

# Organisation and Management of Delivery

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*Photograph: The Atrium, DFID's offices in London. John Barlow.*

# Organisation and Management of Delivery



*“DFID’s greatest strength is the passion and commitment of the people who work for it. DFID’s greatest challenge is to show how we are changing things for the better, above all by the progress we make towards the MDGs. And to do that, we have to think about how we change as an organisation.”*

Hilary Benn, April 2004

- 7.1** DFID secured an historic Spending Review Settlement in 2004. This represented a **significant increase in resources** to £5.3 billion a year by 2007/08, and, for the first time, set the timetable for the UK to achieve an ODA/GNI ratio of 0.7%. **Efficiency** in the use of our enhanced resources has become an even more major focus than in previous years – we have undertaken to realise efficiency gains of at least £400 million by 2007/08, through improvements in the effectiveness of our bilateral and multilateral programmes and the redeployment of administration resources to key priority areas. In recognition of the risky environment in which DFID works, **effective risk management** has been made an integral component of our corporate management and performance reporting systems.
- 7.2** With the focus constantly on the delivery of our PSA, DFID has made several improvements to its organisational structure and management processes in 2004/05. This has been designed to ensure that both our front-line divisions and our corporate support functions work collaboratively to deliver our PSA targets and maximise our contribution to the achievement of the MDGs. DFID’s Management Board initiated the **“Next Three Years”** agenda in mid-2004, which sets out the opportunities and challenges we face and how we will approach these. The four key elements of this agenda are: closing the global financing gap for the achievement of the MDGs; broadening international and domestic commitment to the actions necessary to achieving the MDGs; becoming more flexible and responsive in dealing with changing priorities; and building a stronger culture of delivery and performance across DFID.

## Organisation and Structure

- 7.3** **Hilary Benn MP** and **Gareth Thomas MP** have led DFID throughout the 2004/05 financial year, as Secretary of State for International Development and Parliamentary Under-Secretary of State respectively. The Secretary of State is accountable to Parliament for the delivery of DFID’s PSA, in some cases jointly with Cabinet colleagues leading other government departments.



Peter Lewis

Hilary Benn and Xavier Darcos, the French Development Minister, visited a school in Kokoire, Niger, in February 2005.

**7.4** The **Management Board** is collectively responsible to Ministers for the delivery of the PSA. It provides strategic direction to the management of DFID's operations, staff and finances, and ensures the implementation of policies set by the Secretary of State. Staff are encouraged to attend Board meetings as observers, either in person or via video-conference. The role of the Management Board is to:

- communicate the vision, role, direction and priorities of DFID to staff and other stakeholders;
- ensure DFID's financial resources and staff are allocated and managed effectively;
- monitor and improve DFID's performance; and
- protect and enhance DFID's reputation as a highly effective international development organisation.

**7.5** Following reorganisations in early 2005, **nine divisions** now take responsibility for our work: three regional divisions – Africa, Asia, and Europe, Middle East and the Americas; three further front-line divisions – United Nations, Conflict and Humanitarian (UNCHD); Europe, Trade and International Financial Institutions (ETID); and Policy; and three corporate support divisions which assist the front-line divisions in delivering the PSA – Human Resources, Finance and Corporate Performance, and Knowledge. The latter is a new division, which was formed in January 2005 to bring together DFID's work on evaluation, research, publications, management of information and civil society.

**7.6** Also from January 2005, the responsibilities of the former International Division were divided between two divisions, each with its own director. The two new divisions are: United Nations, Conflict and Humanitarian Division (UNCHD) and Europe, Trade and IFIs Division (ETID). We have made this change in recognition of the importance of our work with the international system to



James Gray

DFID's Management Board. From left to right: Mark Lowcock (Director-General, Finance and Corporate Performance), Masood Ahmed (Director-General, Policy and International), Nemat Shafik (Director-General, Regional Programmes), Suma Chakrabarti (Permanent Secretary), Helen Ghosh (Non-Executive Director) and Bill Griffiths (Non-Executive Director).

achieve the MDGs, and to enhance delivery. UNCHD incorporates our United Nations and Commonwealth, and Conflict and Humanitarian Departments (UNCD and CHAD), as well as the new cross-Whitehall Post Conflict Reconstruction Unit (PCRU). This has an overview of the whole of the UN system and provides a focus for conflict and humanitarian policy work. The other new division concentrates on trade and our relationships with the multilateral agencies (EC, World Bank and regional development banks). Having a division entirely focused on these issues will enhance our engagement and influence with the agencies.

## Collaborative working with other UK government departments

**7.7** DFID shares a number of PSA targets with other government departments, which means that the Secretary of State is accountable for delivery jointly with the Ministers of those Departments:

- **Conflict Prevention:** Joint sub-target with the FCO and the MOD;
- **Trade:** Joint target with the FCO and the DTI;
- **Debt relief:** Joint sub-target with the Treasury;
- **Effectiveness of the International System:** Joint sub-target with the Treasury.

The Departments collaborate on a day-to-day basis to ensure the delivery of the targets, and jointly monitor and report progress against them.

