



National Audit Office

DEPARTMENTAL OVERVIEW

The performance of the Foreign
& Commonwealth Office 2012-13

NOVEMBER 2013

Our vision is to help the nation spend wisely.

Our public audit perspective helps Parliament hold government to account and improve public services.

The National Audit Office scrutinises public spending for Parliament and is independent of government. The Comptroller and Auditor General (C&AG), Amyas Morse, is an Officer of the House of Commons and leads the NAO, which employs some 860 staff. The C&AG certifies the accounts of all government departments and many other public sector bodies. He has statutory authority to examine and report to Parliament on whether departments and the bodies they fund have used their resources efficiently, effectively, and with economy. Our studies evaluate the value for money of public spending, nationally and locally. Our recommendations and reports on good practice help government improve public services, and our work led to audited savings of almost £1.2 billion in 2012.

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Introduction

Aim and scope of this briefing

- 1** The primary purpose of this report is to provide the Foreign Affairs Select Committee with a summary of the Foreign & Commonwealth Office's activity and performance since April 2012, based primarily on published sources, including the Department's own accounts and the work of the National Audit Office (NAO).
- 2** Part One of the report focuses on the Department's activity over the past year. Part Two concentrates on NAO analyses of that activity.
- 3** The content of the report has been shared with the Department to ensure that the evidence presented is factually accurate.

Part One

About the Department

The Department's responsibilities

1.1 The Foreign & Commonwealth Office (the Department) “leads the Government’s efforts to protect and promote the UK’s interests and values overseas, building alliances, networks and connections across the world” and its mission is to “promote UK growth, defend our security, and protect British nationals overseas”.¹

1.2 The Department’s 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.

How the Department is organised

1.3 The Department’s core work is delivered through its global network of nearly 270 overseas posts,² its central policy-making functions in London and its corporate services functions in Milton Keynes and Manila. It employs approximately 13,300 staff. Around 4,600 of these staff are UK-based civil servants, who may be working in the UK or posted overseas. A further 8,100 staff are locally engaged overseas and there are 600 other (agency/contract) staff.³

1.4 In seeking to make its corporate services more efficient, the Department is moving all financial transaction processing to Milton Keynes and Manila in the Philippines. These two hubs are designed to achieve global coverage and reduce costs. In addition, delivery hubs are being developed to provide regionalised HR, finance and procurement functions.⁴

¹ Foreign & Commonwealth Office, *Annual Report and Accounts 2012-13*, July 2013, p. 7.

² Posts are locations where the Department has a presence such as an embassy, high commission or consulate.

³ Foreign & Commonwealth Office, *Annual Report and Accounts 2012-13*, July 2013, p. 93.

⁴ Foreign & Commonwealth Office, *Departmental Improvement Plan*, June 2013, p. 11.

1.5 As well as undertaking its own activities, the Department supports and funds a number of arm's-length bodies and executive agencies, including:

- BBC World Service;
- British Council;
- Great Britain – China Centre;
- Marshall Aid Commemoration Commission;
- Westminster Foundation for Democracy; and
- Wilton Park Executive Agency.

1.6 In addition, the Department is the owner of FCO Services which operates as a trading fund. FCO Services designs and delivers secure services such as security vetting, secure logistics and estates management to the Department, other government departments and other customers.

1.7 The Department is also a joint 'parent department', along with the Department for Business, Innovation & Skills (BIS), of UK Trade & Investment (UKTI) and provides the majority of UKTI's staff overseas.

1.8 The relationship between the Department and its sponsored bodies is set out in **Figure 1**. The Comptroller and Auditor General (C&AG) is the external auditor of all these organisations except for the BBC World Service (BBCWS). In this report, we have focused on the activities of the core Department.

1.9 The Department is led by the Secretary of State for Foreign and Commonwealth Affairs, who is supported by a team of ministers and senior officials. The governance structure of the Department is shown in **Figure 2** on page 8.

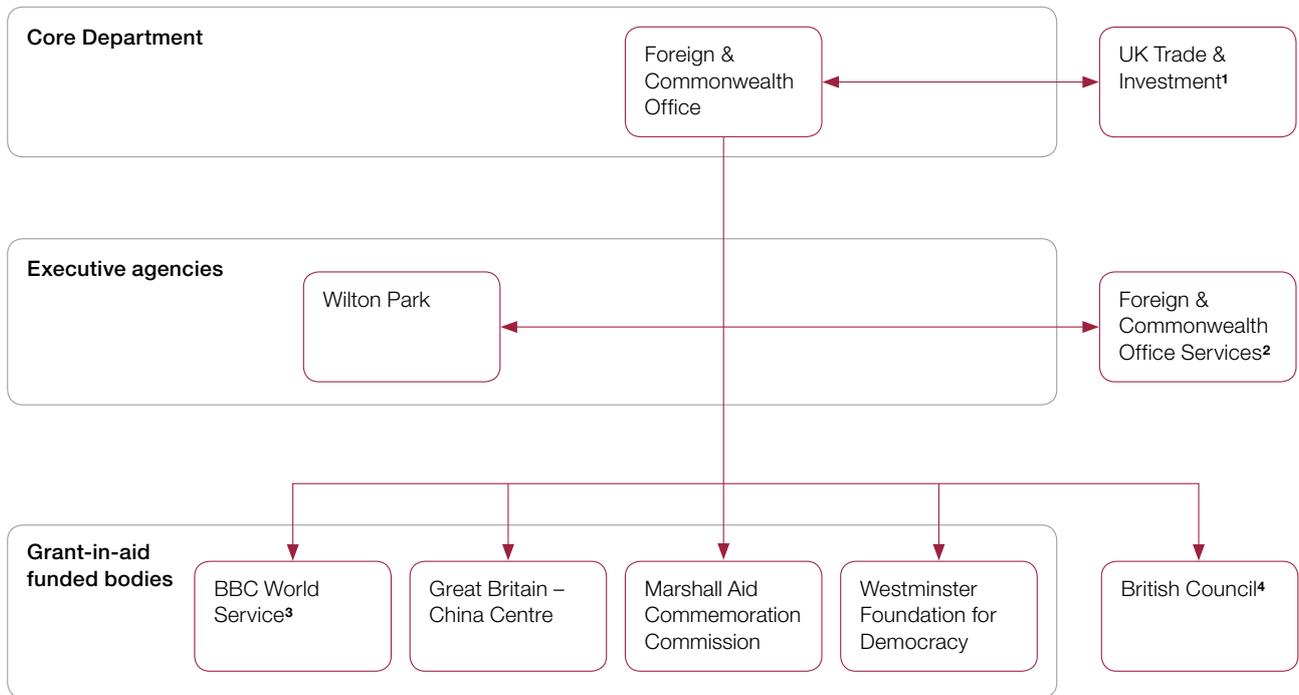
1.10 The Secretary of State chairs the Supervisory Board, which provides collective strategic leadership of the Department as well as scrutinising and challenging departmental policies and performance.⁵

1.11 The Department's Management Board is chaired by the Permanent Under-Secretary and brings together senior officials from within the Department and non-executive directors. The Management Board seeks to ensure that the Department has the capabilities to meet the foreign policy priorities; motivate and manage staff; and has the right skills, estate and IT.⁶

