Independent review of financial management in the House of Commons

Lord Morse KCB

November 2022

Contents

Foreword by the Director General (Operations)

In November 2021, I commissioned Lord Morse to lead an independent review of financial management in the House of Commons Service.

My experience of working in this organisation for more than twenty years is that our staff are deeply committed public servants, working to high standards and to tight deadlines, and dedicated to their work serving Parliament. However, our central role as a legislature is necessarily our priority, and this means we may lack strengths in terms of our commercial acumen. Instigating this review was a priority for me following my appointment as Director General (Operations) because I wanted to ensure the House of Commons provides excellent services while delivering good value for public money.

I asked Lord Morse to lead this review because of his authority as a former Comptroller and Auditor General of the National Audit Office, but also because his understanding of the Parliamentary context in which we operate, gained from his role as a crossbench peer in the House of Lords. I asked him to produce recommendations around eight key themes, which would together assist the House of Commons Service in managing its finances, contracts, and projects more effectively and embed a strong value for money culture.

Lord Morse has looked across the whole organisation and has considered our culture as well as our processes. I am extremely satisfied with the scope and rigour of this report, and I understand and agree with the approach Lord Morse has taken. I recognise the huge amount of work that Lord Morse and the review team have put into arriving at these conclusions and recommendations.

I want to thank Lord Morse for his assessment and while I appreciate it will take considerable effort and focus, I look forward to overseeing the implementation of improvements in this area.

Marianne Cwynarski CBE

Preface by Lord Morse KCB

I was delighted to be asked to report on Parliament's financial management and I thank Marianne Cwynarski for doing so. This report evidences her commitment to delivering good public value across the range of expenditures incurred bicamerally and in the House of Commons.

I started with the expectation that I might be able to perform my review on a fairly limited basis, contributing some useful cost saving and Value for Money steers. However, it soon became clear that Parliament has some genuinely unique features, which spring from the large number of MPs and the transient nature of the political environment. These features make strategy, and sustained change in a consistent direction, difficult to deliver. Short-termism tends to be the norm.

The recommendations of previous reviews, of which there have been several, are, in a number of important instances, still outstanding today, decades after they saw the light of day. I have therefore tried to address the systemic challenges I mentioned earlier by proposing that Parliament adopts a goal of being able to demonstrate progressive improvements in management and value for money over the medium term. This proposal is supported by a range of more detailed recommendations which amount to a substantial change programme, which would change the way the House manages significantly, and which would need to be implemented over a three-year period. I commend them to Parliament.

I take this opportunity to thank Mr Speaker, the Leader of the House, and Marianne Cwynarski, for giving me the opportunity to lead this review, and I warmly thank Jack Dent and the rest of the House team that have done so much to make this review happen.

Amyas Morse

Executive Summary

Financial management in the House of Commons—and across shared parliamentary services—lacks a clear goal for the management of public resources and the delivery of value for money, and hence lacks the ability to clearly identify the management style and approach which is most appropriate to its wide range of responsibilities. This report sets out a suggested overall objective alongside a comprehensive management approach which will be required to achieve it.

Setting the context for how the House of Commons operates does help explain why financial management has not been successful in the past. The House is complex and unique. It governs itself and approves its own budget. It delivers a broad and diverse range of services and facilities in a political world which focuses on short-term successes rather than long-term investment in internal administration. The way the House works influences the culture—a respect for traditions, rules, and precedents creates caution around innovating and changing how things have always been done. The desire for consensus when pursuing change leads to a strong gatekeeper effect: many people can effectively opt out of change processes.

The private sector is driven by the need to deliver optimised returns on capital which requires careful financial management and long-term planning. Similarly, the public sector has clear drivers: central government must deliver policies and services within the scope of spending limits and budgets agreed by HM Treasury, while local government has strict budgetary limits reinforced by central Government intervention if local authority spending appears to be out of control.

If the House of Commons is to be subject to comparable pressure to perform, without compromising its constitutional independence, it will have to decide to subject itself to an obligation to achieve demonstrable and consistent year-on year improvement in its management of public resources as a permanent goal, supported by medium-term business planning and short-term efficiency plans and targets. The House should adopt this goal and commit to a consistent plan of action.

The key elements in achieving this are:

- **A more strategic approach to management.** Disciplined medium-term planning with clear priorities, strong understanding of outcomes and in-year performance tracking, and the ability to change priorities in the light of events or underperformance, supported by short-term efficiency targets. Avoiding a 'hand to mouth' approach to planning or budgeting as a whole due to political uncertainty by better anticipating and collaborating on future service changes.

- **Focus on outcomes above rules.** Modernise rules for recruitment, procurement, contract management, business cases and more to facilitate the achievement of planned outcomes. Rules compliance should be a "lesser good" than delivery of planned outcomes in controlled timescales.

- **Sustained momentum in execution and effective prioritisation.** Predictable progress as rapidly as possible from decision to delivery of outcome, through well-informed early interventions when things go wrong.

- **Controlled use of resources.** Shaping resources to best meet the House's needs and objectives through zero-based planning, workforce planning, robust forecasting, and realistic budgeting.

- **Personal accountability for performance.** Clear accountability for outcomes and holding individuals to account through formal appraisals of performance.

- **Collective and binding decision-making.** A clear cycle of central decision-making and binding implementation of change, until a different direction is agreed in the same way.

- **Effective matrix of cross-cutting functions.** Successful structuring of cross-cutting services so that they deliver good outcomes and serve as points of focus for skills, professional standards and development, career structuring and distribution of experts across Parliament.

These elements are all interdependent. Without a more strategic approach to management, it will be hard to understand and therefore focus on outcomes, take timely decisions, and control resources. Without accountability for performance and clear governance, it will not be possible to successfully deliver against outcomes, nor understand where and how to intervene. Without effective cross-cutting functions and zero-based planning, efficiency targets will be unachievable. Without changing rules to support outcomes, all other transformation efforts will be limited by existing blockers.

The House of Commons succeeds best at management when external pressure is greatest, such as during Covid-19. Crises lead to better strategic focus, prioritisation, a focus on outcomes, collective decision-making, and accountability: all of the elements we want to ensure are sustained long-term.

A more strategic approach to management

Strategic planning is critical to achieving value for money. It is only achievable through the robust and disciplined delivery of realistic plans with clear priorities, strong understanding of outcomes and performance monitoring of them in-year, and the ability to identify new priorities and reshape plans in the light of events or underperformance, and review targets against practical experience.

Setting clear priorities for expenditure is a key element of effective strategic management. Our evidence shows that the House judges its success on the completion of activities, instead of measuring outcomes. Even with this approach, the House only completed an average of 63% of its objectives by the end of each year. Inconsistent monitoring of performance also prevents any explicit feedback loop between performance and future business planning. The link between incompletion of activities and accountability is unclear.

The House of Commons should track the delivery of its strategic priority outcomes through performance metrics with stretching targets, which should be transparently published. Performance metrics should be contextualised with other management data.

Services can only be judged on effectiveness and efficiency if the House tracks the performance of its outcomes and fully understand the costs behind its decision, so it can effectively prioritise expenditure.

Efficiency must become an embedded, permanent practice, rather than a 'one off' effort. To do so, it requires that the House commits to, and delivers against, publicly stated and agreed targets for efficiency. Anything less than a commitment of this kind will not convince stakeholders or the wider public that the House desires a permanent step change.

While the most effective efficiency objective would be an annual target between 3 and 5%, we acknowledge the House will face difficulty in immediately transitioning to this process without the necessary cost information in place, and also that multi-year targets may be seen as more practical. If the House prefers to start the targets from 2024–25 and to pursue targets over several years, this may be more realistic, but could lead to a loss of impetus and the targets may be seen as easier to evade.

Identified efficiencies may be redeployed to enable initiatives within the department from which they come, but there will be circumstances when wider priorities in the House require that they are transferred elsewhere to meet pressing needs. Projects and programmes should focus on financial discipline in forecasting, budgeting, and reporting.

Focus on outcomes over rules

The House of Commons is focused more on adhering to rules than it is in delivering the necessary outcomes. In a number of areas, we came across poor performance caused by loyalty to process, despite the House having a substantial degree of independence and flexibility in setting its own ways of working.

Business case approvals are too long and detailed. Recent additions have more than doubled the average approval time. It is important for processes to run concurrently as much as possible. We recommend business cases should be approved within a maximum of 4 months. The threshold limits for the full business case process need to change to reduce volume and increase capacity. The House should employ additional central resource to avoid bottlenecks with approvals.

The House's current rules are leading to recruitment and retention issues for specialist skills because pay is significantly lower than the market average in important roles. This negatively impacts programme and project outcomes. The House should embrace a recruitment principle of paying public sector market rates for hard-to-recruit specialist skills, based on up-to-date market information, rather than sticking to a historic grade structure. Recruitment rules should permit much more significant flexibility in reward packages, such as smaller pensions contributions in exchange for competitive, market rate salaries.

Parliament's procurement rules require the central team to lead on the majority of procurements. The current thresholds are partly responsible for demand exceeding capacity which has resulted in poor outcomes through delays. Raising thresholds will deliver better outcomes by enabling prioritisation of effort—if the current delegated limit was raised from £10k to £50k, it would reduce overall volume by 40%. While more complex procurements take more time, the reduction in volume would have significant efficiency gains. Parliament must also be able to run complex transactions and competitive procedures to ensure value for money.

Sustained momentum of execution and effective prioritisation

The House of Commons needs more rapid progress from decision to delivery of outcome. Management decisions in the House need urgency and momentum. Without it, the risk of loss of commitment by participating teams will increase and public value will dissipate. Timely, well-informed intervention when things go wrong will contribute to damage limitation and assist the House to achieve better outcomes.

Business case approvals have more than doubled in length, resulting in poorer outcomes for delivery and controlling spend volatility. Recruitment delays due to a rules-focused approach, rather than outcomes-focused, have not been dealt with. Early knowledge of underspending or programme delays does not lead to effective early intervention.

When presented with management information about delays, underspends, or underperformance, management needs to react with a strong sense of urgency. Senior leaders rarely take effective action when considering quarterly performance reports on corporate performance, portfolio performance, or financial monitoring.

The House continues to have a poor understanding of its cost drivers and the nature and timing of demand for services. Without these, the House is unable to make informed decisions about the allocation of resources and prioritise successfully.

The Joint Investment Board should publish a refreshed set of investment priorities in close consultation with both Houses, with a specific focus on savings and efficiencies. It should also focus on its core purpose of prioritising bicameral investment by ensuring all programmes and projects receive a prioritisation score to control their inclusion within the medium-term investment plan. Business cases with monetisable benefits should receive additional prioritisation.

To create the pressure needed for genuine prioritisation, the estates budget should be capped based on what can be realistically delivered based on recent experience. The current approach of collating all possible needs and trying to deliver them all causes poor outcomes for programmes and projects. It means that effort is not targeted towards the most important investment.

Current thresholds for business cases should be revised to provide much greater incentivisation for projects already affordable, and unaffordable projects should only be permitted to advance in urgent and exceptional circumstances.

Controlled use of resources

The House of Commons has overseen a large expansion in its staff numbers over the last six years—excluding security officers brought in-house, the House has grown by over 600 FTEs but does not understand why. Data on human resources is poor. Departments have significant independence to create new teams and functions, undertake initiatives, and take on new requirements, without notifying the centre or requiring its prior approval.

The House of Commons should embrace zero-based planning, with departments undergoing a rolling programme of zero-basing every three to four years, aligning with the Lords for shared services. It should also consider its capacity to deliver a holistic zero-based review of the whole organisation to avoid overlooking potential duplication across departments. It is important the House considers the process as bigger than just budgeting: this is about justifying the purpose and outcomes of departments and designing the organisation in the most efficient way to deliver those outcomes.

The Commons and the Lords continue to duplicate a number of teams and functions, despite around two-thirds of total Parliamentary expenditure being used on shared services and contracts. Senior leaders in both Houses must resurrect efforts around further joint working to pursue good opportunities for cost savings.

Political uncertainty does affect some parts of the portfolio of projects and programmes, but it is not and should be an excuse to adopt a 'hand to mouth' approach to planning or budgeting as a whole. Instead, it should indicate the need to distinguish between the majority of the portfolio which will benefit from a planned approach and the element—mainly related to Restoration & Renewal—subject to uncertainty and need a different treatment. The House of Commons also needs a much-improved understanding of the drivers of scope changes so officials can advise political stakeholders on the costs, and impacts, of decisions.

There are no current consequences for underspending. The Commons Executive Board should reduce budgets from teams with consistent underspends to the amount they actually spend. Senior leaders must be held accountable for accurate forecasting and monitored against forecasting targets. The Joint Investment Board should monitor significant underspends in portfolio expenditure and hold senior responsible officers accountable.

Historic budgets for construction investment have been too optimistic, failing to reflect the capacity limits of Parliament. The capital budget for Strategic Estates should be limited to £180m, but overprogrammed by 20% to mitigate against underspending. Until Parliament has a better understanding of its capacity constraints through accurate modelling, this is the best available method to avoid capacity constraints. Alongside this cap, Parliament should develop a pre-approval process for agile projects which it can start-up quickly, to react to clear delays causing underspends in the early quarters of the financial year.

We agree with the House's decision to move to a detailed multi-year budget, which is important for financial rigour and discipline. To facilitate this approach, the Finance Rules should be revised to ensure there is sufficient flexibility with budget transfer and virement to enable better management of finances across multiple years.

Personal accountability for performance

The House of Commons is unable to challenge underperformers or identify overperformers. It requires a performance management system which holds individuals to account for what they have done and gives credit for their successes. This requires appraisal of an individual's performance, with an associated record, and a system of reporting and assurance. Senior staff should be held accountable with stretching objectives. The redeployment list needs to be tightened and time limited.

Accountability in the House is diffused and nebulous. Neither accountability nor decision authority are as clear as they need to be. The question, 'who is in charge on this issue?' is often answered by a complex set of conditional phrases. The House of Commons needs to distinguish very clearly between keeping the wider stakeholder population well-informed and consulted, and the leadership area that has to function decisively if it is to be effective. The Governance Office needs to take charge of developing and disseminating a single version of the truth about how the House's governance and oversight works.

Parliament should mitigate risks associated with the move to specialist SROs and Executive Sponsors. The Joint Investment Board should hold SROs to account for inadequate project and programme performance by changing to a more focused membership. Parliament should supplement its pool of senior staff with externally recruited, fixed-term SROs, to improve capacity and skills, and deliver a much-improved training offer for both SROs and Executive Sponsors.

Contract managers should be held to account for the performance of contracts through the regular monitoring of key performance indicators and tracking of mandated contract management activities, but they should also be supported to succeed through better training opportunities and fair time expectations.

Collective and binding decision-making

There should be a clear cycle of presentation of proposed and planned actions to the leadership group, with the opportunity to express points of view and modify proposals, working to build a consensus to support major decisions. Once these decisions have been taken, they should be considered binding on senior leadership until such time as a change is agreed in the same way. Not all decisions need to be taken this way, but it is important there is collective buy-in for any with significance beyond the department itself.

The House of Commons should redefine how the centre works with departments. There have been a series of attempts to break down silos in a strong federal system—which currently permits inefficiency and duplication—but these have only been half-implemented.

Senior staff must be held accountable through stretching objectives. Compliance with decisions from the centre cannot be seen as optional. When collective decisions are made to improve the organisation, senior staff should be held to account for the successful delivery of the changes. To support this, it should be unambiguous which individual or group is accountable: it remains unclear throughout the House who is responsible for different outcomes.

Effective matrix of cross-cutting functions

The House of Commons remains very federal. Efficiency and value for money will only be achieved through the development of stronger horizontal corporate functions which ensure shared activities are managed effectively.

The House should establish cross-cutting Functions in a new matrix structure. Heads of Functions will be responsible and accountable for the success and value for money of their Function, and given oversight over recruitment of roles, professional standards, and career development. Phase 1 should focus on a new Finance Function, Commercial Function, and Project Management Function.

Parliament should revitalise its commercial operating model because it is currently below the minimum expectations required for an organisation of its size and complexity. The Commercial Function should lead on organisation-wide commercial requirements, including supplier management, with a focus on delivering better strategic category management. Parliament should appoint a Commercial Director to lead the new function, accountable for the delivery of a new commercial strategy and responsible for commercial improvements.

Management information is spread across multiple documents and is considered too late to be used effectively for decision-making. The Commons Executive Board should receive a single performance pack which should be available within 15 days of the end of the quarter and should include specific options for interventions that the Board could employ to tackle significant volatility of spend.

Enablers: management information and transparency

Without management information of requisite quality, accuracy and timeliness, Parliament will be unable to make good, timely decisions essential to drive efficiency. The current inadequacy of the House's systems will limit effectiveness of many of our recommendations. The House of Commons should prioritise the delivery of systems that match its requirements. We recommend an urgent focus on the implementation of new Finance, HR, and Commercial systems.

Improved transparency will help the House of Commons focus on improving quickly and effectively by increasing public scrutiny. There is insufficient information in the public domain about the performance and finances of the House. There is insufficient transparency on how well the House of Commons meets its objectives: performance metrics and progress on priority outcomes should be published in the annual report and accounts. The finances of shared services are opaque, with no single publication explaining how they are funded. The financial remits, which form the basis of spending in Parliament, should be published annually. The House of Commons needs to publish a much better breakdown of its budget by priority outcome and teams, following best practice from other public sector bodies.

Implementation

Our reforms should be implemented through a programme. The Senior Responsible Owner should be an influential, senior board-level individual. The Commons Executive Board should sponsor the programme and monitor its progress regularly.

We expect the programme should complete within three years. We recommend a variety of changes which will require careful sequencing to implement effectively using a critical path method. There are some actions which can be achieved soon after the programme starts, whereas others are dependent on the completion of others before they can be completed. On the other hand, a number of developments can be undertaken simultaneously.

For instance, changes to House of Commons' rules—such as business cases, procurement, and recruitment—can be delivered within a few months of the programme start. Expectations for efficiency targets and forecasting accuracy can be in place before the start of the next financial year, as well as changes to accountability expectations and clarity of governance.

Longer-term changes include the delivery of improved management information, though during efforts to find and implement new systems there can be simultaneous effort to redesign management packs to include stronger analysis and presentation of options. The commercial reset will take several years overall: though some actions, such as the publication of a pipeline, recruitment of a new senior leader, and development of a strategy and operating model should be delivered within the first phase to enable the other changes. Immediate improvement in contract record-keeping, prior to a new commercial system, can also be actioned early.

We considered it useful to set out some illustrative benefits if our reforms were fully implemented. These are not predictions, but common-sense calculations to show examples of plausible efficiencies and savings opportunities. These benefits will also offset our recommendations which call for increased investment—such as paying market rates for specialist skills and improving cross-cutting functions—ensuring the reforms are self-funded.

- 'Business as usual' expenditure constitutes around £300m of the annual budget. Efficiency targets of 5% could deliver a maximum of around £15m per annum if all were agreed to, or around £7.5m per annum if half of all efficiency proposals were accepted.

- Improving the maturity of the commercial function could save as much as £15m per annum, by reducing annual third-party costs by 5% overall, through effective contract management, supplier management, and aggregation and rationalisation. In future years, once the transformation begins to yield results, benefits might stretch to 10%.

- Delivering modern systems fit for the House's needs could save between £2.5m and £5m per annum through 3–6% efficiency gains.

