

DR Transition Project
Update and early recommendations
Paper from the Joint Project Directors

Purpose

1. This paper provides an update on the current position of the DR Transition Project and makes an early recommendation about exploring a future model for HR and Finance functions.

Action for the Board

2. The Management Board is asked to:
 - a. note progress on the project including the roles and responsibilities of the two new departments: D-Fin (Finance) and D-HR&C (HR and Change);
 - b. agree, in principle, that:
 - HR (including learning and development) and Finance services should report to their respective Heads of Profession (para 23); and
 - the DR Transition Project Team (until April 2011) should support the respective heads of the two departments to consult and make proposals on a more centralised model for delivering professional services to the House and make recommendations to the Management Board on implementing and embedding this change.

Progress to date

3. A project board has been established comprising: Andrew Walker (SRO), John Borley (senior user on behalf of the Management Board and finance champion) and Matthew Hamlyn (strategic and corporate view) and the project team. The Finance Director has been recruited; work has been done to separate and reorganise the work currently performed in DR and a workshop has been held about the future Change Management work.
4. A consultation paper (summary – annex 1) describing a structure for the two new departments was issued to stakeholders across the House Service. It raised issues for discussion, based around the proposed structure for both departments. There were also general questions that affected all House of Commons departments.
5. Consultation meetings have taken place with existing teams in DR including its departmental management board (DMB), Directors General and Business Management Directors from all House of Commons departments and PICT and with cross-House HR and finance functional teams.
6. There have been regular meetings with the TUS.
7. Accommodation: we are working on the assumption that both departments will continue to occupy the 3rd floor of 7 Millbank. A project request (the business case is

in progress) has been approved by PED for the basic changes required to support the new working arrangements. Commercial Services will stay in Canon Row.

8. As the same resources are affected, it was difficult to separate this project from the work of the Savings programme. However, it was considered sensible to manage this transition without trying to manage reductions which could result from future savings, at the same time. It was made clear that savings would be managed within the new departments.

Feedback from consultations

9. The proposals for each department were largely supported. However, a key action from the consultation exercise was that the proposed directorate of Corporate and Members' Services in DHR&C was not sustainable. A simpler organisational model has been adopted. Other key areas where clarity was required included: Organisational Development and Change (para 24); Corporate Learning and Development (para 26) and IRIS (para 27).
10. There was a lack of understanding of the value added by individual teams by other colleagues, e.g. a general belief that others should change but a reluctance to consider that consultees' own team should be moved, split or reduced.
11. DR staff accepted that the departmental split would happen and were able to focus on the implications. There is concern about the amount of change that these staff have faced over the past 12 to 18 months. Nevertheless the areas that caused concern included potential changes to: accommodation, line management and immediate colleagues.

Reporting and location of departmental HR and Finance teams

12. An early issue addressed by consultees was reporting lines and location of all House of Commons departmental HR, L&D and Finance staff.

Finance

13. Central management of finance professionals was universally supported by finance managers. Staff themselves also supported this approach but felt that there should be a presence located in departments. The Director of FMD and affected DR staff and Facilities senior management felt that the two Accounts Payable teams (DR and DF) should be combined and centrally managed.
14. DF's Accounts Payable team argued that an experienced local resource added value to the Parliamentary Estates Directorate's work.

HR

15. Most senior managers felt that HR should be centrally managed and that the DG HR and Change should be responsible for delivering HR improvements. On the other hand, a significant minority of senior managers felt that this valued function, if taken out of the direct control of departmental managers, could lead to a possible reduction

in the level and standard of service needed to support their business. HR staff expressed a strong desire to be consulted on the detail of future arrangements if greater centralisation was to be pursued. Almost everyone felt that there should be a continued departmental presence.

Learning and Development

16. Views about centralising Learning and Development were mixed, but on balance, centralisation was supported to enable a more focused and strategic service. This would also go some way to addressing the findings of the 2009 audit report¹ that recommended centralisation as a way of supporting the House's objectives more effectively and efficiently:

Achieving greater economy.

Recommendation 1. A greater amount of L&D activity should be centralised and coordinated, leaving Departmental L&D Business Partner roles with a greater input to assessment, design and delivery of specific local requirements.

