

FCO Management Board Minutes, 20 July 2012

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

Apologies: Nick Baird

Also Present: Anna Clunes. For FCO Impact and Top Risks Register – Fiona Maxton and Lisa Bandari; for UK Estate Reform: David Cairns, Paul Duffree, Tony Whitehead and Dawn McKen; for Finance KPR - Iain Walker and Geoff Nixon; for Quarterly Security Update; David Cairns and Nick Latta

Summary

The FCO Management Board met on 20 July 2012. Board members approved the Strategic Outline Case for the UK Estate Reform Programme, subject to some amendments to reflect the feedback they provided during the meeting. They also reviewed progress to deliver the £100m savings target for this Spending Round and received an update on Network Shift. They conducted the quarterly review of the security of staff, buildings and information and reviewed: the Finance and HR Key Performance Reports; the FCO Priorities Impact Dashboard; and the Top Risks Register Summary.

Action Points

- To develop a proposal for the declassification and wider dissemination of the FCO Priorities Monthly Impact Dashboard. **Action: Policy Unit**
- To update the UK Estate Reform Programme Strategic Outline Case to reflect the Management Board's discussion on 20 July, to brief Ministers and to seek Supervisory Board endorsement on 13 September. **Action: David Cairns, UKERP Team with COO.**
- To incorporate into the KPR information on contingencies and provisions for consideration by the Audit and Risk Committee and the Management Board. **Action: Finance Directorate**
- To include on the agenda for Executive Committee's next quarterly review of the Strategic Workforce Plan, in October, advice on how to manage more actively the gap between supply and demand. **Action: HR Directorate**
- To consider the regularity of reporting for the HR data sets contained in the HR KPR. **Action: HR Directorate with Board Secretariat**
- To provide advice to Executive Committee on affordability of the FCO's LE paybill by end SR 10 and beyond: **Action Finance Directorate with DG RMUs. Board Secretariat to include this discussion in ExCo's forward agenda.**

- To include in the October Management Board Quarterly Security Review details of Cat A posts and the operational impact of changing categories. **Action: ESD**

Detail

July Priorities Monthly Dashboard, Impact Monitoring and Top Risks

1. Simon Fraser opened the discussion with a review of key events in July, including diplomatic efforts on Syria; Libyan elections; the swearing in of Egypt's President Mursi; the Tokyo Conference on Afghanistan; and the launch of the Government's Review of the Balance of EU Competences. He commented that the biggest event of the month, the Olympics, was only a few days away and that the pressure on the FCO around VIP handling was mounting. The FCO Olympics work had been strong. The Board also noted the impact that the sporting events around Whitehall would have on the FCO's London operation. Board members discussed the IT problems the FCO had experienced during July.
2. Board members reviewed the Priorities Impact Dashboard. July marked the end of the pilot of the new system. Board members agreed that the system should continue and that they should use it to drive the behaviours they wanted to see. The process was already helping to shift focus from activity to outcomes and, if this trend continued, the cumulative evidence gathered through this process could enable the Board to make better value for money judgements and to build a stronger case for the next Spending Round.
3. Board members warned against the process of collecting and ranking data becoming too bureaucratic. Ensuring that it was consistent and co-ordinated with other planning processes, including Business Planning and the Top Risks Register would help reduce the burden on staff and increase its credibility.
4. Board members liked the inclusion of data on PQs and asked Policy Unit to find a way to include data on PQs on corporate issues too. They thought that the inclusion in the Dashboard of data on programme funding was also useful. The Board welcomed this move to link outcomes to inputs but noted that to provide a fuller picture of FCO resource (people, money and network) would require changes to Activity Recording. They decided against mandating such changes at this stage, noting that Finance Directorate's ongoing work to improve the FCO's medium term resource planning would start to build these links.
5. The Board asked Policy Unit to continue to refine inputs and the measurements, reducing bureaucracy where possible. Board members agreed the end product should be unclassified if possible and asked Policy Unit to provide advice on sharing the dashboard more widely with staff soon and, once the Board was

content with the end product, across Whitehall and to the members of the Diplomatic Excellence External Panel.

6. Board members reviewed the Top Risks Register (TRR) Summary and challenged the assessments on a number of policy and operational risks. Linking the TRR with the impacts on the Dashboard enabled the Board to assess whether policies aimed at mitigating risks were actually achieving the desired reductions in likelihood and/or impact. Where risks remained high likelihood and high impact, Board members should be questioning the value of the FCO's mitigation actions.
7. Board members confirmed that "bubbling under" risks should be reviewed each month.