5 Foreign & Commonwealth Office, *Annual Report and Accounts 2012-13*, July 2013, p. 67.

6 See footnote 5.

Figure 1
How the Department is organised



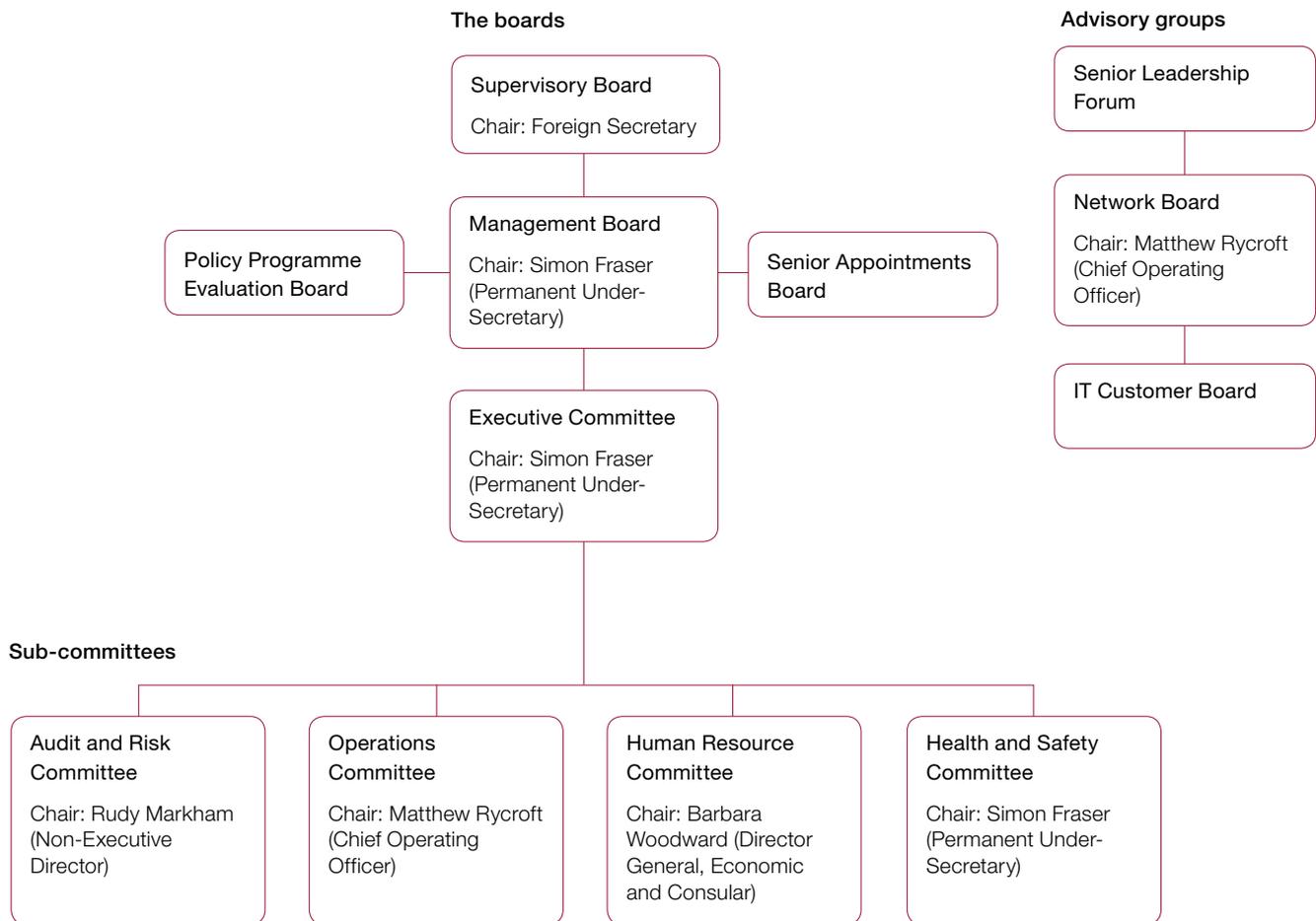
Departmental accounting boundary

Notes

- 1 UKTI is a non-ministerial department. Its joint parent departments are BIS and FCO.
- 2 FCO Services is an executive agency and has operated as a trading fund since April 2008.
- 3 BBCWS was formerly a public corporation, but was reclassified as a public sector, non-market entity with effect from 1 April 2012.
- 4 British Council is a charity established by Royal Charter and is also a public corporation.

Source: National Audit Office

Figure 2
The Department's governance structure



Source: Foreign & Commonwealth Office, *Annual Report and Accounts 2012-13*, July 2013, p. 67

Where the Department spends its money

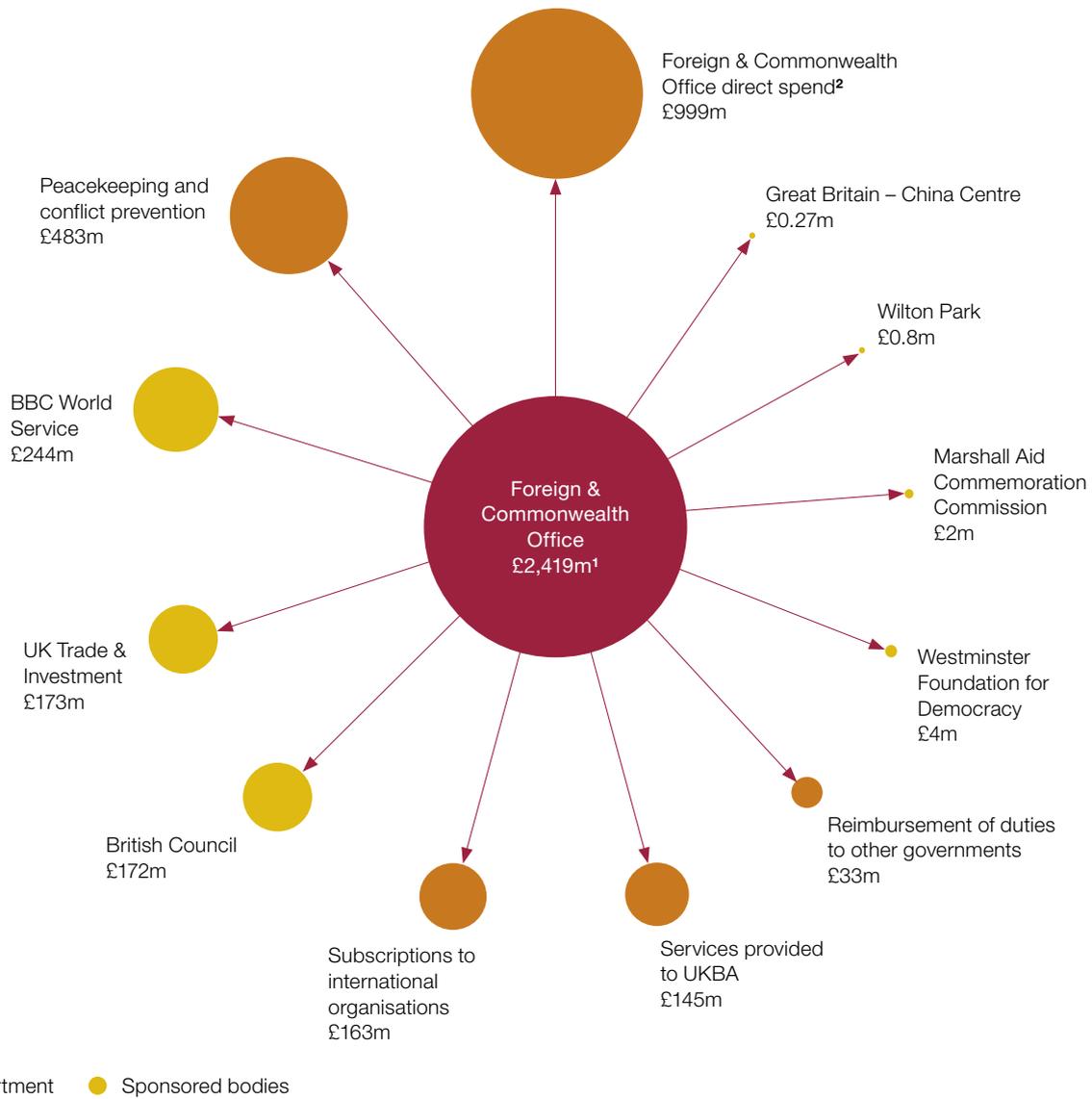
1.12 As shown in **Figure 3** overleaf, the core Department spent £2.4 billion in 2012-13. It also received income of £257 million, primarily from charges to other government departments for using its services overseas. Of the income the Department received for providing these services, £145 million was received from the UK Border Agency (UKBA).⁷ Other significant partners include the Ministry of Defence (MOD), the Department for International Development (DFID) and British Council.

