



National Audit Office

## DEPARTMENTAL OVERVIEW

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# A summary of the NAO's work on the Foreign and Commonwealth Office 2010-11

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SEPTEMBER 2011

**Our vision is to help the nation spend wisely.**

**We apply the unique perspective of public audit to help Parliament and government drive lasting improvement in public services.**

The National Audit Office scrutinises public spending on behalf of Parliament. The Comptroller and Auditor General, Amyas Morse, is an Officer of the House of Commons. He is the head of the NAO, which employs some 880 staff. He and the NAO are totally independent of government. He certifies the accounts of all government departments and a wide range of other public sector bodies; and he has statutory authority to report to Parliament on the economy, efficiency and effectiveness with which departments and other bodies have used their resources. Our work led to savings and other efficiency gains worth more than £1 billion in 2010-11.



National Audit Office

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# Introduction

## **Aim and scope of this briefing**

The primary purpose of this Departmental Overview is to provide a summary of the work by the National Audit Office on the Department since June 2010. It is one of seventeen we have produced covering our work on each major government department. The briefing draws out the key points from the Department's Annual Report and Accounts for 2010-2011 and material from other published sources where relevant. The contents of the briefing have been shared with the Department to ensure that the evidence presented is factually accurate, but the content of the briefing is the sole responsibility of the NAO.

In the last year, we supported the Foreign Affairs Committee by providing evidence on the Performance and Finances of the Department.

We will continue to support all select committees in 2011-12, providing briefing on each major department and supporting specific inquiries wherever our expertise and perspective can add value.

# Part One

## About the Department

### The Department's responsibilities

**1** The Foreign and Commonwealth Office (the Department) is responsible for 'promoting British interests overseas and supporting our citizens and businesses around the globe'. It does this through a global network of overseas Posts,<sup>1</sup> its central policy-making functions in London and Corporate Services functions in Milton Keynes. Its Foreign Policy Priorities, against which performance is measured, are to:

- **safeguard Britain's national security** by countering terrorism and weapons proliferation, and working to reduce conflict;
- **build Britain's prosperity** by increasing exports and investment, opening markets, ensuring access to resources, and promoting sustainable global growth; and
- **support British nationals around the world** through modern and efficient consular services.

In addition to these, the Department also measures performance and spend against a fourth strand, which is to pursue an active and activist foreign policy, working with other countries and strengthening the rules-based international system in support of its values.

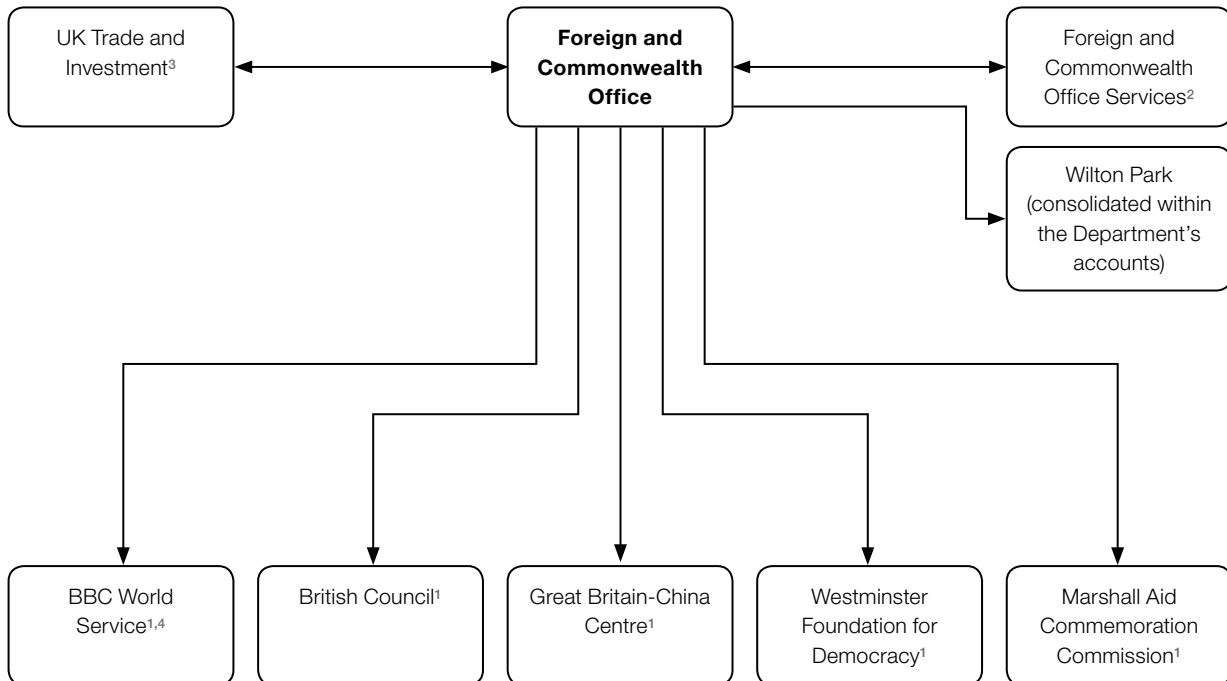
### How the Department is organised

**2** **Figure 1** overleaf sets out the relationship between the Department and its Sponsored Bodies. For accounting purposes, the Foreign and Commonwealth Office consists of the Department and the Wilton Park Executive Agency. The Department also supports, via grant-in-aid, the Marshall Aid Commemoration Commission, the Westminster Foundation for Democracy, the Great Britain China Centre, the British Council and the BBC World Service. FCO Services is a trading fund of the Department (formerly an executive agency of the Department). The Comptroller and Auditor General is the external auditor of all these organisations with the exception of the BBC World Service. The Department has close links with UK Trade and Investment (UKTI).