17. Earlier this year, centralisation of HR and Finance was addressed by the Savings Programme team. Their Management Board paper (MB2010.P.73 - July 2010) said that:

Experience of other organisations in both the public and private sectors, however, does clearly show that greater centralisation can result in savings. [Para 39]

18. It was estimated that savings from centralisation and other streamlining activities might reach up to £850K per year (although that was an ambitious estimate). However the paper concluded that:

There is demonstrably strong attachment across the business to local provision, especially in HR, and high levels of concern over the responsiveness and appreciation of local needs that a centralised system might bring. In summary, there is a case for greater centralisation which could well bring financial and increased capability benefits to the House service but there needs to be considerable work undertaken first to develop a centralised model that both provides assurance to the business and is able to drive out duplication and inefficiency. [Para 40]

19. Additionally, the Jablonowski report² in January 2010 acknowledged that there was some reluctance to address centralisation of HR and finance functions but recommended that:

During 2010, the Board should revisit the case for moving to a centralised model for Finance and HR and in particular: service delivery benefits to be achieved; how approval processes and levels will be streamlined to give departments greater operational flexibility; safeguards to ensure that departmental needs are fully understood and addressed; how DR will reconfigure to a full business partner model; the cost savings to be achieved

¹ A Value for Money review of Learning and Development ('L&D') undertaken by Internal Audit in August and September 2009

² Report on the Implementation of the Tebbit Review Recommendations; Paper by the External Board Member; 2010.P.04

20. In summary, the objectives for the future provision of HR, L&D and Finance which stakeholders have identified are as follows:

- a. Greater strategic coordination and focus
- b. Efficiency savings
- c. Local knowledge and dedicated resource to support different parts of the organisation.

21. These could all be met using a “business partner” model, incorporating the following features:

- a. a senior professional, or business partner, dedicated to discrete areas of the organisation (e.g. one or more departments, depending on size and other factors).
- b. central management of transactional HR, L&D and finance staff
- c. retention of a local link for named transactional staff, with the precise arrangements regarding location, specialisms etc to be agreed according to local need.

22. DR’s transition project steering group supported such an approach and recommended that its practicality should be investigated in greater depth.

23. Does the Board support this activity?

Update on other feedback

Organisational Development and Change Directorate

24. This section of the consultation paper attracted the most queries, largely asking for greater clarity about the purpose of the proposed new directorate. Other comments included:

- it should support changes in House-wide processes, but not departmental operational matters, which would be better managed locally;
- it could be a resource for the Management Board and a central coordinating point for initiatives which had implications for multiple departments
- the team should be flexible;
- the DG HR&C should have the authority to carry forward organisational development, but clarification would be required about the extent of this remit;
- there appears to be some overlap with OCE, e.g. communications
- managers need the right skills to manage change;

25. A workshop has been held and further work is underway to develop options for this directorate, with a view to supporting the Management Board in developing and implementing phase 2 of the Savings Programme, the radical redesign of parliamentary services. A paper will be submitted to the Board’s January 2011 meeting in parallel with proposals from the Savings Programme, phase 2.

Corporate Learning and Diversity

26. More clarity was felt to be needed about what services are provided by Learning & Development and Diversity and their value to the House Service. Some regarded CLD as a provider of training services only, and saw any further activities as excessive; others regarded it as having an important role in developing staff for the future. There were mixed views about whether to separate Diversity from L&D and some support for the whole service to be part of the OD & Change directorate; others viewed it as an integral contributor to HR's performance management function. CLD staff felt very strongly that they should continue as one team.

Information Rights and Information Security Services (IRIS)

27. There was support for transferring the IRIS service to the Department of Information Services (DIS). Its functions were not clearly understood by all those interviewed, i.e. some viewed it as an information provider rather than supporting the House of Commons in fulfilling its statutory duties under the Information Acts. However, it is an important element in the job weight of the DG HR&Change.

Corporate & Member Services Directorate

28. This proposed directorate was generally considered to lack coherence. The project steering group endorsed this view and the functions mooted for inclusion will now be managed either through the HR directorate or the extended DG's office (including the remaining Members' services such as casework for the Parliamentary Commissioner, insurance, etc).

Departmental Support Services

29. The paper proposed that most departmental support services should be shared by the new departments, or, in the case of accommodation, managed by DF, corporately or by building. Staff in the team affected considered that they should continue to exist as a team but others supported proposals put forward in the structure paper for each service to be located in one or other of the new departments

Conclusion

30. The Board is invited to note the results of the consultation exercise. Agreement to the proposals on HR, Finance and Learning and Development is sought (paragraphs 19 to 22). Proposals on other matters, in particular the objectives of the proposed Organisational Development and Change Directorate, will be put before the Board at its January meeting.