1.13 In 2012-13, the Department spent £483 million on funding classified as being for peacekeeping and conflict prevention. This was delivered through a variety of channels, from support for United Nations (UN) peacekeeping missions and through Department projects funded from the Conflict Pool. The Conflict Pool funds discretionary activities that support conflict prevention, stabilisation and contribute to peacekeeping overseas. It is jointly managed and funded by the Department, DFID and MOD.

1.14 The UK is a member of a number of international organisations, such as the UN, the North Atlantic Treaty Organisation (NATO), the Council of Europe and the Organisation for Economic Co-operation and Development (OECD). The Department pays a share of the running costs of these organisations in accordance with the UK's membership agreements.

1.15 Included within the direct spend of the Department are major projects which form part of the Government Major Projects Portfolio (GMPP). During 2012-13, the Department had six major projects under way, with a total budget for the year of £48 million. Details of these projects are in **Figure 4** on page 11.

Figure 3
Where the Department spent its money in 2012-13



Notes

- 1 This analysis is gross resource expenditure only. It excludes capital expenditure and income.
- 2 The Foreign & Commonwealth Office direct spend mainly comprises staff and other costs associated with frontline service delivery, expenditure on programmes and consular operations.

Source: Foreign & Commonwealth Office, *Annual Report and Accounts 2012-13*, July 2013, pp. 81, 90 and 95; *UK Trade & Investment Annual Report and Accounts 2012-13*, June 2013, p. 75; *Wilton Park Annual Report and Accounts 2012-13*, July 2013, p. 38

Figure 4

Major projects in the Department 2012-13

Project name	Total budgeted whole life cost (£m)	2012-13 budget (£m)	Project start date	Project end date	Major Projects Authority rating
Tel Aviv embassy refurbishment	22	3.82	28 Oct 2009	1 Nov 2013	●
Echo Programme – a new global network for voice and data services	179	29.96	9 Jun 2009	31 Dec 2012 ¹	●
Jakarta – new embassy and residence	29	11.06	1 Apr 2004	1 Sep 2014	●
UK Estates Reform – consolidating activities into King Charles Street	79	1.44	1 Jun 2011	1 Aug 2016	●
Abuja new high commission and residence	39	0.95	1 Dec 2010	1 Dec 2017	●
Re-procurement of business critical ICT services – Prism (enterprise resource planning system) and Firecrest (desktop infrastructure)	– ²	–	1 Jan 2011	30 Nov 2013	●

- Successful delivery of the project to time, cost and quality appears highly likely and there are no major outstanding issues that at this stage appear to threaten delivery significantly.³
- Successful delivery appears probable; however, constant attention will be needed to ensure risks do not materialise into major issues threatening delivery.³
- Successful delivery appears feasible but significant issues already exist, requiring management attention. These appear resolvable at this stage and, if addressed promptly, should not present a cost/schedule overrun.³

Notes

- 1 The Department reported that the programme roll-out to overseas posts was delayed, largely as a result of Olympics activities taking higher priority and is currently forecasting that the roll-out will conclude in late autumn 2013.
- 2 Not provided as these contracts were still going through procurement in 2012-13.
- 3 Major Projects Authority Delivery Confidence Assessments available at: engage.cabinetoffice.gov.uk/major-projects-authority/chapter-2-the-major-projects-authority-remit/

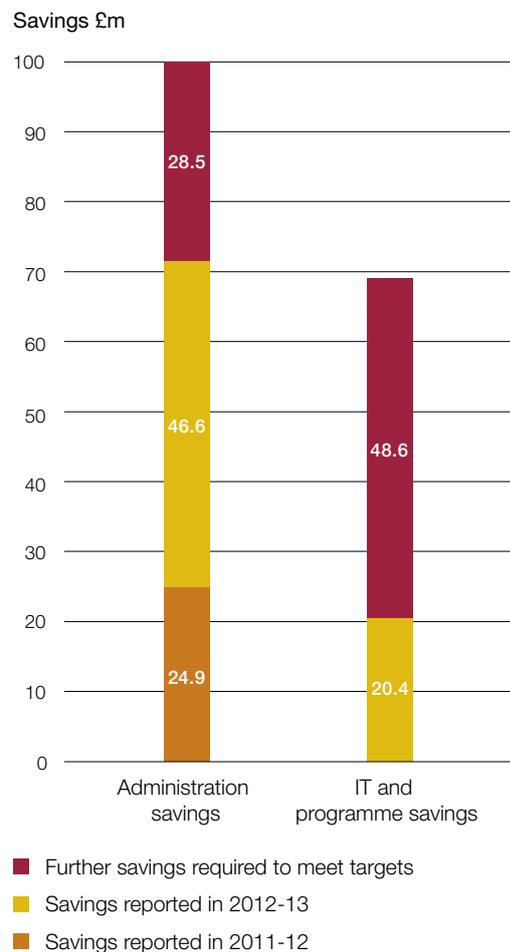
Source: Foreign & Commonwealth Office, *Government Major Projects Portfolio data for the Foreign & Commonwealth Office 2013*, May 2013, available at: www.gov.uk/government/publications

Recent and planned changes to the Department's spending

The 2010 Spending Review

1.16 The Department's 2010 Spending Review (SR10) settlement requires 10 per cent real terms savings to be achieved by 2014-15. The Department is planning to deliver annual cost reductions of £169 million by the end of the spending review period, mainly through reducing IT and programme spend and making administrative savings. Progress in achieving the planned savings is shown in **Figure 5**.

Figure 5
Progress in delivering savings to annual running costs



Source: Foreign & Commonwealth Office, *Annual Report and Accounts 2011-12*, July 2012, p. 47 and Foreign & Commonwealth Office, *Annual Report and Accounts 2012-13*, July 2013, p. 50

1.17 The SR10 settlement provided for an increase in the Department's Official Development Assistance (ODA) spending to help meet the government's commitment to dedicate 0.7 per cent of gross national income to ODA each year.⁸ For 2012-13, the Department reported that it delivered its agreed contribution to ODA expenditure; spending £271 million, which represents 2.9 per cent of total UK ODA.⁹

1.18 In addition to the capital budget allocations from SR10, the Department also agreed with HM Treasury that up to £100 million of proceeds from asset sales each year could be used to meet additional capital funding requirements.

1.19 The Department initially reported that it planned to obtain proceeds from capital sales of £50 million per year between April 2011 and March 2015 (a total of £200 million over the SR10 period) to contribute towards planned capital expenditure.¹⁰ Subsequently, this estimate was revised upwards to £60 million per year (£240 million over the SR10 period), a target which the Foreign Affairs Committee considered to be "extremely optimistic".¹¹

1.20 In October 2012, the Department reported that it had revised its total capital requirement for the spending review period down to £200 million. Of this, £60 million would be funded from other sources, leaving £140 million to be raised from asset sales. By this date, £36 million of sales had been completed and the compounds in Kuala Lumpur and Jakarta were expected to provide the majority of the remaining £104 million.¹²

1.21 By the end of the 2012-13 financial year, the Department had completed or agreed further property sales (including the Kuala Lumpur compound), which brought total proceeds to £115 million or 82 per cent of the revised target for the SR10 period. Details of these asset disposals are presented in **Figure 6** overleaf.

8 HM Treasury, *Spending Review 2010*, October 2010, p. 59.

9 Foreign & Commonwealth Office, *Annual Report and Accounts 2012-13*, July 2013, pp. 48 and 51.

10 Foreign Affairs Committee, *FCO performance and finances*, Third Report of Session 2010-11, HC 572, February 2011, p. 19.