**3** The Secretary of State is supported by six ministers: two Parliamentary Under-Secretaries of State; two Ministers of State; a Minister of State for Europe; and a Minister of State for Trade and Investment. The Board is chaired by the Permanent Under-Secretary and is supported by eight other members: the Chief Operating Officer; Director of Finance; Director of Human Resources; three Director Generals for Europe and Globalisation, Defence and Intelligence and Political; Acting Chief Executive, UK Trade and Investment; and a Post representative, HM Ambassador, Buenos Aires. There are also two Non-Executive Directors.

<sup>1</sup> Posts are locations where the Department has a presence such as an Embassy, High Commission, or Consulates.

**Figure 1**  
The Department and its Sponsored Bodies



**NOTES**

- 1 Grant-in-aid bodies – the Department provides annual Grant-in-Aid to the BBC World Service, British Council, Great Britain-China Centre, Westminster Foundation for Democracy and Marshall Aid Commemoration Commission.
- 2 Foreign and Commonwealth Office Services is a trading fund of the Department which delivers a combination of secure services to the Department, other government departments and other customers.
- 3 The Department partially funds UK Trade and Investment which works with UK-based businesses to ensure their success in international markets, and encourages the best overseas companies to look to the UK as their global partner of choice. The Department is the joint parent department of UK Trade and Investment, together with the Department for Business, Innovation and Skills.
- 4 The National Audit Office is not the statutory auditor of the BBC, however, the BBC Trust commissions a series of Value for Money reviews each year after discussing its programme with the Comptroller and Auditor General of the National Audit Office. The reviews are undertaken by the National Audit Office or other external agencies, reporting to the Trust.

Source: National Audit Office

## Where the Department spends its money

**4** The Department spent £2.6 billion in 2010-11 (**Figure 2** overleaf) and received income of £0.3 billion from numerous sources including charges to other government departments for using its premises overseas.

**5** The Department's core work is delivered through its offices in the United Kingdom and its network of nearly 270 overseas Posts, with approximately 15,000 staff based in the UK and overseas. Five thousand of these staff are UK-based civil servants, they may be working in London or be posted overseas. There are a further 10,000 locally engaged staff overseas.

**6** The Department provides funding to a number of bodies, most significantly to the British Council and the BBC World Service. These organisations contribute to the 'public diplomacy'<sup>2</sup> efforts of the Department.

**7** The Department works with various other government departments, including the UK Border Agency, the Ministry of Defence (MoD) and the Department for International Development (DfID). It also works with international organisations, such as the United Nations and the European Union, to help address the underlying causes of instability and conflict. In 2010-11, the Department managed the spending of £514 million from the tri-departmental Conflict Pool on conflict prevention and the Peacekeeping budget, mainly in support of United Nations peacekeeping missions.

**8** The Department's top five major projects, with a total value of £167 million include: IT (£82 million); its Future Firecrest project (£10 million) to upgrade the Department's global ICT infrastructure; Office refurbishment (£19 million); New Embassy (£29 million); and new British High Commission Office (£27 million).<sup>3</sup>

## Recent developments

**9** The Department faced significant operational challenges during the year. The first three months of 2011 saw the Department dealing with a series of

consular and political crises across the globe, including the civil unrest across the Middle East and North Africa as well as natural disasters in New Zealand and Japan. In the aftermath, the Department's Consular Directorate has reviewed its crisis preparedness and, in July 2011, produced a review of its evacuation procedures. It continues to manage the impact of political crises in the Middle East.

**10** The Department has also placed renewed emphasis on commercial and economic priorities. This will require a culture change, strategic shift, and more prioritisation of the Department's diplomacy expertise. In February 2011, the Department established a Commercial Diplomacy taskforce, which aims to develop the trade related skills and knowledge of diplomats.

## Capability and leadership

**11** In 2006, the Cabinet Office launched Capability Reviews to assess departments' leadership, strategy and delivery – to improve departmental readiness for future challenges and to enable departments to act on long-term key development areas. Since publication of the last round of external assessments, between April 2008 and December 2009, departments are now required to conduct and publish self-assessments and resultant action plans against standard criteria set out in the Cabinet Office model of capability, which was updated in July 2009.<sup>4</sup> Departments must rate their capability against ten criteria under three themes:

- **Leadership criteria** – 'set direction'; 'ignite passion, pace and drive'; and 'develop people'.
- **Strategy criteria** – 'set strategy and focus on outcomes'; 'base choices on evidence and customer insight'; and 'collaborate and build common purpose'.
- **Delivery criteria** – 'innovate and improve delivery'; 'plan, resource and prioritise'; 'develop clear roles, responsibilities and delivery models'; and 'manage performance and value for money'.

