

Management Board

Setting a strategic direction for the House of Commons Service

A paper by the Director General, Resources and the Head of the Office of the Chief Executive

1. Purpose

- 1.1 To assist the Management Board in determining its priorities for the House Service for 2009-10 and beyond.

2. Actions for the Board

- 2.1 The Board is invited to:
 - a. Decide on its strategic priorities for 2009/10 and beyond, in order to steer production of the corporate business plan and associated financial plans
 - b. Consider whether the broad allocation of resources matches these priorities
 - c. Agree to proceed to develop our performance management system along the lines of the balanced scorecard and to integrate the reporting of performance and risk.
 - d. Decide whether to use external consultants to help in that process
 - e. Identify further visible service improvements for the remainder of 2008/09
 - f. Decide on the key messages to communicate to staff, prior to the senior management meeting on 10 October

3. Update on Business and Financial Planning process

- 3.1 Over the Summer, Departments have been developing their Business and Financial Plans for 2009-10 and their financial plans for the next three years. Directors General have had initial "challenge" meetings with the Director General, Resources and the Head of the Office of the Chief Executive.
- 3.2 Departments have made progress in reconsidering their key objectives and in identifying and costing areas for development in the year ahead. There has been less progress than hoped in
 - a. Developing performance indicators which capture the quality of the service delivered, rather than just the quantity of activity. [This is not easy in some areas, and staff remain to be

convinced that it is worthwhile.]

- b. Rigorously assessing the value for money of what is seen as “business as usual”. [Some Departments are contemplating zero-based reviews of staffing; others are exploring the scope for savings on a rather more ad hoc basis.]
- c. Developing ambitious options for better service delivery (either on the basis of more funding or by reprioritising). [Departments have identified small improvements they could deliver for more money, but have not really engaged in thinking radically about the future.]
- d. Developing alternative plans on the basis of less funding [There has been reluctance to explore cutting services, for fear of demoralising the staff delivering those services and increasing the likelihood of those cuts happening.]

It will take time to change our culture to one in which staff are comfortable with passing options up the management chain, rather than putting forward only what is considered to be the “right answer”.

- 3.3 It would be helpful to have the Board’s view on how hard we should be pushing Departments this year (given the time and energy constraints):
 - a. To develop “SMART” performance targets
 - b. To achieve efficiency savings.

4. Next steps

- 4.1 The next step is to bring together the departmental plans into a coherent corporate plan, and matching financial plans, for consideration by the Board next month and by the Finance and Services Committee in October. To do this, we need a clear steer from the Board about your strategic direction.
- 4.2 Feedback from the last leadership conference and other events is that staff – including senior managers – feel there is a strategy gap, or (more charitably) a communication gap. They know you want to focus on “better services for Members”, but they do not know in what direction you want them to go.
- 4.3 The Board will hold a meeting with Heads of Directorate on Friday 10 October to communicate your key messages and get their buy-in for the approach adopted. You need to decide on what those key messages will be.
- 4.4 Sections 5 to 8 below are designed to help you identify what your

strategic direction should be. The bullets present questions to form the basis of discussion.

5. A shared vision of the future

5.1 Before deciding in what direction we should go, you need to be clear about where you want us to get to.

5.2 In the past, we have been reluctant to identify a clear “vision” for the future, because

a. this has seemed too political

b. the political future is uncertain.

- What do you want the House Service to look like in 5 and 10 and 20 years’ time? How will it be different from at present?
- Does the vision of all Board Members coincide? Can we live with differences of emphasis or do you need to agree on a common position?
- How do we communicate your vision for the future, without reducing it to a glib formula?

