

FCO Management Board Minutes, 25 May 2012

Present: Simon Fraser (chair), Julia Bond, Barbara Woodward, Matthew Rycroft, Geoffrey Adams, Shan Morgan, Robert Hannigan, Alison Currie, Menna Rawlings and Alex Ellis.

Apologies: Rudy Markham

Board Advisers: Anna Clunes and Iain Macleod

Also Present: Mark Sedwill. For Top Risks Register Summary – Fiona Maxton; for UK Estate Reform Programme - David Cairns, Tony Whitehead and Dawn McKen; for March KPR and Financial Excellence – Iain Walker and Anne-Marie Vine-Lott; for Diversity – Helen Shaw and Joanna Vallat; and for Evaluation of A and B Band Overseas Postings Policy – Simon Rawson, Anne Sherriff, Kate White and Stephen Bridges.

Summary

The FCO Management Board met on 25 May. Board members discussed the next steps in the UK Estate Reform Programme; reviewed progress on implementation of the A and B Band Overseas Postings Policy one year on from the Board's decision; received an update from Finance Directorate on progress and impact of the Financial Excellence Initiative; received an update on the implementation of the FCO's first diversity strategy "Fairness for All" and considered specific proposals to help the organisation reach the levels of representation envisaged at the outset of the strategy. Board members used their initial review of the previous month to measure the impact of the FCO's work, with reference to the Top Risk Register Summary. They also discussed the Finance Key Performance Report.

Action Points

- To set up a separate meeting for Board Members and members of the UK Estate Reform team to examine in more detail: timelines and costings for the programme and the application of optimism bias. **Action: Board Secretariat and UK Estate Reform Team**
- All Board Members to attend a half day Financial / Commercial training course. **Action: Board Members and Finance Directorate**
- To present to Executive committee i) a refined set of proposals on diversity and inclusion, reflecting the comments from Board members and ii) more detailed advice on Diversity Champions. **Action: Helen Shaw and Joanna Vallat with Board Secretariat**

Detail

Impact of FCO's Work in May

1. At its April meeting, the Board agreed to pilot a new way of measuring the impact of the FCO's work using a process of rating the importance of specific events each month and the organisation's contribution to making them happen. This month, the Board reviewed the results of this process for the first time. Board members welcomed the new system. It offered an opportunity to measure FCO impact in a more systematic way and to shift the organisation's focus from activities to outcomes and impact. Board members recognised that progress against Prosperity objectives and hard UKTI targets was easier to measure than policy outcomes but agreed to try to tackle this.
2. Board members queried the inclusion of some of the events on the basis that the FCO's impact had not been sufficiently great or unclear or that the event itself had made little impact. The definition of impact had to be clearly defined.
3. Board members were concerned about introducing another new process and asked whether this impact assessment could be combined with the other papers the Board referred to during the opening session. The assessment process had to be scientific enough to be credible but not too onerous for staff.

UK Estate Reform

4. At the March Board meeting Board Members asked David Cairns and his team to provide more detailed, costed plans for the UK Estate Reform Programme based around the medium scale option they endorsed. The Programme team returned to the May Board with more fully developed costings, feasibility studies and timelines and with an update on discussions with the Government Property Unit (GPU) about the disposal of the Old Admiralty Building (OAB). They also updated Board members on the improved Programme governance structures, including the creation of a new Programme Board, chaired by Matthew Rycroft, with responsibility for the strategic direction and management of the programme.
5. Board members restated their support for the programme. Over a year ago, the Management Board had taken the decision in principle to exit the OAB but much had changed since then. Board members emphasised that the key aims of the programme should be to: i) reduce the FCO's real estate footprint in London by moving from two buildings to one and to make savings in running costs by doing so; and ii) to ensure that the refurbishment of the King Charles Street building, necessary to accommodate increased numbers of staff, also delivered a more modern working environment that supported FCO values and improved working practices.

6. The Board endorsed the Programme Team's incremental approach to the programme to ensure that it was affordable. The risk of HMT clawing back further funding from Government departments should be included in the programme's risk register. On the capital costs, Board members agreed that they or the Supervisory Board should consider carefully the impact this programme could have on the viability of other capital projects on the Global Asset Management Plan.
7. Board members agreed:
 - That the team should proceed with the Language School as a stand alone, priority project, to be delivered by spring / summer 2013. They agreed that this work should be combined with the relocation of the gym from OAB to KCS, installation of additional showering facilities and related drainage works. They noted concerns raised by members of the Programme Team around possible HMT and Cabinet Office reactions to this approach but agreed that it was justifiable on the grounds that: the Foreign Secretary had made a commitment to open the School, which would offer a service to other Government departments; that the costs were relatively small and affordable within existing FY 12/13 budgets; and that because of the planned location of the School and gym it was more cost effective to carry out work on both at the same time.
 - That the exit of staff from the OAB should continue, with the bulk of OAB staff moving during the current financial year. Board members recognised the risks around disposal of the OAB but agreed that, regardless of the outcome of negotiations with the GPU, the FCO would vacate the building and move jobs to KCS or to Milton Keynes. They also raised concerns about the impact on morale of the staff who were not able to exit the OAB this year. David Cairns explained that the OAB would be used as decant space for staff during the proposed major refurbishment of the third floor of KCS so the building would not seem empty. Board members agreed that this would be disruptive for staff and that they should be open and honest about this and try to mitigate the risk to staff morale.
 - That the project team should clarify GPU's position on whether they would take over the OAB in FY 14/15 and cover the costs of any renovations. Board members asked David Cairns and his team, with support from senior officials and Ministers if required, to push for confirmation from GPU as quickly as possible and well in advance of the next Board level discussion of the Programme at the end of July.

