The National Audit Office (NAO) scrutinises public spending for Parliament and is independent of government. The Comptroller and Auditor General (C&AG), Sir Amyas Morse KCB, is an Officer of the House of Commons and leads the NAO. 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 £1.21 billion in 2015.

If you would like to know more about the National Audit Office’s work on the Foreign & Commonwealth Office (FCO), please contact:

**Neil Sayers**  
Director, Foreign & Commonwealth Office  
financial audit  
neil.sayers@nao.gsi.gov.uk  
020 7798 7536

**Tom McDonald**  
Director, Foreign & Commonwealth Office  
value-for-money audit  
tom.mcdonald@nao.gsi.gov.uk  
020 7798 7706

If you are interested in the NAO’s work and support for Parliament more widely, please contact:

Parliament@nao.gsi.gov.uk  
020 7798 7665

The National Audit Office (NAO) scrutinises public spending for Parliament and is independent of government. The Comptroller and Auditor General (C&AG), Sir Amyas Morse KCB, is an Officer of the House of Commons and leads the NAO. 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 £1.21 billion in 2015.
Executive summary

This Departmental Overview looks at the Foreign & Commonwealth Office (FCO) and summarises its performance during the year ended 31 March 2016, together with our recent reports on it. The content of the report has been shared with the FCO to ensure that the evidence presented is factually accurate.

**Part One** sets some facts about the FCO and how it has performed against its responsibilities:
- The FCO’s net expenditure in 2015-16 was £2,035 million, an 11% increase on £1,830 million in 2014-15.
- The FCO has appointed a new Permanent Under-Secretary, Sir Simon McDonald, and a new Chief Operating Officer, Karen Pierce.
- The FCO has recently revised its three Priority Outcomes.

**Part Two** sets our findings from our work on the FCO:
- The Comptroller and Auditor General (C&AG) certified the FCO’s accounts on 12 July 2016 with an unqualified opinion.
- Our work on the GREAT campaign found that it has broadly been well designed and implemented, although we made two recommendations to FCO.
- Our cross-government landscape review on fraud found the exact scale of fraud within the government is unknown and departments’ capacity and capability to manage fraud is mixed.
- UK Official Development Assistance (ODA) was provisionally £12,239 million in 2015, a 4.4% increase on last year. FCO spent £391 million of government ODA in 2015, up from £366 million in 2014.

**Part Three** looks ahead to the coming year:
- After appointment, Sir Simon McDonald commissioned the Future FCO Review, which aimed to create a more efficient and effective FCO. The Diplomacy 20:20 programme has been set up to implement its recommendations.
- The cross-government Prosperity Fund was launched on 1 April 2016, replacing the FCO Prosperity Fund that started in 2011. Its budget will be £1.3 billion over five years.
- Developing digital capability will continue to be a priority in 2016-17, in order to maximise the benefit of the FCO’s Technology Overhaul project and encourage innovation in social media.
Key facts

9
the number of crises the FCO crisis centre handled in 2015-16, compared with 15 in 2014-15. The crises included the terrorist attacks in Sousse, Paris and Brussels.

12,563
the number of FCO staff, based in the UK and across 268 Posts in 168 countries.

18,179
the number of new cases where the FCO provided consular support to British citizens abroad in 2015-16.

66%
of FCO staff are locally engaged, rather than UK-based civil servants.

£391 million
the FCO’s contribution to UK ODA spend in 2015. This figure is a 7% increase on the 2014 figure of £366 million.

68%
FCO’s staff engagement index score in 2015, which is 10 points above the civil service average.

£2,035 million
the FCO’s net expenditure in 2015-16. This is an 11% increase on £1,830 million in 2014-15.

29
UK government partners operate on the FCO’s global platform working to deliver UK-wide objectives overseas.
What’s changed in 2015-16

Key management personnel
Sir Simon Fraser stepped down as Permanent Under-Secretary of State in July 2015. He was replaced by Sir Simon McDonald (formerly HM Ambassador in Germany) in September 2015.

Karen Pierce (formerly HM Ambassador in Afghanistan) became the Chief Operating Officer in February 2016, succeeding Deborah Bronnert, who was in the role from September 2014 to January 2016. Deborah Bronnert has moved to become the FCO’s Director-General, Economic & Consular.

Programme expenditure
The Conflict, Stability and Security Fund was launched 1 April 2015, replacing the Conflict Pool. The fund is under the strategic direction of the National Security Council (NSC) and will have an annual budget of £1.3 billion by 2020.

2015-16 saw the last year of the FCO Prosperity Fund, which funded projects to support economic development. A cross-government Prosperity Fund under the direction of the NSC took its place from 1 April 2016.

Assets and estates
The Old Admiralty Building (OAB) in Whitehall was transferred to the Department for Education in November 2015. Refurbishment works were carried out at the FCO’s main King Charles Street premises to allow the FCO staff previously based in OAB to move across.