**7.8** DFID and the FCO have agreed an **Action Plan for Collaborative Working**, which sets out the priorities for joint working over the period October 2004 to December 2005. This builds on the substantial collaborative work already on-going between the two Departments. The *Action Plan*

covers: human resource issues; finance and procurement, including opportunities for sharing services in the UK and overseas; estates issues, particularly co-location overseas; security; IT systems; country-level collaboration; and the joint planning and delivery of shared PSA targets.

**7.9** The joint **DFID-FCO-MOD Africa and Global Conflict Prevention Pools** (ACPP and GCPP respectively) have lead responsibility for delivery of the conflict prevention PSA target, although they act as part of a wider UK Government conflict prevention effort. Cross-Whitehall work on conflict issues has been further enhanced by the formation of the joint **DFID-FCO-MoD Post Conflict Reconstruction Unit** (PCRU) in September 2004. See Chapter 6 for further details of both the Pools and the PCRU.

## Efficiency and business change

**7.10** In line with all UK government departments, DFID has a wide-ranging efficiency programme covering both programme and administration budgets. We have developed plans that will deliver gains worth over £400 million over the period 2005/06 to 2007/08. New ways of working are being developed, to ensure that it best serves the efficient delivery of our objectives – the PSA and the MDGs.

**7.11** As part of the efficiency programme, we aim to:

- increase the percentage of bilateral programme spending that is in the form of poverty reduction budget support;
- improve the performance of aid projects, securing better value for money through the introduction of a DFID-wide portfolio improvement strategy;
- achieve procurement savings, through further improvements to our procurement systems, such as increased use of collaborative purchasing with other departments and greater use of electronic purchasing.
- secure an increase in the level of European Community aid going to low-income countries to 70%;
- deliver recurrent savings on administration costs of £7 million a year by 2007/08, through the introduction of new systems that release staff for front-line work, a reduction in overall numbers of Home Civil Servants by 170 and the relocation of staff from London to East Kilbride;

**7.12** The process of **relocation** has continued in 2004/05. DFID is in the process of moving a further 85 posts, at a variety of grades and in a range of divisions, from London to East Kilbride by the end of 2005. 62 posts were relocated this financial year. This process will lead to a more economical use of office space in London and create a more diverse range of work in East Kilbride, which will no longer only house corporate support functions.

**7.13** DFID continues to place importance on the **decentralisation of country programmes to country offices**. Country presence enhances working relations with partner governments and other

donors. **DFID-Pakistan** opened in Islamabad in January 2005. This takes the total number of overseas offices to 67 (see the map at the start of this report for the location of our principal offices in 2004/05). Where it makes business sense to do so, and in particular where there are concerns for the security of our staff, DFID has co-located with the FCO overseas.



The staff of DFID's newly opened office in Islamabad.

**7.14** We have continued to streamline business operations through improvements to our systems. Catalyst is a programme of improvements to our business processes that will strengthen DFID's capacity to deliver and improve efficiency. **Catalyst** will introduce new ways of working in DFID that are designed to produce improvements in staff and corporate performance and in compliance with procedures, and contribute to delivering cost savings in line with the Efficiency Review.

**7.15** The first of the larger systems which form part of Catalyst is known as **QUEST**. This encompasses electronic document and records management, collaborative working, and an up-to-date set of desktop tools for DFID staff. QUEST replaces the traditional paper filing systems for DFID in all offices around the world. QUEST will be launched in pilot offices in Kenya and the UK in the summer of 2005, and will be deployed worldwide during the remainder of the year.



State of the art video conferencing facilities have greatly improved communications between DFID offices in the UK, and around the world.

## Measuring and enhancing DFID's effectiveness

### Monitoring and reporting performance

- 7.16** All government departments are required to publish progress against their PSA twice a year. We do this in the Departmental Report in April and the Autumn Performance Report in December. Electronic reporting also takes place on the DFID website – [www.dfid.gov.uk](http://www.dfid.gov.uk) – and the central Treasury Spending Review site – [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk).
- 7.17** To monitor progress towards DFID's PSA targets in Africa and Asia, we use international data sources, supplemented by national data from countries where they have more up-to-date information and we can verify that the definitions and quality are comparable. Detailed information on data issues, including the methods DFID employs to deal with data limitations, is given in Annex 5.
- 7.18** In addition to PSA reporting, DFID also monitors and reports performance at all levels of the organisation. Quarterly Management Reports track key performance data over time, including expenditure, human resources, risk management, and project and programme performance. Country and Regional Assistance Plans and Institutional Strategy Papers include indicators to measure progress against the plans, and are reviewed on a regular basis. At project and programme level, performance against objectives is reviewed annually, and performance is recorded in DFID's central Portfolio Reporting Information System for Management (PRISM), which is then used for analysis of DFID's portfolio as a whole.

### Evaluation

- 7.19** DFID places increasing importance on learning lessons from its activities in order to help further improve its work. Evidence-based evaluations are a crucial part of this; they seek to establish what works and why, allowing DFID to assess the effectiveness of its development interventions and informing policy decisions. It also helps DFID improve its accountability to Parliament, the public and stakeholders in developing countries.
- 7.20** DFID continues to strengthen its evaluation function, with additional resources being dedicated and a greater focus on timely and influential lesson-learning. A revitalised Evaluation Department now comprises five teams, which look at: aid effectiveness; growth and investment; gender; conflict; and improved ways of working with multilateral organisations.

