

**FCO EFFICIENCY TECHNICAL NOTE****Programme Organisation**

The Technical Note offers further detail of how the FCO envisages making the 2.5% efficiency savings in its core (i.e. excluding British Council and BBC World Service) expenditure agreed as part of the 2004 Spending Review. These amount to some £86.7 million by 2007-08. At least half of these savings will be cash releasing, allowing resources to be recycled to the department's priority programmes.

To facilitate achievement of this objective, we have divided the savings into 21 separate projects each with its own project owner and manager. Details of these, including project owners are given below. The table below gives a summary of target savings by project. As the programme develops actual and forecast savings from individual projects are likely to vary against targets. However the overall savings figure will remain at £86.7 million.

Proj. No.	Project Name	Cash / Non Cash	Targets			
			2004-05 (£m)	2005-06 (£m)	2006-07 (£m)	2007-08 (£m)
1	Lyons Review	Cash	0	0	0	1.1
		Non Cash	0	0	0	0
2	Assets Recycling	Cash	0	0	0	0
		Non Cash	0	4.0	4.0	4.0
3	Other Estates Efficiencies	Cash	0	0	0.0	0.0
		Non Cash	0	0	0.2	0.2
4	Future Firecrest	Cash	0	0	3.7	3.7
		Non Cash	0	0	5.0	10.3
5	Prism	Cash	0.2	0.7	0.7	0.7
		Non Cash	0	4.0	7.0	10.0
6	BBC Monitoring	Cash	0	2.0	4.5	4.5
		Non Cash	0	0	0	0
7	UK Staff Pay-bill Reduction	Cash	0	5.0	10.0	15.0
		Non Cash	0	0	0	0
8	Ancillary Pay Bill Savings	Cash	0	1.0	4.0	6.0
		Non Cash	0	0	0.5	1.0
9	Overtime Reduction	Cash	0	0	0.5	1.0
		Non Cash	0	0	0	0
10	Local staff pay bill savings	Cash	0	2.0	3.0	4.0
		Non cash	0	0	0	0
11	Strategic Sourcing	Cash	0.5	3.5	4.5	5.5
		Non Cash	0	0	0	0
12	Demand Management	Cash	0.2	0.4	0.6	0.8
		Non cash	0	0	0	0
13	Procurement at Post	Cash	0.5	0.7	1.0	1.5
		Non cash	0	0	0	0
14	SR02 Efficiencies	Cash	0	0	0	0
		Non Cash	0	10.0	10.0	10.0
15	Strategy Units Savings	Cash	0	0	0	0
		Non Cash	0	0.1	0.1	0.2
16	Finance Directorate Savings	Cash	0	0	0	0
		Non Cash	0.3	0.6	0.8	1.0
17	HR Directorate Savings	Cash	0	0	0	0
		Non Cash	0	1.2	1.7	2.2
18	Extra Wider Market Turnover	Cash	0	0	0	0
		Non Cash	1.0	1.0	1.0	1.0
19	Reduction in FCOS Finance, Hr, Client services and Procurement costs	Cash	0	0	0	0
		Non Cash	0	0	0	tbc
20	Better Project Management	Cash	0	0	0	0
		Non Cash	2.0	2.0	2.0	2.0
21	Reduction in Contractor Costs	Cash	0	0.5	1.0	1.0
		Non Cash	0	0	0	0
Overall		Cash	1.4	15.8	33.5	44.8
		Non Cash	3.3	22.9	32.3	41.9
		Total	4.7	38.7	65.8	86.7

The FCO will continue to develop these plans, particularly those aimed at producing savings in the medium to long term, working with the OGC's Efficiency Team as necessary.

In all the individual projects, Managers will seek to identify scope for collaborative working with other Government Departments where this can be shown to improve efficiency. In particular, the FCO will work closely with UKTI to ensure that both organisations efficiency plans are closely co-ordinated.

### **Governance**

To monitor progress made on the individual projects, a Change Delivery Committee (CDC), looking at both efficiency and other change projects. This meets monthly, and is intended to act as the principal forum for questioning project managers on implementation, recommending remedial action, e.g. in the event of failure to reach specific milestones and where appropriate escalating issues to senior management. It will also advise on risk management for the individual projects and seek to identify areas where the FCO might be able to secure further efficiency savings. The FCO's Programme and Project Management Group (PPMG) provides support and advice to the managers of each of the projects.

CDC reports to the FCO's Departmental Change Committee (DCC), which is chaired by the PUS. The DCC reports to the FCO Board as appropriate.

### **Stakeholder involvement**

It will be the responsibility of the managers of each of the individual projects to ensure that key stakeholders support implementation. The FCO's Finance Directorate and Directorate of Strategy and Information have also devised a communication strategy for ensuring all staff are kept informed of developments related to the Efficiency Plan as a whole.

### **Risk Management and contingency**

Each of the individual efficiency implementation plans includes a section on risk management, and all the medium and large projects have a risk register. These will be updated and refined as the work on them progresses. CDC will maintain a separate risk log to ensure that overall risk to achieving targets is kept under review. CDC will also identify scope for further efficiencies within the FCO as a means of mitigating the risk that current projects do not result in predicted savings.

## 1. Lyons and Estate Rationalisation

Area	Estate Projects										
Activity	Rationalisation of UK Estate										
Approach	The FCO response to Lyons tackled the need to develop a UK estate Strategy that rationalised its use significantly. The Strategy calls for significant squeezing up of staff so that all London staff can be accommodated in the FCO's Main Building and Old Admiralty Building. 450 posts to be relocated from London to Hanslope Park. The FCO proposes exiting Albert Embankment; Apollo House and Lancaster House.										
SRO	Director General (Corporate Affairs)										
Benefits	<table> <tr> <td>Cashable</td> <td>£m</td> </tr> <tr> <td>2004-05</td> <td>0</td> </tr> <tr> <td>2005-06</td> <td>0</td> </tr> <tr> <td>2006-07</td> <td>0</td> </tr> <tr> <td>2007-08</td> <td>1.1</td> </tr> </table>	Cashable	£m	2004-05	0	2005-06	0	2006-07	0	2007-08	1.1
Cashable	£m										
2004-05	0										
2005-06	0										
2006-07	0										
2007-08	1.1										
Type	Reductions in estate running costs and capital costs										
Measurement	The FCO's published accounts will be used to measure the savings. There will be real reductions in the rent/rates elements of administration costs.										
Balancing Quality Measures	A sample of directorates will be consulted to ask what affect the accommodation changes have had upon their output levels. Output levels should have improved as a result of more modern working environments.										
Monitoring	First real test will be of UKVisas staff after they have moved into 4 <sup>th</sup> floor of Main Building.										
Data sources	FCO's published accounts. Annual returns on estate. Lease Agreements										
Quality / Risks of Data	Measuring impact increases in UKvisas staff, which as a self funding part of the FCO is expected to expand to cater for increase visa demand.										
Validation	FCO's published accounts.										
Baselines	The baseline will be the 2004-05 actual expenditure on rents, rates and service charges on UK accommodation.										

