turnover levels for the year consistently. In this quarter, the number of leavers has doubled, but it is the only group where the number of leavers has not yet surpassed the total number for the 2020/21 year. The overall number of vacant posts has fallen slightly, and the headcount has increased which isn't wholly surprising given that this objective seemed to have been the first to start picking up with regards to turnover and leaver levels.

Outcomes:

- Out of the six performance measures, four were green (met or exceeded target), and two performance measures were amber (slightly below target).
- There was one occasion of a PeerHub outage in July that disrupted voting resulting an amber rating for House and Grand Committee sitting as planned.
- Performance for Key procedural documents and briefs: accuracy was amber this quarter. There was an error in one Public Bill brief, and two serious errors in Hansard (both misidentifications which were corrected as soon as they were spotted).
- Performance for availability of key digital systems has improved this quarter from amber the previous quarter to green. During the quarter, work of the House has not been disrupted due to unavailability of key systems, and no significant disruption to staff in offices supporting the House.
- There is no data for the Library website page hits for 2020/21 because it is a new metric introduced this quarter to replace the Briefings unique views/downloads (Intranet/Website/House Papers).

Financial risks and issues relating to reporting year

- CoPO: Uncertainty relating to the resources required to support the Chief Operating Officer.
- Uncertainty of impact on resources and budgets from various reviews due to be completed this year including the Committee Office and Lord Speaker's Office.
- Unbudgeted spend on the HoL Virtual Hubs.

Short/medium term opportunities

- Utilisation of expected underspend in Members Finance and Overseas Office to fund other pressures.

Forward look

Potential Financial risks and concerns

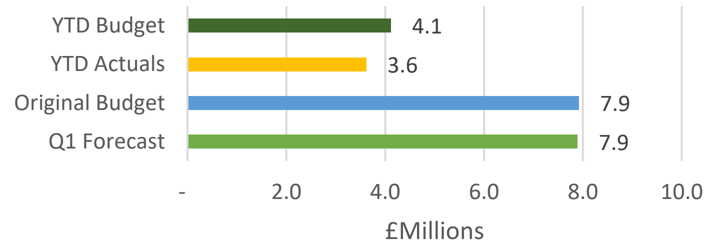
- Longer term impact from the various reviews in progress this year.
- Potential delays in filling vacancies may lead to further pressure on existing resources.

Long term opportunities

- Postal Charges: Potential to lower costs going forward as a result of reduced amount of mail being posted during the pandemic.

2. Promote public understanding of and engagement with the House

Resource



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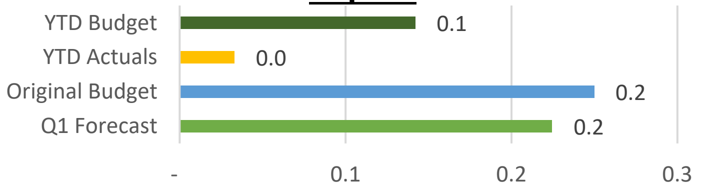

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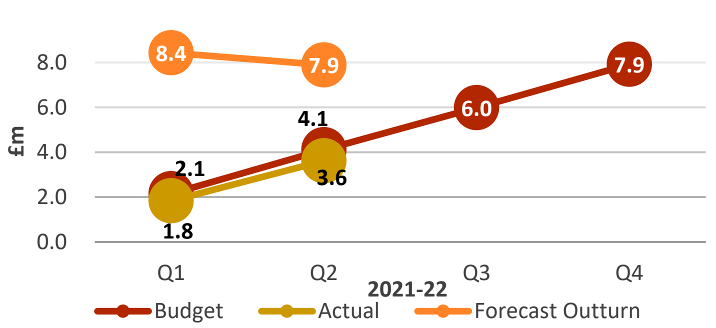

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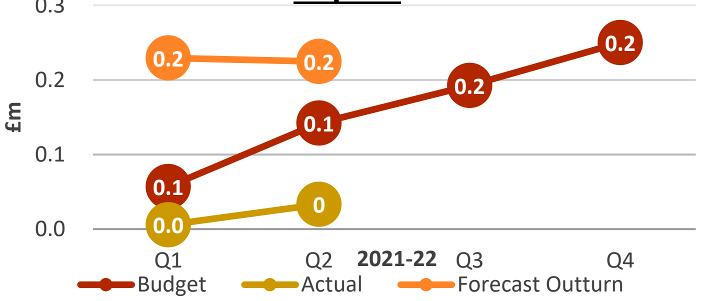


YTD Analysis				
£	Resource (excl non-cash)		Capital	
YTD Budget	4,110,499		142,040	
YTD Actuals	3,613,724		33,048	
Variance £ / %	496,775	12.1%	108,992	76.7%
Full Year Analysis				
Original Budget	7,913,940		249,898	
Q2 Forecast	7,881,281		224,589	
Variance £ / %	32,659	0.4%	25,309	10.1%

Pay and staffing data					
YTD Budget	YTD Actuals	Variance	Original Budget	Forecast @Q2	Variance
2,043,998	1,766,316	277,682	4,087,981	3,811,638	276,343
FTEs	No. of Vacancies	Vacancy rate	No. of Leavers YTD	Sickness	Turnover
60.68 / 64	11	17.2%	2	0.9% / 65	3.1%
Staff Training - Discretionary/Mandatory					
YTD Budget	YTD Actuals	Variance	Original Budget	Forecast @Q2	Variance
36,978	10,576	26,402	46,777	43,200	3,577

Performance - KPIs	2020/21		2021/22	
	Q3	Q4	Q1	Q2
Impact of Parliamentary Outreach & Public Engagement				
Customer satisfaction with Participation Services				
Engaging the public through digital communications				
Volume of Press Office-generated positive media coverage	2,606	2,580	2,039	1,769
Number of opinion pieces by members or staff placed in the media	New KPI		6	6
Effectiveness in responding to FOI requests	98%	99%	100%	100%

Activity / Cost	Quarter 2 21-22	Quarter 2 20-21
Followers @ukhouseoflords (cumulative figure)	308,986	298,621
Parliamentlive viewers		66,421
Public gallery visitors	0	0
Broadcasting resource costs (£)	£1.2m	£813k
Total visitors to Palace (cumulative figure for commercial visitors)	16,257	0
Visitor Services costs (£)	£325k	£393k
No. of physical school age visitors (Education centre)	945	0
Total number of people reached through Participation	139,947	-
Learn with Lords Question Time (Total Schools)	73	0

Activity / Cost	Quarter 2 21-22	Quarter 2 20-21
Inquiries to Comms Public Enquiry Service	818	1,122
Archives inquiries	1,280	1,051
Search room visitors	78	1
FOI requests	49	54
Income - Commercial Tours (£)	£19k	Split not available
Commercial Tours costs (£)	£18k	Split not available
Met Police costs (£)	£21k	£25k
Education & Engagement - total costs (£)	£303k	£309k
Learn with Lords Online sessions (Total Students)	1,499	714

2. Promote public understanding of and engagement with the House

Commentary

Money:

Resource is showing a YTD underspend variance of £497k, increased from £309k YTD at Q1 (Broadcasting & Archives Relocation Programme – ARP). The Q2 forecast outturn of £27k underspend is a significant decrease from £513k overspend forecast at Q1 following the detailed Q2 forecast outturn review.

The most significant YTD underspend is within ARP (£221k) in pay from unfilled vacancies, legal fees and storage costs due to timing differences compared to the profiled budget. The Q2 forecast anticipates spend will increase to year-end assuming approval of the FBC (expected Dec 2021), although the full budget is not expected to be spent. Future years' budgets have been set in line with the figures in the FBC, although these costs are expected to be reviewed in time for the planning round next year as work to develop the partnership option with The National Archives progresses.

Participation is also reporting an underspend of £168k due to savings within the Transport Subsidy from the closure of the Education Centre and lower pay costs from vacancies, offset by lower income as a result of no paid tours in Q1 and a reduced level of tours in Q2. The year-end forecast of £83k underspend assumes an increased uptake of visitors and tours as we move towards March 22.