#### Box 7a Evaluations completed in 2004

The Conflict Prevention Pools  
 Bolivia country programme  
 Brazil country programme  
 Cambodia country programme  
 Romania country programme  
 General Budget Support (GBS) Evaluability Study  
 ODA/DFID support to the police in developing countries  
 Namibia Police Project, 1990-1995  
 UK Government's approach to peacebuilding  
 DFID's contribution to trade policy  
 Value for Money indicator, PSA 2003-06  
 DFID's programme in accession countries  
 The DFID/WHO partnership  
 Strengthening DFID's performance management through training and support  
 Active Learning Through Professional Support Project, Indonesia  
 World Bank support to basic education in Ghana









- 7.21** DFID's Evaluation Department retains a high degree of independence and produces quality and timely evaluations relevant to current policy issues. It ensures that the findings are fed back to those making policy decisions, both within DFID and in partner organisations. It offers advice on designing and carrying out evaluations, develops evaluation partnerships with other donors and contributes to the building of capacity and systems for lesson learning, including in recipient countries.
- 7.22** Current topics include: a major DAC evaluation of PRBS carried out by 23 donors and seven partner countries; a new rolling programme of country programme evaluations; a developing Quality Assurance function; and thematic evaluations on conflict prevention and gender. The framework is being developed for a major evaluation of DFID's HIV and AIDS policies and programmes in 2005/06. Partnerships are in place with evaluators in the World Bank, other EU member states, and the DAC. This includes a joint evaluation of humanitarian aid, focusing on support to internally displaced persons.

### Value for Money

- 7.23** In line with all government departments, DFID has a Value for Money objective within its PSA. Two sub-targets are used to assess progress against this objective: firstly, we aim to increase the proportion of DFID's bilateral programme (excluding humanitarian assistance) going to low-income countries from 78% to 90% by 2005/06, and to keep the proportion at least at this level thereafter.
- 7.24** Secondly, we are seeking a sustained increase in the proportion of bilateral projects that either completely or largely achieve their purpose, or are likely to do so. We assess the performance of all projects and programmes of £1 million or more that have been in operation for at least two years. These projects/programmes are scored annually to assess the likelihood that they will achieve their intended objectives, using a five-point scale. Projects/programmes which score '1' or '2' are those where the purpose of the project is likely to be completely or largely achieved.
- 7.25** In total, 382 DFID projects/programmes are currently scored; these have a commitment value of £2918 million. Of these, 237, or 62% by number and 61% by value, have been evaluated as achieving most or all of their aims and objectives.
- 7.26** A series of measures to improve the performance of DFID's projects and programmes was put in place during 2004. This included work to further improve how we assess the performance of our portfolio of activities.
- 7.27** To improve our performance, it is important that we regularly review the progress of DFID projects and programmes in supporting our partner countries. Progress reviews allow managers to make any necessary changes to the way in which each project or programme is working. Progress reviews add to our experience of the most effective way to work with partner countries, and so help us to design better projects and programmes for the future. During 2004, DFID's procedures for reviewing the progress of projects and programmes were revised, and we improved the guidance given to our programme managers. The new arrangements make reporting on project progress more straightforward, and will improve the consistency of project reviews carried out by our country teams. They will also ensure that lessons learned on management, partnerships and best practice from our on-going work are easily available to staff across DFID.

## Box 7b Progress against 2003–06 Public Service Agreement Target 5

## Target 5: Increase the proportion of DFID'S bilateral programme going to low income countries from 78% to 90% and a sustained increase in the index of DFID'S bilateral projects evaluated as successful

Sub-target	Progress	Current Position	Anticipated Progress by 2006
1 increase the proportion of DFID's bilateral programme going to low-income countries from 78% to 90%	<b>Too early to say</b> The estimated outturn for 2004/05 is <b>84%</b> .		
2 (i.) increase in proportion of DFID's high-risk bilateral projects evaluated as successful.	<b>On course</b> The latest outturn is <b>51%</b> .		
2 (ii.) increase in proportion of DFID's medium-risk bilateral projects evaluated as successful.	<b>Too early to say</b> The latest outturn is <b>51%</b> .		
2 (iii.) increase in proportion of DFID's low-risk bilateral projects evaluated as successful.	<b>On course</b> The latest outturn is <b>88%</b> .		

**Key: Traffic light assessment****Green:** Means we judge the target/sub-target to be on course to be met by 2006.**Amber:** Means we cannot make a judgement on progress against this target/sub-target. This may be because performance has not changed in either direction or because progress may have been made in some countries but not others.**Red:** Means there has been slippage in progress against this target/sub-target.A full report of progress against the PSA is given in [Annex 3](#).

## Internal Control

**7.28** The Permanent Secretary has overall responsibility for ensuring the implementation of a sound **system of internal control** that supports the achievement of DFID's objectives, while safeguarding public funds and departmental assets. The system of internal control is designed to manage risk to a reasonable level, not to eliminate all risk of failure to achieve our goals. The system is maintained by DFID's internal auditors and executive managers, and has been commended by the National Audit Office.