## 2. Asset recycling

Area	Estates Projects										
Activity	Disposal of poorly performing, unfit-for-purpose or under-utilised properties, and reproviding more suitable accommodation and reinvesting the surplus proceeds.										
Approach	ESU work with FCOS Estate Surveyors and stakeholders to identify poorly performing, unfit-for-purpose or under-utilised properties for disposal and put them on the market. Proceeds form part of the funding for investment in the FCO estate.										
SRO	Director General (Corporate Affairs)										
Benefits	<table> <tr> <td>Non Cashable</td> <td>£m</td> </tr> <tr> <td>2004-05</td> <td>0</td> </tr> <tr> <td>2005-06</td> <td>4</td> </tr> <tr> <td>2006-07</td> <td>4</td> </tr> <tr> <td>2007-08</td> <td>4</td> </tr> </table>	Non Cashable	£m	2004-05	0	2005-06	4	2006-07	4	2007-08	4
Non Cashable	£m										
2004-05	0										
2005-06	4										
2006-07	4										
2007-08	4										
Type	Cash available for spending.										
Measurement	Property sales are recorded in the accounts and a detailed record is kept by Estate Surveyors Section										
Balancing Quality Measures	Estate Key Performance Indicators for reprovided properties will show a clear improvement over the properties they replace.										
Monitoring	Sales reported on monthly basis to Estate Strategy Unit's capital programme meetings and CDC. Quarterly reports of planned sales sent to the Foreign Affairs Committee.										
Data sources	The Pyramid property database, individual property titles, Posts and other stakeholders, ESU and Estate Surveyors reports										
Quality / Risks of Data	No sales take place without the most complete and accurate information it is possible to obtain about the property concerned and the local property market. Risks are minimised by use of professional Chartered Surveyors using best practice and appropriate local consultants.										
Validation	Property sales are reported in the Departmental Annual Report and in the Notes to Resource Accounts and are subject to NAO audit										
Baselines	The present asset recycling target of £10m (gross, before reprovioning costs – these are approximately 60% of the total) was established in 2004-05										

### 3. Energy Efficiencies

Area	Estate Projects										
Activity	Reduction of consumption of energy on the UK and, where possible, on the overseas estate										
Approach	<p>Operon, our facilities management contractor, was commissioned to study energy management at the FCO's offices at Hanslope Park and King Charles Street.</p> <p>They have now reported. We are considering their proposals and working on obtaining funding in 2005-06 for those that would deliver quick wins.</p> <p>In addition, we will identify and implement other projects that would contribute savings. For example, powering down Future Firecrest base units out of hours. This has been agreed with IT Strategy Unit and Future Firecrest.</p>										
SRO	Director General (Corporate Affairs)										
Benefits	<table> <tr> <td>Non-cashable</td> <td>£m</td> </tr> <tr> <td>2004-05</td> <td>0</td> </tr> <tr> <td>2005-06</td> <td>0</td> </tr> <tr> <td>2006-07</td> <td>0.23</td> </tr> <tr> <td>2007-08</td> <td>0.23</td> </tr> </table>	Non-cashable	£m	2004-05	0	2005-06	0	2006-07	0.23	2007-08	0.23
Non-cashable	£m										
2004-05	0										
2005-06	0										
2006-07	0.23										
2007-08	0.23										
Type	Mitigation of the impact of fuel price increases and energy consumption.										
Measurement	FCO published accounts and reports will be used to measure changes in expenditure on energy. When this is assessed, the rate of fuel price rises post 2004-05 compared to those pre-2004-05 will need to be taken into account.										
Balancing Quality Measures	<p>Established proven housekeeping measures will be implemented to avoid wasting energy. This will help to ensure that ineffective practices do not add to the cost of energy required to carry out our core activities.</p> <p>Contractors are required to integrate energy savings measures into their on-site activities.</p>										
Monitoring	FCO facilities management contractor, Operon, produces monthly and annual reports on the consumption and cost of our use of energy.										
Data sources	Monthly and annual energy reports. Energy bills.										
Quality / Risks	Failure to accurately measure impact of fuel price increases.										

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of Data	Further increased demand for IT systems.
Validation	Building Research Establishment monitors FCO annual energy consumption our annual return to them.
Baselines	The baseline actual electricity consumption for 2004-05 was £1m. This will need to be adjusted to reflect the extraordinary rise in energy prices.

#### 4. Future Firecrest Programme

Area	ICT infrastructure			
Activity	Investment in new desktop hardware, software, implementation and support services			
Approach	<p>A programme comprising a portfolio of projects to deliver</p> <ul style="list-style-type: none"> <li>• New generation Windows based desktop architecture</li> <li>• New generation core desktop applications</li> <li>• Information management applications</li> <li>• Training and business change activities</li> <li>• Enhanced security</li> <li>• Service level based system availability and support</li> <li>• Implementation at home and overseas</li> </ul>			
SRO	Director General (Corporate Affairs)			
Benefits	Cashable	£m	Non Cashable	£m
	2004-05	0	2004-05	0
	2005-06	0	2005-06	0
	2006-07	3.7	2006-07	5
	2007-08	3.7	2007-08	10.3
Type	<p>Updated technology to ensure:</p> <ul style="list-style-type: none"> <li>• system resilience;</li> <li>• continued supportability of software;</li> <li>• system security.</li> </ul> <p>Enhanced user experience, including:</p> <ul style="list-style-type: none"> <li>• flexible, mobile working;</li> <li>• global, collaborative working.</li> </ul> <p>Reduce FCO admin overhead and allow more effort on delivering FCO strategic priorities,, including:</p> <ul style="list-style-type: none"> <li>• more efficient system administration time by users;</li> <li>• increased availability of service;</li> <li>• partnerships with private sector to deliver R&amp;D capability</li> </ul>			
Measurement	<ul style="list-style-type: none"> <li>• Service level measurement, incl. system availability</li> <li>• Annual balanced scorecard review</li> <li>• Savings in system administration overhead</li> <li>• Reduction in service desk calls</li> <li>• Benchmarking review</li> <li>• Meeting govt. targets for FOI request returns</li> </ul>			
Balancing Quality Measures	<ul style="list-style-type: none"> <li>• Service levels are set in the contract</li> <li>• Benchmarking against other organisations;</li> <li>• Open book accounting, to show hardware costs</li> </ul>			

