



HOUSE OF LORDS

Management Board

3rd Meeting
Wednesday 11 March 2015

MINUTES

Present:	David Beamish Liz Hallam Smith David Leakey Andrew Makower Matthew Taylor Tom Mohan Edward Ollard Simon Burton Carl Woodall	Clerk of the Parliaments Information Services Black Rod's Department Financial Resources Acting Director of Parliamentary ICT Human Resources Parliamentary Services Corporate Services Facilities
Audit Committee member:	Liz Hewitt	
In attendance	Veronica Daly Paul Thompson	Director of Parliamentary Procurement and Commercial Service Head of Internal Audit

The Chairman noted that it was Matthew Taylor's last meeting as a Board member and thanked him for his contribution on behalf of the Board. The Chairman also noted that Rob Greig had now joined Parliament as the Director of the Parliamentary Digital Service from 1 April.

I Contract Management Governance and Rules

MB/2014/19

1.1 The Finance Director introduced the paper and thanked those who had responded to the consultation on the draft Rules.

1.2 The Board took note that the Rules would be considered by the House of Commons Management Board on 11 March.

1.3 The Director of the Parliamentary Procurement and Commercial Service (PPCS) said that the Rules represented the first corporate contract management structure for either House or PICT. She provided an overview of the main points. Poor oversight of contract management was a risk which could lead to fraud and the Rules attempted to mitigate this. It was hoped that the Rules would also improve the visibility of contracts and provide the impetus to professionalise contract management across Parliament.

1.4 The Board considered the paper and the following points were raised in discussion:

- A Board member said the new Rules provided a good opportunity to ensure that Health & Safety matters were included in each contract where relevant, which also applied to security and risk management. Further consideration should also be given to how value for money would form part of this process. The Director of PPCS replied that this would be ensured by obtaining the most economically advantageous contract. A firm line had already been adopted on Health & Safety matters but there was still work to do regarding contractors. The Finance Director said that the Rules would put Parliament in a better position to manage such matters for the duration of the contract rather than just at the beginning.
- A Board member welcomed the Rules and suggested that further consideration was necessary regarding how the corporate record management policy would apply to contractors. How the Rules would be rolled out was also important. There was enthusiasm for training, which could perhaps be scaled according to the type of contract. The Director of PPCS replied that some training could be provided in-house while the training for managers of bigger contracts could be outsourced.
- A Board member asked how it would be ensured that contracts met information security requirements. The Director of PPCS replied that a checklist formed part of the process, which included security among other criteria. She would check if information security was included and revert.
- A Board member noted that PICT had already adopted this approach to contract management. The Board member asked for further information regarding the request by PPCS for additional resources. The Director of the PPCS replied that she was raising a flag at this stage due to increasing compliance duties and the coming into force of new procurement regulations, which might mean that the size of the team needed to increase.

1.5 The Board **agreed** the new Contract Management Governance and Rules, including discretion for the Finance Directors to amend the Rules in future, referring only significant policy changes to the Boards.

2 Investment Board Proposal

MB/2013/20

2.1 The Finance Director introduced the paper. He had previously resisted such a proposal but leading on the MTIP last year, the increasing size of the budget and the Director General of Facilities' presentation at the joint Board meeting in November 2014, had led him to believe that a greater degree of governance in this area was needed and the basic proposition was sound. In principle most people agreed with the proposal but the devil was in the detail. Myfanwy Barrett, the Commons Finance Director, had consulted widely and tried to accommodate issues raised in the paper, which also identified any areas of disagreement.

2.2 He clarified that the proposed Investment Board (IB) would not have any powers not already exercised by the Parliamentary Estates Board (PEB) or the PICT Advisory Board (PICTAB). However, the IB might exercise these powers over a wider area. It was clear that the IB would be

subordinate to the two Boards. The proposed terms of reference stated that it would make “authoritative” recommendations and perhaps this word should be removed. How the IB would interact with the new Digital Services Board (DSB) and PEB structures would need to be considered further. The intent was that the IB would be complementary, taking functions currently performed separately by PICTAB and PEB and doing them in one place. The IB’s consideration of bids would be informed by the strategic objectives of the two Houses but this process did not necessarily need to be called an investment strategy. Establishing the IB without allowing it to see business cases would be an odd approach. He considered that the proposed membership of the IB was correct and commended the proposal to the Board.