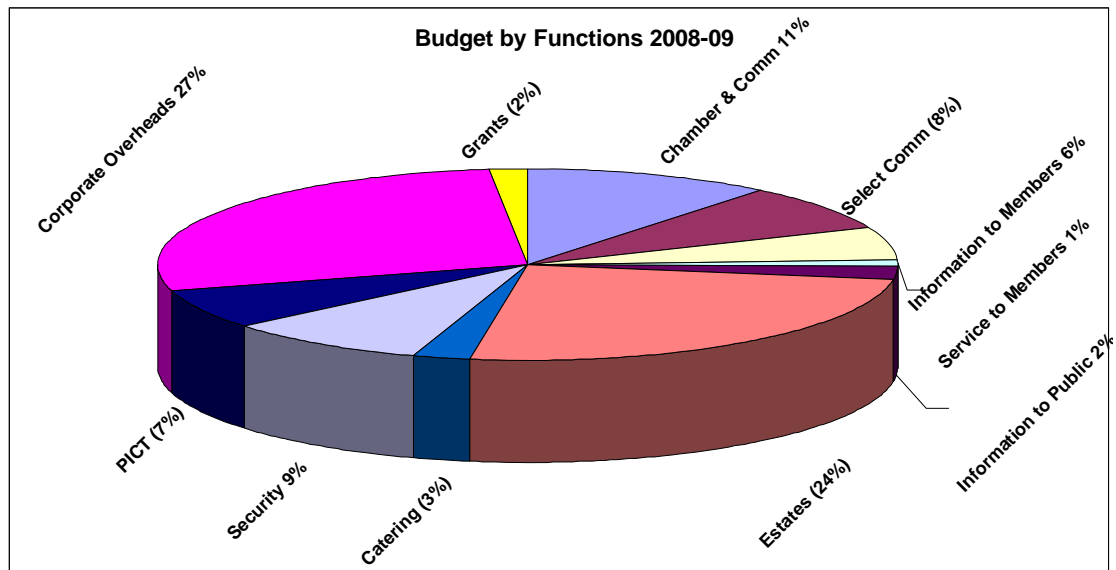
It is not enough to say simply that we need to be a responsive service, equipped to respond to changing demands from Members and the public (true though that is). We need to know in what direction we are going.

6. Direction

6.1 The second task is to plan how we get from here to where you want us to be.

- What do we need to change?
- How quickly do we need to do it?
- Do we have the capability to deliver the change?
- Are we spending our money on the right priorities?

6.2 The table below presents a rough division of current expenditure.



7. Strategic Objectives

7.1 The third task is to communicate clearly to your managers and staff what you want them to do.

7.2 The primary “objectives” for the House Service are set in the Strategic Plan (which the Board has agreed to stick with) in the following order of importance:

- To provide the advice and services that enable the House and its committees to conduct their business effectively.
- To provide the advice and services that enable individual Members (and their staff) to perform their parliamentary duties effectively.
- To promote public knowledge and understanding of the work and role of Parliament through the provision of information and access.

These objectives are underpinned by six “supporting tasks”:

- To provide a skilled and motivated workforce; giving recognition and reward for achievement and ensuring that all staff realise their full potential regardless of level or background; and promoting diversity.
- To provide a healthy, safe and secure physical environment in which the business of the House can be effectively conducted; this includes accommodation, office services, catering and security.
- To plan and manage all of the House’s resources to a high standard, achieving value for money and matching current public service standards including in the areas of risk and change management and environmental protection.
- To maintain the heritage and integrity of the Palace of Westminster and other buildings, objects and documents for the benefit of future generations.
- To ensure that information is well-managed in pursuit of the primary objectives, in part by exploiting technology effectively.

- To maintain a good working relationship with the House of Lords, particularly in the provision of shared services; and to share information and best practice with other parliaments and assemblies, and to co-operate with other organisations that can assist the House Service in its work.
- 7.3 While this framework describes *what we do* well enough, it does not clearly communicate to staff *where you want us to get to* and what this means for our priorities.
- 7.4 You need to identify a few “goals” or “top objectives” (the terminology needs to be different from the “objectives” above) which can be communicated clearly to managers and staff.
- 7.5 For example, possible goals might be:
- i. To make Members feel that they are receiving an excellent service from all parts of the House Service

[It is not enough to think we provide an excellent service: Members need to feel that we do, in every area of our work.]
 - ii. To deliver continuous and measurable improvement in the services we provide to Members and to the public

[We need to encourage improvement and innovation, even among those who think they are excellent already.]
 - iii. To increase the value for money of the services we deliver and demonstrate that we are achieving it

[We need to show staff (and Members) that we are serious about cost-efficiency, but the focus should be on value for money rather than savings.]
 - iv. To ensure that we have the capability to deliver the services required by Members and the public now and in the future

[This could mean IT infrastructure, for example, as well as skilled people, ready to meet future demands.]
- Do these goals capture your top-level priorities for the House Service?
- 7.6 These goals could create a framework for a balanced scorecard: see section 10 below).
- 7.7 A fundamental question is whether our goals should be limited to delivering an effective House of Commons *Service* or whether they should extend to delivering an effective *House of Commons*. Traditionally we have assumed no responsibility for the effectiveness of the House (which we have seen as a political issue, the responsibility

of Members). You will doubtless be reluctant to assume responsibility for something which you are powerless to affect (eg the quality of legislation, public opinion of Members), but the effect of focusing only on the delivery of the Service may be to disconnect us from what we are here for and also feed a current of Member opinion that we are a self-preserving institution rather than truly focused on assisting them in their work.

