

FCO Management Board Minutes, 30 March 2012

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

Board Advisers: Anna Clunes

Also Present: for UK Estate Reform – David Cairns, Dawn McKen, Mark Jaloszynski (architect), Colin Dick, Kate White and Collette Weston; for Finance KPR - Iain Walker; for Top Risk Register – Fiona Maxton and Nicola Webb; and for Diplomatic Excellence – Anwar Choudhury and Catherine Morris.

## Summary

The FCO Management Board met on 30 March. The main item on the agenda was the discussion of the UK Estate Reform Project. The Board took a decision on the size / scope of a new Language Training centre to be located within the FCO's King Charles Street building. Board members commissioned further work on developing more detailed and fully costed plans for the entire project. The Board also discussed proposals for the introduction of a mechanism to measure the FCO's progress towards Diplomatic Excellence and to seek external validation for this process. The Board reviewed the FCO's Top Risk Register and February key performance reports for finance and human resources.

## Action Points

- To shift the focus of the Board's opening discussion from events to the impact the FCO has had by introducing a more formal system of measuring progress against objectives. To pilot this approach at the April Board meeting and then to consider how to incorporate use of FCO resource into the system. **Action: Alex Ellis with Policy Unit and Board Secretariat**
- To provide the Board with a record of Board Members' official travel during the previous month. **Action: Board Secretariat with Private Offices**
- To schedule quarterly progress updates against the Board's Diplomatic Excellence Agenda for 2012. **Action: Board Secretary to include in forward agenda**
- To include on the forward agenda for the Management Board discussions on the Conflict Pools and Peacekeeping Budget and on Expeditionary Diplomacy. **Action: Board Secretary to include in forward agenda**
- To work up detailed and costed plans for a medium and a large High Classification environment in KCS for agreement by the PUS, COO and Policy DGs. **Action: David Cairns and the UK Estate Reform Project Team**
- Within two months, to provide the Board with detailed and fully costed plans for the UK Estate Reform project, based around the medium option presented to the March Board, factoring in: i) overall affordability and value for money taking into

account the risks around disposal of the Old Admiralty Building and ii) optimism bias. **Action: David Cairns, Alison Currie and the UK Estate Reform Project Team**

- To review the existing Top Risk Register process and structures to make it less labour intensive and bureaucratic and to consider how to bring FCO responses to concurrent risks together. **Action: Alex Ellis**

## Detail

### Review of March Key Events

1. The Board structured their review of key events under the three Diplomatic Excellence themes of Policy, People and Network.
2. Key Policy issues in March included the visit of the Prime Minister and the Foreign Secretary to the US; growing concerns about the situation in Syria; some progress towards the relaunch of negotiations with Iran; and events in Afghanistan. The Board discussed the difficult kidnap cases the office had handled and noted the scale of FCO resource now being devoted to this issue.
3. Barbara Woodward highlighted progress on the Prosperity Agenda and increased collaboration with BIS and UKTI. The FCO's new programmatic approach to the Emerging Powers was now out for consultation with HoMs and Directors but initial feedback from Ministers had been positive.
4. Board members agreed that the Board and Directors event on 27 March had been useful and that these events helped to strengthen collective leadership at that level. The challenge now was to push this down to SMS 1 level and to bring Heads of Department into the policy debate.
5. Under the People theme, Menna Rawlings highlighted the ongoing reviews of Talent and Performance Management and of the FCO's LE Staff Strategy. Matthew Rycroft confirmed that he had received over 100 bids from LE staff to join his LE Leadership Learning Set. Matthew Rycroft drew the Board's attention to the closure of the FCO Comcen and thanked all Comcen staff for their service to the organisation.
6. On the Network, Rudy Markham and Julia Bond gave a read out from the Cabinet Office's Non Executive Board Members Conference. Two key themes had emerged from the discussion; the massive challenge the Government faced at the next Spending Round; and the need to work better across Government. Alison Currie commented that the Budget had had no immediate impact on the FCO but that there was a clear expectation that all Departments should be

reducing budgets. The FCO should be proactive about demonstrating what we are doing to reduce costs.

7. Board members agreed to shift the focus of this opening discussion from a review of events towards an assessment of FCO impact. Alex Ellis agreed to lead this work and to pilot a new approach at the April Board meeting.