The only YTD overspend is within Broadcasting, £143k, increasing to £387k for the Q2 forecast, although this is a decrease from the £564k overspend forecast in Q1. The YTD and forecast outturn overspends are from increased hybrid support costs for the Virtual Hubs from September, originally expected to end in August, although an estimate for these costs was included within Centrally Held Funds. The Q1 forecast assumed a higher number of operatives would be required from September, however this was subsequently reduced following an in-depth review of requirements. The budget for future years includes the cost of Bracknell with the reduced number of support operatives.

Capital is showing a YTD underspend of £109k, reducing to £25k for the Q2 outturn. £49k of the YTD underspend is in Parliamentary Archives following a change to planned acquisitions of archives equipment this year with some being pushed into next year, although this year's underspend is expected to reduce to £26k by year end from additional IT equipment spend. Broadcasting has a YTD underspend of £48k due to timing differences in the profiled budget to actuals, although the full budget is anticipated to be spent by year end. The remaining offices are reporting small YTD underspends but are expecting to utilise their capital budget by year end.

People:

This is the second smallest group supporting the objectives, and interestingly, seems to be lagging behind the others slightly regarding the increase in turnover. This groups turnover was the lowest of the four, the headcount fell, and the vacancy rate for this group was the highest. This suggests that there will likely be a lot of new starters within this group in the next quarter as the vacancy rate starts to fall again.

Outcomes:

- All performance measures for the second quarter this year have met or exceeded their targets.
- 13 out of 49 Freedom of Information requests were for information about members (whether specific individuals or more generally). The second most common theme was Expenditure (9).
- During this quarter physical tours resumed and the figure provided for the cumulative figure for commercial tours includes online talks and tours delivered content to 862 households during the quarter.
- The Education Centre re-opened in September. There were 945 physical school ages visitors to the education centre. The number of virtual participants for this quarter was 9,745.

Financial risks and issues relating to reporting year

- Hansard (Broadcasting): Potential for increased costs if a return to more substantial hybrid activity be required if additional Covid-19 restrictions are imposed.
- Hansard (Broadcasting): As the focus in 2020-21 has been developing the virtual capabilities of the House, there is the potential that more significant investment in Broadcasting equipment relating to normal physical proceedings may be required in 2021-22.
- Communications: Change to annual staff survey - costs not included within this year's budget (dependent if next survey will fall in March 22).

Short/medium term opportunities

- Forecast year end underspends within Communications, Parliamentary Archives, ARP and Participation are currently anticipated to cover the forecast overspend within Broadcasting.

Forward look

Potential risks and concerns

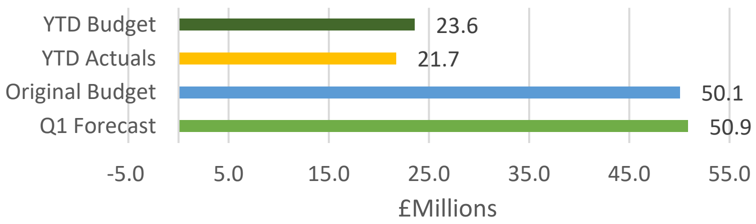
- Change in the requirements of virtual participation.

Long term opportunities

- Reduced risk to the Parliamentary Archives as the Prepare and Move project and main Archives Relocation Programme continue to progress.

3. Make Parliament safer, more secure, and sustainable

Resource



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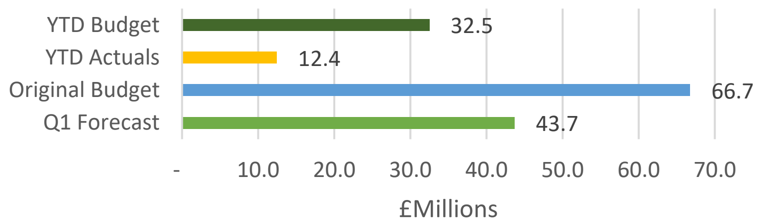

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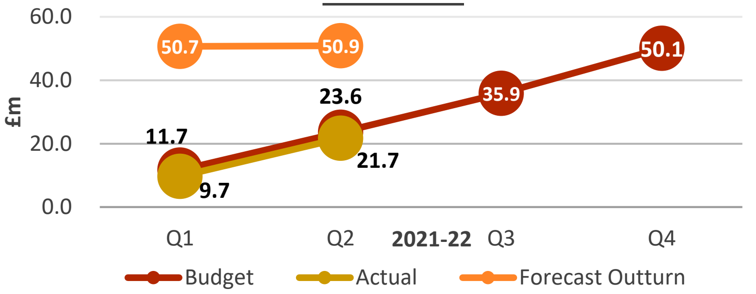

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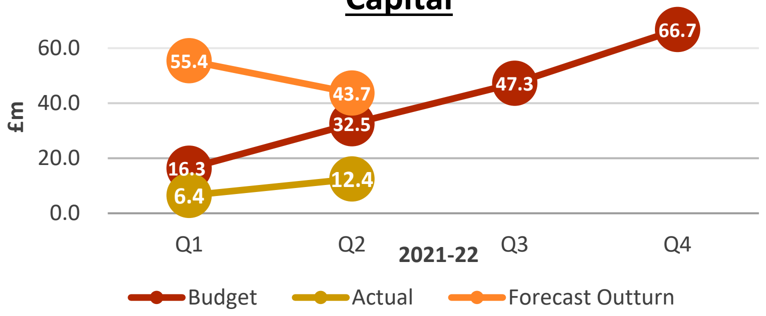


YTD Analysis				
£	Resource (excl non-cash)		Capital	
YTD Budget	23,567,157		32,490,743	
YTD Actuals	21,710,814		12,446,404	
Variance £ / %	1,856,343	7.9%	20,044,339	61.7%
Full Year Analysis				
Original Budget	50,058,208		66,742,400	
Q2 Forecast	50,869,218		43,735,970	
Variance £ / %	-811,010	-1.6%	23,006,430	34.5%

Pay and staffing data					
YTD Budget	YTD Actuals	Variance	Original Budget	Forecast @Q2	Variance
1,113,792	995,500	118,292	2,227,572	2,022,248	205,324
FTEs	No. of Vacancies	Vacancy rate	No. of Leavers YTD	Sickness	Turnover
46.21/58	7	12.1%	3	1.4% / 79	5.2%
Staff Training - Discretionary/Mandatory					
YTD Budget	YTD Actuals	Variance	Original Budget	Forecast @Q2	Variance
9,500	819	8,681	17,000	15,000	2,000

Performance - KPIs	2020/21		2021/22	
	Q3	Q4	Q1	Q2
Satisfaction with reactive maintenance work				
Cleaning				
Efficiency in processing pass applications				
Meeting environmental targets				
Health and safety				
Digital Risk: Effectiveness in preventing cyber-attacks				

Activity / Cost	Quarter 2 21-22	Quarter 2 20-21
Cleaning costs (£)	£504k	£483k
Works Maintenance costs (£)	£1.5m	£29k
Members with desks on the Estate	627	612
Members with desks in Palace	364	356

3. Make Parliament safer, more secure, and sustainable

Commentary

Money:

Resource is showing a YTD underspend of £1.9m and an overspend of £811k for the Q2 outturn. Of the YTD underspend £1.4m is attributable to In-House Services & Estates (IHSE) and comprises high vacancy rates within Maintenance, Property, Planning & Design, and Customer Experience & Service Delivery as reviews of those team's structures are in progress. A proportion of existing roles are currently filled with interim contractors, some of which have been forecast to continue to year-end. Going forward, next year's budget assumes those roles to be filled permanently – this has been noted as a risk and will be reviewed for the next version of the MTFP.