In 2015-16, the FCO approved a budget of £105 million for a Technology Overhaul programme, with the aim of delivering reliable, resilient and easy-to-use technology over the global network. Several projects commenced before the end of the year including the installation of Wi-Fi across the UK estate and the 50 largest overseas posts.

The One HMG overseas agenda aims to remove all barriers to joint working so that all staff working for the UK government overseas can deliver the UK’s objectives more effectively and efficiently. As part of this agenda, in 2015-16 the Department for International Development (DfID) transferred its overseas corporate services to the FCO, including hand over of £40.4 million worth of assets.
2015-16 in context

**FCO's 2015-16 priorities**
In 2015-16, FCO had three Priority Outcomes:

### Security
Safeguard the UK’s national security by countering terrorism and weapons proliferation, and by working to reduce conflict.

### Prosperity
Build the UK’s prosperity by increasing exports and investment, opening markets, ensuring access to resources and promoting sustainable global growth.

### Consular
Support British nationals around the world through modern and efficient consular services.

**Changes following the Single Departmental Plan**
These Priority Outcomes were replaced from 1 April 2016. The FCO’s [Single Departmental Plan](#), published in February 2016 to cover the period from 2015 to 2020, set out three new Priority Outcomes:

### Protect our people
Safeguard Britain’s people and national security by countering terrorism, weapons proliferation and other state and non-state based threats, including cyber intrusions.

### Project our global influence
Use our global influence and diplomatic network to protect and promote our interests and values, supporting our security and prosperity, and maximising the impact of our soft power investments.

### Promote our prosperity
Build the UK’s prosperity by increasing exports and inward investment, opening markets, ensuring access to resources and promoting sustainable global growth using our global network of nearly 270 overseas missions and partnership with UK Trade & Investment (UKTI).
FCO structure and expenditure

- Entities consolidated into the FCO Group Accounts
- Entities not consolidated into the FCO Group Accounts

Foreign & Commonwealth Office (FCO)
- £2,386m

Foreign & Commonwealth Office Services (FCOS)
- £125m

Wilton Park
- £5.4m

NDPB, charity established by Royal Charter, and public non-financial corporation

Westminster Foundation for Democracy
- £6.8m

Marshall Aid Commemoration Commission
- £2.2m

Great Britain – China Centre
- £1.2m

British Council
- £982m

Notes
1. Includes grant-in-aid given to non-departmental public bodies (NDPBs) and the British Council.
2. Wilton Park provides a conference centre and programme for debate on world political, security and economic issues.
How FCO spends its money

Breakdown of the FCO’s operating expenditure in 2015-16

Consultancy and fee services, £39m
Travel, £46m
Other, £75m
IT and communications, £80m
Rental of property, plant and equipment, £108m
Subscriptions to international organisations, £137m
Grant to British Council, £162m
FCO programmes, £185m
Estates, security and capital, £213m
Non-cash, £292m
Total net staff costs, £402m
Conflict, Stability and Security Fund, £648m
FCO’s total operating expenditure £2,386m

Notes
1 Non-cash includes depreciation, impairments and provisions.
2 Subscriptions to international organisations primarily includes the United Nations (£74 million), the Council of Europe (£23 million) and NATO (£17 million).
3 Other includes foreign exchange costs, reimbursement of amounts due to other governments, training and medical costs.
4 Figures may not add up due to rounding.

Source: Foreign & Commonwealth Office Annual Report and Accounts 2015-16
How British Council (BC) earns and spends its money

**Breakdown of the BC’s expenditure in 2015-16**

- Developing a wider knowledge of the English language, £541m
- Encouraging educational cooperation and promoting the advancement of education, £222m
- Raising funds, £1m
- Taxation, £5m
- Governance costs, £6m
- Encouraging cultural, scientific and technological cooperation, £74m
- Building capacity for social change, £139m
- Governance costs, £6m
- Taxation, £5m
- Raising funds, £1m
- Encouraging cultural, scientific and technological cooperation, £74m
- Building capacity for social change, £139m

**Breakdown of the BC’s income in 2015-16**

- Developing a wider knowledge of the English language, £568m
- Encouraging educational cooperation and promoting the advancement of education, £222m
- Investments, £2m
- Other trading activities, £2m
- Donations and legacies, £162m
- Encouraging cultural, scientific and technological cooperation, £7m
- Other, £9m
- Building capacity for social change, £73m
- Other, £9m
- Encouraging educational cooperation and promoting the advancement of education, £157m

**Notes**

1. Total pre-tax expenditure in 2015-16 was £982 million, an increase of 1% from 2014-15.
2. In 2015-16, £146 million was provided to individuals and institutions, an increase of £19 million from £127 million in 2014-15.
3. The increase in total expenditure reflects the growth in income-generating activities, and the investment of £40 million in 2015-16 in projects for growth, infrastructure and operational efficiency.
4. Figures may not add up due to rounding.

