

FCO Management Board Minutes, 27 January 2012

Present

Simon Fraser (chair), Matthew Rycroft, Geoffrey Adams, Robert Hannigan, Barbara Woodward, Shan Morgan, Alison Currie, Menna Rawlings, Julia Bond and Rudy Markham

Board Advisers: Alex Ellis and Anna Clunes

Also Present: for Prosperity – Dominic Martin, Gregor Irwin, Edward Barker, Mac Maclachlan and Hannah Cockburn; for Finance KPF and Quarter 3 Review: Iain Walker; for Future HRD 2015: Excellence and Efficiency: Sarah Tiffin and Tim Gardner; for Top Risk Register – Ian Shand; for FCO Audit Programme 2012 – Jon Hews.

Summary

The FCO Management Board met on 27 January. Board members reviewed key events for the FCO during January. They discussed in detail the refreshed Prosperity narrative and considered how to measure and evaluate the FCO's performance in this priority area. They considered the role of the FCO's HR Directorate (HRD) and endorsed the priority issues HRD had identified. They agreed a change in HRD's operating model and encouraged HRD to increase engagement with the Cabinet Office led, cross Whitehall HR change programme, Next Generation HR. The Board reviewed the FCO's forecast financial outturn for FY 11/12 and the summary of the Top Risk Register (TRR).

Action Points

- To develop an HR Charter that explains to staff: i) HR's role and the role of individuals / managers, and ii) what support individuals/managers could expect; and to involve staff in the Charter's development. **Action: HRD**
- To integrate the TRR summary into the Board's monthly review of key events and to use the TRR to test some of the issues raised by Directors at the PUS's Tuesday morning meeting. **Action: Board Members with Board Secretariat**

Detail

Review of January Key Events

1. The Board discussed the month's key policy and corporate events and issues commenting that it had been a busy start to the year. At the NSC, there had been a surge in FCO led policy papers with discussions on Nigeria, Zimbabwe, the Middle East and the Falklands and with discussions on India, Iraq and China coming soon. The Foreign Secretary had visited Burma and Brazil. One year on from the Arab Spring and the longer term impact of those events was still unclear

in many of the countries concerned. Human rights issues in Libya continued to be of serious concern as did Iran. The Eurozone crisis was still the biggest international issue for the UK's interests.

2. The Board thanked Consular staff in Italy and London for their excellent response to the Costa Concordia disaster. Board members noted that the numbers of Brits on board had been relatively low in contrast to the large cruise ships in the Caribbean which routinely carry 2000 plus British nationals. Barbara Woodward commented that Consular Directorate were already reviewing their delivery of consular services to such large numbers of cruise ship passengers. Board members also discussed the attacks in Kano, Nigeria which had raised serious security concerns for the DFID and British Council staff there. They drew attention to the work Menna Rawlings and her team were leading on the FCO's Duty of Care to staff posted overseas.
3. Board members considered whether two decisions; one on the delivery of the Chevening Scholarship programme and the other on the refurbishment of the Crisis Centre; should have been reviewed by the Board. The agreed that individual Board members should judge whether to bring such issues to the attention of the Board.
4. Nick Baird provided an update on key UKTI events in January. Positive news included two multi-million pound deals for UK companies overseas being close to completion but warned that one large Company was looking to downsize its presence in Europe. UKTI were already discussing how to spot companies considering reducing their presence in the UK at an early stage.
5. Board members raised concerns about staff morale. One Board member had heard staff talk about being confronted by a wall of change. The Board talked briefly about responding to the Staff Survey. Menna Rawlings confirmed that HRD was leading on follow up to the feedback on Bullying, Discrimination and Harassment. Matthew Rycroft said that Board members would lead several band by band meetings to talk to staff in more detail about the Survey results. Once those meetings had taken place it was important for the Board to set out clearly how it intended to respond.

Prosperity

6. Dominic Martin, Director, Prosperity asked the Board to i) agree that the refreshed Prosperity Narrative set the correct level of ambition for FCO Prosperity work and that the Delivery paper provided sufficient clarity on accountability for Prosperity objectives and how the FCO will work with others to achieve them; ii) endorse the proposed Prosperity Evaluation Framework and consider whether a new template for a Prosperity Country Business Plan review should be optional

or mandatory for Posts to complete; and iii) agree that the FCO should develop further, with UKTI and BIS, analysis on the UK's trade performance compared to competitor countries and iv) offer comments on the draft FCO Business Engagement Strategy.

