

**Efficiency, effectiveness
and the control of costs in
the Foreign and
Commonwealth Office**

**Phase 2 - Analysis and
the development of
opportunities for change**

Report

Collinson Grant Limited

14th January 2005

Contents

Section	Subject	Page
	Executive summary	1
1	Introduction	2
2	Context	2
3	Programme of work	3
4	Observations on the efficient and effective operation of the FCO	6
5	The opportunities to make efficiency savings	13
6	Converting the Opportunity into a realistic target	24
7	Reconciliation of the Efficiency Savings Plan with the Target	27
8	Summary	29

Appendices

Appendix 1	Terms of reference
Appendix 2	Analysis of respondents
Appendix 3	Enterprise Model
Appendix 4	Organisational structure: Layers and spans in the UK
Appendix 5	Reconciliation of the Target with the Efficiency Savings Plan

Executive summary

- We have analysed the work of 2,934 employees, using a consistent framework of Processes, Activities and Tasks, which was thoroughly tested before the survey.
- These data on the application of effort have been supplemented by a thorough review of comparative costs at Posts, by an analysis of the organisational structure, and by the development of an overall model for the FCO's costs.
- Wherever possible, these investigations have been undertaken in partnership with the staff of the FCO. There have been very many opportunities to observe working practices, to discuss the opportunities for improvement, and to review current initiatives for efficiency savings.
- We have identified potential opportunities for an annual reduction in costs of £66.1 million by the end of 2005, the full benefits of which would be realised in 2006/2007. This would remove 533 positions based in the UK, 427 UK-based positions overseas, and 307 local staff positions.
- It is not realistic to assume that all the potential savings could be realised. Accordingly, we have reassessed each element and proposed a revised 'Target' of £48.0m, 73% of the opportunity.
- The savings that we identified could help to secure and enhance the FCO's existing Efficiency Savings Plan. We have reconciled the degree of overlap and calculated a revised, combined total that should be realised at the end of 2005/2006 of £65.8m, freeing up resources that can, potentially, be redeployed.
- In addition to these numerical targets, we have made a number of observations about how work in the FCO is managed, the underlying cultural tone of consensus, which inhibits change, and the structural constraints on efficiency and effectiveness. Our conclusion is that the organisation is not well suited to managing change.
- We have achieved all the success criteria identified at the outset of our work, but there is far more to do. We have only just begun to develop full options for change and to build consensus on the way forward. The FCO will need to adopt and practise stringent project management disciplines in order to achieve the very challenging targets ahead. Many changes will require imposition from senior managers who have properly delegated authority and the will to achieve a consensus.

1 Introduction

In August 2004, we were authorised by the Foreign and Commonwealth Office (FCO) to conduct Phase 2 of our study to examine efficiency, effectiveness and the control of costs. The terms of reference were set out in a document agreed on 5th August 2004, which is Appendix 1. These were subsequently expanded in our proposal submitted on 18th August. Our work has employed rigorous analysis to develop opportunities for change, building on analytical techniques proven and tested during the pilot study.

This report offers our preliminary findings on the current operation of the FCO and the opportunities to improve its performance through changes to the organisation and to its processes and controls. It identifies the potential for reducing costs and positions; assesses how this potential could be converted into a realistic target for savings; and reconciles the target against the FCO's Efficiency Savings Plan.

Overall savings of £48.0 million can be achieved as a 'running rate' by the end of 2005, with the full benefit obtained during financial year 2006/07.

2 Context

The FCO has a Public Service Agreement to improve value for money in the full range of its activities. The department is committed to achieving a 2.5% efficiency saving year-on-year over the period of the Spending Review for 2004. Its Efficiency Plan has the potential to deliver savings that would exceed the minimum savings required by the Treasury.

Work has already been undertaken in support of the Efficiency Plan, including an independent benchmarking study of 'back office' activities and of procurement, and is continuing to develop the 21 sub-projects that have been instigated. In stipulating how potential savings should be recognised and realised, the terms of reference for our work give particular emphasis:

- to the relationship between the resources allocated to processes and their outputs, and the importance of the associated outcomes to the FCO in fulfilling its strategic purpose

- to the distinction between activities that are central to the implementation of the FCO's long-term strategy and those that support them or sustain the organisation
- to the proportion of the workforce devoted to the infrastructure and to supporting activities
- to the productivity and performance of units engaged in processing transactions, and
- to the relationship between Directorates in London and operations in overseas posts.

3 Programme of work

Approach

Our methodology is founded on a rigorous analysis of data on costs, the allocation of people and other resources, and the organisational structure. The principal means of collecting data is through Process Activity Analysis (PAA), but other important investigations have relied on Comparative Analysis and Organisational Analysis. We have also examined the baseline costs of the FCO but have not yet been able to create a reliable model because of the difficulty in assembling comprehensive data.

Scope

The Project has focused on the FCO's core functions, both front line and support. It excluded public service activity, Consular Services, UK Visas and UKTI and FCO Services, whose budgets are distinct. The staff covered by the 'Plowden Addition' were also excluded. Under this convention, the Treasury has allowed a dispensation to the FCO to 'carry' a budgeted cost of 270 person years per annum to cover those on pre-posting, language training or on leave accrued while working overseas. We estimate (in the absence of a definitive figure from the Human Resources Department) that, on average, 200 people per day were in this category.

Initially, the FCO estimated that the number of people included in the scope would be 9,898. However, in practice, the study covered the 10,607 staff, comprising:

- 1,882 UK located staff

- 2,155 UK-based staff at Post
- 6,569 locally engaged staff.

There were some 200 unfilled job slots within the organisation.

It was intended that the PAA survey should cover all the 1,882 members of staff located in the UK and a sample of 230 UK staff and 595 Locally Engaged staff based in 12 Posts selected to provide a representative sample of activities overseas. This was a large enough sample to allow a large number of comparisons to be made and anomalies and variations to be examined. In practice, not all the survey forms were returned. In the main, the response (89% in the UK and 93% overseas) was sufficient to provide a reliable indication of how people in the different directorates and locations employ their time. However, we were disappointed in the return from Accra and Dublin, and from the Central Units, Estate Services, Finance and Wider Europe Directorates. In some Posts (notably Paris and Beirut), senior managers excluded some sections and departments from the survey, which detracted from the quality of the analysis at that location. The overall picture is illustrated in Appendix 2.

The results obtained for the 12 overseas Posts were extrapolated by the use of relevant criteria to provide an indicative opportunity for all Posts.

Identification of respondents

The survey does not require all the employees in scope to become 'respondents' and complete questionnaires. All nominated respondents provide details on their own job, but then are usually asked to respond on behalf of the individuals/groups who work for them. In this way, one respondent may respond for an average of (say) eight employees.

Determining who should respond, and for whom, caused severe difficulties and significant delays. Our proposal confirmed that we required relevant electronic data on manpower and costs by Friday 20th August. Despite efforts by selected Resource Management Officers (RMOs) to check and resolve queries, not all the data proved to be reliable. New respondents were still being found as the extended briefing programme came to an end on 29th October. The consequence was that the original list submitted by RMOs of approximately 350 respondents expanded by over 50% to the final total of 539.

Collaborative working with the FCO

We benefited greatly from the contribution of FCO managers and other employees, and we are grateful for their continuing assistance. We also acknowledge the contribution of those who participated by completing the PAA survey. Involving a small number of managers with appropriate knowledge, skills, status, and influence was critical:

- to confirm that the Enterprise Model and questionnaire on Processes, Activities and Tasks were fit for purpose. These were tested during the Pilot study, both in the UK and overseas at three Posts
- to record comprehensive data to test ideas and hypotheses and to provide qualitative information
- to manage associated challenges, such as communicating the aims, objectives and progress
- to ensure that the seven initial themes for investigation by the FCO Focus Groups could be properly established. These were confirmed at the meeting of Directors and the FCO Board on 19th November
- to reinforce the ownership and understanding of the results by the organisation on completion of the exercise.