**Source:** British Council Annual Report and Accounts 2015-16

---

**Breakdown of the BC’s expenditure in 2015-16**

- Developing a wider knowledge of the English language, £541m
- Encouraging educational cooperation and promoting the advancement of education, £222m
- Raising funds, £1m
- Taxation, £5m
- Governance costs, £6m
- Encouraging cultural, scientific and technological cooperation, £74m
- Building capacity for social change, £139m
- Governance costs, £6m
- Taxation, £5m
- Raising funds, £1m
- Encouraging cultural, scientific and technological cooperation, £74m
- Building capacity for social change, £139m

**Breakdown of the BC’s income in 2015-16**

- Developing a wider knowledge of the English language, £568m
- Encouraging educational cooperation and promoting the advancement of education, £222m
- Investments, £2m
- Other trading activities, £2m
- Donations and legacies, £162m
- Encouraging cultural, scientific and technological cooperation, £7m
- Other, £9m
- Building capacity for social change, £73m
- Other, £9m
- Encouraging educational cooperation and promoting the advancement of education, £157m

**Notes**

1. Total income in 2015-16 was £980 million, up from £973 million in 2014-15.
2. For every £1 of grant-in-aid received from the FCO, the BC generated an additional £5.06 from other sources (£5.28 in 2014-15).
3. Other includes foreign exchange gains and profit on the disposal of fixed assets.
4. Figures may not add up due to rounding.

**Source:** British Council Annual Report and Accounts 2015-16
After spending reductions of 21.6% between 2010 and 2015, the 2015 Spending Review protected FCO funding in real terms until 2020.

According to the Spending Review, this is to enable the FCO to support successful economic and financial dialogues with China, India, Brazil and others. The FCO will increase its engagement in the Middle East and the Gulf to maximise the UK’s influence on issues of security, stability and prosperity.

Despite this funding protection, challenges remain for the FCO:

**Tight capital settlement:**

- The FCO plans to invest more than £400 million in its estate, including new embassy buildings in Abuja and Budapest.
- Investment such as the £105 million Technology Overhaul programme rely on self-generated funding, primarily from property disposals.
- Two large planned property disposals in 2015-16 did not take place due to insufficient offers being received.
- As a result, the FCO switched £22.5 million to capital from their resource budget in the Supplementary Estimate and received a £10.3 million Reserve Claim from HM Treasury. This demonstrates the impact of FCO’s tight capital settlement for 2015-16.

**Expenditure priorities:**

- The Spending Review set out a number of areas where the FCO is expected to increase expenditure.
- This includes an additional £24 million over the next four years on counter-terrorism and an increase of £13.5 million to £60 million in FCO funding for the GREAT campaign.

**Efficiencies:**

- In order to meet these increases in expenditure, the FCO must find further savings.
- The Spending Review sets out that the FCO will deliver efficiency savings of £53 million by 2019-20 through more effective administration of the travel budget and better management of the overseas network.
- The FCO anticipates saving £5 million a year in maintenance costs from the transfer of Old Admiralty Building to the Department for Education.

- The **Single Departmental Plan** sets out other areas where the FCO would look to find further efficiencies including:
  - reducing the cost of key commercial contracts as they are renewed;
  - lower travel costs through the use of one central supplier;
  - finding running cost efficiencies across the network; and
  - working more effectively with partners across government as part of the One HMG overseas agenda.
Staffing

The FCO's staff include 4,295 UK civil servants (34%) and 8,268 locally engaged staff working overseas (66%).

Taking into account both groups, 9,814 (78%) of the FCO's employees are based overseas.

49% of FCO staff are employed on FCO's Priority Outcomes with the remaining 51% working on management and support.

70% of UK-based staff work on the FCO's Priority Outcomes, while only 38% of locally engaged staff do. This reflects the key support role that locally engaged staff play to FCO's operations. These figures remain generally unchanged from the prior year.

<table>
<thead>
<tr>
<th>Locally engaged staff working overseas</th>
<th>Working in the UK</th>
<th>Working overseas</th>
<th>UK civil servants</th>
</tr>
</thead>
<tbody>
<tr>
<td>8,268</td>
<td>2,749</td>
<td>1,546</td>
<td>4,295</td>
</tr>
</tbody>
</table>

**Breakdown of UK and overseas staff**

**12,563** Total FCO staff as at 31 March 2016

Sources: FCO Annual Report and Accounts 2015-16
### Staff satisfaction

The FCO pays its staff less than most other government departments. An independent study in 2013 found that FCO pay in some grades was up to 10% lower than equivalent staff in other departments.

Nevertheless, the FCO consistently achieved an overall staff engagement index score of 68%, 10 points above the civil service average.

Areas where the FCO tends to excel relative to other departments include impressions of senior management, pride in the organisation and the availability of learning and development opportunities.