2.3 The Board considered the paper and the following points were raised in discussion:

- The Director of Information Services, as the chair of PICTAB, noted that the IB had been discussed in PICTAB the previous day, where there had been differences of view on the principle and details. Her personal view was that it had merit in theory but might not be such a good idea in practice at the present time. It could put at risk the Administration’s ability to protect Lords interests. The reporting lines between the chair of the DSB and the IB, if it were to be chaired by the new Director General of the Commons, could produce curious results in governance terms. The proposed membership was weighted towards Estates. More work was required on the principles and detail before proceeding further. Any investment strategy needed to come from two Houses and reflect their priorities, as well as supporting the agenda of the new PDS Director, which it did not at present. There were also issues regarding the boundaries between MTIP and MTFP. Concerns had been expressed at PICTAB that the proposed approach might result in more bureaucracy which could stifle innovation.
- Liz Hewitt expressed support for the proposal. She would be happy to be consulted on the implementation as she had previous experience regarding the establishment of investment boards. A smaller membership for the IB would be more practical and PICT must be included. With respect to Gateway reviews no one should have rights of veto. The IB might provide an opportunity to improve risk management by spreading risky projects across a number of years, as well as realising benefits of scale and value for money. The paper did not make it clear who the IB would report to and how budget allocation would be addressed. Health & Safety and security matters were also important considerations.
- A Board member expressed concerns about the vagueness of the paper, which could allow the IB too much scope. The IB might provide benefits but these could be delivered under the existing machinery. A wiser approach would be to build on the machinery already in place, including the Portfolio Office with support from Gateway team, and place it under the PEB and DSB rather than above. The strategies of both Houses should be delivered by the IB as opposed to set. Regarding the membership, care should be take regarding how the non-executives were used.

- A Board member agreed with the principle but expressed concerns about the detail. The IB would not have the time to undertake the level of scrutiny currently provided by PEB and PICTAB regarding programmes, projects and business as usual. It was unclear how the IB would leave the Parliamentary Accommodation Programme Board, which served the important function of joining up property and estates matters across both Houses. The paper referred to PEB adopting a business as usual role and suggested that an SLA might be appropriate. The Lords felt like an owner of PED and a partner with the Commons rather than just a client, as well as owning a large part of the parliamentary estate. An SLA would therefore be inadequate, so a Delivery Partnership Agreement was being drafted. The proposed remit of the IB would disempower the Management Boards and the Accounting Officers. The Board member supported the inclusion of the PSD as a member of the IB but expressed concerns about the suggestion that the Director General of the Commons should take the chair, which should instead rotate between the two Houses.
- A Board member said that the Boards should remain the final arbiters in this area. But the IB should be responsible for producing some form of investment strategy. It should consider business cases, as these lacked visibility at the Board level. Lessons learned from Gateway reviews could also be extracted by the IB for dissemination without compromising the position of the SRO. He supported the suggestion that the IB could be used to “bang heads together” and seek agreement between PEB and PICTAB, as an interim solution. With respect to timing, if the IB was not established now then it risked being deferred by up to a year.
- The Acting Director of PICT said that due to the significant budgets involved, some method of considering this area in the round was required, which PICT agreed with in principle. This role could be fulfilled by the IB or perhaps by another method. Current expenditure on IT was very small compared to Estates expenditure, so such an approach could provide opportunities in the context of development of a digital strategy. However, there was a great deal of change occurring across Parliament, including the establishment of the DSB, a Cyber Authority and the changes to the governance of the House Service, which made him cautious about the pace of change. He noted a proposed Commons review of sub-board groups. He doubted whether Gateway reviews should be considered at this level as he did not consider that implementation/delivery was within the scope of the IB as set out in the paper. He asked if the IB’s investment thresholds would be and whether funds should be ring-fenced for agile development and minor projects.
- A Board member supported the proposal insofar as it would allow both Houses to have a strategic discussion but with the delivery delegated to other bodies. At present decisions reached by programme boards risked being blocked by Management Boards; it was important that the IB should not make things worse.
- A Board member said that the proposal needed further consultation and consideration before the Board would be ready to take a decision. He was not confident that the IB could support the priorities of the two Boards where they differed. The appointment of the Director General of

the Commons was also a significant factor. The problem that the IB was attempting to resolve had not yet been clearly articulated.