- Should we be linking our goals to the ultimate aim of increasing the effectiveness of Parliament?

7.8 If so, our aim might be along the following lines: “To support Members of Parliament in holding the Government to account, scrutinising legislation and representing their constituents.”

8. Underlying priorities

8.1 These high-level goals need to be underpinned by some clear priorities for action, which show managers and staff what you want them to achieve (and do differently).

8.2 You could identify a few areas in which you are determined to deliver a significant improvement in service delivery. For example:

- a. Management of the Estate
- b. IT services
- c. Delivery of Members' allowances

- Are those your priority areas?
- Do these areas need more money, or just more attention?
- How do you ensure that, while priority is given to those areas, management maintains sufficient focus on delivering core parliamentary services (“business as usual”)?

8.3 You could also identify a few areas in which you are determined to change the way in which we operate in delivering those services. For example:

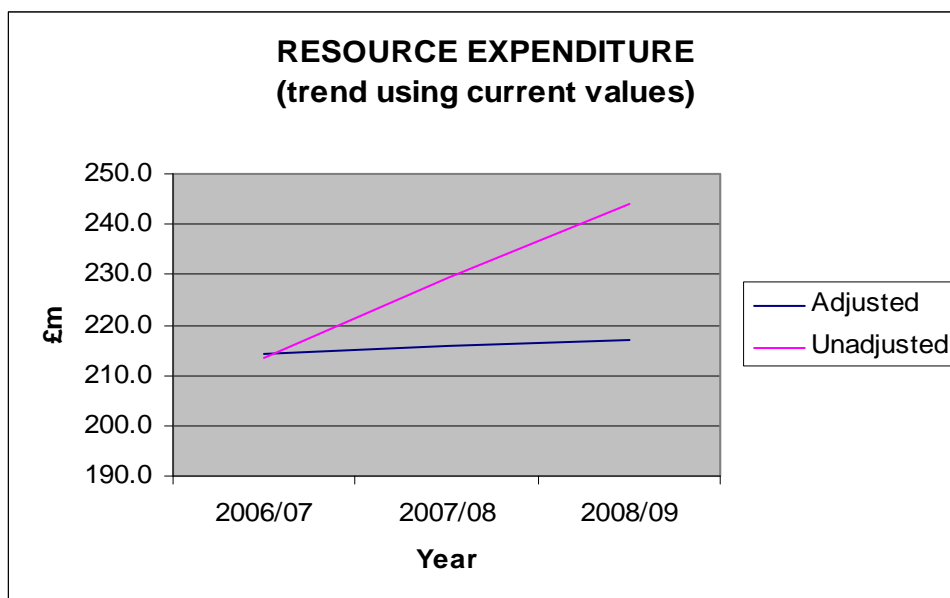
- a. Value for money
If you do not want to adopt this as a “goal”, you might nonetheless want to emphasise that you are serious about it.
- b. Sustainability
This does not feature in the Strategic Plan, but there looks likely to be increasing pressure for us to deliver our services to higher

environmental standards.

- c. Tackling under-performance
A theme from the staff survey is that we do not tackle poor performance adequately.
- d. Equality / Respect
Another theme from the survey is that many staff do not think all staff are treated with respect, regardless of background.
- Are you ready to commit to achieving significant change in these (or other) areas? And if so, what would this mean in practice? Would it require a shift of resources?