11 Foreign Affairs Committee, *Departmental Annual Report 2010-11*, Eleventh Report of Session 2010-12, HC 1618, March 2012, p. 5.

12 Foreign & Commonwealth Office, *FCO Management Issues July to September 2012*, available at: www.publications.parliament.uk/pa/cm201213/cmselect/cmfaaff/writev/fcomanager/contents.htm, accessed 13 August 2013.

Figure 6

Property sales since October 2010

Financial year	Number of sales	Sales proceeds (£m)
2010-11 ¹	14	9.5
2011-12	21	26.3
2012-13	23	78.9 ²
Total	58	114.7

Notes

- 1 Data only covers October 2010 to March 2011.
- 2 Includes the sale of the Kuala Lumpur High Commission compound for which final cash receipts were received in April 2013.

Source: *Quarterly Management Issues Letters* to the Foreign Affairs Committee

1.22 The majority of sales have been of residential properties (93 per cent of sales by number). This included the sales of three residences (in Panama, Copenhagen and Brussels) with the remainder relating to general use residential accommodation. Other disposals were of amenity properties, an office and residence, and a compound. The sale of the compound in Kuala Lumpur raised £61.9 million and accounted for 54 per cent of sales proceeds over the period.

1.23 A new Foreign Currency Mechanism was introduced as part of SR10 to enable the Department to manage exchange rate pressures better. This agreement permits HM Treasury to increase or decrease the Department's budget each year to take account of movements in the top 20 currencies in which the Department spent money in 2010-11 (the SR10 baseline year). This agreement only applies to the Department's core budget so to minimise budget uncertainty for peacekeeping expenditure, the Department enters into forward purchase contracts to fix rates of exchange, in advance, for its foreign currency requirements.

1.24 In 2012-13, the Department returned £17.6 million (2011-12: £1.8 million) to HM Treasury as a result of the Foreign Currency Mechanism, owing to appreciation in the value of sterling relative to other currencies since the baseline year.¹³ The Department's total exposure to exchange rate movements in the year resulted in a gain of £15.6 million (2011-12: loss of £15.4 million).¹⁴

1.25 Included within SR10 was the announcement that funding for the BBCWS would come from licence fees from 1 April 2014. The Department will therefore provide grant-in-aid funding to the BBCWS for the final time in 2013-14.

¹³ Foreign & Commonwealth Office, *Foreign & Commonwealth Office Supplementary Estimate 2012-13 Memorandum for the Foreign Affairs Committee*, February 2013, p. 2.

¹⁴ This is the total of the amount returned to HM Treasury under the *Foreign Currency Mechanism*, realised and unrealised gains and losses on forward purchase contracts and other realised and unrealised gains and losses on exchange.

The 2013 Spending Round

1.26 In June 2013, the Chancellor announced spending plans for 2015-16.

The Department's settlement includes:

- a 6.3 per cent real reduction in total departmental programme and administration budget (resource DEL excluding depreciation) from the 2014-15 baseline to 2015-16; and
- a 1.8 per cent real reduction in the departmental capital budget (a freeze in cash terms) over the same period.¹⁵

1.27 The Department is planning to take the following measures in order to generate the required savings:

- implement the One HMG Team Overseas project, which is expected to generate up to £5 million in efficiency savings by increasing collaboration and sharing of services across government departments that are based overseas;
- review the operating model of the British Council to encourage greater self-funding and reduce the burden on the taxpayer;
- consolidate London-based staff into the Department's Whitehall base in King Charles Street by 2015; and
- re-procure IT infrastructure.¹⁶

1.28 The settlement also includes provision of over £1 billion in 2015-16 for a new Conflict, Stability and Security Fund (CSSF) to build on the Conflict Pool and fund a broader range of activity to help prevent conflict.

Policy and delivery: major developments in 2012-13

Security

1.29 As in past years, there have been significant external operational challenges to the Department's work throughout the year. The Department has continuing involvement in Syria and provided £12 million of equipment and technical advice to the Syrian opposition during 2012-13. In addition, the Department informed Parliament of a number of gifts it made in connection with the crisis since the financial year end, as set out in **Figure 7** overleaf.

1.30 The Department also provided support to the African Union mediation between Sudan and South Sudan, and was involved in efforts to mandate the creation of a UN peacekeeping mission in Mali.¹⁷

¹⁵ HM Treasury, *Spending Round 2013*, June 2013, pp. 10–11.

¹⁶ HM Treasury, *Spending Round 2013*, June 2013, pp. 44–45.

¹⁷ Foreign & Commonwealth Office, *Annual Report and Accounts 2012-13*, July 2013, p. 9.

Figure 7
Gifting of equipment

Date	Recipient	Value ¹ (£m)	Details
April 2013	Syrian opposition	2.9	Supply of vehicles and equipment to allow the Syrian opposition to deliver support to civilians.
May 2013	Jordanian Armed Forces	0.8	Supply of non-lethal equipment (helmets, vehicles, night-vision equipment) and training to help the Jordanian Armed Forces manage the humanitarian crisis caused by the ongoing violence in Syria.
June 2013	Lebanese Armed Forces	9.0	Supply of vehicles and communications, protection and surveillance equipment as well as associated training to the Lebanese Armed Forces to help reinforce the border between Lebanon and Syria.
July 2013	Syrian opposition	0.7	Supply of protective equipment against chemical and biological weapons.

Note

1 All gifts were funded from the Conflict Pool.

Source: Departmental minutes

Prosperity

1.31 The London Olympic and Paralympic Games and the Queen's Diamond Jubilee were a key focus of activity for the Department during 2012-13. The Department's contribution to the Games included organising visits and programmes for 121 heads of state and government, as well as supporting UKTI's British Business Embassy.¹⁸

1.32 The GREAT campaign, launched in 2012, was designed to maximise the economic potential of the Games and promote the UK abroad. The Department's network of overseas posts used the GREAT brand and messaging and was involved in delivering events relating to the campaign during the course of the year.¹⁹

Consular

1.33 During 2012, the Department reported that 87 per cent of customers rated its consular service as excellent or good and 93 per cent were satisfied with the service provided. Over the same period, the Department handled 1.05 million general consular enquiries, provided consular assistance in 29,700 cases, dealt with 30,000 applications for emergency travel documents and dealt with 37,500 lost, stolen or recovered passports.²⁰

18 Foreign & Commonwealth Office, *Annual Report and Accounts 2012-13*, July 2013, pp. 11 and 16.

19 Foreign & Commonwealth Office, *Annual Report and Accounts 2012-13*, July 2013, pp. 11, 32-35.

20 Foreign & Commonwealth Office, *Departmental Improvement Plan*, June 2013, p. 8.

1.34 A new three-year consular strategy was launched in April 2013. This sets out the Department's aim to increase process efficiency and enable staff to spend more time helping the most vulnerable people and working on the most serious consular cases. It also sets out plans to create a global network of contact centres to handle all first contact from customers by March 2014.²¹

Delivering Diplomatic Excellence

1.35 The Department has an aim to be the best diplomatic service in the world by 2015 and has developed the Diplomatic Excellence reform and improvement agenda to achieve this. Within this, there are three strands focusing on:

- producing and implementing first-class foreign policy;
- ensuring the Department has the right people with the right skills; and
- ensuring the Department's worldwide network of posts is operating cost-effectively, in the right places, with the right IT and security.²²

1.36 In December 2012, the Department launched the 'Excellence through People: One Global Workforce' initiative, which will make a number of changes to HR policies and processes by 2015. This initiative aims to improve performance and talent management, as well as strengthening the role of locally employed staff.²³

1.37 During 2012-13, the Department continued the strategic shift of its global network towards a greater presence in emerging, high-growth markets. The Department has stated that the cost of this network shift has been partly offset by savings in the diplomatic footprint in Iraq and Afghanistan, partly by restructuring the subordinate post network in Europe and partly from within existing resources or through the strategic reprioritisation exercise. Key changes since the Foreign Secretary's announcement of the strategic shift for the Department's overseas network in May 2011 are shown in **Figure 8** overleaf.