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Monitoring	<ul style="list-style-type: none"><li>• Annual staff survey (IT section);</li><li>• Balanced scorecard;</li><li>• Automated service monitoring tools.</li></ul>
Data sources	<ul style="list-style-type: none"><li>• Annual staff survey;</li><li>• Monthly reports, incl. service reports.</li></ul>
Quality / Risks of Data	<ul style="list-style-type: none"><li>• Joint governance structure audits service level reporting;</li><li>• Staff survey returns are limited in scope and subjective;</li><li>• Changes in security requirements affect validity of baselining exercises.</li></ul>
Validation	<ul style="list-style-type: none"><li>• Benchmark with other organisations</li><li>• System availability figures meeting best-in-class performance;</li><li>• Programme assurance;</li><li>• Regular reviews.</li></ul>
Baselines	<ul style="list-style-type: none"><li>• Current system service level;</li><li>• SLA baselining exercise;</li><li>• Firecrest performance baselining report;</li><li>• Business continuity baselining report;</li><li>• Security &amp; integrity baselining report</li></ul>

## 5. Prism Programme

Area	ICT Efficiencies			
Activity	Utilising Prism, the new Oracle based Enterprise Resource Planning system, to deliver measurable benefits across the business.			
Approach	<p>Embed within the FCO a process to manage and measure Prism benefits. Providing hard evidence regularly to stakeholders of actions required and choices to be made to maximise benefits. Installing key performance measures to enable effective management control of the business and continuous improvement.</p> <p>Methodology:</p> <ul style="list-style-type: none"> <li>• agree benefit owners;</li> <li>• identify how Prism functionality can improve processes and provide benefits;</li> <li>• define and agree with owners performance metrics used to quantify benefits, aligned to standard measures of business performance (such as workload per FTE or process turnaround time);</li> <li>• show pre-Prism baseline, current and planned values for performance metrics (with explanation of data source);</li> <li>• understand the key issues that are preventing benefits from being realised;</li> <li>• identify dis-benefits and how they can be limited;</li> <li>• identify actions required to ensure benefits are maximised;</li> </ul> <p>A benefits template is used to capture and manage benefits and dis-benefits through a process as set out above. Each template is uniquely identified to benefit owners. A quarterly reporting cycle from benefit owners goes to the Prism Benefits Manager who then updates the Prism Board. Benefit summaries by Directorate and across the FCO highlight key issues for managers. Envisaged internal Service Level Agreements will be set up with key senior management stakeholders to ensure benefits delivery.</p> <p>1st Phase has built up data from over 100 business processes.</p> <p>2nd Phase Remaining UK owners and Overseas Posts - about to start.</p> <p>As Prism is a cross office program some identified benefits could form part of other efficiency programs. To avoid double counting these will be identified through the CDC.</p>			
SRO	Director (Finance)			
Benefits	Cashable	£m	Non-Cashable	£m
	2004-05	0.2	2004-05	0

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	2005-06      0.7                      2005-06      4 2006-07      0.7                      2006-07      7 2007-08      0.7                      2007-08      10
Type	Lower procurement costs, staff efficiency improvements, improved visibility of information, uniform accounting processes, cessation of contracts and 3rd party suppliers responsible for delivering support to the FCO's financial management legacy system.
Measurement	Measures derived individually with business units – aligned to standard measures of efficiency or performance (e.g. staff cost per invoice, procurement costs for commodity items, turnaround time for expense claims).
Balancing Quality Measures	Annual feedback from Prism Super Users and User groups (UK and Overseas).
Monitoring	Quarterly reviews of the templates with benefit owners (through the Prism benefits manager) and stakeholders and the Prism Board on benefits delivery.
Data sources	FCO's published accounts, annual returns on staff numbers, Departmental metrics (workload volumes, activity based cost analysis)
Quality / Risks of Data	Initial data will be less precise as metrics were not always available and best estimates were sometimes required. As the Prism users become more proficient better data will be enabled.
Validation	Wherever possible "hard measures" are used and can be tracked through the benefits reporting cycle.
Baselines	Pre-Prism data based on a variety of sources. Some well documented and some best estimates from the business.

## 6. BBC Monitoring

Area	Reduction in low priority activity										
Activity	Reducing FCO costs for BBC Monitoring, an external organisation, which provides FCO with translations and summaries of open source material on global basis										
Approach	BBC Monitoring is a part of BBC World Service but funded separately by contributions from a stakeholder community that includes the FCO. BBC Monitoring offer global coverage of open source information not required by FCO. By being more focussed, and identifying only the areas where FCO gains added value from receiving the Monitoring product, we considered we could reduce our costs for this service by £4.5 million p.a.										
SRO	Director (Strategy and Information)										
Benefits	<table> <tr> <td>Cashable</td> <td>£m</td> </tr> <tr> <td>2004-05</td> <td>0</td> </tr> <tr> <td>2005-06</td> <td>2</td> </tr> <tr> <td>2006-07</td> <td>4.5</td> </tr> <tr> <td>2007-08</td> <td>4.5</td> </tr> </table>	Cashable	£m	2004-05	0	2005-06	2	2006-07	4.5	2007-08	4.5
Cashable	£m										
2004-05	0										
2005-06	2										
2006-07	4.5										
2007-08	4.5										
Type	Reduced price for a more targeted, reduced service.										
Measurement	This is a hard cash saving. The budgetary allocation for BBC Monitoring will be reduced over 2 years. And FCO's internal accounting system (PRISM) can show that invoices paid to BBC Monitoring match our new, reduced stakeholder contribution.										
Balancing Quality Measures	Where BBC Monitoring product is necessary to achievement of FCO objectives in clearly defined areas we would continue to pay for its products. In other areas the requirement for the Monitoring product has fallen away due to availability of other sources of information (e.g. internet, online services, increased media freedom in previously closed countries, etc). This decision was based on a need to re-prioritise resources to target key areas more effectively. There was always a recognition, and acceptance, that in some areas access to the product would fall away.										
Monitoring	Currently there has been no reduction in availability of BBC Monitoring products to FCO because, for their own reasons, other stakeholders have opted to increase their funding levels to maintain existing delivery capacity (and it is the collection of the information, not its distribution, that costs BBC Monitoring money). If this situation changed, we would prioritise FCO's need for open source material based on our strategic priorities and then task BBC Monitoring to deliver a service based on those priority requirements, which would be subject to regular review. Those parts of FCO no longer in receipt of BBC Monitoring product would be asked to report any adverse impact on ability to achieve										

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	objectives due to withdrawal of access to BBC Monitoring product.
Data sources	Questionnaires to FCO Directorates and Posts about BBC Monitoring contribution to achievement of FCO objectives.
Quality / Risks of Data	Questionnaire returns from Posts could be subjective, if they were risk adverse seeking retention of product as a “safety cushion”. We would expect FCO Directorates in London to take more strategic, objective view
Validation	FCO accounts to validate the savings made in payments to BBC Monitoring
Baselines	The baseline for payments to BBC Monitoring is £7.1 million in Financial Year 2004-2005

