



House of Commons  
Finance and Services  
Committee

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**House of Commons  
Financial Plan 2015/16–  
2018/19, including  
draft Estimates for  
2015/16**

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**First Report of Session 2014–15**

*Report, together with formal minutes*

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## Finance and Services Committee

The Finance and Services Committee is established under Standing Order No 144. It considers expenditure on, and the administration of, services for the House of Commons.

The Committee:

- with the assistance of the Management Board, prepares the Estimates for House of Commons: Administration for submission to the House of Commons Commission;
- with the assistance of the Accounting Officer, prepares the Estimates for House of Commons: Members for submission to the Members Estimate Committee;
- monitors the financial performance of the House Administration; and
- reports to the House of Commons Commission and the Members Estimate Committee or the Speaker on the financial and administrative implications of recommendations made to them by other Committees of the House.

The Committee has eleven members, and is chaired by a member of the House of Commons Commission. It meets approximately once a month when the House is sitting. Meetings are usually held in private and the Committee is assisted by the Director of Finance and other House staff as appropriate.

### Current membership

John Thurso MP (*Liberal Democrat, Caithness, Sutherland and Easter Ross*)  
(Chair)

Sir Paul Beresford MP (*Conservative, Mole Valley*)

Clive Betts MP (*Labour, Sheffield South East*)

Geoffrey Clifton-Brown MP (*Conservative, The Cotswolds*)

Robert Flello MP (*Labour, Stoke-on-Trent South*)

Sir Alan Haselhurst MP (*Conservative, Saffron Walden*)

George Howarth MP (*Labour, Knowsley*)

Lindsay Hoyle MP (*Labour, Chorley*)

Sir Greg Knight MP (*Conservative, North West Cambridgeshire*)

Robert Syms MP (*Conservative, Poole*)

Iain Wright MP (*Labour, Hartlepool*)

### Committee staff

The current staff of the Committee are Robert Twigger (Clerk) and Ronnie Jefferson (Committee Assistant).

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# 1 Introduction

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1. Funding for the House of Commons is principally from three sources: the House of Commons: Administration Estimate; the House of Commons: Members Estimate; and the Independent Parliamentary Standards Authority (IPSA) Estimate. The latter, which funds the salaries, business costs and expenses of Members of Parliament and their staff, is prepared by IPSA and approved by the Speaker's Committee on IPSA having consulted HM Treasury. For 2014/15 the main IPSA Estimate sought £168.7 million in resource and £1.5 million in capital.<sup>1</sup>

2. The Administration Estimate and the Members Estimate are both prepared by the Finance and Services Committee for approval by the House of Commons Commission and the Members Estimate Committee respectively. It is these two estimates that are the focus of this report.

3. The Administration Estimate, which is laid by Mr Speaker on behalf of the House of Commons Commission, funds general administration costs including: the cost of House staff, accommodation, printing, security, broadcasting, IT, catering, general expenses and associated non-cash costs; some travel costs of Members in connection with committees and delegations; and grants-in-aid to the History of Parliament Trust, certain parliamentary bodies and to the Association of Former Members of Parliament. For 2014/15 the main Administration Estimate sought £201.3 million in resource and £43.0 million in capital.<sup>2</sup>

4. The Members Estimate, which is laid by the Treasury on behalf of the House, covers the Exchequer contribution towards the cost of pensions for Members of Parliament and provides provision for accrued pension liabilities arising from the Parliamentary Contributory Pension Fund (PCPF), payroll costs of Members appointed to specific parliamentary duties, provision of IT equipment to Members, Members' stationery and postage expenditure, financial assistance to Opposition parties to support them in the discharge of their parliamentary or representative functions, an Exchequer contribution to the Members' Fund, provision of training for Members and their staff, payment for insurance, other general costs and non-cash items. For 2014/15 the main Members Estimate sought £38.8 million in resource and £0.7 million in capital.<sup>3</sup>

5. For the benefit of the House, this report summarises the evidence that has been considered by the Committee and sets out its provisional advice to the Commission and the Members Estimate Committee on the 2015/16 Estimates for Administration and Members respectively. The appendix to this report is a summary version of the advice that the Committee has received from the Management Board on the medium-term plan for the House's finances. *Work on the plan will continue into December and revisions to some of the figures are possible.*

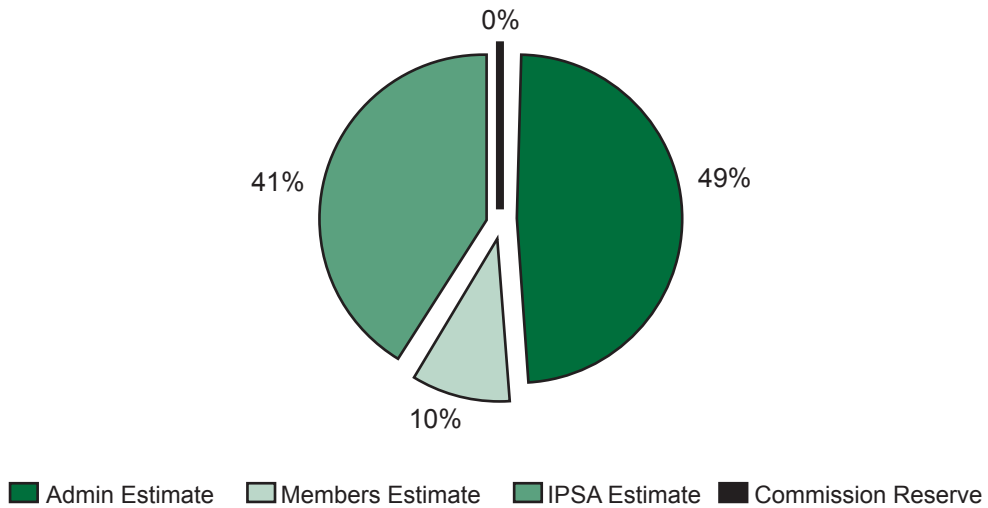
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1 IPSA, *Main Estimate 2014/15*, HC 124 2014–15

2 House of Commons, *Administration Main Estimate 2014/15*, HC 1232 2013–14. These figures exclude non-voted expenditure of £0.8 million resource and £0.1 million capital funded from the House of Commons Commission Reserve.

3 HM Treasury, *Main Estimates 2014/15*, HC 1233 2013–14.

Resource Funding for the House of commons 2014/15  
Total £409.6m



6. This is the third year that the Committee has published such a report. In 2012 and 2013 the House of Commons debated a motion to endorse the draft Estimates, and it is the intention of the Committee to seek an opportunity for a similar debate this year.

## 2 Administration Estimate: Resource

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### Savings programme

7. The House of Commons Commission initially committed itself to a reduction in the Administration Estimate in December 2009. The following year this was restated as an intention to reduce the Estimate to £210 million by 2014/15 from a baseline of £231 million.<sup>4</sup> Taking forecast inflation into account, this represented a reduction of 17% in real terms.