Other underspends are within rates from differences in estimated and actuals costs including rebates, lower reactive maintenance costs due to lower footfall on site, reduced demand for feasibility studies and lower estate fees relating to project-related resource costs; the longer terms impact of the latter two is likely to push costs to the right. £428k of the year-end forecast overspend relates to IHSE, largely driven by project delivery non-pay costs originally budgeted as capital but expected to be reclassified to resource. Whilst reviews of some projects' budgets have taken place, assessments are expected on other capital projects in collaboration with Commons Central Finance team to ensure budgets are correctly categorised going forward. Security costs are overspent by £151k YTD, forecast to increase to £959k at year end, relating to Met Police costs as the agreed budget was set at the 2020-21 baseline; a large proportion of the forecast overspend was budgeted for in Centrally Held Funds.

The year end forecast overspends are offset by lower spend (£209k underspend) within Relocation & Emergency Planning costs, as planned activity this year has been impacted by the pandemic; future year plans have been reviewed and set accordingly with a lower budget next financial year; also the Department of Facilities underspend of £206k from unfilled vacancies within the Heritage Cleaning Team but these are expected to be filled for the start of next financial year.

Capital is showing an underspend of £20m YTD and £23m forecast for Q2 most of which relates to IHSE, offset by minor relatively small YTD and Q2 forecast overspends for the Cyber Programme and Department of Facilities. The main drivers of the YTD and forecast IHSE underspends are within the Security Programme (c.£11m forecast underspend) and delays to New Palace Yard Phase 2 and Black Rod's Garden projects, and other projects within the programme currently on hold due to the review of requirements, due for completion in December. Future year budgets have assumed these will restart in January with costs shifting to the right, although the figures are based on previous costings which are subject to change, depending on the outcome of the review; this has been noted as a risk. A forecast underspend of c.£7m is within Special Projects as a result of the delay to the start of enabling works and issues with steelworks at Fielden House with costs shifting to the right. A central adjustment of c.£6m reduction has been made by IHSE central finance to account to optimism bias within current capital forecasts; this will be reviewed for Q3. These underspends are offset by a small number of overspends, primarily within Mechanical and Electrical projects, namely Millbank House Flood Mitigation and Lift Refurbishment project with the increased scope to be agreed in relation to the start of R&R.

People:

The group that supports this objective is the smallest, and at the end of Q1 had had no leavers. This has now changed, and in Q3 this objective saw three leavers, which has resulted in a comparatively high turnover level. The group that supports this objective did, however, have the highest sickness rate, however due to the size of the group this can be easily influenced by one or two absences. The vacancy rate for this group has fallen by 5%, which is the biggest difference in all the groups, showing that there has been some successful recruitments in this area over the last quarter.

Outcomes:

- Out of the six performance measures reported under this objective, five were rated as green (met or exceeded target) and one was rated as amber (slightly below target).
- Performance was slightly below target for satisfaction with reactive maintenance work as performance over quarter one ranged between 77% to 96%, for the measure to rate as green customer satisfaction would need to be above 95%. Please note that these stats are HOP-wide. HOL-specific KPIs on PMST and IHSE contractor performance are not currently available. This is an issue HL Facilities is looking at addressing with IHSE Management.
- The Health and Safety measure performance has improved from amber to green, as Covid assurance is green this quarter.
- There is a large variation on the figure for Members with desk on the Estate/ the Palace due to Estate Survey carried out over summer and corrections made.

Financial risks and issues relating to reporting year

- IHSE: Over-optimistic forecasting within projects and programmes.
- Continued impact of Covid-19, particularly within REP – potential for further unbudgeted costs if further restrictions are imposed.

Short/medium term opportunities

- Utilisation of underspends within IHSE resource and capital budgets, and Relocation & Emergency Planning resource budget.

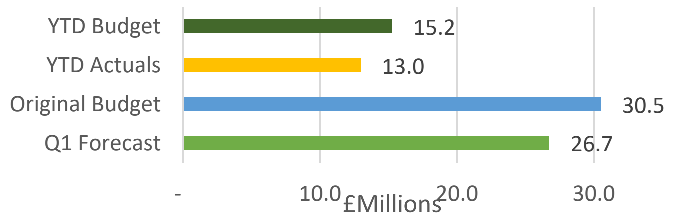
Forward look

Potential Financial risks and concerns

- IHSE: Impact of delays to recruitment and works on projects/programmes on future year budgets.
- Facilities: New cleaning contract (existing contract to be extended to Aug 2022) is anticipated to increase costs.

4. Corporate services

Resource



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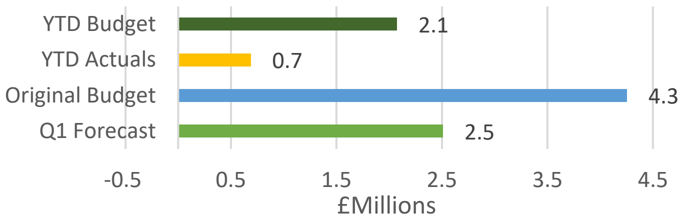

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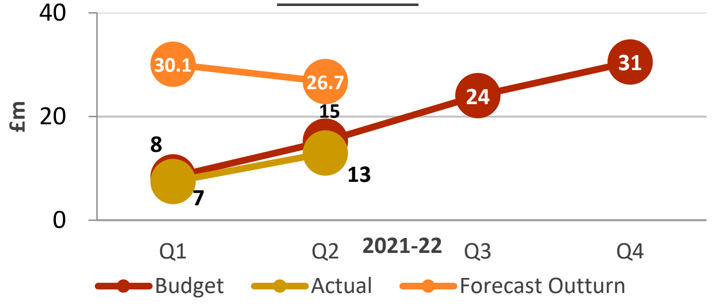

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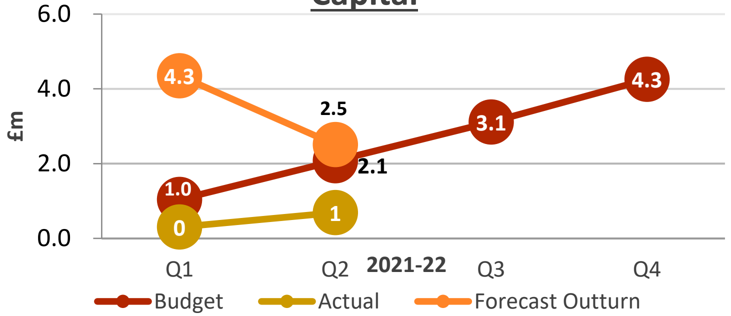

YTD Analysis				
£	Resource (excl non-cash)		Capital	
YTD Budget	15,244,286		2,074,005	
YTD Actuals	12,959,929		688,708	
Variance £ / %	2,284,356	15.0%	1,385,297	66.8%
Full Year Analysis				
Original Budget	30,519,115		4,254,770	
Q2 Forecast	27,148.504		2,509,949	
Variance £ / %	3,770,611	12.4%	1,744,821	41.0%

Staff Training - Discretionary/Mandatory

YTD Budget	YTD Actuals	Variance	Original Budget	Forecast @Q2	Variance
45,000	47,946	-2,946	90,000	90,000	0

Pay and staffing data

YTD Budget	YTD Actuals	Variance	Original Budget	Forecast @Q2	Variance
8,828,570	8,227,980	600,590	18,033,663	17,537,456	496,207
FTEs	**No. of Vacancies**	**Vacancy rate**	**No. of Leavers**	**Sickness**	**Turnover**
178.66 / 227	26	11.5%	8	0.4% / 87	3.5%

Senior Management Training

YTD Budget	YTD Actuals	Variance	Original Budget	Forecast @Q2	Variance	No. of Senior Managers
100,002	43,830	56,172	200,000	200,000	0	35

Apprenticeship Training

YTD Budget	YTD Actuals	Variance	Original Budget	Forecast @Q2	Variance	No. of Apprentices
25,002	18,846	6,156	50,000	50,000	0	4

Further Education Training

YTD Budget	YTD Actuals	Variance	Original Budget	Forecast @Q2	Variance	No. of staff undertaking training
10,002	4,720	5,282	20,000	20,000	0	4

Recruitment costs

YTD Budget	YTD Actuals	Variance	Original Budget	Forecast @Q2	Variance	No. of campaigns
66,081	90,094	-24,013	132,100	158,825	-26,725	32

