



Foreign and Commonwealth Office: Progress and next steps

Foreword

The first Capability Reviews were published in July 2006. Their purpose was to give honest and robust assessments of capability to central government departments and to identify the specific measures needed to ensure that the Civil Service is equipped to meet its future challenges. My aim was to develop a culture of excellence and continuous improvement in every part of the organisation and to ensure that the Civil Service was at the heart of the Government's commitment to delivering world-class public services.

Since then, the Capability Reviews Team in the Cabinet Office has reviewed 17 departments and worked with them to address areas highlighted for improvement. The team has worked with more than 100 external reviewers drawn from a wide range of backgrounds in the private, wider public and voluntary sectors, as well as directors general from other government departments. The team members have added a much-welcomed independence to the reviews and have shared their insights and experiences to help departments in their development.

Our progress report and the external validation of the Capability Review process by the Sunningdale Institute in 2007 demonstrated a picture of improvement, often against very challenging internal and external pressures. Our challenge is to sustain this improvement and to build on this to deliver excellence in the Civil Service.

We know that the pace of external change will continue to increase, so we need a Civil Service that is flexible and able to respond quickly and professionally to all new and emerging challenges. To that end, we are now revisiting the departments we have reviewed to assess progress and to discover and share best practice. This report on progress and next steps for the Foreign and Commonwealth Office (FCO) is the first step in that process.

I would like to congratulate FCO for making good progress over the last two years. In particular, I have been pleased to hear about the progress made through the new Local Staff Strategy, which means much greater opportunities and integration for these staff, thereby transforming the way the Department works overseas.

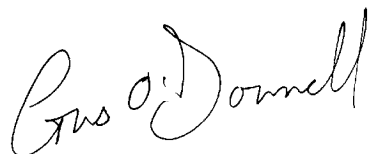
Effective departmental leadership remains the key to unlocking capability and departmental performance and I am pleased that there has been a strengthening of top teams in departments, supported by a new Civil Service leadership framework for the Senior Civil Service as a whole.

It is important that the Civil Service is able to turn the changes following the reviews into improved delivery in new and complex environments, with and through a range of delivery partners and stakeholders. To meet increasing public expectations, it will be important for departments to enhance their delivery capability and to improve the way they work across departmental and sector boundaries. Although there is evidence of strong performance in these areas, I will look to the Capability Review programme to be the catalyst for further change.

I would like to thank and acknowledge the support of the review team that has made this progress and next steps report possible. The members of the team were:

- Gill Aitken, Director General, Legal Services and Human Resources, Department for Environment, Food and Rural Affairs;
- Mark Hammond, Chief Executive, West Sussex County Council; and
- Stephen Hawker CB, former Director General-level civil servant.

This report marks a further step towards the achievement of excellence and continuous improvement. Each department will respond by addressing particular areas for improvement identified in its review. The Capability Reviews Team, on my behalf, will continue to review progress, but I will also expect departments to maintain a self-assessment of their capability in the light of their current and future challenges.



Sir Gus O'Donnell KCB
Cabinet Secretary and Head of the Home Civil Service
March 2009

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1. The Department

The Foreign and Commonwealth Office aims to build a better world, which is necessary for a better Britain, under the mission statement 'Better World, Better Britain'. To achieve this, it works in partnership with other government departments, organisations and civil society.

The Foreign and Commonwealth Office (FCO) has a strategic framework that provides clarity on the Department's priorities and its role within the UK and government. This strategy was produced following extensive discussions and deliberations during 2007. It reflects the fact that, in an interdependent world, it is no longer possible to have environmental, physical or economic security in the UK without promoting the same level of security overseas. A better world is necessary for a better Britain.

This framework encompasses FCO's core roles in advancing the UK's international policy goals and providing services internationally to UK citizens and businesses through a global network, specifically:

- a flexible global network serving the whole of the UK Government;
- three essential services that support the British economy, British nationals abroad and managed migration for Britain; and
- four policy goals to:
 - counter terrorism and weapons proliferation and their causes;
 - prevent and resolve conflict;
 - promote a low-carbon, high-growth, global economy; and
 - develop effective international institutions, above all the United Nations (UN) and European Union (EU).

The framework explicitly recognises the role of FCO's global network in delivering for government as a whole. So, in addition to delivering its policy priorities and public services, FCO overseas posts will continue to provide a platform for other departments to deliver their own international priorities.

