

## FCO Management Board Minutes, 29 June 2012

**Present:** Simon Fraser (chair), Julia Bond, Rudy Markham, Barbara Woodward, Matthew Rycroft, Geoffrey Adams, Nick Baird, Mark Sedwill, Robert Hannigan, Alison Currie, Menna Rawlings and Alex Ellis.

Apologies: Shan Morgan,

Also Present: For Key Events, FCO Impact and Top Risks Register – Fiona Maxton, Paul Noon and Iain Walker; for Finance KPR - Iain Walker; for HCS/DS – Kate White and Tracy Gallagher; for ICT Strategy – David Meyer and Victoria Harrison; and for FCO Services Annual Report – Chris Moxey

### Summary

The FCO Management Board met on 29 June 2012 and considered recommendations on the FCO Home Civil Service and Diplomatic Service cadres; reviewed the FCO's ICT Strategy for 2011 – 2015; reviewed FCO Services performance in FY 11/12 and noted formally the FCOS Annual Report; reviewed key events and considered the impact the FCO had made on delivery of its priorities; reviewed the Top Risk Register; and discussed the Finance Key Performance Report for May.

### Action Points

- To invite the Counterpoint 2020 team to consider, as part of their work: a) whether the current FCO organisational structure and mobility obligation are “future-proof”, taking into account cultural and societal changes and the wider Civil Service Reform Agenda; and b) whether the FCO should, in future, look to move to a more unified service. Action: HRD to discuss with Counterpoint Team.
- PUS and COO to discuss how to increase senior level oversight of and support for the ICT programme and improve Board level understanding of the issues around future technologies and business demands. **Action: Offices of PUS and COO with Board Secretariat**
- To include on Management Board agenda in Dec 12 / Jan 13 an update from FCO Services on revenue developments and on any challenges / opportunities. **Action: Board Secretariat with office of CEO, FCOS**
- To provide the Board with a note explaining the concerns raised by the NAO during Account closure about the FCO's management of its foreign exchange. **Action: Alison Currie and Iain Walker, Finance Directorate**
- To provide advice to the Board in July on the risks around overseas inflation. **Action: Alison Currie and Iain Walker, Finance Directorate**

- To formalise the process of identifying contingency against risks. **Action: Alison Currie and Iain Walker, Finance Directorate**
- To produce a short paper for Board discussion on how the FCO should engage with the Civil Service Reform agenda. **Action: Matthew Rycroft**
- To disaggregate Operational Risk 1 (on Estates and Security) on the Top Risk Register. **Action: Fiona Maxton with ESD**

Detail

### Key Events, FCO Impact and Top Risks

1. The Board reviewed key events in June, referring to the Top Risk Register; and discussed the first iteration of the new FCO Priorities Monthly Dashboard, which rated the importance of key international events and the FCO's contribution to them.
2. Board members highlighted the FCO's role on Syria; in the E3+3 / Iran negotiations; and on the launch of the UK Initiative on Preventing Sexual Violence in Conflict. They also discussed the challenges the FCO faced in Libya, where an attempted attack on our Ambassador had left two guards injured; in Egypt, where the UK was working to build a relationship with the new President; and on the Growth Agenda. Looking ahead, the Board noted that Consular Directorate was preparing for a busy summer period; that planning for the Olympics was on track; and that there was, currently, sufficient resource devoted to Europe and the Middle East but that this should be reviewed at the July Board.
3. Matthew Rycroft identified the Civil Service Reform Plan as the biggest issue on the corporate agenda in June and agreed that there should be a Board level discussion on how the FCO should engage with this agenda. He also reminded the Board of the need to review progress against the objectives set out in the Board's Diplomatic Excellence Agenda for 2012 and that work was ongoing on all the various strands of work from the Board's Prioritisation discussion on 10 May.
4. Board members commented that the new Monthly Dashboard was a useful tool that helped to shift the focus of their discussion from activities to impact. They should use it also to challenge Directorates on low scoring contributions. It had the potential to provide useful data for use with the FAC and in preparation for the next Spending Review, particularly if it included trend indications. The key was to keep the dashboard simple, and the process around it light.
5. Board members reviewed the TRR alongside the Monthly Dashboard. They agreed that the monthly TRR review process should be used to challenge risk owners to consider the actions required to change the colour of their risk. Board members challenged the current assessment of three policy risks on the TRR

and asked for one operational risk (on Estates and Security) to be disaggregated. They noted that the Supervisory Board had asked Legal Advisors to consider whether the FCO's exposure to litigation should appear on the TRR.