8. Following an initial savings exercise in 2010, a Savings Programme was established to focus on the redesign of services with the aim of making them more effective, not just reducing cost. The Commission accepted a recommendation from the Committee, based on financial analysis and discussions with the Management Board, that seven savings strands would be the most fruitful areas to examine in order to develop proposals leading to greater effectiveness and reduced cost. The delivery strands focussed on three themes:

- Harnessing technology: Print to Web and ICT Strategy
- Making better use of the estate: Income Generation and the Estate
- Changing and simplifying the way we deliver services: Market Testing (latterly Business Improvement) and Operations.

9. In December 2013 the Commission agreed an Administration Estimate for 2014/15 of £201.3 million.<sup>5</sup> However, because of transfers between votes and other factors some adjustments are required to compare this figure with the target of £210 million.

- From 2013/14 the cost of Members' annual allowance of stationery and pre-paid postage has been met from the Members Estimate rather than the Administration Estimate. This removed some £2 million from the Administration Estimate.
- On 1 April 2014 the House of Commons staff pension scheme was merged into the Principal Civil Service Pension Scheme. This removed the future liabilities of the scheme from the House's balance sheet in return for a one-off cash payment. This reduced the resource cost to the House by £18.7 million in 2014/15.
- In October 2013 the Commission agreed in principle to the transfer of the resourcing of the Intelligence and Security Committee of Parliament from the government to the two Houses. Around £0.7 million was added to the Administration Estimate for 2014/15. A date for the transfer has not yet been agreed.

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4 In December 2009 the Commission agreed an Estimate for 2010/11 of £258 million. However, having taken account of the transfer of staff to IPSA and various accounting adjustments, this was reduced to £231 million. Agreement of an initial, in-year savings package by the Commission in June 2010 meant that it actually laid an Estimate for £2010/11 of £219 million.

5 This figure excludes non-voted expenditure of £0.8 million funded from the House of Commons Commission Reserve. There was also provision for a one-off cash payment of £430 million related to the transfer of the staff pension scheme, which did not count as a resource cost.

- It was agreed in 2013 that the running costs of the Education Centre (presently under construction) should be treated as a new service and outside the scope of the target. £1.0 million was added to the Estimate; however, given that the opening date is now expected to be in March 2015, little of this cost will be incurred in this financial year.
- Capital spending on the Palace of Westminster and other parliamentary buildings can incur notional charges to the resource budget in the form of impairment and obsolescence. These charges are likely to increase significantly as the volume of work undertaken on the Estate rises (see section 3 below). It has been agreed that these non-cash charges should be outside the scope of the target and the future financial remit.

10. Allowing for the above factors the Estimate laid for 2014/15 was some £2 million below the target set in 2010.

**Table 1: Re-calibration of the savings target**

Target Estimate 2014/15	£ million
Original target	210.0
Transfers (a)	-20.0
Education Centre running costs	+1.0
Obsolescence/impairment charges	+12.3
<b>Revised target</b>	<b>203.3</b>
<b>Actual Estimate</b>	<b>201.3</b>
Difference	-2.0

Note: (a) £2.0m in respect of Members' stationery and postage, £18.7m in respect of staff pensions less £0.7m for Intelligence and Security Committee

11. In April 2014, the Committee noted the successful outcome of the Savings Programme, which has now formerly closed; however, work is still continuing to deliver savings in two areas. Some aspects of the income generation strand have been delayed (eg slower than expected expansion of tours and commercial room hire, in part due to difficulties in securing the necessary security resources) and the ICT strategy has not yet delivered its anticipated savings in 2014/15 with a small on-going shortfall in later years. These issues are being pursued with the relevant departments.

## Continuous Improvement

12. In agreeing the financial remit in 2013, the Commission suggested that this Committee should continue to look for opportunities to make further efficiencies and ensure value for money in the delivery of services. Work is currently in hand to establish a Continuous Improvement (CI) approach. CI, which is being promoted by the Cabinet Office across the public sector, is being introduced as a vehicle by which the House can continue to monitor and review activity to help to ensure value for money across the House Service and PICT.

13. Rather than using programmes and projects to achieve efficiencies, CI does so by making services more effective – improving their quality, increasing productivity, cutting costs, or, ideally, all three. This most often takes the form of process reviews, engaging staff on the ground in a continuous round of redesign of their work and harnessing their creativity to solve problems.

14. The introduction of this approach creates an opportunity to work with the House of Lords, which is also adopting CI to deliver efficiencies. A small bicameral CI team has now been established. It is concentrating its efforts on building and establishing a network of advocates and practitioners across both Houses to identify and suggest processes which might benefit from review. Those who are involved most closely in a process have the expertise, and are in the best position to drive improvement with support from the small bicameral team.

15. Processes for review are being identified and pilot reviews are being carried out, concentrating first on those where improvements appear most likely to be realised. Examples include: the simplification of administrative processes for recording staff data such as starters and leavers; easier ways of keeping track of staff locations; streamlining work rosters; and shortening tasks such as the formatting and uploading of content to websites. Small savings in time and effort, while maintaining or improving services, are the goal, and solutions to process issues are often likely to be ICT based. PICT understands this, and sees CI as an opportunity to collaborate with departments of both Houses.

16. The aim is to embed CI in business-as-usual and introduce it progressively, without significant cost, so that experience can be built up with the benefit of lessons learned during pilot reviews. This Committee is receiving regular reports on progress.

## Financial Remit 2015/16 to 2018/19

17. In June 2014, the Commission agreed a remit for the resource element of the Administration Estimate in the current financial planning round, which covers years up to 2018/19. This was:

The financial remit for the planning round 2015/16 to 2018/19 assumes zero growth in real terms and that the House will absorb day-to-day upward cost pressures other than inflation. In agreeing the remit the Commission notes that there should be an on-going challenge to deliver efficiencies through a process of continuous improvement, and suggests that the Finance and Services Committee should continue to look for opportunities to make further efficiencies and ensure value for money in the delivery of services. The Commission also notes that significant enhancements to scrutiny and related functions and the resource



implications of major building refurbishments should not necessarily be funded from within existing budgets.

18. Taking account of Government pay policy and the target for Consumer Price Index inflation, the expenditure envelope for the Estimate is assumed to increase by 1½% in 2015/16 and 2% thereafter.

### Shared service cost ratios

19. Many parliamentary services, including estates, ICT, security, education and visitor management, are delivered on a bicameral basis. The costs are shared on the basis of ratios that divide spending broadly in line with the benefits to each House. A review has recently updated and simplified these arrangements. Under the revised arrangements there are fewer ratios and staff pension costs are consistently recharged. The net financial effect is currently expected to be a transfer of some £3.7 million of spending from the Commons to the Lords, mainly because the ratio for spending on PICT/Digital Services moves from 80:20 Commons:Lords to 70:30. This gain to the House of Commons is treated as an adjustment to the financial remit rather than a saving.