- Reducing the volume of business cases by a third through the modernisation of delegated thresholds could deliver up to £2.3m in efficiency savings per annum.

- Reducing business case approval times may deliver a conservative estimate of a 20% reduction in cost, which would equate to almost £1.5m in efficiency savings per annum.

- Increasing procurement thresholds could deliver efficiency gains equivalent to at least 2 FTEs in the central procurement team.

- Efficient use of resources through zero-based planning, improved accountability, and a reduction in duplication via cross-cutting functions would deliver significant benefits.

Glossary

In this report, we alternate between the use of House of Commons and Parliament. When the House of Commons (or 'the House') is used, we are discussing the House of Commons Service, which comprises the staff employed to deliver services and facilities, and shared parliamentary services managed by the House of Commons which deliver services to both Houses. When we use Parliament, we are referring to the above and additionally shared parliamentary services managed by the House of Lords. We are not including House of Lords-only services which are outside the scope of this review.

CEB: Commons Executive Board.

CPT: Chamber and Participation Team.

Departments: There are nine departments in the House of Commons, which internally are referred to as Teams, but for ease and consistency across different periods, we have used departments.

DSB: Digital Strategy Board

EPMO: Enterprise Portfolio Management Office

FBC: Full Business Case

FPP: Finance, Portfolio and Performance

GO: Governance Office

IHSE: In-House Services and Estates

JIB: Joint Investment Board

LMB: Lords Management Board

MTFP: Medium-Term Financial Plan

MTIP: Medium-Term Investment Plan

NAO: National Audit Office

OBC: Outline Business Case

PACT: People and Culture Team

PDS: Parliamentary Digital Service

PMO: Portfolio, Programme, or Project Management Office

PPCS: Parliamentary Procurement and Commercial Service

PSD: Parliamentary Security Department

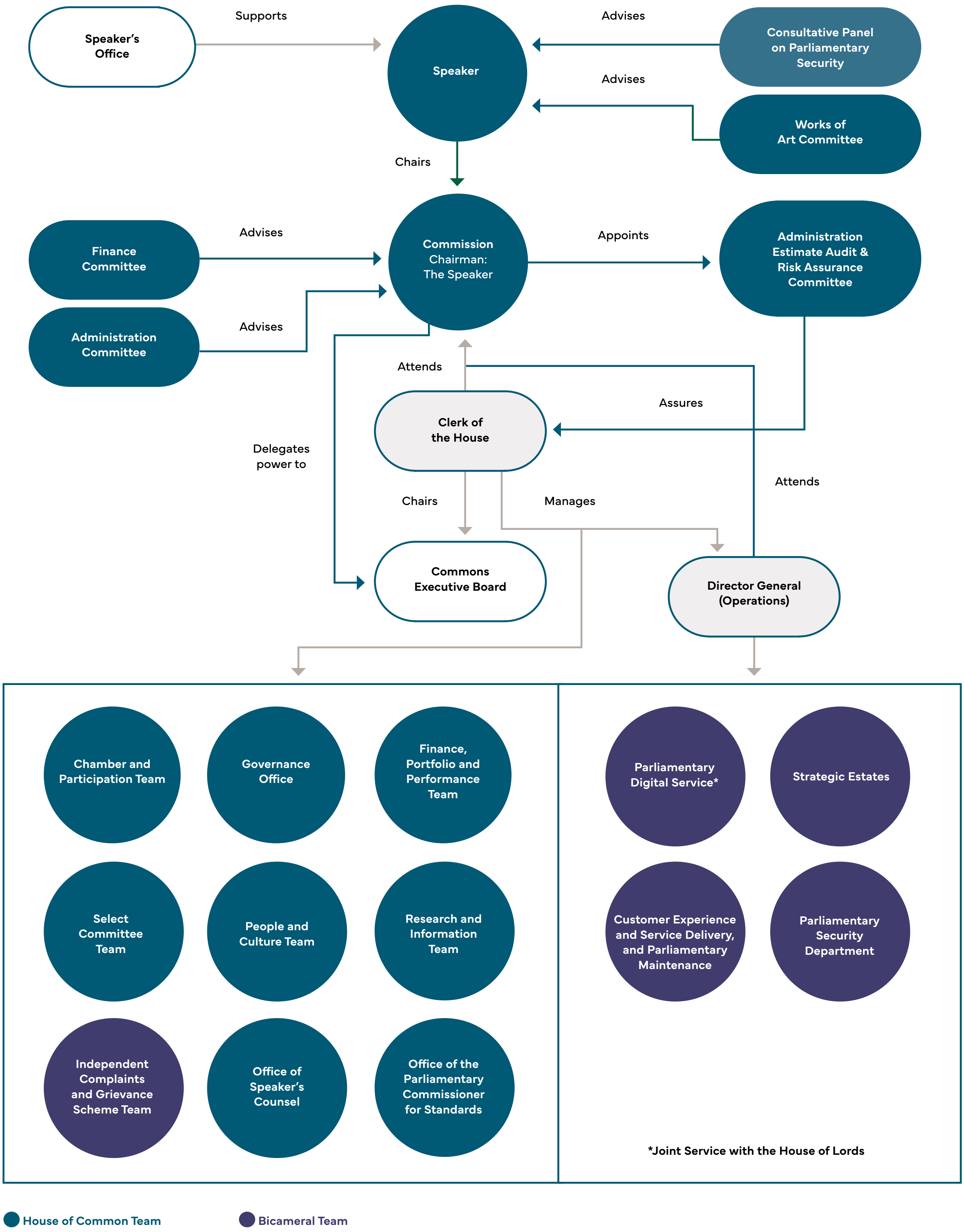
R&I: Research and Information Team

SCT: Select Committee Team

SE: Strategic Estates

SOC: Strategic Outline Case

House of Commons Governance Structure



House of Lords Organisational Structure

Parliamentary Services

Black Rod's Department (Doorkeepers, access, ceremonial)

Committee Office (Scrutiny by Select Committees)

Hansard (the official report)

Journal Office (Procedural advice publication of House documents, registry)

Legislation Office (Bills and delegated legislation)

Library (Research and Information)

Department of Facilities

Property and Office Services (Office accommodation, including reception and cleaning services)

Catering and Retail Services (Catering outlets, retail service)

Strategic Estates, Customer Experience and Service Delivery, and Parliamentary Maintenance

Communications

External Communications

Internal Communications

Participation, Education, Outreach and Visitor Services

Parliamentary Digital Service (PDS)

Digital, support for Members and staff, development and implementation of new technologies

Lord Speaker's Office

Financial Resources

Finance Department (Payroll, accounting, financial planning, Members' finance)

Parliamentary Procurement and Commercial Service

Independent Complaints and Grievance Scheme (ICGS)

Parliamentary Archives

Human Resources

Human Resources Office (Recruitment, pensions, staff)

Inclusion and Diversity (Supporting the Administration to become more welcoming, inclusive, and diverse)

Learning and Organisational Development (Staff development)

Clerk of the Parliaments' Office

Support for the Management Board and Domestic Committees, business planning, risk and performance management, internal audit, international relations, information compliance, business improvement and renewal, and private office support for office holders

Parliamentary Security Department

Security of estate, Members, staff and visitors

House of Lords Team

Bicameral Team

Chapter 1: **Context**

1. As the core institution of our democracy, Parliament matters. The way it is managed has important consequences, because how support services for Members are delivered and governed has consequences for the success of their core democratic responsibilities: creating and amending law, scrutinising the Government, authorising taxation, representing their constituents, and deliberating.

2. Discussing Parliament hides the complexity of what is two fiercely independent institutions: the House of Commons and the House of Lords. There is no singular leader of Parliament, nor of either House. This has had important repercussions for attempts to modernise, streamline, and rationalise parliamentary governance.

3. For good constitutional reasons, the House of Commons is self-governing: it has exclusive jurisdiction over its internal affairs and is not subject to external interference. The House is made up of 650 Members, who agree their own budget and are the customers of the same organisation they govern and oversee, but also spend little of their busy working lives focusing on internal governance.[1] The composition of these Members is constantly changing at every election, limiting institutional memory and disincentivising long-term thinking.

4. In practice, to organise and govern itself, the House of Commons Commission—a body consisting primarily of Members and chaired by the Speaker—is the ultimate authority for the administration of the House, setting strategic priorities, approving the budget, and is the legal employer of staff. Day-to-day management is delegated to the Clerk of the House (the Accounting Officer) and the Commons Executive Board. The House also appoints two select committees to support the Commission's work: the Finance Committee, which considers expenditure, and the Administration Committee, which considers the management of services.

5. While this is the formal governance structure, there are other key actors. The Speaker is not only the presiding officer in the Commons but additionally has important administrative responsibilities, including statutory duties.[2] The Leader of the House, a government minister, both represents the House but is also a key conduit of the Government's influence. Though the House of Commons is independent, the Westminster system means the Government commonly commands a majority of Members and holds strong influence.

6. The House itself remains sovereign, which raises another important consideration. The House can pass motions which require the House Service to implement or amend services, functions, and working practices.[3] Examples include the creation of the Independent Complaints and Grievance Scheme (ICGS), solutions for voting during the Covid-19 pandemic, and decisions around Restoration and Renewal. Good medium-term planning, anticipating issues, and planning ahead for future implementation should be shared with

[1] House of Commons Commission, Review of Management and Services of the House of Commons - report by Sir Kevin Tebbit KCB CMG, 18 June 2007, HC 685.

2 House of Commons Governance Committee, House of Commons Governance, Session 2014–15, 16 December 2014, HC 692.

[3] Unless it has already legislated explicitly, in which case those statues have force and cannot be overruled by resolution.

MPs. This would build their confidence in the House Service and reduce the probability of "imposed interventions" which have not been factored into plans and budgets.

7. The House of Commons provides a broad and diverse range of services and facilities to help Members carry out their jobs effectively. Determining how to resource those elements is difficult. The House Service helps maintain 650 small businesses operating independently, with high security requirements, on an expensive and deteriorating World Heritage Site, while welcoming one million visitors and guests every year. This does not even include the collaborative efforts required to co-operate with the House of Lords, an entirely independent organisation occupying the same estate. More recent challenges also include helping Members with ever-increasing constituency demands and security away from the estate. Notwithstanding these challenges, the House of Commons needs to demonstrate value for money to the public.

The impact of culture

8. Amongst this complex landscape, House staff are not only required to be politically impartial but also equally responsive to all Members, while also performing their corporate and legal responsibilities. Impartiality is imperative to the effective working of the House Service but can lend itself to cautiousness and inaction because management initiatives can "quickly assume unintended political significance".[4] Decisions such as staff working from home—straightforward in most other organisations—must be carefully considered against an intense political backdrop. Choices about insourcing and outsourcing might lead to political backlash.

9. Unsurprisingly, staff discussed with us the regular need for "political cover" and caution around taking risks, which provides powerful fuel for the status quo. It tends to lead to complex, ambiguous governance arrangements which favour the diffusion of responsibility. Decisions need to be considered carefully and slowly, including a larger number of stakeholders, because to do the opposite can lead to a political dispute. This is compounded by the lack of a specific 'leader' in either House of Parliament, which means influential actors must be kept in the loop and consulted, because they otherwise might use their power like a veto to stall progress.

10. It is also important to highlight how the way Parliament works shapes the way its organisations operate. The respect for traditions and the importance of precedent in making decisions influences the staff culture. There is a tendency to not challenge existing ways of working simply because that is how it has always been done, but also a concern that disrupting traditional service delivery will require substantial political stakeholder management. Parliament's uniqueness also creates challenges. Unchallenged, considering an organisation 'unique' means there is a widespread feeling it cannot be compared, and therefore cost and efficiency cannot be accurately benchmarked. The understandable desire for consensus in cross-party committees leads to significant effort within the organisation in only pursuing change which is agreed by everyone, meaning that the gatekeeper effect is strong.

11. Finally, the House of Commons is shaped by the political landscape it inhabits, which focuses more on short-term firefighting than long-term reform. The House of Commons Service spends much of its time addressing immediate issues which arise and become a priority, from Brexit to crises over bullying, harassment, and sexual misconduct. This

[4] House of Commons Commission, Review of Management and Services of the House of Commons - report by Sir Kevin Tebbit KCB CMG, 18 June 2007, HC 685, para 3.

makes focusing on driving long-term change difficult to maintain as well as fund, as political requirements also demand new expenditure and resource allocation. Investment in internal administration does not gain the priority it would have in other settings, leading to persistent weaknesses.

12. In spite of these challenges, staff in the House of Commons have risen to the occasion, especially when the pressure is greatest. During the Covid-19 pandemic, the House Service helped deliver "some of the greatest procedural innovations in 750 years of the House of Commons", including development of the hybrid Chamber with remote participation, Covid-secure voting arrangements, and virtual select committee sessions.[5] The House ensured that before the end of April 2020—just a month after the first lockdown began—the Chamber and Committees could continue operating. Staff "worked around the clock", from digital teams delivering remote voting for the initial crisis, to a vast majority of facilities and estates staff who were required to remain on site and modify Parliament almost overnight to ensure it was Covid-safe.[6]

Change does not come easy to the House of Commons

13. Sir Robin Ibbs (1990), Mr Michael Braithwaite (1999), and Sir Kevin Tebbit (2007) reviewed the management of the House of Commons between 15 and over 30 years ago and we identified commonalities which remain entrenched into the modern day.

14. The House has progressed substantially since Ibbs over three decades ago called the finances a "potentially disastrous situation".[7] On the other hand, since Braithwaite recommended better accounting systems, service level agreements between central finance and departments, and a clear operating model for finance, we note only small improvements.[8] Tebbit's conclusion that the basics of a modern financial system were in place, but with consistent problems with forecasting, monitoring of spend, cumbersome and manual systems, and limited oversight of contractor performance monitoring, could apply to the present day situation.[9]

15. Cost information remains unused in a significant way by the House Service. Compared to Ibbs's statement in 1990 that "the most significant weakness in the House's administration was the absence of readily usable, comprehensive cost information", we concluded there had been no substantial improvement since.[10] That statement might just as well be written in our report. Both Braithwaite and Tebbit continued to be critical of the House's use of cost information; Braithwaite concluded that priorities needed to be set on the basis of proper cost information, generated on the real cost per use or per user, and Tebbit stating

---

[5] The Speaker, The House of Commons and the pandemic: How the House kept on functioning in the face of Covid-19, December 2020
[6] Ibid
[7] House of Commons Commission, *House of Commons Services - report to the House of Commons Commission by a team led by Sir Robin Ibbs,* 27 November 1990.
[8] House of Commons Commission, Review of Management and Services - report to the House of Commons Commission by a team led by Mr Michael Braithwaite, 23 July 1999, HC 745.
[9] House of Commons Commission, Review of Management and Services of the House of Commons - report by Sir Kevin Tebbit KCB CMG, 18 June 2007, HC 685.
[10] House of Commons Commission, *House of Commons Services - report to the House of Commons Commission by a team led by Sir Robin Ibbs,* 27 November 1990.
[11] House of Commons Commission, Review of Management and Services - report to the House of Commons Commission by a team led by Mr Michael Braithwaite, 23 July 1999, HC 745; House of Commons Commission, Review of Management and Services of the House of Commons - report by Sir Kevin Tebbit KCB CMG, 18 June 2007, HC 685.

that performance management must be underpinned "by an active and functional costing system" benchmarked against peers.[11]

16. In our report, we express significant concern that the House of Commons cannot prove its spending represents value for money. This was a core theme through all three management reviews. Ibbs said "there is no confidence that the sums spent on servicing the House are appropriate to its needs, nor that they are well spent".[12] Part of our reasoning is that the House Service has not historically set clear priorities. Ibbs, Braithwaite, and Tebbit all made the same points in different decades. Tebbit summarised it as: "Services must be delivered as efficiently as possible and resource allocated on the basis of the House's defined objectives, not individual department's preferences."[13]

17. Many of the primary changes from previous management reviews, including the Director General's Report in 2016 (which followed the Governance Committee—or 'Straw Report') have been structural.[14] For example, the 'Facilities' team (including maintenance and logistics) and the 'Estates' team (including Works) have been put together and moved apart five times since 1992, including twice in the last four years.[15] Many of the changes in the Director General's Report have already been reversed or altered. These structural changes, primarily altering the responsibilities of different departments, have not led to sustained change and many of the persistent problems remain.

18. Senior leaders in the House of Commons have attempted to address these endemic issues. We cannot mention all initiatives underway, but we acknowledge that management is actively seeking ways to fix long-term issues with varying levels of success. There are nevertheless significant issues which require a more holistic approach to solve. In our report we therefore focus on achieving change through a comprehensive strategic approach with interdependent recommendations.

Our review

19. In 2021, the Director General (Operations), Marianne Cwynarski CBE, asked Lord Morse KCB to lead an independent review into the financial management in the House of Commons.[16] The House of Commons Commission agreed to the proposal on 15 November 2021.[17] Lord Morse was supported in his work by a review team consisting of staff from the Governance Office: Michelle Clarke, Innovation Lead; Jack Dent, Policy and Projects Lead; Arben Islami, Continuous Improvement Lead; Aadam Mir, Change Analyst; George Starsmeare, Innovation and Improvement Manager; and Andy Vallins, Head of Innovation and Improvement.

20. The original expectation for the review was to investigate financial management practices within the House of Commons, and where appropriate, shared services with the House of Lords. However, we determined early on that it would be impossible to consider financial management in isolation without considering wider governance and management

[12] House of Commons Commission, House of Commons Services - report to the House of Commons Commission by a team led by Sir Robin Ibbs, 27 November 1990

[13] House of Commons Commission, Review of Management and Services of the House of Commons - report by Sir Kevin Tebbit KCB CMG, 18 June 2007, HC 685.

[14] House of Commons Governance Committee, House of Commons Governance, Session 2014–15, 16 December 2014, HC 692.

[15] During our review, In-House Services and Estates (IHSE) was separated into Strategic Estates and two other teams: Customer Experience and Service Delivery, and Parliamentary Maintenance.

[16] See Appendix 1 for the Terms of Reference.

[17] House of Commons Commission, Decisions - Monday 15 November 2021

challenges. Strategic financial decision-making is intrinsically linked to how the entire organisation operates. Our review does include a much greater focus on improving financial management than other previous management reviews, but it additionally explores and makes recommendations about strategy, organisational structure, and people.

21. Our inquiry has concentrated on the House of Commons and shared services with the House of Lords, including commercial, estates, digital, and security, as it would be similarly implausible to consider the financial management of the Commons in isolation. The two Houses collaborate on around two-thirds of their expenditure. The House of Lords authorities were informed and involved in the review.

22. We conducted interviews with 75 people, including members of the House of Commons Finance Committee and Audit Committee, and Commons staff from all departments of the House Service and the Parliamentary Digital Service, as well as House of Lords staff. We also sampled and analysed a substantial number of internal documents, processes, and policies, as well as financial information, to ensure where appropriate we could use quantitative evidence to substantiate information from interviews. We undertook a wide range of comparative work with other public sector organisations.

23. We would like to thank everyone who helped us with our review, which would not have been possible without the time, support, and hard work of individuals and teams across Parliament.[18]

[18] A full list of contributors can be found in Appendix 2.