### **Closure of FY 11/12 Account, Finance Key Performance Report (KPR) for May and Review of Quarterly Data Summary**

6. Alison Currie confirmed that Finance Directorate was working through the final stages of the Account process with a view to presenting it to the PUS for signature. Rudy Markham updated the Board on the Audit and Risk Committee's scrutiny of the Account. There had been some last minute concerns raised by the National Audit Office (NAO) about the FCO's management of its foreign exchange. This issue had been resolved but had resulted in an increase in the FCO's Annually Managed Expenditure (AME) underspend.
7. Simon Fraser thanked Alison and her team and Rudy for all their hard work on the Account. He asked Alison to provide the Board with a brief explanation of the issues the NAO had identified. Alison agreed explaining that this would form part of a wider lessons learned exercise that would begin once the Account was closed.
8. The Board reviewed the KPR for May and raised concerns that the FCO was already profiling an underspend of £15.8m. Finance Directorate did not recommend any corrective action but recommended that the Board addressed any concerns at the Quarter 1 Review stage in July.
9. Board members asked Finance Directorate to provide the Board in July with more information on risks from / exposure to overseas inflation. They also agreed that the process of identifying contingency against risks, such as litigation against the FCO or closure of LE staff pension schemes, should be formalised and agreed by the Board. Matthew Rycroft updated the Board on progress to deliver the £100m savings programme, which remained on track. The Board would look at this in more detail in July.
10. The Board noted the FCO's Quarterly Data Summary return for April and the fact that HM Treasury and the Cabinet Office were reviewing the existing QDS format. Julia Bond said that the FCO should proactively identify areas within the central reform agenda on which the FCO could engage or lead. Simon Fraser agreed with this approach.

### **Home Civil Service / Diplomatic Service: Two Cadres or One?**

11. When the Board agreed the policy to reduce Band A and B postings overseas it also agreed to review the distinction between FCO UK-based staff employed

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under Diplomatic Service Regulations (DS) or as Home Civil Service (HCS). The Board had an initial discussion of the issue in October 2011 and agreed that further discussion should be guided by the following principles:

- That the organisation places equal value on DS and HCS staff;
- That issues should be framed in the context of workforce planning;
- That all staff should have clarity about their terms and conditions; and
- That existing structures should be simplified where possible.

Simon Fraser asked HR Directorate to take time to work through the various options and their short and longer term workforce planning implications.

12. At its meeting on 29 June 2012, Board Members discussed the issue again and considered two options: merging the HCS and DS cadres into one (Option 1) or keeping the two cadres (Option 2). They noted that since their October 11 meeting, staff had had the opportunity to engage and share their views through the HR Committee Band reps and an FCONet discussion forum. There had also been informal discussions with the Trades Unions. The recommendations presented to the Board reflected those discussions.

13. The Board decided:

- to keep, for now, the two cadres and to create an avenue for HCS officers to transfer into the DS at Band C and D by changing the posting rules to give all (i.e. HCS and DS) generalist Band C and D officers, and those with an ADC pass, the option to bid on an equal footing for all generalist Band C and D overseas jobs for which they could meet the timing;
- to reduce to 2 years the length of the minimum required home tour on promotion to Band C or D and to keep this under review. The Board hoped that it would be possible to remove the home tour requirement completely at some point in the future, subject to workforce planning constraints.

14. Board members also agreed the recommendation not to change the posting rules for recent HCS new entrants in Bands A/B as to increase the numbers of DS staff in Band A and B at this time would add to the pressures already created by reductions to overseas postings at those grades. They supported the efforts underway to reduce barriers to progression, and noted that the changes in posting rules to give all staff the chance to bid for overseas postings on promotion to Band C gave a new possible future avenue into the DS.

15. In taking these decisions for the short term, Board members were clear that this was not necessarily the end state. They agreed that, instinctively, it felt right to

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move towards a more unified model. They suggested that the Counterpoint 2020 team might consider this, taking into account whether the current structure and mobility obligation for DS staff was “future proof”, and factors such as the impact on the FCO of the wider Civil Service agenda as well as cultural, societal and technological changes. The Board would return to this issue.

16. The Board agreed that when the civil service wide recruitment freeze was lifted and the FCO began to recruit again into Bands A and B, potential applicants should be given absolute clarity about the types of work on offer in A and B Band roles, and about the opportunities for promotion. For the majority in those grades, most opportunities to work overseas would be in the form of short term attachments rather than 3 to 4 year postings.
17. Board members recognised that there were complex issues behind the HCS/DS distinction, including the application of the DS mobility clause. The organisation would continue to need a cadre of genuinely globally mobile diplomats and should continue to recognise and reward those staff. But it would also need, and should respect, staff who, for a range of reasons, preferred to spend the majority of their careers in the UK. The Non Executive Board Members commented that future decisions should be driven by operational requirements and the need to recruit and retain the best people and to remove any structures that inhibited their development or progression.
18. Board members agreed that the outcome of their discussion should be communicated in a stand-alone message from Simon Fraser with a more detailed communication, with FAQs, to follow from HR Directorate as soon as possible to address the specific interests of various groups (band, cadre, generalist/specialist etc).