**7.29** Divisional Directors provide an annual **Statement of Assurance**, which covers compliance with management and control systems. They include key performance data, an outline of action planned to remedy shortfalls in expected performance, and a reconsideration of delivery risks. Directors' statements are informed by departmental systems on management of performance and by regular monitoring of these systems.



Kapil Tamot

Children welcomed Gareth Thomas on his visit to Nepal in July 2004. The Parliamentary Under-Secretary of State explored issues around development in conflict situations, and saw DFID's work in support of conflict-affected communities.

**7.30** The **Internal Audit Department** provides the Permanent Secretary, in his role as Accounting Officer, and DFID managers with an independent and objective opinion of risk management, control and governance. It reviews the policies, procedures and operations that help to ensure: the appropriate management of risk; the achievement of objectives; value for money; the reliability of information used and produced by DFID; compliance with applicable laws and regulations; and compliance with DFID and public service behavioural and ethical standards. The Internal Audit Department carries out a programme of assignments throughout DFID's worldwide network of offices, covering all aspects of our operations.

**7.31** In 2004, DFID launched an **Anti-Fraud and Corruption Initiative**. Having researched the risks faced by DFID, the Audit Committee and the Management Board, with support from the Ministers, issued a revised anti-fraud policy, with accompanying guidance, and appointed a fraud response manager. Several factors justify the investment in a fraud response facility: fraud and corruption diverts vital resources from the poor, breaches DFID's core values, damages DFID's reputation for sound financial management, and challenges our credibility in the eyes of UK stakeholders and international partners. The main feature of DFID's anti-fraud initiative is a "zero tolerance" stance, reinforced by new reporting procedures and a presumption of action against both perpetrators and (in the case of internal fraud) negligent supervisors.

## Managing risk

- 7.32** DFID operates in a risky environment and therefore pays close attention to the management of risk. Our ability to respond to the challenges set by the MDGs is dependent on a combination of innovation, the right attitude towards risk-taking, and effective systems to manage risks. Over the past two years, DFID has made risk assessment and management an integral part of business planning across the organisation. Strong leadership from both Ministers and the Management Board has headed the approach and ensured that risk management is taken seriously. The Department has the underlying philosophy that risk management is integral to good management, rather than a separate process.
- 7.33** DFID, like all government departments, faces the challenge of delivering an increased programme with fewer resources. There are clear risks in this both to DFID and our partners. This will therefore remain a key challenge for the organisation.

## Addressing Process Risk

- 7.34** There is a good understanding of process risk and of responsibility for risk management throughout the Department. Internal administrative risks have been reduced through set procedures, regular reporting and clear lines of responsibility. Directors' Statements on the propriety and value for money of the work for which they are responsible is an example here. The risk of fraud is addressed each year as part of the Head of Internal Audit Department's statement to the Accounting Officer (Permanent Secretary), which assesses the adequacy of DFID's system of internal control to ensure the Department's business is conducted effectively, efficiently and economically.
- 7.35** DFID is used to working in high-risk environments and has prioritised its management of security risks. We have comprehensive business continuity plans in place for our UK offices in London and East Kilbride, for all offices in high-risk countries, and for most other overseas offices. A wide range of additional security measures have been implemented both in the UK and overseas. The ambitious information technology development projects currently underway are managed according to best practice principles, and are reviewed regularly by the Office of Government Commerce's 'Gateway' project management review.

## Addressing Policy Risks

- 7.36** The principal strategic risks to DFID meeting its PSA targets are regularly reviewed by the Management Board through the **Corporate Risk Register** (CRR). There is a close interplay between the CRR and the Directors' Delivery Plans (DDP) as risks feed up to the CRR or are managed off the register through DDPs. Policy level risks have been integrated into DFID CAPs and projects and programmes. The challenge has been to embed risk as part of good management practice. Risk analysis is now an explicit part of planning, and consistency of approach across the organisation has been strengthened.
- 7.37** Every six months, DFID reports to the Risk Support Team in the Treasury, which has spearheaded a two-year programme to improve Government risk handling capabilities. Our reporting, most recently based on evidence from a **peer review with the FCO** (October 2004), has shown strong risk management and that DFID compares well with other government departments.

### **Box 7c DFID's management of risks – some practical examples**

#### **Managing fiduciary risk: Tanzania**

An explicit focus on risk management in the Tanzania country office has been developing since 2000. The systems are maturing and risks to programme objectives have been reduced. DFID-Tanzania has taken forward PRBS, with 75% of their spending going through Government of Tanzania systems. Decisions to adopt this approach were taken after an initial risk assessment, with a more comprehensive fiduciary risk assessment in 2003. The gains from giving budgetary support were assessed as outweighing the risks to DFID funds. Risks are closely managed and have been minimised by working closely with the Tanzanian Government and with other donors, sharing information and assessments, co-financing, and working together to ensure success.

