

Management Board

Future delivery of HR, learning and development, finance and procurement

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Purpose

1. This paper sets out a proposal for how the HR, learning and development, finance and procurement functions might be delivered in the longer term. The proposal is made in the light of the Tebbit review and decisions made so far to reconfigure the Board and to re-align departments on functional lines. The Board is asked to agree in principle as much as possible of the proposal outlined at its December meeting, as many staff are anxious to know the future direction. Further work will then be required to flesh out the details. Work to decide the immediate structure of these functions, from 1 January 2008, lies outside the scope of this paper and is being looked at separately by the Tebbit change team.
2. A variety of options have been considered but this paper expands on one in particular. This is partly because of what has been possible in the time, but also because it has emerged as the strongest option. The other options can of course be developed further, if that is necessary.
3. In preparing the paper, discussions have been held with each of the Directors General, to identify the needs from business leaders, as well as with a wide range of HR and finance staff. The Board may require wider consultation with business managers.

Conclusion and decisions

4. There is general acceptance that some changes are needed to improve the performance of HR and finance in supporting the needs of the business and the good governance of the House. The key components of the proposal for the future delivery and management of HR, learning and development, and finance are:
 - a. **Delivery** of HR, learning and development, and finance to be based in each department.
 - b. **Managers to take greater responsibility** for staff management.
 - c. **Corporate strategies and policies** to be led by the Department of Resources, but the work to be undertaken either by Resources staff or by departmental staff in a matrix arrangement.
 - d. **Stronger strategic and professional leadership** from the Department of Resources.
 - e. Staff working in these functions to be **accountable both to their department and the Department of Resources**, but, their formal line management to be within their department provided this is matched by professional leadership from the Department of Resources.
 - f. The **governance** of these functions to be through a business director or director of resources in each department. They would replace the role of DEO and DFO, and the related HR and business planning groups, forming a single group chaired by the Director General of Resources.

5. The aim should be to reach this position within **12 to 18 months**, managing the implications for staffing and ways of working through a formal transition plan. It is anticipated that the changes would be cost neutral, or even result in reduced costs, but this has not been analysed in any detail.
6. The Board is invited to **agree this proposal in principle**, as the basis of further work to develop the details, including the cost implications. The thinking behind the proposal, as well as alternative options, is explained below.
7. The Board is further invited to consider the implications for **PICT's HR and finance** staff (see paragraph 20), as decisions are needed on whether they are to remain as Commons employees or be transferred into the Joint Department. A decision is needed early in the new year.
8. On **procurement**, the Board is invited to consider this function separately, as outlined in paragraphs 30 and 31. This recommends central management of procurement, as an area of high risk, to be managed either from the Department of Resources or the Department of Facilities.

Background

The need for change

9. The Tebbit Review acknowledges that the delegated model has only recently been introduced, but nevertheless recommends that it should be reviewed. In the case of finance and procurement, it identifies the need to strengthen controls and assurance to the Accounting Officer (paragraphs 133 and 146 of the Tebbit Review); and in the case of HR, it indicates the need for a more strategic approach on the one hand, and improved efficiency on the other (paragraph 156).
10. The re-alignment of the House service into four departments managed by a stronger Management Board, also indicates the need for change. The Directors General have a wider span of responsibility, combining areas that in some cases have parallel HR and finance functions, while the new Board is aiming to create a unified House service.
11. The delegated model was fit for purpose at the time it was agreed in October 2003, and has achieved much in improving consistency within a devolved structure. It is, however, a model built to support a devolved administration. In order that the Director General of Resources can fulfil his functional responsibility for managing human and financial resources for the House, the HR and finance functions need to be managed corporately. This is just the same as for the other Directors General, who carry responsibility for their functional areas, whether or not all the resources required to deliver those functions are brigaded within their department or directly managed by them. This requires the authority of the Director General for a functional area to be accepted, supported by a more collegiate way of working and elements of matrix management to make it work in practice.