## 7. UK based staff pay-bill reduction

Area	Pay-bill Reduction										
Activity	Reduction in the UK-based staff pay-bill										
Approach	Efficiencies will be realised by reducing the size of the back office function and the Senior Management Structure. The savings will be generated by cutting back on recruitment and of an early retirement exercise to save people and reviews of the SMS and the back office to identify areas of saving.										
SRO	Director (Human Resources)										
Benefits	<table> <tr> <td>Cashable</td> <td>£m</td> </tr> <tr> <td>2004-05</td> <td>0</td> </tr> <tr> <td>2005-06</td> <td>5</td> </tr> <tr> <td>2006-07</td> <td>10</td> </tr> <tr> <td>2007-08</td> <td>15</td> </tr> </table>	Cashable	£m	2004-05	0	2005-06	5	2006-07	10	2007-08	15
Cashable	£m										
2004-05	0										
2005-06	5										
2006-07	10										
2007-08	15										
Type	Lower pay-bill costs. Output to remain the same.										
Measurement	Actual numbers saved by grade at the average pay cost per grade. The figures will exclude staff engaged in UKVisas and Consular.										
Balancing Quality Measures	Impact assessment of various initiatives underway to achieve the savings.										
Monitoring	Monthly monitoring of staff numbers by grade.										
Data sources	Workforce planning data for staff numbers and average salary costs										
Quality / Risks of Data	The key is good quality workforce data. Management information is improving as the new IT system (introduced on 1 April 2004) settles down.										
Validation	The detailed data used is available for either internal or external validation.										
Baselines	The agreed HM Treasury baseline is 5,970 staff at 1 April 2004.										

## 8 Ancillary Pay-bill Savings

Area	Pay-bill reduction																				
Activity	Savings in the cost of the ancillary pay-bill																				
Approach	Reductions in staff numbers overseas and changes to conditions of service have been identified.																				
SRO	Director (Human Resources)																				
Benefits	<table border="1"> <thead> <tr> <th>Cashable</th> <th>£m</th> <th>Non-Cashable</th> <th>£m</th> </tr> </thead> <tbody> <tr> <td>2004-05</td> <td>0</td> <td>2004-05</td> <td>0</td> </tr> <tr> <td>2005-06</td> <td>1</td> <td>2005-06</td> <td>0</td> </tr> <tr> <td>2006-07</td> <td>4</td> <td>2006-07</td> <td>0.5</td> </tr> <tr> <td>2007-08</td> <td>6</td> <td>2007-08</td> <td>1</td> </tr> </tbody> </table>	Cashable	£m	Non-Cashable	£m	2004-05	0	2004-05	0	2005-06	1	2005-06	0	2006-07	4	2006-07	0.5	2007-08	6	2007-08	1
Cashable	£m	Non-Cashable	£m																		
2004-05	0	2004-05	0																		
2005-06	1	2005-06	0																		
2006-07	4	2006-07	0.5																		
2007-08	6	2007-08	1																		
Type	Lower costs. Output to remain the same																				
Measurement	Allowances savings will be measured on reductions in UK-based staff overseas (excluding UKVisas and Consular) against an average saving in allowances. Conditions of service changes will be tracked by reduction in the relevant allowance codes.																				
Balancing Quality Measures	The regular review of posts achievements against Strategic Priorities should indicate whether quality of service / output has been impacted by these changes.																				
Monitoring	Progress will be tracked by monthly monitoring.																				
Data sources	Workforce planning statistics and costs against relevant account codes are the main sources adjusted by information from UKVisas and Consular data.																				
Quality / Risks of Data	Data is improving as the new IT system settles down. The main risks are in getting timely information and isolating efficiency savings from other changes in costs e.g. exchange rate fluctuations																				
Validation	Monthly monitoring data will be available for internal or external review.																				
Baselines	2004-05.																				

## 9. Overtime Reduction

Area	Paybill reduction										
Activity	Reduction in overtime costs.										
Approach	<p>The FCO is committed to reducing its overtime bill by £2m in real terms from the 2003-04 baseline.</p> <p>Uncontrolled payment of overtime serves as a disincentive for managers to devise more effective working arrangements to tackle the problem of long hours and encourage their staff to achieve a work/life balance. A more robust bidding, allocation and monitoring system, in conjunction with better management practices at departmental level, will deliver the required efficiencies and more use will be made of Time Off In Lieu (TOIL).</p> <p>The annual overtime budget will in future be limited to £4m. A proportion of this (about 75%) will be allocated to Director General (DG) cones. The remainder will be held by Financial Planning and Performance Department (FPPD) as a contingency to manage unforeseen events (e.g. Tsunami).</p> <p>FCO Services will also need to review their expenditure and practices to offer a clear breakdown of any overtime costs when they submit an estimate for works.</p>										
SRO	Director (Finance)										
Benefits	<table> <thead> <tr> <th>Cashable</th> <th>£m</th> </tr> </thead> <tbody> <tr> <td>2004-05</td> <td>0</td> </tr> <tr> <td>2005-06</td> <td>0</td> </tr> <tr> <td>2006-07</td> <td>0.5</td> </tr> <tr> <td>2007-08</td> <td>1.0</td> </tr> </tbody> </table>	Cashable	£m	2004-05	0	2005-06	0	2006-07	0.5	2007-08	1.0
Cashable	£m										
2004-05	0										
2005-06	0										
2006-07	0.5										
2007-08	1.0										
Type	Lower overtime costs.										
Measurement	FPPD will monitor expenditure and report to the Finance Committee quarterly. The FCO's accounts will be used to measure savings.										
Balancing Quality Measures	DG cones will be consulted to ask what effect reduction in overtime has had on their output.										
Monitoring	Resource Management Offices will be responsible for managing their devolved overtime budgets. FPPD will monitor DG cones progress and report to Finance Committee.										
Data sources	Prism and FCO's accounts.										

*30<sup>th</sup> November 2005*

Quality / Risks of Data	Possible delays in loading data onto General Ledger/Prism.
Validation	Finance Committee internally. FCO's accounts.
Baselines	The baseline in 2003-04 totalled £5.3m.