### Scrutiny and related functions

20. In May, the Committee considered proposals from the Liaison Committee for enhancing scrutiny by Select Committees in the next parliament. On the basis of a majority decision, it agreed that scrutiny was a priority for resources and invited the Liaison Committee to bring forward more-detailed plans for consideration as part of this year's financial planning round. These more detailed plans were considered by the Committee in September. The Committee agreed to a package of measures to enhance select committees' capacity by either providing additional staff (eg media officers or to provide support to chairs) or providing additional budget (eg to commission research or provide training for committee members) subject to this funding being ring-fenced for the intended purposes and subject to evaluation. The cost is some £854k or around £30k per committee.<sup>6</sup> In line with the Commission's remit, this cost will not be met from existing budgets.

21. There has also been a bid for further resources for the Research Directorate of the Department of Information Services, in part to enable Library staff to provide greater specialist support to Select Committees. This bid is still subject to further scrutiny, but an allowance of £260k in 2015/16 and £300k thereafter has been made in the plans.

### Building refurbishment

22. In addition to major works in the Palace of Westminster (for example the on-going project to refurbish the cast iron roofs), there is a major programme to refurbish and optimise the buildings on the Northern Estate prior to the commencement of the programme for Restoration and Renewal of the Palace of Westminster. Work on 53 Parliament Street will be completed in 2014 and work on 1 Cannon Row is being planned. In July 2014 the Commission agreed in principle to further works on Norman

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<sup>6</sup> Due to the election only around three-quarters of the annual cost will be incurred in 2015/16.

Shaw North, Norman Shaw South, 1 Parliament Street and 1 Derby Gate that will start in 2016/17. The buildings will need, in turn, to be vacated during the works, and alternative accommodation has been secured for House staff to enable Members and their staff to be temporarily located in 7 Millbank when necessary.

23. While most of the cost of this work is treated as capital spending, it will have a significant impact on the resource budget. The most significant factor – peaking at £22 million in 2016/17 – is impairment costs. These arise where the value of the building does not increase by as much as the value of the works carried out, and a proportion of the capital cost is therefore charged to the resource account. In the medium term, the costs arise primarily from the refurbishment of Norman Shaw North for which there is no revaluation reserve. If included within the scope of the savings target, there is a risk that these notional accounting charges would squeeze the resources available for real services to Members and the public as the scale of essential repair work increased. The Northern Estate refurbishment programme will also require additional decant space, which will be a charge to the resource budget. In June 2014, the Commission decided that the revenue implications of refurbishment could be funded outside the remit.

### **Employers' Pension Contributions**

24. During the period of the Savings Programme the House has absorbed increases in non-pay employment costs such as employers' National Insurance and pension contributions, and benefited from any reductions. This approach is being followed in connection with increases in National Insurance costs that will result from the ending of 'contracting-out' in April 2016. However, in agreeing the Medium-Term Financial Plan in 2013, the view was taken that it would not be practical or desirable to absorb an anticipated increase of £4.3 million per annum in pension contributions that would result from an actuarial revaluation of the Principal Civil Service Pension Scheme. The estimated cost of the increase has since fallen to £1.4 million. The Committee believes it would be inappropriate to revise its view in relation to this particular change, but believes that the presumption should be that increases in such costs in future should be absorbed.

### **Recalibrating the target**

25. Taking the Commission's target Estimate of £210 million in 2014/15 as a baseline, and applying the 2014 remit as discussed above, gives assumed resource budgets for planning purposes of £218.6 million in 2015/16, £229.2 million in 2016/17, £232.6 million in 2017/18 and £236.4 million in 2018/19. The calculations are set out in the following table:

**Table 2: Derivation of budget**

	2015/16 (£m)	2016/17 (£m)	2017/18 (£m)	2018/19 (£m)
Original target	210.0	210.0	210.0	210.0
Transfers (a)	-20.0	-20.0	-20.0	-20.0
Education Centre running costs	+1.0	+1.0	+1.0	+1.0
Inflation (b)	+2.8	+6.7	+10.7	+14.7
<b>Revised baseline</b>	<b>193.8</b>	<b>197.7</b>	<b>201.7</b>	<b>205.7</b>
Scrutiny and related functions (c)	+0.9	+1.2	+1.2	+1.2
Employer's Pension Contributions	+1.4	+1.4	+1.4	+1.4
Resource implications of Estate refurbishment	+26.2	+32.6	+32.1	+31.8
Adjustment for change in shared-service cost ratios	-3.7	-3.7	-3.7	-3.7
<b>Assumed resource budget for planning purposes</b>	<b>218.6</b>	<b>229.2</b>	<b>232.6</b>	<b>236.4</b>

Notes: (a) £2.0m in respect of Members' stationery and postage and £18.7m in respect of staff pensions less £0.7m for Intelligence and Security Committee

(b) 1.5% in 2015/16 (when pay restraint will continue) and 2% thereafter.

(c) Full-year costs of £0.9 million for the Committee Office and £0.3 million for Library Research.

## Catering

26. Significant progress has been made in the last few years in reducing the net cost of catering. In 2009/10, at the end of the last parliament, the net cost of catering and retail services was £5.7 million. In the current financial year, at an equivalent point in the electoral cycle, it is forecast to be £2.7 million. This exceeds the target that was set of reducing the net cost to under £3 million by 2015. The unpredictable sittings and timing of votes adds to the cost of providing catering services, which are used by Members' staff, House staff and others on the Estate, as well as Members.

27. In June 2013 the Commission agreed a new financial regime for catering services. A revised pricing mechanism allows factors such as gross profit margins and customer acceptability to be taken into account alongside benchmark prices from appropriate comparators. Prices are reviewed, and changes implemented, at six-monthly intervals as part of the regular operation of the business, with Member committees being consulted on significant changes. Three such reviews have been conducted so far. Given the timing of the election, the Administration Committee has proposed that, rather than reviews in January and July, there is a single price review in 2015, conducted in March with price changes implemented in May.

28. The price review mechanism is supplemented by two further financial controls to be set annually: an overall target for gross profit margin (sales less cost of sales as a percentage of sales) to control kitchen costs; and a target for the net cost of catering to bear down on staff and other non-food costs. As there will be lower demand for catering services at the start of the next financial year due to the election, there will be little scope for a further significant reduction in the net cost in 2015/16.

29. We therefore propose to recommend to the Commission that for 2015/16 the target gross profit margin should be 66% and the net cost target should be £2.9 million. (This is the same net cost target as 2014/15, but excludes a surplus of £0.2 million generated on retail activities, which are now managed by the Department of Information Services.)

### Grant-aided bodies

30. Six bodies receive their primary funding from the Administration Estimate: History of Parliament Trust, Commonwealth Parliamentary Association (UK Branch), Inter Parliamentary Union (British Group), British Irish Parliamentary Assembly, British American Parliamentary Group and Association of Former members of Parliament. In 2013/14 payments to these bodies by the House of Commons totalled £3.2 million. For most of these bodies, grant levels were reduced by 10% in 2010 as part of the initial savings package, with the expectation that they would be frozen at this level until 2014/15.

31. Last year we recommended to the Commission that from 2015/16 grants should generally be subject to the same financial remit as overall House spending: namely a maximum increase of 1.5% in 2015/16 and 2% thereafter. The Committee continues to believe that this is the right approach.