Chapter 2: **Strategy**

Introduction

24. The House of Commons needs to decide how to manage its public resource in the most effective and efficient way. Setting clear priorities for expenditure is key to achieving value for money. The Treasury in its Public Value Framework emphasises that pursuing well-defined, ambitious goals, which have their progress and success tracked, will deliver a firm foundation for value for money, whereas any weakness will limit wider efforts to deliver public value.[19]

25. Parliament faces a number of unique challenges in determining its goals. First, Parliament is not a collective institution, but two independent Houses with exclusive cognisance to regulate their own internal affairs, as explained in Chapter 1. Second, the structure of the House Service remains decentralised. The departments retain substantial power. The Commons Executive Board (CEB) operates by a consensus of heads of those departments. It has not historically prioritised any specific functions of the House Service over others, leading to an organisation which is pulling in many directions at once.

26. Third, the House of Commons has historically struggled to determine its strategic direction. The House is a body comprising 650 individual Members who do not agree on the purpose of the House Service. There is no one individual, like a Secretary of State in a government department, who can claim sole jurisdiction over decision-making: there is instead a mix of senior leaders who can make claims on different elements of the House's direction. Successive management reviewers have highlighted a lack of strategic leadership.

27. Since 2015, the House of Commons Commission has had a statutory duty to, from time to time, set strategic priorities and objectives for the House Service.[20] During the progress of this review, the Commission and the CEB agreed a new strategy for 2023–27. The House of Commons has supported the development of this strategy by appointing a Director of Strategy and Business Planning, as well as introducing high-level implementation plans for specific outcomes and goals. This Chapter sets out how we believe the House of Commons can make further strides and deliver improved public value through its strategic work.

Goals and performance

28. **The way the House judges its success is based on the completion of activities, instead of measuring outcomes.** Activities are binary objectives which aim to either be completed or not by a stated deadline. Typically, they might require the publication of a document, or the commencement of a service or contract. The rate of completion of these activities generates the percentage score for performance reporting. Outcomes, in contrast, are measurable priorities: for example, improving Member satisfaction in services, or increasing cost savings in procurement. The House does set priority outcomes, but it does

[19] HM Treasury, The Public Value Framework, March 2019.
[20] The House of Commons Commission Act 2015 s2 (amending the House of Commons (Administration) Act 1978).

not measure its performance towards them. This approach compares unfavourably with the use of Outcome Delivery Plans by central government departments.[21]

29. **The House sets too many objectives and reviews them with too little scrutiny. Projects and programme delays are the main reason for incomplete objectives.** Since 2016–17, the House of Commons has set an average of 62 objectives each year in its annual corporate business plan. In the last three years, the Commons only completed an average of 63% of its objectives by the end of each year. There is no systematic analysis of common reasons for objectives not being completed. Our own analysis found that the main theme was programme and project delays (which often caused delays to other objectives dependent on project delivery), due to slower-than-expected approval of business cases, procurement issues, and the impact of Covid-19. Objectives unrelated to specific programmes and projects were more likely to be completed successfully.

30. **Previous attempts to set proper performance metrics to measure outcomes have been too easily discarded.** The 2016–21 strategy included measurements of success for internal and external customer satisfaction, reputation of the House of Commons, sustainability, value for money, and the impact of MPs' work.[22] Other than customer satisfaction surveys, none of these metrics were sustained beyond one or two years. A refresh of the strategy for 2019–23 was coupled with another renewed push to develop strategic metrics. Despite development of 12 performance measures, with possible indicators and data sources, CEB did not consider the draft proposals and the work was shelved. The House of Commons, unlike the House of Lords, does not currently report any key performance indicators (KPIs).[23]

31. **In recent years the annual corporate business plan was never ready for the start of the financial year.** It averaged publication four months later than the process envisages. It is unclear what impact this delay has on the delivery of objectives. At worst, it might mean the process itself is lip service to the reality on the ground, as departments get on with their own priorities. At best, it may mean a sluggish start to each financial year.

32. **The Commons Executive Board (CEB) and the Commission took little action when presented with quarterly performance reports.** Of the 12 quarterly reports considered in the last three years, CEB discussed business performance in-depth only five times. In the last two years, the Q1 performance report was noted only, with no discussion. CEB only agreed one substantive action from the 12 reports, though there were four other occasions where the Board discussed some of the issues in-depth.

33. **Inconsistent monitoring of performance prevents any explicit feedback loop between performance and future business planning.** As business plans are agreed for the following year in advance of the Q4 report, the Q3 pack is the final chance CEB has to use feedback from the current year to influence the future plan. However, in 2019–20, the Q3 report was not even discussed, and in 2021–22, the Q3 report was inaccurate and had a number of nil returns from teams. In 2022, CEB agreed—as far as we were able to ascertain, likely for the first time—to continue to monitor incomplete objectives into the next year.

34. **There is no transparency in how well the House meets its objectives.** Compared to central government departments and other public bodies, who specifically report on their success in meeting objectives, the House of Commons' performance report in its annual report and accounts is narrative-only. While the CEB and the Commission monitor the completion of activities, there is no public accountability of performance.

[21] HM Government, Outcome Delivery Plans, 15 July 2021.
[22] House of Commons, Strategy for the House of Commons Service 2016–21.
[23] House of Lords, Annual Report and Resource Accounts 2021–22, HL Paper 54, 18 July 2022.

35. **The link between incompletion of activities and accountability is unclear.** We focus on the link between performance and accountability specifically in Chapter 4, but it is important to state at this juncture that we were not told that it was considered particularly serious for an activity to be incomplete, and we did not hear about individuals responsible for delivery of an objective being held to account for failing to deliver. Objectives which were incomplete were not followed up with any specific zeal.

Recommendation 1: For each of its strategic priorities, the House of Commons should choose a small number of performance metrics with stretching targets. The approach should emulate the method used in Outcome Delivery Plans by central government departments. It should include the following:

- **Performance metrics should be tracked and reported as part of a combined performance pack, contextualised through financial and wider corporate performance information, so that the Board can intervene in-year to tackle underperformance.**
- **The results should be transparently published in the annual report and accounts, so that the public can effectively track the strategy and business plan through to the performance report.**
- **The House of Commons should collaborate with the House of Lords on the strategy for its shared services, and their performance targets, to ensure Parliament collectively expresses the overall outcomes both Houses desire from collective investment. It is odd that the Lords reports KPIs against shared services for which it provides a minority of funding, but the Commons does not.**
- **The House of Commons should reduce its annual objectives to a much smaller number. The detail can be expanded in team plans if necessary. The business plan should focus on what the organisation is doing in that year to ensure it progresses against its strategic priorities and how it will improve its performance.**

Achieving value for money

36. **As with other outcomes, value for money is not measured. The House of Commons lacks external pressure to deliver value for money.** The House is funded by taxpayers and must be able to demonstrate to the public that it is delivering its services and facilities in the most efficient, economic, and effective way, while ensuring that Members are able to perform their roles as best as possible. While both Houses of Parliament have recognised the importance of value for money, neither House measures their success in achieving it.

37. **Value for money can only be judged through an understanding of inputs, outcomes, and the relationship between the two. The House of Commons lacks understanding of either its inputs or its outcomes.** As we have already set out, the House of Commons does not track its outcomes—the core component of determining effectiveness—so it does not know how effective its services are. Since 1990, it has been well-established that the House has struggled to determine the unit costs of its activities and therefore cannot make informed decisions based on inputs.

38. **The House continues to have a poor understanding of its cost drivers and the nature and timing of demand for services.** Without these, the House is unable to make informed decisions about the allocation of resources. There are many services in the House which can be benchmarked against other organisations. For core parliamentary services, there are unique challenges, but even basic knowledge in these areas can help improve efficiency.

39. **The Commission and the Commons Executive Board need to focus on pursuing value for money.** The lack of a binding objective to deliver value for money has led to a number of previous initiatives which have not necessarily succeeded. The most recent attempt to focus on how the organisation spent its money stopped in the face of external events and has not been revived.

40. **Efficiency is viewed only as a 'one off' exercise, rather than an embedded practice.** The Efficiencies Programme, launched in April 2016, identified £15.6m of efficiencies, split across cashable savings, cost avoidance, productivity gains, and income generation.[24] A review of the programme found that, while the House had invested significantly in raising staff awareness for efficiencies and value for money, these practices were not embedded long-term because there were no legacy mechanisms to encourage ongoing efficiency or innovation. The lack of cost information was identified as a barrier.

[24] House of Commons, Annual Report and Accounts 2018–19, HC 2434, 17 July 2019.

Recommendation 2: Services can only be judged on effectiveness and efficiency if the House sets outcomes and tracks performance using metrics, fully understands the costs behind its decisions, and subsequently targets spending according to the specific outcomes it wants to achieve. Without this approach, prioritisation of expenditure—and any consideration of value for money—is not possible. The Board and the Commission must embrace this approach as a permanent goal.

Recommendation 3: The House of Commons must embed efficiency as normal practice rather than viewed as a 'one off' effort. To do so, it requires that the House commits to, and delivers against, publicly stated and agreed targets for efficiency. Anything less than a commitment of this kind will not convince stakeholders or the wider public that the House desires a permanent step change.

The most effective objective would be an annual target for efficiencies of between 3 and 5%. However, we acknowledge that the House will face difficulty in immediately transitioning to this process without the necessary financial information, and that multi-year targets may be more practical. Gradual progress of this kind is more convenient to senior management but will be less radical and less credible as evidence of determined change.

If the House determines that efficiency targets could not commence until 2024–25, the delay in implementation does not undermine the change, but it could lead to a loss of impetus. If the House prefers to pursue targets over several years, this will provide more flexibility and may be more realistic than annual targets, which do not take account of the underlying realities of major projects and programmes. However, they may also be seen as easier to evade.

We believe it is important that all departments are subject to the same efficiency discipline, and not simply the "usual suspects". Identified efficiencies may often be redeployed to enable initiatives within the department from which they come. There may be circumstances where the wider priorities of the House of Commons require that they be transferred elsewhere to meet more pressing needs. It might be that efficiencies would contribute a part of the resource needs in such a case, and the rest be funded through the remit, giving an impressive signal of shared responsibility.

We believe there should be different expectations for the regular provision of services ("business as usual" expenditure) and project expenditure. For the latter, we identify a different expectation of efficiency. The current limited control framework on expenditure—which we set out in Chapter 3—means that efficiency targets are not yet possible. Instead, these areas must initially focus on financial discipline in forecasting, budgeting, and reporting.

Transparency

41. **There is a lack of transparency about the budgeting process in the House of Commons.** The financial remits, which form the basis of the spending framework, are published only in the minutes of the House of Commons Commission.[25] The annual reports and accounts

[25] For example: House of Commons Commission, Decisions - Wednesday 20 July 2022.

do not explain expenditure in a transparent format: compared to NAO best practice, which expects expenditure to be expressed by priorities, teams, and functions, the House of Commons does not set out where its budget goes.[26] Further information is available on the website, but it is not referred to in the annual report and is not easy to find.[27]

42. **The split in spending and accountability on shared services is opaque.** No single publication sets out expenditure on shared services. Each House's annual report and accounts includes one page on the joint arrangements for recharging and includes only the headline figures. It is also not always clear how different services are funded when the arrangement is different to the norm. The obvious example here is catering and banqueting, which would benefit from more transparency on its schedule of rates.

43. **Improved transparency will help the House of Commons to overcome the lack of external pressure to measure value for money.** By being open about the funding towards different teams, functions, and shared services, the House will facilitate scrutiny of its expenditure. It will additionally help the House meet two of the Nolan Principles of Public Life: accountability, by submitting itself to appropriate financial scrutiny and accountability to the public, and openness, by being clear about how financial decisions are taken.[28]

Recommendation 4: The House of Commons should publish its financial remit annually, with accompanying narrative to explain the reasoning behind the remit. It should be referred to clearly and unambiguously in the annual report and accounts.

The House should include a clear breakdown of its budget each year by priority outcome and by team in its annual report and accounts, following best practice from other public sector bodies. This breakdown should include full figures for shared services, including bicameral decision-making, governance arrangements, and the split in expenditure by House.

Prioritisation of capital investment

44. **Budgeting and financial planning in the House of Commons is theoretically "multi-year" but is in practice an annual spending review rather than a fixed settlement.** Notwithstanding the last two years which were intentional one-year settlements during Covid-19, the House has always 'refreshed' its four-year budget settlements every year. A substantial amount of staff time is consumed with annual refreshment of budgets.

45. **The Joint Investment Board (JIB) was created to ensure a single bicameral body would have authority and oversight over parliamentary investment across digital and estates, but digital has since become more independent.** JIB was set up as a bicameral investment board, combining investment oversight and decision-making—including prioritisation—which had previously sat with independent estates and digital boards. In 2020, the Digital Strategy Board (DSB) and JIB decided that DSB would take on oversight and prioritisation of digital investment. This has led to confusion over the basis of JIB, which was supposed to oversee all investment, and the inconsistency of prioritisation

[26] National Audit Office, Good practice in annual reporting, January 2022.
[27] UK Parliament, House of Commons – Previous budget and actuals spend information.
[28] Committee on Standards in Public Life, Guidance: The Seven Principles of Public Life, 31 May 1995.

between estates and digital. Furthermore, as we set out in Chapter 3, the creation of the Investment Committee as part of the business case process has led to further confusion over governance.

46. **One of the core roles of JIB is to set investment priorities, but it has not done so since 2019 and there is little evidence these priorities had any impact on investment decision-making.** JIB's investment priorities, last set in 2019, were very broad and it is difficult to envisage a parliamentary project or programme that would not fit into any of the long list of priorities. JIB currently greenlights Category A projects and programmes—the most important and complex investments—to advance to business case development by approving their mandate. It ostensibly judges these mandates on how well they fit within the investment priorities. We reviewed all 41 JIB mandate decisions since 2019 and found the criteria are not used in any practical way to determine prioritisation:

- Only 6 of 41 mandates (15%) referenced JIB's investment objectives, with the majority of mandates using statements instead from the two strategies of the Houses.

- JIB only explicitly rejected 1 mandate of 41 because the building works did not address health and safety, fire safety and security, which had received priority. However, the same mandate returned 5 months later and was approved.

- JIB did defer 8 programmes while it requested changes to the mandate. It generally approved these mandates a few months later, and we are not convinced its changes could be considered substantive challenge or added value to the process.

- JIB rarely discussed whether mandates addressed its investment objectives.

47. **To be effective in setting investment priorities which will generate actual prioritisation, JIB requires better steer from its parent boards.** The Commons Executive Board and the Lords Management Board must work together when formulating their strategies to ensure they pass on a shared view of what investment is most important to Parliament. The current strategies do not provide the require clarity for JIB to make tough decisions on investment, and we did not see any further evidence of the management boards working together to instruct JIB with its priorities.

48. **Another core purpose of JIB is to run an annual, or rolling, prioritisation exercise to ensure the right projects are being prioritised, but this exercise no longer takes place.** According to the Medium-Term Investment Plan (MTIP) documentation we reviewed, programmes and projects bidding for MTIP funding are supposed to secure a prioritisation score through the Enterprise Portfolio Management Office (EPMO) and the relevant Portfolio Management Office (PMO). Prioritisation scores in estates have not been used properly since their creation, and JIB is instead presented with an overall level of requested investment from In-House Services and Estates (IHSE). We saw limited evidence of JIB rejecting any estates investment. Staff we interviewed no longer believed a prioritisation process was in operation.

49. **Digital investment uses prioritisation scores and appears to generate genuine trade-offs.** While the estates budget has typically been treated as having "no nice to haves"—that everything put forward is essential—the digital portfolio ranks its options and over-programmes to improve deliverability and flexibility. Digital prioritisation is possible partly because the digital portfolio budget is much more controlled than estates.

Recommendation 5: It is imperative that investment governance is clear and unambiguous. Staff across the House of Commons believe that investment governance is now nebulous: no one is entirely sure what the purpose of each investment body is and what decisions they can make. This is not a sustainable position. Each body involved in investment should have a clear role, and the relationship and heirarchy between each body should be explicit. If a bicameral investment body is to be successful, it must have overall oversight and the final decision over prioritisation.

Recommendation 6: The Joint Investment Board must publish a refreshed set of investment priorities in close consultation with both Houses. These criteria should be reviewed annually to ensure they meet the needs of both Houses. They should reflect on the greater focus on parliamentary services called for from the House of Commons and the priorities set out in the Joint Commission's report on the future of Restoration & Renewal.

They should also include a specific focus on savings and efficiencies to improve value for money in Parliament. Delivery of income generation, cashable savings, or monetisable efficiencies should be prioritised.

Recommendation 7: The Joint Investment Board must focus on its core purpose of prioritising bicameral investment. All programmes and projects should receive a prioritisation score based on the extent to which they meet the investment priorities. The Joint Investment Board should then, as part of its Medium-Term Investment Plan prioritisation, only include projects which meet an acceptable threshold, or otherwise select a package of the highest scoring projects.

Prioritisation scores should be generated from the portfolio experts in digital and estates, using a scoring matrix developed by the Enterprise Portfolio Management Office, based on the investment criteria that JIB sets down.

These recommendations should be considered in conjunction with our Chapter 4 recommendations on capping the estates portfolio budget, which will create the pressure required to permit genuine prioritisation.

Affordability within business cases

50. **Projects and programmes that have already proved affordability through the Medium-Term Investment Plan (MTIP) gain little benefit in the business case authorisation process.** Once the MTIP is approved, projects seek authorisation for expenditure through the business case process. There are different delegation thresholds for expenditure included in the MTIP and expenditure not included ('unaffordable'). The difference is relatively minor: for projects included in the MTIP, Finance Director approval is required for whole life-costs of over £1m (property and estates) or £500k (everything else), whereas for 'unaffordable' projects, the thresholds for Finance Director approvals are £250k (property and estates) and all other projects regardless of value.

51. **The distinction in thresholds serves limited practical purpose for estates projects and only affects a minority of other projects.** There have not been any estates projects in the last three years below £250k, and only eight below £1m, meaning the thresholds would have made little practical difference to scrutiny and approval. There is no clear incentive for

the vast majority of estates project to prove affordability within the MTIP. For all other projects, including digital, around 25% are below £500k, so only a minority are impacted by the extra scrutiny. Essentially, almost all projects require approval by the Finance Directors, regardless of affordability, which fits into a wider theme of a rules-based system rather than an outcome-based system.

52. **Business cases in the House of Commons are regularly approved despite having substantial funding deficits.** Guidance from the Treasury states that the purpose of the financial case within a business case is to demonstrate that funding has been secured and it falls within appropriate spending and settlement limits. The House operates somewhat differently. We came across several notable examples of business cases being approved with funding deficits, which are available in Appendix 3.

53. **The current approach to business case funding is not rigorous enough.** We believe the following key reasons explain why: (1) the lack of proper prioritisation of projects in the House of Commons means that there is a widespread view that most, if not all, projects will be agreed to, regardless of affordability, (2) that everyone understands the House sets its own budget and therefore there will always be money available, even if there is a funding deficit, and (3) that perennial underspending of existing budgets means new projects can use these underspend to cover short-term funding deficits, with no long-term solution required for future years. While programmes are regularly ring-fenced to ensure budget is available through future years, the annual refreshment of the MTIP means costs are often only indicative for years 2 and beyond. We saw several examples of business cases saying they were not affordable in the MTIP but hoped to be approved in the submission for the next financial year.

Recommendation 8: The business case thresholds should be revised to provide much greater incentivisation for projects already funded through the MTIP, especially if they are part of a fully-funded programme.

Recommendation 9: Business cases with an unaffordable financial case should be rejected unless there is an urgent and exceptional reason for the project, which explains why it was not included in the MTIP.

