

## FCO Management Board Minutes, 28 September 2012

**Present:** Simon Fraser (chair), Julia Bond, Rudy Markham, Matthew Rycroft, Geoffrey Adams, Mark Sedwill, Robert Hannigan, Alison Currie, Menna Rawlings and Alex Ellis. Nick Baird (by 'phone for LE Staff item)

Apologies: Barbara Woodward and Shan Morgan

Also Present: Anna Clunes. For FCO Impact and Top Risks Register – Fiona Maxton and Lisa Bandari; for Finance KPR - Iain Walker and Geoff Nixon; for Right Framework for LE Staff – Jennifer Townsen; for Outcome of 4Ps Review – Helen Shaw, Kate White and Tracy Gallagher.

### Summary

The September meeting of the FCO Management Board focused on the Review of HR Policies on Performance, Potential, Promotions and Postings (the 4Ps) and the Review of the FCO's Framework for Locally Engaged Staff. Board members reviewed the August Finance Key Performance Report and noted the decisions taken and issues considered by the Board's Sub Committees. They also conducted their quarterly review of the Top Risks Register (TRR) and considered the FCO's impact against its three Foreign Policy Priorities.

### Action Points

- If possible, to incorporate into the press coverage column of the FCO Priorities Monthly Dashboard data on coverage in the international media. **Action: Communications and Engagement Department**
- On completion of the mid-year review of Business Planning, to use the cumulative data on the FCO's impact to report on progress towards the FCO's 18 outcomes to the Foreign Secretary, the Diplomatic Excellence External Panel and to the Cabinet Secretary. **Action: Policy Unit with Board members**
- To break down TRR Operational Risk 4 (IT Capability) to differentiate between immediate and longer term, institutional risks. **Action: Fiona Maxton with ITD**
- To review the handling of some policy risks on the TRR and consider creating one single "reputation" risk. **Action: SPG (Policy Unit to add this to the SPG agenda)**
- To include in the Quarter 2 Finance Review an analysis of utilisation of the £40m. **Action: Finance Directorate with DG RMUs.**
- To bring to Executive Committee a paper on overseas pensions schemes, including risks around specific schemes; accountability; and a more general assessment of the FCO's management of LE pensions. **Action: Finance Directorate with relevant Posts**

- To draft a message, to issue from the PUS, on the need to provide supporting evidence for expense claims. **Action: Finance Directorate with Communications and Engagement Department**
- To schedule an Executive Committee discussion on the new appraisal form template. **Action: HRD and Board Secretariat.**
- To expand the proposal on HRD and wider organisational involvement in the posting systems, taking into account the Board's discussion and piloting two or three options with different stakeholder groups. Executive Committee would then review the proposal. **Action: HRD and Board Secretariat**
- To provide a note for Executive Committee setting out the rationale, risks and benefits of longer London tour lengths. **Action: HRD**

## Detail

### Key Events, Impact Monitoring and Top Risks Register

1. Board members reviewed key events and the FCO Priorities Dashboard for August and September 2012 which identified the priorities on which the FCO had had most strategic impact. It highlighted the FCO's role in the delivery of the 2012 Games and British Business Embassy; the end of the transition in Somalia; and the success of the Consular Communications campaign. Board members discussed the careful handling by Consular Directorate and our Paris Embassy of the killings in Annecy; and the FCO's handling of the Assange affair over the summer. Matthew Rycroft updated Board members on the generally positive outcome of the first Major Projects Gateway Review for the UK Estate Reform Project.
2. Board members agreed that their monthly discussion of key events and impact tended to focus on Security and that they should give more air time to Prosperity. They asked whether the data on press coverage could be extended to cover international media as this would provide a more complete picture of the FCO's external profile. They agreed that in November the Board should look at whether the FCO was on course to achieve the eighteen priority outcomes for this financial year, bringing this together with the business planning process. This work on impact should underpin resource allocation and become a tool for performance management.
3. Board members reviewed the Top Risks Register, noting that two new risks had been added and one, on the Olympics, removed. They agreed that the operational risk around the FCO's IT Capability should be broken down further to differentiate between more immediate risk and longer term institutional risk.
4. Board members challenged assessments on two policy risks and queried whether there was scope to streamline some of the policy risks into one

reputational risk, focusing on the FCO's ability and capacity to respond. They thought the TRR could distinguish more clearly between what the FCO did to reduce the threat and what it did to handle the risk if it happened. Board members agreed that the Strategic Policy Group should have an in depth discussion of the register with a view to slimming it down.