21 Foreign & Commonwealth Office, *Consular Strategy 2013-16: Consular Excellence*, April 2013, p. 4.

22 Foreign & Commonwealth Office, *Departmental Improvement Plan*, June 2013, p. 2.

23 Foreign & Commonwealth Office, *Annual Report and Accounts 2012-13*, July 2013, p. 14.

Figure 8

Recent and planned changes to the Department's global network of posts



1 Canada
Trade office in Calgary upgraded to consulate general

2 USA
New UK government office in Seattle

3 Haiti
New embassy in Port au Prince

4 El Salvador
New embassy in San Salvador

5 Paraguay
New embassy in Asuncion

6 Brazil
New consulate general in Recife

7 Liberia
New embassy in Monrovia

8 Cote d'Ivoire
Political office in Abidjan upgraded to embassy

9 Spain
Resident consul in Palma withdrawn

10 Andorra
Closure of consulate office (Honorary Consul remains)

11 France
Closure of consulate office in Lille

12 Italy
Closure of consulate offices in Naples, Venice and Florence in favour of Honorary Consuls

13 Greece
Closure of consulate office in Thessaloniki (Honorary Consul remains)

14 Iraq
Permanent staff withdrawn from embassy office in Basra.
Additional staff recruited to embassy in Baghdad and consulate general in Erbil

15 South Sudan
New embassy in Juba

16 Somalia
New embassy in Mogadishu
New British office in Hargeisa

17 Madagascar
British interests section in Antananarivo upgraded to embassy

18 India
Trade office in Hyderabad upgraded to deputy high commission
New deputy high commission in Chandigarh (not yet opened)
20 additional staff into existing posts

19 Kyrgyzstan
New embassy in Bishkek

20 China
50 additional staff into existing posts

21 Thailand
Closure of consulate office in Pattaya (Honorary Consul remains)

22 Laos
New embassy in Vientiane

23 Portugal
Closure of consulate office in Porto (Honorary Consul remains)

1.38 The Department has set up the Diplomatic Excellence External Panel as a means of obtaining external performance evaluation and feedback. The panel comprises around 70 experts from business, academia, media, think tanks and other government departments. For 2012-13, the panel gave the Department a score of 7.1 out of 10 (2011-12: 6.8). The score by the external panel was consistent with the Department's internal assessment, which also reported a score of 7.1 for 2012-13 (2011-12: 6.5).²⁴ The Department has acknowledged that the score is only indicative and is based largely on subjective assessment.²⁵

The Department's digital strategy

1.39 By December 2012, each government department was required to produce a digital strategy, an indication of the central part that digital communications now play in government business.

1.40 The Department identified two key elements that drive its digital strategy. Firstly, that the use of digital should be embedded across every element of foreign policy work, and secondly, that services should be provided digitally by default.²⁶

1.41 The Department's digital strategy highlights that it already makes use of digital in implementing, communicating and influencing foreign policy. For example:

- using digital channels to support the London conference on Somalia;
- using social media to monitor how NATO intervention was perceived by Libyans;
- spreading messages to Iranians following the closure of the British Embassy in Tehran;
- consulting online in preparation for a White Paper on British overseas territories; and
- part-funding a free forced marriage smartphone application.²⁷

1.42 The digital strategy sets out the Department's aim to build on this by increasing the use of digital approaches in its foreign policy work and to enhance open policy formulation and transparency. The Department has recognised that implementing this will require clear leadership, increased training and for best practice to be shared.²⁸

1.43 With regards to service delivery, the Department divides the services it provides into two broad categories: transactional services and assistance services. The Department's aim is to provide transactional services digitally by default. This is expected to improve efficiency and responsiveness while allowing resources to be dedicated to face-to-face support to those most in need of assistance.²⁹ **Figure 9** overleaf provides details of the services the Department delivers and plans for further digitisation.

²⁴ Foreign & Commonwealth Office, *Departmental Improvement Plan*, June 2013, p. 17.

²⁵ Foreign Affairs Committee, *FCO performance and finances 2011-12*, Fifth Report of Session 2012-13, HC 690, April 2013, p. 15.

²⁶ Foreign & Commonwealth Office, *Digital Strategy*, November 2012, p. 2.

²⁷ Foreign & Commonwealth Office, *Digital Strategy*, November 2012, pp. 6–9 and Foreign & Commonwealth Office, *Annual Report and Accounts 2012-13*, July 2013, p. 13.

²⁸ Foreign & Commonwealth Office, *Digital Strategy*, November 2012, pp. 8–9.

²⁹ Foreign & Commonwealth Office, *Digital Strategy*, November 2012, pp. 10–11.

Figure 9
Services provided by the Department

Service	Baseline digital delivery (%) ¹	Plans for further digitisation
Transactional services		
Consular assistance services (including emergency travel documents and fund transfers)	5–10	Application process, payment process
Consular crisis services (public registration service)	100	LOCATE system turned off; 'Just in time' system for specific countries and situations being developed
Consular documentary services (including registration of marriages, civil partnerships, births and deaths, service of process and notarial services)	5–25	Online appointments, payment process, scanned and downloadable documents
Consular legalisation services	40	Legislatively restricted; eRegister project for Hague Convention countries
Consular travel advice services	95	Phone service closed April 2013; responses provided to travel advice queries submitted on Twitter since May 2013
Consular overseas passport services	75	Controlled by HM Passport Office by April 2014 and will no longer be provided by the Department
Customer feedback services	55–95	Hard copy surveys to be maintained for walk-ins and customers without internet access
Consular communications and campaigns services	95	Maximum level of digital delivery already achieved
Assistance services		
Consular assistance services (support to distressed British nationals overseas)	5–10	Largely to remain a face-to-face process
Consular crisis services (information and crisis support in the UK and overseas)	10–65	UK-based information and support services already primarily provided digitally; crisis services overseas will remain face-to-face
Consular documentary services (including marriage, civil partnership and citizenship ceremonies and maritime services)	0	Largely to remain a face-to-face process except for application forms, appointment booking and payment where relevant

Note

¹ This is the Department's estimate of the degree to which the service is already delivered digitally as at November 2012.

Source: Foreign & Commonwealth Office, *Digital Strategy*, November 2012

Independent assessments of the Department's performance

1.44 In Part Two of this report, we look at the NAO's assessment of the Department's performance in 2012-13. Alongside our work, other bodies produce independent analyses of how the Department is doing and of the challenges it faces. In this section, we look at a selection of these that were published in the last year.

1.45 The Independent Commission for Aid Impact (ICAI) is the independent body responsible for the scrutiny of UK aid, focusing on impact, efficiency and value for money. In 2012-13, they published two reports of relevance to the Department.

1.46 The first report, in July 2012, was an evaluation of the Conflict Pool's ODA. Based on case studies from two countries, the report assessed whether this funding mechanism had led to a coherent, strategic and effective approach to conflict prevention. An overall rating of amber-red was given, meaning the programme met some criteria, but was not performing well and significant improvements should be made. The report found the Conflict Pool struggled to demonstrate strategic impact, had cumbersome governance and management arrangements and lacked capacity for measuring results. It included recommendations for reforms in these areas to enable the Conflict Pool to fulfil its potential better.³⁰

1.47 The second report, in June 2013, evaluated how effectively the FCO and British Council responded to the Arab Spring through their bilateral aid programmes. The report focused on evaluating the largest programme in the Middle East and North Africa region: the Arab Partnership Participation Fund. An overall rating of green-amber was given, meaning the programme performed relatively well overall against ICAI's criteria for effectiveness and value for money but improvements should be made. The report found that the Fund had a sound strategy, good delivery capacity and demonstrated the potential for impact in a difficult environment. It identified project management, measuring results and sharing knowledge as areas for potential improvement.³¹

1.48 Demos, a cross-party think tank, published the report *Ending Forced Marriage* in April 2012. It examined the history of government's attempts to tackle the issue in the UK by drawing on case studies of initiatives the Department runs in Commonwealth countries. The report argues that these have been successful due to their holistic approach and that government should build on this through greater integration between the Forced Marriage Unit (which is jointly run by the Department and the Home Office) and DFID, enabling lessons learned overseas to be applied in the UK.³²

³⁰ Independent Commission for Aid Impact, *Evaluation of the Inter-Departmental Conflict Pool*, Report 12, July 2012.