9. Resources

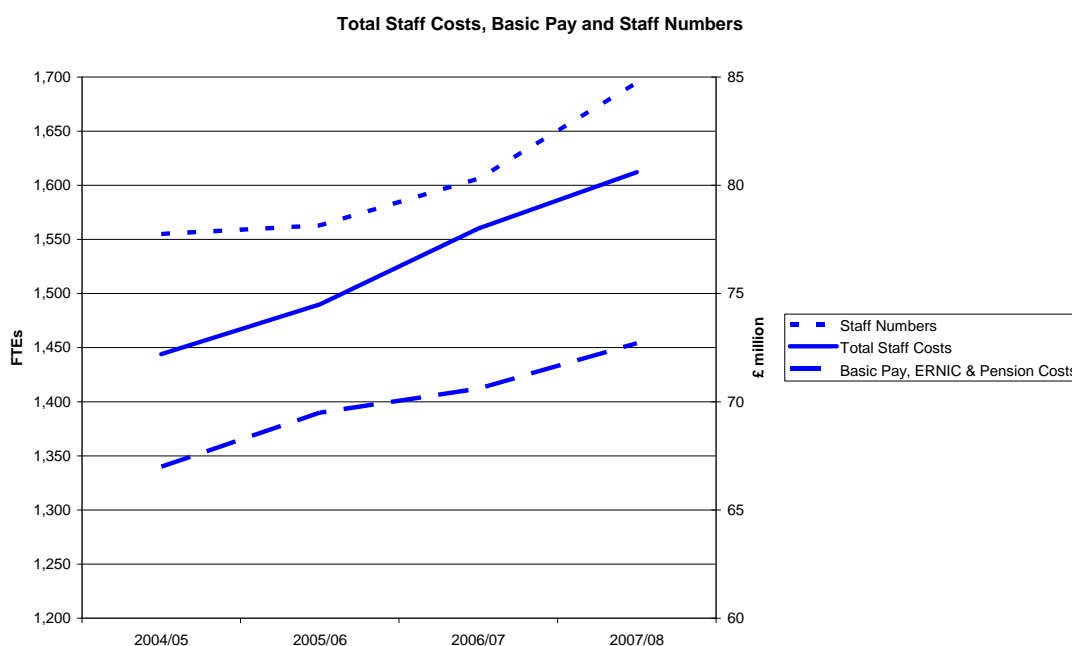
9.1 The Medium-Term Financial Strategy (MTFS) agreed by the Commission is that we should manage core services at a level of expenditure no higher than the ceiling previously agreed for 2006/07, adjusted for inflation. Recent years have seen an increase in real costs (shown by the unadjusted line below). If fluctuations in the notional cost of pensions, together with the additional grants to the four Parliamentary Bodies, are excluded then a profile nearer to the MTFS has been achieved. The smaller upward adjusted trend includes additional staff costs such as the Visitor Assistants.



9.2 The MTFS commits the Board to identifying efficiency savings that can be re-cycled to finance planned investment, but acknowledges that additional resources could well be required to meet future security requirements and high-value works projects.

- To what extent should we be requiring Departments to fund new services from efficiency savings?
- How else can we drive efficiency gains?

9.3 Both staff costs and numbers (measured as full time equivalent staff) have increased significantly in recent years. This is illustrated below – the difference between the total staff costs and basic pay costs being attributable to an increase in the number of agency staff. The staff number and costs profiles are based on different scales.



9.4 Further staff bids have been recorded in the following areas:

- Office of the Chief Executive: 6 posts already agreed by the Board but will add around £0.4m to costs in future years
- ICT infrastructure investment could involve short term additional staff costs of around £2 million (Commons £1.5 million)
- Works capability: 6 project manager posts have been bid to enhance the planning and delivery of projects. A review later in the year will establish whether this number needs to be increased, together with the scope for adjusting the existing staff profile
- Member services in DR: an outline bid looking at the scope for adjusting the current staff profile to enhance advice and compliance activities has been made (£0.5m). The outcome will be dependent on House decisions on Member Allowances

- e. Other staff bids could arise from Parliamentary initiatives (e.g. Regional Committees and e-petitions) and expansion of the outreach programme.
- 9.5 One way of achieving control over staff numbers would be to impose a cap on a Department's staff numbers, requiring increases to be offset by reductions elsewhere. This would be hard on a Department which was significantly expanding services, but it could provide the spur (and justification) for Departments rigorously to review their staffing levels in all areas.
- In order to achieve control over staff numbers:
 - Would you consider a cap on Departmental staff numbers?
 - What about a zero-based staff review?
- 9.6 Significant additional bids over the Three Year Planning period have been made for the Works programme (i.e. resource £30 million, capital £68 million) and for ICT investment. Given uncertainties around the later years the following summary shows the areas of major bids for 2009/10:

(i) Resource

Area (2009/10)	Gross (£m)	HoC (£m)	HoL (£m)
Parliamentary Initiatives	2.3	2.3	0.0
Extending outreach	3.2	2.2	1.0
Works	19.6	12.9	6.7
ICT investment	12.4	9.3	3.1
Staff additions	1.0	1.0	0.0
Conferences	1.5	1.2	0.3
Total	40.0	28.9	11.1

- 9.7 These bids do not include a number of smaller bids (worth £1.5 million) which it would normally be expected to be absorbed through efficiency gains elsewhere. Provision for some areas are already in 2008/09 (worth £15.7 million) suggesting an Estimate increase of around £13.2 million if all the main bids were to be met.

Area (2008/09)	HoC (£m)
Extending outreach	0.8
Works	11.1
ICT investment (£5 million shared)	3.8
Total	15.7

(ii) Capital

- 9.8 The main capital bids occur in the Works and ICT areas. The resource

/ capital split will fluctuate year on year depending on the type of projects making up the programme.