Recommendation 10: Budget transfers between projects in a portfolio should only be allowed by exception. It should be made clear to staff that the current practice of anticipating underspends is unacceptable.

These revisions should be considered alongside other business case reforms recommended in Chapter 3.

Benefits of investment

54. **We sampled a number of recent business cases and found that objectives and benefits were set out inconsistently, were not always measurable, and were rarely monetisable.** Of 100 benefits from a sample of business cases from the last two years, we found that the majority (83%) were non-monetisable. These reflects, in some circumstances, the nature of Parliament's investments, which are often focused on improving health and safety and security. However, the sample also included digital projects and construction projects

not related to health and safety or security. The quantifiable benefits were often without measurable targets or baseline evidence from which to compare. Only in isolated cases did a benefit in any category have a deadline. Overall, we found that:

- Only 7% were cashable benefits.
- 10% were non-cashable benefits but provided opportunities for efficiencies.
- 45% were quantifiable, but not always measurable.
- 38% were qualitative.

55. **We saw no evidence that, when benefits were expressed in a sub-standard manner, this led to projects and programmes not receiving approval.** Of the four business cases in 2021–22 which received a Red or Amber/Red keyholder rating for their strategic case—suggesting the business case did not offer a sufficient strategic reason to invest—all were approved, despite not setting out measurable benefits.[29]

Recommendation 11: Business cases must set out measurable and time-constrained benefits because otherwise it is not possible to judge the value for money of the proposed investment. The House should not permit business cases to proceed unless every significant benefit is, at a minimum, measurable and time constrained. The Enterprise Portfolio Management Office should set minimum standards for benefits in business cases.

Recommendation 12: Business cases with monetisable benefits, whether cashable or non-cashable, should receive additional prioritisation scoring.

[29] See Appendix 3 for more information.

Chapter 3: **Controlling spend and volatility**

Introduction

56. Effective forecasting is a critical component of successful financial management: it helps senior leaders to make informed decisions about finances and deliver value for money.[30] Poor forecasting leads to late identification of under or overspending and in turn restricts in-year interventions, challenge, and management of risk. Overspending is easier to understand as a negative impact as it means a public body has exceeded its allocated budget. Underspending—while sometimes a positive result from good management—leads to opportunity costs which inhibit efficiency. Consistent overestimation of spending can lead to a complacent financial management culture where budgets always include 'slack', leading to inefficient prioritisation and use of resources.

57. The House of Commons has unique challenges in predicting its expenditure. Some of the budget is dependent on political decisions, which are outside the control of officials. The main example is Restoration & Renewal, which for a number of years has experienced significant uncertainties about the scope of the work and the potential requirements for decant accommodation. There are other examples but these tend to be minor in comparison. This results in a degree of unmanageable volatility such as underspends when political decisions are delayed. Nonetheless, throughout this chapter, we focus on the importance of better controlling what can be controlled to reduce volatility, and make recommendations on how to improve the management of politically-uncertain expenditure.

Underspending

58. HM Treasury defines good forecasting as being able to forecast within 1% of the eventual outturn halfway through the financial year (period 6).[31] The House of Commons average is 17% underspent.[32] Underspending is also getting worse, rather than better. In the five years between 2011 and 2016, the House of Commons underspent its budget by 9.3%; between 2016 and 2021, it underspent its budget by 15.4%, an increase of two–thirds.[33]

59. Capital underspends have been a perennial problem for the House, as can be seen in Figure 1. These underspends are sometimes large—although, as we explain above, some of this is related to political uncertainty. In 2021–22, against the original budget, the capital budget was underspent by 41.3%. In the previous year, the capital underspend was 35.9%. A significant component of the capital underspend is from the budget controlled by Strategic Estates (SE). In the last four financial years, SE has spent only around an average of 75.5% of its capital budget from the House of Commons.

[30] National Audit Office, Forecasting in government to achieve value for money, HC 969, Session 2013–14, 31 January 2014.
[31] HM Treasury, Consolidated Budgeting Guidance 2022–23, March 2022.
[32] Between 2018 and 2022: 10.2% underspending for resource and 23.7% for capital.
[33] The figures above represent underspend against original (not revised) budgets, factoring in significant changes through supplementary estimates where possible. We have removed any one-off accounting adjustments from the calculations, they do include non-cash elements. However, operational resource underspend (ie. cash only) is also significantly underspent, averaging 9.7% over the last five years.

60. Quarter-on-quarter trends also show worsening underspend performance throughout the financial year. For resource, while Q1 and Q2 forecasts remain within 5%, by Q3 it drops usually beyond 5% and by Q4 in two years it was beyond 10% variance. For capital, forecasts are much less predictable. Q1 shows significant volatility: in two years, the capital forecast was within 2%, whereas in the other two years there were immediate large underspends of 9.9% and 19.6%. By Q2, capital forecasts were showing significant underspends, even in years when Q1 was within 2%. By Q3, the underspend always worsens and there is a further significant drop by Q4 (see Figure 2).

Figure 1: Resource quarterly forecasting in the House of Commons, 2018–2022

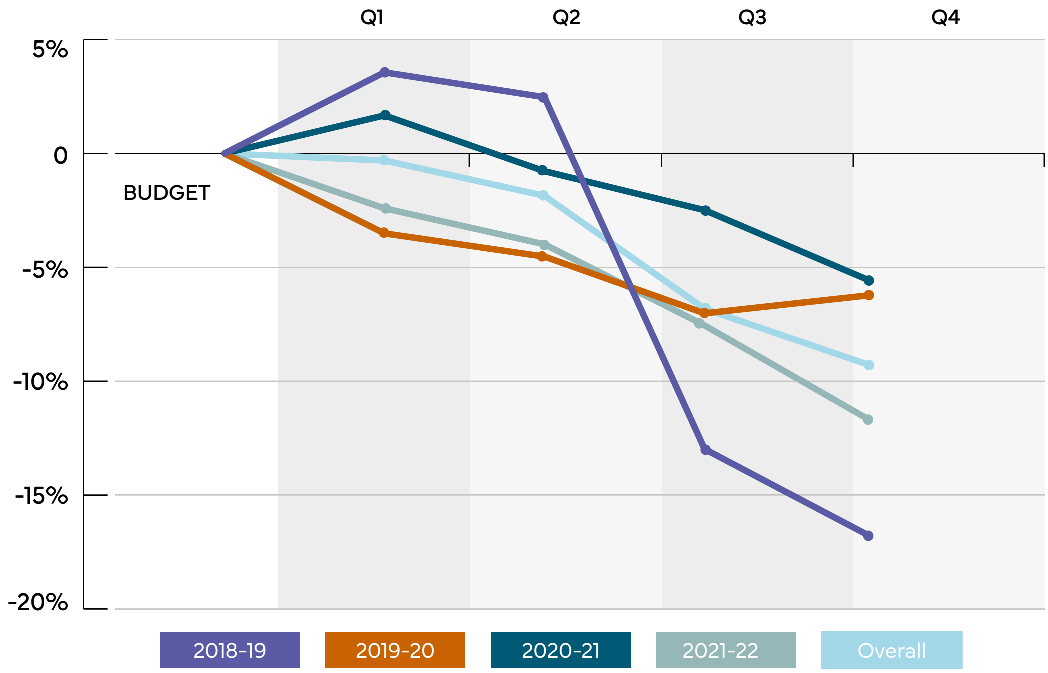
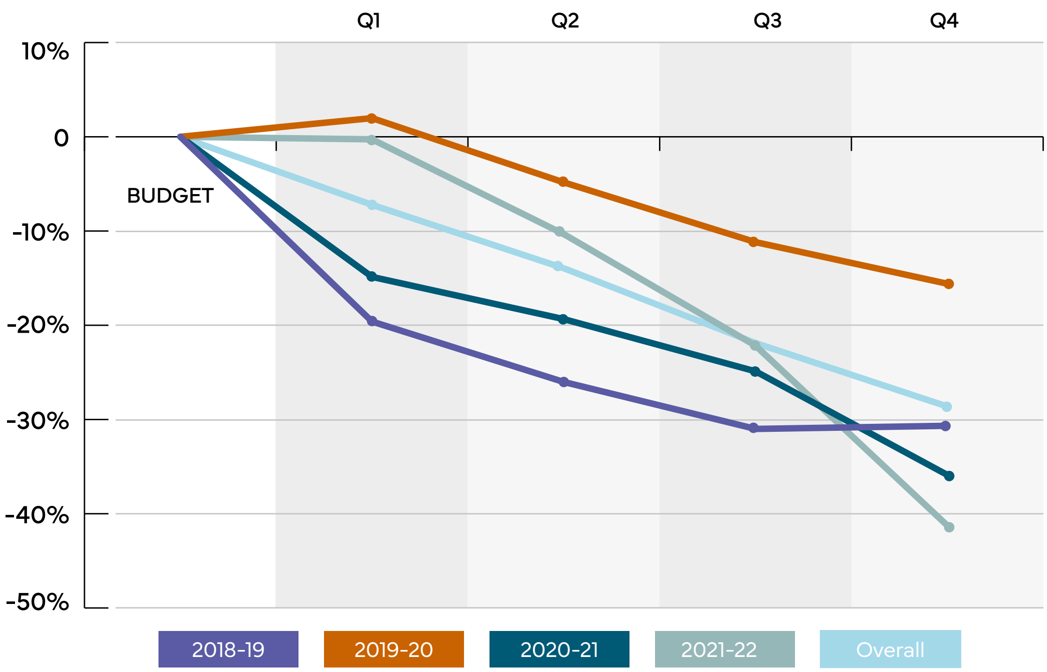


Figure 2: Capital quarterly forecasting in the House of Commons, 2018–2022



61. This trend of increasing budget variance is in contrast to other public sector budgeting, which tends to show the greatest variance in Q1, followed by a reduction in variance quarter-on-quarter until the forecast is close to the outturn. The central finance team has been aware since at least 2017 that the House of Commons is too optimistic in its Q1 forecasts, but this trend is still embedded in budget management into the present day.

Political uncertainty and scope change

62. **Political uncertainty is a major reason for some of the larger underspends in recent years.** The House Service has been put in the unenviable position of trying to predict what will be needed to facilitate Restoration & Renewal (R&R) before decisions were made, in order to ensure if a decant went ahead there was suitable accommodation for Members, Members' staff and House Service staff. When political decisions have been on made on R&R, these have not necessarily been advanced, leading to forecasted expenditure not taking place as expected. For example, in 2017–18 and 2018–19, the House returned ~£50m in subsequent years via supplementary estimates due to delays in R&R.[34]

63. **Despite a known difference in the predictability of expenditure, the House does not clearly distinguish between the forecasting performance of both types.** The uncertainty of political decisions and its impact on planning and forecasting is well-known throughout the House Service. Despite this, we only came across isolated examples of analysis which distinguished between the performance of 'manageable' budgets versus 'unmanageable' budgets. In 2018–19, the central finance team reported that, once key uncertainty relating to R&R was removed, the operational variance was 2.4% as compared to the overall figure of 8.9%.

64. **Politically-induced volatility would benefit from special treatment to ensure the House can focus better on the spend it can plan and control.** The impact of political uncertainty affects a minority of the House's budget. The current approach of treating all expenditure in the same way and subsequently returning money via supplementary estimates does not seem like the most effective way of administering this issue. For 2020–21, the House set a capital budget of £382.6m. However, by Q2, the House had already removed around £130m from its forecasting, because changes to the direction of R&R meant that the House already knew it would be returning this money via a supplementary estimate.[35] The House still underspent its remaining capital budget by £89m. Some staff we spoke to said that it was not possible to predict spending in the House of Commons, because it would always change. We think the issue of politically-induced volatility is leading to both types being conflated, resulting in a lack of focus on what can be controlled.

65. **Regular scope changes to in-flight construction work also leads to forecasting issues by delaying projects.** Stakeholders ask for changes to projects, despite the scope being 'frozen'. The extent of these scope changes was difficult to quantify because the data on change control was poor. IHSE conducted a first statistical look at the use of change control in 2022. It was unclear where the demand or need for scope change arose from. Until it is clear why scopes are changed in-flight, the House will be unable to understand why it happens and how it can be mitigated or prevented.

[34] House of Commons, Supply Estimate 2017–18: House of Commons Administration Supplementary Estimate, HC 788, and Supply Estimate 2018–19: House of Commons Administration Supplementary Estimate, HC 1963.

[35] House of Commons, Supply Estimate 2020–21: House of Commons Administration Supplementary Estimate 2020–21, HC 1168.

Recommendation 13: Expenditure related to political uncertainty—with Restoration & Renewal the main example—should be ring-fenced to distinguish it from controllable expenditure.

The current approach conflates all expenditure and facilitates a narrative that all capital (and related resource) expenditure is too volatile to predict and control. The House should design a new process to formally distinguish between both types of expenditure, and focus its medium-term planning, budgeting, and forecasting process on the controllable side.

Parliament's recent decisions on Restoration & Renewal joint arrangements may enable more predictability of spend, but the process we recommend will nevertheless be important for other expenditure related to political uncertainty. The definition of political uncertainty should ensure it is intrinsically linked only to decisions which require formal agreement by Members.

Recommendation 14: The House of Commons needs a much better understanding of how scope changes impact the delivery of projects. Staff should be able to quantify the costs of decisions by political stakeholders so that everyone is clear on the impact of changing the scope of a project.

Why does the House of Commons consistently underspend its budgets?

66. The NAO has identified key reasons for inaccurate forecasting: poor quality data, optimism bias or unrealistic assumptions, lack of detailed modelling, insufficient monitoring, and poor presentation to decision-makers.[36] Many of these factors are present in Parliament. Throughout the rest of this Chapter, we separate the issues into different headings, listed below:

- Lack of consequences for inaccurate forecasting and lack of incentivisation for accurate forecasting.
- Inaccurate forecasting in construction projects.
- Over-optimistic capital portfolio without contingent overprogramming.
- Inflexible financial processes.
- Financial data is reviewed too late and is of insufficient quality to enable decision-making.
- Business case timeframes are too long.
- Insufficient quality of financial case within business cases.

[36] National Audit Office, Forecasting in government to achieve value for money, HC 969, Session 2013–14, 31 January 2014.

Lack of consequences

67. **While the budget guidance we reviewed intimated there would be repercussions for underspending, we did not come across evidence of these being used.** Budget holder guidance and the Finance Rules both state that underspends may be taken away from teams to ensure that the House can be more efficient, but we did not see this happen in practice. We were unable to discover any stated targets for budget variance or forecasting performance for budget holders or teams. Previous annual financial reports have indicated that the Finance Team has a target of 2% or under operational (cash) variance, though we did not see reference to this target beyond 2020.

68. **In comparison, central government has clear consequences for poor forecasting.** HM Treasury addresses non-compliance from departments towards the 1% forecasting via a range of actions, which include making deductions from budgets.[37]

Recommendation 15: The Commons Executive Board should instruct the central finance team to reduce budgets from teams with significant and consistent underspends to the amount they actually spend.

Recommendation 16: All senior leaders must be held accountable for accurate forecasting. There should be clear consequences for failing to meet forecasting targets, which should be communicated to senior leaders at the start of each financial year.

Recommendation 17: Significant underspends identified during the year must trigger an immediate investigation. We believe the Joint Investment Board should monitor significant underspending of portfolio expenditure and should hold senior responsible officers and senior leaders accountable by asking them to attend and set out an action plan.

To enable the Joint Investment Board to better fulfil this role of holding senior leaders to account, its membership should not include departmental senior officials. JIB membership should be limited to executive leaders from the centre, as follows (maintaining non-executive membership as desired):

- **Director General (Operations), House of Commons.**
- **Chief Operating Officer, House of Lords.**
- **Finance Directors of both Houses.**
- **Commercial Director (see Chapter 6).**

[37] HM Treasury, Consolidated Budgeting Guidance 2022–23, March 2022.

Inaccurate forecasting in construction projects

69. **Construction projects account for the majority of underspends in both capital and resource budgets.** In 2016, the NAO reviewed the management of programmes and projects in Parliament and concluded underspends were due to a combination of unrealistic time schedules and overly generous budgets.

70. **Quarter-on-quarter variance is particularly severe for construction projects, with one year seeing a swing of £27m from Q1 to Q2.** In 2019–20, at Q1, the capital budget was forecast to be overspent by 2%, but by Q2 there was an expected underspend of almost 5%, an overall forecast swing of £27m in three months. This was despite the Q1 financial monitoring pack expressed doubt over the accuracy of the figures. The Q2 pack explained that delays to several programmes had caused the underspend.

71. **While some fluctuation in portfolio spending—given the complexity of projects in the House of Commons—should be expected, the quarter-on-quarter reductions are alarming and suggest forecasting may not be robust enough.** When reviewing the reasons given for poor accuracy of forecasting for construction projects, we noticed the level of analysis was limited and high-level only, with no specific deep dives on why particular programmes were underspending so early on in the year. The broad headlines were around slow progress and project delays, but with no further granular detail about the reasons for immediate underspend, or large quarter-on-quarter drops, implying an overall lack of understand of why the forecasting was wrong to begin with.

72. **Strategic Estates is aware of its poor forecasting and has a plan to improve it.** In March 2022, the Finance Business Director in SE informed the Director General (Operations) via the challenge and assurance process that "the financial control environment within IHSE is not structured enough to support consistent, evidence-based challenge which is necessary to underpin accountability and drive performance". SE has a Finance Action Plan which aims to improve its financial management. A recent IHSE high-level review of the 2022–23 budget found around £63m of potential budget headroom.

Recommendation 18: The central finance team must monitor the accuracy of forecasting through 2022–23 closely to see if the new Strategic Estates approach is effective, as well as engaging with the wider Finance Action Plan.

Over-optimistic capital budget

73. **The capital portfolio has historically been too optimistic, failing to reflect the capacity limits of Parliament, including physical space on the estate, disruption, resourcing, and project interdependencies, as well as an uncertain political environment.** Over the last four years, actual expenditure for Strategic Estates has averaged around ~£177m per year, with actual spending ranging between £141m and £205m. We estimate that Strategic Estates broadly spends around 75% of its capital budget each year. The SE Finance Business Director recently told both Finance Committees that "[SE] has a history of materially over-budgeting". Capacity limits have not been well understood in Parliament and a capacity model to help with budget setting will not be in place until, at the earliest, the 2024–25 financial year.

74. **Strategic Estates plans to use an indicative envelope of £150–180m per year for capital budgets going forward.** This plan reflects that, until Parliament is able to fully understand its capacity limits, the best possible approach is to establish a rough approximation of limits based on historical delivery. Strategic Estates expect that using a capped budget will improve in-year forecasting, reprioritisation of funding, and stimulate improved prioritisation of investment (a process for which we make recommendations about in Chapter 2).

75. **The estates portfolio is programmed to assume 100% delivery with no contingency planning, meaning if a single project is delayed, there will almost certainly be an underspend.** Given the significant risk in Parliamentary projects and historical evidence of delivery, this seems to be far too optimistic. It would seem to be more sensible to include contingencies in the capital portfolio by programming above the agreed cap to ensure that when projects are delayed there is still sufficient activity to match budgets.

Recommendation 19: The Joint Investment Board should in principle limit the estates capital budget to £180m to reflect the best understanding at the moment regarding capacity constraints. The portfolio, though, should be overprogrammed by 20% over the limit to mitigate against likely underspends, resulting in an overall envelope of work of around £215m against a budget of £180m.