A copy of the Enterprise Model is at Appendix 3.

Unfortunately, the difficulty in engaging relevant people to review and challenge the emerging findings has meant that our opportunity has not been developed or scrutinised by managers within the organisation. However, the headline numbers and underlying rationale have been discussed and considered by several key managers in the FCO. We are also concerned that the organisation has only recently nominated a member of the staff to train on the Cognos PowerPlay software used to analyse the data. Indeed, a licence to use Cognos is only now being acquired, even though this requirement was highlighted in our proposal.

Project Management and coordination

Progress was monitored by a steering committee chaired by James Tansley, Deputy Head of Financial Planning and Performance Department. Its members were drawn from representatives of the teams involved in the FCO's Efficiency Plan and its initiatives on Organisation, Knowledge Management, HR Strategy and Culture Change, as well as from Front Line Directorates. We submitted a weekly report, featuring a simple colour-coded traffic light to indicate whether progress was green, amber or red.

We also worked with and reported to:

- a high level steering group chaired by Ric Todd, Director: Resources and manned by senior managers/Directors from the organisation
- an informal working party comprising, Dickie Stagg, Ric Todd, James Tansley and Lord Carter, and
- the FCO's Departmental Change Board, formally, on two occasions.

An initial report of our findings was issued on 19th November.

4 Observations on the efficient and effective operation of the FCO

There is no panacea for managing any organisation efficiently or effectively - and no short cuts. Effective control is difficult, hard work. It can make managers unpopular and lonely when they have to lead against the drag of inertia. Many models for good practice exist. One of the most relevant for the FCO is the approach favoured by the Audit Commission¹, which recognises seven warning signs of service failure:

- poor leadership
- a closed culture
- poor information for decision-makers

¹ www.improvethenetwork.gov.uk (21st October 2004)

- low accountability
- lack of clarity
- poor management of strategic risk
- poor working relationships.

In our experience, attention to these factors should be supplemented by sound processes, a lean organisational structure and effective managerial controls - all acting in harmony.

Our analysis reveals that the FCO is deficient, to some degree at least, in many of these requirements, in both theory and application. The result is an organisation that 'gets the job done' but does not always use resources in the most effective manner and that finds it difficult, at times impossible, to make radical changes to reform its ways of working.

4.1 Organisational structure

The pyramidal organisational structure in the FCO has managerial spans of control averaging 2.2 subordinates throughout its 11 layers. This is too deep and too narrow, even for professional services. It contributes:

- to the organisation being slow to act
- to a lack of delegation – so there is a tendency to scrutinise the *execution* of day-to-day work minutely rather than to monitor its *output*
- to insufficient accountability and responsibility for completing tasks and meeting deadlines. Junior employees rely on their many superiors to check and re-work documents and so avoid blame for inferior quality and/or failure to meet deadlines
- to making middle managers feel obliged to monitor, review and repeat work in order to 'justify their existence'

- to an overall lack of understanding of how to manage teams. By intervening too much in trivia, senior grades overload themselves and work excess hours unnecessarily.

There is a significant redundancy of effort in the managerial chain. Effective managers should only need to apply the minimum of quality control to outputs from subordinates. In the FCO, senior managers operate as highly promoted desk officers, their efforts duplicating work that should only need to be done once and to a satisfactory standard by subordinates, assuming that clear directions have been given. The lack of proper delegation through the many organisational layers prevents senior managers from freeing time to contribute effectively to the development of policy.

The table at Appendix 4 sets out the layers and spans in the various directorates.

4.2 Leadership and support for the efficiency agenda

The leaders of the FCO focus primarily on their diplomatic and political duties, rarely on the efficient management of the organisation. There is a clear vision of Strategic Priorities, but the need for robust management to allow core duties to be conducted effectively is neither accepted nor properly understood. People are frustrated and impeded in the execution of critical tasks by the weaknesses of the organisation, yet are unwilling to tackle the root causes that are entrenched in and reinforced by the established culture. The entire organisation needs to be challenged and reformed, but the leadership lacks the skills needed and the will to upset the status quo.

The Board has little authority over the main political and geographical Directors on matters of efficiency, since:

- Finance and HR advise on rather than require adherence to good practice; their heads have no real authority to insist on standards
- basic controls on Finance and HR cannot be enforced on budget holders
- efficiency projects cannot be implemented adequately, unless a consensus for change can be achieved, which is rarely possible
- managers cling to the comfort of established practice

- a position on the Board and a reputation for good resource management are not seen as the pinnacles of a career
- the short tenure of key positions, such as in Finance and HR, and lack of professional experience in these disciplines limits effectiveness
- those assigned to controlling functions quickly seek jobs back in the political stream. They therefore avoid controversy and conflict to ensure they can 'rejoin the club'
- there is no real 'carrot or stick'. Careers are rarely affected by failure to manage functions, costs or people effectively.

Because of these factors, the chances of the efficiency projects achieving their targets are slim. Targets are often attained only many years hence, by which time the managers who had originally initiated the work will have moved on to new roles - and their successors will be able to 'disown' the thinking behind the projects and greatly dilute any potential savings.

4.3 Managerial behaviours

Managers need to learn new skills and to adjust their approach. They should acquire the skills:

- to delegate and manage subordinates more effectively
- to challenge established ways of working
- to seek improvements - despite any discomfort with change
- to apply strict controls on all types of expenditure
- to use resources more wisely, focusing on the effective delivery of services
- to move to a 'right first time' policy - and dramatically reduce re-work.

The culture of the FCO places great emphasis on achieving consensus before any change or initiative is attempted. While admirable in theory, such concord can rarely be achieved when weaknesses as severe as those found throughout the organisation need to be tackled. Indeed, it is largely because of the over-emphasis on consensus that many of the problems seem so entrenched.

The changes required will cause pain. Managers and teams need to be challenged on their ways of working, skills and overall approach. Many will find it difficult and for some it will be impossible to respond to the fresh start that is needed and to the radical changes that will follow. Greater effectiveness will allow better services to be provided by fewer people, so some will no longer be needed. Those adversely affected cannot therefore be expected to support reform, nor can friends and colleagues of many years standing be expected to feel comfortable in imposing change.

Senior leaders should be prepared to enforce the changes needed without consensus - and to be seen to advance those who respond positively, despite their personal discomfort. Organisations determined to improve and enhance effectiveness have to act in such a way, while making sure that there is a satisfactory 'safety net' for, and reasonable consideration shown towards, those who lose out.

4.4 Measuring, managing and encouraging employees to perform

Accountability is poor. As reported above, short tenure, limited accountability, close and intrusive management, multiple re-working of output and avoidance of conflict make it hard to measure performance. The appraisal system rarely results in members of staff being graded lower than grade C. For example, in 2003, 15% of appraisals had not been completed by June and of those that were; only 38 (0.8%) were graded at D, E or F. This outcome is not credible - even the best organisations would expect around 5% to be graded D or E and robust action would be expected to resolve unsatisfactory performance. In the FCO the staff faces little discipline but can expect continual movement and advancement.

Employees are seen as generalists, so that a lack of professional competence or experience in (say) finance or HR (or even in specific political or diplomatic skills) is accepted, even where it acts as a significant drag on the effectiveness of a department.

Few managers have access to adequate data, measures and controls to allow them to monitor and manage the routine performance and cost-effectiveness of their departments. IT systems are being improved, but there is little confidence that a comprehensive, relevant suite of reports and Key Performance Indicators will be soon be available. Nor does the culture make this a top priority. Measurement of service standards or of the cost-effectiveness of operations is rarely a prime concern.

4.5 Resource management

In theory, budgets have been devolved, but the budgetary system lacks 'teeth'. Managers are free to use resources as they wish, with few check and balances. There is no incentive for reducing costs - more a culture of maintaining and gradually increasing expenditure, building on precedent. Some parts of the organisation retain excess resources, while a few are under intense pressure as demands have changed. There is no general strategy for allocating resources to meet the overall needs of the FCO and to achieve the optimum balance. Nor do any incentives exist to promote and reward better managerial practices and risk taking.