³¹ Independent Commission for Aid Impact, *Foreign and Commonwealth Office and British Council Aid Responses to the Arab Spring*, Report 24, June 2013.

³² Max Wind-Cowie et al., *Ending Forced Marriage*, Demos, 2012.

Staff attitudes

1.49 The government has conducted its Civil Service People Survey annually for the past four years. The most recent survey was carried out during October 2012, with detailed results available from February 2013. Continuing our practice in past briefings, we summarise here the views of the Department's staff on a number of key issues, and compare them to benchmarks for the civil service as a whole. Detailed results for all departments are reproduced at Appendix Two.

1.50 Overall, the Department performed well in the 2012 survey, achieving results consistently above the civil service benchmark and increasing its employee engagement index by one percentage point compared to the previous year. The Department was comparatively strong in overall employee engagement, learning and development, and leadership and managing change.

1.51 There were also some negative trends and areas of concern. While the Department continued to outperform the benchmark, the amount by which it did so compared to 2011 reduced across eight of the nine themes used in the survey and in the employee engagement index.

1.52 Pay and benefits was the area of greatest concern for staff, with only a 31 per cent positive response rate being reported. The Department has recognised this factor relating to staff morale and is considering how to address the concerns reported.³³ Selected results from the survey are set out in **Figure 10**.

Major developments for the year ahead

Delivering Diplomatic Excellence

1.53 During the year ahead, the Department will continue to deliver reforms and improvements as part of the Diplomatic Excellence agenda. The Department has identified that increasing language skills is a key part of Diplomatic Excellence and opened a new language centre in September 2013 to help achieve this.

1.54 In partnership with HM Passport Office, the Department is in the final phase of repatriating overseas passport services to the UK. The Regional Passport Processing Centre in Düsseldorf was closed at the end of March 2013 and the remaining regional centres are due to close during 2013-14.

Figure 10
Civil Service People Survey 2012

	2012 survey ¹	Difference from 2011 survey	Difference from civil service benchmark 2012 ²
Engagement index (%)	67	+1	+9
Theme scores (%)			
Leadership and managing change	50	+2	+9
My work	78	+1	+5
My line manager	71	+1	+5
Learning and development	57	0	+13
Pay and benefits	31	0	+1
Resources and workload	78	-1	+4
Organisational objectives and purpose	82	0	0
My team	81	0	+3
Inclusion and fair treatment	78	+1	+3

Notes

1 Reported percentage is the proportion of respondents who selected either 'agree' or 'strongly agree' for a question.

2 The 2012 benchmark is the median per cent positive across all organisations that participated in the *Civil Service People Survey 2012*.

Source: *Civil Service People Survey 2012*

ICT procurement

1.55 The Department intends to undertake several large ICT procurement programmes during 2013-14. This includes the replacement of two key systems, Firecrest (a desktop infrastructure system), and PRISM (an enterprise resource planning system).

1.56 In addition, a service management integration contract is due to be awarded. Under this contract, an external supplier will deliver most of the network operations, supplier and project management services previously provided by the Department's Information and Technology Directorate.³⁴

Part Two

Recent NAO work on the Department

Our audit of the Department's accounts

2.1 The NAO's financial audits of government departments and associated bodies are primarily conducted to allow the Comptroller and Auditor General (C&AG) to form an opinion of the truth and fairness of the public accounts. In the course of this work, the NAO learns a great deal about government bodies' financial management and sometimes this leads to further targeted pieces of work which examine particular issues. In this section, we look at the outcome of our most recent financial audit on The Foreign & Commonwealth Office (the Department) and its bodies.

2.2 The financial audit of the Department resulted in the C&AG issuing an overall opinion that the financial statements give a true and fair view of the Department and the Departmental group's affairs as at 31 March 2013. The accounts were laid before Parliament on 1 July 2013.

2.3 Departmental expenditure during the year fell within voted limits, as shown in **Figure 11**. Following reclassification as a public sector body by the Office for National Statistics (ONS), BBC World Service (BBCWS) was consolidated into the Department's accounts for the first time in 2012-13.

2.4 Recorded within the capital outturn for the year is the sale of the High Commission compound in Kuala Lumpur for £61.9 million. Although this sale was not completed and payment received until April 2013, the financial reporting criteria to recognise the sale were met in December 2012 when a Sale and Purchase Agreement was signed. The Department had planned to use the receipts from the compound sale to fund capital expenditure in 2013-14 and has agreed with HM Treasury that it will be able to access the Reserve to support capital investment plans accordingly.³⁵

³⁵ Foreign & Commonwealth Office, *Annual Report and Accounts 2012-13*, July 2013, pp. 51–52.

Figure 11

Outturn against parliamentary control totals in 2012-13

Parliamentary control total	Voted Limit (£m)	Outturn (£m)	Underspend (£m)	Underspend (%)	Commentary
Departmental expenditure limit – resource	2,163	2,152	11	0.5	The Department managed its resource expenditure closely in line with the voted limit.
Departmental expenditure limit – capital	108	37	71	67	Outturn reflects recognition of the sale of the High Commission compound in Kuala Lumpur (accounts for £61.9 million of underspend).
Annually managed expenditure – resource	154	88	66	43	The Department attributes the variance between the voted limit and outturn to inherent difficulties in forecasting revaluations of worldwide properties. In addition, this control total was increased by £62.9 million in the Supplementary Estimates in respect of long-term liabilities, particularly pensions in Cyprus. Final outturn in relation to the Cyprus pension liability was £25.5 million.
Administration costs	230	124	106	46	The Department agreed with HM Treasury in SR10 that a greater proportion of front-line costs could be recorded as programme expenditure. In 2012-13, the Department reported that it incurred a higher proportion of costs in the overseas network than in the UK when compared to previous years. This shift in the balance of expenditure therefore increased programme expenditure and decreased administration expenditure, contributing to the reported underspend.

Source: Foreign & Commonwealth Office, *Annual Report and Accounts 2012-13*, July 2013, pp. 51–52

2.5 Included within the accounts were two significant transactions relating to pension schemes operated by the Department:

- Transfer of the assets and liabilities of the pension scheme for locally employed personnel in the US to a commercial pension provider for consideration of £42 million. The commercial provider is now responsible for the scheme and the Department will no longer report any related assets or liabilities in its accounts.
- Recognition of a new £25.5 million liability arising from the Department taking on the obligations of the British East Mediterranean Relay Service pension scheme. This relates to former BBCWS staff in Cyprus, where the transmitting station was closed in March 2013 as part of the SR10 savings programme. The Department has taken over administration of the scheme and is reporting the liabilities and payments associated with it from 31 March 2013.³⁶

³⁶ Foreign & Commonwealth Office, *Annual Report and Accounts 2012-13*, July 2013, p. 107.

2.6 In June 2013, the Department announced that it had reached a settlement with Kenyan citizens who brought claims against the British government regarding their treatment in detention during the response to the Mau Mau insurgency from 1952 to 1963. The agreement allowed for payments totalling £19.9 million, covering legal costs and 5,228 settlements.³⁷

2.7 Included in the losses note, the Department disclosed a loss of £342,000 in respect of a TV series, which was commissioned in support of the Department's Security objective but not delivered. The loss relates to funds already paid, which could not be recovered.³⁸

2.8 The Governance Statement, which accompanies the accounts, sets out how the Accounting Officer discharged his responsibility to manage and control the Department's resources during the course of the year. The Statement discusses the risk management strategy along with the key risks faced by the Department, including:

- crises affecting British citizens overseas;
- the Olympics and Paralympics;
- threats to the security of staff overseas;
- declining staff morale;
- exposure to litigation;
- knowledge and information management;
- delivery of UK Estates Reform project;
- controls around personal data handling, emergency travel documents and satellite phones; and
- prevention and detection of fraud and error (as part of a Cabinet Office initiative).