<table>
<thead>
<tr>
<th>Question</th>
<th>2015</th>
<th>Civil service average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>92%</td>
<td>89%</td>
</tr>
<tr>
<td>Q2</td>
<td>78%</td>
<td>79%</td>
</tr>
<tr>
<td>Q3</td>
<td>73%</td>
<td>72%</td>
</tr>
<tr>
<td>Q4</td>
<td>67%</td>
<td>62%</td>
</tr>
<tr>
<td>Q5</td>
<td>84%</td>
<td>84%</td>
</tr>
<tr>
<td>Q6</td>
<td>54%</td>
<td>44%</td>
</tr>
<tr>
<td>Q7</td>
<td>79%</td>
<td>78%</td>
</tr>
<tr>
<td>Q8</td>
<td>69%</td>
<td>67%</td>
</tr>
<tr>
<td>Q9</td>
<td>62%</td>
<td>46%</td>
</tr>
<tr>
<td>Q10</td>
<td>79%</td>
<td>57%</td>
</tr>
<tr>
<td>Q11</td>
<td>79%</td>
<td>76%</td>
</tr>
<tr>
<td>Q12</td>
<td>12%</td>
<td>10%</td>
</tr>
<tr>
<td>Q13</td>
<td>66%</td>
<td>65%</td>
</tr>
</tbody>
</table>

Q1  I am interested in my work  
Q2  I have a clear understanding of [my organisation’s] objectives  
Q3  Overall, I have confidence in the decisions made by my manager  
Q4  I think that my performance is evaluated fairly  
Q5  The people in my team can be relied upon to help when things get difficult in my job  
Q6  Learning and development activities I have completed while working for [my organisation] are helping me to develop my career  
Q7  I am treated fairly at work  
Q8  I achieve a good balance between my work life and my private life  
Q9  I feel that [my organisation] as a whole is managed well  
Q10 I am proud when I tell others I am part of [my organisation]  
Q11 I have some really good friendships at work  
Q12 During the past 12 months have you personally experienced bullying or harassment at work?  
Q13 Overall, how satisfied are you with your life nowadays? (0=Not at all satisfied, 10=Completely satisfied)

Source: Civil Service People Survey 2015
Global footprint

The map shows where the FCO’s 1,546 UK-based civil servants serving overseas were located in 2015-16.

Key information shown by the map

The largest UK-based staff presence overseas is in Brussels (105, 6.8%) as, in addition to those in the embassy, there are UK-based FCO civil servants at the NATO headquarters and the UK Permanent Representation to the EU.

Other posts with a large UK-based staff presence include Islamabad (58, 3.8%), Beijing (50, 3.2%) and Kabul (42, 2.7%). This reflects the scale of FCO’s operations at these Posts.

Working towards security and regional stability in the Middle East and North Africa remains a top priority for the FCO.
Global footprint – Changes during 2015-16

There has been an overall decrease of 124 (7.4%) in total UK-based FCO staff overseas during the course of 2015-16. This is primarily because UKTI staff overseas are no longer included in FCO totals following the completion of UKTI's full financial independence.

- Operations at the embassies in Tripoli and Sana’a have been suspended due to security concerns so there have been no UK-based staff at these posts during 2015-16.
- The embassy in Tehran was reopened in August 2015 and seven UK-based staff were located there in-year. There were also two UK-based civil servants at the new Consulate in Wuhan, China.
- The new Consulate in Belo Horizonte that opened in September in preparation for the Rio 2016 Olympic and Paralympic Games was staffed by locally engaged staff in 2015-16. This is part of a wider change where the FCO has removed UK-based staff from its consulates. A total of 11 consulates that had UK-based staff in the previous year were staffed entirely by locally engaged staff in 2015-16.
### Global footprint – One HMG overseas

The One HMG overseas agenda aims to remove barriers to joint working, so that all staff working for the UK government overseas can deliver the UK's objectives more effectively and efficiently.

Since the National Audit Office (NAO) report in 2015, which recommended a formal programme-based approach, the One HMG Overseas Network Board has agreed three broad objectives:

**Effectiveness** – Deliver an overseas network and associated support services that are fit-for-purpose and aligned with HMG priorities.

**Efficiency** – Eliminate unnecessary duplication of central services and continuously improve services to maximise value for money.

**Impact** – Maximise collaboration and manage competing interests between departments to deliver the best overall results for HMG overseas.

The scope of the programme will cover all the activities associated with overseas activity. Partners should work together to establish a baseline of all costs associated with their presence overseas and overcome any barriers within existing processes in order to drive improvements to service levels and reduce costs.

**Outcomes so far:**

FCO state that since 2010:

- HMG collectively has saved more than £48 million;
- DFID has joined the shared overseas platform;
- partners across government (PAGs) co-locate in more than 200 posts with both One HMG overseas partners and friendly foreign governments; and
- almost every post is now working to a single business plan.

This year FCO states that it has revised the Memorandum of Understanding (MOU) on the use of the One HMG overseas platform, which provides corporate services overseas (in line with the wider Civil Service Reform Plan) and has agreed a more transparent, coherent and straightforward charging mechanism for this Spending Review period.