- That the Programme Team should continue to negotiate with GPU and HMT for some capital transfer to the FCO upon handover of the OAB but that the working assumption should be that there would be no transfer.
8. The Board then considered the revised Feasibility Design and noted the estimated level of cost and affordability. Board members requested a further meeting with the Programme Team to discuss in more detail the cost estimates, the application of optimism bias and the proposed timeframe for the programme. The outcome of this discussion would inform the development of the Strategic Outline Case (SOC) for the Programme
 9. The Board noted that the next stage would be for the Programme Team to develop the detailed SOC, based on the medium option the Board identified in March. The SOC should be developed in line with HMT guidance and with advice from the NAO. Board members considered whether to separate the High Classification Zone project from the rest of the Programme, noting that it alone would require HMT / MPA approval, but agreed to take a final decision in light of the more developed strategy on the HMT approvals processes. They warned against proposing any option which could be interpreted as a deliberate disaggregation of the Programme in order to avoid HMT / MPA requirements.
 10. The Board asked David Cairns and his team to present a fully developed SOC in July. The SOC should comply with Cabinet Office requirements and should include a cost / benefit analysis for the Programme.
 11. Board members considered how to communicate progress on this Programme to staff and to external audiences. Messages should focus on the aims for the programme (in para 3 above). Staff were entitled to receive honest communications on: timescales; the process and the risks around them, including around the Cabinet Office approvals process; the impact the programme would be likely to have on their working environment; the benefits the programme would deliver for staff; and opportunities for staff participation / involvement in the Programme. For example, could staff be brought in to discussions on open planning and design of work spaces?

Finance Key Performance Report (KPR) for May and Update on Financial Excellence

12. The Board reviewed the KPR and noted an estimated financial outturn for Financial Year (FY) 2011/12 of £13.6m underspend on admin / programme and £6.3 m underspend on capital. The NAO were in the process of auditing the FCO account so final outturn figures could change.

13. The KPR provided some analysis of FCO financial performance throughout the year. This showed that a significant amount of spend had been incurred in the last quarter of 2011/12, something which HMT consider an indication of ineffective financial controls. However, the spend was broadly in line with the forecasts for that period. The Board agreed that Finance Directorate should work with RMUs and budget holders this year to bring forward expenditure to earlier in the year. Board members analysed the performance of each DG cone, comparing forecast and actual spend. Unplanned activity (e.g. operations in Libya); staffing gaps; and unpredictability of income from OGDs and from Consular Directorate accounted for the divergence of profiled and actual spend. DGs emphasised the essential role played by their RMUs in tracking actual spend against forecasts.
14. Board members were concerned about the Capital underspend but agreed that ESD's Global Asset Management Plan should make profiling more effective this year.
15. The Board received an update on the work of the Financial Excellence initiative, noting the restructuring and upskilling of Finance Directorate; improvements in financial analysis and in the management information presented to the Board; stronger medium term financial planning; and the increased profile of financial management across the FCO. Board members praised the progress Alison Currie and her team had made and supported their intention to focus over the next 6 months on strengthening the business planning process, in partnership with Policy Unit, to improve evaluation of impact and value for money. This was essential preparation for the next Spending Review.
16. The Board endorsed the outline for a Finance Training package for Board Members. Board members were all happy to sign up to the proposed half day training session. They
17. Julia Bond informed the Board that she had recently joined the cross Whitehall Finance Transformation Programme and that this would present opportunities for the FCO to showcase some of the progress the FCO had made.

Diversity – Where Next

18. In 2008, the FCO adopted its first Diversity Strategy "Fairness for All". The Board reviewed the FCO's progress towards the goals in that Strategy, noting some successes but recognising that the organisation had not made enough progress to reach the levels of representation envisaged at the outset of the Strategy.
19. Board members all restated their strong support for the issue. A truly diverse organisation was integral to delivering excellence. The FCO had to represent

modern Britain and it didn't do that yet. They agreed that Diversity should be a permanent campaign for the Board but that now was a good time to refresh the Board level approach to the issues. Although the organisation should not lose its focus on the hard targets for representation of minority groups, Board members also recognised the importance of supporting diversity beyond those groups. Simon Fraser asked for ideas on how to achieve this broader scope, reflecting views and comments from staff on educational and socio-economic background. Any strategy refresh should also be relevant to LE staff, reflecting the diversity across the FCO network.