Area (2009/10)	Gross (£m)	HoC (£m)	HoL (£m)
Works	22.6	10.3	12.3
ICT investment	2.6	2.2	0.4
Total	25.2	12.5	12.7

9.9 The equivalent provision in 2008/09 is similar, the main difference being the £1 million server replacement programme which is currently the subject of a business case. A current ICT baseline reduction of £0.7 million) is being offered against this.

Area (2008/09)	HoC (£m)
Works: planned	3.5
Project Prov (Tothill Street)	6.0
ICT capital baseline saving	0.7
Total	10.2

10. Managing performance and risk

10.1 As well as setting direction, the Management Board needs to monitor performance and manage corporate risks, and to have assurance that performance and risk are being managed at lower levels.

10.2 The Tebbit report recommended that the House should adopt a performance management system based on the balanced scorecard with clear criteria for achieving success. The Commission's response accepted this and stated that the Management Board would be considering proposals for the adoption of a performance management system early in 2008.

10.3 While there may be some cultural resistance to the idea of a balanced scorecard (or at least to the idea that quality of service can be captured by simple measures), it is probably common ground that we need:

- a. to agree the direction in which we should be going
- b. to identify what threatens the achievement of our objectives (risks) and how we can manage them
- c. to communicate our objectives and priorities to staff in an adequately simple way (which is meaningful to staff of very different kinds)
- d. to monitor whether we are achieving our objectives
- e. not to burden the Board with too much information, but to focus on a few well-chosen indicators while ensuring that the Board is alerted to problems in other areas.

To do this we need some kind of performance management *system*. But we need to ensure that that system works for us, and benefits managers at all levels, rather than just imposing a tedious reporting mechanism. There is no point in doing any of this if it is not going to affect decision-making.

- 10.4 In May, we proposed to the Board that the best approach to performance management (whether we should build on existing departmental systems or introduce a new corporate system) should be discussed with Departments as part of the planning round, with a new model in place by the start of 2009/10. In practice, we have not been very successful in engaging Departments' interest in this. We believe that Departments are looking to the Board, or to OCE, for direction, and the lack of direction is inhibiting progress.
- 10.5 We could spend longer analysing the relative benefits of the Balanced Scorecard over other systems, but it is likely that these benefits will be finely balanced. What is important is moulding whatever system is chosen to fit our needs. Adopting a Balanced Scorecard does not preclude using, for example, the EFQM [European Foundation for Quality Management] excellence model in future to assess our performance.
- 10.6 **We recommend that we now proceed to develop our performance management system along the lines of the balanced scorecard.** We can then devote energy to making it work for us, rather than analysing the options further.
- 10.7 The detail of the system would be for discussion, but opting for a balanced scorecard approach would entail some essential elements:
- a top-level summary, which presents to the Board in a graspable manner the information it needs to manage the House Service: not just the quantity and quality of services delivered but also the outcomes (eg Member satisfaction) and supporting areas (eg capability/staff resources and financial management); and
 - an underpinning framework through which the Board's objectives would cascade down through the organisation and performance information would flow back to the Board.

Whether to use a new software package to support the framework, or whether to adapt what we have already, would be for future decision.

- 10.8 Agreeing the strategic direction and the key performance indicators is something that we will have to do for ourselves, but it might be helpful to have external help to facilitate the process and bring in experience from elsewhere. It would also be helpful to have technical advice on developing the supporting information systems.

- Should we bring in external consultants to help us develop the balanced scorecard?

11. Integrating performance and risk management

- 11.1 A further question for the Board is whether to integrate the reporting of risk within the new performance management system. Discussion within the OCE (between those working in risk facilitation, internal audit and performance management) has led to the conviction that risk and performance should be managed together. At present risk management is seen widely as a discrete (and box-ticking) task, rather than as an integral part of management. There is some disadvantage in changing our risk reporting system, which is only just becoming embedded; but the benefits of integrating risk within a new performance management system would be considerable. **We recommend that we work towards an integrated system of performance and risk management.**

12. Immediate service improvements

- 12.1 At the Board awayday in February, the Board agreed on some “quick win” visible improvements in services to Members (the Members’ Centre, improvements in cleaning, and a package of IT improvements for Members). The Members’ Centre, in particular, seems to be a success, demonstrating that changes can be achieved quickly when there is clear direction from the Board that they should happen.
- Do you want to identify another set of “quick win” service improvements? If so, what should they be?

Office of the Chief Executive / Department of Resources

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