32. It is anticipated that most of the grant-aided bodies will agree settlements for 2015/16 within this envelope. However, the Committee has received representations from the History of Parliament Trust that it requires significant increases in funding, in part to meet exceptional costs in 2015/16 and 2016/17 associated with the ending of the lease on the History's current premises and staff redundancies. The Trust's bid suggested an increase in the grant of 5.9% in 2015/16 followed by increases of 1.9% in 2016/17 and 1.3% in 2017/18. The Committee proposes to recommend to the Commission that the underlying grant should increase on the same basis as agreed for the other bodies, but that the Trust is provided with additional support to manage the exceptional items on a one-off basis.

### Medium-term financial plan

33. Appendix A to this report summarises the House's draft medium-term financial plan for the period 2015/16 to 2018/19. This indicates that projected resource spending will be at the level determined by the remit in 2015/16, but that savings of around £3 million will need to be found in each of the years 2016/17 to 2018/19 in order to adhere to the remit. The ending of the House's current printing and publication arrangements in 2016 will provide one significant opportunity to close this gap.

**Table 3: Medium Term Financial Plan 2015/16 to 2018/19: Resource**

	2015/16 (£m)	2016/17 (£m)	2017/18 (£m)	2018/19 (£m)
Assumed resource budget for planning purposes	218.6	229.1	232.6	236.4
Projected spending in Medium-Term Financial Plan (including planned savings)	218.6	232.1	235.6	239.1
<b>Further savings required (+) / headroom available (-)</b>	<b>0.0</b>	<b>3.0</b>	<b>3.0</b>	<b>2.7</b>

### 3 Administration Estimate: Capital

34. Capital expenditure relates primarily to investment in the Estate (the Palace of Westminster and other buildings on the Parliamentary Estate) and ICT. Most of the programmes are carried out on a bicameral basis, with costs shared, using agreed ratios, between the two Houses. Detailed financial planning for 2015/16 onwards is on-going and the figures for capital spending below are liable to further revision.

35. As noted above, in addition to major works in the Palace of Westminster (for example the on-going project to refurbish the cast iron roofs), there is a major programme to refurbish and optimise the buildings on the Northern Estate prior to the commencement of the programme for Restoration and Renewal of the Palace of Westminster. Work on 53 Parliament Street will be completed in 2014 and work on 1 Cannon Row is being planned. In July 2014 the Commission agreed in principle to further works on Norman Shaw North, Norman Shaw South, 1 Parliament Street and 1 Derby Gate that will start in 2016/17. The buildings will need, in turn, to be vacated during the works, and alternative accommodation has been secured for House staff to enable Members and their staff to be temporarily located in 7 Millbank when necessary.

36. As a result, capital spending on accommodation-related projects is expected to increase from £13 million in 2015/16 to £66 million in 2016/17 and over £100 million per annum in the two years thereafter. There are also additional resource costs (for example, the running costs of the decant accommodation) and non-cash charges. Due to heritage, security and other factors, the cost of works is likely to exceed the resulting increase in the book value of the buildings, and this difference will be charged to the resource budget in the form of impairment charges. As noted above, the Commission has agreed that these non-cash charges should be funded outside the financial remit.

37. The overall path for capital expenditure is currently expected to be:

**Table 3: Medium Term Financial Plan 2015/16 to 2018/19: Capital**

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m
Capital Estimate/plan	44.3	120.1	159.3	169.6

## 4 Members Estimate

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### Background

38. To a great extent the size of the Estimate is determined by existing resolutions of the House or actuarial valuations.<sup>7</sup> There is therefore limited discretion in the setting of the Estimate.

39. The key variable in this planning round is the refresh of Members' IT equipment following the 2015 General Election. Members are loaned IT equipment to meet their core needs and those of their staff. This is provided shortly after the election and is generally expected to last for the period of the parliament. Following recommendations of the Administration Committee,<sup>8</sup> in 2015 Members will have greater choice – they will be able to select equipment from a catalogue up to a value of £5,945.<sup>9</sup> This is sufficient to provide five computers (including a mix of desktops, laptops and tablets) and two printers. (Members will separately be provided with a tablet computer financed from the Administration Estimate to allow them to access business and committee papers, which are increasingly provided on a digital first basis.)

### Prospects

40. The following table sets out the forecast cost of the main elements of expenditure for the planning period. The figures are correct as at October 2014 and provide for assumed inflation. Apart from indexation of assistance to opposition parties, the budget is flat across the four years except for the post-election IT refresh which will cost around £4 million in capital and £2 million in resource.

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7 For further information on relevant resolutions of the House see the first report of the Members Estimate Committee Session 2013–14, *Consolidated list of provisions of resolutions of the House relating to expenditure charged to the Estimate for House of Commons: Members as at 7 April 2014*, HC 1217

8 Administration Committee, *First Weeks at Westminster: induction arrangements for new MPs in 2015*, HC 193 2013–14

9 The figure of £5,945 was correct at the time of the Committee's report. It may be adjusted in light of changes in the cost of IT equipment.

**Table 5: Members Estimate: Forecast Expenditure 2015/16–2018/19**

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m
PCPF Exchequer contribution	14.0	14.0	14.0	14.0
Interest on pension liabilities	12.7	12.7	12.7	12.7
Assistance to opposition parties	7.3	7.4	7.6	7.8
Members' postage and stationery	2.8	2.8	2.8	2.8
ICT (excluding depreciation)	2.5	0.6	0.6	0.6
Other	2.0	2.1	2.2	2.3
<b>Total resource</b>	<b>41.3</b>	<b>39.6</b>	<b>39.9</b>	<b>40.1</b>
<b>Capital</b>	<b>4.0</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>



## 5 Draft Estimates

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41. The Finance and Services Committee is proposing to recommend to the Commission in December 2014 a draft Administration Estimate for 2015/16 with a resource budget of £218.6 million and a capital budget of £44.3 million.

42. The Finance and Services Committee is proposing to recommend to the Members Estimate Committee in December 2014 a draft Members Estimate for 2015/16 with a resource budget of £41.3 million and a capital budget of £4.0 million.

# Appendix 1

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## Draft 2015–16 Estimate and Medium Term Financial Plan (MTFP) 2015–16 to 2018–19: Paper by Director of Finance

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### Vision and Strategic Goals

- The Strategy for the House of Commons Service provides the framework for the planning process. It is vital that the MTFP supports the delivery of the vision and goals, and clearly demonstrates how the service will become increasingly effective and efficient over time.

### Policy Context

- There are a number of significant policy matters and events on the horizon that may have a bearing on the budget:
  - Restoration and Renewal of the Palace of Westminster;
  - Refurbishment of the Northern Estate;
  - Sitting times;
  - Government agenda on public engagement (public reading stages for bills and e-petitions);
  - Planning for the next General Election;
  - The review of accommodation for the Parliamentary Archives;
  - Speaker's Commission on Digital Democracy and the creation of the new Digital Service;
  - Renewal of the security arrangements in 2015
  - Development of strategies for print and publishing beyond 2016 (when the TSO contract expires)
  - Development of a new audio-video strategy
  - Pay strategy beyond the current pay deal;
  - Pensions scheme changes;
  - Review of cost sharing arrangements with the House of Lords
- As the planning round develops every effort will be made to quantify the financial impact of these changes or issues in the medium term, in terms of both additional cost and opportunities to achieve efficiencies. However there will inevitably be uncertainty in some areas.

