London Borough of Waltham Forest
FINAL REPORT

Investigation undertaken by

Rita Sammons
SOLACE Enterprises

November 2009

Investigation Report

Scope and Methodology

My remit for this investigation was to:

- Review the actions taken by the Council in respect of human resources issues raised by audit reports into failings and non-compliance in procurement of external services, including:
  - The role of internal HR
  - Any investigations and reports
  - The role of management
- To review the training and competency framework and provision in respect of the procurement of external services
- To report the findings of the above review to the Panel
- To undertake such other work required by the Panel and/or Council

Methodology

My methodology was to:

- Review documentation provided to me or subsequently requested by me
- Interview identified managers (see below)
- Discuss key issues with the chief executive and his staff
- Consider the outcomes of the financial investigations being undertaken by Sarah Wood
- Discuss issues and requirements with the main investigative panel

Interviews have been undertaken with:

- Sharon Kerr
- Jan Wickham
- Martin Esom
- D
- E

Other key staff are no longer employed by the council (or are on extended leave) and as I understand it are not willing to make themselves available for questioning.

Scope

As required by the brief this investigation was not designed to reopen any completed disciplinary process, nor to investigate individual employees. My approach has therefore been to:

- seek to understand the systems and processes that were in place during the time of the initial incidents and the subsequent investigations
- review how those processes were used

- establish where responsibility for action was located and whether it was delivered
- establish how individual decisions were made
- establish the degree to which any organisational learning occurred
- consider ways in which outcomes could have been improved

Given the period of time that has elapsed since the incidents under investigation and more importantly the fact that many of those directly involved were no longer available for interview it has not been possible to do a forensic analysis of issues, nor was that requested. My assessment and recommendations are based on my interpretation of the information and my evaluation of the way in which these processes and issues could have been handled differently to achieve outcomes likely to have been of greater benefit to the council (and the community) and to have better reflected people management best practice.

Organisationally my report covers are:

- Culture: Leadership and Management Team Working
- Systems: Accountability; Standard Setting
- Governance: Responsibilities/Choices made
- HR Protocols and overall effectiveness

Investigations Findings

The projects covered by my investigation are:

- Better Neighbourhood Initiative (BNI)
- NRF Youth at Risk Programme (YAR)
- Regeneration Company A Contract

Each raises different specific issues. Each has been investigated in some detail in the past and yet outstanding issues remain to be resolved or appear to have been shelved without proper conclusions as a result of staff resignations. Others have already done or will soon complete a more detailed analysis of failings of financial monitoring and procurement processes. My emphasis is on the organisational and people management issues and the following summaries highlight the issues and incidents which impact on those areas.

For the **Better Neighbourhood Initiative** the main issues raised can be summarised as:

- Non-compliance with procurement procedures
- Poor systems for the management documentation
- Inaccurate guidance from expert teams
- Insufficient management of key staff and management understanding of the services being provided
- Failure of individual performance management arrangements

For **<u>Youth at Risk</u>** the main issues are:

- Poor commissioning and contract management
- Inadequate specification and assessment of performance standards and outcomes
- Payment for performance with no/insufficient data to evidence entitlement
- Inadequate monitoring by operational staff of the external provider (EduAction)
- A lack of proper attention and ownership by senior managers given the scale of the projects
- Failure to by senior managers and HR to properly investigate 'whistle-blowing' allegations and to ensure that appropriate procedures were in place as subsequent investigations developed

For **<u>Regeneration Company A</u>** the main issues are:

- The lack of direct action by the responsible director to ensure that the situation surrounding X did not present difficulties for the council because of the potential conflict of interest
- An apparent lack of clarity within the leadership team as to the responsibility for resolving the conflict of interest issues leading to the failure by that director and the then interim chief executive to establish arrangements which were transparent and capable of standing up to scrutiny, once the relationship between X / the regeneration company and between the regeneration company and the tendering proposal were known
- The failure to apply and evidence proper evaluation procedures during the procurement process
- The failure by HR staff or line managers to close down employee access to systems on departure resulting in a situation where a non-employee can access confidential information
- The inconsistency in evidence (from statements) relating to the involvement/level of responsibility of the interim chief executive and a councillor

In all three cases investigations were protracted and produced little in the way of effective resolution of issues or valuable outcomes; the implications of any lessons arising from individual issues and within individual directorates were, in the main, not escalated to an organisational level nor were any cultural and behavioural concerns raised. Furthermore there are many questions about the role and accountability of senior managers and also of the role of the HR function in ensuring that council procedures were being applied effectively. At the time the council's response to these problems doesn't appear to have been to properly evaluate and learn from the difficulties or to respond in any open and transparent way to any external or internal challenge. Rather than being solution-focused the emphasis seems to be on disowning problems and people.