Until the House has a better understanding of its capacity constraints through more accurate modelling, the limit and the overfunding percentage should be monitored and reviewed each year to ensure it remains useful.

We expect this approach will not only reduce underspends but will enable genuine prioritisation of estates projects, resulting in better outcomes for the most important projects.

Recommendation 20: To further mitigate against underspends, the House of Commons should keep a series of agile projects in reserve, which can start up quickly, similar to the 'whiteboard' approach used in the Ministry of Defence. We believe the creation of a new fast-track method with available budget will encourage staff to be creative with ideas for small, agile projects.

The House will need to design a bespoke pre-approval process to ensure these projects can be rolled out with speed when delays or underspends are identified in Q1 and Q2. Where current rules present obstacles to this approach, they should be changed to allow the project to become active very quickly.

Inflexible financial processes

76. **Budgets have limited flexibility as they cannot be carried forward into future financial years. The current process requires swift intervention prior to the end of Q2.** Any budget unspent at the end of the financial year is no longer available: it cannot be carried forward into future years. In central government, under genuinely fixed-term settlements, HM Treasury permits departments to carry forward a forecast of its underspend from one year to next, on the basis that it gives departments the ability to flexibly manage budgets and provide greater certainty for effective planning. At the moment in Parliament project leaders must incorporate the impact of underspends into the following year's

budget requirement in the MTIP. However, MTIP budgets are currently confirmed in the preceding September, so it is crucial that delays are noticed prior to the end of Q2 to ensure changes can be incorporated into next year's planning.

77. **The House of Commons plans to move its financial planning, including the MTIP, to a three-year detailed budget.** This should permit more flexibility over budget transfer and enable multi-year expenditure to be better managed over time.

78. **Despite underspends being identified as early as Q1, there is little evidence of appropriate interventions being taken, such as reprioritisation.** By Q1 in 2017–18, there was a large resource underspend forecast of £25.2m resource and £64m capital. The CEB agreed at its July meeting that the funding should be made available for reallocation to help the organisation deliver existing business transformation. However, by the end of the financial year, there remained a £30.5m operational resource underspend, and a £79.9m capital underspend (discounting the returned money via supplementary estimate).[38] We are unsure why this expenditure was not reprioritised despite it being identified for reallocation.

79. **The Joint Investment Board has powers to reprioritise money within and across portfolios, but there is limited evidence that it has used this flexibility.** In September 2018 it agreed a capital virement of £20.1m between Restoration & Renewal and the Fire Safety Improvement Works Programme. However, we have seen few other examples of JIB reprioritising funding in-year, despite regular underspends in the estates portfolio.

Recommendation 21: We agree with the House's decision to move to a detailed multi-year budget. We believe it is important that financial planning moves towards a multi-year fixed settlement model to improve rigour and discipline. It will be crucial to challenge project spending to move away from 'indicative' future years, whereby the overall cost is simply spread over the planning period, towards more detailed planning to improve forecasting.

To enable this new approach, we recommend the following supporting action:

- **The House of Commons must refresh its Finance Rules, in collaboration with the House of Lords, to ensure the rules appropriately support the reprioritisation of funding to meet objectives, such as budget transfer or virement, given the new focus on detailed multi-year budgeting. Given the uncertainty of Parliament, more flexibility should ensure better management of finances across multiple years and allow Parliament to better react to changing circumstances.**

Financial data is reviewed too late and is of insufficient quality

80. **The Commons Executive Board either reviews financial data too late to make effective interventions or, when it does receive it in time, treats the data with insufficient urgency.** The CEB considers financial monitoring packs on a quarterly basis but treats the data inconsistently. For example, in 2021–22, while the CEB discussed the Q1 pack 22 days after the quarter end, it did not consider the Q2 pack until 81 days after the quarter end and it never received a circulation for Q3. It was common for CEB to sometimes take note

[38] House of Commons, Annual Report and Accounts 2017–18, HC 1381.

of these packs, without substantive discussion. In the last four years, CEB has not tackled underspending with any specific actions, and thus has not incentivised nor disincentivised specific forecasting behaviours.

81. **The quarterly Financial Monitoring Packs are not presented in a way which enables decision-making.** The packs do not suggest a set of options that CEB could take to mitigate some of the financial risks presented through significant variances, such as ways the money could be redistributed, or alternative projects that could be activated in place of delayed projects. As we understand it, commentary and analysis are provided by finance leads or finance business partners from each team, but there is not substantive additional analysis from the centre. The CEB financial monitoring pack is separated from performance information of projects and programmes, which is detailed in a different report, and also separated from corporate performance information on objectives. While the variances are usually summarised with accompanying detail, they do not consistently explain why there have been large jumps. There is no identification of the key drivers of volatility and how these might be addressed.

Recommendation 22: The Commons Executive Board should receive all relevant management information and analysis in one place. The quarterly financial monitoring pack should be combined with the portfolio performance report and the corporate performance report. This will enable the Board to see all the relevant evidence to facilitate decision-making.

The pack should offer the Board specific options to choose from, based on an analysis of possible interventions in the most significant areas of underspend. The data should be available within 10 days of the end of the quarter, with the accompanying analysis available within a further 5 days to enable timely decision-making.

We comment further on the quality of data required for this pack in Chapter 7: Management Information.

Business case volume and timeframes

82. **The House of Commons considers too many business cases. The thresholds are too low, causing a large volume of full business cases for relatively low value projects, rather than more proportionate short-form alternatives.** Since the beginning of 2019–20, only around 10% of all estates projects had a whole-life cost estimated below £1m—which enables the use of the short form business case—meaning 90% had to undergo the full process. 25% of digital and other projects were under £500k, meaning 75% had to undertake all three stages. Overall, around 84% were required to go through the entire HM Treasury Green Book-compliant process.[39] The short-form business case, which is used for projects under the threshold, has also tripled in word count in recent years. Other public sector organisations, according to a parliamentary review of the business case process, "only require central review and approval of project business cases where the whole-life cost of that project requires Accounting Officer approval". If Parliament embraced this public sector practice, it would reduce business case volume significantly: from 84% down to 54%, which would enable more focused review.

[39] HM Treasury, The Green Book: Central government guidance on appraisal and evaluation, last updated 30 March 2022.

83. **The approval process for business cases takes too long.** Each Green Book-compliant step in the process—strategic, outline, and full—takes an average of around 2.5 months. Adding in additional internal team approvals prior to the main corporate process brings the average to around 3 months. If a project undertakes all stages, it could take 9 months to navigate internal governance in total (though most projects within a programme will only need the latter two, equalling around 6 months).[40] The majority of staff we spoke to complained about slow business case approvals. Here are a few representative examples:

- An external Gateway Review of the Security Programme in 2022 concluded that approvals process for projects within the programme were too long (averaging between 5 and 9 months), causing a delay to benefits and thereby placing the safety of Members and employees at greater risk.

- A security project, part of the overall Security programme, submitted a FBC in September 2020, but did not receive approval until May 2021 (despite being initially advised February 2021 under the new process). By this stage, the original tender had expired and due to revalidation of costs was no longer affordable.

- An external Gateway Review for the Mechanical, Electrical, Public Health and Fabric Safety Programme in 2021 recommended a streamlining of the business case approval process for component projects to reduce delays. This included a suggestion of combining the IHSE business case approval panel (B-CAP) and the keyholder process so they run in parallel.

- The first two business case stages for a standalone security project took 16 months overall to be approved. The SOC took 10 months and the OBC took 6 months.

84. **Recent additions to the business case approval process have significantly delayed approvals.** In Figure 3, we show that the implementation of new processes—including the B-CAP, the keyholder process, and the investment committee—have more than doubled the overall time for a project to complete business case governance. The keyholder process was originally pitched as a tool to improve early engagement but has added around 9 weeks (2 months) to all approvals.[41] All keyholder reports are considered by the investment committee, which is chaired by the Finance Directors. From 2022–23, the Commission agreed an additional approval step through the Finance Committee for projects and programmes with the highest level of expenditure.[42] At a minimum, this step is expected to add a further one month minimum to business cases above these thresholds, with the worst case likely to be three months due to risks around adjournments, capacity, and requests for additional information prior to approval. We estimate this will impact almost every programme—apart from some digital programmes—and affect around 1 in 5 projects.

[40] As we set out in Figure 3, the overall average is 7.8 months.

[41] Since 2021, Parliament has used a 'keyholder process' to provide "objective, robust, and independent appraisal" of business cases prior to final approval. Keyholders are specialists or experts assigned to one of the five cases and score the case on a Red/Amber/Green (RAG) scale. Amber means there are sufficient risks and issues which the approvers need to be aware of. Red means that the keyholder considers the business case to not be of sufficient standard to enable an investment decision.

[42] House of Commons Commission, Decisions - Monday 21 March 2022.

Figure 3: **Comparison of approval times between business cases before and after new approval stages**

Business case stage	Approval time before changes	Approval time after changes
Strategic Outline Case	22.6 days	73 days
Outline Business Case	45.9 days	77 days
Final Business Case	41.5 days	87.6 days
Overall	110 days (3.6 months)	237.5 days (7.8 months)

Recommendation 23: Quality of business cases is very important. Longer processes do not drive quality. Extra steps were inserted into the process to try and address quality issues, but these issues remain. We recommend reducing the layers of governance so that 4 months is the maximum approval time for all business case stages.

All business cases submitted to a shortened process should meet the necessary quality by being 'right first time'. Poor quality business cases should be rejected immediately. The approval process should not be responsible for improving quality, but focus on whether the investment is the right choice.

To improve quality and approval speed, and reduce volume, we recommend the following key changes:

- **The threshold limits for the full business case process should change to reduce volume and increase capacity. The House should match public sector practice by only requiring the full Five Case Model process when Accounting Officer approval would be necessary. This would change the threshold limit to over £5m for estates and property, or over £2m for digital and other projects. We anticipate this will significantly reduce business case volume by almost half.**

- **Improvements in quality by holding business case authors accountable for their submissions. Authors should be upskilled using external training opportunities and EPMO should develop much clearer standards for business case submissions.**

- **The keyholder process must be ran in parallel with the B-CAP and internal digital approval, rather than as an additional linear approval point, to ensure business cases are good quality before the point of submission.**

- **Additional resource in the centre to provide full-time professional expertise will help avoid bottlenecks caused by reliance on voluntary reviewers, as well improving the quality and speed of review input. They could also provide independent advice to the Finance Directors and Accounting Officers on request, especially on cost estimates.**

Quality of financial cases within business cases

85. **We found the quality of financial cases within business cases to be of much lower quality than the other four cases.** We reviewed all business cases which underwent the keyholder process in the last two years and found that the financial case averaged 0.45, lower than all the other sections: Strategic (0.65), Economic (0.65), Commercial (0.67), and Management (0.72).[43] Financial cases also had the highest number of red ratings of any category.

Recommendation 24: Business cases with a Red or Amber/Red rating for the financial case as part of the keyholder process should not be permitted to be presented to the Finance Directors, on the basis that the estimate is likely to not be robust and the project is likely unaffordable.

[43] Based on a scoring system where Green = 1, Amber = 0.5, and Red = 0.

Chapter 4: **Accountability and performance**

Individual performance management

86. **There was an almost unanimous view amongst senior leaders we interviewed that performance management of both underperforming and overperforming individuals is unsatisfactory.** Many staff said that underperformers are not held to account and that it was too difficult to dismiss staff who were found to be consistently underperforming. To sidestep these issues, managers hire new members of staff and try to move the underperformer on to another team. Compared to the rest of the public sector, the House of Common dismisses a low number of employees. The Civil Service dismisses around 1% of employees through performance or redundancy procedures, while the NHS dismisses around 4%.[44] We could only find isolated examples of the House dismissing staff. On the other side, we did not see a clear process for identifying individuals who had performed above expectations, nor a system for substantially rewarding those individuals, beyond a low value recognition and award scheme.[45] The overall approach does not robustly challenge underperformance, nor reward overperformance.

87. **The House of Commons has historically never used compulsory redundancies.** Currently, supernumerary individuals are added to the redeployment list and await another position to open up in the House. While ostensibly this list is only for restructures, it has also been used for serious performance issues as a method of removing underperformers from a team. The redeployment policy exists to "avoid the need for redundancies". There is no time limit on how long an individual can stay on the redeployment list.[46] Supernumerary employees on the list continue to be paid and can also decide against roles offered to them elsewhere in the House.

88. **The current performance management system, Coach & Focus, emphasises frequent check-ins and staff development but does not enable performance management.** While staff were positive about some aspects about the new model—for example, it includes the first instigation of manager assessment by staff—the main view was that the discontinuation of the previous annual appraisal system and the creation of the Coach & Focus in 2020 had "thrown the baby out with the baby water". Individuals are no longer mandated to have objectives or specific appraisal of their performance. There is no assurance the system is being used because there is no mandated paperwork or reporting. We also note the approach contrasts with the House of Lords' Performance Development Review system, which includes the setting of objectives and an assessment of an individual's performance. There is no clear link between Coach & Focus and tackling cases of poor performance. Similarly, Coach & Focus does not enable any identification of talent, which the system itself acknowledges as a weakness: "this approach does not include an organisation-wide assessment of individual staff in terms of their performance and their potential."

[44] Cabinet Office, Civil Service Statistics as at 31 March 2021, 28 July 2021. NHS, Leavers from the NHS by age and reason for leaving, 2010–2019.
[45] The STAR award scheme is a nomination-based reward scheme with £50 gift vouchers.
[46] The list is reviewed every 3 months, but there is no clear policy for removing an individual from the list, due to the historic lack of compulsory redundancy.

89. **By not mandating records of conversations, the House is ensuring that any process to dismiss underperformers will be lengthy and onerous.** The current system permits a series of useful conversations with feedback on performance without any record-keeping. In situations where a manager would want to progress concerns about staff performance to a formal performance procedure, this would mean managers may need to start from scratch. Coach & Focus itself accepts this principle: it states that managers have to use a separate procedure, 'Managing Poor Performance', which will likely mandate subsequent record-keeping. While a more detailed process in these circumstances will need to take place regardless of the form of appraisal, the lack of mandated activities means that the process will take longer and may therefore dissuade managers from starting it at all.

90. **Organisational accountability cannot be tracked without personal accountability.** The increased focus on measuring outcomes, which we set out in Chapter 2, will enable the House Service to be held accountable for its performance. These efforts will not be possible unless this accountability cascades downwards into personal accountability. The organisation must be able to judge the performance of its individual staff to hold them accountable for delivering the necessary outcomes in their business area. Performance metrics ensure both the department and individuals are held accountable. It helps individuals to set a focus in their Coach & Focus meetings, and it improves the basis of the conversations, which became a feedback loop in terms of delivering goals upwards. Performance is linked to the delivery of these goals.

Accountability

91. **Accountability is diffused in the House of Commons.** While responsibility is typically shared, accountability is supposed to establish which individual is answerable for results or outcomes. On a basic level, we were told it was difficult to establish who could be held answerable for underperformance or poor outcomes in the House of Commons, because a number of groups, teams, and individuals were involved in each function or area of work. Internal Audit (IA) concluded in 2020 that there was a risk that accounting lines were unclear, because the line between strategic, management, and operational level working groups were not clear-cut. IA recommended that it would be more effective if a delegation framework existed for all boards and groups, so that CEB had a "holistic view of the distribution of functions and accountabilities".

92. **The House places more focus on assurance than it does on accountability, leading to internal audits and challenge and assurance meetings with teams being used as the sole accountability mechanism for performance.** It is important that the House distinguishes between its assurance framework, which involves an assessment of risks and internal controls, versus active management response to poor performance. There exists a gap between the establishment of well-designed policies and procedures—which the House is good at—and making people answerable for poor performance—which the House is not good at.

93. **House staff feel like they lack autonomy and do not want to take risks at work.** Recent staff surveys show that House staff feel they lack autonomy: only 30% agreed with the statement, "I feel safe taking risks at work", and only 44% agreed with the statement, "I think it is safe to challenge the way things are done". Autonomy is an important concept in understanding the association between accountability and performance. Autonomy—the freedom of employees to make choices to achieve desired outcomes—permits proper accountability, because it is clear who took decisions and actions, and when it is combined with accountability it has been shown to have a positive correlation with performance.[47]

[47] Y. Han & S. Hong, 'The impact of accountability on organisational performance in the US Federal Government: the moderating role of autonomy', Review of Public Personnel Administration, December 2016.

Recommendation 25: The House of Commons needs a performance management system which holds individuals to account for what they have done and gives credit for their successes. It requires an appraisal of the performance of the individual, with an associated record, and a system of reporting and assurance. Staff need to link their focus to strategic and team objectives, with an emphasis on delivering outcomes and improving performance metrics.

We recommend the following supporting actions:

- **Senior staff must be held accountable through stretching objectives. Accountability should cascade downwards. Those at the top require more scrutiny. Where staff do not meet their objectives, it should be clear that, where appropriate, this can lead to the use of formal performance management procedures.**

- **The redeployment list needs to be tightened so it only applies to specific situations and is time-limited. The present situation where staff can remain on the redeployment list for long periods of time, while being paid, is unacceptable.**

Recommendation 26: Senior officials in the House lack specific accountability for the success of outcomes associated with their role. At the same time, decision-making is nebulous due to congested governance caused by a proliferation of boards and groups. It should be unambiguous who is responsible for improving performance and can be held to account for the success of those efforts through lean and clear governance routes.

We recommend the Governance Office takes charge of developing and disseminating a single version of the truth about how the House's governance and oversight works through new powers over all board and group structures.

Senior Responsible Owners (SROs)

94. **Parliament is at a critical juncture with its use of SROs.** Parliament has in the recent past used mostly 'non-specialist' SROs to ensure programmes or projects meets its objectives, delivers outcomes, and realise benefits, who do not necessarily have control over the specific business area or budget where the project is being delivered. Over the last two years, Parliament has piloted an alternative system whereby SROs are close to, and have financial accountability and oversight in, the specific portfolio. This additionally means they are more likely to have the professional technical expertise to understand project management in their area. To support the more 'specialist' SROs, Executive Sponsors have been trialled to own benefits on behalf of the business and support the project with political stakeholder management. For the last two years, Parliament has run both models.

95. **We understand Parliament is expected to commit to the new 'specialist SROs' model. There are risks which require mitigation.** The new approach will ensure financial and delivery accountability are aligned. It will also ensure SROs have increased technical expertise. However, there are risks involved in this substantial change. It will mean that projects have reduced central oversight. Staff in business areas such as estates and digital will have substantial control over both determining which programmes and projects receive funding and priority and the subsequent delivery of those investments. This will require a much higher level of accountability than is currently required so that the centre

can be assured the new system is working effectively for the organisation, especially as Strategic Estates has claimed the model will deliver better delivery and cost outcomes.

96. **We are also concerned about the capacity of Parliament to supply enough SROs.** The distribution of senior staff in the House of Commons—with 50% of SCS staff in chamber and committees—means there will likely be issues finding enough SROs, because the majority of projects originate in digital and estates. This might lead to SROs leading on several projects, which goes against public sector practice. The Civil Service sets out the percentage of time in the appointment letter to SROs—often 50%—and for the most complex projects appoints SROs on a full-time basis and backfills the post. Civil Service SROs rarely lead on more than two projects.