20. The Board recommitted to the 2008 - 2013 targets for women, BME and disabled staff in Band D and the SMS even though the organisation was not on track to meet all of them. Instead, in 2013, the Board should be honest about why the targets were not achieved. Board members were unsure about proposals to introduce lower, short term targets or annual commitments and agreed to consider the issue in more detail at a subsequent meeting.
21. The Board reviewed HR's work on unconscious bias and supported the proposal to share with staff the analysis of appraisal box markings but questioned whether releasing the data without any context or structure around would have the desired impact.
22. Board members supported proposals to encourage a more diverse range of candidates for SMS 2 jobs and above by requiring shortlists to include a credible candidate from at least one of the three underrepresented groups. They asked HRD to consider how this might be implemented.
23. The Board considered the particular role it should play to demonstrate its commitment to Diversity in the FCO. Nick Baird suggested that Board members should identify three or four concrete projects to drive forward, such as: i) support for and promotion of best practice e.g. the work Tim Hitchens led to increase the number of female Band D and SMS officers in Africa Directorate; ii) mentoring and training for the best people in minority groups; and iii) the proposals in the paper for the Board to commit to monitoring shortlists for jobs at SMS 2 and above.
24. The Board also discussed the role of Diversity Champions. Board members recognised the totemic value of these roles but were unsure whether there should be one Board level Diversity Champion, several Board level champions for underrepresented groups or whether all every Board member should be a Diversity champion. They agreed to give this further consideration at Executive Committee and asked HRD to produce details of existing Champion roles and the range of requests for champions received from staff groups.

25. Board members asked HRD to refine proposals to reflect the Board's discussion. The Executive Committee would discuss those proposals, along with more detailed advice on Diversity Champions.

Evaluation of A and B Overseas Posting Policy

26. The Board considered HRD's evaluation of progress over the last year to implement the decision to reduce the number of A and B Band Postings overseas. They reviewed progress in each of the three strands of the policy: postings and savings; Working Differently; and the Charter for A and B Band Staff.
27. Board members endorsed the lessons identified in the paper around the communication of the decision to staff, namely: the importance of a single, clear, consistent narrative explaining the rationale for the decision; the need to be as transparent as possible about decisions as they are made; the importance of clarity about the scope of any consultation; and the benefits of using the line management chain to support comms activity. Some of these lessons had already influenced the Board's approach to communicating and engaging with staff but there was more to do.
28. The Board also agreed with the lessons learned on the importance of accurate management information (MI) on which to base decisions. Julia Bond commented that the issue of quality of data for decision making was an area Cabinet Office had already identified as a priority for Departmental Supervisory Boards. Alison Currie confirmed that her team already planned to update Executive Committee in June on improvements to MI.
29. In advance of the Board meeting, some of the Board members discussed the paper with staff in their cones and had received feedback that staff would welcome more clarity on the future shape of the office and on the types of role that would be available to A and B band staff. Simon Fraser asked for further thought to be given to how to communicate this vision effectively.
30. Board members recognised that the Charter for A and B Band staff should respond to the needs and aspirations of three broad groups of staff: those with the potential to progress to Band C; those not looking to progress to Band C but for whom the opportunity of an STA would provide the overseas context to help them in their current and / or future A and B band jobs; and those who are not looking to progress to Band C but who already have overseas experience so would receive limited further benefit from an STA. It was important for the Board to demonstrate that it valued all A and B band jobs, policy and corporate.

31. The Board agreed that there was no need, at this stage, to review the Charter but suggested a “refresh” to ensure that it reflected the skills the FCO would require in the future and the aspirations of A and B Band staff. STAs were only one strand of the Charter. Menna Rawlings confirmed that the Charter as a whole was being continually reviewed, with input from the Diplomatic Skills Foundation Programme Board. Instead of a refresh, the Board should try to ensure that there was office wide support for the Charter and that A and B Band staff were actively encouraged to take up the opportunities it offered.
32. Board members raised concerns about the handling of the recent pilot of the new FCO Services Overseas Support Officer Cadre. They noted comments from members of the Senior Leadership Forum and of Shan’s HoMs focus group and asked for more information on the case for the creation of these new FCO Services positions
33. The Board endorsed all of the recommendations in the paper with the exception of one, the proposal to delay a formal review until 2014. Board members recognised that that data required for an effective evaluation would not be available until 2014 but were concerned that a decision to postpone the review by a year would concern the TUS and make staff unhappy. Simon Fraser said that he would rather the review was done right than done quickly and too soon but he recommended that HRD talk to staff representatives and the TUS about the possibility of a delay. He asked that no decision be taken without first referring it to the Board or Executive Committee.

Sub-Committee and Executive Committee Meetings

34. The chairs of the Management Board Sub Committees highlighted to Board members the main issues discussed during their May meetings. Board members noted the records of the May meetings of the Executive Committee.

Nicola Murray
Board Secretary
28/5/12