4. Corporate services

Performance - KPIs	2020/21		2021/22	
	Q3	Q4	Q1	Q2
Disciplinary cases, sickness rates and turnover ('Morale indicator')				
Training and sickness absence ('HR and management performance indicator')				
Diversity indicator – ethnicity (recruitment)	New KPI			
Diversity indicator – gender (recruitment)	New KPI			
Parliamentary Network availability				
PDS response and resolution times				
Managing financial resources				
Processing payments and payroll				
Making financial information available				
Procurement: customer feedback				
Outstanding internal audit recommendations				
Catering and Retail Services: net subsidy				
Satisfaction with shared services				

Activity / Cost	Quarter 2 21-22	Quarter 2 20-21	Activity / Cost	Quarter 2 21-22	Quarter 2 20-21
Supplier invoices processed	1,754	2,065	Number of roles advertised Total / Internal Lords & PDS	26/5	11/6
Supplier invoices paid within 30 days (%)	89%	88%	Internal promotions in period	8	3
Cash Management forecast – % variance of actual cashflow v forecast submitted to Treasury	7%	Within 2%	New Starters in period	20	25
PPCS - Number contracts awarded *(Lords only figure)*	54 *(6)*	36	Members: iPads connected	226	257
PPCS - Value of those contracts awarded during the period (£) *(Lords only figure)*	12,780,572 (743,295)	70,790,00	Members: IT items issued	38	41
PPCS - Number of cancelled procurements	1	2	Members Digital Services: - Resource costs excl non-cash (£)	£6.7k	£19.5k
CRS Net Subsidy (£) Actuals Original Budget Variance	£2m £3m £1m	£2.6m £1.2m (£1.4m)	- Capital costs (£)	£12.3k	£88.2k
Number of transactions CRS outlets	31,591	16,000	CRS Retail sales (£)	31,220	9,407
CRS Banqueting events	56	0	CRS Retail transactions	884	233

4. Corporate services

Commentary

Money:

Resource is showing a YTD underspend of £2.3m (£915k Q1) and £3.4m (£444k Q1) for the Q2 forecast outturn. Centrally Held Funds accounts for £1.2m of the YTD variance primarily from unused reserves, increasing to £3.7m by year end from the majority of reserves being released, including Broadcasting and Met Police costs. PDS-Transforming Digital is reporting a £421k YTD underspend, which has doubled since Q1 due to the flat profiling of the budget; this is expected to decrease to £84k at year end as spend increases. Human Resources budget shows an underspend of £256k YTD from lower costs within pay (vacant Director post until August), consultancy, legal fees, and training which has been impacted by the pandemic. Most of this underspend is expected to carry through to year end with a Q2 forecast underspend of £187k. Of the three offices reporting YTD overspends, PDS–BAU is the largest at £79k, a decrease from £210k at Q1, and is expected to reduce further by year end to a £12k overspend. The higher spend includes increased server monthly overage costs, additional licence costs, and higher costs relating to the hybrid working trial, partly offset by lower staff costs from unfilled vacancies. The most significant Q2 forecast overspend is in the PDS–Portfolio budget (excl. Cyber) of £445k (reduced from £641k at Q1) although reporting a £97k YTD underspend. This reduction in overspend has been achieved by a combination of early finishes on the main work for Teams, managed reductions and reassessment of costs on Data projects and delays to the HR & Payroll systems project which is expected to push into next year.

Capital is showing a YTD underspend of £1.4m, increasing to £1.7m for the Q2 forecast outturn. PDS–Portfolio (excl. Cyber) remains significantly under-committed as shown by the underspend of £623k YTD increasing to £879k by year end. Delays are within various projects including Infrastructure, Catering and Parliamentary Video Services although work is forecast to increase by year-end. This offsets overspends within other projects including Network & WiFi upgrades and Secure Vetting.

People:

The group that supports this objective has the lowest vacancy rate of the four, whereas slightly counterintuitively the rate of leavers has seen the sharpest increase. This seemingly contradicts the resource underspend, however given that PDS headcount and vacancy figures are not included we can't see the impact that PDS would have on the overall figures for this group when compared to the others.

This group also has a surprisingly low sickness level, the actual number of days that were recorded as sickness absence in this group only just exceeds that of groups two and three, which is surprising given the size of this group by comparison.

Outcomes:

- Three performance measures for this objective have been rated as red (below target) for quarter two.
- Performance for processing payments and payrolls is red. 96.01% of total payments were made within 30 days. However due to members finance payments of 79.92% the performance has been rated as red.
- Performance for the CRS Subsidy was below target this quarter. The net subsidy was 111% greater this year compared to the same period in 2019/20, although 25% lower compared with the same period last year.
- Managing financial resources is red for a second consecutive quarter, but covered in detail in the commentary under the money section.
- The performance measure for satisfaction with shared services has an overall RAG status of green. However the only area flagging Red is in facilities which has been persistent: The RAG status for Imtech (outbuildings maintenance) and Saltash (decoration and building works) are set at Red whilst outstanding works in MBH/5GCS and 6&7 OPY are completed and the asset register and PPM schedule for OPY and 5GCS remain outstanding. The Accounting Officer should consider officially writing to the MD of IHSE for a firm action plan to resolve this ongoing issue.
- The 'morale indicator' is amber for a second consecutive quarter as sickness rates remain stable with a small increase in the number of people testing positive for Covid. This was to be expected as colleagues return to a semblance of normality. Figures for leavers remain stable as are the number of ER cases. Key responsive measures include increased guidance for Managers published via our HR note, as well as support for both complainants and respondents in cases facilitated by our HRBPs and TUS colleagues where relevant.
- Lastly the diversity indicator – ethnicity (recruitment) continues to be amber and is still below targets. Our Action on Inclusion Strategy launched in Sept 2021 aims to provide a new focus.

Financial risks and issues relating to reporting year

- PDS: Potential for significant increase in funding if the Committee Room upgrades business case is approved.
- PDS: Pressures on the Portfolio budget may mean the over-programming cannot be reduced fully.
- Potential for further disruption if further restrictions are imposed.

Short/medium term opportunities

- CRS: Banqueting bookings cancelled from the first part of this year have been rescheduled to the second half of the year.
- Changes to future ways of working across Corporate Services and other Objectives.

Forward look

Potential Financial risks and concerns

- PDS: Possible lack of skilled resources available to maximise the potential of TD.
- CRS: Impact on budget from reduced footfall on site from changes to ways of working.

Long term opportunities

- PDS: Potential efficiencies from each phase of TD.

Annex 1: Corporate Initiatives

Priority: Responding to Covid 19 (initiatives)						
Initiative	**Milestones**	**Target dates**	**Q1**	**Q2**	**Q3**	**Q4**
Keep the House and Committees working safely and accessibly, in the face of challenges arising from the COVID-19 pandemic	Respond quickly to changes in context to make adaptations to the physical and virtual operating models for the Chamber and committees to ensure that the House and its Committees can continue to meet, and Members can continue to participate effectively in the work of the House.	At least until the end of social contact and distancing requirements				
Throughout our response to COVID-19, support the health, safety and wellbeing of all staff whether they are working on the Parliamentary Estate or at home	Work to ensure that the House of Lords provides a COVID-secure workplace in line with risk assessments by the Parliamentary Safety Team, and to communicate safe working practices.	Ongoing				
	Work to ensure that staff working from home are able to do so safely (for example, putting in place necessary adjustments determined by DSE assessments).					
	Support for the wellbeing of all staff (for example, by providing opportunities to provide feedback through regular wellbeing surveys; ensuring the right support is available; and providing guidance and signposting that support).					
Building upon the positive changes that have been made as part of our response to the pandemic, evaluate and implement longer-term adaptations to ways of working and service delivery.	Management Board to agree a framework for the development of policies e.g. to support potential for different ways of working, and adapted and improved service delivery. This framework, based on the findings of an initial research phase carried out in 2020/21, includes aims concerning our direction of travel and workstreams which will require further consultation with key stakeholders.	Management Board agreed initial outline framework in March 2021; thereafter consultation on potential workstreams and subsequent implementation, timelines tbc				

Comments:

House and Committees working safely: All proceedings have continued during the reporting period but some meetings have been disrupted due to the failure of equipment for hybrid private meetings in room G-32 Millbank House resulting in the amber RAG status. The resumption of committee visits is challenging in terms of ensuring COVID safety across jurisdictions.