7. The Board thanked Dominic and his team for the work that had gone into producing a quite complex set of papers. Overall they welcomed the energy and focus this work had brought to the Prosperity agenda and offered strong support for the direction of travel.
8. Board members agreed the need to bring out more strongly in the Narrative the importance of outcomes, rather than activities. It was important to set out where the FCO should be in 2015 and work back from there. This view was supported by members of the SLF. Shan Morgan commented that at Post, work on emerging powers, commercial diplomacy and prosperity all merged into one – it was all about improving UK trade performance to close the deficit.
9. The Board thought that the importance of the UKTI / FCO relationship should be given more prominence in the Narrative and Delivery documents. Board members all strongly endorsed the one team philosophy - FCO and UKTI should present a wholly integrated approach. There were already good examples of this in the network. There was also space in this integrated approach to set out more clearly what the FCO was particularly good at, to emphasise its natural areas of expertise.
10. Alex Ellis and Geoffrey Adams both commented that the multilateral element of prosperity had been underplayed. The importance of creating an environment for trade could be brought out more clearly. Board members were concerned that the Narrative was not sufficiently clear about where Climate Change fitted within the Prosperity agenda.
11. The Board liked the template for a Prosperity country business plan review but did not think it should be rolled out to posts until it had been piloted by 3 or 4 key posts. They thought the FCO/UKTI Commercial and Economic Diplomacy Balanced Wheel could be a useful tool but might not work for everyone. The key was not to impose a finished product on the system but to talk to Posts about what worked. Julia Bond asked if FCO and UKTI could work to one set of metrics. Nick Baird commented that UKTI's Top Ten Asks were already well integrated into Posts' thinking.
12. The Board endorsed the proposed approach to evaluating UK trade performance by benchmarking our market share against our European competitors. They welcomed the honesty that this comparative evaluation brought saying that such hard hitting analysis would help the FCO to focus on what was important.

13. On business engagement, Board members asked what had been done to ensure we understood better what business wanted. Shan Morgan gave some feedback from Richard Branson, who happened to be visiting Buenos Aires that week, that posts could add more value by spotting partnerships, opportunities and trends before our competitors did. Julia Bond asked about numbers of secondments of FCO staff into key organisations. Could we do more? Rudy Markham flagged the importance of institutional memory and of advising UK business about lessons learned for industry in country x over a 25 to 40 year period.
14. Simon Fraser asked Dominic and his team to revise the papers to reflect the Board discussion and simplify them before communicating them more widely. He asked Dominic and his team to look ahead to the Supervisory Board meeting in March and consider how to approach that meeting. Barbara Woodward proposed asking the Supervisory Board to check the scale of our ambition, how we planned to assess the outcomes and to clarify the FCO's added value (through our role as an influencer).

Finance

15. Alison Currie and Iain Walker updated the Board on the FCO's profiled financial outturn for FY 11/12. The organisation was profiling an underspend of £18.2 m, less than 1% of total budget. Of that £18.2m, £4.3m was Conflict Pools funding which could be rolled forward into FY 12/12. £3.2m related to non cash depreciation which could not be controlled.
16. The Board thanked Alison and her team for their work to manage the FCO's glide path throughout the year. Board members agreed that the year had held fewer surprises but there were still some areas of uncertainty (e.g. the FCO's exposure on foreign exchange). Financial management was getting better and better but Board members recognised that this masked the continuing tendency in the organisation to underspend. The Board stressed the need to make full use of the money available to us during this spending round.

Future HRD 2015: Excellence and Efficiency

17. The Board considered three issues; i) what HR Directorate should prioritise for the coming year to deliver the People strands of Diplomatic Excellence; ii) the need for HRD to balance its delivery of Diplomatic Excellence with the drive for greater efficiency and iii) what that meant for HRD's relationship with staff, with the Corporate Services Centre in Milton Keynes and with the rest of Whitehall.
18. The Board agreed:
- i) that HRD's priorities should be to deliver a framework for the right workforce, with the right skills, and a high performing organisation, with a particular

emphasis on the need for policies to sustain the morale and motivation of our staff at a time of austerity, and to nurture diverse talent across the organisation;

- ii) that HRD should promote a culture of responsibility, setting fewer rules, issuing clearer guidance and balancing centralised control and delivery of HR policies with a more devolved and risk-managed approach where appropriate, empowering staff and managers to take some decisions themselves based on a clear HR framework, with less checking/policing of the framework's application;
- iii) that HRD should improve its engagement with the wider civil service HR programme; and
- iv) that the new HR operating model should involve moving pure process functions to the Corporate Services Centre in Milton Keynes.

19. **HRD Priorities.** The Board agreed that HRD had set out a coherent set of priorities under each of the three headings with strong support for the proposed review of talent and performance management. Board members asked for more clarity on what HRD would no longer be doing. It was important to make clear to staff HR's role and the role of individuals/managers, and what support individuals/managers could expect. Board members liked the idea of an HR Charter, and recommended that staff should be involved in its development. The Board thought that, in communicating HRD's priorities, it was important to keep the customer perspective in mind, to show that HR policies were supporting staff in getting the right people into the right places.