Priorities

12. Although most of this paper is concerned with the way delivery of HR, learning and development, finance and procurement is managed, there were a number of priorities

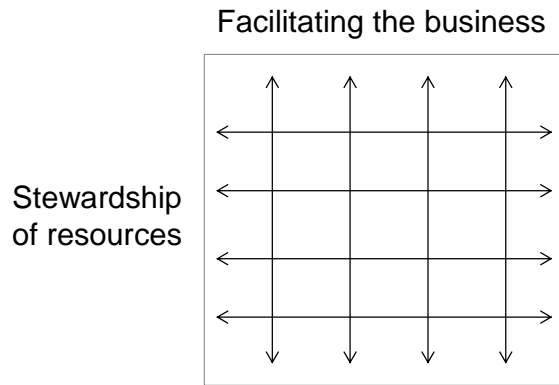
required of these functions expressed in the consultation interviews. Any management model needs to be sure of delivering these requirements:

- Better quality management information to enable managers to manage: in particular, accurate and consistent financial information, focused on areas of highest expenditure - staff salary expenditure and large contracts.
- Greater ability to reward, recognise and motivate staff, through an overhaul of our pay and reward strategy (this is in hand).
- A more focused and streamlined appraisal and performance management system, which focuses on the individual and not the process of filling forms;
- A more comprehensive approach to career management, at all levels, that enables the organisation to harness its talent.
- Tighter through-life procurement and contract management that enables the organisation achieve considerably better value from its suppliers.

13. Underlying all of these is a requirement for simplicity, with effort being focused on the outcome not just the process. There was a feeling expressed that there is a lot of “stuff” happening, particularly in HR, but that it has not made enough of a difference for the effort involved. Work needs to be more focused on its contribution to business outcomes.
14. The most common concern raised about current arrangements was lack of trust – between the former DFA and departments (in both directions). This appears to be caused by lack of knowledge of their respective demands and constraints, concerns over levels of expertise and depth of knowledge, and lack of consistency and reliability in information provided. Any model needs to address these issues, not in terms of where management lines fall, but more deeply in terms of professional competence and behaviours.

The role of HR and finance in a unified service

15. All those involved in delivering and managing resources, including the Management Board, have a dual responsibility – to manage resources in a way that facilitates delivery of the business, but also to ensure good governance or stewardship of those resources.
16. These have often been presented as conflicting objectives, with the former DFA performing the governance role, and departments focusing on acquiring the resources it needs to deliver its services. It is only in the role of the Accounting Officer that these have had to be resolved. With the creation of a Management Board, in place of a Board of Management, these tensions should be resolved, as each member of the Board is there to fulfil their functional and corporate role. This applies equally to the Director General of Resources, who is there to facilitate service delivery as well as oversee good governance.
17. Following this through to HR and finance staff, they, too, have a dual role, to support their business area and to help meet corporate requirements. Whether they report to the department they are working in, or to the Department of Resources, they have this dual responsibility.



Line management

18. In theory, then, HR, learning and development and finance staff could be managed by either the business area or the corporate function, or indeed by both, in a matrix arrangement. Practicalities often militate against full matrix management, however, as staff need clarity over who can agree their annual leave, who is to responsible for their annual report (even if contributions are expected from the second manager), and the like. It is therefore recommended that staff have a single line manager, but that their forward job plans and appraisal reflect their dual accountability, with contributions from the Department of Resources and the local department.
19. There have been many discussions about whether the Department of Resources or the local department should provide the line management. The arguments are finely balanced, with centralised management offering greater obvious flexibility and consistency, but local management offering staff a greater sense of identity with the department they are serving and a greater degree of trust by the local managers. If line management remains within departments, it needs to be balanced by a stronger “dotted line” to the Department of Resources for professional and career development, as well as for direction on common standards, consistency of practice and other corporate requirements.
20. The one area this might not work is in PICT. It strongly welcomes the development of centrally guided and managed HR and finance staff and would want its staff to belong to these communities. This would provide greater flexibility for its staffing of these functions, reducing the risk from staff leaving, while improving the scope for professional development of these staff as part of a wider community. One option would be for these staff to be employed by the Commons, as members of the Department of Resources, but to be seconded to PICT. A decision is needed early in the new year so that decisions can be made whether to TUPE these staff into the Joint Department from 1 April 2008.