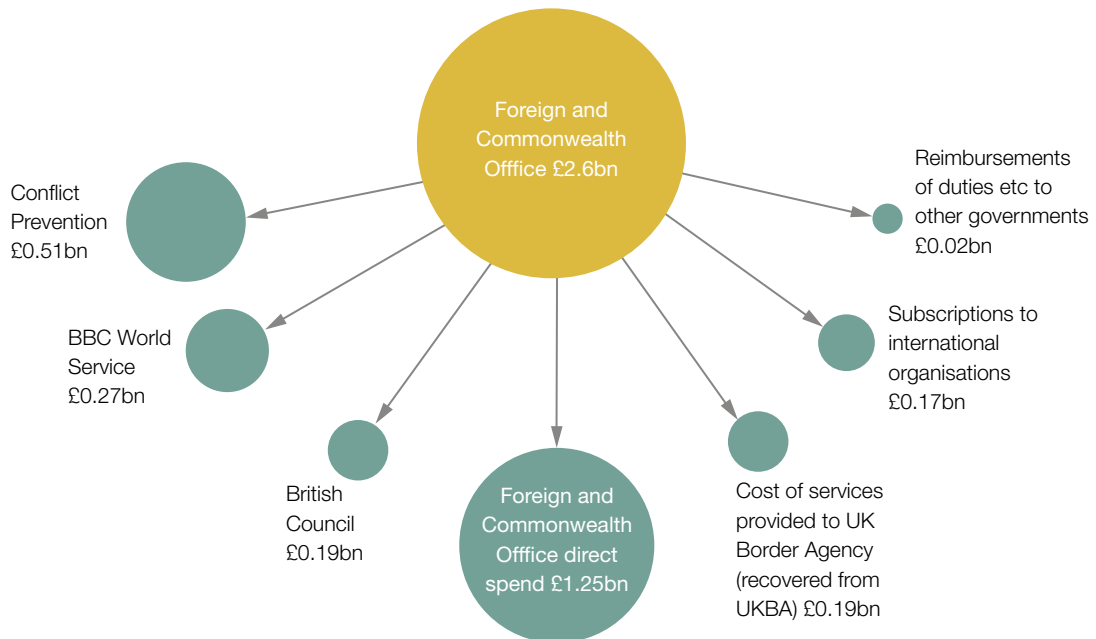
<sup>2</sup> The Department describes public diplomacy as a process of achieving the UK's international strategic priorities through engaging and forming partnerships with like-minded organisations and individuals in the public arena.

<sup>3</sup> Foreign and Commonwealth Office Quarterly Data Summary – July 2011 <http://www.fco.gov.uk/en/publications-and-documents/transparency-and-data1/quarterly-data-summaries/>

<sup>4</sup> More information about Capability Reviews is available at: [www.civilservice.gov.uk/about/improving/capability](http://www.civilservice.gov.uk/about/improving/capability)

**Figure 2**

Where the Department spent its money in 2010-11



Source: Foreign and Commonwealth Office Annual Report and Accounts 2010-11

**12** All self-assessments are due for completion by March 2012, with the first self assessment nearing completion. In addition to self assessment, Departments also have the option of asking the Cabinet Office to undertake a full external Capability Review assessment.

**13** The Civil Service People Survey aims to provide consistent and robust metrics to help government understand how it can improve levels of engagement across the Civil Service. As part of this survey, civil servants across all participating organisations are asked a range of questions across nine themes which seek to measure their experiences at work. We present here the results of the annual people survey for the Department – undertaken between mid-September 2010 and the end of October 2010 – covering the themes of leadership and managing change, and understanding of organisational objectives and purpose (**Figure 3**). The results of 17 major departments are in Appendix Two.

**14** As part of the annual survey, each Department receives an engagement index, assessing the level of staff engagement determined by: the extent to which staff speak positively of the organisation, are emotionally attached and committed to it, and are motivated to do the best for the organisation. In 2010, the Foreign and Commonwealth Office achieved an engagement index of 68 per cent, 1 percentage point lower than in 2009 but 11 points higher than the 2010 Civil Service average.



**Figure 3**  
2010 Civil Service People Survey: Foreign and Commonwealth Office

Theme	Theme score (% positive) <sup>1</sup>	Difference from 2009 survey	Difference from Civil Service 2010 <sup>2</sup>
<b>Leadership and managing change</b>			
I feel that the Department as a whole is managed well	58	0	+17
Senior Civil Servants in the Department are sufficiently visible	64	0	+19
I believe the actions of Senior Civil Servants are consistent with the Department's values	60	0	+20
I believe the Departmental Board has a clear vision for the future of the Department	49	-1	+14
Overall, I have confidence in the decisions made by the Department's Senior Civil Servants	52	-1	+16
I feel that change is managed well in the Department	45	-3	+17
When changes are made in the Department they are usually for the better	37	-4	+14
The Department keeps me informed about matters that affect me	64	-1	+9
I have the opportunity to contribute my views before decisions are made that affect me	43	0	+11
I think it is safe to challenge the way things are done in the Department	47	-2	+8
<b>Organisational objectives and purpose</b>			
I have a clear understanding of the Department's purpose	82	-1	-2
I have a clear understanding of the Department's objectives	79	-1	+1
I understand how my work contributes to the Department's objectives	83	-2	+3

**NOTES**

- 1 Percentage positive measures the proportion of respondents who selected either 'agree' or 'strongly agree' for a question.
- 2 The 2010 benchmark is the median per cent positive across all organisations that participated in the 2010 Civil Service People Survey. The difference between the Department and the Civil Service (Appendix Two) may differ due to rounding.

Source: *Foreign and Common Office People Survey Results, Autumn 2010*

## Part Two

### Financial management

**15** The ability of departments to control costs and drive out waste requires professional financial management and reporting. In particular, departments need to be better at linking costs to services and benchmarking performance to determine whether costs are justified and value for money can be improved. Organisations also need to move their risk management arrangements from a process-led approach to one which supports the efficient and effective delivery of services. Organisations have to publish Statements on Internal Control<sup>5</sup> with their Annual Financial Statements which describe their arrangements for risk management, internal control and governance.