The four policy goals, three essential services and the global network function are now FCO's Departmental Strategic Objectives (DSOs). The DSOs drive the business-planning process, and the DSO plans flow into geographical, directorate and country plans.





FCO leads on the Public Service Agreement (PSA) on conflict reduction (PSA 30: Reduce the impact of conflicts globally through enhanced UK and international efforts) and contributes to the delivery of PSAs on migration (PSA 3), international terrorism (PSA 26), climate change (PSA 27) and poverty reduction (PSA 29). FCO also assists with the international delivery of a number of other PSAs, through the support and assistance provided by its network of posts.

FCO's 14,900 staff pursue these objectives in the UK (2,600 staff) and in a global network in 175 countries (12,300 staff), including staff in Embassies and High Commissions, in subordinate posts outside capital cities, in the UK's Overseas Territories and in delegations to 21 international organisations (including the UN, NATO and the EU).




2. Assessment of capability for future delivery

FCO engaged seriously with the findings of the 2007 Capability Review. The Department has demonstrated enthusiasm and commitment to change and improvement. The Department has made considerable progress in key areas, including a better definition of its role and purpose, more strategic HR, and improved business planning and change management. Much of this is work in progress, and FCO needs to continue to think radically about its place in a changing world. Considerable improvements in leadership, along with plans that will improve strategy and delivery, give confidence that genuine change has begun and that improvements will continue.




Leadership

L1	Set direction		Well placed
L2	Ignite passion, pace and drive		Strong
L3	Take responsibility for leading delivery and change		Well placed
L4	Build capability		Well placed

Strategy

S1	Focus on outcomes		Development area
S2	Base choices on evidence		Well placed
S3	Build common purpose		Well placed

Delivery

D1	Plan, resource and prioritise		Development area
D2	Develop clear roles, responsibilities and delivery model(s)		Development area
D3	Manage performance		Well placed

The model of capability is shown at Annex A.
The assessment categories are shown at Annex B.

3. Review findings

Leadership

Strong progress has been made in redefining FCO's agenda, developing a more effective corporate Board and empowering staff to change the way they work. The Department now needs to ensure that its ambitious change plan delivers what is necessary for the future, particularly in relation to HR.

Strong progress has been made in redefining FCO's agenda, developing a more effective corporate Board and empowering staff to change the way they work.

- FCO has realigned its work around eight new DSOs under the strapline 'Better World, Better Britain'. These objectives are widely understood and supported by staff and stakeholders: 92 per cent of staff understand how their work contributes to the direction of the Department (2008 Staff Survey). In addition, 82 per cent of FCO's key stakeholders ('Partners Across Government') are aware of the new strategy, and 70 per cent think it will meet their needs very or reasonably well (2008 Stakeholder Survey).
- Staff are passionate about working for FCO: 84 per cent are proud to work for the Department, and 88 per cent get a sense of personal accomplishment from their work (2008 Staff Survey). Staff frequently mentioned the range of jobs available and the sense that they are 'making a difference' as motivating factors.
- Steps have been taken to improve the senior leadership of FCO. The Permanent Secretary received consistent praise from staff and stakeholders for his leadership of the Department. The wider senior leadership is more actively engaged in corporate decision making, for example the Leadership Conference was asked to vote on whether to accelerate the roll-out of the new Future Firecrest IT system and accept the associated risks.
- Performance appraisal now requires evidence that team leaders are also effective managers, a move that staff have welcomed: 64 per cent of staff have overall confidence in the senior managers within the Department (2008 Staff Survey), a rise of 11 percentage points from 2007.
- The change programme is being delivered by a very motivated team, particularly at director and director general levels, and is supported by a network of change agents in the UK and overseas. The 'just do it' change message is increasingly well understood and staff said they felt empowered. The percentage of staff who think change is well managed in the Department increased by 11 percentage points between 2007 and 2008 to 47 per cent, against a government benchmark of 26 per cent (2008 Staff Survey).
- The Civil Service Corporate Functions Board reports that FCO's HR function is now much stronger and is interacting with the FCO change team effectively. The development of the Strategic Workforce Plan, Five-year Diversity Strategy and Local Staff Strategy indicates that the Department is committed to these changes in the medium to long term. Staff at all levels identified Assessment Development Centres, flexible working and greater emphasis on management capability for line

managers as examples of positive changes resulting from these new approaches. Within Embassies and High Commissions overseas, the policy of treating all staff, including local staff, as 'one team' is clear.

The Department now needs to ensure that its ambitious change plan delivers what is necessary for the future, particularly in relation to HR.