Implications

In my view the issues arising from all 3 of these investigations are neither trivial nor contained within a particular service area; they directly involve and have implications for:

- the role and effectiveness of service managers
- the effectiveness of corporate procurement and financial arrangements
- the accountability of senior managers and the implications of their failure to act
- the systems for commissioning and managing the performance of major contracts
- the development, support and performance management of staff
- the council's approach to whistle-blowing, the handling of serious investigations, the quality of investigative reporting and the adherence to council protocols
- the lack of clarity associated with restructuring and the relocation of people/services
- the extended nature of investigations and the failure to reach proper conclusions
- the lack of effective organisational monitoring of remedial action and of any follow up to assess impact of the interventions
- the failure of the leadership team to take ownership of the issues, to respond collectively and proactively to the issues raised
- the surprising lack of HR involvement and co-ordinated action in the investigation stage and in directing any organisational response to the circumstances
- the failure of senior managers responsible for HR/people management to secure their involvement in the processes, to ensure that investigations were completed in a way which secured clarity and appropriate outcomes for staff and identified organisational and culture change issues

Other issues

While investigating the areas covered by me remit the following areas for concern also emerged:

- Whether the calibre and organisational understanding of investigative staff was sufficient to both reveal difficulties and propose effective solutions; whether investigative staff and responsible managers were independent enough to make the necessary recommendations where senior people seemed to be accountable.

- Poor monitoring and organisational arrangements for external programmes – confused accountability, inadequate monitoring and performance frameworks, ineffective challenge of providers, etc and poor follow-through – evidence that the approach to tackling non-response seems to be keep asking again for a while and then stop bothering – I did my bit!

The Current Challenge

The challenge for the current chief executive is to establish the extent to which there has been any individual and organisational learning since these incidents and the various investigations and more importantly to lead the necessary further changes.

The documentation and interviews reveal a number of areas where improved leadership, better management accountability, greater clarity of expectations, and improved performance management arrangements could have helped create a more proactive, solution-focused organisational culture which in turn would have resulted in quicker resolution of issues, improved individual and organisational learning and better value for money from contracted services. The priority areas for action are summarised below.

Organisational Culture

There is a need to develop an organisational culture were there is greater accountability by senior and other managers for the performance of the council overall. There was during the period under investigation, and I believe still, is an emphasis on the performance and issues for individual directorates which emanates from members of the leadership team. Not my area, not my responsibility was a theme from the interviews. There is limited evidence of corporate or collective management accountability or of an open, solution-focused approach to organisational learning. There is also seemingly a culture of mangers tending to pass responsibility upwards and assume something will happen (even individual members of the leadership team exhibited this behaviour passing the responsibility for action to the previous chief executive rather than taking personal accountability). This passive approach to responsibility and problem resolution shows a failure to 'own' issues and to be open about any areas for improvement.

Furthermore there is a culture where there are apparently (and evidentially) no consequences of management failure whether commission (error) or omission (apathy). There are disturbing signs from my investigation that senior managers were protected from exposure to disciplinary action or at least where action was delayed or deferred and questions about their actions or lack of actions never resolved.

There is also a marked level of complacency (things take a long time here) and mediocrity (that's how we do it here) which, judging by the people who commented, seems to be seen as acceptable by senior mangers and other influential staff.

The introduction of the management standards were in part designed to address these issues and the document produced is a good one. What is less clear is the plan to embed the new values into the organisation and to monitor their impact.

Systems – Accountability and Standard Setting

Greater clarity by managers and HR staff about the roles, responsibilities and abilities of staff in important contract management and commissioning roles is needed. There is repeated evidence that the performance and accountability of subordinate staff was not properly defined or monitored and this is coupled with a response to failure/difficulties which seems to presume that the fault sits with staff not the responsible manager. In one example the exercise of proper management accountability was excused through timescale….. 'X was only their manager for 6 months so can't be held accountable'. In others it was as a result of a lack of clarity following re-organisation or unresolved management uncertainty about who was responsible for what.

The ineffective use of systems and processes to define responsibilities and accountabilities and to measure and assess them is also an area for concern. There appears to be no organisational analysis about the impact of performance appraisal; poor usage by line managers of SAP system for reporting on staffing issues, limited corporate analysis of people management issues and so no ability to predict issues and respond proactively to emerging needs. The responsibility for assessing training needs is rightly with managers but there appear to be no protocols to ensure that such assessments are properly acted upon.

The role of HR business partners is taking a development lead is unclear and from my discussions seems too passive.