#### Financial outturn for 2010-11 and comparison with budget

**16** For 2010-11, net total resources expended for 'Promoting internationally the interests of the UK and contributing to a strong world community' (Request for Resources (RfR) 1) and 'Conflict Prevention' (Request for Resources 2) was £2.28<sup>6</sup> billion against the Estimate of £2.37 billion, resulting in an overall underspend of nearly £90 million. The total underspend represents 3.8 per cent of the net total resources. This falls outside the Treasury's target of 1 per cent.

**17** The majority of this underspend was on RfR1, spending in Departmental Expenditure Limits (DEL) was £32.2 million (2.8 per cent) below Estimate. This was due to lower than planned expenditure on travel, consultancy, IT and recruitment, along with a reduction in the cost of international subscriptions. Annually Managed Expenditure (AME) was a further £56.2 million (80.3 per cent) below Estimate. This related to revaluations of the worldwide property estate and provisions.

#### Progress on cost reduction

**18** Departments are under increasing pressure to reduce costs. The scale of cost reduction required means that they are having to look beyond immediate short-term savings, and think more radically about how to take cost out of the business and how to sustain this longer term. Our **Short Guide to Structured Cost Reduction**,<sup>7</sup> published in June 2010, sets out the high level principles that we would expect Departments to follow in taking a structured approach to cost reduction. It covers the three stages of cost reduction – tactical efficiency savings, strategic operational realignment, and sustainable cost reduction – and outlines nine principles underlying structured cost reduction, including, having a data-driven approach to understanding, comparing and interrogating costs.

**19** We have published detailed information and guidance on a number of the principles underpinning effective structured cost reductions, including **Managing risks in government**,<sup>8</sup> **Progress in improving financial management in government**,<sup>9</sup> and **Taking the measure of government performance**.<sup>10</sup>

**20** The Foreign and Commonwealth Office group or 'family', comprising the Department, BBC World Service and the British Council, exceeded its target of £144 million worth of efficiency savings by £32 million. In 2010-11, the Department also made additional in-year cuts of £55 million in response to the new government's immediate cost reduction targets.

**21** The Department used the savings made in year to meet the additional costs arising from the various consular and political crises around the world in the final weeks of the 2010-11 financial year.

<sup>5</sup> From 2011-12, Departments will produce a Governance Statement rather than a Statement on Internal Control.

<sup>6</sup> The Department also received income of some £0.3 billion, hence total spend for the Department was £2.6 billion.

<sup>7</sup> [http://www.nao.org.uk/publications/1011/structured\\_cost\\_reduction.aspx](http://www.nao.org.uk/publications/1011/structured_cost_reduction.aspx)

<sup>8</sup> National Audit Office, *Managing risks in government*, June 2011, [www.nao.org.uk/publications/1012/managing\\_risks\\_in\\_government.aspx](http://www.nao.org.uk/publications/1012/managing_risks_in_government.aspx)

<sup>9</sup> National Audit Office, *Progress in improving financial management in government*, HC 487, 2010-11.

<sup>10</sup> National Audit Office, *Taking the measure of government performance*, HC 284, 2010-11.

**22** Our value for money report **Spending Reduction in the Foreign and Commonwealth Office**<sup>11</sup>

assessed the Department's performance in reducing spending in 2009-10. The cuts made, mainly in response to exchange rate pressures following the removal of the Overseas Pricing Mechanism (OPM), provided an early experience of the challenges the Department faces in cutting core expenditure by 10 per cent over the 2010 Spending Review period. The Department rose to the challenge of making cuts in 2009-10, however, the measures it took were a short-term response to the immediate problem of a forecast budget shortfall. The cuts were largely designed to reduce in-year spending quickly, rather than achieve long-term efficiencies. Cuts required by the 2010 Spending Review, to avoid erosion of service quality, will demand a more strategic approach.

**23** The Department plans to make significant cost reductions between 2011-12 and 2014-15 to achieve the targets outlined in the 2010 Spending Review. The Department intends to meet these commitments by simplifying support and corporate functions, reducing the numbers of junior staff overseas, reducing the estates cost in the UK and overseas, improving value in procurement, and cutting programmes that do not contribute to the Foreign Secretary's Foreign Policy Priorities.<sup>12</sup>

## NAO reports on financial management and efficiency

**24** In our **Financial Management Review** of the Department in 2009,<sup>13</sup> we found that the Department had done well in developing its capability, showing strong leadership in raising the profile of good financial management across the organisation.

**25** The Department introduced its Five Star Finance Programme in 2007 to improve processes, IT systems, management information and financial skills for staff. The project has been the basis for the significant improvement which the Department has made in managing resources. Whilst recognising the progress made, we also pointed out in our 2009 review that

more needed to be done across a range of areas in order to embed strong financial management and build upon the progress already made.

**26** We noted that the Department rated itself at three and a half of the maximum of five stars in the model in August 2008. We concluded in our review that this was a reasonable assessment against the targets set within the original project plan. The Department assessed itself at four stars in December 2009 and aimed to achieve four and a half stars by July 2010.

**27** Our value for money report **Spending Reduction in the Foreign and Commonwealth Office**<sup>14</sup> also highlighted the importance of the Five Star Finance programme in helping the Department make spending cuts. Key factors identified included strong leadership and governance; the presence of a financially qualified Director of Finance on the Board; increasing accountability for all budget holders in regards to spend and reporting; and enhanced challenge and support from the Department's Non-Executive Directors.

**28** During 2010, we followed the Department's progress against the target four and a half star outcome and found that the Department had in broad terms reached this level by the end of the year.

**29** The Department demonstrated particular areas of strength including:

- strong leadership and governance;
- rolling-out enhanced finance systems across the Network;
- developing good risk management; and
- developing good business planning.