4.6 The development of processes

Processes are not thought through logically but have been built on past methods, with cumbersome modification to meet perceived changes to requirements. Rarely is a fresh start made. Where modern information technology has been applied, it has been overlaid on established custom and practice in ways that stifle its potential. It is almost impossible to pinpoint who is ultimately the 'owner' of a process - responsible for its operation and effectiveness and for resolving the aspects that cause frustration amongst users and waste resources. Sadly, even those most frustrated by these problems rarely have any belief that they can be tackled and resolved.

Our analysis provides substantial evidence to support the frustrations we met. Many core processes are consuming excessive resources and cost. Significant scope exists to reform these processes.

4.7 Project management (and the improvement activities/efficiency projects)

Even where the need for change is accepted, the FCO has a poor record of implementation. Few managers have sufficient experience or training in standard project management techniques - a weakness

compounded by the culture of limited accountability and multi-layered management. Good project management requires those close to the project to have absolute authority to secure the resources needed; and tight, well-monitored budgets, clear programmes with milestones, and properly defined success criteria. These requirements clash with the style of the organisation, resulting in projects and initiatives for improvement that rarely meet their objectives within budget and on time.

Our work has identified substantial opportunities to make improvements in efficiency and effectiveness. A radically different approach to project management will be needed if the potential is to be secured.

5 The opportunities to make efficiency savings

Our study has highlighted specific opportunities for change that would resolve many of the weaknesses discussed above. They would involve:

- streamlining the organisational structure to make it more accountable and responsive
- re-engineering supporting functions to make them leaner and more effective
- improving processes to make them more efficient and properly aligned to the needs of the organisation
- stopping or reducing activities that add little or no value and distract members of staff from core tasks
- applying better practice in Posts and in functions with similar characteristics
- re-balancing resources, and increasing the mix of locally engaged staff
- tighter control of discretionary expenditure.

Many of these aspects need to be linked to reinforce their effect. For example, the re-structuring of a department should be combined with the reform of the processes it uses and supports. The table below gives a summary of the opportunities that have emerged from the investigations. Further explanation of each main heading follows.

It is assumed that as much as possible of the projected saving is to be secured by concerted action during 2005, to allow the full-year benefit to be realised in financial year 2006/07. Some partial benefits should accrue during 2005/06, depending on how quickly change can be implemented.

Table 1: Summary of opportunities

No	Item	Opportunity for annual cost saving (£m) 2006/2007	Reduction in positions		
			UK located	UK-based in Posts	Locally Engaged
1	Rationalising the tasks shown in the Red, Amber and Green list (as defined below)	11.8	113	119	39
2	Streamlining the Finance structure and processes and integrating the Resource Management Units	3.8	66	19	19
3	Streamlining the Human Resources Directorate's structure and processes	4.7	130		-
4	Rationalising managerial layers and spans	6.1	85	50	-
5	Streamlining the Department of Strategy and Information	1.4	40		
6	Applying best or better practice to overseas Posts	8.1		35	400
7	Substituting Locally Engaged people for the UK-based at Post	4.0		204	(204)
8	Improving routine processes	2.4	39		53
9	Reducing the number of people in the Corporate Pool	1.4	40		
10	Rationalising the number of people engaged in change projects	0.4	10		
11	Streamlining the management of the internal market	0.4	10		
12	Reducing ancillary costs	6.0			
13	Reducing expenditure on consumables	6.8			
14	Reducing the cost of overseas accommodation	4.3			
15	Reducing the cost of Travel and Baggage	4.5			
Total Opportunity		66.1	533*	427	307
Population			1,882	2,155	6,569
Percentage			28%	20%	5%

* In addition there are 200 unfilled posts that could be removed

5.1 The Red, Amber and Green list

We were asked as part of our investigations to consider the impact of rationalising certain high profile activities that had been classified by the FCO as:

- **Red** - those that could be stopped completely
- **Amber** - those that could be curtailed
- **Green** - those that had to be maintained in full and could not be rationalised.

The analysis allowed us to assess the effort being expended to support the activities in the Red and Amber classification, and to consider the realistic savings that would result if they were stopped or curtailed or if, where possible, better procedures were adopted.

Rationalising the 'Red' activities would reduce effort by the equivalent of:

- 24 UK-located staff
- 39 UK-based staff in Posts
- 9 LE staff in Posts

generating a saving of £3.3 million.

Rationalising the 'Amber' activities would reduce effort by the equivalent of:

- 89 UK-based staff
- 80 UK-based staff in Posts
- 30 LE staff in Posts

generating a saving of £8.5 million.

The total saving opportunity would be £11.8 million. The savings would be drawn from the relevant Directorates and Posts.

5.2 Finance structure and processes and the Resource Management Units

Our analysis has indicated the cumbersome nature of the finance structure and its associated processes, which provide financial services to the Directorates in a manner that creates duplication and inefficiency. It suggests that there would be merit in integrating the Resource Management Units (RMUs). The PAA highlighted the large number of managers who participate in what should be simple processes, including placing purchase orders and checking and authorising invoices. It also showed that members of the Finance Directorate spend a large proportion of their time on non-financial tasks. Their efforts should be channelled towards their core duties. This, combined with radical reform of the purchase-to-pay procedures and other financial processes, would save significant effort both in the Finance Directorate and throughout the organisation. Completion of the implementation of PRISM should also release resources.

The opportunity indicated by the PAA data from streamlining the Finance processes and structure, and integrating the RMUs would be:

- a reduction of 66 positions in UK-located staff
- a reduction of 19 positions in UK-based staff in Posts
- a reduction of 19 positions in LE staff

generating a cost saving of £3.8 million.

5.3 Streamlining the HR Directorate

The HR Directorate has 290 people. Despite this large central function, the data reveal that the rest of the organisation in the UK also devotes 150 person-years of effort to managing people. Our inference is that the processes used and ways of working are onerous and absorb excess effort in the HR function and throughout the FCO.

Examination of HR activity suggests that a principal reason for the high deployment of resources is a disproportionate number of people in positions related to the development and dissemination of strategy. Even with a generous allocation of people to this role, our experience suggests that a substantial reduction in the numbers needed is possible.

The time consumed by the administration and implementation of the Boarding procedures - there are currently 24 people in the Boarding team - also indicates the scope for savings if - as many wish - these procedures can be streamlined to make them more applicable to the current needs of the organisation.

Analysis also indicates that much of the time spent by staff in HR is not sufficiently focused on the principal activities of managing people. Working practices need to be reshaped so that at least 70% of time is spent on core tasks.

These three elements of our analysis combine to point to an opportunity to reduce by 130 the number of people in the HR Directorate. This is supported by benchmarks that suggest that a 'world-class' organisation should require one only member of staff in HR for every 100 employees. The FCO ratio is approximately 1:20. The British Army achieves 1:43. If the FCO could achieve even 1:40, it would require only 145 - a reduction of 145.

Our conclusion is that the HR function needs a comprehensive overhaul. The injection of a number of experienced HR professionals would help to secure the changes needed. The FCO's Efficiency Plan includes a target of re-deploying some 120 people out of HR by 2009/10. Much more can be achieved. The changes should be implemented quickly in order to transform the service provided to the rest of the organisation. The analysis of Red, Amber and Green initiatives includes a target for reducing the effort expended by the rest of the business on HR matters. Reform of the HR Directorate would assist greatly in allowing this to happen. The opportunity is:

- redeployment of 130 people out of the HR Directorate
- a reduction in cost of £4.7 million.

Further reductions in the total effort required for the management of people in Posts should also accrue from the upgrading of HR processes.