Governance

There needs to be more proactive assessment of the impact of leadership team and other senior manager decisions. The investigation shows that previously there was a schism between planning and implementation; between instructions to act and assessing impact or outcome. The `siloed' nature of the council, the performance of directors role models and the lack of emphasis on organisational change and development by those with people management leadership roles all contribute to this. When applied, corrective action has been directorate focused with limited organisational overview or emphasis on organisation development. As a consequence there is a tendency to act to cure symptoms only not identify underlying causes and problems are resolved by mechanistic steps (training, instructions, etc.) without any attention being given to identifying and tackling systemic difficulties or supporting the development of a new culture.

Human Resources

From the interviews I have undertaken there is evidence of a need for much greater cohesion and clarity of focus around the people management function and a greater emphasis on the strategic organisation development role. The areas for concern being:

o insufficient evidence of the strategic role of HR in the development and improvement of the organisation

- o the contribution and responsibilities of business partners to service and to organisation improvement – the role seems passive not proactive
- o the actual implementation of the new model for people management particularly the abilities and understanding of line managers about their people management role (leading me to wonder whether maximum organisational value is being obtained from SAP and from the revised HR structure)
- o whether the contribution of the service centre is being maximised and whether there are effective links to other parts of the people management system.

There appears to be theoretical clarity about the principles of the people management model which isn't reflected in practice. Insufficient resources were cited as a cause for lack of progress on some things and this seems to be accompanied by an acceptance that this is just how things are rather than by the existence of a clear strategy and plan to address the issues proactively.

There is insufficient evidence of top level strategic HR/OD input to help guide and challenge the leadership team or to help shape a new organisational culture. There seems to be to much emphasis on 'responding to individual people management issues when asked to do so' and not enough on helping the chief executive drive organisational development and improvement, on supporting and enabling managers and directorates to improve, on 'calling the leadership team to account' about individual and collective poor practice or on performance and diagnostic systems which help develop early warning/horizon scanning intelligence.

Understanding the Role of HR

In helping to assess the performance and effectiveness the HR/people management function going forward you may want to consider the Chartered Institute of Personnel and Development's new professional map. Based on wide ranging research and the view of experts the CIPD have recently refreshed their view of the HR profession to reflect the modern business environment and the greater need for strategic HR, for organisational and operational excellence and responsiveness and flexibility. Details are included in Appendix One and I believe using this approach could be a major contributor to creating a more effective HR function.

RECOMMENDATIONS FOR ACTION

There are many important issues to be tackled and establishing the right priority and degree of change will need careful consideration by the Chief Executive in the light of the emerging agenda for further organisational change. The priorities for action revolve around the ways in which those responsible for organisational strategy and improvement add real value to the council, its provision of services and its relationship to partners and to the community. Actions need to include the following:

- Prioritise work with the corporate management team and other senior managers to develop greater ownership of council-wide performance and a more collective and proactive approach to creating effective solutions. This need to be led by the Chief Executive (but may require external facilitation) and should be set both in the context of the current situation and the future wider public sector agenda. This work needs to both challenge managers about their behaviours and their responsibilities as role models and to address organisational performance issues. This may impact on the relationship with councillors and further work may be needed to develop/involve elected members.

- The development of an enhanced and more strategic, solution-focused HR and OD function which sits at the heart of a comprehensive business–focused people management ethos ie one with an emphasis on organisational improvement and which fully engages and supports managers in their people management, service development and performance role.

- Review of the effectiveness of the people management philosophy, structure, systems and processes to ensure that they are fit for purpose, integrated with the organisational improvement agenda and properly emphasise the people management responsibilities of managers. Development of enhanced diagnostic and monitoring systems.

- Development of an improved service quality and performance culture emerging from the actions above and based in part on the reassessment of the effectiveness of systems for commissioning and managing the performance of major contracts, for procurement, financial accountability, etc.

APPENDIX ONE

Creating a Business – Focused HR Function

The CIPD (the People Management Professional Organisation) has recently completely reviewed its professional map for HR managers and staff to create what it describes as a `generational change ` for the HR profession. It has created a comprehensive and detailed and what follows is a summary of the some of the key points to indicate the changed emphasis. These could form a key element in the assessment of the effectiveness of the current function and in shaping its future role and structure.

The map includes 10 professional areas and defines the scope and behaviours which they expect to be demonstrated by HR professionals.

The professional areas are:

- Strategic Insights and Solutions
- Leading and managing the HR function
- Organisational development
- Resourcing and talent planning
- Learning and talent development
- Performance and reward
- Employee engagement
- Employee relations
- Service delivery and information

They have also identified 3 behaviour clusters for an effective HR function. These are:

Insights and Influence	
Curious	Shows an active interest in the internal and external environment and in the continuous development and improvement of self and others at both organisation and individual levels. Is open minded with a bias and willingness to learn and enquire.
Decisive thinker	Demonstrates the ability to analyse and understand data and information quickly. Is able to use information, insights, and knowledge in a structured way using judgement wisely to identify options and make robust and defendable decisions.
Skilled influencer	Demonstrates the ability to influence across a complex environment, to gain the necessary commitment, consensus and support from a wide range of diverse stakeholders in pursuit of organisation benefit.