**30** The improvement in financial management maturity was illustrated by the Department's ability to identify and respond quickly when a sizeable overspend was highlighted midway through 2009-10, and in subsequently achieving a satisfactory Spending Review settlement for 2011-12 onwards.

11 National Audit Office, *Spending Reduction in the Foreign and Commonwealth Office*, HC 826, Session 2010-11.

12 Foreign and Commonwealth Office Press Notice on the Spending Review October 2010, HM Treasury Spending Review 2010 press notices, [http://cdn.hm-treasury.gov.uk/sr2010\\_pressnotices.pdf](http://cdn.hm-treasury.gov.uk/sr2010_pressnotices.pdf)

13 National Audit Office, *Financial Management in the Foreign and Commonwealth Office*, HC 289, Session 2008-09.

14 National Audit Office, *Spending Reduction in the Foreign and Commonwealth Office*, HC 826, Session 2010-11.

**31** We also saw that in order to consolidate and build upon the current level of performance, the Department needed to work on the following areas:

- Improve the timeliness and content of information going to the Board.
- Enhance cash management.
- Develop a better understanding of its costs.
- Develop further the standard of financial management across the whole network.
- Develop the Finance function into a centre of excellence.

**32** A large part of the Department's overseas Posts' budgets are spent in local currency and are affected by both inflation rates and currency fluctuations. We noted in our **Management of Exchange Rate Risk**<sup>15</sup> paper to the Foreign Affairs Select Committee that the withdrawal of the OPM in 2007 and the subsequent fall in the value of Sterling had a major impact on the Department's business worldwide and placed a considerable strain on the budgets of the Department and Posts.

**33** After the abolition of the OPM, the Department bought forward contracts in dollars, euros and yen in order to acquire greater certainty in its budgeting. Whilst these contracts did provide this certainty, they did not fully protect the Department against all gains and losses. In 2010-11, the Department introduced new measures to control the exchange rate risk. These included setting all Post budgets in local currency and managing foreign exchange risk centrally.

**34** As part of the Spending Review 2010 settlement, a new Foreign Currency Mechanism (FCM) was announced which will take effect from 2011-12 to 2014-15. The Department will be compensated for falls in the value of Sterling for its Post budgets, and foreign currency movements in estates, security, capital and programme expenditure. It will return money to the Treasury when the value of Sterling rises. The FCM does not completely remove the Department's foreign currency risk but should ensure that the Department's budget is not affected by large swings in purchasing power in either direction. This new arrangement does not cover the spending in foreign currencies under the peacekeeping budget.

### NAO financial audit findings

**35** The Department's **2010-11 Accounts** were certified by the Comptroller and Auditor General (C&AG) on 28 June with an unqualified audit opinion and were presented to Parliament on 30 June 2011.

**36** While the Department received an unqualified opinion, the C&AG appended a short report to the audit certificate highlighting a payment made during 2010-11, which was not authorised by HM Treasury and was therefore deemed irregular. Although the C&AG did not qualify his opinion on regularity, this expenditure, a severance payment of £57,326 to a senior staff member, was deemed irregular and, through the report, was specifically brought to the attention of Parliament.

### Issues raised in Statements on Internal Control

**37** We work with the Department and its sponsored bodies to improve their published Statements on Internal Control. We aim to ensure that the processes by which Statements are produced are robust and that the Statements comply with Treasury guidance.

<sup>15</sup> National Audit Office, *Management of Exchange Rate Risk by the Foreign and Commonwealth Office*, [www.nao.org.uk/publications/0910/exchange\\_rate\\_risk.aspx](http://www.nao.org.uk/publications/0910/exchange_rate_risk.aspx)

**38** In April 2011, the Department launched a new Risk Management Framework to streamline the process by which risks are reviewed, reported and escalated. This reduces the number of risk registers maintained from three to one and discontinues the quarterly risk exercise, but increases the frequency with which top-level risks are reviewed by the Board.

**39 The Accounting Officer's Statement on Internal Control for 2010-11** identified the following issues:

- The physical security of the Department's overseas premises remains a major challenge in part due to the political crises in North Africa and the Middle East.
- Health and safety continues to be a weaker area, although there were signs of improvement following the creation of a new Health and Safety Committee in June 2010.
- A number of control issues highlighted by Internal Audit including VAT coding, checks on overseas travel expenses and the transition arrangements surrounding the Departments' former Approved Pension Administration Centre.
- Overseas, the monitoring of costs associated with utilities and phones, including administration of satellite phones, was also highlighted by Internal Audit as requiring further improvement.
- A vulnerability around paper records held at Hanslope Park. Measures were taken to address this and a programme of work is underway to review the papers and where appropriate transfer them to The National Archives.
- The Corporate Procurement Group has set up workstreams to address areas where improvements can be made to the procurement process, such as overall compliance with policies and processes.
- A number of special payments were made in year without HM Treasury approval and resulted in the Department having to seek retrospective approval. This was granted in all but one case.
- The Department's systems were placed under strain by simultaneous consular and political crises in early 2011.

# Part Three

## Use of information

**40** Government needs robust, timely information on context, activities, costs, progress against its objectives, and the cost-effectiveness of its activities. It also needs to be able to interpret that information, by reference to trends, expectations, benchmarks and other comparisons, to identify problems and opportunities. Departments need reliable information on which to design and deliver services and monitor quality, be confident about their productivity, and drive continuous improvement.

**41** The Coalition Government has pledged, under the transparency agenda, to make more government information available to the public to help improve accountability and deliver economic benefits. In June 2010, the system of Public Service Agreements ended and instead, departments are to be held accountable to the public based on the data they use to manage themselves.