Among the core outcomes for the Spending Review 2015 are promoting innovation and greater collaboration across departments by driving efficiency and value for money across the public sector. In particular, this will be done by reducing duplication of processes and services, increasing joint procurement of goods and services and further consolidation of government land and property.
The FCO’s regionalisation programme aimed to develop regional delivery hubs, identify which corporate support functions should remain with embassies and move all transactional processing to two Global Transaction Processing Centres (GTPC); one in Milton Keynes and one in Manila. The aim was to save £5 million a year, provide standardised processes and more consistent levels of service across the network, as well as increasing professional HR, finance and procurement skills.
The C&AG certified the Foreign & Commonwealth Office’s Accounts on 12 July 2016, with an unqualified opinion (that is, the financial statements give a true and fair view, in all material respects, in accordance with the identified financial reporting framework). This is also true of the bodies within the departmental group: Wilton Park, the Marshall Aid Commemoration Commission (MACC), the Westminster Foundation for Democracy (WFD) and the Great Britain China Centre (GBCC).

The table right highlights some significant movements in the FCO 2015-16 accounts compared with 2014-15 and the reasons behind the changes.

### Account area

<table>
<thead>
<tr>
<th>Account area</th>
<th>2015-16 (£000)</th>
<th>2014-15 (£000)</th>
<th>Reason for change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages and salaries</td>
<td>347,259</td>
<td>418,405</td>
<td>FCO’s accounts no longer include the wages of UKTI staff overseas. This follows the introduction of direct cost recovery as part of UKTI’s financial independence.</td>
</tr>
<tr>
<td>Conflict expenditure</td>
<td>648,405</td>
<td>509,499</td>
<td>The increase is a result of the replacement of the Conflict Pool with the larger Conflict, Security and Stability Fund, as part of the government’s policy to focus greater resources on conflict prevention.</td>
</tr>
<tr>
<td>Travel costs</td>
<td>45,699</td>
<td>65,567</td>
<td>FCO identified travel costs as an area where it could find efficiencies, such as through lower administration costs and the use of a central travel contract supplier.</td>
</tr>
</tbody>
</table>
The £113.5 million GREAT Britain campaign is the government’s major branding initiative to generate economic returns by promoting the UK as a destination for tourists, students, trade and investment using commercial branding and marketing techniques.

The Cabinet Office runs the campaign and allocated funds for 2012-15 to five partner organisations: the FCO, the British Council, UKTI, VisitBritain and VisitEngland.

The NAO report, Exploiting the UK brand overseas (June 2015), assessed how the Cabinet Office manages the overarching campaign and the effectiveness of GREAT partners’ activities, and compared performance measurement and impact.

We found the GREAT campaign has clear objectives, effective governance, strong marketing tools and is endorsed by the private sector.

However, we identified that the Cabinet Office does not adequately assess partners’ capacity to spend funding and there is a lack of a sustained, long-term approach to funding allocations.

We recommended:

- the Cabinet Office should allocate funding to partners based on an explicit analysis of the partners’ capacity to spend; and
- UKTI and the FCO need to improve the mechanism for allocating funding to push priority country teams to demonstrate that their GREAT campaign activities are value for money, will deliver impact and are feasible.
Value-for-money insights – Other recent NAO reports

**Government’s spending with small and medium-sized enterprises (March 2016)**

Our report on government’s spending with small and medium-sized enterprises (SMEs) found government aimed to increase the proportion of its private sector spend that reached SMEs to 25% by 2015. Government met this in February 2015, but we could not be clear whether this was caused by an increase in activity or a change in measurement approach. We recommended a more focused approach, for example identifying the areas where different providers can bring the most benefit. Of the FCO’s procurement in 2014-15, 34% (£387 million) was with SMEs, the fourth highest of any government department.

**Investigation into government travel expenditure (March 2015)**

Our investigation into government travel expenditure concluded that the centre of government has incomplete knowledge and insufficient oversight of travel expenditure. There is considerable variation in departmental travel policies and controls. As expected, in 2013-14 the FCO had the highest proportion of business class flights, but also the highest average spend per night on hotel rooms (FCO £127, departmental average £94). However, 100% of FCO train tickets were standard class (average 99%) and only 26% of tickets were ‘anytime’ (average 41%).

**Investigation into the acceptance of gifts and hospitality (February 2016)**

We investigated the acceptance of gifts and hospitality by public officials. This found that modest hospitality is sometimes justified and that the civil service adopts a principles-based approach to decide what is acceptable. The FCO was late to begin publishing hospitality transparency data, but has published all returns since April 2013. Government transparency data shows there were 1,495 different providers of hospitality between April 2012 and March 2015, but only 480 of these provided hospitality more than once. The FCO itself provided gifts and hospitality to senior UK officials 17 times, more than any other department. However, FCO senior officials themselves only accepted £990 in hospitality in 2014-15, compared with a departmental average of £1,710.