## 10. Local staff pay-bill savings

Area	Paybill Reduction										
Activity	Reduction in the Locally Engaged (LE) staff paybill										
Approach	<p>A pilot study of 30 posts has confirmed that there are potential LE staff efficiency savings in the network. We have rolled out this efficiency project to all posts to capture £6m efficiency savings. We have contacted each post to agree what efficiency saving they can make and a timeline for achieving this before 2009-10. Posts have returned the paybill savings to the centre at milestones in their timeline.</p> <p>The FCO has made LE staff efficiencies in a number of ways :</p> <ul style="list-style-type: none"> <li>▪ The FCO is refocusing its work upon our strategic priorities and core activities. When individual posts apply this refocusing to their own work they are able to identify activities that they should no longer be carrying out or should devote fewer resources to.</li> <li>▪ The FCO's new ICT is beginning to deliver on expected efficiencies.</li> <li>▪ Investment in communication is improving the sharing of knowledge and best practice.</li> </ul>										
SRO	Director (Finance)										
Benefits	<table> <tr> <td>Cashable</td> <td>£m</td> </tr> <tr> <td>2004-05</td> <td>0</td> </tr> <tr> <td>2005-06</td> <td>2</td> </tr> <tr> <td>2006-07</td> <td>3</td> </tr> <tr> <td>2007-08</td> <td>4</td> </tr> </table>	Cashable	£m	2004-05	0	2005-06	2	2006-07	3	2007-08	4
Cashable	£m										
2004-05	0										
2005-06	2										
2006-07	3										
2007-08	4										
Type	Lower paybill costs. Output to remain the same.										
Measurement	The FCO's published accounts will be used to measure the savings. When making the comparison between years changes in UKVisas, Consular and security staff will need to be taken into account, as will wage inflation.										
Balancing Quality Measures	A sample of posts will be consulted to ask what affect the staff changes have had upon their output levels. Output levels should have remained constant while inputs (LE paybill) will have reduced. Other changes in input levels will need to be taken into account when making the comparison.										
Monitoring	Ongoing progress will be measured by continued monitoring of the LE paybill figure in the FCO's published accounts and through the annual returns on staff numbers.										
Data sources	FCO's accounts. Annual returns on staff numbers. Post questionnaire.										

30<sup>th</sup> November 2005

Quality / Risks of Data	The post questionnaire returns will be subjective. However the level of resource input required to measure post output in a more objective way (e.g. through surveying customers) would not be justified by the improvement in data quality. There will be difficulties calculating global/local wage inflation.
Validation	FCO's accounts.
Baselines	The baseline for the LE staff paybill is £148m in 2003-04.

## 11. Strategic Sourcing & 12. Demand Management

Area	Procurement Efficiencies
Activity	<p>An amalgamation of two projects: Strategic Sourcing &amp; Demand Management which are interrelated</p> <p>Programme Deliverables</p> <ul style="list-style-type: none"> <li>• A Management Plan which sets out the main aims and objectives of the Strategic Sourcing initiative</li> <li>• Identification of commercial opportunities to achieve efficiency and value for money savings</li> </ul> <p>Process Deliverables</p> <ul style="list-style-type: none"> <li>• Establishment of systems for monitoring strategy compliance through increased on-contract spend to be provided through Prism and identification of maverick spending</li> <li>• Improved management information reporting. Better analysis of data by total spend; by commodity group; by supplier; take-up and use of on-line catalogues</li> </ul> <p>Demand Management</p> <p>Savings to be realised by ongoing benchmarking of prices and rigorous enforcement of regulations to ensure that best procurement practice prevails throughout the Organisation.</p>
Approach	<p>The FCO is making efficiencies by refocusing its work upon its strategic priorities and core activities</p> <p>Methodology to be Adopted:</p> <ul style="list-style-type: none"> <li>• Gathering and assimilating information</li> <li>• Considering a range of options</li> <li>• Identifying the best option(s) for the Organisation</li> <li>• Priorities to be agreed with Senior Management &amp; FCO Services – Supply Solutions</li> </ul> <ul style="list-style-type: none"> <li>▪ PSU now actively engaging on a strategic commercial basis with Other Government Departments: MoD; DWP; DifD; NHS PASA; Home Office &amp; Prison Service to explore and review potential commercial opportunities to collaborate and aggregate demand</li> <li>▪ Introduction and use of ebusiness to reduce costs</li> </ul> <p>Framework Agreements to be established for all principal spend categories. Adoption &amp; use of Framework Agreements already established by OGCbuyingsolutions or OGC wherever appropriate</p>
SRO	Director (Finance)

Benefits	<p><b>Strategic Sourcing</b></p> <table data-bbox="491 304 762 483"> <tr><td>Cashable</td><td>£m</td></tr> <tr><td>2004-05</td><td>0.5</td></tr> <tr><td>2005-06</td><td>3.5</td></tr> <tr><td>2006-07</td><td>4.5</td></tr> <tr><td>2007-08</td><td>5.5</td></tr> </table> <p><b>Demand Management</b></p> <table data-bbox="491 600 762 779"> <tr><td>Cashable</td><td>£m</td></tr> <tr><td>2004-05</td><td>0.2</td></tr> <tr><td>2005-06</td><td>0.4</td></tr> <tr><td>2006-07</td><td>0.6</td></tr> <tr><td>2007-08</td><td>0.8</td></tr> </table>	Cashable	£m	2004-05	0.5	2005-06	3.5	2006-07	4.5	2007-08	5.5	Cashable	£m	2004-05	0.2	2005-06	0.4	2006-07	0.6	2007-08	0.8
Cashable	£m																				
2004-05	0.5																				
2005-06	3.5																				
2006-07	4.5																				
2007-08	5.5																				
Cashable	£m																				
2004-05	0.2																				
2005-06	0.4																				
2006-07	0.6																				
2007-08	0.8																				
Type	A clearly defined Sourcing Strategy for the FCO. This will outline strategies for the management of specific commodities and ensure that these are aligned to stakeholder requirements																				
Measurement	<p>Current versus proposed prices</p> <p>Regular, independent benchmarking of prices to ensure that best value is being achieved</p>																				
Balancing Quality Measures	Compliance with Framework Agreements that will have been issued in accordance with the public sector best practice procurement guidelines to achieve best value																				
Monitoring	<p>Commercial / Contract Review meetings to appraise contract performance and agree Corrective Action Plans where deviant supplier performance is recorded</p> <p>Analysis of supplier spend data using Prism to highlight instances of "rogue buying" against corporate Contracts</p> <p>Ad hoc meetings to be arranged as required to resolve queries</p>																				
Data sources	<p>Data extracted from Prism in terms of prices paid and annual call-off volumes by commodity category and by supplier</p> <p>Strategic Sourcing Manager to keep up to date on all Central Government commercial initiatives that could impact the FCO. Scheduled meetings:</p> <ul data-bbox="491 1704 995 1776" style="list-style-type: none"> <li>• Monthly Customer Board Meeting</li> <li>• Commodities Stakeholder Meeting</li> </ul> <p>Commercial Intelligence Meeting - sharing information more effectively in Central Government.</p>																				
Quality / Risks of Data	The correct adoption of Prism processes in relation to the Purchase to Pay Business Process																				
Validation	Prices paid to regularly independently benchmarked to ensure																				

*30<sup>th</sup> November 2005*

	they are competitive with current market conditions
Baselines	The baseline year against which prices will be paid, will be the average for the period April 2004 to March 2005