- These matters will also inform the development of the new Corporate Business Plan and Departmental Business Plans.

### **Economic Context**

- On 19 March the Chancellor presented his 2014 Budget, and announced a range of measures on tax, spending, welfare payments, personal savings and pensions. This included a further reduction in overall public spending of £2bn from 2016–17. At the same time the Office for Budget Responsibility published its updated forecasts for economic growth, inflation, employment, the deficit and total government debt. (See Library Standard Note SN/EP/O6848.)
- In August, CPI was 1.5% (reduced from 1.6% in July), and RPI was 2.4%. The Bank of England's target is 2.0% in each year of the forecast period to 2018–19.
- There is an ongoing debate about the reform of public sector pay.

### **The Planning Round**

- Over the last few years a more integrated approach to forward planning has been developed which brings together financial, business, workforce and diversity planning. This year for the first time a review of Departmental IT requirements has been incorporated into the process.
- The financial planning process has to deliver the Administration and Members Estimates, incorporate a review of fees and charges, update the Medium Term Financial Plan and update the Medium Term Investment Plan (a bi-cameral plan that includes a mixture of capital and resource investment).
- This report focuses primarily on the Administration Resource Estimate and MTFP. However some provisional information on the Administration capital programme and Members Estimate is included.

### **Financial Remit and Target Estimate**

- On the advice of this Committee, the financial remit agreed by the House of Commons Commission on 16 June for the planning round 2015–16 to 2018–19 assumes zero growth in real terms and that the House will absorb day to day upward

cost pressures other than inflation. In agreeing the Remit the Commission noted that there should be an on-going challenge to deliver efficiencies through a process of continuous improvement, and suggested that the Finance and Services Committee should continue to look for opportunities to make further efficiencies and ensure value for money in the delivery of services. The Commission also noted that significant enhancements to scrutiny and related functions and the resource implications of major building refurbishments should not necessarily be funded from within existing budgets.

- The main change from the previous remit is the addition of a specific reference to the resource implications of major building refurbishments. This is important given the development of plans for the Northern Estate. In discussing its advice to the Commission on the remit, F&S stressed the need to absorb pressures wherever possible and to prioritise effectively.
- The target estimate calculation has been rolled forward from last year and is attached at Annex A. It is assumed that the transfer of the Intelligence and Security Committee will take place by 1 April 2015.
- A number of adjustments have been made relating to enhanced scrutiny, property issues, and a transfer between Estimates as follows:
  - The Liaison Committee bid for additional resources, on the grounds that this is a significant enhancement to scrutiny. Additionally an allowance has also been made for further resource for the research library to enable Library staff to provide greater specialist support to Select Committees. This bid is still subject to further scrutiny, and further work is required to ensure that the research library proposal and Liaison Committee proposal are integrated.
  - A new item for mechanical and engineering (M&E) work that was planned as capital spend but is resource spend (this work started in 2014–15);
  - A new item for depreciation;
  - In relation to the Northern Estate, new figures for decant space;
  - The impact of the review of sharing ratios with the House of Lords.
- Depreciation of the Estate is affected by changes in property valuations, and the increased valuations in the last few years have resulted in additional depreciation charges falling on the resource account. Given that the value of the Estate is disproportionate to the running costs of the organisation, it is felt reasonable to add this to the target estimate rather than seek to absorb it. However, this will only apply to buildings, and not to depreciation of ICT investment which is within our control.

- Due to further work needed on Northern Estate on fees (some of which may be resource rather than capital), impairment and depreciation charges, some of the figures within the remit calculation will change.
- Last year, for pragmatic reasons, the anticipated increase in employer pension contributions from 2015–16 was added to the target, mainly because of the scale – at the time the increase was expected to be £4.3m – whilst a change in national insurance contributions from 2016–17 was absorbed. The increase in employer contributions that has now been announced equates to £1.4m. This has been added to the remit. However, it is recommended that in future any changes to employment costs are absorbed wherever possible.

### **Draft Estimate 2015–16 and Medium Term Financial Plan**

- The MTFP is designed to capture:
  - Inflation uplifts (pay and prices);
  - Any capacity identified as a result of the review of the outturn for the prior year;
  - Growth pressures/new activities identified by Departments;
  - Savings and continuous improvement activity;
  - Pension contribution changes;
  - Technical changes relating to property.
- The draft MTFP is attached at Annex B. The baseline reflects budget changes agreed between the Commission decision on the 2014–15 Estimates in December and the end of May. The Departmental analysis has been updated in line with discussions in the Challenge Panels which took place in July.
- The main themes for the challenge panels were:
  - Review of 2013–14 outturn to identify any remaining capacity in Departmental budgets;
  - Review of emerging pressures in 2014–15 and their ongoing impact;
  - Review of any further pressures identified by Departments for 2015–16 and beyond;
  - Assessment of delivery of the final stages of the Savings Programme;
  - Review of the impact of major changes in the medium term, such as the print and publishing strategy, and opportunities to use continuous improvement;
  - Detailed assessment of the impact of the election on spending and income;
  - Review of the appropriate level of contingency in the medium term;

- Review of demand for ICT kit and associated impacts on PICT support and licences – this emphasised the shift towards mobile working.
- The main pressures captured in the MTFP are:
  - Costs associated with the implementation of the Security Renewal Programme in 2015–16;
  - Liaison Committee bid for additional resource to support Select Committees;
  - UK Presidency of the European Union (Council of Ministers);
  - An increase in the budget for estates resource projects;
  - Decant space;
  - Additional depreciation;
  - Additional costs for ICT support (IPADs, telephony and new applications);
  - Additional work to improve the resilience of the network and mitigate the risks to cyber security;
  - Relocation planning;
  - Additional National Insurance costs from 2016–17;
  - Additional employer’s pension contributions from 2015–16.
- The new savings put forward include capacity in DCCS, additional commercial rents, additional print savings, savings on energy, and savings arising from co-location.
- An analysis of growth and savings built into the plan is attached at Annex C.

### **Savings Programme Delivery**

- In terms of the recent Savings Programme, the main risks to delivery are around Income Generation and the ICT Strategy. The MTFP scales back the income generation target by £0.7m and the ICT strategy target by £0.2m in 2015–16. The ability to deliver these savings is being pursued with the relevant departments. The assumption that savings would arise from the Security Renewal Programme has also been removed.