#### **Managing emergency assistance: Conflict and Humanitarian Affairs Department (CHAD)**

The response to the Bam earthquake exemplifies the risk management processes in place to ensure a rapid and appropriate response to an emergency, which maximises the chances of a successful operation. CHAD aims to prepare their response within six hours, during which time they:

- call up planes that are on standby for chartering;
- send experts with equipment to airports to maximise speed of response;
- contact the British Embassy or UN to gain assessment from the location;
- obtain other intelligence relating to the emergency;
- obtain an invitation from the host government – this is awaited not requested;
- assess the appropriate response.

#### **Managing risk across a decentralised division: Asia**

There is strong leadership from the Director on the procedures and processes that staff should follow to ensure good management across Asia Division, including risk management to minimise risk to operations. Risks to the division are minimised by horizon scanning, and strong reporting and management practices. Staff are given clear instructions on dealing with administrative risk, and supported to handle this according to the agreed procedures. Country programmes have identified the 'killer' (high probability/high impact) risks to their programmes; they report on these to the Division on a quarterly basis. Risk of fraud and other aspects of internal management are covered in the Director's Statement which feeds into the Statement of Internal Control. All Heads of Asia Country Offices report to the Director by making similar statements of corporate assurance. This model of clear procedures and tight management has been taken up by other parts of DFID.

## Financial Resources

- 7.38** The Government's expenditure plans announced in the **2004 Spending Review** (SR04) will increase the level of UK official development assistance (ODA) to nearly £6.5 billion a year by 2007–08. This represents 0.47% of gross national income (GNI), and represents a real terms increase in UK ODA of 140% since 1997. It reflects the Government's wish to achieve the UN target of an ODA/GNI ratio of 0.7% by 2013. The increase means that the UK's ODA/GNI ratio will remain ahead of the current OECD–DAC average (0.25%). The UK will also have fulfilled the average EU ODA/GNI target (0.39%), pledged by EU Member States in the run up to Monterrey.
- 7.39** Provisional figures for 2004 expenditure indicate that we have reached an **ODA/GNI ratio of 0.36%** and thus exceeded our target of 0.35% for that year.
- 7.40** The **DFID budget** will grow by an average of 9.2% a year in real terms over the three year SR04 period (2005–08), to £4.5 billion in 2005/06 and £5.3 billion in 2007/08. This follows the 8.1% real terms increase to the DFID budget agreed in the 2002 Spending Review and the earlier 6.2% real terms increase in the 2000 Spending Review.
- 7.41** DFID allocates resources within the organisation through an annual **Resource Allocation Round** that links resources to delivery plans and PSA objectives. Firm budgets are set at the beginning of the financial year and planning totals are agreed for the remainder of the current Spending Review period. Planning totals are reviewed annually, and budgets are changed to respond to changes in the external environment and performance by our partners. Annex 1 gives full details of DFID's actual and planned expenditure from 1999/2000 to 2007/08.
- 7.42** DFID budgets adapt to changes in a number of ways. While we set budgets for each area of work or country, in practice we expect there to be some variations between the budget and the final level of expenditure. This may be because the policy environment changes, our activities proceed at a faster or slower pace than expected, new priorities emerge during the year, or work we were planning to do proves in practice not to be appropriate. **Humanitarian response budgets** are used to provide funds quickly for assistance in emergency situations, such as the Bangladesh floods and the Indian Ocean tsunami. DFID sets aside a **contingency reserve** each year to fund in-year activities that could not be foreseen when budgets were allocated. The contingency reserve is used frequently for additional humanitarian assistance, but is available to support other DFID programmes where there are short-term financial pressures.
- 7.43** Around half of the DFID's annual **programme spend** is distributed through multilateral agencies. The main components are our contribution to IDA 14 (£1.4 billion) and the UK's share of European Community (EC) development expenditure. Significant contributions are also made to the World Bank, Regional Development Banks and UN agencies. **EC funding** is disbursed through two main channels: the European Development Fund provides most of the assistance to African, Caribbean and Pacific countries, whilst the External Relations heading of the general EC budget provides development funding to all other regions. Regional regulations govern the allocation of funds, and country strategies are agreed between the European Commission and developing country governments.

**7.44** DFID's **capital spending** is determined by our Departmental Investment Strategy, which was updated in the 2004 Spending Review. The main components of our asset base comprise:

- shareholdings in international financial institutions, valued at £1.7 billion at 31 March 2004;
- 100% ownership of CDC Group plc – DFID's investment was valued at £755 million at 31 July 2004 following the reorganisation of CDC;
- a minority ownership interest in Actis – shareholding was valued at £1.67 million on acquisition in July 2004;
- tangible and intangible fixed assets, mostly office buildings and IT systems, with a net book value of £109 million at 31 March 2004.

In 2004/05, our gross capital expenditure was approximately £65 million. Much of this has been used to build up the capital of International Financial Institutions, in particular investments in the European Development Fund (£14 million) and the European Bank for Reconstruction and Development (£16 million).

**7.45** Following the change in the definition of **administration costs** agreed with the Treasury last year, we conducted a review of the operation of the new administration costs regime, to identify how to assess requirements, how to allocate funds more effectively, and how to increase efficiency. The recommendations of the review are being implemented and will help DFID to bring annual administration costs down by £7 million in cash terms between 2005 and 2008. The tables in Annex 1 reflect the change in definition of administration costs from 2003/04. Figures for 2003/04 onwards are therefore not directly comparable with those for earlier years.