- FCO has a large number (11) of individual change programmes. The Department will need to manage them carefully to ensure that they deliver coherent and complementary results.
- The Local Staff Strategy has the potential to deliver a step change in FCO's effectiveness overseas. The Department needs to move quickly to deliver the promised changes if it is to retain the support of staff.
- Staff said that the creation of FCO's new talent management model for senior grades was a positive step, but implementation has been variable, and some staff are not clear about what it means for them. The Department needs to move quickly to rectify this if the process is to retain credibility. Staff felt that the talent strategy for the middle band (into which 90 per cent of staff fall) was not clear. HR should ensure that all senior staff know what the next steps are for them before the model is extended to lower grades.
- Staff expressed some uncertainty about some aspects of the new 'self-service' HR approach. Some were unclear how it affects their ability to secure the jobs that will help them develop a broad range of skills, and staff in lower grades think they will be less likely to get overseas experience. Line managers and staff may need additional help to manage the transition.
- Staff and stakeholders encouraged FCO to be more confident, in particular in its role as a negotiator, facilitator and broker for others. Staff and stakeholders felt that DSO1, which aims to deliver a flexible global network for the Government overseas, was a positive step, but they wanted the Department to take a stronger lead.

Strategy

FCO's overall strategic capability is improving: the new DSOs are focusing work on priority areas; stronger working relationships are being built with key partners; and the central Strategy Unit has been re-established. The Department now needs to use these tools to drive delivery of specific outcomes and improve the impact of its analytical strengths.

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- The Department's new business, country and regional plans demonstrate that it recognises the value and importance of a more strategic approach to policy

delivery. Reprioritising work in some areas has freed up resources to work on more pressing issues, and shifting staff from Europe to Asia and Africa is evidence of responsiveness to the changing world.

- The re-establishment of the Strategy Unit as part of the new Directorate for Strategy, Policy Planning and Analysis shows a clear intention to foster and value the strategic use of evidence throughout the Department. Analysts work in the different directorates but are now managed centrally, creating the potential for better strategic use of evidence for the whole of the Department. The Unit's approach is to teach staff how to use strategic tools, which should improve FCO's long-term capability.
- Customer insight material is being improved to enhance the balanced scorecard that FCO's consular operation uses to measure performance. Following the Government Knowledge Management Survey, FCO is improving knowledge capture, for example by piloting a Knowledge Card to preserve information about issues when people in post change.
- At senior level, the working relationships with the Department for International Development (DFID) and the Ministry of Defence (MOD) have improved noticeably. This is as a result of concerted efforts by the Permanent Secretaries in particular, who, for example, now undertake joint trips to key posts to gather evidence of progress on the ground. The agreement recently reached by DFID and FCO regarding pay and conditions for local staff is also a very significant step.
- FCO's overall stakeholder management remains strong: 91 per cent of key government partners feel that FCO provides a good or very good service, which is almost unchanged from 2006. The proportion of stakeholders who feel 'very well' engaged rose from 20 per cent in 2006 to 42 per cent in 2008 (2008 Stakeholder Survey).

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- Staff, and a number of stakeholders, think that FCO is seen as a 'tactical' organisation. In some areas of its policy work, FCO lacks a clear view of how it will judge progress and success, and the evidence needed to support its judgements.
- Some staff said that the Strategy Unit needs to be more visible. It has not always been involved by directorates in key policy discussions. However, the work that the Unit has done has demonstrated that it adds value and can improve the evidence base underpinning strategic policy decisions. Several stakeholders noted that FCO is less good at looking retrospectively at the impact of its interventions and learning lessons for the future.
- FCO needs to balance a focus on long-term strategic priorities with the ability to respond quickly and appropriately to external challenges, such as the global economic downturn. It needs to be able to define better where it adds value in such situations and then take action to ensure that its voice is heard.

- While the Permanent Secretary has worked with his counterparts in DFID and MOD to improve joint working, stakeholders said that this is not always replicated in other parts of FCO where strategies are developed and expenditure committed.
- Stakeholders highlighted other barriers to close working that need to be addressed. The charging system used in overseas posts is a particular frustration for many other government departments. Current work on finding an improved solution to this should be accelerated to ensure the most efficient and effective use of the UK's overseas network.
- The Department should be mindful of creating new obstacles through changes to its working arrangements. Some stakeholders felt that the new arrangements for transactional services, such as passport processing (which create a small number of central 'hubs' for key processes and 'spokes' that feed in data), risked losing the policy dimension to this work.