5.4 Rationalising managerial layers and spans

As described in section 4.1, and illustrated in Appendix 3, the FCO has a tall, narrow organisational structure with up to 11 layers between the PUS and the lowest grade of employee (depending on the Directorate). In the UK, the average number of people controlled by a manager is 2.2. Most benchmarks suggest a span of control of between 6 and 10, depending on the nature and complexity of the work and the supervision required. Any structure in which instructions and work-in-progress are passed up and down through more than one or two layers is inefficient. Managers in the middle layers become little more than message carriers and checkers, greatly diluting the accountability of the real workers and isolating more senior managers.

The effect in the FCO is an organisation where people tend to be over-managed and work is re-done repeatedly as it passes through each layer. The data show that 89 people-years in the UK, and 21 people-years overseas, are spent in reviewing, redrafting and consulting colleagues. The extent of over-managing is emphasised by data indicating that almost 3 hours a week is spent monitoring and appraising the performance of every person in the organisation. This degree of micro-management is not effective, an outcome borne out by the statistics for appraisals.

Multiple layers of managers also stifles the innovative, perceptive research and analysis that challenges established thinking. Brave new ideas rarely survive repeated filtering, but are desperately needed if the FCO is to become more effective.

The organisation would be more responsive and efficient if the layers were reduced and managers' spans of control were broadened. Allowances need to be made for non-managerial duties but, as a minimum, it should be possible to eliminate the equivalent of one half of one layer - approximately 85 positions in the UK - if a comprehensive review of the organisation were conducted. Similar savings should also be possible by increasing the span of control to 6 in the 88 posts with a staff of more than 50.

The opportunity is:

- a reduction of 85 managerial positions in the UK
- a reduction of 50 managerial positions in Posts

generating a saving of £6.1 million.

5.5 Streamlining the Department of Strategy and Information

The Department of Strategy and Information (DSI) exhibits many of the traits found throughout other parts of the organisation. The PAA analysis covering the 237 DSI officers shows that only 57% of their effort is devoted to tasks that could, in any way, be described as their core responsibilities. It indicates that they spend almost 20% of their time managing themselves and assessing the performance of people and teams - a powerful indicator of a function that is over-managed.

This group also becomes too involved in processes that should not be a major concern. Procurement, Finance and ICT consume over 11% of their effort. The DSI should act to rationalise non-core and supporting activities, so that they represent no more than 30% of the total effort expended. This would release 40 people and bring the department closer to (but still well above) comparable units. A norm would be for an organisation to have 5 - 8% of staff time handling strategy and information. The DSI represents 12.5% of the people in scope, and others are to be found - with different job titles - throughout the organisation.

The opportunity is:

- a reduction of 40 in UK positions

generating a saving of £1.4 million.

5.6 Applying best or better practice to Posts

The comparative analysis has highlighted the wide variation in the structures of manpower and costs of Posts that should experience similar pressures and tasks. Several groups of similar Posts were examined and the diversity of costs was carefully investigated.

One example is in the varying costs of the larger posts in Western Europe. Some of the disparities will be caused by historical and local factors, such as the particular property occupied, but the comparative cost structure of these posts merits full investigation.

Examination of other groups of similar Posts indicates that further savings should be possible where Posts are out of line with the relevant norms. The opportunity is:

- a reduction of 35 in UK staff in other Posts significantly out of line with the norm
- a reduction of 400 in LE staff in other Posts significantly out of line with the norm

generating a saving of £8.1 million.

5.7 Substituting locally engaged for UK-based people

The comparative analysis revealed differences in the mix of people used by the Posts. The average is 22% UK-based, 78% locally engaged. However, several posts have many more UK employees than this average. In most Posts, there is an opportunity to employ LE staff in jobs that traditionally have been filled by UK personnel for reasons that no longer bear scrutiny - notably the positions of Management Officer and other administrative roles, where there might be advantage in having better local knowledge.

Bringing all those Posts above the norm in line with the average would substitute 408 locally-engaged employees for UK-based ones. This might not be achievable everywhere, but a target of at least 50% should be set. The prize would be:

- a reduction of 204 in UK positions (substituting the same number of LEs)

generating a saving of £4.0 million.

Note: This saving has been calculated from the differential in salary costs at the specific Posts where the opportunities lie. We understand that the movement of funding between budgets for UK and LE employees would require the sanction of the Treasury.

5.8 Improving routine processes

The PAA has confirmed a widely-held view that many routine administrative processes are cumbersome and need to be overhauled. In particular, it revealed the considerable effort devoted to:

- registering documents
- filing and retrieving documents, and other routine administration
- procurement (outside the Finance Directorate)
- the administrative effort of gathering information.

These four tasks alone absorb almost 400 person-years of effort in the UK and over 500 person-years in Posts. Our experience demonstrates that processes that have not been upgraded for several years become inefficient, providing the opportunity for improvements in productivity of over 20%. A modest target for the FCO would be to improve the efficiency of administrative processes by 10% in the UK and 5% overseas (allowing for the difficulty of deriving savings from smaller teams). The opportunity is:

- a reduction of 39 UK-located positions
- a reduction of 53 positions in Posts

generating savings of £2.4 million (assuming lower than average salaries in administration and that 50% of the saving in Posts would be LEs).

5.9 Reducing the number of people in the Corporate Pool

The Organisational Analysis highlighted the Corporate Pool of people in transit between Posts or permanent positions in the UK. The current cost of the approximately 170 people in the pool is £15m.

Good people do not stay in the Pool for long. Indeed, the best secure new jobs before their posting expires and never enter the Pool. However, we understand that around 15% of the pool might be poor performers. Those in the Pool for longer than a set period should be assessed and the employment of

those deemed unsuitable for a fresh appointment should be terminated in the most appropriate way. Tackling these people and introducing stricter procedures for managing the Pool would reduce the average length of stay. The opportunity is:

- a reduction of 40 people in the Pool

generating a saving of £1.4 million.

5.10 Rationalising the number of people engaged in change projects

As described in section 4.7, the FCO lacks the skills and disciplines to manage the implementation of change effectively. Projects tend to drift, consuming resources without realising the required benefits. There are currently a number of change programmes aimed at cutting costs not subject to sufficiently rigorous scrutiny.

A stricter procedure should be established to determine which should continue and which should be stopped, curtailed or merged. Clear finishing dates should be defined with the intention of removing the people devoted to projects that either come to an end or are terminated because of an unacceptable ratio of costs to benefit.

The PAA indicated that over 30 person-years were being devoted to implementing major changes in the UK (excluding IT-related work). The opportunity for the FCO is to challenge and rationalise the current initiatives. Several should end during 2005 as work on PRISM and other major programmes are completed. We anticipate a potential of:

- a reduction in effort equivalent to 10 people in the UK

generating a saving of £0.4 million.

5.11 Streamlining the management of the Internal Market

The analysis indicates that 51 person-years are used managing the Internal Market, mostly arising from liaison with FCO Services at a cost of £1.8m per year. Streamlining the procedures for collaboration with FCO Services should reduce these costs by at least 20%. The savings are:

- a reduction in effort equivalent to 10 people in the UK

generating a reduction in cost of £0.4 million.

5.12 Reducing ancillary costs

UK members of staff assigned to overseas Posts receive substantial allowances to offset the excess costs they incur while living abroad and the differences in the cost of living. These allowances have not been reviewed comprehensively for some time. Updating them could make significant savings. The FCO's Efficiency Savings Plan includes a target to reduce these allowances by £8m cashable and £1m non-cashable by 2008/09, the changes being phased in as fresh appointments are made to Posts. Our investigations indicate that, if firm action is taken during 2005, more can be realised, sooner.

At least £12m of savings once changes are fully implemented - £6m by 2006/07.

5.13 Reducing consumable purchases

The Efficiency Plans are targeting potential savings from 'Demand management' of routine expenditure. Savings from procurement are outside our scope, but our experience is that the rationalisation of structures, streamlining of processes and reduction in numbers advocated by this report should generate related savings in the demand for consumable expenses (such as stationery, telecommunications, travel). The analysis of costs indicates expenditure of £44m in these categories in the UK and almost £30m at Posts.