Operational Excellence	
Driven to deliver	Demonstrates a consistent and strong bias to action, taking accountability for delivery of results both personally and/or with others. Actively plans, prioritises and monitors performance, holding others accountable for delivery.
Collaborative	Works effectively and inclusively with colleagues, clients, stakeholders, customers, teams and individuals both within and outside of the organisation.
Personally credible	Builds a track record of reliable and valued delivery using relevant technical expertise and experience and does so with integrity and in an objective manner.

Stewardship	
Courage to challenge	Shows courage and confidence to speak up, challenge others even when confronted with resistance or unfamiliar circumstances.
Role model	Consistently leads by example. Acts with integrity, impartiality and independence, applying sound personal judgment in all interactions.

They model describes the roles and levels of HR professionals within 4 bands of professional competence and contribution. For each it identifies 6 relationship and performance areas:

- Relationship with client
- Focus of activity
- Where time is spent
- Service to client
- Measures
- Skills balance – behavioural v's technical

For example in terms of their client relationships, the 4 bands are characterised as:

Band 1 – HR Support – service provision and information
Band 2 – HR Advisor – issues led approach
Band 3 – HR consultant, co-operative partner (Business Partner)
Band 4 – HR Leadership role, client confidante and coach

The table below gives a summary analysis of the requirements for bands 3 and 4.

	Band 3	*Band 4*

Relationship to Client	• Consultant, co-operative partner	• Leadership colleague, client confidante and coach
Focus of activity	• Leading the professional area • Addressing the HR challenges at the organisational level • Medium & longer term	• Leading the function or professional area • Leading the organisation • Developing the organisational strategy • Developing the HR strategy • Partnering with the client
Where time is spent	• Understanding the functional and business realities, providing insights and linkages, flexible and innovative solutions, risk analyses	• Understanding the organisational and industry realities and the client's needs, developing strategies and plans
Service to the client	• Ideas, insights and challenge • Solutions	• 'Safe haven' for challenging discussions around the hard issues, surfacing and reflecting 'the truth'
Measures	• Trusted partner • Seat at the leadership table	• Lead Team colleague • Sought by client as development and performance coach
Relative skill balance Behaviours: technical	• 60:40	• 80:20

HR Leadership Role

Below is a more detailed extract of some of what is expected from the leadership role under key aspects of the HR role which I have clustered to improve presentation.

Strategy/Organisational Understanding

– Offers unique insights into the organisation born from a deep understanding of the business, the market , the HR profession and the forces that drive them all

– As a member of/ specialist adviser to the leadership team shapes the determination of the organisation direction and the development of organisation strategy

– Develops an aligned human resources strategy and plan that anticipates and supports the delivery of organisational goals into strategy/organisational understanding

– Looks ahead and challenges executive leaders to ensure that the right organisation and capability is in place to deliver organisational goals

    – Shapes the evolving culture of the whole organisation in anticipation of future challenges as well as in response to current challenges

Responses

- Uses insights to lead and influence change at strategic, tactical, team and individual levels across the organisation
- Develops and implements solutions to address action emanating from insights either to mitigate critical risk or capitalise on opportunity

- Role models exceptional leadership and people management capability optimising the use of HR processes and tools e.g. performance appraisal, development planning, assessment and feedback , etc
- Leads and champions the implementation of the most significant organisational change activities, e.g. reorganisation
- Challenges leaders to understand and address difficult people issues in a timely manner

Organisational Capacity/Development

- Assess the calibre/capacity of current leaders and potential leaders, challenges to them to ensure they have the required capacities as individuals and as a leadership team
- Builds the capacity of line managers to handle people management situations with skill
- Helps managers become role models/lead by example

Delivery and Best Practice Development

- Leads the organisation-wide HR function ensuring that all HR staff understand and are aligned with organisational goals and drivers of performance
- Leads the resolution of complex/sensitive HR issues at the highest organisational level
- Manages the efficient delivery of major high impact HR programmes/ projects across the organisation
- Advises and coaches managers on the implementation and efficient delivery of planned/unplanned HR programmes/issues
- Develops strong and trusted partnerships with organisational leads to provide challenge, guidance and advice
- Acts as confidante and performance coach to the top team
- Builds relationships with counterparts and communities of practice to keep ahead/abreast of emerging trends and ideas

Evaluation

- Evaluates impact and result of HR interventions to ensure they meet organisational need

I believe that this framework could be useful to the council in determining the effectiveness and focus of council's current People, Policy and Performance priorities and the overall HR service.