COVID-secure workplace: The initiative is currently rated as a green as Parliament maintains a number of proportionate control measures intended to manage the risk of COVID-19 transmission on the estate in-line with continued Government guidance, particularly as staff and members gradually begin returning to the estate in higher numbers from 11 October 2021. There continues to be suitable arrangements for colleagues to work safely from home; we are seeing an increase in colleagues coming onto site but with suitable COVID measures in place. Adjustments to DSE assessments have been made reflecting changing circumstances (such as vaccinations etc). There also continues to be regular support available with HR and PH&W undertaking regular reviews of the offering. Guidance/Signposting is available through the HR Note and Covid hub etc.

Building on positive change: We have been in the key delivery stage of this project. The future ways of working group have been working on meeting all deliverables within the timescales agreed and risks/ dependencies have been managed to ensure this. Many of deliverables are becoming business as usual and the project is scheduled to close at the end of November.

Annex 1: Corporate Initiatives

Priority: Organisational Culture (initiatives)						
Initiative	**Milestones**	**Target dates**	**Q1**	**Q2**	**Q3**	**Q4**
Build a positive and respectful workplace culture	Develop and deliver a single programme bringing together initiatives in support of organisational culture change at an Administration-wide and office-level	The programme will be presented to the Management Board in September 2021 seeking authority to proceed to deliver. Ongoing projects continue to be delivered throughout 2021.				
	Put in place service standards and implement new guidance around service restrictions and adaptations, to set clear expectations in users of our services which help staff delivering services to do so smoothly and consistently	Following the bicameral launch of the new service restrictions and adaptations guidance in March 2021, provide training and support to management teams between April and July, and review operation of guidance in autumn 2021.				
	Deliver implementation plan to embed values and behaviours in the employee lifecycle (employer branding, recruitment, selection, induction, development and reward)	Throughout 21/22				
	Support the Steering Group for Change to deliver a 12-month review of progress with organisational culture change including the implementation of the recommendations of the Ellenbogen report and other workplace culture initiatives	12-month review to report to the Commission by the end of Q1				
	Implement recommendations from 18-month review of the Independent Complaints and Grievance Scheme (ICGS)	Implementation timeline tbc - subject to agreement of recommendations by both Houses				
	In order to address and reduce the potential for racial bias in pass checking, implement recommendations of phase I of pass-checking review, which focused on pass checking for security purposes; conduct and implement recommendations of phase II, which will focus on access-related pass checking	Implementation of phase I anticipated by summer 2021 (Implementation of phase I anticipated by summer 2021 Phase II review to be completed by April 2021; implementation of recommendations thereafter (timeline tbc)				
Create an inclusive workplace which embraces and values difference	Develop and implement the Action on Inclusion plan for 2021-24	Implementation of actions identified for 21/22				
	Deliver leadership training for current and future senior leaders, in order to help improve our leadership diversity over time	Build on the experience of the first cohort of training, started in January 2021; further cohorts to start in 21/22				

Comments:

All initiatives under the organisational culture section have been rated as green for the second quarter this year. This means that all initiatives are on target to achieve the milestones outlined on time.

Pass checking: The pass checking initiative has moved from amber last quarter to green this quarter. Pilots 1 to 3 have all now taken place successfully. For the ICGS initiative 25 out of the 33 agreed recommendations from Alison Stanley's 18-month review of the ICGS are implemented, with many of the remaining eight to be implemented soon.

Values and behaviours: Work is underway and will form part of the new approach to the Culture Change programme, starting with workshops looking to brigade all aspects of the culture change programme through the values and behaviours lens (Nov 2021).

Inclusion Plan*:* The Inclusion Plan was developed and launched in Sept 2021 (Action on Inclusion Week) with themes running through the business planning challenge process throughout Oct 2021.

Annex 1: Corporate Initiatives

Priority: External Management Review (initiatives)

Initiative	Milestones	Target dates	Q1	Q2	Q3	Q4
Respond to and implement agreed actions resulting from the External Management Review in accordance with the timetable agreed by the Commission.	Appoint a member of staff to plan and co-ordinate EMR implementation, ahead of the appointment of the Chief Operating Officer - Recruitment expected to be run in April 2021	April 2021		Completed		
	Appointment of secretariat to support Commission in their enhanced role - Recruitment expected to be run in April 2021	April 2021		Completed		
	Appoint Chief Operating Officer and support establishment of role - Recruitment expected to be run in April 2021	April 2021			Completed	
	Support Commission to evaluate and implement further recommendations - Implementation throughout 2021/22 and beyond	Ongoing				

Comments:

- Three out four of the milestones for this initiative have now been completed.
- The milestone relating to the recruitment for the Chief Operating Officer is currently rated as green as interviews for the COO position were conducted in September 2021. A successful candidate has been appointed, and is due to start in January 2022. Clerk of the Parliaments, HR Director, EMR Implementation Lead and CoP Office Head of Secretariat have already begun thinking about the organisational changes required and induction plans, ahead of COO's arrival.
- EMR Implementation Lead is already supporting the Management Board and Commission in tracking and co-ordinating work to respond to the EMR. Work on various recommendations is ongoing.

Priority: Transforming Digital (initiatives)

Initiative	Milestones	Target dates	Q1	Q2	Q3	Q4
Alongside delivering transformational objectives, continue to deliver key digital programmes and projects	Establish and embed a software enhancement function to quickly iterate and enhance our existing suite of business applications to fit user needs	Function established quarter 1.		Completed		

Comments:

The software enhancement function had been established and the initiative is now considered completed.

The major bicameral digital initiatives are reported in the bicameral Portfolio Performance Report. To avoid duplication they are not repeated here.

Annex 1: Corporate Initiatives

Restoration and Renewal (initiatives)						
Initiative	**Milestones**	**Target dates**	**Q1**	**Q2**	**Q3**	**Q4**
Actively engage with the development of Designs for the restored Palace and support development of the Programme Outline Business Case (OBC), including proposals for Lords decant venue	Work with the Sponsor Body and House of Commons to develop a formal requirements capture process and comprehensive engagement plan for the Palace project, ensuring House of Lords requirements are adequately reflected in design options. Work with the R&R Programme and House of Commons to support the approval and management of essential R&R surveys.	Programme OBC submitted Spring 2023				
	Support work to capture the requirements for the House of Lords decant project and ensure these are reflected in the decant project OBC scheme options. Working with the Lords Finance Director, continue to work collaboratively with the R&R Programme and HMG to ensure the successful acquisition of the Lords decant venue.	Decant project OBC submitted - tbc				

Comments:

Requirements: The Lords Restoration & Renewal team has continued to work closely with Commons counterparts to press for a robust requirements capture process to be developed by the Sponsor Body. To date this process has not met parliamentary expectations but is within the statutory role defined for the Sponsor Body. We continue to support direct engagement on design development and are working with House teams to ensure requirements are clearly captured and actioned as appropriate, with some success in the reporting period in ensuring that the needs of core business are adequately reflected in the designs.

The lack of an integrated plan capturing all engagement with the Houses has continued to hamper resource planning in Parliament. Following escalation of the issue, the Sponsor Body fast tracked the development of an integrated plan for presentation to the new Steering Group in early October, with further work expected to provide detail beyond the next six months. It remains an ambitious timetable that will place significant demands on the administration and member governance. Resources continue to be stretched and proposals for a review of Restoration & Renewal resourcing within the HoL are being progressed. Work to support the approval and management of essential Restoration & Renewal surveys led to several surveys taking place over summer recess.