### **Technical Review**

- As part of the planning round a formal technical review is being conducted that includes:
  - A survey of rent review dates to ensure likely changes are factored in to the financial plan
  - A review of the position on rate appeals

- Consideration of the next steps in relation to the pay and reward strategy
  - A review of inflation assumptions with particular reference to utilities, food prices and major contracts
  - A review of pension assumptions (including changes to the ASLC, and the impact of changes to state pensions and opting out)
  - Depreciation and dilapidations
  - Impairment and obsolescence
  - Capitalisation
- Given that the House has to maintain pay broadly in line with the Civil Service, the MTFP currently reflects the 1% cap in 2015–16, with a 2% increase factored in thereafter.
  - The Committee will be aware that a settlement has been reached on A–E pay and SCS pay for 2013–14 to 2015–16. Discussions are ongoing in relation to catering pay. The provision for pay in the MTFP has been reviewed in light of the current position, the planned move to contribution based pay, and expectations for future civil service pay.
  - General inflation has been budgeted for at 2.0%, plus some additional provision for particular contracts, utilities, food, and fuel. These assumptions have been reviewed in light of current and forecast inflation rates.
  - Depreciation has been included at £16.0m across the four year period. Future costs will be dependent on new capital investment and estate valuation fluctuations.
  - Recent experience has highlighted that on occasions an assumption that a certain project will be capital has turned out to be incorrect. More work is needed to understand the problem and ensure that future budgeting is more accurate in this regard.

### **Contingency**

- A detailed review of the appropriate level of contingency for 2015–16 onwards is being carried out. Now that the pay award is settled, the pension merger is complete, and rate appeals are progressing, the chance of windfalls arising during the year, other than from property revaluations, is reducing. Coupled with the fact that Departmental budgets are now tighter, there is likely to be more demand for contingency. As part of the challenge process Departments were asked to identify

some key baseline assumptions to help us understand the relationship between the volume of activity and/or demand and the budget. This information will be useful in determining degree of financial risk in the budget and the appropriate level of contingency.

- At present the contingency included in 2015–16 is £2m.

### **Further Work Required**

- The Estimate and MTFP is still in draft and there is further work required in four key areas:
  - Property valuations and scheduling of refurbishment work: a valuation will take place in mid October, and the timing of the refurbishment of Canon Row is still uncertain; both of these factors will have a significant impact on impairment and depreciation.
  - Sharing Ratios: detailed work to implement the agreed changes to ratios for shared services with the House of Lords.
  - Scrutiny: some further work to ensure that the research library is adequately resourced and this is integrated with the Liaison Committee proposal, alongside development of proposals relating to e-petitions.
  - Growth bids: development of detailed business cases for larger bids such as network resilience, cyber security and telephony; alongside further scrutiny of small bids for additional staff/support.
  - Departments are required to finalise their plans in October and confirm their final figures at meetings with the Finance Director.
- The first three of these areas are outside the remit, so any adjustments needed will affect both the target estimate and the forward plan and have a neutral impact on achievement of the remit. The last area will be managed within the sums set aside as shown in Annex C.

### **Summary of Position**

- Annex B shows that the draft Estimate is in line with the remit for 2015–16.
- The gap in 2016–17 onwards is in the order of £3m. The main opportunity to close this gap arises from the print and publication strategy from 2016, once the current TSO contract comes to an end. The impact has yet to be quantified and the key question will be the extent to which significant further savings on printing from 2016 could or should be re-invested in digital technology or services.



- An opportunity has been identified to share the off-site consolidation centre with a government body which may reduce the cost to the two Houses.
- The Continuous Improvement team is now up and running and good progress is being made to establish a network of advocates and practitioners and undertake pilot projects. Identifying opportunities to use continuous improvement techniques has been a key feature of the challenge process, and this work should contribute a range of smaller efficiencies.
- **The Committee is asked to note the position for 2015–16 and the likely gap in later years and the opportunities to close this gap.**

### **Fees and Charges Review**

- Last year a full review of fees and charges was undertaken and the policy and schedule have now been published. This year the review has been incorporated into the challenge panels.
- Key points to note at this stage are:
  - No change to the policy is anticipated
  - The next review of catering charges is scheduled to take place in March, with any changes implemented after the general election
  - For the majority of charges, no changes other than inflationary increases are anticipated, except for broadcasting where the approach to charging for live and archived video footage is being reviewed
  - In relation to retail, there is a small issue to resolve with the anticipated introduction of charges for plastic bags next year, and donating the proceeds to charity
- A detailed schedule of proposed fees and charges will be provided to the Committee in December along with the final budget. The Administration Committee will also be consulted.
- The catering gross profit target in the current year is 66%, and the net cost of catering is £2.9m, and it is anticipated these figures will stay broadly the same in 2015–16. The election may result in a dip in catering sales, although opportunities for events and banqueting may increase during dissolution.

### Grants to Inter-Parliamentary Groups

- Last year the Commission, following advice from the Committee, agreed to restrict future grant increases to a maximum 1.5% for 2015/16 and 2% in each financial year thereafter. That is, the grants were to remain broadly level after inflation. The only exception being the Association of Former Members who had their small grant of £6,000 doubled to £12,000 to fund wider activity.

Organisation	Commons share (%)	Commons share (£)			
		2014/15 (level)	2015/16 (1.5% uplift)	2016/17 (2% uplift)	2017/18 (2% uplift)
Commonwealth Parliamentary Association (CPA) UK Branch	70	1,227	1,245	1,270	1,296
Inter Parliamentary Union (IPU) British Group	70	886	899	917	936
British Irish Parliamentary Assembly (BIPA)	70	117	119	121	124
British American Parliamentary Group (BAPG)	70	77	78	80	81
Sub-total International Parliamentary Groups (IPGs)		2,307	2,341	2,388	2,437
History of Parliament Trust (HPT)	67	1,061	1,077	1,098	1,120
Association of Former Members	100	12	12	12	12
Total		3,380	3,430	3,498	3,569

- It is anticipated that most of the grant-aided bodies will agree settlements for 2015/16 within this envelope.
- The Committee considered the bid from the History of Parliament Trust in July and September 2014. Given the 1.5% to 2% uplift already agreed goes some way to

meeting the bid submitted, the Committee decided to restrict the HPT grant increase to the agreed uplifts with the offer to consider exceptional items separately; subject to Business Case.

- An additional change from 2015/16 will be to move towards a common 70:30 ratio for shared services. While this will move around £3.7 million from the Commons to Lords Estimate overall, it will add around £47,500 (before any uplifts) to the Commons share of the HPT grant itself. The Association of Former Members grant is not shared so will not be affected.

### **Risks**

- There are some notable risks in relation to the Medium Term Financial Plan that are summarised below:
  - Staff related risks;
  - Service demand risks;
  - Economic risks;
  - Policy risks;
  - Technology risks;
  - Security risks.
- As noted above, the risk that capitalisation assumptions are incorrect in the budget has become more apparent in the last year and further work will be done on this.
- There are particular risks associated with the non-cash part of the Estimate as set out below:
  - Asset valuations may result in significant positive or negative impacts;
  - Depreciation costs are affected by valuations and also reflect the investment programme;
  - Property dilapidations and onerous lease contract costs may arise.
- Provision has been factored into the budget to cover these risks as far as possible, but their impact is difficult to predict. Further work will be done on these areas of the budget in the coming months.