5. The Board discussed the series of security threats to our missions following the attacks in Benghazi in September. The safety of FCO staff had been the priority during this period. Board members commented that the crisis management system had worked well and thanked everyone involved, in London and at Posts.

### **Finance Key Performance Report (KPR)**

6. The Board noted that the FCO's small forecast underspend, and considered this against a number of risks to overspend including around pensions schemes for LE staff. Board members agreed that there should be a separate Executive Committee discussion of the Pension risks, to include: clarification of accountability; and lessons for the FCO's broader management of pensions.
7. Board members agreed that at Quarter 2, there should be a detailed analysis of the £40m allocated at the start of the FY for priority projects.

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

8. The Board noted the minutes from meetings of the Audit and Risk Committee, HR Committee and Operations Committee during August and September. Rudy Markham updated the Board on the ARC's review, with the National Audit Office of the FCO's Annual Report process and closure of the Account. The ARC were concerned that there continued to be lack of resource within Finance Directorate to manage the process. The NAO raised concerns about a lack of evidence in support of expense claims. Alison Currie confirmed that Finance Directorate would follow up the ARC and NAO comments on the Annual Report process and provide an update to Executive Committee. Simon Fraser agreed to issue a clear message to staff on expense claims and Board members asked that Anwar Choudhury include the expenses process in his review of FCO processes.

### **FCO's Framework for Locally Engaged Staff and Outcome of 4Ps Review**

9. Menna Rawlings introduced the Reviews, highlighting the opportunities they presented to:
  - get the best from all staff, UK based and LE, valuing excellence, recognising performance and supporting potential, wherever we see it;
  - increase global coherence, including with OGDs on our platform; and
  - ease the HR bureaucratic burden on staff.

10. Board members noted that the recommendations presented to them were the result of thorough, evidence based reviews and a highly consultative process. This was Diplomatic Excellence in action and the Board thanked Menna and her team, and everyone who contributed so constructively to the consultation process. They agreed that in their discussion of the Reviews, there should be presumption that recommendations were endorsed unless Board members stated otherwise.

### **One Global Workforce: the Right Framework for Locally Engaged Staff**

11. The Board agreed that the overarching principle of this review should be to increase the visibility; the voice and the value of our LE Staff. If this was successful, the result would be: a consistent management model and a more confident statement of the FCO's employer brand; clearer expectations of staff on performance; and an overall approach that enabled better use of the skills that existed within the network. The Board and FCO senior leaders should lead implementation with enthusiasm and determination to create a culture change within the FCO on how we view and use our staff.
12. In their discussion of the recommendations, Board members took into account: i) the importance of striking a balance between "local" and "global". The FCO should aim to be an excellent local employer in country and our Heads of Mission needed flexibility to achieve this; and ii) Civil Service Reform (CSR) and its possible impact on aspects of the Review.
13. The Board supported the following recommendations:
- i) A unified grading system for all staff and a single performance management framework: Board members discussed the difficulties and dependencies involved in unifying the grading system and noted the mix of views expressed during consultation. But they concluded that a more unified model was required. They agreed with HRD's proposed phased implementation period, starting with a review of all LE 1 and LE 1+ graded jobs to link them to the right UK based competences for appraisal purposes. They agreed that implementation should take account of, but not be dependent on initiatives in CSR to harmonise grading across Government. They noted that CSR could bring benefits such as greater harmonisation of grading across all Departments operating on the FCO's platform overseas. They recognised the role the Board had to play in driving implementation, particularly around issues such as performance related pay, which were core components of the FCO's method of performance management but which were not necessarily accepted or understood across our network.

