

MANAGEMENT BOARD

Establishing a shared service¹

Director of Parliamentary Procurement and Commercial Service

For the meeting on 5 February 2015

Purpose

1. This paper provides an account of my experiences of running a shared procurement and commercial service to each House since unification in April of 2014. This information is provided pursuant to a request from the Management Board.

Action for the Board

2. To note the lessons learned from the establishment of the PPCS and its operation to date; and to consider how those lessons might be used in taking forward any future joint services.

Consultation and equality analysis

3. The Clerk of the Parliaments, Finance Director and HR Director in the House of Lords have had the opportunity to comment on this paper for the purposes of factual accuracy. An equality analysis is not necessary because the paper does not propose any activity.

Lessons from establishing a shared service

4. The table below sets out my experiences of running a shared procurement and commercial service to each House since unification in April of 2014.
5. Having run a unicameral procurement and commercial service I can compare my experience of running joint procurements in that environment (over 80% of the contracts we ran were bicameral due to the HoC responsibility for Estates procurement) with running them as a shared service. I have found that I am able to carry out my job much more efficiently and with much greater reward as a shared service despite the differences in processes and procedures between each House. This is largely due to the procurement teams that were once located variously in HoC, HoL and PICT working much more collaboratively with a single purpose in mind; my ability to make best use of the combined resource and distribute the work more evenly and effectively; and

¹ Entire paper not for publication section 36

having the trust and confidence of staff across Parliament because the Parliamentary Procurement and Commercial Service ('PPCS') is seen as "one of everyone" and not belonging to one particular organisation.

6. However, the majority of issues outlined in the table, have either impeded or continue to impede the success of the shared function. By success I mean being able to ensure procurements are run promptly and without unnecessary delay, that the procurement process is clear and consistent for its users across Parliament and external suppliers, that value for money is achieved and that the staff in PPCS are motivated and feel valued.
7. Moreover, although PPCS was launched on 1 April 2014 much of the work necessary to bring the functions together has been happening post-unification and will take at least a year to complete. Unification is not simply about merging teams—the management of which was extremely challenging as a result of the different ways of working, culture and anxiety about the change of employer and line management—but also about integrating rules, processes, documentation, ICT systems, and engaging with stakeholders whose ways of engaging with procurement would also need to change. This all had to be undertaken while also providing a service to the organisations at a time of unprecedented demand due to major procurements such as Restoration and Renewal, Northern Estate, the Education Centre and the re-negotiation of the police contract.
8. I would therefore suggest that the issues—and any analogous ones in non-procurement environments—are tackled before any further shared service is created rather than afterwards. This would then reduce the impact on the service and the people who provide it and remove any barriers to efficiency and success of the shared service.
9. The issues that I have identified fall into 3 broad categories of:
 - Employment (essentially differences in HR policies and working practices)
 - Local issues pertaining to the procurement function for example, joining up procurement rules, systems, etc
 - Governance, senior management structures and delegations.

10. I have grouped them in this way in the attached table.

Issue	Practical effect	Outcome
Employment		
<p>I. Different HR policies and procedures</p>	<p>Need for the majority of staff—including the Director of the service—to become familiar with new policies and practices and including a new staff handbook, new forms of job applications and different interview procedures.</p> <p>Issues when recruiting staff from HoC include: they will not receive the same amount of pay on promotion as they would have if promoted within HoC; HoC pays childcare vouchers for two children and HoL pays for one; break in continuity of service in the HoC by joining HoL means less holiday entitlement for those with more than 40 days; and concerns about opportunities for promotions in HoL when compared to HoC.</p> <p>Two tier workforce due to different terms and conditions, pay structures and holiday entitlement.</p>	<p>Given that most people in the new shared service have worked for each House the differences between the terms and conditions of each House have been identified by staff and have caused some dissatisfaction. This has been handled by the Director on a one to one basis with individuals.</p> <p>Problems encountered when recruiting HoC staff to HoL terms and conditions have also been addressed by offering secondment opportunities.</p>