2.4 The Finance Director replied to some of the points raised by Board members.

- The problem that the IB would attempt to address is achieving the right governance structure for an increasingly large and complex set of investment decisions. Rather than adding to bureaucracy, he hoped that the IB would focus on the biggest issues. The process of budget-making would not change but would be improved by bringing ICT and Estates together.
- The suggested approach to risk management had been attempted last year through the project prioritisation exercise; unfortunately few high-risk low-importance projects had been found.
- The revision of sharing ratios had made moving money between projects easier, though it was still important to respect the boundary between the two Houses' Estimates.
- The Portfolio Office would become a shared service from 1 April. It and the Programme and Project Assurance were seen as the foundations of an EPMO.
- He confirmed that the IB would report to the Management Board/Executive Committee and agreed that it would be charged to deliver the two Houses' strategies, not to direct them. Making the IB subordinate to PEB and DSB would risk having the same discussion twice.
- The additional joint Board meeting in May 2014 had "pre-digested" possible investment decisions in the way that it was hoped the IB would, but involving fewer people.
- The role of non-executives on the IB would be a conventional one.
- The PEB would need to continue operating as normal until the Delivery Partnership Agreement was signed off and the role of the Accommodation Programme Board could be entrenched in that Agreement.
- The PSD might not have enough capacity to attend the IB.
- It had originally been suggested that one of the Finance Directors should chair the IB. He and the Commons Finance Director considered that this would undermine their independent finance role but this could be revisited.
- He was happy to discuss the sharing of business cases further, without compromising the approval process, and noted that practice varied between the Houses. Unless the nature of the assurance provided by Gateway reviews changed they needed to remain the property of the SRO but he hoped that SROs would usually agree to share.
- The IB was not intended merely to plan; it would also give the Management Boards assurance in relation to implementation / delivery. Funds for minor projects currently came from ring-fenced budgets in PED and from the umbrella programmes in ICT; the IB would need to find its own solution.

2.5 Summing up, the Finance Director agreed that the Board did not seem ready to take a decision. Therefore the Board discussed the establishment of a contact group to enter into discussions with Myfanwy Barrett to make progress on the points raised by the Board. Liz Hewitt said that the Board should make its decision against the background of external pressure for a greater degree of joint working and if the establishment of the IB was deferred then the Board needed to be clear about the timetable and the problems that needed to be resolved. It was important not to defer something which could yield benefits. Another Board member said that it would be important for the Board to agree the issues and any red lines in advance of the contact group beginning its work.

2.6 The Board **agreed** to consider its position further ahead of establishing a contact group to enter into discussions with the Commons Finance Director, which should attempt to resolve issues including how the proposed Investment Board would respect the constitutional independence of both Houses and the Boards' differing objectives; the role of PEB as a forum for the Administration to express its co-ownership of the Estate; the powers, scope and membership of the IB; its relationship with other boards; the consideration of business cases and Gateway reviews and the concept of an investment strategy. The Board **did not agree** to the implementation date of June 2015 nor to the discussion of the IB at the joint Board awayday on 27 March.

3 Draft Governance Statement 2014/15

MB/2014/22

3.1 The Chairman introduced the paper and noted that the final version would form part of the Resource Accounts for 2014/15.

3.2 The Board **took note** of the draft Governance Statement for 2014/15 before its consideration at the Audit Committee meeting on 23 March.

4 Corporate risk register as at 4 March

MB/2014/21

4.1 The Board noted that the Facilities risk was still red.

4.2 The Director of Facilities expressed continuing concerns about safety matters, including that the Control of Contractors policy was still not being applied properly. A number of meetings were taking place to mitigate this risk and pressure continued to be applied to PED to take this matter more seriously. Progress was being made on the best way forward but no agreement had yet been reached.

4.3 A Board member asked if further consideration had been given to inviting the Health & Safety Executive to inspect Parliament if no improvements were forthcoming. The Director of Facilities agreed to discuss this possibility with the Head of the Parliamentary Safety team and the Acting Director of Estates.

4.4 Black Rod provided an overview of the roof intruder incident on 7/8 March, including lessons learned.

4.5 The Chairman noted that the next corporate risk register, which would be considered on 15 May, would include the new set of corporate risks and be much shorter, as agreed by the Board. A Board member requested that the entries should also focus more on the headline risks and avoid too much narrative.