- ii) Global management principles for all LE staff: Board members agreed that these should be aligned with the FCO's values and, where possible, should mirror those applicable to UK staff. Issues covered could include, inter alia: recruitment practices; induction; appraisals, poor performance procedures; absence / sick leave management; grievances; and conduct and discipline. The principles should be underpinned by standard policies that posts could adapt to local law.
- iii) A set of global best practice FCO branded Terms and Conditions of Service (TACOS) with a limited number of irreducible core standard elements which all posts must use: Board members endorsed this principle but agreed that detailed work should be conducted, including with PAGs, on implementation. The Board also discussed the possibility of including within global TACOS some minimum entitlements but did not reach consensus on the proposal. Some Board members were concerned that this could impact on local flexibility to too great an extent. Board members asked HRD to develop detailed proposals to pilot this approach. Executive Committee would then discuss this in more detail.
- iv) A Local Staff Advisory Group: Board members noted the support shown for this proposal from LE staff during the consultation period. The Group would act as a sounding board for central corporate policy and would build on the current practice of LE staff attendance at the Leadership Conference and membership of the Operations and HR Sub Committees.
- v) A senior management and leadership programme for selected LE 1 staff: Board members were content for HRD to run a pilot programme in FY 13/14.
- vi) Expansion of the Board observer scheme linked to funded short term London attachments: Board members gave strong support for the short term attachments and agreed that LE staff on London STAs should automatically join the Board observers' scheme.
- vii) The revision of guidance to remove barriers to business led deployment of skilled LE staff in the network: Board members were clear that was not about creating a mobile cadre of LE staff. There was no business need to do so. However, they recognised that, in a limited number of circumstances, there could be an organisational business need to allow short term staff redeployment to other FCO posts. The Board agreed that HRD should develop clear guidance to support such flexibility.
- viii) Greater best practice sharing amongst skilled staff in cadres: Board members noted the successful examples of cadres established by Consular, Finance,

UKTI and the Economics Unit. They agreed that Directorates should be encouraged to ensure that relevant LE staff were included in cadres.

14. There was no clear consensus on the recommendation to develop centrally – set pay methodology and a centrally let LE pay review contract. Board members did not discount this recommendation. They recognised the benefits of some central planning and guidance. For example, the lack of any central guidance on uplifting LE salaries in response to local inflation, meant that the DG cones all handled this differently. But at the same time, this had to be balanced with the need to retain local flexibility. Board Members asked HRD to develop their thinking further and bring a proposal back to Executive Committee for more detailed consideration. This could be after the pay benchmarking exercise planned for early 2013.
15. Board members recognised the importance of sequencing the implementation of the package of initiatives. Some could be launched immediately and some required further work and more detailed costing.
16. Board members agreed that communications to staff should:
  - restate the context within which the Review was set. The FCO's overall existing operating model would not change. The Review sought to integrate more fully of our LE staff into that model. There was a worry amongst some UK based staff that the LE Review might be detrimental to them. It was important to emphasise that this was not the case;
  - be assertive and clear about the decisions the Board had taken; and about the direction of travel on the initiatives where further consideration was required;
  - be absolutely clear that the issue of setting levels of LE pay was outside the remit of the Review

#### **Review of HR Policies on Performance, Potential, Promotions and Postings (the “4Ps” Review)**

17. The 4Ps Review focused on measures to ensure that the right people were employed in the right jobs at the right time; and to identify, support and nurture diverse talent. Board members confirmed their strong support for the Review and welcomed the high levels of staff engagement in the development of the recommendations presented to them. They noted that HRD had discussed the recommendations informally with the TUS and that following the Board discussion, HRD and the TUS would begin formal consultations on the whole package of recommendations.

18. Board members agreed that Performance Management was at the core of this Review. Get that right and everything else flowed from it. If successful, the Review would bring a more coherent approach to appointments and postings; a better balance between competences and skills; more streamlined and simplified processes; and a course correction on the balance between central HR control and the free market approach to posting.