<p>II. Different ways of working between teams</p>	<p>The teams were structured in completely different ways pre-unification with the HoC Team and PICT procurement organised into category teams (i.e. estates, services and supplies, support function and ICT for PICT) and HoL team delegating work by workload with every team member performing procurement and administrative functions. New team structures had to be formed with new management arrangements and ways of working. This created anxiety and discontentment amongst the staff with some causing lots of disruption, some leaving and others taking some time to accept the change.</p>	<p>It has taken at least 9 months to create a stable team but it has happened. The category structure is working extremely well particularly in relation to ICT procurement which has benefited from being independent of the business area and part of a larger professional team.</p>
<p>III. Pensions</p>	<p>Administrative burden transferring staff between each House.</p> <p>Staff anxiety about transfer and continuity of benefits.</p>	<p>Each House is transferring to Civil Service pension arrangements so this should reduce problems in the future.</p>
<p>Issues pertaining to procurement</p>		
<p>IV. Different procurement rules for each House</p>	<p>Different policies exist for each House in relation to how the procurement process is run. For example, HoL formally advertise all contracts over £10k whereas HoC allow for quotes up to £50k and advertise contracts over that amount. The HoL do not have a default evaluation ratio when awarding contracts whereas HoC have a 70 (price)/ 30 (quality) ratio. This causes complexity and confusion for procurement staff and internal clients and increases the risks of mistakes being made.</p>	<p>The unification of procurement made it necessary to revise the processes and policies of the separate teams and unify them. A new draft set of procurement rules is being considered by each House in February 2015. This should have the positive outcome of making procuring goods and services and managing contracts much less cumbersome for procurement staff and the business.</p> <p>The reviewing of the processes etc. used by each House has allowed the best to be taken from each and improvements to be made over all whenever possible.</p>

<p>V. Different financial rules for each House</p>	<p>PPCS are required to refer to two separate sets of Finance Rules.</p> <p>There are different financial levels for each House re approval for spend. In relation to running a bicameral procurement this requires working out the share of spend for each House and checking the Finance Rules for each House to ensure the necessary approvals have been sought. Approvals are different between identical posts in each House which can cause confusion.</p> <p>This adds complexity to the process and increases the risk of non-compliant spend.</p>	<p>PPCS are putting guidance and templates in place in order to assist them and also those responsible for commissioning/purchasing in Departments to understand the authorisation processes for each House.</p> <p>PPCS need to become familiar with 2 separate sets of rules and processes.</p> <p>FDs are to review authorisation levels.</p>
<p>VI. Different systems of paying suppliers</p>	<p>There are different systems (i.e. methods / processes of working) between both Houses. This is compounded by the fact both Houses use different electronic systems (though based on Agresso software) to manage supplier payment.</p> <p>The House of Commons, for example, uses contract numbers and commitment / Purchase Order / Accounts Receivable / Accounts Payable purchase to pay. The House of Lords does not allocate contract reference numbers in the same way, and pays on invoice received.</p> <p>Separate ways of working add complexity, and therefore increase the risk of error.</p>	<ol style="list-style-type: none"> 1) PPCS Staff are required to understand and manage 2 separate ways of working, when awarding contracts. 2) PPCS Spend Data Analyst has to understand 2 separate Finance packages in order to produce accurate spend reports that cover HoC and HoL. 3) Spend data analysis across both Houses is difficult, as the data is not available in a like-for-like fashion for both Houses. 4) Off-contract (maverick) spend is less easily identified for House of Lords spend. 5) HoL contracts are less easily monitored for expiry / renewal options (the HoC / PICT have Contract databases based on contract references).