### **Update on FCO's ICT Strategy**

19. In March 2011, the Board agreed the FCO's ICT strategy for 2011-2015 but raised a number of questions about the FCO's ambition for its IT in the short and the longer term. At its meeting on 29 June 2012, the Board reviewed progress and considered: i) whether the approach and investment priorities set out in the ICT Strategy were sufficiently ambitious to support Diplomatic Excellence; and ii) how to ensure the FCO made best use of technological advances in planning and developing future IT.
20. Board members commented that IT was one of the most complex issues within the organisation and one where they did not feel they yet had sufficient visibility or understanding. In its oversight of IT issues, the Board should strike a balance between its role in setting the vision and the culture for the organisation and its

oversight of IT projects and performance of existing systems. Simon Fraser and Matthew Rycroft agreed to discuss further how to increase senior level oversight of and support for the ICT programme and improve Board level understanding of future technologies and business demands.

21. Board members asked for more regular updates on the performance of FCO's systems, including data on performance e.g. numbers of help desk calls. There were issues with existing core infrastructure, for instance, the problems with email that staff in Geneva had experienced. Board members accepted that there was pressure to save money but questioned whether the FCO should rebalance its savings targets in order to spend more money on IT.
22. The expectations of staff were high and constantly changing, reflecting the world around them. There was more to be done on staff engagement but Board members recognised the work David Meyer and his team were doing to respond to the organisation and to work with staff to help them to understand how to use the tools they already had. They agreed the need to raise the IT literacy across the FCO through training and through staff taking individual responsibility for using their IT correctly.
23. Board members noted the work already underway, led by Anwar Choudhury, to improve the FCO's knowledge and information capabilities and agreed that the delivery of the IT components to deliver these improvements should be accelerated.
24. Delivery of the FCO's ICT Strategy was a constant battle between meeting increasing demand for mobile IT and the organisation's security requirements. Board members questioned the one size fits all approach and asked whether consideration had been given to setting some parts of the network (e.g. UKTI, Consular, Corporate Services) free from the security restrictions, enabling them to move to more mobile, cloud based IT solutions.
25. Finally, Board members recognised the impact the wider Government Shared Services agenda would have on delivery of the ICT Strategy.

### **FCO Services Annual Report 2011/12**

26. Board members noted the FCO Services (FCOS) Annual Report for FY 11/12. They welcomed the progress FCOS had made since the Freeman Review in November 2011. The Annual Report and covering paper highlighted lots of positives. Chris Moxey, CEO of FCOS, commented that the Freeman review had recalibrated the relationship between FCOS and the FCO, moving it to a more commercial footing in some areas. Governance between the two organisations was tighter. Despite a tough economic environment, FCOS had grown its

revenue and had secured some strategically important contracts which, if delivered successfully, would provide opportunities to shift further from dependence on the FCO.

27. Rudy Markham, who had been involved in the Review, said that FCOS performance in FY 11/12 had been striking and that he would welcome an update in six months time on revenue developments and on any challenges or opportunities FCOS faced. Board members noted the potential risks associated with some aspects of the new business development, particularly the new government to government opportunities, and the need for FCO and FCOS to work closely together to ensure that decisions on these contracts took full account of FCO policy implications and risk. The Board agreed to consider this further.
28. Although the relationship at the corporate centre had improved dramatically, feedback from parts of the network, and most recently from members of the Senior Leadership Forum in advance of the Board meeting, continued to highlight concerns about aspects of the relationship between FCOS and Posts. Board members questioned why these concerns were not reflected in the paper presented to the Board.
29. Chris Moxey recognised that Posts' experiences of using FCOS were important and that negative feedback could risk damaging the significant progress being made elsewhere. He acknowledged that relationships with Posts could be improved. He explained that, aside from the delivery problems that arose from time to time, there was a lack of clarity about the role of FCOS staff posted to the network and pressure on those staff to balance sometimes competing demands from FCOS HQ and from the Head of Mission. Work was under way in conjunction with the COO's office to address this and to improve communications to the network and to FCO staff. This would involve working directly with HoMs to understand and address their concerns.
30. Board members agreed that, in future, FCOS Annual Reports should be accompanied by an assessment from either the FCO/FCOS Customer Board or the Owner Board, or from the COO as FCO Services Sponsor.

#### **Sub-Committee and Executive Committee Meetings and Board Action Points Log.**

31. Simon Fraser reminded Board members to read the minutes from the Operations Committee and HR Committee meetings to ensure they had sufficient visibility of the important decisions taken there. Board members noted the records of the June meetings of the Executive Committee.

32. Board members highlighted the single overdue action point on the Action Points Log and asked the Board Secretary to ensure this was resolved it before the Board's next meeting.

Nicola Murray  
Board Secretary  
29/6/2012