UK Estate Reform Programme (UKERP)

8. The Board approved the formal Strategic Outline Case (SOC) for the UKERP, and the preferred option (3a) in the SOC, but asked David Cairns and the Programme team to refine the SOC further to reflect the following comments:
 - The options included in the SOC should be sharpened and the pros and cons for each option should be strengthened. Board members recognised that HM Treasury and the Major Projects Authority would expect to see a number of different options included in the SOC but questioned whether there were too many;
 - The financial case was vastly improved but could be strengthened further. HMT's bottom line would be value for money. The financial case set out in the SOC should provide more data on the net saved maintenance costs in KCS and saved capital from exiting OAB;
 - The risk register in the SOC should include "people" risks (e.g. impact on staff morale; working environment). These risks and mitigations should be developed more, even if just for FCO internal purposes. Board members agreed that the appointment of the Business Change Manager should be accelerated; and
 - The Supervisory Board should be included at the top of the Programme Governance Structure.
9. In addition to approving the SOC, Board members offered their active support throughout the Programme, including in a series of interviews with the Major Projects Authority in September, as part of the Gateway process. They agreed that the wider FCO leadership should also be aligned behind the Programme. Feedback from the pre Board meeting with Directors had highlighted some concerns about availability of funding and about the impact on staff.

10. Board members noted the high levels of staff engagement on this project to date and agreed that this should continue. The comms should set out the Board's vision – the creation of a better working environment - but should also provide reassurance and inspire confidence that programme governance was robust; that timelines were realistic and risks being managed; and that the FCO had the money and the capability to deliver the end product. They agreed with advice from Alan Charlton, HMA Brasilia who stressed the importance of frank and detailed briefings for groups of staff on how and when they would be affected, making clear not only the benefits but also the impact on them of the transition. Where possible, staff should be able to be involved in the design of their work areas. Feedback from observers at the Board meeting indicated that such engagement had worked well during the Legal Directorate office move.
11. The Board discussed timelines, noting that the Programme was currently at Gateway 1 stage and should reach Gateway 2 in February 13. Seven to eight months later, the full Business case would be submitted to the MPA with contractor in place by autumn 13. Informal discussions with HMT had already begun. Ministers should be briefed and should be comfortable with the SOC. The SOC should be formally endorsed by the Supervisory Board at its next meeting on 13 September and then submitted to HMT.

June Finance Key Performance Report (KPR) and Quarter 2 Review

12. The Board noted that, following the Quarter 2 Review, the FCO was already forecasting an admin underspend of £15.6m and a capital underspend of £2.9m. Board members expressed surprise at a forecast underspend quite early in the Financial Year, even after the £40 million reprioritisation had been factored in. Alison Currie explained that the admin underspend was due, in part, to recent transfers from other Departments totalling £10m. This sum would be held centrally as contingency for the centrally owned risks highlighted on the new Risk Tolerance page in the KPR. Board members questioned whether this was necessary, given the FCO's tendency to underspend, but accepted Finance Directorate's approach. Board members agreed that the KPR should include regular reminders of the FCO's shrinking allocation each year and the need to maintain a downward trend on spend.
13. Iain Walker confirmed that Finance Directorate had established a more formal contingency process, including the assessment of liability, outcome, extent of loss etc, and would now formalise reporting to the Audit and Risk Committee and the Management Board through the KPR.
14. The Board noted the Quarterly Data Summary for July.

June HR KPR

15. Board members reviewed the HR KPR for June and commented on the continuing gap between UK based headcount and demand. They considered whether DGs should be more proactive in closing the gap by closing down slots that had been vacant for several months. This could be done in conjunction with the DGs' prioritisation exercise. Menna Rawlings told Board members that the supply v. demand picture could change rapidly once staff in Bands A and B return from overseas postings. They agreed to discuss supply v. demand in more detail and the Executive Committee's next quarterly review of the Strategic Workforce Plan in October 12.
16. Board members asked Menna Rawlings and her team to review the HR KPR to identify data sets to be included monthly, quarterly or less regularly and to focus the Board's discussion of the HR KPR by identifying a theme each month. They asked to see data on appraisals as soon as it was available and queried whether the data on sickness rates was accurate. They agreed to keep under close review the data on long stayers in the Corporate Pool. They reviewed the statistics on SMS Diversity, noting that the FCO was on course to break the 25% barrier for numbers of women in the SMS but that the statistic was fragile, often reflecting numbers of male staff leaving the FCO rather than increases in female staff entering the SMS. They expressed frustration that the FCO had not made quicker progress towards its diversity targets and noted that Executive Committee would discuss Diversity in more detail in August.