### Reporting performance: Annual Reports and Business Plans

**42** Each government department now reports its performance against the priorities and objectives set out in its Business Plan. The Plan's transparency section includes performance indicators selected by the department to reflect its key priorities and demonstrate the cost and effectiveness of the public services it is responsible for. These indicators fall broadly into two categories:

- input indicators: a subset of the data gathered by the department on the resources used in delivering services; and
- impact indicators: designed to help the public judge whether departmental policies are having the desired effect.

**43** The Plan's structural reform section provides a detailed list of actions and milestones designed to show the steps the department is taking to implement the Government's reform agenda.

**44** Departmental progress against indicators is published regularly in a Quarterly Data Summary, most recently in July 2011. The Quarterly Data Summary is designed as a standardised tool for reporting selected performance metrics for each government department, in a way that facilitates comparison across departments where this is appropriate. Data published in the summary can be compared to the previous quarter (April 2011) which will also be the baseline for this data set. The information in the summary has not been audited and the Cabinet Office has said that the accuracy of the data for all departments needs to improve.<sup>16</sup> However, the Cabinet Office expects that over time, with improvements in data quality and timeliness, the public will be able to judge the performance of each department in a meaningful and understandable manner. An annual version of this information is expected to be formally laid in Parliament in departments' Annual Reports and Accounts from 2012 onwards.

**45** It is too early to comment on Departmental performance reported against the new performance indicators. Through its review of departmental business planning, however, the House of Commons Committee of Public Accounts<sup>17</sup> identified some essential elements to help ensure effective accountability and value for money, including the need for:

- monitoring arrangements which align costs and results for all significant areas of Departmental activity and spending; and
- clear definitions of expected outcomes and standards, rigorous timelines and appropriate strategies to intervene when expectations are not met.

<sup>16</sup> <http://www.number10.gov.uk/wp-content/uploads/FCO-Business-Plan1.pdf>

<sup>17</sup> *Departmental Business Planning* (Thirty-seventh Report of Session 2010-12), House of Commons Committee of Public Accounts, May 2011, <http://www.publications.parliament.uk/pa/cm201012/cmselect/cmpubacc/650/650.pdf>

## Performance reported by the Department

**46** The Department's Business Plan<sup>18</sup> outlines its vision and priorities for 2011-15. The Plan sets out the indicators which the Department believes are most useful to the public in understanding the costs and outcomes of foreign and commonwealth services. Input indicators include the unit costs of various activities, such as the unit cost of a diplomatic mission, or the cost of delivering consular assistance. Impact indicators include the number of foreign direct investment projects attracted to the UK with UKTI involvement, measures of a more effective, joined-up international system to prevent conflict and build capacity in fragile states and customer experience of consular services to British nationals abroad.

**47** The first publication of input and impact indicators is dated February 2011. The Department's July Quarterly Data Summary contains little information on its input and impact indicators as these are still being developed. The majority of the information reported against current performance is from 2009-10 (for example, the cost of a diplomatic mission), and other measurements are yet to be collected. The start dates for these are in summer or autumn 2011 (for example, the cost of consular assistance has a start date of July 2011). The only 2011 performance indicator reported is for better consular services, with current satisfaction reported as 88 per cent. Targets for indicators are either not specified or not yet clearly measurable.

**48** In the Department's Business Plan Quarterly Data Summary in July 2011,<sup>19</sup> it reported that of 78 actions, nine have been completed, one was not completed by its target date and 68 are ongoing. The overdue action is to 'Develop a long-term strategy of 'soft power' in Afghanistan and Pakistan' (due May 2011). In its August 2011 progress update of performance against its Structural Reform Plan Actions,<sup>20</sup> this action was reported as completed, however, two further missed deadlines were reported: to work with UN partners to achieve significant progress towards an intermediate model for UN Security Council reform (due July 2011); and to Publish a Green Paper on how intelligence is treated in the full range of judicial proceedings (due end July 2011).

## Testing the reliability of performance data across government

**49** Some of the data systems used to report against the new performance indicators will be the same as those used by the Department to report against Public Service Agreements. In July 2010, we published our Sixth Validation Compendium Report<sup>21</sup> on our work to test the systems used to report against Public Service Agreements. Our report found that the quality of data systems had improved but a third of the systems examined needed strengthening to improve controls or transparency and 10 per cent of systems were not fit for purpose.

**50** Over the next three years we will complete work to validate the data systems underpinning the Departmental business plans and other key management information.

18 *Foreign and Commonwealth Office, Business Plan 2011-15.*

19 The performance data has not been audited.

20 <http://www.fco.gov.uk/en/publications-and-documents/publications1/annual-reports/business-plan/>

21 National Audit Office, *Taking the measure of government performance*, HC 284, 2010-11.

### Use of information by the Department

**51** Some of the work we have done illustrates how the Department uses information.

To enable evidence based decision-making

**52** Our report on **Spending Reduction in the Foreign and Commonwealth Office**<sup>22</sup> examined how the Department used information to help it reduce spending in 2009-10. We found that the Department had effectively used its improved management information in the strategy, planning and implementation phases of the exercise.

**53** In our cross-government report **Managing staff costs in central government** we reported the Department as a good practice example.<sup>23</sup> It has a phased project to improve its information systems relating to staff skills to support better workforce planning and decision-making. The skills information is tiered to allow identification of basic, intermediate and advanced skills.