Our audits of the Department's effectiveness and value for money

2.9 The NAO's work to test the effectiveness and value for money of government spending in 2012-13 included two projects which focused on the Department. The principal findings of these are summarised below.

³⁷ Hansard HC, 6 June 2013, col. 1692.

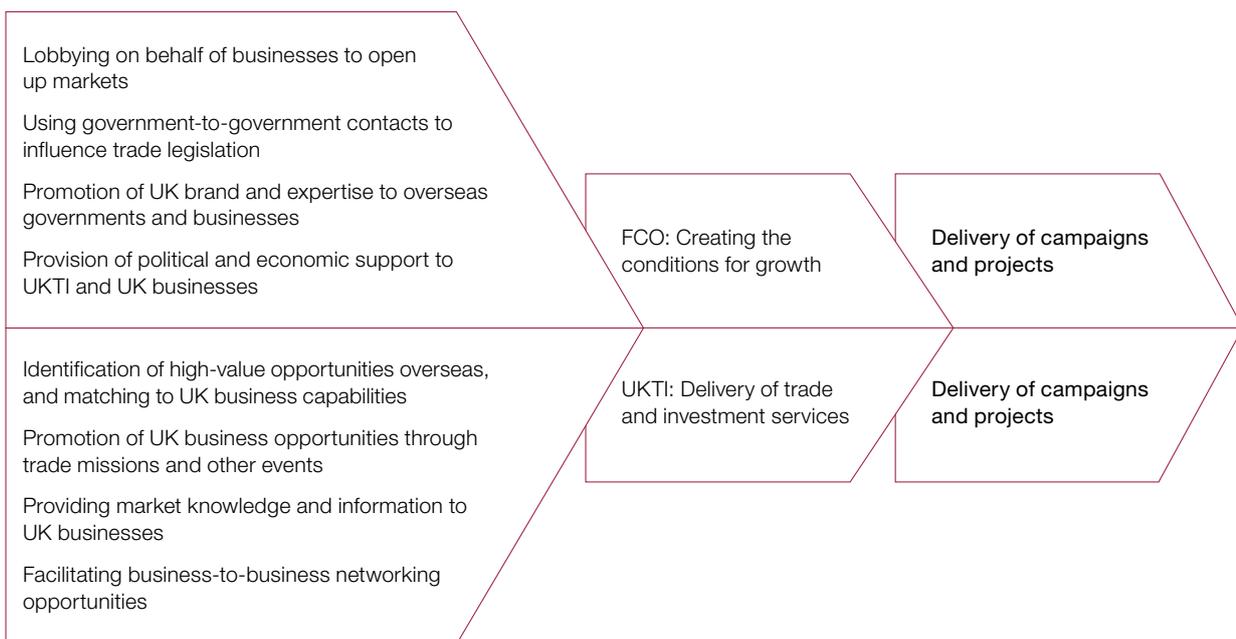
³⁸ Foreign & Commonwealth Office, *Annual Report and Accounts 2012-13*, July 2013, p. 112.

Supporting UK exporters overseas

2.10 Since 2010, the government has been increasingly committed to supporting UK exporters abroad, and in 2012 set a very challenging ambition to double UK exports to £1 trillion by 2020. The C&AG's report examined how the Department and UKTI were helping British businesses to export more and contribute to the government's export ambition. **Figure 12** outlines some of the activities the Department and UKTI undertake in support of growth.

2.11 The report found that exports will need to grow by 10 per cent year-on-year for the UK to meet the £1 trillion target. It also found that, while UKTI and the Department have key roles to play in increasing exports, the respective contributions of government departments to meeting the £1 trillion ambition were not defined.

Figure 12
Responsibilities of the Department and UKTI



Source: National Audit Office

2.12 The Department is currently changing how it promotes growth and is adopting a more coherent programme and project management orientated approach. A particular area that the Department must improve is how it measures and monitors the impact of its activities. Such measurement is inherently challenging, but the Department needs to be able to demonstrate that its spending yields tangible results and to understand the costs and benefits of different types of activities. The Department is now aiming to develop metrics in consultation with UKTI and other related government departments.

2.13 The report concluded that promoting UK exports has been a key objective for the Department since 2010 and a long-standing one for the UKTI, but currently they do not have joint accountability for planning, monitoring and delivery against their goal. The government's objective for export-led growth is ambitious and relies on UKTI and the Department making a substantial contribution if it is to be achieved. This will require them to make their current activities to support exports much more closely coordinated, and supported by tough measurable milestones.

Data assurance

2.14 In August 2013, we published a review of a sample of the data systems which the Department uses to report its performance. We concluded on the effectiveness of the controls around data systems which supply information for performance reporting. **Figure 13** provides a summary of the results of this review. Our findings should be considered against the background that the Department faces some inherent difficulties in measuring outcomes and in some cases, determining what contribution it has made to those outcomes.

2.15 We considered whether the available performance information covered all business areas and found that business plan indicators covered the Department's three foreign policy priorities. However, there were still no accompanying operational data sets to cover the Security objective. Consequently, it is difficult to see how the Department could assess its progress against this priority.

2.16 We also revisited the indicators which had scored below three (fit for purpose but some improvements could be made) in our 2012 report. We found that the Department had responded well to our recommendations and four of the six indicators were given improved ratings.

2.17 Finally, we reviewed the Department's information strategy. While we noted there was no overarching data strategy to describe how all information is managed, we did find that elements were covered in other documents, including the ICT strategy, the information and records management policy and the open data strategy. Our review of the open data strategy found that it was too early to assess whether it was delivering on its aims of allowing the public to more fully hold the Department to account.

Figure 13

Summary of the result of our 2012 data assurance exercise

Score	Meaning	Indicators we reviewed
4	The indicator's data system is fit for purpose	Average cost of a UK diplomatic mission/embassy Trend in the gap between anticipated and required low carbon investment
3	The indicator's data system is fit for purpose but some improvements could be made	Total Department expenditure on official development assistance and percentage of total UK official development assistance contributed by the Department: a) number of UK businesses helped through internationalisation; and b) foreign direct investment projects attracted to the UK with UK Trade & Investment involvement Financial performance and compliance indicator – elements A–D Progress towards a stable and secure Afghanistan Afghanistan security as reported to Parliament ¹
2	The indicator's data system has some weaknesses which the Department is addressing	Financial performance and compliance indicator – element E
1	The indicator's data system has weaknesses which the Department must address	Average unit cost of: a) UK businesses helped through internationalisation; and b) foreign direct investment projects
0	No system has been established to measure performance against the indicator	More effective, joined-up international system to prevent conflict and build capacity in fragile states.

Note

1 In March 2013, the Department stopped reporting on this indicator because underlying data is no longer available.

Source: National Audit Office

The Department in a cross-government context

2.18 In addition to our work on individual departments, the NAO increasingly looks at performance across government, in order to understand how different departments measure up on important issues. Of the cross-government reports we have published in the last year, three have included important coverage of the Department.³⁹

Integration across government

2.19 The C&AG's report *Integration across government*⁴⁰ reiterated the findings from our 2010 report⁴¹ that the Department had shared its global estate with other government organisations but that there was potential for further integration through co-location.

2.20 The report also analysed references about joint working in department business plans. This highlighted variation between departments in how much they referred to joint working with others. The Department's 2012 business plan contained reference to joint working with six specified other departments, indicating that the Department appeared to give a relatively high priority to this kind of collaborative working.

