

HOUSE OF LORDS FINANCE COMMITTEE**For Guidance: House of Lords Actions – Morse Review**

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Purpose

1. This summary paper sets out the recommendations from the Independent Review of Financial Management (the Morse Report)¹ which are relevant to the Lords either due to bicameral considerations or as an expression of good practice.

Action for the Committee

2. The Committee is asked to note the recommendations, those already underway and those with Lords-specific benefit.
3. The Committee is also asked to consider:
 - a) Which of the recommendations would it like to see prioritised?
 - b) Would it like regular updates on the Morse implementation? If so in what format and what frequency?

Context

4. The Morse Report was commissioned by the Commons. However, the House of Lords has a close interest in many aspects of the report because: we jointly fund bicameral departments such as Strategic Estates; we participate in the shared governance of the Parliamentary investment programme; we host the joint Commercial department; and we face many of the same challenges as the other House.
5. This paper provides the Committee with a short update on all of the recommendations noting those that specifically relate to the House of Lords, or those which the Lords have proactively chosen to implement as it could be beneficial. Implementation is at an early stage and therefore the target dates for many recommendations are currently TBD. The table within Annex A is an extract from a paper which went to the Commission Group on the Administration's overall programme of work in this area, which is why it is divided into themes of people and culture, process, and structures and governance. The table doesn't reflect progress on implementation made since Christmas.
6. It is recognised that although the Morse Report focuses on financial and commercial change, it will be most effective if supported by further changes in, for example, Strategic Estates and our digital enterprise. Appropriate governance for Morse implementation, fully involving the Lords Chief Operating Officer, Finance Director, and their teams, has been set up. There is Lords representation within the Programme Team and Programme Board set up to oversee the delivery of recommendations and embedding within business as usual.

¹ Available here:

https://www.parliament.uk/contentassets/797ad54c7ea9440eb5c321da791f6683/7197_go_morse_review_a4_digital_proof2.pdf

Governance

7. Teams will be asked to provide updates on the action they are taking to implement the Morse recommendations when they present to the Committee; and the joint meetings of the Finance Committees will be an opportunity to discuss bicameral implementation in particular.

Member engagement and communication

8. The relevant Member governance bodies are being engaged with including Finance and Audit Committees from both Houses, as well as the Commission.

Restoration and Renewal

There is no direct implications for Restoration and Renewal. However, where relevant the new Client Team is being consulted and engaged with primarily around the way that services are delivered and the standards/expectations that are set around these. **Protective marking**

9. This paper is marked as unrestricted.

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Chief Operating Officer and Finance Director
February 2023



Annex A: Recommendations from the Lord Morse Review being taken forward in the House of Lords

PEOPLE AND CULTURE

Action	Function	Status in HoL	Target Date
M16 – Senior leaders accountable for financial performance	Leadership	Ongoing, but financial performance targets were introduced for HoL budget holders from FY22/23	Initial action complete
M23b – Hold business case authors accountable	Leadership	Not yet done	TBD
M23d – Additional resource in centre to help avoid bottlenecks	HR / Finance	Not yet done	TBD
M25 – Implementation of performance management system	Leadership / HR	Not yet done	TBD
M27 – Mitigate risks associated with specialist SRO model	Leadership / HR	Not yet done	TBD
M31 – Pay specialists based on up-to-date market rates	HR	Bicameral issue	TBD
M32 – Senior leaders resurrect efforts around joint working	Leadership	Ongoing, joint meetings of domestic committees	Ongoing
M35 – Appoint new Commercial Director	HR / Commercial	Complete	Complete
M36 – Meet or Exceed public sector rates for commercial roles	HR / Commercial	Not yet done	TBD
M38 – Invest in contract management training	HR / Commercial	Bicameral issue	TBD
M41 – Recruit specialist skills to enable complex commercial transactions	HR / Commercial	Not yet done	TBD
M42c – Develop service level agreement between all legal teams in Parliament and the commercial team	Commercial / Legal/ Internal Audit	Bicameral issue	TBD