97. **There will still be a need to ensure senior staff across Parliament are properly trained for the role.** A number of projects will still originate from security, chamber, committees, and other areas, and senior staff in estates and digital will have varying levels of qualifications. Most SROs in Parliament are currently offered only a non-accredited half-day training course, which compares unfavourably to development opportunities available in Government, which include a 12-month accredited course.[48] Furthermore, the introduction of the Executive Sponsor role will require training to ensure staff understand the requirements of the role and can perform it effectively.

Recommendation 27: Parliament must mitigate risks associated with the move to the specialist SRO model and the introduction of Executive Sponsors. We believe the following actions are required to ensure success:

- **'Specialist' SROs under the new model must be held to a high level of accountability. JIB must assert itself as the board which oversees enterprise-level portfolio risks and holds SROs accountable for delivery outcomes on behalf of the accounting officers. JIB should be entitled to hear directly from Executive Sponsors, whose role is to provide independent oversight, as well as senior leaders from the specific business area.**

- **All SROs should have specific objectives and performance criteria set out in their appointment letter. Significant failure to meet these objective or criteria should lead to performance management processes through the SRO's line manager, where appropriate.**

- **Parliament should supplement its pool of senior staff with externally recruited fixed-term SROs, to improve capacity and skills. This will avoid current issues with the number of senior trained staff available.**

- **Parliament should deliver or outsource a much-improved training offer for both SROs and Executive Sponsors which can fully support and refresh their ability to effectively discharge their role in a way which permits them to be fairly held to account for their performance. The current half-day internal training course is inadequate. Parliament should consider funding access for SROs to Civil Service accredited courses, or otherwise designing a more comprehensive training offer.**

[48] Government Project Delivery Profession, Project Delivery Capability Framework, November 2018, v2

Chapter 5: **Organisational coherence**

Organisational structure

98. Half a century ago, the House of Commons Service existed only as a loose collection of independent departments. In the subsequent decades, their independence has remained strong. Tebbit's conclusion in 2007 about a deeply-embedded federalist system, with "semi-autonomous" departments, working as a barrier to constrain change remains relevant.[49] Despite efforts through the Director General's Review in 2016, and more recently the Clerk's Review in 2020, to break down silos, the Commons Finance Committee was recently advised by the Finance Director that the House Service remained "very federal". There has not been significant change in the power balance between the centre, the departments (vertical), and cross-cutting functions (horizontal). While successive reviews have modified the numbers of departments, their names, and what sits where, decentralisation has remained king.

Existing cross-cutting systems

99. **Previous corporate efforts to break down silos to introduce more central control and reduce duplication have been left half-finished.** Examples include Centres of Excellence—designed as "one of the most powerful tools to break down silos"—which have had some limited success but have not introduced any substantial change. Only three were set up. A number of previous initiatives have struggled to succeed because corporate initiatives are seen as voluntary, rather than compulsory, and senior leaders are not held to account for failure to align to corporate decisions.

Portfolio, programme, and project management offices (PMOs)

100. **Despite the creation of a Project Delivery Centre of Excellence (CoE), the number of staff working in PMOs has significantly grown and the relationship between the centre and local is dysfunctional.** The Enterprise Portfolio Management Office (EPMO) was set up in 2016 to help Parliament oversee its portfolio through better oversight of all Parliamentary programme and project management (PPM). EPMO positioned itself as the 'hub' in a hub and spoke model with the other PMOs, leading to the creation of the Project Delivery CoE. The head of EPMO is ostensibly the Head of Profession for all PPM, but in reality, the local PMOs have more resources, authority, and influence. There is no bridge between the centre and business areas. The proliferation of staff in the Strategic Estates PMO, alongside the creation of an additional PMO within Project Delivery and multiple programme-specific PMOs has led to a congested and inconsistent PPM community. Standards, systems, and practices differ between portfolios and programmes.

[49] House of Commons Commission, Review of Management and Services of the House of Commons - report by Sir Kevin Tebbit KCB CMG, 18 June 2007, HC 685.

Business partnering

101. **Business partnering models used in the House of Commons tend to be locally-led rather than centre-led, creating duplication and inefficiency.** We found that business partners enforced the federal system rather than helping corporate functions to be strategic and cost-effective. Business partners, in effect, serve the local team more than the centre. We believe the relationship is more effective when there is inherent tension, which includes challenge. Finance business partners (FBPs) were created during a review which centralised operational financial processing. While the review argued that FBPs should be employed by central finance, reporting directly to the Director of Finance, departments retained power and converted their finance leads into 'FBPs'. We saw evidence of FBPs spending substantial time on operational tasks, rather than driving value, applying strategic skills, or being a conduit into central finance.

Other examples

102. **The Commons Executive Board recently agreed to retain local control of learning and development expenditure and decision-making, despite opportunities for efficiency.** The proposal for a new operating model to improve value for money through better central co-ordination of expenditure was rejected in favour of departmental heads retaining localised learning and development budgets. While the Board was positive towards efforts to try and better co-ordinate learning and development staff, it steered away from any decision to try and rationalise the high spend per head and the high numbers of staff involved across all departments.

Government functions

103. **Seeking efficiencies, reduction of duplication, and consistency, the Civil Service set up a new horizontal structure using Functions.** The 'Functional Model' aims to provide strong central leadership of "cross-departmental corporate functions". The basic model seeks empowered central functional leaders, reduction in overall cost, tighter central control, and sharing of resources, systems, and expertise. There are 10 Civil Service Functions, including Finance, Communications, Human Resources, and Commercial.[50]

104. We are aware of positive work undergoing on "Job families" within the House of Commons, defined as groups of jobs across different departments which share a number of similarities.[51] The objectives and benefits sought include breaking down silos, but with more focus on job mobility, talent management, and staff development and retention. We believe the House must go further.

[50] Institute for Government, Professions and functions in the civil service, 22 February 2022.

[51] House of Commons Commission, Clerk's Management and Team Structure Review, for the meeting on 9 November 2020. The Clerk's Review sought to improve career paths across teams to help break down silos. After considering a one-year update, the Commons Executive Board agreed to launch a Job Families Review "to consider how as an organisation we can group roles […] based on skills and competences as a means to better understand how to offer progression to all who work in the House of Commons".

Recommendation 28: We believe the House of Commons must define an overall approach for how the centre works with departments. There are a series of half-finished, unsuccessful attempts to deliver cross-cutting functions, which are not working. A full reset of the way the organisation works is required to ensure that corporate decisions from the centre are viewed as compulsory.

Recommendation 29: We recommend the establishment of Functions to deliver a new matrix structure across the House of Commons. This will be a non-optional structural change.

Heads of Functions should deliver functional models which aim for efficient use of resources. We suggest an early goal of Heads of Functions will be an assessment of existing resource, budgets, and capabilities, with a view to recommending how to improve value for money.

Heads of Functions will have accountability for the overall success and value for money of their function. To do so, they must have oversight over recruitment of all roles related to their purview, and should be responsible for setting professional standards, best practice, and organisational policies in their area. They must also be responsible for professional career development, building relationships with professional bodies, and benchmarking with public sector functions, including those in central government.

To start the new process, we suggest the first candidates for immediate transformation into functions are Finance, Commercial, and Project Management:

- **Finance Function: The Finance Director becomes Head of Function. Finance business partners should move into the central finance team and report directly to the Director or Deputy Director, with a dotted line into the department they advise. This restructure should consider possibilities for efficiencies, especially for operational staff.**

- **Commercial Function: In Chapter 6, we set out why a new Commercial Function is necessary, alongside a new Commercial Director as Head of Function. We suggest that the supply chain, supplier relationship, social sustainability, and modern slavery into the central component of the Function.**

- **Project Management Function: The Head of EPMO is the Head of Function, who must review the proliferation of PMOs across Parliament and make recommendations for their rationalisation, which might include bolstering EPMO with roles currently within PMOs relating to major projects. It will be important to ensure EPMO has sufficient professionals with appropriate qualifications to ensure it establishes legitimacy and authority.**

The leaders of local PMOs should report to the Head of EPMO, and EPMO should set all project management standards, including benefits realisation and reporting. The second phase for Functions should include HR, L&OD, and Communications. Digital is being considered as part of the Transforming Digital programme.

Zero-based planning

105. **Strong departmental independence combined with a lack of pressure on budgets has led to inefficiency and duplication.** In other parts of the public sector, pressure on finances serves as a self-correcting measure on the creation of unnecessary functions without an organisation. The organisation has grown organically, often led by local decisions and priorities.

Growth of staff

106. **The House of Commons has overseen a large expansion in its staff numbers over the last six years.** In 2016, the House had around 1885 full-time equivalents (FTEs), whereas in 2022 it had around 2840. Removing the addition of 345 security officers brought in-house in 2017, the House has grown by around 610 FTEs in six years, or just over 100 extra FTEs a year.

107. **The rise in staff numbers was not part of a coherent strategy and reflects a lack of focus on organisational development.** It is not the specific responsibility of anyone in the House Service to monitor or challenge staff numbers or growth in teams. Reasons for staff growth—and wider organisational evolution—are a mix of the following: (1) a lack of appetite and policy for tackling underperformance of individuals or using redundancies during restructures, (2) no requirement to demonstrate continued efficiency and no consequences for resource underspends, (3) a strong federalised culture which does not prevent duplication, and (4) budgets are rolled forward and always grow year-on-year, leading to natural growth.

108. **One of the widespread narratives explaining the expanding headcount was the growth of staff working on capital investment, but this only represents a minority of the increase.** Only around 1 in 5 of the additional FTEs were within Strategic Estates. The majority of capital expenditure is on procurement of construction work rather than staff.

109. **Data on human resources is poor, but there are some clear themes in staff growth.** We struggled to analyse the distribution of staff growth. Looking across all departments, there was a thematic growth in corporate administration. Departmental team services and private offices grew by just over 111 FTEs (170%) with new roles often relating to cross-cutting functions like finance, HR, and communications. Other big growth areas were the Parliamentary Digital Service with an extra 160 FTEs (56%) and select committees with 62 additional FTEs (20%).

110. **The closure of the Northern Estate Programme (NEP) and the retention of most of its resource budget is a useful case study.** The NEP was a large construction programme, separated out from the normal estates budget, to refurbish buildings on the northern parliamentary estate and perform enabling work for decant. It was originally predicted NEP would be brought within the scope of R&R, so it was set up as a quasi-independent department with its own functions, including procurement. When R&R plans changed, the Commission decided in 2020 to merge the NEP into Strategic Estates (SE) which included £7.5m of staff costs, consisting of 59 roles (37 of whom were interims and consultants, representing 81% of the cost). It is unclear what, if any, consideration was made of whether these roles were needed in SE and what opportunities there might be to save costs or identify efficiencies during the merger, especially by reducing interim expenditure.

A blank sheet of paper

111. **Zero-based budgeting involves designing budgets from scratch, rather than determining budgets on past spending.** The House of Commons Commission agreed at its meeting on 10 January to ask this review to consider the use of a zero-budgeting approach.[52] Staff we interviewed were positive about the concept. It was widely agreed there would be obvious ad-hoc growth areas that are over-resourced, as well as a number of under-resourced area. Teams with high staff budgets did not see much scope for savings. Everyone agreed that it would be a radical change to our usual financial approach. The House of Lords Administration is currently undertaking a zero-based budgeting review of Lords-only budgets, which will prove a useful resource to align approaches and learn lessons.

112. **It is important the House considers the process as bigger than just budgeting: this is about justifying the purpose and outcomes of departments and designing the organisation in the most efficient way to deliver those outcomes.** Zero-basing is starting with a blank sheet of paper, rather than continuing with structures and roles simply because that is the way things have always been done. Some existing teams will already be at their most efficient design, and Parliament will want to retain some traditions that do not necessarily represent the best public value. Nevertheless, it was clear from our interviews from staff that every department—some more than others—will have headroom from historically generous budgets and oversight.

Recommendation 30: The House of Commons must embrace zero-based planning as a long-term, embedded practice to improve value for money, efficiency, and a focus on priority outcomes. If the House continues to operate based on how things have always been done, then it will fail to deliver public value.

There should be a rolling programme of zero-basing. Departments should zero-base every three to four years, aligning with the Lords to ensure shared services are covered to maximise benefits. There would be limited benefit in more regular zero-basing, due to disruption and a lack of change in the underlying analysis.

The House should also consider its capacity to deliver a holistic zero-based review of the whole organisation. By only looking at departments in isolation, there is a risk of overlooking potential duplication.

Specialist recruitment and pay

113. **Specialist skills are essential to the success of the House of Commons.** Without sufficient professional expertise and specialist skills such as procurement or project delivery, the House will continue to experience delays, cost overruns, and inefficiency.

114. **The House of Commons has faced significant challenges in recruiting and retaining specialist skills.** In the construction market, for example, the Project Delivery team within Strategic Estates has seen a number of staff resigning due to low pay, as well as difficulties offering competitive pay amongst a buoyant market. The Joint Investment

[52] House of Commons Commission, Decisions - Monday 10 January 2022.

Board was recently told that these recruitment issues were substantial enough to potentially prevent the delivery of the estates portfolio safely or successfully. Similarly, we heard that digital skills were in high demand, and the House was falling behind in offering competitive pay for key roles.

115. **The House of Commons pays significantly less than the public sector for a number of specialist roles:**

- Assistant Director in Estates – 17.6% less than the public sector, 23.9% less than the private sector.
- Senior Commercial Manager – 5.6% less than the public sector, 22.6% less than the private sector.
- Supply Chain Specialist – 17.8% less than the public sector, 19.1% less than the private sector.
- Senior Project Leader – 3.8% less than the public sector, 25.1% less than the private sector.

The Parliamentary Digital Service also provided headline figures for difficulties with specific digital roles, especially software engineering, network and cloud platforms, and cyber security:

- 69% of these roles were 5% or more below the public sector and third sector market rate, with 36% significantly (defined as more than 10%) below the same rates
- The majority of the significantly below market rates cohort were software engineering roles.

116. **By not paying public sector market rates for specialist skills, recruitment is slow, and retention is proving difficult, causing issues with projects and may have led to questionable hires.** It may be a significant factor why departments have reported the time from recruitment to start date is sometimes as long as 12 months. Recent portfolio reports have identified resourcing difficulties as a persistent theme, partly caused by not matching market rates for specialist skills. The Q1 financial monitoring pack for 2022 identified the digital portfolio's main issue as "ongoing delays and difficulties in recruitment and retaining technical staff". The House of Commons has responded to specific challenges by offering increased pay, but this is by exception.

117. **Recruitment and retention issues are leading to an overreliance on expensive interim staff for long periods of time, especially in Digital, Estates, and Commercial.** Due to a lack of oversight and a persistently poor data environment, the House is unaware how many consultants and interims are providing services and what is the overall cost, which means there is no way to know whether they represent value for money. While there is not yet sufficient data to estimate the overall cost to the House, there is enough to assess how much more it may be costing the House to hire an interim instead of an employee at our current pay offer. We calculated it cost, on average, around five times more in overall staff costs for an interim at A1 or A2 compared to a permanent member of staff.

118. **The House of Commons is struggling to compete with the Civil Service for specialist skills, because the latter has introduced reward package and pay flexibility for hard-to-recruit specialist roles.** For Senior Commercial Managers, for example, this led to salary offers above the public sector median, with the highest salary available competitive against even the private sector median. This compares unfavourably with the House of Commons which pays 5.6% and 22.6% less than the public and private sectors comparatively. The Commission has a statutory duty to ensure that pay of staff is kept "broadly in line" with the Civil Service, which we heard has traditionally been seen as a blocker to reforming the House's grade structure.[53]

Recommendation 31: The House of Commons must embrace a recruitment principle of paying public sector market rates for hard-to-recruit specialist skills, based on up-to-date market information. The current dominant force is sticking to existing rules—based on all staff fitting into a historic grade structure—resulting in poor recruitment outcomes and leading to repercussions in project delivery. This is despite the House having flexibility in determining its own recruitment rules.

Recruiting specialist talent at market rates will ensure skill gaps can be filled urgently and within planned timescales, as well as ensuring the House of Commons can compete for the best talent available in the marketplace. It will also increase retention in the most competitive roles, reducing the loss of specialist skills.

To offer more competitive salaries, the House will need to introduce flexibility in its reward packages, such as smaller pension contributions in exchange for a higher salary. The House could offer the choice of this new higher-salary arrangement versus the traditional higher-pension arrangement to applicants.

Joint working

119. **The Commons and the Lords continue to duplicate a number of teams and functions, despite around two-thirds of total Parliamentary expenditure being used on shared services and contracts.** There is historical tension between the Houses deriving from competitive legitimacy and differences in size, profile, and resources. Joint working has increased over the decades following the recommendations of successive management reviews of Parliament. Key bicameral developments include sharing maintenance and estates management, the creation of a joint digital department (first PICT, now PDS), shared co-ordination of security, and shared procurement and commercial service, which are all funded by a system of cross-charging costs. The Restoration & Renewal (R&R) is a joint programme with shared sponsorship established by statute.[54]

120. **A Joint Working Programme between 2015 and 2017 identified a number of potential efficiencies but faltered due to a lack of political appetite to pursue further gains.** The review concluded there was already a substantial amount of joint working (64% of resource expenditure) but further benefits were available, including:

[53] House of Commons (Administration) Act 1978 (as amended) s2(2).
[54] Parliamentary Buildings (Restoration and Renewal) Act 2019.

- High benefit, low barriers: Catering, In-House cleaning, Diversity & Inclusion, Hansard, Internal Audit, Learning & Development (6%)

- High benefit, high barriers: Committee Offices, Doorkeepers, Finance, Core HR, Retail, Legal (13%).

121. By July 2017, the programme faltered: both Houses concluded there was no longer a common appetite. The Lords did not endorse any of areas of potential further joint working following the conclusion of the programme, apart from joint parliamentary inductions.

122. **The efficiencies that the Joint Working Programme looked at only covered specific services, but there are also substantial gains to be made in reduced governance.** The current realities of joint services for staff in Parliament is essentially that any bicameral programme or project or department requires double the amount of governance compared to a traditional organisation. Officials can be, and are, called to two Finance Committees, two Audit Committees, two Administration/Services Committees, and are often required to update or attend two management boards and two Commissions. This is not to mention the further impact of two complex sets of stakeholders and interested parties, as well as inconsistent applications of existing bicameral arrangements, including whether the House of Lords is a client or an engaged partner and co-owner. This "double governance" system slows down decision-making, adds administrative burden to business cases and projects, and can lead to the Houses taking inconsistent positions. While there is a recent suggestion for a new Joint Committee on Shared Services, there is a concern this will simply add further governance, because it will not necessarily alter the demands or roles of existing committees.

Recommendation 32: Given the potential opportunities for cost savings and efficiencies, we believe it is the duty of senior leaders in both Houses to resurrect efforts around further joint working.

This review was not asked to consider joint working, but it is difficult to assess opportunities for improving public value considering the unanimity we heard about the opportunities for further efficiency.

Chapter 6: **Commercial**

123. Parliament, like much of the public sector, relies increasingly on substantial collaboration with the private and voluntary sectors. Parliament uses partners to deliver some of its most striking features: from renovating the world-renowned Elizabeth Tower, to police officers guarding the perimeter, through to the broadcast of the chamber. The House of Commons alone spends, on average, 45% of its expenditure on third parties.[55] This is above average for public bodies.[56]

124. The benefits of outsourcing particular services or functions can only be realised through effective commercial practice. The commercial lifecycle—the end-to-end process of determining an outsourcing requirement, through to procurement and then into contract and supplier management—is critical to ensuring value for money. Strong procurement teams can reduce purchasing costs by around 10% and good contract management can save close to an additional 10% in costs.[57]

Commercial capability in Parliament

125. **Parliament has a historically poor reputation for its contract management and commercial acumen.** A recent internal audit report concluded that Parliament had weaknesses in interactions with contractors, from tendering through to the letting of contracts, and contract management, leading to implications for the cost of programmes and projects and value for money achieved. Parliament unified its procurement teams into a central, shared service from 2014: the Parliamentary Procurement and Commercial Service (PPCS). Throughout this chapter, we address our recommendations to Parliament, because PPCS sits within, and its staff are employed by, the House of Lords Administration.