<p>VII. Separate contracts for the same goods/service</p>	<p>Inefficient use of resource e.g. PPCS staff need to refer to separate contracts (and internal contract managers and business owners) to provide advice, to report on compliance, to plan for future procurements etc.</p> <p>Missed opportunity commercially to leverage spend, attract a bigger market and get a better deal.</p>	<p>Unifying the procurement function has allowed PPCS to be more assertive in proposing bicameral solutions to previous unicameral contracts. This has had the consequence of bringing together teams from each House who rarely met; improved relations between them; led to discussions about other ways to work more closely together e.g. by having the same IT systems or sharing resource to manage a contract or developing a joint purchasing strategy.</p>
<p>VIII. The separation and divergence in approach of the retail functions of each House</p>	<p>The ability to contract on a bicameral basis for the retail outlets of each House is made more difficult by the completely different management of each. The HoL Retail function is run by the Catering Department whereas HoC Retail is run by Information Services. Joint working is therefore made more difficult due to the lack of synergies between the Departments hosting each service. This means that opportunities for joint working can go unexplored as happened recently with the procurement for whisky which was run as a HoC only procurement (an exercise which was not a great success and arguably would have been better if there had been leverage of spend).</p>	<p>The HoC retail function is not benefiting from the joint working of the Catering Departments of each House. A strategy has been put in place and a working group established to ensure shared objectives and joint contracting for both catering teams which should realise better outcomes and efficiencies of spend.</p> <p>HoC Retail has not benefited from the success of the Catering Procurement Project which ensured compliance for all catering contracts. Compliance is an issue with Retail contracts.</p>
<p>Governance/management structures</p>		
<p>IX. Legal advice</p>	<p>Unification came as a surprise to the legal teams in each House. Counsel to Committees in the HoL did not have the capacity or capability at that time to pick up HoC only and joint contracts. A gentleman's agreement between the legal teams in each House has resulted in the Office of Speaker's Counsel taking on all procurement related advice.</p>	<p>Director of PPCS working very closely with Office of Speaker's Counsel to ensure their resource (which has not benefited from any extra staffing) is used properly.</p>

<p>X. Media enquiries</p>	<p>More joint working means it is more often necessary to consult different media teams about one matter and the approach of each team can be quite different.</p>	<p>Delays due to the fact of having to consult 2 teams and the difference of approaches between them.</p>
<p>XI. Fol requests</p>	<p>Different policies and processes exist for handling Fol requests in relation to information held by each House.</p>	<p>As a House of Lords office, PPCS follows the Freedom of Information (Fol) procedures applying in the House of Lords. However the vast majority of procurements/contracts are from the House of Commons, therefore most of the requests are governed by the House of Commons Fol policy/team. PPCS have to identify the nature of the request and which Fol team they should consult which can result in delays and inefficiencies. Where an identical request has been received by both Houses and relates to bicameral matters e.g. a bi-cameral contract, PPCS will discuss and agree the approach to take on a case-by-case basis with each Fol team and attempt to agree a joint response. The differences of approaches and views necessarily means things take longer to resolve.</p>
<p>XII. Different management structures and responsibilities</p>	<p>Scope of responsibilities for SCSs different between each House and depending on whether someone is a "Head of Office". Commons is more federal with formal delegations to direct reports, Lords is more centralised with no systems of formal delegation between Board members and direct reports.</p> <p>Transferring staff at senior levels from HoC to HoL may be problematic because of the differences in decision making authority and management responsibility.</p>	<p>Director of PPCS' Head of Office status and delegation is under review.</p>

<p>XIII. Duplication of decision making</p>	<p>PPCS are a shared service hosted by one House, in this case the HoLs. The FDs of each House have respective Board responsibility for the service which means having to ensure all new processes, policies and procedures relating to procurement or contract management are acceptable to each FD before it goes any further.</p>	<p>More time is necessary due to seeking 2 sets of agreement before taking matters further.</p> <p>There are often different priorities/objectives/sensitivities for each House which have to be handed carefully to ensure policies etc can go to the Clerks or Management Board for further approval.</p> <p>A difference of perspectives and experiences can result in well thought out end results.</p>
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Financial and procurement implications

11. N/A

Risk management

12. N/A

House of Lords implications

13. PPCS is a shared service and is hosted by HoL. This report has been shared with the Clerk of Parliaments and those mentioned in paragraph 3 above. The paper as such has no implications for HoL but any follow-up action relating to shared services will have.

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