**7.46** DFID has continued to refine its internal processes and procedures to align them more closely with the requirements of **resource accounting and budgeting**. We are meeting the requirements of the Treasury for faster closing of our resource accounts. The 2003/04 accounts were again unqualified and spending was within the limits voted by Parliament.

## Human Resources

**7.47** DFID has launched a **major new programme to further improve people management** and to transform the HR function in DFID over the next three years. The agenda for change will include improving management skills throughout the department, and new systems and processes will help to deliver significant gains in the efficiency and effectiveness of HR Division.

**7.48** DFID's performance in **Civil Service reform** and **sickness and ill-health retirement** in 2004 showed progress towards the targets set for 2005. Specifically, as at January 2005:

- 26.7% of Senior Civil Service (SCS) posts were filled by women, from a baseline of 18% in 1999/2000 (2005 target: 30%).

- 11.6% of SCS posts were filled by staff with an ethnic minority background from a baseline of 5% in 1999/2000 (2005 target: 8.3%).
- 2.3% of SCS posts were filled by staff with disabilities from a baseline of 0% in 1999/2000 (2005 target: 3.3%).
- Ill health retirements in DFID were 0.114 per 1000 staff from a baseline of 0.386 in 1999/2000 (the 2005 target: 0.372/1000).

#### Box 7d Supporting staff affected by HIV and AIDS

DFID's HIV and AIDS Employment Policy was extended in October 2004 to include the dependants of Staff Appointed In Country (SAIC). Any child born to or adopted by a member of the local staff, whose 21st birthday falls after 1 October 2004 and who is a dependant on that member of staff, now qualifies for Highly Active Anti-Retroviral Treatment (HAART).

#### Box 7e Numbers of DFID staff by location and gender (as at end of March 2005)

Appointee Type	Female	Male	Total
HCS in London office	448	454	902
HCS in EK office	316	240	556
Staff appointed in UK on fixed term contracts for development projects	6	4	10
<b>DFID staff in UK</b>	<b>770</b>	<b>698</b>	<b>1468</b>
HCS in overseas offices	148	281	429
SAIC in overseas offices	478	511	989
Staff appointed overseas on fixed term contracts for development projects	10	21	31
<b>DFID staff overseas</b>	<b>636</b>	<b>813</b>	<b>1449</b>
<b>TOTALS</b>	<b>1406</b>	<b>1511</b>	<b>2917</b>

Note: With the exception of SAIC numbers (which are a permitted exclusion), the figures in the above table represent the staffing numbers which DFID reported in our Staff In Post return to Cabinet Office for 1 April 2005, and follows the Cabinet Office definitions of who to report in that return. DFID total of 2917 is comprised of: non-SAIC staff of 1928 plus SAIC of 989.

**Box 7f Permanent UK-based staff appointments filled in 2004  
(as at end of December 2004)**

<b>Grade</b>	<b>Total</b>	<b>Female</b>	<b>Ethnic Minorities (where ethnicity is known)</b>
Senior Civil Service	2	1	0
Band A1	5	1	1
Band A2	29	19	4
Band A3	11	8	2
Band B1	8	4	0
Band B2	13	5	2
Band C1	31	21	4
Band C2	10	9	1
Band B1 (D)	15	11	1
<b>TOTAL</b>	<b>124</b>	<b>79</b>	<b>15</b>
<b>% of TOTAL</b>	<b>100</b>	<b>64</b>	<b>12</b>

## Diversity

**7.49** DFID launched its *Diversity Vision and Strategic Priorities* paper in June 2004. Six strategic priorities have been identified:

- Improved accountability for diversity outcomes;
- Behaviour change: more inclusive managers;
- Creating an even more diverse workforce, particularly by encouraging the recruitment and promotion on merit of individuals willing to declare their disabilities;
- A culture of openness on sensitive diversity issues;
- Evaluation: better linkage of diversity to our business processes, and better monitoring and evaluation;
- Flexible working policies applied more uniformly, and investigation of civil service options (such as childcare vouchers) available in other government departments.

Six senior managers have each been assigned one of these strategic priorities and are responsible for its delivery within the next three years.

**7.50** DFID continues to ensure that our recruitment and employment practices reflect our **Equal Opportunities** policy, with our selection processes continuously monitored by gender, ethnic origin, working pattern and disability. We are proactively seeking to make our recruitment process more disability-friendly, as well as ensuring that full support is provided to disabled staff.

- 7.51** We continue our support for a range of development schemes aimed at bringing on talented individuals from under-represented groups, including the **Windsor Fellowship** (a scheme aimed at developing talented Black and Asian undergraduates), the **Ethnic Minority Bursary Scheme** and the **Disability Bursary Scheme**.
- 7.52** DFID continues to take steps to ensure compliance with the requirements of the Race Relations Amendment Act 2000, as outlined in our **Race Equality Scheme 2002**. We monitor our human resources processes for bias, and the results are published annually. Three service departments – Procurement Group, Information and Civil Society Department and Overseas Pensions Department – regularly review their policies to determine their impact on race equality.
- 7.53** We have provided work experience through the **Summer Development Scheme** for ethnic minority potential Fast Stream candidates for three years. In 2004, we added the **Summer Placement Scheme** for candidates with disabilities. Feedback on both schemes has been very positive.