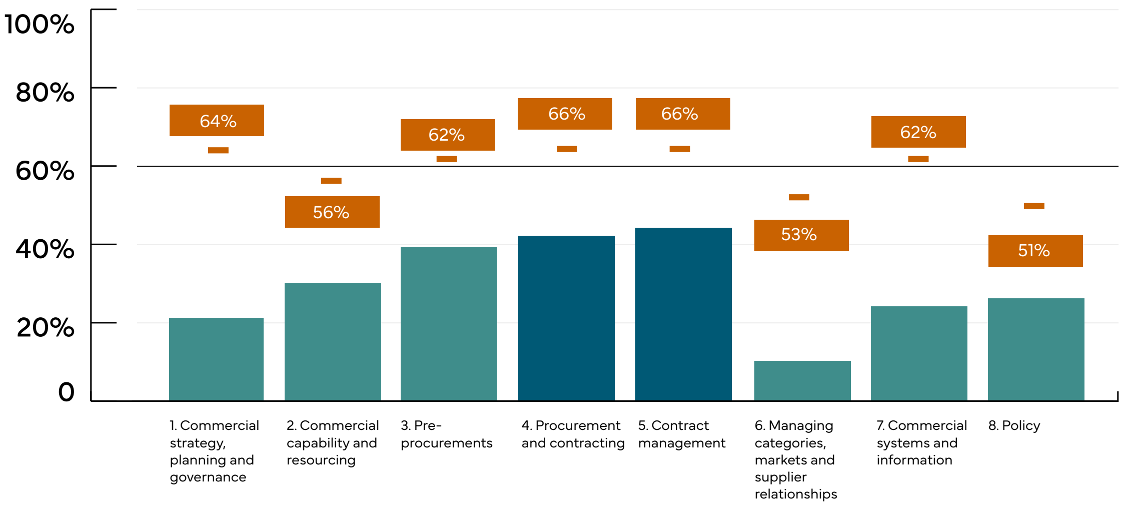
Commercial self-assessment and benchmarking

126. **CCIAF—the government-wide commercial capability comparative measurement—showed Parliament as the backmarker.** We concluded it was important to establish how the commercial maturity in Parliament compared to the rest of the public sector, rather than relying only on existing and historic narratives. With the agreement of the Director General (Operations), we opted-in to the Government's Commercial Continuous Improvement Assessment Framework (CCIAF), which government departments are required to participate in. CCIAF is a shared, managed assessment service for public bodies to benchmark their commercial maturity against the rest of the sector. Parliament received a score of 30.5% compared to a cohort average of 60.3%. The percentage can be understood through a four-point overall scale: under 40% is 'In Development', 41–70% is 'Good', 71–90% is 'Better', and over 90% is 'Best'). 'Good'—at least 41%— is considered to be "the minimum commercial expectations of an organisation".[58]

[55] £1.4 billion between 2015–2021 (estimate).
[56] The Whole of Government Accounts estimates an average of one third of public sector spending is on external suppliers.
[57] Estimates for both vary. These percentages are based on all industries. Bain & Company estimated a purchasing base reduction average of 8–12% alongside additional annual savings of 2–3%. World Commerce & Contracting estimated around 9.2% for contract management.
[58] HM Government, Commercial Continuous Improvement Assessment Framework v2.1, May 2022.

127. **Parliament is underperforming in all commercial practice areas compared to the rest of the public sector, as shown in Figures 4 and 5.** Parliament's overall score was 30.5% ('In Development') while the cohort average was 60.3% ('Good'). Figure 4 shows how Parliament compared to the eight themes, which group common practice areas. Figure 5 looks at the more granular details of selected practice areas where Parliament is substantially behind the average. Parliament was below average in 23 out of 24 practice areas.

Figure 4: Comparison of commercial assessment results by theme between Parliament and the public sector



Source: Cabinet Office, CCIAF results, July 2022. The orange scores represent the public sector average of participating authorities. The bar chart represents Parliament's scores (teal meaning 'In Development' and blue meaning 'Good'). The black line is the overall average for the public sector across all eight themes.

Figure 5: Comparison of selected commercial self-assessment practice areas between Parliament and the public sector

Commercial practice area	Parliament's score	Public sector average[59]
Overall commercial strategy and plan	0%	55%
Commercial leadership and senior ownership	9%	70%
Commercial resourcing and operating model	14%	47%
Contract management competency	28%	50%
Supply market analysis and early market engagement	14%	54%
Developing category and market strategies	0%	50%
Supplier relationship management	0%	55%
Using commercial systems and tools	23%	60%
Reporting and utilising commercial intelligence and insights	26%	63%

Recommendation 33: It is essential that Parliament revitalises its commercial function, so it becomes an effective, trusted partner, which focuses on successful outcomes—rather than rules—and helps Parliament deliver value for money.

We make a number of recommendations throughout this Chapter to help Parliament deliver this reset.

Commercial strategy, planning, and governance

128. **One of the basics expected of a public sector organisation is a commercial strategy, a commercial development plan, and a commercial resource plan. Parliament lacks all three.** Staff we interviewed felt the lack of a commercial strategy was significantly hindering Parliament. Commercial activities have grown across both Houses in an ad hoc fashion. The absence of a clear commercial strategy from the leadership of both Houses has caused other teams to fill in the gaps where necessary. PPCS concentrates primarily on the administration of procurement, whereas business areas, especially in Strategic Estates, have begun to invest in roles to help manage suppliers, produce pipelines, and analyse

[59] Based on a cohort of public sector organisations who conducted commercial self-assessments during the same period.

markets and supply chains. Meanwhile, there is a lack of central commercial ownership on a number of important areas.

129. **Parliament does not understand or track its commercial spend, meaning it cannot conduct spend analysis to deliver savings and efficiencies through aggregation, rationalisation, standardisation, and consolidation.** Parliament does not track annualised spending to suppliers. Only through manual manipulation of a bespoke report from the finance system were we able to roughly estimate third–party spend. Since 2015, we estimate that close to half of the third-party expenditure by the House of Commons is with construction suppliers.[60] Other significant categories are security (11%), professional services (10%), digital (6%), maintenance and building operations (5%), logistics (4%), and broadcasting (4%). However, there is significant uncertainty with this data, as it was mapped manually and one–third of the data analysed was unable to be categorised.

130. **Parliament has limited and local-only capability to undertake market engagement, stakeholder engagement, and supply chain management. Strategic management of contracts and suppliers, through categorisation or segmentation, is inadequate.** Effective category management enables identification of opportunities for consolidation and rationalisation, as well as leveraging market conditions, to deliver best value for money. We scored all 8 criteria in this practice area in our commercial self-assessment as "Not or seldom meeting". The increasing demand in Works' procurement —which is predicted to possibly double in demand during 2022–23—has led to PPCS being unable to provide sufficient time on strategic procurement versus operational procurement. One example we were pointed to included better aggregation of catering contracts—where Parliament currently uses approximately 44 suppliers. Without a focus on strategic procurement to drive down costs and seek better public value, Parliament will be unable to deliver better public value in its commercial activities.

Recommendation 34: Parliament must develop a commercial operating model, published in a commercial strategy by March 2023, to set the vision for a new Commercial Function operating in a matrix structure. The strategy must include stretching performance targets, including a return on investment through savings and efficiencies.

Parliament should commit to continuous improvement through consistent benchmarking via the Government Commercial Function, and implement change as required, with the target of achieving 'Good' by December 2023, and 'Better' by December 2024.

We recommend the Commercial Function leads on strategic supplier management, market engagement, supply chain management, social sustainability, modern slavery, and other organisation-wide commercial requirements, with a focus on delivering improved strategic category management.

We recommend the creation of cross-cutting Functions in Chapter 5, including a new Commercial Function.

[60] Analysis of account codes used for invoices mapped against standard Government procurement categories: HM Government, Common areas of spend procurement, Standard definition release 9.

Commercial leadership and performance

131. **Parliament's procurement targets are not stretching and wider commercial performance is not measured.** PPCS does measure customer satisfaction, cycle time, and the use of waivers, but these are not stretching or comprehensive, and there are no wider organisational performance metrics for commercial activities. The cycle time measurement, for example, has a KPI of completion within 12 months, even though Parliament's procurement rules advise that the maximum typical timescale for the most complex tenders will be 6 months. In comparison, central government requires buyers to complete all but the most complex procurements within 120 working days (equivalent to 168 calendar days or 5.5 months) which is more than twice as short a target.[61] The Crown Commercial Service has previously estimated that for the two procurement routes that Parliament uses—Restricted and Open—the average completion time is 6.5 months and 2.8 months respectively.[62]

132. **There is widespread dissatisfaction with the current resourcing and capacity of procurement.** In our interviews, staff expressed concerns about the capacity and resourcing of PPCS, which was leading to dissatisfaction with procurement services and poor outcomes, such as being forced to extend contracts or use waivers. PPCS also expressed frustration with teams not engaging early enough to ensure successful procurement outcomes. These insights are reflective of a flawed commercial system. PPCS itself receives very high customer satisfaction for administration of procurements, averaging over 9 out of 10. These scores are based on the completion of procurements, so it does not capture circumstances such as PPCS being unable to complete services or missing deadlines for re-tendering.

133. **Parliament does not discuss commercial matters at a senior enough level.** The Director of PPCS is the only SCS-equivalent commercial post in Parliament and reports to the Finance Director of the House of Lords.[63] Over the last three years, both management boards considered commercial matters only once as a substantive item and received no regular reports on commercial activities. The Director is expected to attend the House of Lords Finance Committee quarterly with an update on commercial matters. Since the start of the Parliament in December 2019, the Committee received six updates. In April 2021, the House of Commons Finance Committee agreed to receive the Director quarterly, but the Director has not attended the Committee since June 2021.

Recommendation 35: Parliament should appoint a new Commercial Director to lead the new Commercial Function. The Director would be accountable for the delivery of the new commercial strategy and operating model and responsible for commercial improvements, including performance targets for efficiencies and cost-savings.

[61] Crown Commercial Service, Public procurement policy, 8 January 2021.
[62] Crown Commercial Service, Key performance indicators v4.0, July 2012. The data is from 2011.
[63] Per the Service Level Agreement between both Houses, the Finance Director of the House of Commons contributes to performance reviews, is involved in recruitment to the post, and is consulted on PPCS restructuring plans.

Commercial resourcing and capability

134. **Parliament struggles to recruit and retain commercial talent.** As we set out in Chapter 5, Parliament is facing recruitment and retention issues for a range of specialist skills, and commercial is no exception. PPCS averages 20% turnover of staff over the last 5 years, which is much higher than the Parliamentary average. Exit interviews with departing PPCS staff repeatedly report that low pay was one of the main reasons for leaving. Lords HR—who manage recruitment for PPCS—reported that advertisements for their roles typically attract 1–5 applicants, compared to other roles in the Lords which attract between 30–100 candidates.

135. **Parliament is reliant on the use of interims for commercial roles.** Recruitment challenges are best demonstrated by over 50% of resource expenditure on commercial roles across PPCS and IHSE being spent on interim staff—around £2.15m per annum. In Chapter 5, we concluded that an interim costs Parliament around five times as much as a permanent member of staff. By not paying market rates, Parliament is ultimately paying out much more. While a small number of interims used to fill short-term gaps in skills is good practice, the volume of interims and their longevity—often several years—has a negative impact on the ability of Parliament's senior leaders to control and effect change within commercial services.

Recommendation 36: For commercial roles, Parliament must match or exceed public sector rates, based on the principles we set out for specialist recruitment in Chapter 5. An additional benefit beyond retaining commercial talent is the reduction of spending on interims, which is not representing a good use of public money.

Commercial pipeline

136. **Parliament does not have a published commercial pipeline—a forward look of upcoming procurements or projects.** This is considered good practice to ensure commercial resources can be mobilised and prioritised, to avoid unjustifiable contract extensions, and to provide suppliers with more time to prepare. The new Procurement Bill [HL], introduced in 2022–23, proposes that that public bodies which are expecting to spend more than £100 million in contracts must publish a pipeline notice soon after the start of the financial year, which sets out public contracts with a value over £2 million expected to be tendered over the following 18 months.[64] As written, the regime will apply to both Houses. While different Parliamentary teams are aware of the need for a published pipeline, the target date has been pushed back by two years due to poor data.

Recommendation 37: Parliament must publish its commercial pipeline into the public domain by December 2022, even if not fully complete.

[64] Procurement Bill [HL] (as introduced), Session 2022–23.

Contract management capability

137. **Parliament has made improvements in contract management practices in recent years but remains behind public sector best practice.** Monitoring of key performance indicators within contracts is inconsistent. A recent study of contract management processes in the House of Commons struggled to assess the quality of supplier performance due to limited data.[65] While contract management governance is in place, there is little assurance available that mandated activities such as contract management plans and performance management are being used effectively.

138. **Parliament does not provide sufficient training for its contract managers, nor does it provide them with sufficient time to undertake their contract management duties.** Notwithstanding some pockets of good practice and improvement, a 2017 report by Deloitte into contract management in many ways remains a reasonable assessment of overall contract management capability within Parliament. We believe the following remain true:

- Whilst operational supplier relationships tend to be strong, [contract managers] rarely seek to drive innovation, cost reduction or service improvement changes.
- Limited resource planning, skill allocation and tailored training aligned to contracts.
- Suppliers are seen as a resource extension to delivery objectives – not as a contractual or corporate risk. Contract Management is not seen as a 'profession', but as a necessary administrative task.
- Role definitions are inconsistent and performance measures rarely included in job descriptions.
- Day-to-day contract management activity is not appropriately governed and controlled.
- Inconsistencies in the use of tools (e.g., for data collection and reporting, supplier management, and KPI tracking).
- Contract managers do not always have access to final contracts or know where they are stored.

139. **Some contract managers face unreasonable levels of expectations in managing their contracts, but there is also limited scrutiny of performance.** There is no consistent expectation of contract management time across Parliament. The contract management rules state that the outcome of the risk categorisation score should shape "the level and depth of contract management required", adding that "contract management takes time and effort to deliver […] managers must recognise this in drawing up individual job descriptions and in setting annual objectives".[66] Contract management objectives cannot be reflected in an individual's objectives as there is no currently mandated process in Parliament for personal objective setting, nor reporting on individual performance.

---

[65] Jcba, High level study concerning procurement in the House of Commons, July 2022.
[66] UK Parliament, Parliamentary Contact Management Governance and Rules, 2nd Ed., April 2020.

140. **Parliament's training offer for contract managers does not distinguish between size, complexity, or value of contracts.** The Government defines three levels of contract management capability: Foundation, Practitioner, and Expert.[67] Foundation training is for individuals who manage lower value, lower complexity, or lower risk contracts, and may not be responsible for all activities relating to the contract. Practitioner is for those who may be a full-time contract manager and are responsible for important decisions over medium value contracts. Expert is reserved for those who are responsible for strategies, decisions, and oversight of complicated, high value or high-risk contracts.[68] PPCS put in place new requirements that all contract managers should be trained to Foundation level, noting that any requirement for a higher level of training should be defined by the SRO or relevant budget holder.[69] Overall, only 58% of all contract managers have completed the Foundation level training. The Government's Commercial Standards expect as a minimum that 90% of gold contract managers are enrolled on or have completed contract management training and accreditation.[70] We found that only 71% of high-risk contract managers—the closest equivalence to gold—had achieved the accreditation, though it was unclear how many had enrolled.[71]

Recommendation 38: Parliament must invest in a higher level of contract management training for contract managers who are responsible for high-risk contracts. It should also set time expectations for different categories of contract to ensure that staff are not overloaded, leading to poor outcomes.

With better training and expectations in place, contract managers must be held accountable for the performance of their contracts through the appraisal process. Key performance indicators should be reported into the Commercial Function and there should be central tracking of contract management activities, intervening where necessary to ensure best practice.

Procurement rules

141. **Parliament's procurement rules apply more rigid compliance and control compared to other public bodies.** Parliament's internal procurement rules have not been updated since 2016 and have broadly remained the same since their original issue date in 2015.[72] Some of the information in the rules refer to outdated systems, processes, and roles. Internal Audit concluded in 2017 that PPCS used "relatively more rigid compliance and control thresholds" compared to other public bodies, which had helped improve commercial behaviours, but places additional administrative pressures on both PPCS and the wider business community. PPCS currently struggles to manage its demand adequately, partly because it is not sighted on the procurement pipeline due to limited information from business areas, but also because it uses relatively rigid thresholds for PPCS involvement.

[67] Government Commercial Function, Contract management: training and accreditation, 2020.
[68] Civil Service, Guidance: helping you with managing contracts and suppliers, 21 April 2021.
[69] UK Parliament, Parliamentary Contact Management Governance and Rules, 2nd Ed., April 2020.
[70] HM Government, Commercial Continuous Improvement Assessment Framework v2.1, May 2022.
[71] "Gold" contracts in central government definitions are those with a combination of high value, high complexity, and level of risk. Parliament's contract categorisation risk matrix is based on a mix of different risks: financial impact, people and health & safety, reputation, business infrastructure, and delivery location and access to information.
[72] UK Parliament, Parliamentary Procurement Rules, last amended January 2016

142. **Parliament's procurement thresholds are too restrictive and lead to substantial delay and bottlenecking of support.** The controls are not yielding value at lower value procurements versus the potential risk. PPCS manages all procurements over £10k.[73] A shift towards a higher threshold could leverage substantial efficiency gains. A £50k threshold would lead to an almost 40% reduction in the number of tenders administered centrally each year. This significant reduction in volume would ensure PPCS could focus its resources on priorities, with a comparatively low increase in risk.

143. **Parliament does not have the capability to undertake competitive procedures or complex transactions.** PPCS is only able to run two types of procurement procedure: open and restricted. Parliament lacks the capability to run any of the competitive procedures as it lacks commercial specialists with expertise in negotiation.[74] For a number of Parliament's more complex outsourcing activities—where competitive procedures are the recommended route—Parliament is likely not achieving value for money. It also sets up Parliament badly for the future, as the Procurement Bill focuses on a new 'flexible competitive procedure' to enable public buyers the freedom to negotiate and innovate.

144. **A recent study of a small number of contracts in Parliament concluded that Parliament's cautious approach to procurement was causing inefficiency and reducing opportunities for cost savings.** Jcba, a consultancy firm specialising in commercial cost reduction, concluded that Parliament's procurement rules did not match modern commercial practice. Jcba criticised the fact that PPCS only uses two procurement procedures—Open and Restricted—which they found had led to limited competition, including in one example only a single submission. An "overzealous interpretation of the rules" rather than focusing on better outcomes was also found to be an institutional weakness.

[73] Ibid
[74] Government Commercial Function, Competitive dialogue and competitive procedure with negotiation: guidance note, May 2021. The Government Commercial Function recommends the two competitive procedures as the recommended routes for complex outsourcing projects. The complexity of larger programmes and operating in Parliament would likely yield significant benefits. The cost of using either procedure is significant so any use would need to be agreed in the business case.