4.6 The Board **took note** of the corporate risk register.

5 Internal Audit Programme 2015/16

MB/2014/23

5.1 The Head of Internal Audit presented his paper and emphasised the scope of the Internal Audit function. While all systems and processes were potentially auditable, management might feel that some did not lend themselves to review, that adequate assurance was already being received, or that the risks were too low to require specific assurance. The external review of the function had suggested that it might wish to challenge some of the more fundamental functions of the Administration. The draft audit programme was intended to reflect that advice.

5.2 The Chairman noted that Liz Hewitt (who had had to leave the meeting) had welcomed the linking of the proposed reviews to risk and had suggested that the significance of payroll costs might make it useful to review parts of this process each year, including an audit of payroll leavers. The Director of Human Resources said that overtime and allowances had recently been reviewed but other areas might merit attention.

5.3 The Board considered the paper and the following points were raised in discussion:

- A Board member queried the inclusion of the process of allocating oral questions in the programme. It was not clear how any recommendations could be implemented by management. However, the inclusion of the Register of Members' Interests might be useful as it was an area of huge reputational risk.
- A Board member did not consider there to be any value in reviewing either oral questions or the Register. With regard to the Register, the Chairman said that care should be taken about entering the territory of the independent Commissioner. Another Board member suggested looking at the operation of the Table Office in more general terms and, in the longer term, whether the Printing and Publishing Programme was achieving value for money.
- The Director of Facilities endorsed the inclusion of the proposed CRS reviews and asked whether the cleaning contract could also be reviewed. The Head of Internal Audit noted that the Commons Internal Audit service had conducted such an audit but that perhaps the Lords element could be developed further. The Director of Human Resources said that this should compare the provision of in-house cleaners and external contractors.
- The Finance Director noted that the PPCS was subject to a number of reviews and requested that an appropriate level of audit coverage should be negotiated between the two IA services and the Head of PPCS. This

was agreed, but with the proviso that Commons management are very keen to gain assurance in this area.

- The Head of Internal Audit explained the background to the proposed Commons compliance audit and undertook to provide the Board with further information.
- With regard to the proposed review of temporary staff and casual labour, Black Rod suggested that this should include consideration of whether proper security and vetting controls were in place.

5.4 The Board **took note** of the proposed Internal Audit programme for 2015/16 and **agreed** that the review of oral questions should be removed.

5.5 The Board **took note** of a proposed review of sub-boards by Commons Internal Audit and **agreed** that, as the majority of sub-boards were bicameral, that element of the audit ought to be undertaken on a joint basis.

6 Tracking of outstanding audit recommendations

MB/2014/24

6.1 David Beamish introduced the paper.

6.2 The Board **took note** of the audit recommendations that were outstanding ahead of the Audit Committee meeting on 23 March.

7 Any other business

Joint Board awayday draft programme, 27 March 2015

7.1 The Board **took note** of the draft programme.

Oral updates

7.2 Board members provided the following updates:

- The Finance Director confirmed that an SLA had been signed for the Portfolio Office.
- The Chairman noted that the continued inclusion of a cloister within the scope of the Millbank House project was under consideration by the Administration & Works Committee. The Board would be consulted.
- The Director of Human Resources noted that Internal Audit had published a report on the appraisal process, on which Board members' views would be welcome, including whether the completion of such processes by managers should be assessed as a pass/fail matter.
- The Chairman noted that five members of the House had retired and a further six had announced their intention to retire.

8 Parliamentary Portfolio Dashboard

MB/2014/25

8.1 The Board **took note** of the Parliamentary Portfolio Dashboard.

9 Minutes of the meeting on 6 February 2015

9.1 The minutes had been previously agreed by correspondence.

Next Meeting: Friday 15 May 2015 at 10.00am

Management Board Secretary
11 March 2015

ACTIONS

Meeting date	Minute item	Action	Owner	Deadline/ Status
11 March	2.6	Board to consider its position further, ahead of establishing a contact group to enter into discussions with the Commons Finance Director to resolve a number of issues regarding the proposed Investment Board.	DRB/ AM/ CVW/ EHS/ SPB	May 2015