Good housekeeping would generate savings of 12% in the UK and 5% overseas, yielding a total of £6.8m.

5.14 Reducing accommodation overseas

The reduction in the number of UK-based people in Posts would reduce the need for local accommodation. Assuming an average of £10,000 per person, the opportunities we have presented would save £4.3m per annum.

5.15 Reducing the expenditure on travel and baggage

The reduced number of UK-based people in Post would generate a proportionate reduction in the annual expenditure of over £30m on travel and baggage. Even if the proportional saving were only 75% of the reduction in staff, it would equate to £4.5m.

6 Converting the Opportunity into a realistic target

Section 5 has described the numerous opportunities that the PAA and other analyses have found to improve the effectiveness of the FCO. The total opportunity is £66.1m, and every effort should be made to secure most of this prize. However, our experience is that the implementation of specific changes will reveal elements in which not all of the savings can be realised. This can be because of:

- overlap and duplication between related aspects
- situations where the small size of a team or Post makes it impossible to consolidate the various savings and allow one complete post to be eliminated. The employment of part-time staff can help
- the need to retain skills, experience and expertise, preventing the optimum structure from being adopted
- changes that cannot be implemented within a reasonable timescale
- aspects that require investment in Information Technology or other enablers that cannot be justified by the business case.

The next step, following our investigations, should be to assess how the various proposals should be implemented and to determine the proportion of the opportunity for savings that can be secured. We should expect that the gross estimate for each of the opportunities for savings would have to be reduced by 20-25% once the factors listed above have been considered. In some cases, the adjustment will be more. We have, for example, established that rationalising the Red and Green activities or upgrading

routine processes should, in theory, eliminate significant effort. However, these tasks are spread amongst a lot of people, some working in small teams that might not be easy to restructure, so it must be accepted that a lower proportion of these opportunities can be obtained. Where the assessment of the opportunity has already been discounted or contingencies applied in the initial appraisal, significant further downgrading is unnecessary. Excess pessimism should be avoided to prevent too much of the opportunity from being discarded at the outset.

The following table shows our assessment of the target for savings, derived from the various opportunities. It reflects our understanding of the realistic potential, provided that concerted efforts are made to obtain the maximum available.

Table 2: Summary of targeted savings

No	Item	Annual cost saving (£m) 2006/2007		
		Opportunity	Target	% of opportunity
1	Rationalising the tasks in the Red, Amber and Green lists	11.8	7.1	60
2	Streamlining the Finance structure and processes and integrating the Resource Management Units	3.8	2.9	75
3	Streamlining the HR Directorate's structure and processes	4.7	3.5	75
4	Rationalising managerial layers and spans	6.1	4.6	75
5	Streamlining the Department of Strategy and Information	1.4	1.0	75
6	Applying best or better practice to overseas Posts	8.1	5.7	70
7	Substituting Locally Engaged people for the UK-based at Post	4.0	3.2	80
8	Improving routine processes	2.4	1.4	60
9	Reducing the number of people in the Corporate Pool	1.4	1.1	80
10	Rationalising the number of people engaged in change projects	0.4	0.3	75
11	Streamlining the management of the internal market	0.4	0.3	75
12	Reducing ancillary costs	6.0	4.5	75
13	Reducing expenditure on consumables	6.8	5.4	80
14	Reducing the cost of overseas accommodation	4.3	3.4	80
15	Reducing the cost of Travel and Baggage	4.5	3.6	80
Total		66.1	48.0	73

An overall improvement target of £48.0m should therefore be set and pursued. The aim should be to achieve this as a 'running rate' by the end of 2005, so that the benefit can be obtained in full during financial year 2006/07.

7 Reconciliation of the Efficiency Savings Plan with the Target

Appendix 5 sets out a reconciliation of the target with the December 2004 Efficiency Savings Plan. A summary is as follows:

Table 3: Reconciliation

All totals in £m	Efficiency Savings Plan target at end 2005/06			Enhancements identified by Collinson Grant	Running rate including enhancements
	Cash	Non cash	Total		
Projects outside CG scope	9.8	8.0	17.8	-	17.8
Projects CG study can support	3.1	11.8	14.9	33.1	48.0
Totals	12.9	19.8	32.7	33.1	65.8

The analysis compares the Efficiency Savings to be achieved as a 'running rate' by the end of financial year 2005/06 with the improvements projected by Collinson Grant to be achieved as a 'running rate' by the end of December 2005. In both cases, 2006/07 would be the first year that savings generated by action during 2005 would be realised fully. Partial savings would be delivered during 2005/06, but only towards the end of the year.

The FCO's Efficiency Plans anticipate additional savings to be realised through to the end of 2009/10. The running rate to be achieved by March 2010 is £97.3m. Even if no further savings flowed in later years

from the initiatives we have outlined, these proposals should bring forward the delivery of savings by several years.

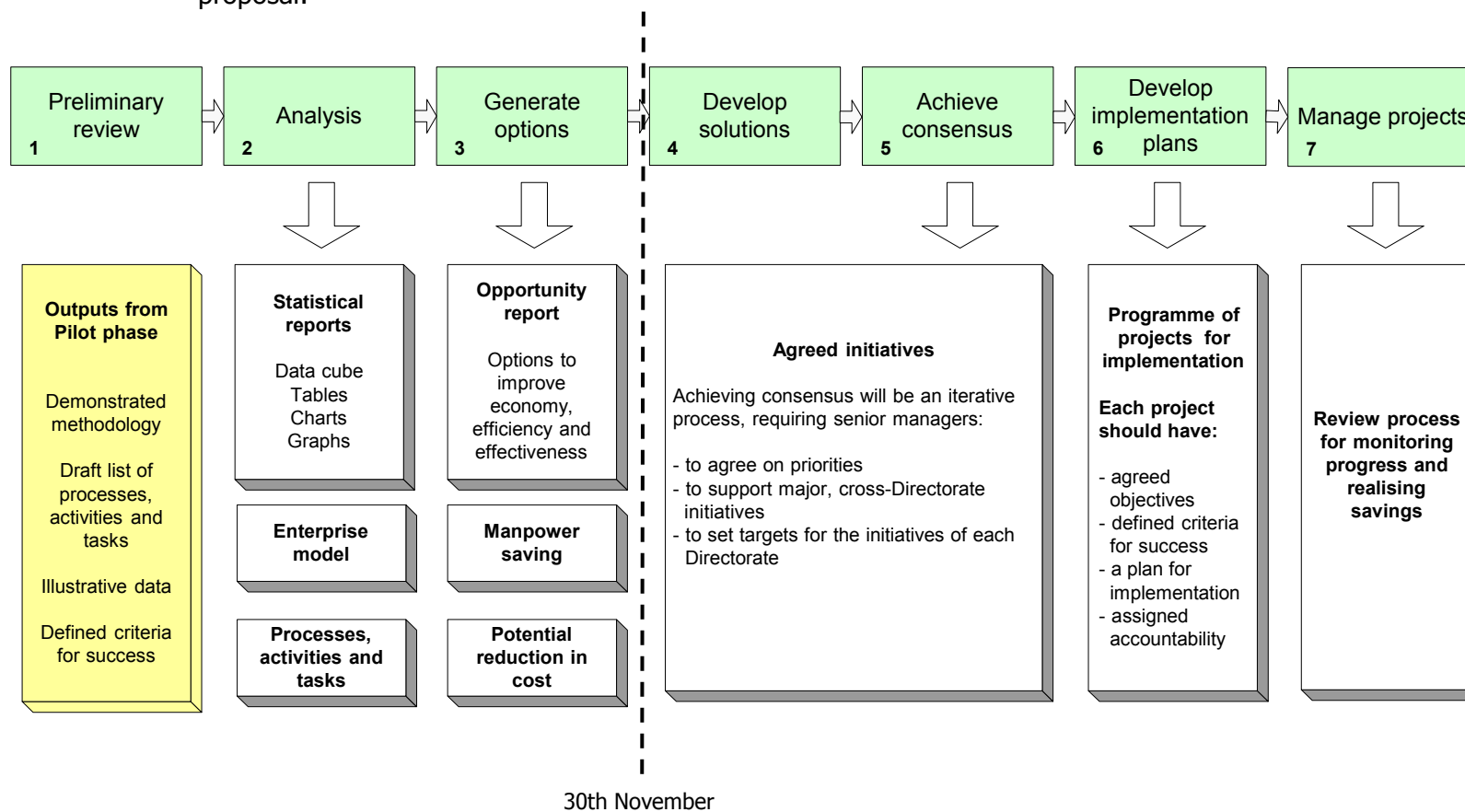
We understand that just over 300 applications for voluntary redundancy, from people within the scope of this study, are likely to be accepted, which is seen as allowing the reduction in the UK pay bill to be achieved. However, the specific posts to be eliminated and the optimum pattern of re-deployment to 'back-fill' essential jobs have yet to be determined. Implementation of the opportunities we have described would provide the guidance necessary to pinpoint the posts no longer needed and avert the recruitment of replacements.