Janet Rissen

Edward Wood

December 2010

Initial proposals on structure for consultation. 12 Oct 2010

Annex 1

1. Following the decision of the House of Commons Commission, two new departments are to be created to replace the Department of Resources:
 - Human Resources and Change (D-HR&C)
 - Finance (D-Fin)
2. The following design principles were proposed, with the intention of promoting a pragmatic approach and ensuring the new departments can operate effectively.
 - i. Ensure directorates have a coherent and manageable set of responsibilities to enable focus and successful delivery of objectives
 - ii. Ensure current strategic priorities for the House find clear owners, who are able to focus on delivery.
 - iii. Ensure balance between directorates within departments
 - iv. Efficiency savings will be pursued separately through the savings programme, so functions performed by the Department of Resources are, by and large, carried forward into the new structures proposed here.

Department of HR and Change

Director General

3. The DG will be a Board-level advocate for HR reforms, process change and organisational development. He will be the administration's senior diversity champion, information risk-owner and the SRO for the following programmes:
 - Policies, Processes and Practices (HR-PPP)
 - Capability
 - HR and Finance ICT Programme (HAIS)
4. The internal structure of the Department will consist of three directorates headed by SCS1 directors:

Human Resources Directorate

5. To include:

HR policy	Employee relations
Reward (inc. Pensions)	Workforce information and planning
Resourcing & recruiting	Management support/casework/Head of Profession
Corporate learning and development	Departmental HRD (shared with DIS and Finance Department)

6. Issues:
 - i. Pensions could be located elsewhere, for example Corporate & Member Services or Department of Finance.

- ii. The proposal would enable the effective management of transactional HR functions.
- iii. Separation of Corporate Learning from Diversity; currently managed in the same team. Reasons: growing importance of Diversity to the management of the House service; co-location of departmental learning teams suggest that managing both functions from a single team may become impractical. Members' (Speaker) interest in the diversity action plan.

Corporate and Member Services Directorate (new)

7. To include:

- IRIS
- Diversity
- SHWS (Occupational Health)
- Personnel Advisory Service (plus training for Members' staff)
- Member Services (residual policy & casework)
- Member Services (misc. services: nursery, child care vouchers, etc)

8. Issues:

- i. No compelling reasons why these functions need to be managed together, but creates a coherent management task; redistribution of these functions would be likely to create overload in other areas. IRIS, Diversity and SHWS represent a significant proportion of the regulatory/best practice functions across the House.
- ii. Should IRIS go instead to DIS to create an integrated information management portfolio?

Organisational Development and Change

9. A small, multi-disciplinary office to ensure that change management is handled effectively and that changes stick. Functions might include:

- Helping the House to achieve the savings it has to make through organisational development, including downsizing and improving efficiency
- Programme-manage major changes within the House administration
- Help to create a more agile organisation by sponsoring small, low-cost experiments involving new processes, technology etc.

10. The team will need the following areas of expertise:

Process/organisational design	HR
Policy development	ICT
Change management	Communications
Programme management	Employee relations

11. Issues:

1. Should this team have a different role to that described above?
2. Relationship with other teams and programmes need to be explored.
3. Should co-ordination of the "people" side of the current savings programme (redeployment, downsizing etc) reside with change or HR directorate?

Department of Finance (DFin)

12. The broad functions of the DFin should be decided now but further consideration of its aims and internal structure should await the appointment of a Director of Finance.
13. Finance should incorporate all of the current functions of the DR Financial Management and Commercial Services Directorates, the Savings Programme plus some additional functions (shaded).

Commercial Services	Financial Accounting
Savings Programme	Management Accounting
Accounts Payable	Treasury including accounts receivable
Payroll	Systems Accounting
Departmental Finance (shared with HR & Change and DIS)	

14. Issues

- i. The proposed senior management structure is two SCS1 (Existing posts of Financial Management and Commercial Services) plus the Director (SCS2).
- ii. Payroll Unit should be located in Finance to ensure effective financial controls. Close co-operation vital between the D-Fin and D-HR&C on payroll issues.
- iii. Some process rationalisation in Accounts Payable and Payroll is expected as a result of the forthcoming HAIS changes; it may be beneficial to co-locate the separate Accounts Payable functions in Finance and Facilities at the same time.
- iv. The scope for further efficiencies in the provision of a department-level finance function should be explored.

Shared functions for both departments

15. These tasks are currently managed within the Director's office and Business Management Directorate

Function	Current Location	New Location
Departmental HR & development	BMD	HR and Change Dept. (shared with Finance Dept and DIS)
Departmental finance	BMD	Finance Dept (shared with HR and Change Department and DIS)
<ul style="list-style-type: none"> • Accommodation and office services • Record management • IT liaison 	BMD	Could a joint service be offered to all occupants 7 Millbank, it would be sensible to explore this – possibly provided by DF.
<ul style="list-style-type: none"> • Health and Safety advisor • Support for directors/DG • Communications • Business continuity • Reception service 	Director's Office	To be carried out separately by the new departments from within existing complement Shared service provided on a rota basis.