Decant: A period of extensive engagement to assess operational viability of the scheme options has resulted in findings being presented to the LMB to determine the key outstanding issues prior to progressing to qualitative assessment for the purpose of the business case. One success in the reporting period has been the change to the timetable for approving the preferred scheme option, to ensure proper sequencing with the decision regarding continued presence for the HoC. This part of the initiative is considered green.

However, there have been no developments on the acquisition of a Lords decant venue since the exchange of letters between Simon Burton and Sarah Johnson in July, though we understand that the Sponsor Body remains keen to explore opportunities to ensure the Lords acquisition business case can proceed ahead of the Programme Business Case. We are now agreeing a series of next steps to progress the discussions necessary. The red rating for the second element of the initiative has resulted in an overall amber rag status.

Appendix 1 – Resource (excl non-cash) Quarter 2 – 2021-22

Department	Original Full Year Budget	YTD Budget @ Q2	YTD Actuals @Q2	Variance (YTD budget v Actuals)	Variance %	Q2 Forecast Outturn	Variance (Original Budget v Q2 Forecast Outturn)	Variance %
TOTAL	136,019,097	65,117,866	55,258,337	9,859,529	15%	128,502,154	7,516,943	6%
Non-Cash	12,114,288	6,057,156	5,398,161	658,995	11%	12,114,288	0	0%
OVERALL RESOURCE TOTAL	**148,133,385**	**71,175,022**	**60,656,497**	**10,518,525**	**15%**	**140,616,442**	**7,516,943**	**5%**

Department	Original Full Year Budget	YTD Budget @ Q2	YTD Actuals @Q2	Variance (YTD budget v Actuals)	Variance %	Q2 Forecast Outturn	Variance (Original Budget v Q2 Forecast Outturn)	Variance %
Clerk of The Parliaments Office	4,023,787	1,997,892	1,846,619	151,273	8%	4,494,365	-470,578	-12%
Lord Speaker's Office	348,820	175,057	179,385	-4,328	-2%	353,795	-4,975	-1%
Members' Finance	24,983,600	11,083,872	6,709,270	4,374,602	39%	19,817,314	5,166,286	21%
Committee Office	5,170,351	2,502,893	2,242,922	259,971	10%	5,152,650	17,701	0%
Overseas Office	1,608,373	797,347	526,030	271,317	34%	1,421,458	186,915	12%
Hansard excl Broadcasting	2,653,689	1,304,586	1,338,522	-33,936	-3%	2,700,938	-47,249	-2%
HoL Virtual Chamber	0		104,149	-104,149	-	132,498	-132,498	-
Journal Office	1,912,286	952,940	857,363	95,576	10%	1,836,253	76,033	4%
Library	3,481,424	1,712,977	1,566,944	146,033	9%	3,320,735	160,689	5%
Legislation Office	1,374,156	693,737	679,618	14,119	2%	1,411,764	-37,608	-3%
Members' Digital Services	20,000	10,000	6,717	3,283	33%	30,500	-10,500	-53%
Black Rod's Office excl REP	1,396,848	697,834	707,885	-10,051	-1%	1,442,381	-45,533	-3%
Postal Charges	554,500	266,790	208,446	58,344	22%	488,500	66,000	12%
Objective 1 Total	**47,527,834**	**22,195,925**	**16,973,870**	**5,222,055**	**24%**	**42,603,151**	**4,924,683**	**10%**
Communications	1,602,510	791,560	702,925	88,635	11%	1,488,676	113,834	7%
Parliamentary Archives	1,417,950	704,898	543,212	161,686	23%	1,285,916	132,034	9%
Participation Shared Services	2,133,045	1,041,525	872,953	168,572	16%	2,049,745	83,300	4%
Archives Relocation Programme	960,435	545,016	324,093	220,923	41%	870,081	90,354	9%
Broadcasting	1,800,000	1,027,500	1,170,541	-143,041	-14%	2,186,863	-386,863	-21%
Objective 2 Total	**7,913,940**	**4,110,499**	**3,613,724**	**496,775**	**12%**	**7,881,281**	**32,659**	**0%**

Appendix 1.2 – Resource (excl non-cash) Quarter 2 – 2021-22

Department	Original Full Year Budget	YTD Budget @ Q2	YTD Actuals @Q2	Variance (YTD budget v Actuals)	Variance %	Q2 Forecast Outturn	Variance (Original Budget v Q2 Forecast Outturn)	Variance %
In-House Services and Estates	28,239,336	12,695,870	11,219,134	1,476,736	12%	28,667,337	-428,001	-2%
Relocation & Emergency Planning-Black Rod's Office	506,195	236,728	110,479	126,249	53%	297,175	209,020	41%
Independent Complaints & Grievance Scheme	583,185	291,748	213,259	78,489	27%	542,146	41,039	7%
Cyber Programme	900,000	450,000	222,271	227,729	51%	780,896	119,104	13%
Security Costs	17,439,562	8,719,781	8,871,681	-151,900	-2%	18,398,173	-958,611	-5%
Department of Facilities	2,389,930	1,173,030	1,050,974	122,056	10%	2,183,491	206,439	9%
Restoration & Renewal	0		9,892	-9,892	-	0	0	-
R&R Shadow Sponsor Body	0		13,123	-13,123	-	0	0	-
Objective 3 Total	**50,058,208**	**23,567,157**	**21,710,814**	**1,856,343**	**8%**	**50,869,218**	**-811,010**	**-2%**
PDS R&R Moves and Buildings	1,187,000	585,036	369,895	215,141	37%	1,004,449	182,551	15%
PDS - BAU	11,775,400	6,686,109	6,765,096	-78,987	-1%	11,787,795	-12,395	0%
PDS – Portfolio excl Cyber Programme	2,116,000	1,057,992	961,430	96,562	9%	2,560,684	-444,684	-21%
PDS - Transforming Digital	2,400,000	1,200,000	779,336	420,664	35%	2,316,043	83,957	3%
Office of the CIO	0		10,432	-10,432	-	21,989	-21,989	-
Finance Department	1,795,689	893,501	861,466	32,035	4%	1,819,403	-23,714	-1%
Procurement	441,569	221,622	228,884	-7,262	-3%	490,635	-49,066	-11%
Centrally Held Budgets	5,227,113	1,158,763	-12,695	1,171,458	101%	1,567,275	3,659,838	70%
Catering and Retail Services	2,995,851	2,149,952	1,958,321	191,631	9%	3,187,168	-191,317	-6%
Human Resources	2,391,592	1,196,862	940,809	256,053	21%	2,204,162	187,430	8%
Superannuation	188,901	94,449	92,309	2,140	2%	188,901	0	0%
Travel Costs Pending Allocation	0	0	4,646	-4,646	-	0	0	-
Corporate Services Total	**30,519,115**	**15,244,286**	**12,959,929**	**2,284,356**	**15%**	**27,148,504**	**3,370,611**	**11%**

Appendix 1 – Capital (Quarter 2 – 2021-22)