### 13. Procurement at Post

Area	Procurement Efficiencies										
Activity	To achieve savings in Procurement costs at FCO Posts overseas										
Approach	<p>The project will focus on two key areas of improvement. The first area will be better procurement. This will involve achieving better prices for goods and services purchased by Posts, reducing stock levels and removing costs from the supply chain. For many Posts, the supply chain to Post is very extended, as goods have to be purchased from the UK and shipped overseas.</p> <p>A second area of focus will be outsourcing services to the private sector. This will go hand in hand with other initiatives at Posts to reduce head count and the number of locally engaged staff employed at Posts.</p>										
SRO	Director (Finance)										
Benefits	<table> <tr> <td>Cashable</td> <td>£m</td> </tr> <tr> <td>2004-05</td> <td>0.5</td> </tr> <tr> <td>2005-06</td> <td>0.7</td> </tr> <tr> <td>2006-07</td> <td>1</td> </tr> <tr> <td>2007-08</td> <td>1.5</td> </tr> </table>	Cashable	£m	2004-05	0.5	2005-06	0.7	2006-07	1	2007-08	1.5
Cashable	£m										
2004-05	0.5										
2005-06	0.7										
2006-07	1										
2007-08	1.5										
Type	Lower costs of goods and services procured at Post and efficiencies in the transaction costs.										
Measurement	<p>Current versus revised prices for goods and services purchased by Posts.</p> <p>Measurement of stock level reductions.</p> <p>Cost savings from more efficient purchasing transactions and organisation measured against time reductions for staff activities.</p> <p>Cost savings from outsourcing services to the private sector on a case by case basis.</p>										
Balancing Quality Measures	Feedback from RMUs (Resource Management Units) and Posts through a questionnaire on whether procurement has been more effective and quality maintained. Building a network of trained staff.										
Monitoring	<p>For overall cost savings baselines will be set for specific locally procured commodities and then cost reductions tracked on the Prism system.</p> <p>Stock reductions, efficiencies and outsourcing will be tracked through Prism and with the assistance of regular review meetings</p>										

30<sup>th</sup> November 2005

	with RMUs.
Data sources	Prism Management Information. Post questionnaire.
Quality / Risks of Data	Data entry at to specific commodities needs to be accurate at Post.
Validation	Savings will be published in the FCO Procurement Strategies Annual Report and be open to challenge.
Baselines	The baseline against which prices revised prices will be measured will be the average for the period April 2004 to March 2005. Baselines for individual transaction, stock savings and outsourcing exercises will be established at the outset of each project.

**14. SR02 Efficiencies**

Area	Existing Efficiency Programmes										
Activity	As part of its settlement in SR02, the FCO undertook to generate efficiency savings of 2.5% annually in 2005-06. This involves efficiency activities across the office.										
Approach	<p>Efficiency activities include:</p> <ul style="list-style-type: none"> <li>• Consular: travel; expanded sponsorship; improved 'Know Before You Go' campaign; rationalise staffing (via reviews and organisation project and accommodation; hub and spoke for passport issuing; Compass telephone training; in-house development of temporary passport software; introduction of Compass database; Call Centre.</li> <li>• Geographical Directorates: internal reviews to localise, regrade and rationalise staffing; capture benefits of ICT to reduce phone bills; smarter recruitment and improved management of Local Staff; accommodation fit for purpose; outsourcing (e.g. facilities management; better value and focussed travel and entertainment; reduction in frequency of diplomatic bag service; Purchase Order discipline; Reduced use of FCOS; green energy sources.</li> <li>• Programme: use of co-sponsors for projects; refocus public diplomacy efforts in line with Strategic Priorities; more efficient administration of scholarships.</li> <li>• Capital: rigorous use of depreciation guidelines to extend life of assets; lease vehicles rather than buy; wider sourcing of furniture.</li> </ul>										
SRO	Director (Finance)										
Benefits	<table> <thead> <tr> <th>Non-cashable</th> <th>£m</th> </tr> </thead> <tbody> <tr> <td>2004-05</td> <td>0</td> </tr> <tr> <td>2005-06</td> <td>10</td> </tr> <tr> <td>2006-07</td> <td>10</td> </tr> <tr> <td>2007-08</td> <td>10</td> </tr> </tbody> </table>	Non-cashable	£m	2004-05	0	2005-06	10	2006-07	10	2007-08	10
Non-cashable	£m										
2004-05	0										
2005-06	10										
2006-07	10										
2007-08	10										
Type	Lower costs. Output to remain the same.										
Measurement	Directorates produced detailed explanations of identified efficiencies.										
Balancing Quality Measures	All output referenced to FCO's Strategic Priorities. Discussions with Posts as to impact of changes prior to implementation.										
Monitoring	Efficiencies achieved.										
Data sources	Directorates and Posts' feedback. FCO's published accounts.										
Quality / Risks	.										

*30<sup>th</sup> November 2005*

of Data	
Validation	FCO's accounts.
Baselines	2004/05.

## 15. Strategy Unit Savings

Area	Corporate services savings										
Activity	To identify savings in the FCO's Strategy Units and, by physical and organisational reconfiguration, to enhance the effectiveness of the Estates (ESU), IT (ITSU) and Security (SSU) strategy functions.										
Approach	Identification of overlaps within Units and between Units and FCO Services. Following ESU's move from Croydon to London, identification of potential overlaps between Unit support functions										
SRO	Director General (Corporate Affairs)										
Benefits	<table> <tr> <td>Non-cashable</td> <td>£m</td> </tr> <tr> <td>2004-05</td> <td>0</td> </tr> <tr> <td>2005-06</td> <td>0.05</td> </tr> <tr> <td>2006-07</td> <td>0.1</td> </tr> <tr> <td>2007-08</td> <td>0.15</td> </tr> </table>	Non-cashable	£m	2004-05	0	2005-06	0.05	2006-07	0.1	2007-08	0.15
Non-cashable	£m										
2004-05	0										
2005-06	0.05										
2006-07	0.1										
2007-08	0.15										
Type	Reduced costs including paybill. Output not impaired.										
Measurement	Paybill costs and Prism Positions reports.										
Balancing Quality Measures	Normal FCO review, reporting and appraisal systems indicate that Director General Corporate Affairs, the Investment Committee and the FCO Board are satisfied with the output of the Strategy Units										
Monitoring	ESU's Resource Management Officer to co-ordinate returns from the other strategy units on changes in position establishments.										
Data sources	Prism positions, FCO accounting system.										
Quality / Risks of Data	Prism positions and the FCO accounting system are expected to provide data of reliable quality. There is a risk that cashable savings are made but not recorded or reported.										
Validation	By monitoring staff numbers.										
Baselines	The baseline year is 2004-05										