### **Medium Term Investment Plan (MTIP) and Capital Programme**

- Work is also underway to develop the Medium Term Investment Plan. There was a Joint Meeting of the Management Boards in May to discuss some of the main strategic issues, and the ICT and Estates Boards have carried out reviews of their respective portfolios. The new MTIP will be submitted to a Joint Meeting of the Management Boards for approval in November.
- The main changes to the Capital programme will relate to the Northern Estate programme in the medium term. The Committee is also aware that a new approach will be adopted to financial planning by the Estates team, to try and ensure that spend is closer to budget in future. A provisional capital programme is attached at Annex D. However, the final capital programme will be a product of the new MTIP.

### Members Estimate

- The Members Estimate for 2015–16 is being developed alongside the Administration Estimate, and the Finance and Services Committee now has a role in scrutinising it in order to advise the Members Estimate Committee.
- An early draft is attached at Annex E. The main change relates to additional costs to provide members with new ICT kit after the election.

Myfanwy Barrett

October 2014

## Annex A

## Target Estimate

	2014/15 £000s	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s
<b>Original Target</b>	<b>210,000</b>	<b>210,000</b>	<b>210,000</b>	<b>210,000</b>	<b>210,000</b>
Transfer – Members Stationery	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
Transfer – Pension Interest	(18,700)	(18,700)	(18,700)	(18,700)	(18,700)
Education Centre	1,000	1,000	1,000	1,000	1,000
ISC	660	660	660	660	660
Sub Total	190,960	190,960	190,960	190,960	190,960
Financial Remit beyond 2014–15: rate*		1.50%	2.00%	2.00%	2.00%
Financial Remit beyond 2014–15	190,960	193,824	197,701	201,655	205,688
Rounded Total	191,000	193,800	197,700	201,700	205,700
Employer's Pension Contributions		1,400	1,400	1,400	1,400
Liaison Committee Proposal inc research service		898	1,150	1,150	1,150
M&E Programme: Capital to Revenue		1,050			
Fixed Asset Accounting: Obsolescence	1,300	1,382	2,401	1,549	1,204
Fixed Asset Accounting: Impairment	11,000	16,000	22,000	20,000	20,000
Northern Estate: decant space		6,900	7,400	9,700	9,800
Estate Investment: Depreciation		830	830	830	830
New Cost Share Ratio with Lords		(3,700)	(3,700)	(3,700)	(3,700)
<b>Target Estimate</b>	<b>203,300</b>	<b>218,560</b>	<b>229,181</b>	<b>232,629</b>	<b>236,384</b>

\* Rate of 1.5% for 2015–16 to reflect cap on pay. Rate of 2% thereafter to reflect government target.

## Annex B

## Medium Term Financial Plan

Resource	2014/15 £000s	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s
<b>2014/15 Budget Baseline (Dec 2013)</b>	<b>201,300</b>	<b>201,300</b>	<b>201,300</b>	<b>201,300</b>	<b>201,300</b>
Uplifts	0	2,576	6,190	9,876	13,590
ASLC Increase	0	1,400	1,400	1,400	1,400
Savings Strands	0	(1,552)	(1,528)	(1,603)	(1,672)
Growth	0	4,360	5,758	5,784	6,195
General Election	0	1,077	997	997	997
Fixed Asset Accounting	0	7,145	13,114	10,262	9,917
Northern Estate	0	6,900	7,400	9,700	9,800
One Off Adjustments	0	(48)	(330)	(45)	(435)
Adjustments to central provision	0	(3,940)	(3,927)	(3,913)	(3,899)
Contingency	0	(658)	1,759	1,831	1,903
<b>Adjusted baselines</b>	<b>201,300</b>	<b>218,560</b>	<b>232,133</b>	<b>235,589</b>	<b>239,096</b>
Further savings sought	0	(0)	(2,952)	(2,960)	(2,712)
<b>Target resource baseline</b>	<b>201,300</b>	<b>218,560</b>	<b>229,181</b>	<b>232,629</b>	<b>236,384</b>
Resource	2014/15 £000s	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s
<b>By department:</b>					
Chamber & Committee Services	42,855	42,531	44,455	45,655	46,063
Facilities	84,738	94,754	101,970	102,344	103,356
Finance	3,377	3,365	3,420	3,475	3,540
Human Resources & Change	6,769	6,933	6,961	6,986	7,126
Information Services	15,629	16,293	16,708	17,002	17,296
Office Chief Executive	1,936	2,052	2,031	2,072	2,113
Parliamentary ICT	18,453	19,405	19,814	20,155	20,512
Parliamentary Security Director	21,276	21,798	21,945	22,387	22,837
Speaker's Office	546	552	562	573	583
Central Provision	2,511	6,777	10,047	10,600	11,230
Project Provision (ICT Programmes)	3,910	4,100	4,220	4,340	4,440
Less Facilities Reserves	(700)	0	0	0	0
<b>Adjusted baselines</b>	<b>201,300</b>	<b>218,560</b>	<b>232,133</b>	<b>235,589</b>	<b>239,096</b>
Further savings sought	0	0	(2,952)	(2,960)	(2,712)
<b>Target resource baseline</b>	<b>201,300</b>	<b>218,560</b>	<b>229,181</b>	<b>232,629</b>	<b>236,384</b>

## Annex C

## Growth and Savings Tables

Resource	15/16 £000s	16/17 £000s	17/18 £000s	18/19 £000s
<b>2014/15 Baseline</b>	<b>201,300</b>	<b>201,300</b>	<b>201,300</b>	<b>201,300</b>
<b>Uplifts</b>				
Pay award	777	2,344	3,941	5,538
Inflation	1,800	3,847	5,936	8,053
	<b>2,577</b>	<b>6,191</b>	<b>9,877</b>	<b>13,591</b>
<b>ASLC Increase</b>				
ASLC increase of 2.2%	1,400	1,400	1,400	1,400
	<b>1,400</b>	<b>1,400</b>	<b>1,400</b>	<b>1,400</b>
<b>Savings Target</b>				
Income Generation: Catering & Banqueting	(350)	(250)	(250)	(250)
Income Generation: Tours and retail shortfall against target	523	698	698	698
Other Facilities Savings (including cleaning contract and rates)	(340)	(387)	(435)	(478)
DCCS: Print savings	(936)	(936)	(936)	(936)
DCCS: Capacity	(559)	(580)	(598)	(624)
PICT: element of savings target not achieved	160	160	160	160
Other	(50)	(233)	(242)	(242)
	<b>(1,552)</b>	<b>(1,528)</b>	<b>(1,603)</b>	<b>(1,672)</b>
<b>Impact of General Election</b>				
Reduced catering receipts	400	0	0	0
Office moves	600	0	0	0
Impact on DCCS*	0	1,000	1,000	1,000
Personnel Advisory Service	35	0	0	0
OCE Support	42	(3)	(3)	(3)
	<b>1,077</b>	<b>997</b>	<b>997</b>	<b>997</b>
<b>Growth</b>				
Facilities resource projects	300	800	500	500
Other Facilities Growth	146	96	96	96
Liaison Committee Proposal to support scrutiny	638	850	850	850
Research service proposal to support committees	260	300	300	300
DHRC: data security; health and safety	119	119	119	119
ICT Investment: Ongoing support costs	537	598	585	585
ICT Investment: Telephony, Network resilience and security	1,200	2,017	1,978	1,978
Relocation planning	500	45	45	45