Source: National Audit Office report, Investigation into government travel expenditure, p. 19
Cross-government – Fraud landscape review (June 2016)

Our Fraud landscape review found detected fraud across government in 2014-15 was only £72.9 million, equivalent to 0.02% of total government expenditure. The FCO reported detected fraud of £0.92 million in 2014-15, equivalent to 0.05% of expenditure. These figures are significantly lower than the 3%–5% estimated in the EU, US and the private sector. Our report found the exact scale of fraud within the government is unknown and departments’ capacity and capability to manage fraud is mixed.

In 2015-16 the FCO anti-fraud and corruption team received 13 internally reported concerns. Of these, four related to other government departments and were forwarded appropriately, seven were disproven, one was shown to be fraud and one remained under investigation as at 31 March 2016 (Figure 3).

We are currently investigating DfID’s approach to tackling fraud and corruption, with the aim of reporting in February 2017. This will include a comparison of DfID’s governance arrangements, processes, training, risk assessments, capability and resources in detecting and reporting fraud and corruption with those of the FCO. We hope to highlight inefficiencies, encourage joined-up working and to disseminate best practice.

Potential UK fraud based on other comparators

<table>
<thead>
<tr>
<th>Source: Foreign &amp; Commonwealth Office Annual Report and Accounts 2015-16, p. 59</th>
<th>Financial year</th>
<th>No. of reports</th>
<th>No. of investigations</th>
<th>No. of investigations completed</th>
<th>No. of cases proven</th>
<th>Amount lost</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015-16</td>
<td>13</td>
<td>13</td>
<td>12 (1 ongoing)</td>
<td>1 (fraud)</td>
<td>Less than £1,000</td>
<td></td>
</tr>
<tr>
<td>2014-15</td>
<td>16</td>
<td>16</td>
<td>16</td>
<td>1 (theft of fuel)</td>
<td>Less than £1,000</td>
<td></td>
</tr>
<tr>
<td>2013-14</td>
<td>9</td>
<td>9</td>
<td>9</td>
<td>1 (non-compliance with procedures)</td>
<td>N/A</td>
<td></td>
</tr>
</tbody>
</table>
Cross-government – Equality, diversity and inclusion in the civil service

Our report on *Equality and diversity in the civil service* found government has made significant improvements in the representation of groups with protected characteristics. Sustaining and building on this will require an inclusive approach encompassing all characteristics and all staff. Different departments are seen as leading in different aspects of equality and inclusion.

The FCO is in the top 10 public sector organisations for supporting gender inclusion, according to Opportunity Now (a gender campaign by Business in the Community). Of its senior management, 30% are female (2015-16) against a target of 39% by 2019. Women represent 43% of the FCO’s UK-based civil servants and 42% of locally engaged staff.

The FCO was placed 160 out of 397 (16/33 in the government sector) in the 2014 Stonewall Workplace Equality Index on lesbian, gay, bisexual, and transgender (LGBT) issues.

### FCO diversity, equality and inclusion

#### Sexuality

- Heterosexual: 83%
- LGBT: 6%
- Do not wish to declare: 11%

#### Ethnicity

- White: 82%
- Black and other ethnic groups: 12%
- Do not wish to declare: 6%

#### Disability

- Non-disabled: 82%
- Declared disabled: 13%
- Do not wish to declare: 5%

#### Age

- 20 to 29 yrs: 9%
- 30 to 39 yrs: 37%
- 40 to 49 yrs: 32%
- 50 to 59 yrs: 18%
- 60+ yrs: 3%

Note

1. Figures may not sum due to rounding.

Our report on Central government staff costs found that between 2010 and 2015, most departments reduced their staff numbers. The number of civil servants (full-time equivalent) reduced by 18%, from 492,010 to 405,570. The FCO has made less cost savings through cutting staff numbers and reducing average salaries than other departments. The FCO’s salary costs have, in fact, risen due to the use of a higher-grade staff mix.

Following the Hutton review of fair pay, departments are required to disclose the ratio between the median and highest remuneration. For FCO this ratio had ranged from 5.7 to 6.3 between 2010-11 and 2014-15. In 2015-16 it dropped to 5.2 due to non-payment of performance-related pay.

Our report on the use of consultants and temporary staff found government spending on temporary staff in 2014-15 was £1.5 billion lower than in 2009-10. However, there is an upwards trend of £500 million between 2011-12 and 2014-15. Without strategic workforce planning, departments cannot demonstrate they are achieving value for money. A comparatively low proportion (3%) of FCO payroll costs go on consultants and temporary staff.