**16 Finance Directorate Reductions**

Area	Corporate services savings										
Activity	Reduction in number of staff working in Finance Department										
Approach	A KPMG study identified potential savings of 10% through elimination of non-critical functions and the reduction of routine processing following the roll out of Prism. Heads of department within Finance Directorate have been asked to review their areas of responsibility to see what changes can be made in order to reduce the number of staff required.										
SRO	Director (Finance)										
Benefits	<table> <tr> <td>Non cashable</td> <td>£m</td> </tr> <tr> <td>2004-05</td> <td>0.3</td> </tr> <tr> <td>2005-06</td> <td>0.6</td> </tr> <tr> <td>2006-07</td> <td>0.8</td> </tr> <tr> <td>2007-08</td> <td>1.0</td> </tr> </table>	Non cashable	£m	2004-05	0.3	2005-06	0.6	2006-07	0.8	2007-08	1.0
Non cashable	£m										
2004-05	0.3										
2005-06	0.6										
2006-07	0.8										
2007-08	1.0										
Type	Staff released from Finance Directorate to work on higher priority activities										
Measurement	Staff numbers within finance directorate from an October 2003 baseline of 176 staff costing £5.6million (from November 2004 average grade costs)										
Balancing Quality Measures	Output levels on core tasks should remain constant. Output on non-essential tasks will fall										
Monitoring	Regular review of staff numbers										
Data sources	Prism HR records, plus manual head counts										
Quality / Risks of Data	Concerns over historical data. Need to use average grade costs. Lack of devolved paybill to accurately check real budget										
Validation	By monitoring staff numbers in Finance.										
Baselines	October 2003										

## 17. HR Change Programme

Area	Corporate services savings										
Activity	Structural and strategic change of Human Resources Directorate (HRD) leading to reduction in size of HRD										
Approach	<p>The programme was initiated with a period of consultation across the FCO and external benchmarking. On the basis of the consultation core HR functions for the FCO were then defined. We have also conducted a full review of all HR processes and used this as the basis for considering structural changes.</p> <p>The programme will achieve efficiencies by:</p> <ul style="list-style-type: none"> <li>• Ensuring the structure of HRD makes maximum use of synergetic efficiencies, including moving staff to Hanslope Park;</li> <li>• Process re-engineering, streamlining and eliminating processes wherever possible;</li> <li>• Mapping and flowcharting processes to ensure they are consistent and deliver to a proper quality standard;</li> <li>• Providing more services through web-based self-service</li> <li>• Improving accessibility of self-service options</li> <li>• Dropping non-core HR tasks;</li> <li>• Increasing management spans;</li> <li>• Using HR staff on process work more flexibly</li> </ul>										
SRO	Director (Human Resources)										
Benefits	<table border="0"> <tr> <td>Non cashable</td> <td>£m</td> </tr> <tr> <td>2004-05</td> <td>0</td> </tr> <tr> <td>2005-06</td> <td>1.2</td> </tr> <tr> <td>2006-07</td> <td>1.7</td> </tr> <tr> <td>2007-08</td> <td>2.2</td> </tr> </table>	Non cashable	£m	2004-05	0	2005-06	1.2	2006-07	1.7	2007-08	2.2
Non cashable	£m										
2004-05	0										
2005-06	1.2										
2006-07	1.7										
2007-08	2.2										
Type	Reduced HR headcount, improved outputs										
Measurement	Reduced staff positions in HRD, use of self –service options such FCONet and Prism										
Balancing Quality Measures	Validation by HR Board and FCO HR Committee that processes eliminated not core HR work.										
Monitoring	Progress measured by checking staff figures monthly. Regular survey/feedback from HR Direct monitors user satisfaction levels; staff opinion survey; regular consultation with use groups; formal impact assessment with diversity groups under way;										
Data sources	Prism. HRD spreadsheets. Longer term, numbers of processes run, numbers of enquiries to HR Direct, staff opinion survey										

30<sup>th</sup> November 2005

Quality / Risks of Data	Prism and HRD spreadsheets objective measures. HR Direct database also gives objective measure. Staff opinion survey; regular consultation with use groups; formal impact assessment with diversity groups under way.
Validation	By monitoring numbers in HRD, staff survey.
Baselines	Number of staff in HRD at outset (277)

**18. Extra wider market turnover from FCO Services**

Area	Corporate services savings										
Activity	To increase wider market turnover by FCO Services, the FCO's in-house service provider generating an equivalent amount of savings for the FCO by funding FCO Services core capacity from external sources.										
Approach	<p>FCO Services has adopted a standard qualification process to develop proposals for wider markets work. The key players: service provider heads, wider market customer account team and corporate strategy head regularly review the available opportunities. They will decide which opportunities FCO Services pursue, based on an agreed set of qualification criteria. Service provider heads are now responsible for following up progress against these opportunities, reporting to a central knowledge capture system on the success of the proposal/bid, stage of delivery, customer satisfaction during/after delivery, and whether sell-on work was identified or realised.</p> <p>FCO Services has devoted part of its Client Services unit to identifying and pursuing extra WM work with a focused range of potential and existing WM customers.</p> <p>Each Service Delivery Group Head and Service Provider Head has been allocated a specific contribution towards the increase in Wider Market Income.</p>										
SRO	CEO, FCO Services										
Benefits	<table> <tr> <td>Non-cashable</td> <td>£m</td> </tr> <tr> <td>2004-05</td> <td>1</td> </tr> <tr> <td>2005-06</td> <td>1+</td> </tr> <tr> <td>2006-07</td> <td>1+</td> </tr> <tr> <td>2007-08</td> <td>1+</td> </tr> </table>	Non-cashable	£m	2004-05	1	2005-06	1+	2006-07	1+	2007-08	1+
Non-cashable	£m										
2004-05	1										
2005-06	1+										
2006-07	1+										
2007-08	1+										
Type	Increase wider market revenue using same resources.										
Measurement	Increase in FCO Services turnover figures.										
Balancing Quality Measures	External customers will only purchase from FCO Services if they believe they are getting value for money.										
Monitoring	Via reports built on Prism										
Data sources	FCO Services turnover figures.										
Quality / Risks	Prism billing processes not embedded in Service Provider resulting										

*30<sup>th</sup> November 2005*

of Data	in inaccurate figures. Inadequate monitoring arising from delay in building reports on Prism
Validation	Prism reports.
Baselines	Turnover in 2003-04