Department	Original Full Year Budget	YTD Budget @ Q2	YTD Actuals @Q2	Variance (YTD budget v Actuals)	Variance %	Q2 Forecast Outturn	Variance (Original Budget v Q2 Forecast Outturn)	Variance %
Journal Office	12,000	6,000	928	5,072	85%	12,000	0	0%
Committee Office	37,000	20,000	0	20,000	100%	37,000	0	0%
HoL Virtual Chamber costs	0		66,217	-66,217	-	90,216	-90,216	-
Members' Digital Services	423,770	211,886	12,304	199,582	94%	423,770	0	0%
Clerk of The Parliaments Office	15,000	7,500	7,302	198	3%	15,000	0	0%
Legislation Office	9,360	4,680	0	4,680	100%	6,000	3,360	36%
Hansard excl Broadcasting	3,500	1,752	6,341	-4,589	-262%	6,000	-2,500	-71%
Library	15,000	7,500	3,285	4,215	56%	20,000	-5,000	-33%
Black Rod's Office excl REP	8,000	4,002	3,451	551	14%	8,000	0	0%
Objective 1	**523,630**	**263,320**	**99,827**	**163,493**	**62.1%**	**617,986**	**-94,356**	**-18%**
Communications	6,500	5,500	4,415	1,085	20%	14,820	-8,320	-128%
Parliamentary Archives	65,698	47,698	-2,255	49,953	105%	39,900	25,798	39%
Archives Relocation Programme	80,700	40,344	29,119	11,225	28%	71,100	9,600	12%
Broadcasting	97,000	48,498	0	48,498	100%	97,000	0	0%
Participation Shared Services	0	0	1,769	-1,769	-	1,769	-1,769	-
Objective 2	**249,898**	**142,040**	**33,048**	**108,992**	**76.7%**	**224,589**	**25,309**	**10%**
In-House Services and Estates	66,729,000	32,485,043	12,413,885	20,071,158	62%	43,620,000	23,109,000	35%
Cyber Programme	8,400	4,200		4,200	100%	64,270	-55,870	-665%
Department of Facilities	5,000	1,500	32,903	-31,403	-2094%	51,700	-46,700	-934%
Restoration & Renewal	0		-384	384	-	0	0	-
Objective 3	**66,742,400**	**32,490,743**	**12,446,404**	**20,044,339**	**61.7%**	**43,735,970**	**23,006,430**	**34%**
PDS R&R Moves and Buildings	420,000	210,057	-1,508	211,565	101%	375,439	44,561	11%
PDS - BAU	149,000	72,796	32,256	40,540	56%	118,597	30,403	20%
PDS – Portfolio excl Cyber Programme	2,536,600	1,268,102	644,936	623,166	49%	1,657,293	879,307	35%
Finance Department	18,170	9,000	3,989	5,011	56%	18,170	0	0%
Procurement	2,700	1,350	1,089	261	19%	3,150	-450	-17%
Centrally Held Budgets	1,100,300	500,000	0	500,000	100%	300,000	800,300	73%
Catering and Retail Services	13,000	5,200	5,933	-733	-14%	21,800	-8,800	-68%
Human Resources	15,000	7,500	2,012	5,488	73%	15,500	-500	-3%
Corporate Services	**4,254,770**	**2,074,005**	**688,708**	**1,385,297**	**67%**	**2,509,949**	**1,744,821**	**41%**
OVERALL CAPITAL TOTAL	**71,770,698**	**34,970,108**	**13,267,987**	**21,702,121**	**62.1%**	**47,088,494**	**24,683,973**	**34%**

HOUSE OF LORDS FINANCE COMMITEE

Medium Term Financial Plan

Paper from Fehintola Akinlose, Finance Director, Jonathan Smith, Head of Finance and Claire Arlington, Head of Finance Business Partnering

Purpose

1. This paper provides the Finance Committee with the first review of the emerging Medium Term Financial Plan (MTFP) which covers financial years 2022-23 to 2024-25.

Decision for the Committee

2. The Committee is invited to:
   i) note the current position of the MTFP (para 10);
   ii) discuss the grant funding bids received as detailed (paras 20-23);
   iii) agree the assumptions for reserves and contingencies (paras 25 & 26); and
   iv) to note the current position of the financial plan and that the Committee will have a further review of the MTFP before it is submitted to the Commission (para 28).

Responsibility and consultation

3. The House of Lords Commission sets the financial plan for the Administration and approves annual budgets, following advice from the Finance Committee. The Finance Director is responsible for financial planning and oversight at Management Board level; its delivery is the responsibility of budget holders (monitored by the Finance Department) and ultimate accountability rests with the Clerk of the Parliaments as Accounting Officer.

4. Figures that are part of the Medium-Term Investment Plan (MTIP) are discussed at the Joint Investment Board (JIB). For shared and joint services challenge meetings are held with the House of Commons, and joint business and financial planning review meetings are also held with each House of Lords budget holder.

Background

5. At its February 2021 meeting the Commission agreed the MTFP covering financial years 2021-22 to 2023-24. Although the MTFP covered the usual three year cycle, in the pandemic circumstances the emphasis was on the first year, i.e., 2021-22 and this reflected the approach that had been taken by the House of Commons and across central Government departments. The figures agreed were:

Table 1	2021-22 £m	2022-23 £m	2023-24 £m
Resource budget	148.1	149.9	154.4
Capital budget	71.8	72.1	49.7
Total	**219.9**	**222.0**	**204.1**

6. Since the R&R bodies have become substantive the above figures are for the Lords only. The House of Lords had a financial remit since 2010. The remit applied to resource expenditure only and it was to adhere to the savings target of not increasing the resource budget in real terms (compared to 2010-11), subject to:
   - the need to maintain the ability of the House and its Members to carry out their parliamentary functions in changing circumstances including increased attendance; and
   - exceptional adjustments reflecting property revaluations, expenditure relating to R&R and relocation contingency planning.

7. Against the background of the pandemic the remit was paused. It remains paused and the intention is to review and update it alongside the House of Commons remit in this financial year.

Approach for this planning round

8. The approach for this year's MTFP is to focus on the next financial year: 2022-23 with indicative estimates for other years. This is in view of the continued uncertainty around the impact of the pandemic on corporate priorities and initiatives, major projects and programmes, and potentially on other budgets in the short term, in effect the same approach taken for the 2020 planning round. The starting position is to roll forward the overall 2021–22 budgets for resource and capital. The Board and Finance Committee agreed this approach in June and July respectively.

9. On 7 September 2021 the Chancellor of the Exchequer wrote to Government departments launching Spending Review 2021 (SR21). This will be a multi-year spending review setting resource and capital budget for 2022-23 to 2024-25 and will conclude in the autumn. This means the approach of the House of Lords and that of the House of Commons is slightly different to the Government in that we will have a MTFP that covers the same period, but it will concentrate on the first year. HM Treasury acknowledges that Parliament is independent of the SR process but has requested that, as for previous Spending Reviews, we provide summary figures for them to include so that the whole of public expenditure covered via the Estimates process is collated.

Medium Term Financial Plan

10. Financial planning templates were sent to budget holders, with broad planning assumptions, with returns due back on 17 September. This paper contains the first cut of the figures for the House of Lords. During November the figures will be further reviewed and updated, in particular with the Joint Investment Board (JIB) reviewing the Medium Term Investment Plan (MTIP) which is a fundamental part of the Lords' capital budget. After these reviews the MTFP will be discussed again by the Management Board in late November, and then by the Finance Committee in early December. Collating the initial office returns the financial plan figures are currently:

Table 2	**2022-23 £m**	**2023-24 £m**	**2024-25 £m**
Resource budget	156.3	156.4	158.1
Capital budget	59.3	59.4	52.0
Total	**215.6**	**215.8**	**210.1**

11. All three years (for resource and capital) show a decrease compared to 2021-22. Overall resource costs show an increase compared to the 2021-22 baseline, with an increase of just over £8m in each of the first two years of the plan and £10m in year three. For 2022-23 areas of increase include:
    - Estates related costs totalling £2.7m;
    - Digital costs totalling £2.1m;
    - Archives Relocation Programme totalling c£645k;
    - Increased provision for staffing costs for the Clerk of the Parliaments Office and the Committee Office of c£960k;
    - Broadcasting and hybrid committee support costs increases of c£450k;
    - Increased total security related costs of around £385k;
    - The increase in employer National Insurance Contributions which are estimated to be c£470k.

12. The first three areas are covered by the MTIP and will be discussed at the JIB, the other areas will be looked at as part of the business and financial planning review meetings.

13. Capital costs show a decrease compared to 2021-22 based on the current MTIP submissions. These will be reviewed in more detail by the JIB. Known areas of uncertainty that still have to be incorporated into the financial plan are the costs relating to facilitate the In House Services and Strategic Estates' (IHSE) interface with the R&R programme. Although much of this will relate to the Commons decant, and those costs fall to the Commons, there will be a cost relating to the House of Lords in support of R&R work.

14. Business and financial planning review meetings with budget holders, which include Business Planning Group members, Human Resources and Finance business partners, were held over three weeks commencing on 4 October. From those meetings the figures will be refined and the updated position will be presented to the Committee in November.