Recommendation 39: Parliament must revise its procurement thresholds to enable the central procurement team to focus on the most important procurements. The current thresholds lead to a large volume of low value central oversight, resulting in inefficiency, delays, and poor outcomes.

By raising thresholds, volume will significantly fall—we estimate that by increasing procurement delegated authority from £10k to £50k, PPCS would see a reduction of 40% in the overall volume of procurement requests.

To enable this recommendation, we also suggest that PPCS should develop a simple application for procurement customer service, so that the central team has clear visibility of all procurement requests so it can better understand demand and prioritise resources.

Recommendation 40: Parliament must revise all its procurement rules to ensure they are fully up to date and best match public sector practice by consulting with external comparators.

Recommendation 41: Parliament must recruit specialist skills to enable complex transactions and competitive procedures as a core part of its procurement services.

Commercial systems and tools

145. **Parliament struggles to do the absolute basics, including keeping good records of contract information.** We were surprised and concerned to learn that staff widely accepted there was "no single version for the truth" for many contractual arrangements. We sampled 60 contracts in the central repository owned by PPCS. For 38% of contracts, we could either not find the contract or the contract was incomplete, such as due to lacking authorised signatures or missing documentation.

146. **Legal professionals and commercial staff expressed serious concerns that poor record-keeping and processes for executing contracts were exposing Parliament to unnecessary legal and financial risks.** There is an ongoing concern that if challenged, Parliament would be unable to find contract documents or understand what a contract is comprised of. Specific examples in the past have involved Parliament losing adjudications due to poor record-keeping, including one example where the main lesson learned was that "[Parliament] should have had a proper contract in place at the outset". These cases have cost Parliament—and therefore taxpayers—millions of pounds.

147. **Better practice is in place for contract drafting.** In 2021, the IHSE PMO commercial team, in collaboration with PPCS and the Office of Speaker's Counsel, revised the standard NEC3 engineering and construction contract Z-clauses, which are organisational bespoke additions and modifications to the NEC template. At the 2022 NEC People's Conference, Parliament was commended for its positive use of Z-clauses.

148. **Commercial systems are not fit for purpose in Parliament, which significantly limits record-keeping and data management.** The Director of PPCS informed both Audit Committees—and has raised this issue with JIB previously—that the current system relies entirely on manipulation of the finance system, HAIS, which is not designed for commercial management. Internal Audit pointed out back in 2017 that Parliament was

forced to undertake "relatively high levels of manual and administrative effort on spend collecting, analysing, reporting, and disseminating market, supplier, spend and contract data, both within PPCS, and across the business [...] as a result of the currently low levels of technology integration and automation across the organisation". Little has changed since then.

Recommendation 42: The current situation with record keeping and commercial systems is serious and requires urgent action. We recommend the following actions to address these issues:

- **Parliament, as a matter of urgency, must fully collect and centralise all existing contract information into a central repository, and set out clear and unambiguous processes for uploading and maintaining information going forward.**

- **Parliament needs to procure Parliament-wide commercial lifecycle software as soon as possible to enable drastic improvements in commercial management, spend visibility, and reporting.**

- **Parliament should develop a service level agreement between all legal teams in Parliament and the commercial function regarding legal assurance around contracts, and develop a process for legal assurance before contracts are executed.**

Chapter 7: **Management information**

149. **Throughout this report, we have identified a number of significant weaknesses in the quality of data and management information:**

- In Chapter 2, we concluded that the House of Commons lacked quality information about unit costs, cost per user, demand for services, and other cost information. We also found that the House has struggled to measure its performance using operational or strategic metrics, partly driven by a dearth of good quality management information.

- In Chapter 3, we identified that financial data provided to the executive leadership was of insufficient quality to make good decisions, and that it was provided too long after the end of the quarter to enable timely interventions. One key reason for this is the need for significant manual manipulation of data from the finance system.

- We concluded in Chapter 4 that the House struggles to understand decision pathways and accountability of different groups, including their relationships with one another.

- Chapter 5 sets out issues with staff growth, which have not been monitored and poor quality HR data prevents analysis of trends. Management is typically unaware of the drivers of growth. A lack of transparent information about staff roles and the purpose of teams and departments, including accountability and ownership of outcomes, is one reason for duplication and inefficiency across the House.

- In Chapter 6, we were critical of the data and information landscape within procurement and contract management. Parliament uses systems that are not designed to manage the commercial lifecycle, and possesses an incomplete central repository of contract information, leading to financial and legal risks. Parliament is also unable to analyse its spend information, supplier performance, and other key metrics in a strategic way to drive improvement, due to either poor quality data or time-consuming manual processes. It also limiting efforts to publish a commercial pipeline.

150. **In addition, we came across further recent concerns about the accuracy and quality of data in Parliament.** Political stakeholders and senior leaders in both Houses lost confidence in the portfolio performance reporting due to recent inaccuracies in data provided. While significant improvement work is planned for portfolio reporting, we believe this is symptomatic of an inadequate data and management information environment within Parliament. We understand that current reporting issues include PMOs and EPMO using different software and data standards, which links back to issues with cross-cutting functions which we consider in Chapter 5. One of the most common phrases during our interviews were concerns over data, leading to “no single version of the truth”. Staff complained about inefficient processes to collate and validate data, resulting in a large volume of operational activities. This may be a driver in the large increase in corporate administrative staff (or ‘team services’) across the House.

151. **Five years ago, an independent report concluded that Parliament’s systems were a poor for its needs.** The subsequent programme set-up by Parliament to procure and implement new finance, payroll, and human resources systems estimated efficiency gains of between

3-6% which could result in "benefits of over £50m over the 10-year life cycle". Suggested benefits included a potential reduction of 20 FTEs in back-office teams, and efficiency gains for a further 65 FTE regular users of the systems.

152. **The programme stalled and little has been achieved since.** Despite how much organisational performance is reliant on the use of good quality management information, the programme was not prioritised by senior leaders. The programme faltered early on, and in 2018 JIB decided to limit the programme's ambition to aim for tactical improvements over strategic replacements. "A taste for more realistic ambitions" led to the prioritisation of a HR and payroll replacement system, with finance reliant on upgrades only.

153. **Despite this prioritisation of HR and payroll, the new project has not yet delivered a replacement.** The HR & Payroll System Replacement Project progressed in isolation. Its Outline Business Case highlighted possible efficiency and savings opportunities. By the time its Full Business Case (FBC) was submitted in 2022, costs had increased because of an erroneous assumption that an old system would be able to be decommissioned, which had to be retained due to Finance remaining on it. The FBC also assumed that no time efficiencies would be pursued to gain cashable savings. In summary, the new system would not save on operating costs (because it would add running costs on top of the previous system) and would not provide cashable savings or non-cashable efficiencies. As of time of writing, the business case has not yet been approved.

154. **The House of Commons has been aware of the flaws of its systems for at least five years—and likely longer—but has failed to drive through the required step change to deliver quality management information.**

Recommendation 43: The House of Commons must prioritise the delivery of systems that match its requirements for data and management information. Without improvements, we believe it will be difficult to deliver most of the recommendations we make in this report due to the interdependency of good management information with organisational performance and decision-making.

We recommend an urgent focus on the implementation of new Finance, HR, and Commercial systems. The systems should be as "off-the-shelf" as possible, with processes altered to maximise the benefits from the new software.

Appendix 1: **Terms of Reference**

Aim of the review

To provide an independent report to the Director General (Operations) by the end of July 2022 into the effectiveness of value for money and financial management in the House of Commons Service.

The review's focus will be to produce recommendations with clear and realistic timescales and deliver strategic outputs, such as financial frameworks and objectives, designed to assist the House of Commons Service in managing its finances, contracts and projects more effectively and embedding a value for money culture.

Scope of the review

The review will focus broadly on the following themes:

- Consider how **financial planning and prioritisation** is integrated into the organisation's wider strategic and corporate planning processes.
- Develop a framework for **measuring value for money,** including at team level and project level.
- Explore the **culture** within the House Service towards managing finances and value for money.
- Examine **financial management** arrangements and practices in place in the House Service, including budgetary control, delegations, forecasting, reporting and use of financial information.
- Consider **commercial capability** for contracts and projects within the House Service and identify improvements, noting that the Parliamentary Procurement & Commercial Service is bicameral and sits within the House of Lords.
- Identify **areas with significant potential for delivering efficiencies and improving value for money,** indicating the scale of opportunities.
- Compare the House Service's financial practices to **best practice internally and elsewhere,** including in central Government and other comparable institutions.
- Consider anything else relevant to financial management and value for money necessary to support the production of recommendations.

Appendix 2: **List of contributors**

Contributors include those interviewed and those who supplied the review team with evidence. Staff work for the House of Commons unless another organisation is described.

Edwina Acland, Assistant Counsel, Office of Speaker's Counsel

Anne-Marie Adair, Head of Contract Management, Parliamentary Digital Service

Mostaque Ahmed, Finance Director and Managing Director, Finance, Portfolio and Performance Team (2020-2022)

Fehintola Akinlose, Finance Director, House of Lords

Carl Akintola-Davies, Head of Development, People and Culture Team

Ben Atkinson, Delivery Lead, Enterprise Portfolio Management Office

Wesley Auvache OBE, Parliamentary Logistics Manager, In-House Services

Algy Ayson, Head of Project Delivery Centre of Excellence and Profession, Enterprise Portfolio Management Office

Abiola Babalola, Head of Portfolio Management, Enterprise Portfolio Management Office

Emily Baldock, Director of Strategy and Business Planning, Governance Office

Harriett Baldwin MP, Member of the House of Commons Finance Committee

Lindsay Batty, Assistant Counsel, Office of Speaker's Counsel

Dr John Benger, Clerk of the House of Commons

Gavin Berman, Digital Service Business Partner, Parliamentary Digital Service

Aisha Bi, Risk and Governance Manager, Clerk of the Parliament's Office, House of Lords

Gabija Bingelyte, Senior Project Leader (Accommodation & Conservation), Strategic Estates

Samuel Bizzell, Head of Commercial, IHSE Portfolio Management Office

Richard Blake, Director, Parliamentary Procurement and Commercial Service, House of Lords

John Bowell, CEO, Jcba Ltd

Robert Brewer, Head of Portfolio Management & Governance, IHSE Portfolio Management Office

Mike Brough, EPMO Strategic Review Lead, Finance, Portfolio and Performance Team

The Rt Hon Mr Nicholas Brown MP, Chair of the House of Commons Finance Committee and House of Commons Commissioner

Sharron Charlton, Business Support Officer, Parliamentary Procurement and Commercial Service

Charlotte Claughton, Senior Project Manager, Strategic Estates

Isabel Coman, Managing Director, In-House Services and Estates

Steven Conrad, Service Delivery Manager for IS247 & Parliamentary Applications, Parliamentary Digital Service

Daniel Cook, Programme Director of Transforming Digital, Parliamentary Digital Service

Jennifer Crook, Director of Operations, Strategic Estates

Breda Cunningham, Business Support Office, Strategic Estates

Marianne Cwynarski CBE, Director General (Operations)

Mitch Dalgleish, Head of Procurement (Services & Supplies), Parliamentary Procurement and Commercial Service, House of Lords

Janice Davies, Head of Productivity and Collaboration, Parliamentary Digital Service

Sarah Davies, Clerk Assistant and Managing Director, Chamber and Participation Team

James Deane, Director of Business Finance, Strategic Estates

Mandy Eddolls, Managing Director, People and Culture Team

Annabel Ellis, Head of Internal Communications (Members), Governance Office

Tom Edwards, Senior Portfolio Manager, Enterprise Portfolio Management Office

Malin Eliasson, Director of Financial Management and Performance, Finance, Portfolio and Performance Team

Helen Emes, Deputy Speaker's Counsel, Office of Speaker's Counsel

Kate Emms, Director of Member Engagement, Chamber and Participation Team

Suzanna Faria-Johnston, Head of Procurement (ICT), Parliamentary Procurement and Commercial Service

Marion Fellows MP, Member of the House of Commons Finance Committee

Charissa Fiander, Business Management Director, In-House Services and Estates

Judith Flaschmann, Management Development Consultant, People and Culture Team

Laura Frey, Learning & Development Manager, People and Culture Team

Horatio Georgestone, Senior Policy Advisor - Public Value Unit, HM Treasury

Alison Giles, Director of Security, Parliamentary Security Department

Donald Grant, Director of Future Workplaces, Strategic Estates

Akiebel Grant, Head of HR Operations, House of Lords

Alison Groves, Clerk of the Administration Committee, Governance Office

Catherine Hallett, Director, IHSE Portfolio Management Office

Melanie Hamer, Security Vetting and Pass Office Manager, Parliamentary Security Department

Matthew Hamlyn, Chamber Business Team Strategic Director, Chamber and Participation Team

Andy Helliwell, Chief Operating Officer, House of Lords

Carol Hindley, Head of Digital PMO, Parliamentary Digital Service

Mr Shrinivas Honap, Chair of the Administration Estimate Audit and Risk Assurance Committee and House of Commons non-executive Commissioner

Jane Hough, Head of Business Planning and Performance, Finance, Portfolio and Performance Team

Dr Sally Howes, Non-Executive Director, Joint Investment Board

Sam Jones, Head of Governance & Assurance, Enterprise Portfolio Management Office

Tim Killip, Director of Parliamentary Maintenance, In-House Services

Markos Koumaditis, Human Resources Director, People and Culture Team

Dola Kumoluyi, Commercial Manager, IHSE Portfolio Management Office

Gill Lakshman, Head of Supply Chain Management, IHSE Portfolio Management Office

Stephanie Le, Finance Business Partner, Strategic Estates

Colin Lee, Managing Director, Select Committee Team

Laura Majer, HR & Finance Technical Delivery Manager, Parliamentary Digital Service

Alexander Mills, Head of Finance Transformation and R&R Strategy Finance, Finance, Portfolio and Performance Team

Dean Moss, Head of Service Management, Parliamentary Digital Service

William Newing, Private Secretary to the Director General, Governance Office

Usha Oliver, Head of Procurement (Works Policy), Parliamentary Procurement and Commercial Service

Jack Osborn, Resourcing Projects Officer, People and Culture Team

John Owen, Director of Strategic Business Resilience, Governance Office

Sarah Petit, Cultural Transformation Director, People and Culture Team

Ed Potton, Clerk of Finance Committee, Governance Office

Asad Qureshi, Systems Accountant, Finance, Portfolio and Performance Team

Ellena Rae, Finance Business Partner, Finance, Portfolio and Performance Team

Patsy Richards, Director of Workplace Transformation, People and Culture Team

Vicky Rock, Finance Director and Managing Director, Finance, Portfolio and Performance Team (2022-)

Elisa Rubio, Head of Provisioning, Parliamentary Digital Service

Saira Salimi, Speaker's Counsel, Office of Speaker's Counsel

Roger Sansom, Portfolio Commercial Lead, IHSE Portfolio Management Office

Izzy Saunders, Social Sustainability Manager, Strategic Estates

Glenn Scott, Benefits Manager, Parliamentary Digital Service

Chris Sear, Director of Members Services Team, People and Culture Team

Nick Seaward, Assistant Director, Parliamentary Procurement and Commercial Service, House of Lords

Sam Sergeant, User Research Lead, Parliamentary Digital Service

Krishna Shah, Financial Planning & Analysis Manager, Finance, Portfolio and Performance Team

Charlotte Sipi, Head of Social Sustainability, Strategic Estates

David Smith, Managing Director, Parliamentary Digital Service

Jamie Smith, Portfolio Director, Strategic Estates

Joanna Spiegelhalter, Assistant Private Secretary to the Clerk of the House, Governance Office

Dr Richard Stammers, Head of Internal Audit, House of Commons

The Rt Hon Mark Tami MP, Member of the House of Commons Finance Committee

Heather Thompson, Audit Manager, National Audit Office

Paul Thompson, Head of Internal Audit, House of Lords

Laura-Jane Tiley, Private Secretary to the Chairman of Ways and Means, Chamber and Participation Team

James Turner, Director of Customer Experience and Service Deliver, In-House Services

Enrique Vallano, Senior Contracts Manager, In-House Services

Ginny van den Broek, Contracts Manager, In-House Services

Johan van den Broek, Lead HR Business Partner, People and Culture Team

Jake Vaughan, Reading Clerk, House of Lords

Lord Vaux of Harrowden, Chair of the House of Lords Finance Committee

David Viqueira, Portfolio Benefits Manager, IHSE Portfolio Management Office

Amy Vistuer, Project Officer, Parliamentary Digital Service

Colin Ward, Assistant Director, IHSE Portfolio Management Office

Bev Weston, Director of Capital Investment, Strategic Estates

Katharine Williams, Secretary to the Commons Executive Board and Governance Manager, Governance Office

Carl Woodall, Director of Facilities, House of Lords

Gavin Woods, Head of Enterprise Portfolio Management Office

Caroline Young, Head of Workforce Planning, People and Culture Team

Penny Young, House of Commons Librarian and Managing Director, Research & Information Team

Tim Youngs, Director of Resources, Parliamentary Digital Service

Appendix 3: **Further evidence**

Business cases with funding deficits

We came across several notable examples of business cases being approved with funding deficits:

- One project was approved at Outline Business Case despite a red rating for its financial case in the keyholder process due to a funding deficit, with unclear budget availability from two teams. By the Full Business Case, despite confidence in presenting full affordability, it still had a deficit but the project was approved again. It was agreed that bidding would happen in the next annual planning round to try and solve the life cycle cost deficit in future years.

- Another project had zero approved budget in the MTIP, leaving a funding deficit of several million of upfront costs, and no consideration of post-implementation costs. The original business case said that IHSE could offset against portfolio underspends but Parliament may have to seek further funding using a Supplementary Estimate. This approach was rejected as inappropriate, but the budget holders confirmed they would fund the deficit through portfolio underspends.

- One project admitted it was "not currently affordable" but was confident perennial underspends would ensure it could be absorbed. The keyholder rating was Red and one of the Accounting Officers criticised the assumption of affordability through projected underspends, calling it poor accounting practice.

- Another project blamed delays for a misalignment of funding which had led to funding deficit, and simply stated it would apply for these fundings in further financial planning rounds.

Business cases with Red or Amber/Red strategic cases

Of the four business cases in 2021–22 which received a Red or Amber/Red keyholder rating for their strategic case—suggesting the business case did not offer a sufficient strategic reason to invest—all were approved, despite not setting out measurable benefits:

- The first project received a Red keyholder rating for its strategic case. Its benefits table was criticised for only having 3 benefits, none of which were measurable. The investment was approved on the basis that benefits work would take place after the approval of the Full Business Case.

- The second project received an Amber/Red rating for its strategic case because it listed benefits without owners or measurements. It was approved on the basis that further benefits work would be undertaken as the project developed.

- The third project reduced the number of benefits it believed were achievable between OBC and FBC. None of the benefits were measurable.

- The fourth project, to replace support software, stated in its OBC that benefits would include increased efficiency, enabling reduction of support costs, leading to cashable savings within teams, though these were not measurable. By FBC, the efficiencies were no longer being pursued, and an erroneous assumption about savings through the decommissioning of an existing system were found to be incorrect. The introduction of the new system, without achievable efficiencies, and the continued running of the old system, meant the investment would lead to increased BAU costs. The project has not yet been approved.