<table>
<thead>
<tr>
<th>Factor effects on annual salary cost of workforce (%)</th>
<th>2010–2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff numbers</td>
<td>Average salaries</td>
</tr>
<tr>
<td>£ million</td>
<td>£ million</td>
</tr>
<tr>
<td>-2</td>
<td>-4</td>
</tr>
<tr>
<td>-53</td>
<td>-60</td>
</tr>
<tr>
<td>-40</td>
<td>-30</td>
</tr>
<tr>
<td>-10</td>
<td>0</td>
</tr>
<tr>
<td>20</td>
<td>30</td>
</tr>
<tr>
<td>50</td>
<td>60</td>
</tr>
</tbody>
</table>

FCO  
Departmental median

Sources: National Audit Office, Central government staff costs, pp. 19–21

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio</td>
<td>6.3</td>
<td>5.9</td>
<td>5.9</td>
<td>5.2</td>
</tr>
<tr>
<td>Band of highest paid director’s total remuneration (£)</td>
<td>202,500</td>
<td>202,500</td>
<td>202,500</td>
<td>182,500</td>
</tr>
<tr>
<td>Median total remuneration (£)</td>
<td>32,285</td>
<td>34,090</td>
<td>34,448</td>
<td>35,415</td>
</tr>
</tbody>
</table>

Sources: Foreign & Commonwealth Office Annual Report and Accounts 2012-13 to 2015-16
Official Development Assistance (ODA)

The UK’s ODA contribution is measured as money given with the main objective of promoting economic development and welfare in countries on the List of ODA Recipients agreed by the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee, an international forum with 29 of the largest national funders of aid. In 2014, 42% of all UK ODA was given through multilateral organisations, where multiple countries are working together on a given issue.

The International Development Act 2015 committed the UK government to meet the target of spending 0.7% of Gross National Income on ODA. The UK government has achieved this target every year since 2013, and is the only G7 country to do so.

As the UK’s economy has grown, the ODA contribution has increased in order for the government to hit its target. UK ODA was provisionally £12,239 million in 2015, a 4.4% increase on last year (Figure 4).

While the majority of the UK government ODA spend is by DfID, FCO is making an increasing contribution. FCO spent £391 million of government ODA in the 2015 calendar year, up from £366 million in 2014. In addition, FCO contributed £260 million of the Conflict, Stability and Security Fund’s ODA expenditure.

FCO’s contribution to ODA is expected to increase further in future years as the UK aid strategy (Tackling global challenges in the national interest) published in November 2015 set out a commitment to put international development at the heart of UK national security and foreign policy.
After his appointment as Permanent Under-Secretary, Simon McDonald commissioned Tom Fletcher, a former ambassador, to produce a review of the FCO’s operations. The Future FCO Review is about creating a more efficient and effective FCO, following the outcome of the 2015 Spending Review and other recent developments.

Summary

There are five core propositions from the review:

- develop a clear idea of what the FCO does and why, to generate more influence overseas;
- adopt more flexible structures, so that resources can be utilised most effectively;
- free up resources for front-line diplomatic activity;
- deepen expertise in both policy and professional skills; and
- reset rewards structure and workforce planning.

Implementation

The Diplomacy 20:20 programme will develop the recommendations of the Future FCO Review. The programme has three main pillars:

Expertise

People with the right skills, capabilities, knowledge and incentives to deliver expert foreign policy.

Agile organisation

An agile organisation able to deliver quickly and effectively for the FCO in 2020 and beyond.

World-class platform

A platform for the whole of government overseas that enables first-class foreign policy at lower cost.
In 2015-16, the FCO Board approved a £105 million Technology Overhaul programme.

The Technology Overhaul programme is central to the progress of the FCO’s corporate objectives and is a key element of the Diplomacy 20:20 programme. The programme aims to transform the way staff work by:

- improving the speed and reliability of the FCO's IT systems including in remote and crisis locations;
- deploying new laptops and smart-phones to replace ageing equipment; and
- moving to the Cloud, enabling new collaboration and information management tools.

All these efforts are aimed to increase flexibility, mobility and knowledge management in the FCO.

The majority of the work is expected to be in 2016-17, but a number of projects started in 2015-16, including:

- Wi-Fi installation in the FCO’s UK estate and 50 largest overseas Posts; and
- development of the IT infrastructure in King Charles Street including new audio visual equipment, digital signage and a room booking system.

The project was reviewed by HM Treasury’s Infrastructure and Projects Authority and was given an amber rating. This was mainly attributed to delays to the project as the FCO awaited the outcome of the Spending Review 2015.
Conflict, Stability and Security Fund (CSSF)
The CSSF was announced in the 2013 Spending Round, with the aim of providing a more strategic approach to work in conflict-affected states where the United Kingdom has key interests, pooling new and existing resources from across government.

It launched on 1 April 2015, replacing the Conflict Pool.

The Fund had a budget of £1.033 billion in 2015-16 from various departments involved. It will increase to £1.3 billion a year by 2019-20.

The CSSF operates under the overall direction of National Security Council (NSC), with Regional Strategy Boards reporting to the NSC, and Programme Board and teams in Embassies or High Commissions overseeing and managing specific programmes.

FCO states that programmes are delivered by drawing on the expert skills and experience from commercial companies, NGOs and multilateral organisations to implement specific tasks and projects. The CSSF’s preferred commercial route is through the CSSF procurement framework, which should ensure a compliant and competitive process.