## **UK Estate Reform**

8. At its November 2011 meeting, the Management Board had a preparatory discussion of the UK Estate Reform Project, looking specifically at initial design ideas; the open planning of office accommodation in some areas of King Charles Street (KCS) and the FCO's policy on flexible and remote working; Four months on, David Cairns, the SRO for the project, updated the Board on planning progress and asked Board Members to: i) confirm the scope of the proposed refurbishment of KCS; and ii) agree specific options for the creation of a language training centre and a high classification (HC) environment within KCS. This would then enable the Project Team to develop detailed and costed plans for the Board's consideration.
9. The Board restated its support for the UK Estate Reform Project. This was about improving FCO's effectiveness and providing a modern working environment that supported, rather than inhibited, the FCO's Diplomatic Excellence agenda.
10. Board members recalled that the original justification for this project had been the saving in running costs to be made from the consolidation of the UK London Estate into one building. This supported the wider Government objective to rationalise HMG's estate. However, since the Management Board's agreement in principle to exit the Old Admiralty Building (OAB) in January 2010, further risks had emerged around the disposal of the building. Also, further options and proposals had emerged for use of KCS. Board Members commissioned David Cairns and Alison Currie to do further analysis of those risks and, in light of that analysis, return to the Board within 2 months, with advice on the overall cost, savings, affordability and value for money of the project. The Board would then take final decisions on the overall scope and cost of the project. Before giving the project the green light, Board members should also seek Ministers' agreement, and would require advice from ESD and Finance Directorate on process and timelines for delivery, including meeting HM Treasury requirements.
11. The Board discussed the detailed Feasibility Document for the refurbishment of KCS, which had been developed by the external Project Team appointed in December 2011 on the basis of the steer from the Management Board in November and from responses from staff to a detailed consultation exercise. The key design deliverables in the study included: open plan offices where possible;

increased social / break out spaces; an improved working environment (lighting, ventilation etc) and shared flexible facilities (e.g. meeting rooms) and increased amenities.

12. Board members stated that their objective should be to use this project to rationalise the London estate and to improve working conditions for staff in KCS and supported investing to maintain the infrastructure and fabric of KCS. However, they were concerned about the cost, affordability over the period of implementation and about the balance between capital and admin costs. Board members agreed that as more detailed costings were developed, priority should be given to the internal structural remodelling. They also asked for more detail on the costs relating to staff facilities to enable them to do some prioritisation if necessary to keep costs down. On that issue they were grateful for the comments they received before the Board meeting from members of the Senior Leadership Forum and from Directors. The non executive board members stressed the importance of the Board agreeing its level of ambition, based on robust costings, and then using an effective procurement process to drive costs down further.
13. The Board then discussed two smaller projects that sat within the larger UK Estate Reform project: i) the creation of a language training centre within KCS; and ii) the need for an HC environment.
14. The Executive Committee had reviewed a number of different models for a language training centre, including locating the school externally or out of London. The Board agreed that a Language School should be located within KCS, in keeping with the Foreign Secretary's wishes and to improve the links between the language students and their future Directorates.
15. Board members endorsed the view of the Executive Committee that the priority for this project was to improve standards of language training delivery and that the best way to do so was to appoint a single prime provider, who would be responsible for the management and administration of the Centre and who would sub-contract the delivery of some services to other high quality providers. The Board took account of the limitations of space in KCS and confirmed that the centre should be of sufficient size to accommodate some, but not all language training. They endorsed a model incorporating a multi-media resource centre / library for self study, an informal meeting area, 3 large classrooms and 14 smaller classrooms for one to one tuition and confirmed that work could proceed on that basis.
16. Board members reviewed the options for a HC environment; considered the existing arrangements in other Government departments and the views and concerns of FCO Directors. They also considered the possible operational and space planning impacts of the creation of a large high classification area. They

were not able to take a final decision on the size of the environment but agreed that Directorates should either be entirely within the environment or outside it, not split. They asked David Cairns to provide additional, costed proposals for a medium sized and a larger sized model by 4 April for final decision by Simon Fraser, Matthew Rycroft, Geoffrey Adams and Robert Hannigan.

### **Finance and HR Key Performance Reports (KPR)**

17. Iain Walker highlighted the key points from the February KPR. The FCO's forecast underspend was £18.1m. This figure included an underspend of £5.2m in our Conflict prevention budget which was mainly the result of negotiated savings on our contributions to the UN Peacekeeping Budget and which could be rolled over into the next Financial Year through an HM Treasury mechanism. A further additional £4.3m of resource spending had been proposed and, if approved, would bring the FCO's resource underspend down to £8.6m. The Board agreed that this was a sensible financial position to be in at this point in the financial year but noted that the year to date spend was lower than anticipated.
18. Board members noted that the FCO's cash position was tight and that Finance Directorate were working with the Corporate Services Centre, UK budget holders, Posts and suppliers to ensure that the organisation was able to meet all of its obligations whilst staying within our cash limits. Alison Currie explained that this was caused by the number of budgets being held by posts across the world and a mismatch between cash accounting and resource accounting. Efforts were being made to resolve this problem but there was still room for improvement.
19. Board members asked Alison Currie to confirm arrangements for the year end process and the closure of the FCO account. She confirmed that Finance Directorate would produce a KPR next month with some provisional outturn data but that the final outturn could not be confirmed until June.
20. Board members reviewed progress against the admin savings targets agreed last year. They raised concerns about the gap between the Estates savings target, savings agreed and savings actually delivered. Matthew Rycroft confirmed that the Operations Committee was monitoring this closely. Savings from the implementation of the new policy on residential accommodation overseas were beginning to come in.
21. The Board noted the HR KPR for February. Menna Rawlings highlighted the 40% drop in numbers in the Corporate Pool, a reduction by half in the number of long stayers and an increase in the utilisation rate.