Options

21. The following options have been considered:

Make delegated model work better

The principles of the delegated model still hold good (it is founded on a requirement for local responsiveness, along with consistency of practice). It has only just been fully

introduced, with the end of the HAIS 2 programme in May this year, and perhaps has greater potential than has so far been exploited. It allows for the authority of the Director General of Resources to set standards and formally delegate responsibilities to departments. In practice, though, there is a sense that the functions are still managed through consensus rather than through strong professional leadership, and the concept of “delegated” is often interpreted as fully “devolved”.

Introduce something different immediately

Doing something radical and quickly, might be just the catalyst needed to kick-start the culture changes needed to underpin the new vision for the organisation. In the context of resource management, this might be fully to centralise the resource management functions and then get on quickly with a range of strategic HR changes. This is unlikely to be effective, particularly in our environment, where changes need to be sensitively managed for the longer term gain. In any case, fully centralised management has a tendency to lead to the re-emergence of local teams as managers find ways to circumvent central arrangements.

Introduce something different to a specified timetable

This is the option recommended, with the “something different” being expanded on below. There are variations on the option recommended, particularly on the question of actual line management, and in terms of timetable.

22. “No change” has been ruled out as an option for the reasons given in paragraphs 9-11 above. More radical options, such as outsourcing to a shared service provider, have also been rejected as not likely to be required, as has any move to full decentralisation.

Recommended option

23. Although it is hard to find a name for the proposed option, it is probably best described as a partnership, collaborative or unified model. At its heart is the principle that *all* of those involved in resource management have a dual corporate role to facilitate delivery of the business while ensuring good stewardship of resources. This requires business managers and professional resource managers to acknowledge that they share this responsibility and for them to be appraised accordingly. The model is shown diagrammatically at Annex A.

Elements of the model

24. Delivery of these functional areas to be through a professional¹ **HR manager and finance manager based in each department**, probably at Band A (the question of line management is addressed separately). Depending on the nature of the department, they may in turn need to be supported by more specialist staff (for example, Facilities may require separate HR and finance staff experienced in catering and buildings, both reporting to a single HR or finance professional for Facilities).
25. **Managers to take greater responsibility for staff management** (rather than HR staff almost managing staff on behalf of managers, in some cases). This means HR managers

¹ “professional” is used here to mean experienced and/or qualified. A qualification is more likely to be necessary for HR managers but, depending on the level of spend and risk, departments may not require qualified finance staff. The Department of Resources will require qualified and experienced professionals in the more senior roles.

in departments being there primarily to support managers rather than as a first point of contact for staff. Staff should go to their line manager in the first instance.

26. **Corporate strategies and policies to be led by the Department of Resources**, but the work to be undertaken either by Resources staff or by departmental staff, as appropriate to expertise, career development requirements or availability. When by staff in departments, they will be reporting to the Department of Resources, on a project basis.
27. **Stronger strategic and professional leadership from the Department of Resources**, probably provided by fewer but more senior professional staff. This includes the Department of Resources acting as head of profession for HR, learning and development and finance staff across the House, managing their continuing professional development, ensuring good and consistent practice, and ensuring corporate duties are performed to required standards and timescales. Staff would be recruited to the function and not to a specific department.
28. Staff working in these functions to be **accountable both to their department and the Department of Resources**, but their formal line management to be within their department, provided this is matched by the leadership role from the Department of Resources. In time, this might change into reporting into the Department of Resources, but this is not essential to deliver the necessary improvements in performance.
29. The **governance** of these functions to be through a business director or director of resources in each department, who would manage these functions on behalf of their Director General, as part of a wider departmental management role that might encompass business planning and performance management, risk management, business development and the like. These directors (probably at SCS1) would replace the role of DEO and DFO, and the related HR and business planning groups, forming a single group chaired by the Director General of Resources. Other members of the group may be required, such as the Head of the Office of Chief Executive, the Director of HR Management and Financial Management.