Prosperity Fund
The cross-government Prosperity Fund was launched on 1 April 2016, replacing the FCO Prosperity Fund that started in 2011. The fund is now under the strategic direction of the NSC. The Prosperity Fund aims to fund projects that support economic development including in countries that are eligible for ODA. It aims to achieve the following in partner countries:

- improve business climate;
- competitiveness and operation of markets;
- energy and financial sector reform; and
- tackling fraud and corruption.

Its budget will be £1.3 billion over five years.
Digital transformation

General trends in digital transformation across government

Business-wide transformation
Departments are having to think beyond specific projects and consider their longer-term operating models and the transformation portfolios and programmes needed to implement them.

Data strategy
Departments will need to improve the internal use of data and exploit new techniques in analytics.

Legacy systems
Departments will have to address the difficult issues of the old generation of technology and systems.

Cyber security and information assurance
As systems open up to the web, departments need to respond to threats from attack and theft and assess the quality of information that may be outside their immediate control.

Transformation service delivery and ICT account for more than 60% of major projects.
The digitisation of consular services

A key priority for the FCO is the digitisation of service delivery, predominantly consular, to British nationals. Examples of these services include emergency travel documents, birth and death registration, marriage and civil partnership registration, legalisation, travel advice and crisis support.

In 2015-16, the FCO introduced an online application process for emergency travel documents for British nationals. This is the first major consular service available digitally. More than 20% of applications are now online. The FCO’s legalisation service, the biggest consular service, will be digitised in 2016.

Digital skills

The FCO launched its Digital Curriculum in January 2015 and aims to provide accessible digital training to all FCO staff. It has now trained more than 940 staff on digital communications, policy and service management.

Developing digital capability will continue to be a priority in 2016-17, in order to maximise the benefit of the FCO’s Technology Overhaul project and encourage innovation in social media.

A new digital strategy is planned as part of Diplomacy 20:20.

## Major projects and digital

<table>
<thead>
<tr>
<th>IPA rating</th>
<th>Major project</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ICT re-procurement</td>
<td>161.1</td>
</tr>
<tr>
<td></td>
<td>Technology Overhaul</td>
<td>105.5</td>
</tr>
<tr>
<td></td>
<td>UK estates reform programme</td>
<td>64.9</td>
</tr>
<tr>
<td></td>
<td>New High Commission in Abuja</td>
<td>46.0</td>
</tr>
<tr>
<td></td>
<td>Movement of personal effects contract</td>
<td>42.5</td>
</tr>
</tbody>
</table>

Source: Foreign & Commonwealth Office Major Projects Portfolio data, September 2015
Brexit

On 23 June 2016, the UK voted to leave the European Union.

On 14 July 2016, the Prime Minister announced a series of departmental changes, including the creation of the Department for International Trade (DIT) and the Department for Exiting the European Union (DExEU). As the department with overall responsibility for foreign policy, the FCO will be supporting these departments as they negotiate the UK's exit from the European Union.

The FCO has launched the Global Britain campaign. Its aim is to use the FCO network to promote positive narratives on the UK’s economy, and on hard and soft power to key influencers and opinion formers. It provides daily updates and core narratives to posts and weekly themed social media campaigns (for example, UK and Peacekeeping; The UK economic offer; UK creative industries).

<table>
<thead>
<tr>
<th>Department Minister</th>
<th>DIT Minister</th>
<th>DExEU Minister</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minister</td>
<td>Liam Fox</td>
<td>David Davis</td>
</tr>
</tbody>
</table>

Responsibilities

- Boosting UK trade.
- Promoting the UK as a place to do business and trade with.
- Driving inward investment.
- Negotiating trade agreements.
- Policy work to support negotiations and establish the future relationship between the EU and the UK.
- Working closely with devolved administrations, Parliament and other relevant parties.
- Conducting the negotiations in support of the Prime Minister.
- Leading and coordinating cross-government work to ensure a smooth process of exit on the best possible terms.
Other relevant National Audit Office publications

**A Short Guide to the Foreign & Commonwealth Office**

- The performance of the Foreign & Commonwealth Office (2013-14)

**NAO Departmental Overviews**

- A Short Guide to the Foreign & Commonwealth Office

**NAO studies**

- Exploiting the UK brand overseas (June 2015)
- Government’s spending with small and medium-sized enterprises (March 2016)
- Fraud landscape review (February 2016)
- Use of consultants and temporary staff (January 2016)
- Equality, diversity and inclusion in the civil service (June 2015)

**FCO produced documents**

- FCO Annual Report and Accounts (2015-16)
- FCO Annual Report and Accounts (2014-15)
- Single Departmental Plan (2015–2020)
- Fletcher Review (Future FCO) 2016

**The Civil Service People Survey**

- The Civil Service People Survey – Benchmark scores (2015)
- The Civil Service People Survey – Results (2015)

**The FCO departmental group**

- Wilton Park Annual Report and Accounts (2015-16)
- Great Britain China Centre Annual Report and Accounts (2015-16)

**Public sector bodies outside the departmental group for which FCO has the lead**

- British Council Annual Report and Accounts (2015-16)
- FCO Services Annual Report and Accounts (2015-16)