15. Between 90-95% of the Administration's resource costs fall in the following six areas;
    - Staff costs;
    - Members Finance;
    - Estate and Works;
    - Security;
    - Digital;
    - Non-cash costs – mainly depreciation costs of the Parliamentary Estate.

16. These areas are examined in more detail at the review meetings, along with

other current uncertainties and areas where further increases may occur, in particular:

- Further refinement of the Estates figures to be considered by JIB in November to ensure that the IHSE financial plans reflect the latest plans for programmes and projects;
- The costs of the latest phase of the work upgrading the audio visual equipment in Committee rooms need to be updated and included;
- Staffing requirements as a result of implementing the External Management Review and other known Office reviews and pay costs;
- Assumptions relating to the Members Finance Scheme, including the sitting patterns and attendance of Members;
- The impact the R&R Sponsor Body strategic review may have on the House of Lords decant plans and timetable;
- Increased digital and broadcasting requirements and the Transforming Digital Programme;
- Updated security costs to reflect finalising the MPS budget, and any additional costs that might arise following recent tragic events;
- The latest valuation of the Parliamentary Estate by the Valuation Office Agency, including the longer impact Covid-19 may have on the valuation of office accommodation. The latest draft valuation figures are expected to be received in November.

17. In September the Government announced the Health and Social Care Levy (the Levy) that will be based on National Insurance Contributions (NICs) from 2022 and from 2023 will be legislatively separate. This will increase NICs by 1.25% and will also apply to individuals working above State Pension age. The Government also announced that it intends to compensate departments and other public sector employers for the increased cost of the Levy as part of the Spending Review. For the MTFP the House of Lords will make a central provision for this increase.

Medium Term Investment Plan (MTIP)

18. The Medium Term Investment Plan (MTIP) is a bicameral paper (this year led by the HoC Finance Director supported by the HoC Head of Financial Planning and Analysis) which is reviewed by JIB. It is a sub-set of the MTFP for both Houses and like the MTFP it is reviewed and refreshed on an annual basis. The areas included within the MTIP are:
    - Estates Programmes and Projects;
    - Digital Portfolio inc. Cyber, Future Technology, Moves and Buildings, and Transforming Digital;
    - Archives Relocation Programme.

19. The overwhelming majority of the House of Lords capital is shared with the Commons and is covered by the MTIP. Finance colleagues from both Houses have held meetings with IHSE and PDS to discuss their submissions and JIB had its first review of the detailed submissions on 13 October. There will be further challenge meeting in October and the revised MTIP will be considered at the November JIB Meeting with the latest figures then being collated into the next iteration of the financial plan.

Grants

20. Along with the House of Commons, the Lords provides grant funding to four Inter-Parliamentary Groups[1] (IPGs) and the History of Parliament Trust (HoPT). Grant funding is shared on a 70/30 HoC/HoL basis. Funding bids for the IPGs have been received and were reviewed in October. The bids received have varied between no increase, inflationary increases, and a specific 10% increase for 2022-23 on the 2021-22 grant levels. Each of the IPG bids is as follows:

- *CPAUK – 2022-23 bid £2,253k (HoC £1,577k / HoL £676k)*
    - This is made up of two requests:
        - A 2% inflation request (£40,181)
        - A separate request for £203,399 to bring thematic work into its core work as CPAUK "can no longer rely on FCDO for funding due to Covid, the merger of FCO and DFID and the reduction in Official Development Assistant";
        - The inflationary request is being clarified so that the inflationary pressures are more clearly identified. The additional 10% request would be a significant growth bid and it is not yet clear if funding from the FCDO will not be forthcoming. There is also the question of whether such expenditure be an appropriate use of parliamentary grant funding.
- *BGIPU – 2022-23 bid £1,380k (HoC £966k/HoL £414k)*
    - This is a request for no inflationary uplift. Clarification is being sought on whether the additional employer NI costs have been included.
- *BIPA – 2022-23 bid £183k (HoC £128k/HoL £55k)*
    - This is a 1% inflationary uplift. Clarification is being sought on whether the additional employer NI costs have been included.
- *BAPG – 2022-23 bid £127k (HoC £89k/HoL £38k)*
    - Although the monetary value is small – approx. £4k – this is a request for a 3.5% increase.

21. The Board felt that any increase in grants above 2% would not be appropriate but it is a matter that should be discussed by the Finance Committee.

22. For 2022-23 the HoPT grant is in the final year of a three year agreement that the grant would be frozen for three years from 2020-21. The latest proposal from HoPT is that the grant should continue to be frozen at its current level of £1,675k (HoC £1,173k/HoL £502k) for the three years from 2022-23.

23. The Committee is asked to discuss the grant funding bids received.

Reserves and contingencies

24. The financial plan contains reserves held centrally to provide for pay and inflation increases over the three-year period. These will be recalculated after the business and

[1] Commonwealth Parliamentary Association UK branch, British Group Inter-Parliamentary Union, British Irish Parliamentary Assembly and the British American Parliamentary Group.

financial planning review meetings to be based on the most up to date position. Last year the assumptions used were:

- Pay and inflation – 2%
- Staff vacancy factor – 3%
- the ringfenced staff provision discounted by 50%;
- a capital contingency held centrally of £0.5m; and
- a resource central contingency fund at 0.5% of the resource budget (excluding non-cash items and staff costs).

25. Although there is uncertainty about pay and general inflation in the current economic climate the Management Board reviewed the assumptions and it is proposed these assumptions continue, subject to any updates that may be contained in the Budget announcement. **The Committee is asked to agree** the assumptions used to calculate pay and inflation reserves (2% for both), vacancy factor (3%) and the discount factor for ring-fenced staff (50%).

26. Previous financial plans have held a both a resource central contingency fund – the reserve – and a centrally held capital contingency fund. For the last financial plan this was set at approximately 0.5% of the resource budget (excluding the non-cash items and staff costs) and the capital fund was set at £500k. Both reserves are then reviewed and revised at the forecast outturn exercise. The Management Board reviewed these and felt that at this stage these remained suitable contingencies. **The Committee is asked to agree** these should be kept at the same levels for the current MTFP.

Next steps

27. The steps in the financial planning process are set out in the timetable below:

September	Deadline for Lords offices to submit their business and financial plans (17 September)
October	Joint business and financial planning review meetings with Lords offices (w/c 4, 11 and 18 October) First review, MTFP • Management Board (20 October)
Nov	First review, MTFP • Finance Committee (3 November) Detailed review, MTFP • Management Board (24 November)
Dec	Detailed review, MTFP • Finance Committee (7 December) Final Approval • Commission (14 December)

28. **The Committee is asked to note** the current position of the financial plan and that there will be a further detailed review of the MTFP at its December meeting before it is submitted to the Commission.

Jonathan Smith
Head of Finance

Claire Arlington
Head of Finance Business Partnering

October 2021

HOUSE OF LORDS

HOUSE OF LORDS FINANCE COMMITTEE

Forward Work Programme

Below is the Committee's forward work programme until January 2022. Members are invited to provide suggestions for future agenda items.

Date	Agenda
7 December	Medium Term Financial Plan – 2nd and final review Forecast Outturn and Supplementary Estimate Portfolio Performance Report – Category A project/programmes Peer review of Senior Risk Owner/Executive Sponsor model verbal update
26 January	Parliamentary Security Department update Parliamentary Estate Masterplan Parliamentary Digital Service update Property Asset Management Plan update and House of Lords Property review

The provisional dates for meetings in the first half of 2022 can be found below: dates are subject to change on the announcement of recess dates. All meetings are expected to take place in person at 3.15-5.15pm.

- Wednesday 9 March
- Wednesday 6 April
- Wednesday 4 May
- Wednesday 15 June
- Wednesday 20 July

Dates are still to be agreed on the following items:
- Victoria Tower project update, including lessons learnt from the Elizabeth Tower
- Fielden House project update
- Communications Department Overview

Jen Mills
Committee Clerk
October 2021