Procurement

30. The above model applies to HR, learning and development and finance, but the procurement function needs separate consideration. Firstly, there are fewer staff whose primary role it is to procure goods or services. Secondly, it is an area of high risk, as acknowledged in the corporate risk register and as indicated in the Tebbit review. Although this function has not been looked at fully as the core HR and finance functions for this paper, it is worth considering whether a stronger corporate procurement function is required, headed by a more senior director, to give the necessary assurance in this area of high risk, rather than for this function to be "buried" in finance. Given the smaller numbers of staff involved, that person could directly manage professional procurement staff across the House, with the two areas of greatest spend and activity, both in Facilities, having specialists embedded in the department. Contract management would be performed by the business area, but with a remit for those with experience and expertise of complex or high value contracts, providing support and advice to those elsewhere in the organisation.
31. In terms of the location of the procurement function, it could either be located in the Department of Resources, as the department providing similar corporate resource management leadership, or be located in the Department of Facilities, as the department

of highest spend. The Board is invited to indicate its views, and to give a decision in principle if possible.

Implications

32. These proposals have a number of significant implications, for example for the knowledge, banding, responsibilities, structure and ways of working (including attitudes and behaviour) of those involved in delivering these functions. These implications apply to the Department of Resources as well as to the other departments, and at all levels involved. For example, the Department of Facilities has two Band A1s fulfilling a financial management function; the Department of Chamber and Committee Services assigns HR and finance roles widely amongst its senior staff in addition to their core role; learning and development staff are in some cases brigaded with the HR function and in some cases separate from it; in most cases these staff are focused more on training administration rather than training delivery or career management, which are functions they should perhaps be aiming to perform in future. The Department of Resources is not currently resourced to provide the full professional leadership role required, and it is also more familiar with fulfilling a control and governance function rather than a facilitative one.
33. For these change management reasons, the aim should therefore be to reach this position within **12 to 18 months**, managing the changes required through a formal transition plan.

Benefits

34. The recommended option recognises the significant differences between business areas in the House, by retaining locally based teams, while facilitating the management of a unified organisation. In particular:
- It recognises the need for local knowledge while mitigating against creating four new silos by making explicit corporate responsibilities.
 - It recognises the responsibility of the Director General of Resources for corporate resource management, giving him access to the resources across the House needed to fulfil this function.
 - In recognising the need for resources to be managed within a corporate framework, by staff able to focus on resource and business management as their core activity, it provides assurance to the Accounting Officer that these functions are being given the necessary rigour and attention.
 - It provides flexibility for managing resource needs in these functional areas across the House and improved career management of the staff as a professional group.
 - It enables corporate policies to be developed by staff across the House, accountable to the Director General of Resources, enriching work experience and professional development, removing the stark division between policy and delivery.
35. It is anticipated that the changes would be cost neutral, or even result in reduced costs, but this has not been analysed in any detail.
36. There are of course many risks with this proposal, the main ones being that it is not sufficiently different to achieve the necessary improvements and that the implications for skills and behaviour changes are too great. These will need to be properly managed as part of the transition.

Next steps

37. The Board is asked to confirm which of these steps it wishes to be undertaken, as part of the second phase of the Tebbit implementation. The division of responsibility between the Department of Resources, other departments and the implementation team needs further consideration.

- Communicate the outcome of the Board discussion – to HRG, BPG, practitioners, business managers
- Consult Lords HR and finance, as has potential impact – in terms of PICT; some elements of professional development might be managed in tandem.
- Consult TUS – has implications for the role of managers and for staff working in these functional areas,

38. Develop transition plan, including:

a) Initiate stronger dotted line to Department of Resources immediately, creating opportunities to bring staff together. Reflect dual accountability in forward job plans from April 2008.

b) Review implications for HRM&D, FMD and procurement in Department of Resources:
Decide skills and behaviours needed to perform leadership role
Decide structure
Appoint/recruit staff accordingly
Lead: Director General of Resources

c) Review implications for departments:
Decide skills and behaviours needed to perform required roles
Decide structure
Appoint/recruit as necessary
Lead: heads of profession with current DEOs and DFOs
HRG and BPG would continue until the business director roles had been filled.

Action

39. The Board is asked to agree in principle as much as possible of the proposed option, as summarised under conclusion and decisions, as staff in these areas are anxious to know the longer term direction.

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Management structure: HR and finance in departments