Delivery

The Department has improved the tools it uses to manage, prioritise and drive delivery: it has better business plans and management information and new regional delivery models. FCO needs to ensure that workforce planning delivers the necessary skills and flexibility, and that efficiency is pursued explicitly in everything it does. It must also think seriously about the implications for the role of the centre of the Department, given the approach it has adopted for development of the overseas network.

The Department has improved the tools it uses to manage, prioritise and drive delivery: it has better business plans and management information and new regional delivery models.

- FCO has introduced annual business planning processes since the 2007 Capability Review, creating better links between DSOs and their owners, resources and deliverables. Stakeholders and staff have noticed an overall improvement and are predominantly positive about the changes.
- Management information is better than two years ago, and the Board has shown a commitment to improving this further. In particular, the Five Star Finance programme has had a significant impact on the quality of financial information and on budgetary control.
- FCO is focused on developing the right technology and systems to support delivery. It has recognised the important role IT plays in improving delivery and has prioritised the roll-out of the new Future Firecrest IT system accordingly. The closure of the Shared Services programme in favour of a new corporate services approach demonstrates that the Board now has the confidence to manage the development of a model that is more appropriate for FCO's business.
- The Department is encouraging and supporting innovation across the network, including consular, visas and UK Trade & Investment. The Nordic/Baltic network is pioneering new regional working arrangements that promise better use of scarce

skills and knowledge, more resilience and greater efficiency. The energy, enthusiasm and leadership in the network is impressive. Other regions are following developments and are keen to learn from the experience.

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- Stakeholders and staff said that there is more work to be done to continue to improve and embed business planning. Equally, management information needs to reflect better the outputs and outcomes, as well as continuing to progress the quality of information on inputs. Stakeholders and staff raised the problem of applying metrics and measures to FCO's policy work. The Department needs to tackle this and find better ways of charting its progress that can be widely understood and used.
- A number of stakeholders noted that FCO underperforms when required to run programmes and projects. Historically this has not been core to FCO's business, but there is now a need to ensure that staff understand the importance of good programme and project management skills and apply them to deliver work on the ground.
- Senior staff said that efficiency savings had not been a key driver in all parts of the change programme. For example, cost saving was not an explicit target in the creation of the Nordic/Baltic network. The forthcoming estate management strategy for making better use of the Department's assets is an opportunity to improve efficiency. FCO should make efficiency savings a priority when developing new ways of working, particularly given the current economic climate.
- While FCO has developed innovative regional delivery models that have been well received by staff and stakeholders, the long-term implications for the centre and the organisation as a whole are not clear. Local models need to be consistent with and support the overall direction and strategy of the organisation, and they should work to common standards and systems, where necessary. The improved capability that should be provided by the Future Firecrest IT system and the Corporate Services Programme will create opportunities for greater efficiency and new ways of working between London and overseas posts.
- The Strategic Workforce Plan is not sufficiently linked to the changes going on around the network. FCO's 'just do it' message on network innovation needs to be matched with a highly effective approach to workforce planning if the Department is to avoid skills gaps in the future. There is no evidence that the centre is considering how active it needs to be in monitoring and responding to changes in the network if HR is to be able to recruit and train staff to match the changing structures.

**Capability Reviews Team
March 2009**

4. Departmental response: plans for continuous improvement

The Board and wider leadership of FCO welcomed the 2007 Capability Review and, although some of the findings were challenging, we accepted them. Working closely with FCO ministers, we have put sustained energy into implementing them, to make FCO more fast, flexible and focused.

We are glad that the review found that we had made progress in the key areas for action identified in 2007. This is consistent with the evidence from the survey of our stakeholders and our 2008 Staff Survey – which achieved a 71 per cent response rate and improved positive responses to the great majority of questions.

We fully accept that FCO is in the middle of a profound transformation, and that there is much still to do to derive full benefit from the direction we have set and the change programmes underway.

We are committed to continuous improvement in the areas identified in this review, and in particular in the areas set out below.

Leadership

We have set a strategic direction for FCO and have moved resources to our highest priorities. We are pressing forward with a number of significant change programmes which will make FCO more efficient and flexible, and will drive down the cost of maintaining our global network of Embassies. We are seeking to encourage our staff to be more innovative, and to empower them to take the initiative in proposing more efficient and modern ways of working. We entirely agree that these change programmes will need careful overview from the Board to ensure coherence and effective communication.