The Efficiency Savings Plan is already slipping. In September it was forecast to deliver savings of £10.7m by the end of 2004/05. This has been cut to £6.3m. Similarly, the target for the end of 2005/06 has been cut from £55.8m to £32.7m. The successful realisation of the opportunities revealed by our study could therefore prove essential to reinforce the programme and offset slippage in the elements not in our scope.

Pursuit of the enhanced savings potentially available by the end of 2005 would secure the savings from the items covered by our study currently not expected until 2009/10. Apart from the financial benefit, early completion of these elements of the programme of change would dramatically curtail the period of instability that the FCO faces. This would allow it to concentrate on its core tasks, to enjoy the operational benefits of more effective processes much sooner, and to avoid the debilitating effect of a protracted programme of change.

8 Summary

Our approach to achieving radical change and identifying opportunities to reduce costs is summarised in the chart that we have presented to the FCO on numerous occasions and that was included in our original proposal:



The work summarised in this report has reached the stage forecast in our proposal. Opportunities for reducing costs and the number of employees have been recognised, but these have not been agreed with the FCO. No consensus for change exists and no firm options have been developed or tested.

Although we are confident that the targets can be achieved, much more effort is need to turn aspiration into reality. The starting point for securing the maximum benefit from change within the FCO should be a robust mechanism for project management. This will establish a systematic framework to test, develop and implement any opportunity presented to improve the efficiency and effectiveness of the organisation.

A full description of the methodology we recommend is contained in the document, 'Applying the project management methodology to create a robust framework for managing change', which is submitted with this report.

Forecasts and recommendations in a proposal, report or letter are made in good faith and on the basis of the information before us at the time. Results depend on the effective co-operation of the client and the client's staff. Therefore, no statement in a proposal, report or letter is a representation, undertaking, warranty or contractual condition. This Company shall not be liable for any losses which were not reasonably foreseeable on acceptance of a proposal or for indirect or consequential losses including loss of revenue, expected profits and claims by third parties.

Terms of reference

This document sets out the terms of reference for Phase 2 of the Collinson Grant study on 'Efficiency, effectiveness and the control of costs in the Foreign and Commonwealth Office: Analysis and the development of opportunities'.

The broad aim is to extend the pilot project conducted in June-July 2004 to a 'full deployment' phase. This will involve using the Process Activity Task (PAT) model designed in the pilot to gather data on all the FCO's functions within the scope of the project, and the development of opportunities for change in line with the objectives of the FCO strategy and other change programmes currently underway.

Objectives

The objectives of this second phase of the project are:

- to investigate the opportunities for reduction in manpower that are possible, while preserving the ability of the organisation to fulfil its purpose and to maintain the breadth and quality of its output
- to calculate the associated potential for cost savings and assess their impact
- to provide information which will assist the FCO in evaluating, and deciding whether to adopt, proposals for changes to its processes and the allocation of resources; and to advise on possible future changes to components of the organisation.

In considering how the potential savings should be recognised and realised, the investigation and analyses will give particular importance to:

- the relationship between the resources allocated to processes and their outputs, and the importance of the associated outcomes to the FCO in fulfilling its strategic purposes;
- the distinction between activities that are central to implementing the FCO's long-term strategy, and those that support them or sustain the organisation;
- the proportion of the workforce devoted to the infrastructure and to support activities;

- the productivity and performance of units engaged in processing transactions;
- the relationship between Directorates in London and operations in overseas posts.

Scope

The Project will focus on the FCO's core functions, excluding public service activity, Consular Services, UK Visas and UKTI and FCO Services, whose budgets are effectively ring-fenced. The staff in scope comprises 1,674 in the UK, 1,655 UK-based (located overseas) and 6,569 local staff overseas (a total of 9,898).

Approximate staff numbers				
	Located in UK	Overseas posts		Totals
		UK-based	Local	
Management functions	924	400	5,775	7,099
Front line	750	1,255	794	2,799
In scope	1,674	1,655	6,569	9,898

Approach and programme of work

Phase 2 will build on the work carried out in the Pilot project, using Process Activity Analysis, Organisational Structure Analysis, Comparative Analysis and Transactional Analysis to investigate and report on the effectiveness with which the FCO deploys its human resources. The chart below gives proposed timelines for the programme of work.

Stage	Month Week commencing Week number	Jul	Aug					Sep				Oct			
		26 1	2 2	9 3	16 4	23 5	30 6	6 7	13 8	20 9	27 10	4 11	11 12	18 13	25 14
2 <i>Analysis</i>	PAA UK														
	PAA posts														
	CA posts														
	Cost model														
	Other analyses														
	Statistical report														
	Presentation														
3 <i>Generate options</i>	Analysis														
	Opportunity report														
	Presentation														
4 & 5 <i>Begin to develop solutions and achieve consensus</i>	Explore practicability and desirability of options														

The Process Activity Analysis will provide information on how people in the FCO spend their time. It will show, in detail:

- where effort is being duplicated in different parts of the organisation
- how work on specific activities is either focused or dispersed
- the mode of working. How departments and individuals actually undertake each activity

This is the first step towards an evaluation of whether the time and cost expended are commensurate with the outputs and outcomes of each process and function.

The Organisational Structure Analysis will provide a detailed analysis of the size and composition of the line and staff structure throughout the organisation. This exposes the layers and spans of the structure, allowing excessive layers, or inadequate and potentially wasteful spans to be revealed.

The Comparative Analysis will gather data on resources from existing records and analyse them by function, location, personnel type and grade rather than process.

The Transactional Analysis will be used in the parts of the FCO where work produces a stream of repetitive outputs or 'transactions'. We will quantify the number of transactions as a means of further illuminating the statistical data from the other analyses.

This information will support the analysis to identify opportunities for improving the efficiency of processes in the FCO; on the reallocation of staff from lower to high priority activity and from the back office to the frontline; and eliminating unnecessary activity. From this analysis, options will be formulated which could be considered further by senior management in the FCO including at the Board meeting at the end of October.

The information should also assist the various change programmes currently underway within the FCO, specifically the Organisation Project, the Efficiency Plan, the Knowledge Management Programme, the Human Resources Strategy and the Culture Change Programme. It will provide them with rigorous and objective evidence in support of their efforts to design more efficient organisational structures and processes.

Critical factors

Work at this stage of the project will require the team of consultants to work in partnership with staff from the FCO. It is imperative that this resource is of sufficient calibre to complete the development of the list of processes, activities and tasks. Nominated representatives from the FCO will need to be available from the 16th August.

The project team will require a secure room permanently allocated to them, with computer projector and screen, access to meeting rooms and availability of a networked PC.

During the Process Activity Analysis FCO respondents asked to complete a questionnaire may need to attend briefings. Attendance at briefing sessions must be enforced by FCO managers. The FCO Board members will need to actively encourage respondents to complete the questionnaires in good time it is estimated that on average each respondent will need to devote three hours to this task.