19. The Board discussion focused on recommendations in four key areas:

**a) A new performance management system with moderation and a simpler appraisal form**

20. Board members agreed to move to a simpler appraisal form but asked HRD to take time to get the form right. The precise words mattered. It was an iconic document. It had to be compatible with, and provide adequate evidence for, the FCO's ADC system. There should be one form for all staff. Personal development planning should be integrated throughout the appraisal form;

21. Board members agreed that the FCO should look to align itself with the Civil Service HR (CSHR) Performance Management Framework but they had concerns about the standard reporting template, including around the lack of opportunity for self assessment. They noted that the CSHR model offered a balance between competences and skills and values. They supported this rebalancing but thought that wording on the template was confusing.

22. Board members supported the recommendation to move to three box markings (top 10 to 25%; middle 50 – 75%; and bottom 10 – 25 %.) but recognised the challenge of communicating the concept to staff. Performance Improvement Procedures should be coherent with the new process with PIP perhaps appearing as a checkbox on the appraisal form.

23. They supported the introduction of a web-based tool for gathering 360 appraisal feedback provided it was well-designed and easy to use.

24. The Board also supported the proposal to introduce appraisal moderation, starting with Bands C and D in FY 13/14, then assessing the benefits of rolling it out more widely. Although HRD already operated set quotas for SMS staff, a guided distribution approach was proposed for the delegated grades. Board members accepted this but asked HRD not to rule out the use of forced ranking if necessary.

25. Board members asked HRD to work on the design of the appraisal form, which the Executive Committee would discuss in more detail.

**b) Implementation of talent management**

26. Board members endorsed the proposal to move to the nine box grid system used across the rest of Whitehall. They agreed that the aspiration should be to roll it out for use at all levels and that line managers should receive training on how to use it properly. It should be implemented for specialists, to enable their participation in Whitehall specialist talent management.
27. Board members agreed that formal talent management processes should be instigated at Band D as well as SMS, as part of the appraisal moderation process. This should be introduced for the SMS at the end of the current appraisal year and into Band D by the end of appraisal year 13/14.

**c) Retention of ADCs but with more Directorate / line manager responsibility for decisions to prioritise candidates for places**

28. The Board confirmed that the FCO would retain ADCs. Board members agreed that HRD should shorten the B to C ADC but that it had to remain credible and rigorous. They also agreed proposals to change the way in which ADC places were allocated in order to prioritise candidates according to readiness for promotion. Improved performance management and the introduction of moderation would support this. The aim should be to increase the pass rate from 40% to around 75% and significantly drive down costs. They agreed to maintain the current use of appraisals as a component part of ADCs, but to communicate better how this was done

**d) Increased HRD strategic involvement in the postings system.**

29. Board members agreed that the current free market approach to appointments was time consuming and did not fully support the needs of the business. They noted that feedback from staff supported this conclusion and agreed that it was time to redress that balance and increase HRD strategic involvement in the appointments process. They did not however want the pendulum to swing too far in the other direction. The balance between institutional and HR input also had to be right. They asked HRD to pilot detailed proposals for subsequent review at Executive Committee.
30. Board members also considered a recommendation to bring more order to the postings “churn” by advertising jobs less frequently, in windows; imposing longer lead times for home jobs; and introducing longer London tour lengths. They warned against the creation of an overly complicated, inflexible system that staff then attempted to circumvent. They supported the principle of reducing “churn” in London by extending London tour lengths but sought reassurance that this would



work given the existing pattern of overseas postings. They asked HRD to provide a note for Executive Committee on extending London tour lengths, setting out the risks and benefits.

31. Board members also discussed a recommendation to relax some of the eligibility criteria that restrict fields for overseas postings, but maintain some where there would otherwise be risks of exacerbating gaps in London and hardship posts. The Board did not reach consensus on this recommendation and asked for further work to be done including to address concerns about the impact this could have on the ability to fill London jobs.
32. The Board did agree the recommendation that the responsibility for eligibility declarations should be transferred as soon as possible from HRD to the individual, freeing up HR staff to focus on strategic business support on appointments.
33. Board members considered how to communicate the outcome of the Review to staff. They asked HRD and Communications and Engagement Department to develop a narrative that explained: the purpose of the review and how it fitted with Diplomatic Excellence and linked to FCO Values; how the views of staff had helped to shape the recommendations; and the benefits for staff and for the FCO as a whole. HRD should then develop a detailed implementation and engagement plan.

Nicola Murray  
Board Secretary  
29/9/12