The UK cyber security strategy: Landscape review

2.21 The C&AG's report *The UK cyber security strategy: Landscape review* identified the Department as contributing towards objective three of the National Cyber Security Programme: *To help shape an open, stable and vibrant cyberspace which the UK public can use safely and that supports open societies.*

2.22 In doing this, the Department is responsible for *ensuring our security without compromising our values.* The report noted that the Department had organised the 2011 and 2012 London Conferences on Cyberspace, which were attended by 60 countries, and that it had worked with Hungary to deliver the Budapest Conference in October 2012. The Department also contributed £100,000 to support a Council of Europe global project on cybercrime.⁴²

39 For the full list of cross-government reports that reference the Department, see Appendix Four.

40 Comptroller and Auditor General, *Integration across government*, Session 2012-13, HC 1041, National Audit Office, March 2013.

41 Comptroller and Auditor General, *Adapting the Foreign & Commonwealth Office's global estate to the modern world*, Session 2009-10, HC 295, National Audit Office, February 2010.

42 Comptroller and Auditor General, *The UK cyber security strategy: Landscape review*, Session 2012-13, HC 890, National Audit Office, February 2013.

Building capability in the Senior Civil Service to meet today's challenges

2.23 The C&AG's report, *Building capability in the Senior Civil Service to meet today's challenges*,⁴³ recognised the Department's new policy that all senior appointments are expected to last at least three years. The report identified that, in addition to the aim of improving staff continuity and accountability, cost savings from fewer relocations were possible, though the Department had not calculated the impact of this.

2.24 The report also noted that robust information on current Senior Civil Service capability was still lacking. The Department did not include 400 members of the Diplomatic Service in its data on Senior Civil Servants despite the fact that, in practice, individuals were increasingly moving between the Diplomatic Service and the traditional Senior Civil Service.

⁴³ Comptroller and Auditor General, *Building Capability in the Senior Civil Service to meet today's challenges*, Session 2013-14, HC 129, National Audit Office, June 2013.

Appendix One

The Department's sponsored bodies at 1 April 2013

Name	Other sponsoring bodies	Description	Funding (including capital grants) received from the Department in 2012-13 (£m)
BBC World Service	None	International radio broadcaster.	244
UK Trade & Investment	Department for Business, Innovation & Skills	Provides support and assistance to exporters and promotes the UK to foreign investors.	173
British Council	None	UK's international organisation for educational opportunities and cultural relations.	172
Westminster Foundation for Democracy	Department for International Development also provides funding	Aims to help establish and strengthen pluralist democratic institutions and political parties in countries where these are absent, or of recent foundation, or in need of further encouragement and development.	4
Marshall Aid Commemoration Commission	None	Aims to strengthen US-UK relations and to promote British influence in the United States by providing Marshall Scholarships to US Citizens of high academic achievement.	2

Name	Other sponsoring bodies	Description	Funding (including capital grants) received from the Department in 2012-13 (£m)
Wilton Park	None	Global forum which organises more than 50 events a year in the UK and overseas.	0.8
Great Britain – China Centre	None	Promotes closer cultural, social, professional, economic, educational and other contacts between Britain and China and encourages mutual knowledge and understanding.	0.27

Appendix Two

Results of the Civil Service People Survey 2012

Question scores (% strongly agree or agree)	Civil service overall	Department for Business, Innovation & Skills (excluding agencies)
Leadership and managing change		
I feel that the Department as a whole is managed well	43	39
Senior civil servants in the Department are sufficiently visible	48	51
I believe the actions of senior civil servants are consistent with the Department's values	42	40
I believe that the departmental board has a clear vision for the future of the Department	40	41
Overall, I have confidence in the decisions made by the Department's senior civil servants	39	37
I feel that change is managed well in the Department	29	26
When changes are made in the Department they are usually for the better	25	19
The Department keeps me informed about matters that affect me	56	59
I have the opportunity to contribute my views before decisions are made that affect me	36	31
I think it is safe to challenge the way things are done in the Department	40	37
Organisational objectives and purpose		
I have a clear understanding of the Department's purpose	84	81
I have a clear understanding of the Department's objectives	79	74
I understand how my work contributes to the Department's objectives	82	79

Note

1 The score for a question is the percentage of respondents who strongly agree or agree to that question.

Cabinet Office (excluding agencies)																
Department for Communities and Local Government (excluding agencies)																
Department for Culture, Media & Sport (excluding agencies)																
Ministry of Defence (excluding agencies)																
Department for Education																
Department of Energy & Climate Change																
Department for Environment, Food & Rural Affairs (excluding agencies)																
Foreign & Commonwealth Office (excluding agencies)																
Department of Health (excluding agencies)																
HM Revenue & Customs (excluding agencies)																
HM Treasury																
Home Office (excluding agencies)																
Department for International Development																
Ministry of Justice (excluding agencies)																
Department for Transport (excluding agencies)																
Department for Work & Pensions (excluding agencies)																
	38	31	23	19	39	39	29	56	31	21	62	39	63	48	43	29
	47	45	37	26	46	64	42	59	47	33	71	48	71	56	59	30
	40	33	23	24	39	47	34	55	39	27	59	40	62	47	47	29
	29	31	29	22	31	27	22	54	24	24	47	28	64	37	35	30
	40	30	18	16	35	42	29	50	33	19	57	35	58	43	39	23
	28	22	19	11	27	27	19	42	18	17	49	23	44	34	27	24
	22	14	12	9	17	25	14	36	14	14	35	18	32	29	19	20
	57	54	56	41	55	67	56	62	49	40	72	60	69	61	63	46
	34	32	32	20	37	39	31	42	30	20	48	33	50	37	35	23
	41	29	32	30	36	43	37	45	31	29	54	38	44	41	43	33
	73	67	64	80	83	87	74	83	68	75	86	84	94	79	80	79
	63	63	62	72	77	84	70	80	62	72	80	80	92	73	74	77
	73	72	70	76	80	86	75	84	69	75	82	81	91	77	79	78

Appendix Three

Publications by the NAO on the Department since April 2012

Publication date	Report title	HC number	Parliamentary session
October 2013	Supporting UK exporters overseas	HC 732	2013-14
August 2013	2012-13 review of the data systems for the Foreign & Commonwealth Office	www.nao.org.uk/report/2012-13-review-of-the-data-systems-for-the-foreign-and-commonwealth-office/	
October 2012	Departmental Overview: A summary of the NAO's work on the Foreign & Commonwealth Office 2011-12	www.nao.org.uk/report/departmental-overview-a-summary-of-the-naos-work-on-the-foreign-and-commonwealth-office-2011-12/	
April 2012	Review of the data systems for the Foreign & Commonwealth Office	www.nao.org.uk/report/review-of-the-data-systems-for-the-foreign-and-commonwealth-office/	

Appendix Four

Cross-government reports of relevance to the Department since 2010-11

Publication date	Report title	HC number	Parliamentary session
19 June 2013	Building capability in the Senior Civil Service to meet today's challenges	HC 129	2013-14
17 April 2013	The Efficiency and Reform Group	HC 956	2012-13
13 March 2013	Integration across government	HC 1041	2012-13
27 February 2013	Improving government procurement	HC 996	2012-13
12 February 2013	The UK cyber security strategy: Landscape review	HC 890	2012-13
20 March 2012	The Government Procurement Card	HC 1828	2010-2012
13 July 2011	Identifying and meeting central government's skills requirements	HC 1276	2010-2012
26 May 2011	Option Appraisal: Making informed decisions in government	www.nao.org.uk/wp-content/uploads/2011/05/1012_Option_Appraisal.pdf	
3 March 2011	Progress in improving financial management in government	HC 487	2010-11
17 February 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 264	2010-11
14 July 2010	Taking the Measure of Government Performance	HC 284	2010-11

Where to find out more

The National Audit Office website is
www.nao.org.uk

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