Electronic data comprising details of individual staff, overall staff numbers and costs by Directorate and posts will be required by Friday 20th August. A start on collation of this information has been made but the speed of exchange will need to be accelerated.

Resources

The project's progress will be monitored by a steering committee made up of representatives of the teams involved in implementing the FCO's Efficiency Plan, the Organisation Project, the Knowledge Management Programme, the HR strategy and the Culture Change initiative, as well as from frontline Directorates.

Requirements for resources from the FCO

Group	Membership	Average input	Over what period	Average input	Over what period
		Analysis stage		Subsequent stages	
1 Member of the core team	▪ 1 - Finance	3 days/week	8 weeks	2 days/week	
	▪ 1 - HR	3 days/week	8 weeks	2 days/week	
	▪ 1 - EU Directorate	3 days/week	8 weeks	2 days/week	
	▪ 2 - other Directorates	3 days/week	8 weeks	2 days/week	
2 Contacts at the Posts (plus discussions with RMUs)	▪ 1 per Post in sample	2 - 5 days	In total spread over 8 weeks	1 - 3 days	In total spread over 10 weeks
	▪ sample group of 10 - 15	Varies by size		varies by size	
3 Individuals required to complete PAA survey / comparative data - London and Posts	▪ Between 400 and 600	3 hours per person in total	Briefing and completion within a week		
4 Administrative support to arrange briefing sessions - attendees and venue	▪ 2 administration assistants	Full time	For one week only		
5 Nominated staff member to verify organisation structures and assist with the selection of respondents	▪ 1 per Directorate	Varies by availability of data	For one week only		
6 Senior management - sponsorship and steering group	▪ Director Finance & Sponsor	1 hour per week ongoing			
	▪ Project Manager	1 day per week ongoing			
	▪ Other senior managers	1 hour per month per individual ongoing			

Note: there is no requirement for direct input from employees in general

Investment

A team of up to six senior consultants will lead this phase of the project, with additional staff providing project management and administrative support. The estimate of the investment in consultancy is as follows:

S-CAT grade	Fee rates	Consultant days	£ (excl VAT)
Project Director	1,450	35	50,750
Director - Project Manager	1,450	68	98,600
Managing Consultant (x3)	1,100	191	210,100
Consultant	750	40	30,000
		334	389,450
Total (including volume discount)			366,946

The estimated investment makes certain assumptions about the amount of support the FCO will provide.

Volume discount

Under the terms of the Services Catalogue Framework Agreement (S-CAT), the volume discount will be calculated on the following basis:

- 41 - 100 consultant days : 2%
- 101 - 200 consultant days : 5%
- 201 - 300 consultant days : 8%
- 301+ consultant days : 15%

This would reduce the total investment by £22,504 (plus VAT) to £366,946 (plus VAT).

Expenses

Collinson Grant charges for travel by car at 55 pence per mile and for other travelling and reasonable overnight accommodation and subsistence at actual cost. International travel, where agreed will be arranged through the established FCO channels and on the FCO's normal terms. Alternatively it may be arranged, by agreement with the FCO by Collinson Grant.

Invoicing

The provisional schedule of invoicing is:

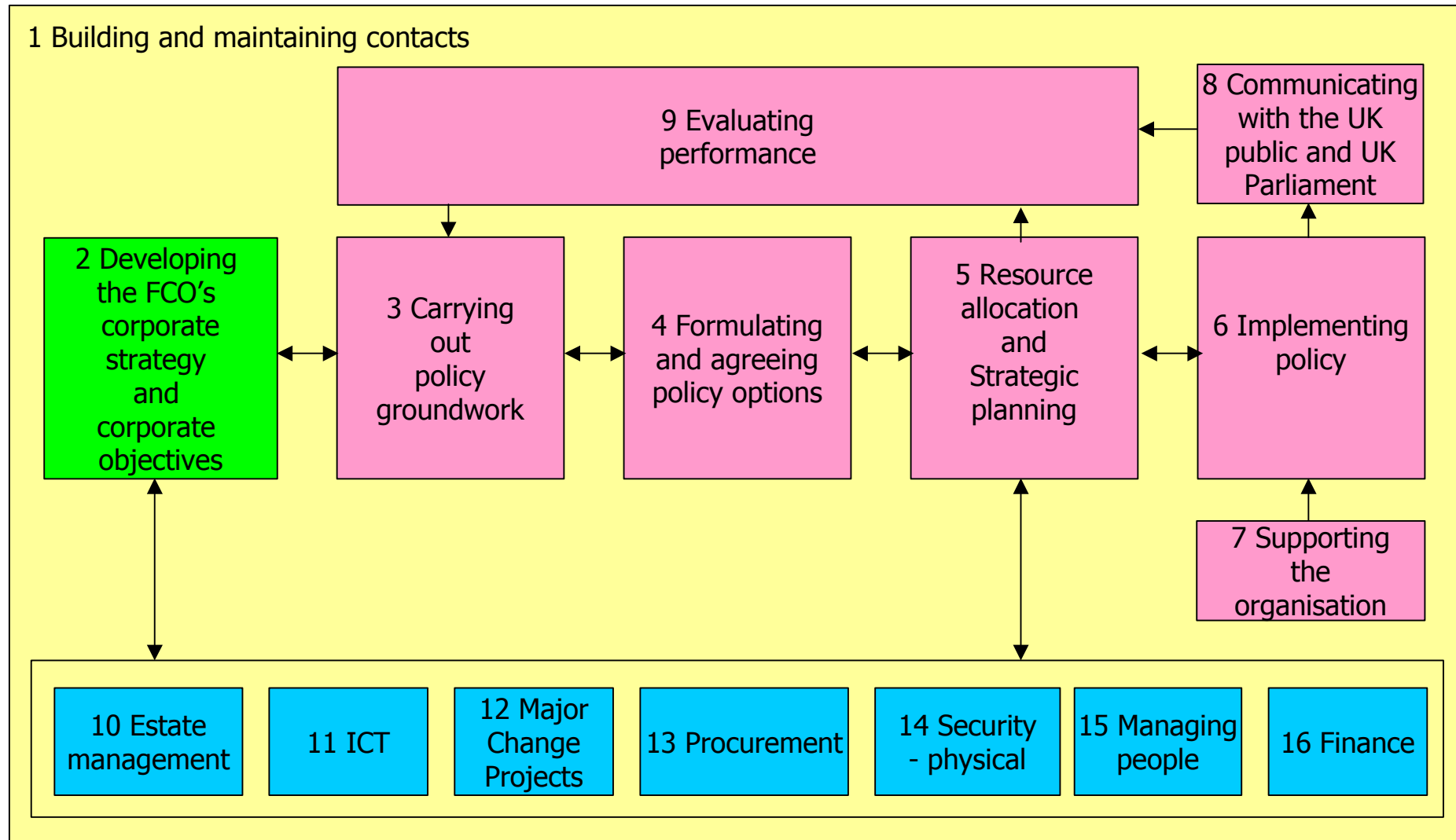
Date	Amount
31st July	£20,729 + expenses (plus VAT)
31st August	£93,468 + expenses (plus VAT)
30th September	£122,959 + expenses (plus VAT)
31st October	£129,790 + expenses (plus VAT)