#### Box 7g Progress against Diversity Action Plan

We:

- launched DFID's *Diversity Vision and Strategic Priorities* paper;
- produced the second *Annual Diversity Report*, which reports progress against the delivery of the *Diversity Vision and Strategic Priorities* paper;
- reviewed our Diversity Awareness Training;
- carried out a qualitative-based study into the diversity barriers to career progression;
- established a Disability Working Group to bring together the various elements of work being undertaken on disability, i.e. recruitment, accommodation, IT, training etc.;
- undertook a Stress Audit and evaluated the outcome in relation to different groups.

#### Box 7h Diversity Monitoring (January 2005)

	% Female	% Male	% White	% Ethnic	
				Minority Staff	% Disabled
SCS	26.5%	73.5%	76.3%	10.5%	2.6%
A1	45.1%	54.9%	73.5%	9.7%	1%
A2	54.7%	45.3%	68.9%	6.8%	0.5%
A3	44.9%	55.1%	70.3%	10.1%	0.7%
B1	54.1%	45.9%	54.1%	10.8%	2.7%
B1(D)	53.3%	46.7%	72.1%	12.6%	2%
B2	67.7%	32.3%	76.5%	11.3%	1%
C1	64.3%	35.7%	68.3%	13.3%	3.6%
C2	23.7%	76.3%	51.2%	8.3%	7%
<b>TOTAL</b>	<b>49.5%</b>	<b>50.5%</b>	<b>69.9%</b>	<b>10.3%</b>	<b>1.9%</b>

## Human Resource Management

- 7.54** A new in-house **integrated payroll system**, incorporating both UK salaries and overseas allowances, was successfully launched in May 2004. The **HR database** has been enhanced and rolled out to overseas offices; this now includes details of Staff Appointed In Country (SAIC) (DFID staff recruited locally overseas). The number of reports generated from the information in the HR database has increased significantly and has provided DFID with timely and comprehensive management information. A **People Strategy** is currently being developed, which, together with other aspects of the HR transformation project, will help to refocus DFID's HR function on strategic support to the organisation, rather than on day-to-day transactions, thus enhancing efficiency.
- 7.55** The **Welfare and Counselling Services** (WCS) provide a confidential information, advice, support and counselling service for all DFID staff at home and staff and their families overseas. The WCS works in partnership with line managers and HR Division, the Trade Union Side (TUS) and FCO Medical Advisors, to ensure that, as far as possible, the needs of the organisation and the individual are met.
- 7.56** The number of staff in contact with WCS in 2004 was very slightly lower than the 2003 figures: 254 home staff, which equates to 17% over the year. There have been 467 overseas cases, which is a 25% increase on 2003.
- 7.57** The WCS works closely with the **Employee Assistance Programme** (EAP) introduced in September 2003 to provide a 24-hour counselling service for all staff in country offices. The utilisation of the EAP in the first year was 8.2% for UK-based staff. This represents a higher than average usage compared with other organisations using PPC UK Ltd (a leading provider of EAPs), including the FCO and British Council. The usage for SAIC staff was 1.3%, which appears low, but is in keeping with the PPC average of between 1% and 3% for international programmes.
- 7.58** We made 14 permitted exceptions to the fair and open competition requirements of the Civil Service Commissioner's Recruitment Code during 2004. Four of these were for appointments where specialised skills and experience were required. A further nine were for secondment from a range of organisations from outside the Civil Service. The remaining one was for re-appointment of a former Civil Servant.
- 7.59** In partnership with the Trade Unions, we sought to build on the success of the current pay system in our negotiations on a **new three year pay deal** from August 2004 for staff below the Senior Civil Service. We achieved our priorities of continuing our good progress on equal pay and maintaining pay progression for staff up the pay ranges. We anticipate that by 2008 about 33% of staff below the Senior Civil Service will be on their pay range maximums.

**Box 7i Staff salaries for DFID permanent Home Civil Service staff in UK and overseas offices (as at end of March 2005)**

Grade	Salary Range	Female	Male	Total
Senior Civil Service	£53,451 – £192,424	23	63	86
Band A1	£45,649 – £61,189	52	153	205
Band A2	£35,193 – £50,503	189	260	449
Band A3	£26,727 – £35,550	92	72	164
Band B1	£20,912 – £29,277	126	152	278
Band B2	£16,628 – £24,049	168	136	304
Band C1	£13,516 – £19,868	194	98	292
Band C2	£10,839 – £16,730	34	27	61
Band B1(D)	£21,983 – £33,485	50	39	89
<b>Totals</b>		<b>928</b>	<b>1000</b>	<b>1928</b>

Note: The figures in the above table represent the staffing numbers which DFID reported in our Staff In Post return to Cabinet Office for 1 April 2005, and follows the Cabinet Office definitions of who to report in that return.