Parliamentary Archives	0	40	359	670
Other	470	583	522	522
ICT Programme	190	310	430	530
	<b>4,360</b>	<b>5,758</b>	<b>5,784</b>	<b>6,195</b>
<b>One-Off adjustments</b>				
Reversal of previous years one-off growth adjustments	(48)	(310)	(425)	(425)
Presidency of the European Union (Council of Ministers); Serjeants Conference	0	(20)	380	(10)
	<b>(48)</b>	<b>(330)</b>	<b>(45)</b>	<b>(435)</b>
<b>Estates Impact</b>				
Facilities: M&E Project – resource impact	1,050	0	0	0
Northern Estate Impact	6,900	7,400	9,700	9,800
Fixed Asset Accounting: Depreciation, Impairment and Obsolescence	6,095	13,114	10,262	9,917
	<b>14,045</b>	<b>20,514</b>	<b>19,962</b>	<b>19,717</b>
<b>Adjustments to central provision</b>				
Financial risks / contingency adjustment	(649)	781	867	953
Change in Cost Share Ratio with Lords	(3,700)	(3,700)	(3,700)	(3,700)
NI changes in 2016	0	1,000	1,000	1,000
Savings Programme investment	(250)	(250)	(250)	(250)
	<b>(4,599)</b>	<b>(2,169)</b>	<b>(2,083)</b>	<b>(1,997)</b>
<b>Total Changes to 2014/15 Baseline</b>	<b>17,260</b>	<b>30,833</b>	<b>34,289</b>	<b>37,796</b>
<b>Adjusted baselines</b>	<b>218,560</b>	<b>232,133</b>	<b>235,589</b>	<b>239,096</b>
<b>Further savings sought</b>	<b>0</b>	<b>(2,952)</b>	<b>(2,960)</b>	<b>(2,712)</b>
<b>Target resource baseline</b>	<b>218,560</b>	<b>229,181</b>	<b>232,629</b>	<b>236,384</b>

\*Note budget was reduced by £1m in the 14/15 baseline for pre election impact



## Annex D

## Provisional Capital Programme 2015–16 to 2018–19

Capital	2014/15 £000s	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s	Note
<b>Medium Term Investment Plan</b>						
Accommodation	13,000	13,000	66,500	114,000	117,500	1
Other Estates work	24,590	22,000	45,500	39,000	46,000	
Restoration and Renewal	1,800	3,000	3,000	3,000	3,000	
ICT Portfolio	930	3,550	1,800	1,100	1,100	2
	<b>40,320</b>	<b>41,550</b>	<b>116,800</b>	<b>157,100</b>	<b>167,600</b>	
<b>Other:</b>						
Works of Art	75	75	75	75	75	
Broadcasting routine inv.	75	75	75	75	75	
PICT routine investment	480	1,750	2,250	1,850	1,400	3
Contingency	2050	850	870	200	400	
	<b>2,680</b>	<b>2,750</b>	<b>3,270</b>	<b>2,200</b>	<b>1,950</b>	
<b>Target capital baseline</b>	<b>43,000</b>	<b>44,300</b>	<b>120,070</b>	<b>159,300</b>	<b>169,550</b>	

Note 1: Assumes refurbishment of 7MB in 2016–17, and NSN/NSS in 2016–17 and 2017–18

Note 2: The majority of ICT investment is funded from the Resource Estimate

Note 3: Includes iPads for Members and kit for staff use

## Annex E

## Members Estimate

	2014/15 Baseline £'000	2015/16 Budget £'000	2016/17 Budget £'000	2017/18 Budget £'000	2018/19 Budget £'000	Note
PCPF Exchequer contribution	14,000	14,000	14,000	14,000	14,000	1
Financial Assistance to Opposition Parties	7,160	7,303	7,449	7,598	7,750	2
ICT related	350	2,518	570	570	570	3
Contribution to HC Members Fund	150	140	140	140	140	4
Members' postage & stationary	2,800	2,800	2,800	2,800	2,800	5
Other costs	680	860	947	1,036	1,127	6
<b>Sub-total cash</b>	<b>25,140</b>	<b>27,621</b>	<b>25,906</b>	<b>26,144</b>	<b>26,387</b>	
Interest on Pension Liabilities	12,700	12,700	12,700	12,700	12,700	1
Depreciation – ICT	910	965	965	965	965	3
Audit fee	50	50	50	50	50	
<b>Sub-total non-cash</b>	<b>13,660</b>	<b>13,715</b>	<b>13,715</b>	<b>13,715</b>	<b>13,715</b>	
<b>Total Resource</b>	<b>38,800</b>	<b>41,336</b>	<b>39,621</b>	<b>39,859</b>	<b>40,102</b>	

<b>Capital Expenditure</b>	<b>700</b>	<b>3,960</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>3</b>
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## Notes:

- 1) The outturn for 2013/14 was £13,596k for the Exchequer contribution and £12,504k for Interest on the historic pension liabilities. The Exchequer contribution falls within DEL while the Interest on historic pension liabilities falls within AME. As the financial assumptions are subject to market forces (e.g. discount rate derived from the current rate of return on AA corporate bonds) these figures can fluctuate significantly. The cost of the new pension scheme, applicable for new Members from the 2015 Parliament, is still to be confirmed, and the Estimate will need to be adjusted to reflect.
- 2) Short Money is a fixed calculation based on the composition of Opposition parties in Parliament. In 2013/14 the outturn was £7,172k. A flat profile has been adopted for planning purposes; however the amount is subject to change following the General Election as it is impacted by a) the number of parties in opposition and b) the number of votes cast (because the formula which determines the quantum of Short money takes account of the votes cast). The annual increases represent inflationary uplifts (i.e. 2% per annum).
- 3) Members ICT equipment will be replaced at the time of the next General Election. The costs of the equipment and the associated resources to manage the change in ICT is assumed in 2015/16.
- 4) The current contribution is £140k.
- 5) No change in the allowance for Members stationary has currently been assumed.
- 6) Other costs include training, insurance and central management. Additional provision has been made for CPD training from 2015/16. A general allowance for inflation of 2% has been allowed.

# Formal Minutes

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**Wednesday 22 October 2014**

Members present:

John Thurso, in the Chair

Clive Betts

Geoffrey Clifton-Brown

Sir Alan Haselhurst

Lindsay Hoyle

Sir Greg Knight

*House of Commons Financial Plan 2015/16–2018/19, including draft Estimates for 2015/16*

The Committee considered informally the Chair's draft Report.

Draft Report (*House of Commons Financial Plan 2015/16–2018/19, including draft Estimates for 2015/16*), proposed by the Chair, brought up and Read.

*Ordered*, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 42 read and agreed to.

*Resolved*, That Appendix 1 be added to the Report.

*Resolved*, That the Report be the First Report of the Committee to the House.

*Ordered*, That the Chair make the Report to the House.

[Adjourned till Wednesday 19 November at 2 pm]