We have made progress on a more strategic approach to HR. The Strategic Workforce Plan is proving an essential tool in driving decisions on the skills and staff we will need for the FCO of the future.

The 'One Team' Local Staff Strategy is transformational: it has already led to more local staff in more senior, better-paid jobs in our Embassies and is encouraging mobility of staff between countries. We are committed to improving the delivery of HR services to our staff and to ensuring that everyone understands the purpose of our talent management initiative.

Strategy

The new DSOs have given real focus to FCO's work and, as the review team found, are now embedded across the organisation. This responds to an area for action in the original Capability Review. It has enabled us to shift resources to our highest priorities, and to drop lower-priority work. The new Directorate for Strategy, Policy Planning and Analysis is working with all directorates to drive up our strategic policy-making capabilities as well as focusing on cross-cutting strategy work.

We accept that the challenge now is to use this new strategic capacity to show that FCO can strike the right balance between tactical agility in responding to the latest crisis and longer-term, evidence-based policy making. We also need to show that the DSO framework is flexible enough to adapt to new priorities, such as contributing to the Government's response to the economic downturn.

The Permanent Secretary is strongly committed to continuing to improve joint working with other Whitehall departments. We share the review team's conclusion that there is now increasingly close and effective working between FCO, DFID and MOD. Working with his opposite numbers, the Permanent Secretary will be aiming to achieve the same levels of cooperation with economic departments, for example HM Treasury and the Department for Business, Enterprise and Regulatory Reform.

Delivery

Our efforts to manage FCO on a more strategic basis have been much assisted by the introduction of a rigorous business-planning process as recommended by the Capability Review in 2007. This, and the improvement in management information, has helped the Board in the allocation of resources and has clarified the accountability of directors and heads of mission overseas. We are determined to continue the improvement in our financial management and to secure Five Star Finance within 14 months.

The pace of change in our overseas network continues to accelerate. Consular and visa work and UK Trade & Investment are all changing their business models to ensure maximum efficiency in their service delivery, with each area involving a form of 'hub and spoke' working. Our Corporate Services Programme will have a major impact on the management of our Posts and on procurement. We have a programme of facilities management which is rolling out to Posts, initially in Europe.

We accept that innovation on this scale needs to be managed carefully. New forms of representation overseas are evolving, some of them involving very small Embassies supported by larger regional neighbours. Through all this, we need to ensure that our Embassies remain effective at their core function of understanding and influencing foreign countries, and providing a high-performing platform for staff from other government departments. The Board is determined to ensure the right balance between central control of processes that need to be standardised and streamlined worldwide, and maximum delegation of powers to heads of mission where local initiative can produce the best results.

Overall, we are aiming to continue to reduce the size of our HR function, pushing more staff into the front line as we continue to drive for the most efficient use of our capabilities.

Foreign and Commonwealth Office
March 2009

Annex A: The model of capability



The model of capability has been designed specifically for the Capability Reviews. It was developed through consultation with senior leaders in Whitehall and external experts. The model is deliberately selective and designed to focus on the most crucial areas of capability – leadership, strategy and delivery.

The scope of the reviews is to assess the capability of departments’ senior leadership in the areas above, using the model of capability. The model enables judgements to be made against 10 elements across leadership, strategy and delivery, using an underlying group of 39 questions. For further information on the model of capability see www.civilservice.gov.uk/capabilityreviews.

Each review has been carried out by the Capability Reviews Team with a team of external reviewers assembled specially for the department under review. These reviewers have been drawn from the private sector, the wider public sector and boards of other government departments.

The Capability Reviews Team will regularly review progress and provide support to help ensure that the department is on track to deliver.

Annex B: Assessment categories



Strong – good capability for future delivery in place, in line with the capability model. Clear focus on the action and improvement required to deliver transformation over the medium term.



Well placed – well placed to address any gaps in capability for future delivery through practical actions that are planned or already underway. Is making improvements in capability and is expected to improve further in the medium term.



Development area – the department should be capable of addressing some significant weaknesses in capability for future delivery by taking remedial action. More action is required to close those gaps and deliver improvement over the medium term.



Urgent development area – significant weaknesses in capability for future delivery that require urgent action. Not well placed to address weaknesses and needs significant additional action and support to secure effective delivery. Not well placed to deliver improvement over the medium term.



Serious concerns – serious concerns about current capability. Intervention is required to address current weaknesses and secure improvement in the medium term. (NB only used infrequently, for the most serious gaps.)

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