To evaluate results

**54** Our report on **Spending Reduction in the Foreign and Commonwealth Office**<sup>24</sup> found that the Department could have made more use of its management information for measurement and evaluation. This would have helped it to learn lessons from the spending reduction exercise in 2009-10, and know which initiatives were most effective at cutting costs with least impact on the achievement of the Department's objectives.

**55** We have assessed how effectively departments measure performance. Although departments no longer report performance against Public Service Agreements, our analysis remains a useful indicator of government evaluation. In our report in 2010 **Taking the measure of government performance**, we noted that it was inherently difficult to capture performance against some of Government's core objectives in clearly measurable terms.<sup>25</sup>

22 National Audit Office, *Spending Reduction in the Foreign and Commonwealth Office*, HC 826, Session 2010-11.

23 National Audit Office, *Managing Staff costs in Central Government*, HC 818, Session 2010-11.

24 National Audit Office, *Spending Reduction in the Foreign and Commonwealth Office*, HC 826, Session 2010-11.

25 National Audit Office, *Taking the Measure of Government Performance*, HC 284 Session 2010-11.



# Part Four

## Service delivery

**56** Public services are different in the ways they are delivered but their quality and cost-effectiveness depends on a number of common minimum requirements. For example, service delivery requires a well thought-out delivery model, sound programme and project management, strong commercial skills, mature process management and a real understanding of customer needs. Many of our reports to Parliament cover these issues. We summarise below some of this work, organised by key areas of the Department's business.

**57** For the Department, service delivery incorporates such areas as consular services for British citizens abroad, and the support and advice it provides, with UKTI, to UK-based businesses wishing to trade internationally and overseas businesses wishing to trade in the UK. Both of these issues have been among those addressed by our reports to Parliament in past years.

**58** The Department's main channel for delivering services is through its overseas Posts. The Department is strengthening the network by opening six new Embassies in South Sudan, Kyrgyzstan, Cote D'Ivoire, El Salvador, Madagascar, and, in due course, Somalia. It is also strengthening and expanding its presence in India and China, and various other areas. The Department expects that these changes should be cost-neutral as it makes savings elsewhere in the network.

**59** We last reported on the activities of **UKTI**<sup>26</sup> in 2009. We noted it had refocused its resources towards markets it believed offered the greater opportunity for increasing trade, including China, India and Turkey. It was making good progress against targets and had in place a robust system of assessing delivery. Areas for development included introducing clearer charging policies, and raising awareness of the services it offered among businesses which have yet to use UKTI. We also found that it could not reliably

measure the efficiency of its different activities, the contribution of different parts of the organisation to services provided or the relative costs and benefits of the different services it provides. We concluded that without this information, it was hard to show that value for money is being optimised.

**60** We noted in our **Management of Exchange Rate Risk**<sup>27</sup> paper of December 2009 to the Foreign Affairs Select Committee the Department reported that in order to stay within budget it had been forced to 'rein back or delay delivery of planned programme spend including Counter Narcotics, Stabilisation Unit and Strategic and Bilateral Programmes, and cut back on operational travel'.

**61** In our 2011 report on **Spending Reduction in the Foreign and Commonwealth Office**<sup>28</sup> we examined the impact spending cuts had on service delivery. Spending cuts were targeted at the Department's administrative budget where two-thirds of the proposed cuts focused on activities such as training and procurement. This helped to protect the delivery of the Department's main activities such as diplomacy which are delivered largely through its programmes.

**62** The Department allowed Posts to manage their own spending reduction activities as they were best placed to know which areas to cut to minimise impact on performance. Our report found that one post had asked locally employed staff to take compulsory unpaid leave and several others had made redundancies. The majority of Posts we surveyed reported that the spending cuts had no negative impact on their operations and front line delivery. The Department cut £46 million to centrally managed budgets, yet the 2008 and 2009 departmental performance reports found no evidence of a substantial drop in performance in achieving its objectives.

**63** At the hearing of the Committee for Public Accounts for this report, the Department acknowledged that it did not do enough evaluation of the impact of those cuts, and believes that this lesson has been learnt and that it is setting up a strategic programme to implement, monitor and evaluate future cuts.

26 National Audit Office, *UK Trade & Investment: Trade Support*, HC 297, Session 2008-09.

27 National Audit Office *Management of Exchange Rate Risk by the Foreign and Commonwealth Office*, [www.nao.org.uk/publications/0910/exchange\\_rate\\_risk.aspx](http://www.nao.org.uk/publications/0910/exchange_rate_risk.aspx)

28 National Audit Office, *Spending Reduction in the Foreign and Commonwealth Office*, HC 826, Session 2010-11.

# Appendix One

## Results of the Civil Service People Survey 2010

### Question scores (% strongly agree or agree)

Civil Service overall

#### Leadership and managing change

I feel that the department as a whole is managed well	41
Senior Civil Servants in the Department are sufficiently visible	45
I believe the actions of Senior Civil Servants are consistent with the Department's values	39
I believe that the Departmental Board has a clear vision for the future of the Department	35
Overall, I have confidence in the decisions made by the Department's Senior Civil Servants	36
I feel that change is managed well in the Department	27
When changes are made in the Department they are usually for the better	23
The Department keeps me informed about matters that affect me	54
I have the opportunity to contribute my views before decisions are made that affect me	32
I think it is safe to challenge the way things are done in the Department	39

#### Organisational objectives and purpose

I have a clear understanding of the Department's purpose	84
I have a clear understanding of the Department's objectives	78
I understand how my work contributes to the Department's objectives	80