## 19. Reductions in FCO Services finance, HR, client services and procurement costs

Area	Corporate services savings										
Activity	To benchmark the costs of FCO Services back and front office functions with the aim of bringing these down to best practice levels and obtaining savings.										
Approach	<p>FCO Services began working on this area in 2002 through our Business Transformation Programme and all of these areas were reconstructed as a result. Considerable efficiencies were achieved in Human Resource and Finance Groups while the outputs were significantly improved. We have effectively mainstreamed continuous improvement in these areas by building it into the business planning cycle.</p> <ul style="list-style-type: none"> <li>• Carry out activity analysis for the whole of FCO Services</li> <li>• Engage with Prism and understand how it may enable improved working in back and front office areas</li> <li>• Identify activities delivered inefficiently and which may be improved through enhanced functionality offered by Prism</li> <li>• Carry out re-design of FCO Services accordingly to improve delivery</li> <li>• Re-deploy FCO Services staff into new structures</li> <li>• Agree comparators to be used for benchmarking</li> <li>• Establish baseline costs of FCO Services Finance, HR, Client services &amp; Procurement</li> <li>• Carry out comparison with comparator organisations</li> <li>• Establish results and action plans arising from the comparison</li> </ul>										
Benefits	<table> <tr> <td>Non-cashable</td> <td>£m</td> </tr> <tr> <td>2004-05</td> <td>0</td> </tr> <tr> <td>2005-06</td> <td>tbc</td> </tr> <tr> <td>2006-07</td> <td>tbc</td> </tr> <tr> <td>2007-08</td> <td>tbc</td> </tr> </table>	Non-cashable	£m	2004-05	0	2005-06	tbc	2006-07	tbc	2007-08	tbc
Non-cashable	£m										
2004-05	0										
2005-06	tbc										
2006-07	tbc										
2007-08	tbc										
Type	Improved productivity, better customer satisfaction, better business MI, better business processes.										
Measurement	Improved productivity & reduced staff positions in FCO Services finance, HR, client services and procurement.										
Balancing Quality Measures	Maintain and improve FCO Services quality of output as specified in Service Level Agreements.										
Monitoring	Regular Project team meetings track staff numbers.										
Data sources	FCO services accounts / paybill.										

30<sup>th</sup> November 2005

Quality / Risks of Data	Details of staff numbers maintained by HR
Validation	Anticipated savings built into FCO Services business plan.
Baselines	2004-05 staff numbers.

## 20. Better project management

Area	Corporate services savings										
Activity	To generate savings in budgets managed on behalf of FCO customers (and accounted for in their books) through improved project management techniques										
Approach	<p>The organisational and financial boundaries around FCO Services within the FCO's Internal Market are not the same as they would be for a commercial supplier of the same services. Conventionally the whole cost of the service or good provided would pass through the supplier's books and the whole would be billed by the provider to the customer. However, FCO Services is in many cases more of a managing agent which manages activities the cost of which are picked up directly by the customer without passing through the books of FCO Services. The nature of the role played by FCO Services varies and we may influence the use of customer's budgets in several different ways. We may manage a project on the customer's behalf, we may indeed manage the whole budget or we may improve the outcome through providing professional advice &amp; guidance to support the customers' decision making. However for the purposes of this project we are excluding strict procurement activity by Purchasing Services, which is covered by separate targets.</p> <p>When FCO Services manages these costs it should be looking to create value and for opportunities to do things in better ways. So the intent of this project is to create incentives for FCO Services to make savings in projects &amp; budgets where the costs do not pass through the books of FCO Services but go direct to the books of the customer.</p>										
SRO	CEO, FCO Services										
Benefits	<table> <tr> <td>Non Cashable</td> <td>£m</td> </tr> <tr> <td>2004-05</td> <td>2</td> </tr> <tr> <td>2005-06</td> <td>2+</td> </tr> <tr> <td>2006-07</td> <td>2+</td> </tr> <tr> <td>2007-08</td> <td>2+</td> </tr> </table>	Non Cashable	£m	2004-05	2	2005-06	2+	2006-07	2+	2007-08	2+
Non Cashable	£m										
2004-05	2										
2005-06	2+										
2006-07	2+										
2007-08	2+										
Type	Reduced costs for internal clients										
Measurement	Areas where corporate services savings can be made are monitored directly.										
Balancing Quality Measures	Quality standards specified in service delivery are maintained throughout period under review.										
Monitoring	Monitor performance through regular SDG business plan review meetings										
Data sources	Directorates' out-turns.										
Quality / Risks											

*30<sup>th</sup> November 2005*

of Data	
Validation	Build anticipated savings into FCO Services business plan
Baselines	2003-04 out-turn.

## 21. Reduction in contractor costs

Area	Corporate services savings										
Activity	To generate savings by reducing use of contractors through improved management and greater use of permanent staff.										
Approach	<p>FCO Services employs a large number of staff from agencies and on contract. In 2002/03 such staff amounted to 170 compared to staff in post of around 1,200. Contractor staff are particularly concentrated in one area of the business, the ICT SDG, and the ratio of contractor staff to internal staff in this area is not at an optimum level. This situation has arisen for various reasons but most often because of the lack of certain skills in house and inertia created by HR and security policies which make hiring permanent staff difficult and / or time consuming.</p> <p>Contractor staff are a sensible response to meet short term vacancies and peaks in workload, and to supply skills which it is not normally necessary for the business to have internally. So we do not seek to remove all agency and contract staff, there will always be a role for temporary contract resource. However many contractors fill permanent staff posts and many have been employed by the office continuously for several years. Such contract staff are more expensive, often less flexible and committed than internal resource. Some do have particular skill sets or technical knowledge which are core to the business and which should really be held more widely by internal staff. Finally such long term contract arrangements risk creating a de facto employment relationship between the FCO and the contractor, on a basis which is not to the office's advantage.</p> <p>By reducing our reliance on contractors, bringing expertise in-house and employing internal staff to fill the roles we reduce the risk to the FCO and we can make considerable savings at the same time.</p>										
SRO	CEO, FCO Services										
Benefits	<table> <thead> <tr> <th>Cashable</th> <th>£m</th> </tr> </thead> <tbody> <tr> <td>2004-05</td> <td>0</td> </tr> <tr> <td>2005-06</td> <td>0.5</td> </tr> <tr> <td>2006-07</td> <td>1</td> </tr> <tr> <td>2007-08</td> <td>1</td> </tr> </tbody> </table>	Cashable	£m	2004-05	0	2005-06	0.5	2006-07	1	2007-08	1
Cashable	£m										
2004-05	0										
2005-06	0.5										
2006-07	1										
2007-08	1										
Type	Savings in cost. Better contract : staff ratio. Less dependence on external expertise.										
Measurement	An internal spreadsheet is maintained giving records of contractors, including leaving dates and savings based on difference between contractor charges and cost of replacement (e.g. permanent staff member).										
Balancing	There are Service Level Agreements with FCO Service's										

30<sup>th</sup> November 2005

Quality Measures	customers that are monitored monthly. Any drop in service will be picked up in these indicators. The use OGC ITL (IT Infrastructure library) guidance is the basis on which services are developed and performance measurements defined in the Service Level Agreements.
Monitoring	Regular monitoring of progress through Business Plan review cycle
Data sources	Contractors invoices and average full economic costs for permanent staff.
Quality / Risks of Data	Savings based on assumptions on number of average annual working days and average full economic costs for permanent staff.
Validation	Database records held centrally by FCO procurement authority.
Baselines	2003-04 contractor costs.