## Training and Development

- 7.60** The Training and Development Unit provides training and development initiatives to help equip staff with the necessary skills and knowledge to contribute effectively to the achievement of the MDGs. This includes training in management. Traditional training methods and services are now complemented by **e-learning** packages, enabling staff to develop their skills and learning needs at a time, place and pace that suits them.
- 7.61** A **mentoring scheme** was launched in 2003. This was reviewed in 2004 and a number of improvements will be made during 2005. This scheme is designed to help staff to reach their full potential under the guidance of a more experienced member of staff.
- 7.62** The Secondments Team ensures that **secondments** both into and out of DFID are supported by business cases setting out their corporate and individual benefits. As at March 2005, 50 members of DFID staff were on secondment to other organisations, including to other government departments, international agencies, the private sector and NGOs. 96 staff are currently on secondment to DFID.
- 7.63** We have developed a **Technical Development Specialist Scheme** in conjunction with the Cabinet Office Fast Stream; this replaces the Associate Professional Officer Scheme. The Scheme will start in 2005 and lead to high-potential direct entrants to DFID's specialist advisory disciplines.



Robert Bateson

Staff from DFID-Caribbean undertook training in influencing techniques during 2004.

## Overseas Pensions

**7.64** DFID's Overseas Pensions Department is responsible for the administration and payment of pensions and related benefits to former expatriate colonial civil and public servants and their dependants (including those derived from service in a civil or military capacity in former British India and the Sudan public service). During 2003/2004, 47,308 pensions and supplements were paid to 12,658 service pensioners and 9,483 dependants. Almost 240,000 individual payments were made, with a total value of £119 million.

**7.65** The Overseas Pensions Department exceeded all the targets set for 2003/04 in its Service Level Agreement. It achieved its best ever annual average performance against the six main service standards in the Service Level Agreement. Box 7o, below, summarises Overseas Pensions Department's performance against these standards in 2003/04.

**7.66** The Overseas Pensions Department received a total of 39 complaints during 2003/04, of which our Complaints Officer deemed 13 valid. The remainder were mainly due to delays in the postal system. No cases were submitted to the Parliamentary or Pensions Ombudsman. All new pensioners are sent a customer service questionnaire six months after their first payment. 448 questionnaires were issued in 2003/04, of which 305 (68%) were returned. 98% of those who responded rated our performance as either "very good" or "good".

Box 7j – Performance against pension service standards, 2003/2004

	Target %	Achieved %
Accuracy of initial calculation of new and revised awards	95.00	98.74
Accuracy of initial payment calculation	97.50	98.88
Number of new awards put into payment within two weeks	97.50	99.17
Timeliness of payments by due date	99.00	100.00
Response to enquiries within two weeks of receipt	97.50	99.91
Initial response to complaints within two weeks, and a more detailed reply, if one is needed, within five weeks	95.00	100.00

## Procurement

- 7.67 Consultants** bring a huge range of skills and experience to the work of international development, helping with a range of challenges from post conflict reconstruction to health service reform. DFID issued 2,618 consultancy contracts in 2003/04, with a total value of £255 million. DFID's procurement agents also procured goods and equipment worth a further £48 million on behalf of DFID. All new business over £100,000 is let through global competition. The previous year's trend continued, with DFID issuing fewer contracts, but for higher values.
- 7.68 Good contracting procedures and practices** are vital to enable DFID to obtain a high quality of services and goods. Approaches are chosen as appropriate to specific situations. For example, we provided a fast track post conflict reconstruction response in Iraq. This required us to minimise procurement timescales while preserving the principles of fair, open and transparent competition. One of the main features was the use of frameworks under which suppliers were engaged through competition to provide a range of services as quickly as required. By way of contrast, in Bangladesh, we used the Negotiated European Union Procurement Directive to appoint a contractor for a very high value programme.
- 7.69** As part of our contribution towards the government-wide **efficiency** drive, DFID continues to seek ways to streamline its procurement procedures and practices, particularly through collaborative opportunities with other government departments, simplified contract models for low value purchases, and greater use of electronic procurement processes and frameworks. Internationally, we continue to work with other donors, through the OECD-DAC process and with Nordic partners, towards harmonised international procurement procedures, so as to help develop country ownership and improve aid effectiveness.

## Office Infrastructure

- 7.70** DFID has continued to invest in the Department's office infrastructure to improve our efficiency, including the further development of our information and communication systems. We continue to improve our **internal environmental performance**, making good progress towards the targets set out in the Framework for Sustainable Development on the Government Estate. We are one of only two Government departments to already meet the water usage target. The London and East Kilbride offices have 100% green electricity; energy and water consumption are carefully monitored to identify opportunities for further improvement. Both offices use waste contractors who recycle at least 90% of all office waste, and at the East Kilbride office we have conducted an audit of local habitats and species. The offices include a number of green features, including high efficiency boilers, natural ventilation for office areas and movement sensors replacing light switches.
- 7.71** Both UK offices have implemented Environment Management Systems, which we plan to roll out to our principal overseas offices. Meanwhile, all offices are encouraged to adopt best environmental practice and we continue to raise staff awareness through the intranet, local office publicity and participation in events such as the Bike Week and World Environment Day.



John Mullen

DFID's refurbished offices in East Kilbride were opened in January 2005.