PROCESSES

Action	Function	Status in HoL	Target Date
M1 – Set performance metrics	Project, Programme and Portfolio Management (P3M)	Complete, but continuously improving	Initial action complete
M2 – Output costing	Finance	Started Summer 2022, scope to do more	Summer 2023
M3 – Embed efficiency as BAU	Finance	Underway – ZBBR a first step	Spring 2024
M4a – Publish financial remit annually	Finance	For consideration	TBD
M4b – Breakdown budget by output in ARAc	Finance	Complete	Complete
M8 – Raise business case thresholds	Finance	Not yet done	Spring 2023
M15 – CEB to instruct finance to reduce budgets of underspending teams	Finance	Commons-specific recommendation; BAU in Lords	Complete
M18 – Finance team to monitor SE forecasting 2022/3	Finance	Commons lead, but Lords follow approach for our teams	Spring 2023
M19 – Limit estate capital budget	Finance / estates	Bicameral issue, MTIP for 2023/24 capped at £180m, to be kept under review	Initial action complete
M20 – Keep agile projects in reserve	P3M	Not yet done	TBD
M23a – Change threshold limits for full business case process	Finance / P3M	Bicameral issue	TBD
M23c – Keyholder process ran in parallel with B-CAP and internal digital approval	Finance / P3M	Note yet done	TBD
M24 – Business cases with red or amber rating in financial case should not be presented to FDs	Finance / P3M	Bicameral issue	TBD
M37 – Publish commercial pipeline by December 2022	Commercial	Not yet done	December 2022
M39a – Revise procurement thresholds	Commercial / Finance	Bicameral issue	TBD
M39b – Develop simple application for procurement customer service	Commercial / Finance	Bicameral issue	TBD
M42b – Procure commercial lifecycle software	Commercial/Digital	Bicameral issue	TBD

Action	Function	Status in HoL	Target Date
M43 – Prioritise delivery of systems that match requirements for data and management information	Commercial/Digital	Not yet done	TBD

STRUCTURES AND GOVERNANCE

Action	Function	Status in HoL	Target Date
M5 – Clarify investment governance	Finance / P3M	Bicameral issue	TBD
M6 – JIB must publish refreshed investment priorities	Finance / P3M	Bicameral issue	TBD
M7 – Improved prioritisation	Finance / P3M	Bicameral issue	TBD
M11 – Set minimum standards for benefits in business cases	Finance / P3M	Bicameral issue	TBD
M13 + 14 – Ringfence expenditure related to political uncertainty	Finance	R&R budget is the example cited, so for Client Team to action	TBD
M17b – Revise membership of JIB	P3M	Bicameral issue	TBD
M21 – Refresh Finance Rules	Finance / Accounting Officers	Bicameral issue	TBD
M22 – CEB receive all management info and analysis in one place	Finance / P3M	Commons specific recommendation	
M26 – Governance Office develops and disseminates single version of truth	Leadership	Commons specific recommendation	
M28 – Define an overall approach for how the centre works with departments	Leadership	Not yet done	TBD
M29 – Establish functions to deliver new matrix structure	Leadership / HR	Not yet done	TBD
M30 – Embrace zero-based planning as long term practice	Finance / Leadership	Ongoing – initial implementation for FY23/24 and FY24/25 underway	Continuous improvement as part of annual Financial Planning cycle from FY25/26 onwards

Action	Function	Status in HoL	Target Date
M33 – Revitalise commercial function	Commercial	Bicameral issue (work underway hence M34 is underway)	TBD
M34 – Develop commercial operating model by March 2023	Commercial	Underway	March 2023
M40 – Revise procurement rules	Commercial / Finance/Legal	Bicameral issue	TBD
M42a – Collect and centralise all existing contract information	Commercial	Bicameral issue	TBD

The following Morse recommendations are for assimilation into business as usual / do not need tracking at this level:

M9 – reject unaffordable business cases

M10 – limit budget transfers between projects in a portfolio

M12 – prioritise business cases with cashable benefits

M17a – significant underspends during the year should trigger immediate action