Update on £100m Savings Programme and Network Shift (NWS)

17. Board members reviewed progress on NWS and on delivery of the £100m Savings Programme. They concluded that the assumptions on which these programmes were originally based still held and that work should continue to deliver the agreed targets.
18. The Board noted that the uplift aspect of NWS was on track but further progress was required to make the necessary reductions in subordinate posts in Europe and in Iraq and Afghanistan to achieve cost neutrality. Board members agreed to retain the aim of cost neutrality. The Foreign Secretary had announced this to Parliament. It was also important for the Board to demonstrate that it could deliver a resource neutral project given that, historically, the FCO had not been good at stopping activity.
19. Board members asked whether NWS was sustainable in an increasingly tough financial environment. They also warned against overstretch, regardless of whether further expansion was affordable. They recommended that, in advance of the next SR, there should be a review of the impact of Network expansion.

20. Matthew Rycroft updated the Board on progress toward the savings target of £100m running costs by FY 2014/15. Since the Board agreed the target in January 2011, the split between HR, Estates and Corporate Services had shifted slightly and a new Procurement target had been added as an incentive to drive down costs and secure better deals for the FCO. Board members asked for more information on how this procurement target had been calculated.
21. Board members sought reassurance that sufficient effort was being made to secure savings that had been identified but not yet agreed. They also stressed the importance of ensuring that savings made through NWS in Europe were not double counted. Matthew Rycroft highlighted the role the Operations Committee played in monitoring these issues. Shan Morgan mentioned views expressed by members of her HoMs group that the potential cumulative impact of smaller estates projects across the Network could produce significant savings.
22. Board members raised concerns about the affordability of the FCO's LE paybill by the end of SR10 and beyond and recommended that Executive Committee discuss this concern in more detail.
23. Board members considered the challenge of communicating to staff the importance of delivering the savings targets while at the same time reporting a forecast in-year underspend. The Savings Programme was a longer term, structural shift, consistent with the overarching strategy to reshape the FCO and live within long term funding reductions.

Quarterly Security Update

24. Board members reviewed the quarterly security key performance indicators on protecting our people, buildings and information; and additional information on serious incidents and breaches between May and July. Violent crime and the threat from terrorism had increased. The Board noted with sadness the death of an LE member of staff in Helmand. Levels of violent crime in Sub Saharan Africa were of particular concern, warranting a wider review of the nature of the FCO's deployment there and whether sufficient account had been taken, when calculating allowances, of the impact of violent crime on quality of life of staff.
25. The Board asked why there had been a large spike in reported staff harassment. Nick Latta explained that the data was a work in progress. Most posts were reporting more incidents, including of staff harassment, probably as a result of the increased awareness among staff of the interest at the centre for this sort of information.

26. Board members asked ESD to include in the next quarterly update, details of the FCO's Cat A posts and on the operational impact of changing categories.

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

27. The Board noted the minutes from the late June / July meetings of the Audit and Risk Committee, HR Committee, Operations Committee and Health and Safety Committee. They also noted the FCO Health and Safety Annual Report.
28. Rudy Markham and Alison Currie confirmed that a review of the closure of the FY 11/12 Account was in hand and would be presented to the Management Board and the ARC. The ARC would also consider separate reports from Finance Directorate and the NAO on the issues around the FCO's treatment of foreign exchange.
29. Barbara Woodward highlighted the HR Committee's discussion of FCO Learning and Development and the concerns raised by some Committee members about the last minute cancellation of some Civil Service Learning (CSL) courses. Board members agreed that the FCO should continue to support CSL but should also raise concerns where necessary.
30. The Board noted the records of Executive Committee meeting in July and reviewed Action Points, including written updates on the ECHO programme (ExCo/2012/20) and on the Bribery Act (BA2011/85).

Nicola Murray
Board Secretary
21/07/2012