20. **Culture of Responsibility.** Board members welcomed this shift in approach with the caveat that HRD's health and welfare provision would be retained. They welcomed proposals to clarify HR guidance and to make it more user friendly.

21. **Wider Civil Service HR Programme.** The Board discussed in more detail Next Generation HR (NGHR), the Cabinet Office led change programme to improve professionalism of HR Services across the civil service and to lower costs. Board members agreed that NGHR and the wider Cabinet Office Efficiency Reform Programme were strong external drivers, pushing HRD to become more efficient. The FCO HRD to staff ratio, at 1:28 (one of every 28 FCO UK based staff in HRD) was high, even compared to other Government Departments with an international dimension. In DFID it was already at 1:37, with the aim of further significant reductions. The NGHR civil service-wide target was 1:100. The FCO needed to demonstrate that it was serious about reform. The Board agreed that HRD should engage more proactively and positively with NGHR, with a view to buying into more centralised service provisions where it made sense to do so but to retain

the right to decide for ourselves when to go it alone. The Board encouraged HRD to be more assertive on the international side of this agenda.

22. **Change in Operating Model.** The NGHR programme was a major driver for efficiencies, as were the admin savings the FCO had to make during the SR period but the Board noted that the main catalyst for reviewing HRD's operating model now was the move out of the OAB. Board members agreed the basic premise that any function that could best be done by the Corporate Services Centre should be transferred there, to drive up standards, increase efficiency and reduce costs. They recognised that the communication of this decision required careful handling. The relocation of around 50 HR slots could be interpreted by staff as targeting the A and B Bands specifically. That was not the case, and roles within the CSC could also provide excellent development opportunities. There would need to be reductions in HRD policy staff too, as part of the wider shift of resource away from corporate activities. They stressed the need to explain the shift to the CSC within the context of organisational restructuring. They noted that work on a suitable relocation package for staff interested in moving to Milton Keynes was ongoing and would be discussed at the Executive Committee in February.
23. The Board agreed that the next step should be for HRD to adapt this work to reflect the Board's discussion and to communicate to the organisation, engaging with staff on the development of the HR Charter. HRD should proceed with the proposed internal structural reform, working in partnership with the CSC.

Top Risk Register Summary

24. The Board noted that since the Board's discussion in December, there had been no change to existing risk assessments and no new risks added to the TRR. DGs confirmed that they were content with their Directors' assessments of the top risks within their areas of responsibility.
25. The Board agreed to integrate the TRR summary more into Board discussions. Board members agreed that the TRR should underpin the Board's opening review of key events and asked the Board Secretary to keep together the TRR summary document and the Key Events note. Board members should also use the TRR summary to test some of the issues raised by Directors at the PUS's Tuesday morning meeting.

Internal Audit Strategy and Plan 2012/13

26. The Board agreed the approach and the programme of work set out in the Internal Audit Strategy and Plan. They confirmed that they were content with the level of coverage the plan provided, noting that the Audit and Risk Committee and the NAO were also content.

27. The Board noted that the FCO's Internal Audit Department had been reduced in size during the previous financial year. They agreed that IAD should not be subject to any further reductions during the SR10 period
28. The Board also endorsed amendments to the Audit and Risk Committee's terms of reference which reflected the ARC's decision to bring health and safety and security within its scope.

Decisions and Key Points from Sub-Committee Meetings

29. The Board noted the minutes from the 9 Jan Operations Committee meeting. Matthew Rycroft confirmed that the Committee's membership now included 4 Heads of Mission. Barbara Woodward summarised the issues covered by the HR Committee on 12 January. Simon Fraser reported that he had chaired his second meeting of the FCO Health and Safety Committee and was satisfied that the Committee was now working well.
30. The Board noted the decisions taken by Executive Committee during January on medium term resource planning and on the Strategic Workforce Plan.
31. Simon Fraser asked Sub Committee Chairs to ensure that they identified issues that might require Board level discussion and brought them to the attention of the Board.

Feedback

32. Comments from Board observers included surprise at how much attention the Board paid to people during its discussions. It was reassuring to hear how seriously the Board took the Staff Survey – more should be done to communicate that to staff. One observer asked what was being done to ensure that under-represented groups within the FCO were adequately represented at Sub Committee meetings.
33. Simon Fraser invited Julia Bond to give some feedback on the meeting. She thought that the discussion on Prosperity had been constructive but that had the paper been more advanced the discussion could have been more decisive. She observed that the Board was more confident on Finance and with the data it received but she cautioned against complacency. She commented that every month Board observers deliver similar feedback, expressing surprise at the extent to which the Board considers the "people" dimension in all its discussions. She asked whether more could be done to show the reality of Board discussions to the organisation..

Board Secretary
29/01/12