## **Top Risk Register**

22. Board members considered the full Top Risk Register this month. They noted that the Strategic Policy Group had, on 22 May, reviewed in detail the policy risks on the register, had compared it with a risk register produced by Chatham House and had made some recommendations for amendments to the TRR. The Audit and Risk Committee had reviewed the operational risks. Simon Fraser asked policy DGs to confirm that they were satisfied that the policy risks owned by their Cones were being adequately managed. Rudy Markham warned the Board to guard against being “bitten” by the high impact, low likelihood risks on the TRR, by ensuring that a suitable process was in place to monitor those risks effectively.
23. The Board asked Alex Ellis to review the TRR process with a view to streamlining it further and making it less of a box ticking exercise for Directors. The key element of this process was the discussions the TRR generated and the treatment of the risks. The Board’s role was to ensure that it received the right levels of assurance on the management of the risks.

## **Diplomatic Excellence – how good is the FCO?**

24. Anwar Choudhury presented to the Board the findings from the project he led to establish a method of measuring Diplomatic Excellence. He sought Board approval for a measurement framework that consisted of two parts: the first, an internal measuring process involving a quantitative (a mark out of 10) and qualitative assessment of the Diplomatic Excellence programme strands, then weighting and combining each of these strands under the three Diplomatic Excellence themes (Policy, People and Network) and then consolidating the results into a single composite mark; and the second, an external panel to be convened annually to validate our internal evaluation, assess our international ranking with our peers and provide feedback on how we might improve.
25. The Board endorsed the framework and the recommendations (subject to the comments and suggestions below) and agreed to the creation of the external panel. Simon Fraser commended Anwar and his team for all of their work and for the very successful high level external event they had run with Wilton Park to test the proposed framework externally. This work had helped to strengthen the credibility of the Diplomatic Excellence initiative across Whitehall and beyond.
26. Board members agreed that the relative weighting of the programme strands within the Policy theme, currently 30% for Foreign Policy, 10% for Economic and Commercial Diplomacy and 10% for Consular Policy and Services, should be altered to reflect the priority the Foreign Secretary had given to the Prosperity Agenda, a view supported by the SLF membership. They asked Anwar to reach agreement with Prosperity and Consular Directorates on an appropriate weighting. Nick Baird proposed, and other Board members agreed, that the

assessment of performance within the Economic and Commercial Diplomacy strand should include commercial delivery too and that UKTI should feed into this process more systematically.

27. The Board asked Anwar to review membership of the external panel to correct the gender imbalance and to achieve diversity in its broadest sense, moving away from the “usual suspects”.
28. The Board considered the feedback from the external event and from external interviews conducted by Anwar and his team that to be the best diplomatic service in the world, the FCO needed to be more single minded in pursuing the national interest. They endorsed this view. The 2015 vision text should set out explicitly what excellence would look like and should engage all staff, not just those in policy jobs.
29. Board members then discussed next steps and how to keep this process real for staff. They agreed to highlight examples of Diplomatic Excellence during the course of the opening session of the Management Board meeting. They agreed that the internal framework should not be allowed to become process heavy and that measurement should be conducted through the Diplomatic Excellence structures and processes that already existed.
30. Geoffrey Adams pointed out that, of the stakeholder groups interviewed for Anwar's project, the lowest scores had come from FCO staff. Board members recognised the importance of engaging with staff more effectively on Diplomatic Excellence. They should lead this but should enlist the help of Directors, Heads of Missions and Heads of Department to help staff to understand what Diplomatic Excellence meant for them. Board members asked Communications and Engagement Department to lead on communications to the organisation of the results of this project.

### **Sub-Committee and Executive Committee Meetings**

31. The chairs of the Management Board Sub Committees highlighted to Board members the main issues discussed during their March meetings.
32. The Audit and Risk Committee had discussed the risks associated with the Conflict Pool and the Peacekeeping budget. Board members agreed that they should also review these risks and the Board Secretary confirmed that this issue was on the agenda for the April Board meeting. Rudy Markham also highlighted the ARC's recent effectiveness review and asked Board members for their feedback on the ARC's performance. Matthew Rycroft agreed to lead the Board's response given the significant alignment between the ARC, the Operations Committee and the Executive Committee.

33. From the Operations Committee meetings on 5 and 19 March, Matthew Rycroft highlighted the discussion on expeditionary diplomacy. Board members agreed that this should also be discussed at Board level.
34. Menna Rawlings, acting Chair for the March meeting of the HR Committee, updated the Board on the HR discussion of trial run for the People Commitment that HRD was developing – an action point from the January Board meeting.
35. Board members noted the records of the March meetings of its Executive Committee.

### **Feedback**

36. Simon Fraser invited comments from the Board observers on any aspect of the Board meeting or of the subcommittee meetings they had attended. One observer commented that there appeared to be a disconnect between the Board's position of caution on the UK Estate Reform project and the tone of recent messaging on the project to all staff. Another advised the Board to tap into the expertise that existed within other Government Departments on managing large estate projects.

Nicola Murray  
Board Secretary  
2/4/12