Department for Business, Innovation and Skills (excluding agencies)																	
Cabinet Office (excluding agencies)																	
Department for Communities and Local Government (excluding agencies)																	
Department for Culture, Media and Sport (excluding agencies)																	
Ministry of Defence (excluding agencies)																	
Department for Education																	
Department of Energy and Climate Change																	
Department for Environment, Food and Rural Affairs (excluding agencies)																	
Foreign and Commonwealth Office (excluding agencies)																	
Department of Health (excluding agencies)																	
HM Revenue & Customs																	
HM Treasury (excluding agencies)																	
Home Office (excluding agencies)																	
Department for International Development																	
Ministry of Justice (excluding agencies)																	
Department for Transport (excluding agencies)																	
Department for Work and Pensions (including Jobcentre Plus and Pension, Disability and Carers Service)																	
	38	33	27	38	23	55	47	38	58	39	12	56	43	60	38	42	25
	50	48	42	62	27	60	68	49	64	51	23	68	50	65	46	53	25
	40	38	28	43	28	49	52	37	60	42	19	52	43	56	40	39	23
	29	24	19	25	21	40	35	31	49	28	15	35	30	51	32	29	20
	33	33	23	33	20	46	49	32	52	37	11	51	39	50	34	32	17
	31	20	21	29	16	41	31	29	45	21	11	35	26	41	27	25	22
	18	15	13	12	12	23	25	20	37	14	9	32	21	30	24	15	15
	58	52	51	68	45	64	69	62	64	52	31	64	57	66	53	57	41
	28	32	29	48	22	34	34	34	43	29	16	54	34	44	31	36	19
	34	38	32	44	35	41	45	40	47	33	21	57	40	42	37	40	28
	75	70	63	71	83	79	89	77	82	74	65	85	82	94	76	68	76
	68	58	59	67	77	69	83	71	79	69	62	79	77	91	70	61	73
	76	67	67	70	81	73	84	77	83	74	65	77	79	90	73	69	75

## Appendix Two

### Publications by the NAO on the Department since 2008-09

Publication date	Report title	HC number	Parliamentary session
29 March 2011	Spending reduction in the Foreign and Commonwealth Office	HC 826	2010-11
29 November 2010	NAO Briefing for the Foreign Affairs Select Committee	<a href="http://www.nao.org.uk/publications/1011/foreign_affairs_committee.aspx">http://www.nao.org.uk/publications/1011/foreign_affairs_committee.aspx</a>	
30 June 2010	Short guide to the NAO's work on the Foreign and Commonwealth Office	<a href="http://www.nao.org.uk/publications/1011/short_guide_fco.aspx">http://www.nao.org.uk/publications/1011/short_guide_fco.aspx</a>	
15 June 2010	Review of the data systems for Public Service Agreement 30	<a href="http://www.nao.org.uk/publications/1011/review_data_systems_for_psa_30.aspx">http://www.nao.org.uk/publications/1011/review_data_systems_for_psa_30.aspx</a>	
11 February 2010	Adapting the Foreign and Commonwealth Office's global estate to the modern world	HC 295	2009-10
3 June 2009	Financial Management in the Foreign and Commonwealth Office	HC 289	2008-09
10 June 2008	The British Council: Achieving Impact	HC 625	2007-08

# Appendix Three

## Cross-government NAO reports of relevance to the Foreign and Commonwealth Office since 2008-09

Publication date	Report title	HC number	Parliamentary session
13 July 2011	Identifying and meeting central government's skills requirements	HC 1276	2010-12
26 May 2011	Option Appraisals: Making informed decisions in Government <a href="http://www.nao.org.uk/publications/1012/option_appraisal.aspx">www.nao.org.uk/publications/1012/option_appraisal.aspx</a>		
3 March 2011	Progress in improving financial management in government	HC 487	2010-11
17 Feb 2011	Information and Communications Technology in government. Landscape Review	HC 757	2010-11
14 October 2010	Central government's use of consultants and interims	HC 488	2010-11
20 July 2010	Progress with VFM savings and lessons for cost reduction programmes	HC 291	2010-11
14 July 2010	Taking the measure of government performance	HC 284	2010-11
21 October 2009	Measuring Up: How good are the Government's data systems for monitoring performance against Public Service Agreements?	HC 465	2008-09
5 February 2009	Assessment of the Capability Review Programme	HC 123	2008-09
19 December 2008	Central government's management of service contracts	HC 65	2008-09

# Appendix Four

## Other sources of information

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### Reports from the Committee of Public Accounts since 2008

Publication date	Report title	HC number	Parliamentary session
30 September 2011	Forty-eighth Report of Session 2010–12 Spending reduction in the Foreign and Commonwealth Office	HC 1284	2010–12
24 May 2011	Thirty-seventh Report of Session 2010–12 Departmental Business Planning	HC 650	2010–12
1 April 2010	Twenty-fifth Report of Session 2009–10 Adapting the Foreign and Commonwealth Office's global estate to the modern world	HC 417	2009–10
17 December 2009	Third Report of Session 2009–10 Financial Management in the Foreign and Commonwealth Office	HC 164	2009–10
17 November 2008	Fifty-sixth Report of Session 2007–08 British Council: Achieving Impact	HC 814	2007–08

### Recent reports from Central Government

30 June 2011	Foreign and Commonwealth Office Annual Report and Accounts	HC 974	2010–11
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### Cabinet Office Capability Reviews

March 2009	Cabinet Office Foreign and Commonwealth Office: Progress and next steps on the Capability Review
March 2008	Capability Reviews: One year update, Foreign and Commonwealth Office
March 2007	Capability Review of the Foreign and Commonwealth Office

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# Where to find out more

The National Audit Office website is  
[www.nao.org.uk](http://www.nao.org.uk)

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