Analysis of respondents

Respondents completing questionnaires for themselves and others			
Home	Total due to respond	% loaded in database	Outstanding
Africa	9	88.9%	1
Americas	12	91.7%	1
Asia Pacific	10	100.0%	0
Central Units	49	73.5%	13
Estates Strategy Unit	6	83.3%	1
Europe (EU)	36	100.0%	0
Finance	31	90.3%	3
Global Issues	10	90.0%	1
Human Resources	72	97.2%	2
Information	31	83.9%	5
Iraq	9	88.9%	1
International Security	10	90.0%	1
IT Support Unit	6	100.0%	0
Middle East/North Africa	15	93.3%	1
Protocol	7	85.7%	1
South Asia	10	90.0%	1
Security	10	90.0%	1
Wider Europe	6	66.7%	2
Economic Policy	8	100.0%	0
Defence	24	91.7%	2
Total	371	90.0%	37
Overseas	Total due to respond	% loaded in database	Outstanding
Accra	7	85.7%	1
Beirut	5	100.0%	0
Bratislava	11	90.9%	1
Brussels	43	95.3%	2
Budapest	2	100.0%	0
Colombo	9	100.0%	0
Dublin	10	70.0%	3
Gibraltar	4	100.0%	0
Manila	8	100.0%	0
Mexico City	7	100.0%	0
Paris	45	88.9%	5
Pretoria	8	100.0%	0
St Petersburg	4	100.0%	0
Vienna	5	100.0%	0
Total	168	92.9%	12
Overall total	539	90.9%	49

Nominated staff for whom Respondents completed questionnaires (including themselves)		
Total due to respond	% loaded in database	Outstanding
50	84.0%	8
78	97.4%	2
48	100.0%	0
226	72.6%	62
29	72.4%	8
148	100.0%	0
171	83.0%	29
85	92.9%	6
290	97.6%	7
228	85.1%	34
34	94.1%	2
50	100.0%	0
28	96.4%	1
57	94.7%	3
38	89.5%	4
35	94.3%	2
45	93.3%	3
54	40.7%	32
53	100.0%	0
135	95.6%	6
1882	88.9%	209
Total due to respond	% loaded in database	Outstanding
101	72.3%	28
62	100.0%	0
15	86.7%	2
214	99.1%	2
2	100.0%	0
76	100.0%	0
30	50.0%	15
34	100.0%	0
40	100.0%	0
63	100.0%	0
124	94.4%	7
39	100.0%	0
19	100.0%	0
6	100.0%	0
825	93.5%	54
2707	90.3%	263

Enterprise Model



Organisational structure: Layers and spans in the UK

Home	Total population	Number of managers	Number of layers	Average span of control
Africa	50	27	9	1.9
Americas	78	39	8	2.0
Asia Pacific	48	27	8	1.8
Central Units	226	85	8	2.7
Estates Strategy Unit	29	17	9	1.7
Europe (EU)	148	69	9	2.1
Finance	171	60	8	2.9
Global Issues	85	37	11	2.3
Human Resources	290	110	11	2.6
Information	228	88	8	2.6
Iraq	34	16	9	2.1
International Security	50	27	9	1.9
IT Support Unit	28	13	6	2.2
Middle East/North Africa	57	32	8	1.8
Protocol	38	20	4	1.9
South Asia	35	22	8	1.6
Security	45	20	8	2.3
Wider Europe	54	34	9	1.6
Economic Policy	53	24	7	2.2
Defence	135	70	9	1.9
Total	1882	837	11	2.2

Reconciliation of the Target with the Efficiency Savings Plan

Reconciliation of Efficiency Savings with the Opportunities highlighted by Collinson Grant

The main comparison is with the running rate at the end of 2005/06 reflecting the fruits of action during 2005

	Original estimate 2004/5 £m	Efficiency savings target running rate at end 2004/2005 £m			Original estimate 2005/6 £m	Efficiency savings target running rate at end 2005/06 £m			CG enhancements to savings	Efficiency Plan with CG Enhancements	Efficiency savings target running rate at end 2009/10 £m		
		Cash	Non cash	Total		Cash	Non cash	Total			Cash	Non cash	Total
Elements outside the CG scope													
Project 1 - Lyons review	0.00	0.00		0.00	0.00	0.00		0.00		0.00	1.10		1.10
Project 2 - Asset Recycling	0.00		0.00	0.00	4.00		4.00	4.00		4.00		4.00	4.00
Project 3 - Estate efficiencies - energy	0.00	0.00		0.00	0.00	0.00		0.00		0.00		0.10	0.10
Project 4 - Future Firecrest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00	3.70	10.30	14.00
Project 5 - Prism Savings	0.20	0.28	1.55	1.83	5.70	0.71	3.93	4.64		4.64	0.71	9.84	10.55
Project 6 - BBC Monitoring	0.00	0.00		0.00	2.00	2.00		2.00		2.00	4.50		4.50
Project 11 - Strategic sourcing	2.00	0.50		0.50	3.50	3.50		3.50		3.50	7.50		7.50
Project 13 - Strategic Unit Savings	0.00	0.00	0.00	0.00	0.05	0.07	0.13	0.20		0.20	0.07	0.18	0.25
Project 18 - Wider market turnover	1.00	1.00		1.00	1.00	1.00		1.00		1.00	1.00		1.00
Project 19 - FCO Services' back office	0.70		0.00	0.00	1.00		0.00	0.00		0.00		0.00	0.00
Project 20 - Better Project management	2.20	2.00		2.00	2.40	2.00		2.00		2.00	2.00		2.00
Project 21 - Reduced contractors' costs	1.00	0.00		0.00	1.50	0.50		0.50		0.50	1.00		1.00
Major contract services	0.50				1.00								
OGD Collaboration	1.50				2.00								
Workforce efficiency	0.00				1.00								
Improved work patterns	0.00				0.00								
Benchmarking	0.00				0.00								
Sub-total - outside scope	9.10	3.78	1.55	5.33	25.15	9.78	8.06	17.84		17.84	21.58	24.42	46.00
Elements with links to CG study													
Project 7- UK-staff pay bill	0.00	0.00		0.00	6.00	0.00		0.00			17.00		17.00
Project 9 - Overtime reduction	0.00	0.00		0.00	0.50	0.00		0.00			2.00		2.00
Project 14 SR02/04 efficiencies	0.00		0.00	0.00	10.00		10.00	10.00				10.00	10.00
CG Opps													
Rationalise layers and spans										4.60			
Corporate Pool										1.10			
Streamline DSI										1.00			
RAG list										6.70			
Process improvements UK										1.20			
Rationalise change projects										0.30			
Substitute Locally engaged staff										3.20			
Management of the internal market										0.30			
Best practice - Like Posts										1.50			
Sub-total	0.00	0.00	0.00	0.00	20.00	0.00	10.00	10.00	9.90	19.90	19.00	10.00	29.00
Project 8 - Ancillary pay bill savings	0.00	0.00	0.00	0.00	2.00	0.00	0.00	0.00	4.50	4.50	8.00		8.00
Project 10 - Local Staff Pay bill	0.00	tbc		tbc	2.00	2.00		2.00			6.00		6.00
CG opportunity - RAG and process improvement									0.60	0.60			
CG Opportunity - Apply best practice									2.20	4.20			
Project 12 - Demand management	0.20	0.20		0.20	0.40	0.40		0.40			1.20		1.20
CG Opportunity - Other consumable costs									3.80	4.20			
Project 13 - Procurement at Posts	0.50	0.50		0.50	0.70	0.70		0.70			2.50		2.50
CG opportunity - Accom, Travel, Baggage and other									7.50	8.20			
Project 16 Finance Directorate	0.29		0.29	0.29	0.58		0.58	0.58				1.45	1.45
CG Opportunity - Streamline Finance Directorate									2.32	2.90			
Project 17 HR Directorate	0.63		0.00	0.00			1.20	1.20				3.10	3.10
CG Opportunity - streamline HR Directorate									2.30	3.50			
Total with links to CG study	1.62	0.70	0.29	0.99	25.68	3.10	11.78	14.88	33.12	48.00	36.70	14.55	51.25
Total Efficiency programme	10.72	4.48	1.84	6.32	50.83	12.88	19.84	32.72	33.12	65.84	58.28	38.97	97.25

Collinson Grant Limited
Ryecroft
Aviary Road
Worsley
Manchester
M28 2WF
United Kingdom

Facsimile : +44 (0) 161 790 9177
Telephone : +44 (0) 161 703 5600
Web : www.collinsongrant.com
E-mail : postmaster@collinsongrant.com