



National Audit Office

Report

by the Comptroller
and Auditor General

Implementing the UK's exit
from the European Union

The Foreign & Commonwealth Office

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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), 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, nationally and locally, have used their resources efficiently, effectively, and with economy. The C&AG does this through a range of outputs including value-for-money reports on matters of public interest; investigations to establish the underlying facts in circumstances where concerns have been raised by others or observed through our wider work; landscape reviews to aid transparency; and good-practice guides. Our work ensures that those responsible for the use of public money are held to account and helps government to improve public services, leading to audited savings of £734 million in 2016.



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Implementing the UK's exit
from the European Union

The Foreign & Commonwealth Office

Report by the Comptroller and Auditor General

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Sir Amyas Morse KCB
Comptroller and Auditor General
National Audit Office

20 April 2018

The Foreign & Commonwealth Office (FCO) aims to “protect our country, our people and our interests; to project our influence and values; and to promote our prosperity overseas.” In a European context, the FCO’s role is to ensure the UK’s partnership with the European Union (EU) contributes to the UK’s prosperity and security. This involves delivery of the 11 work streams on which it reports to the Department for Exiting the EU (DExEU), as well as wider advocacy of government positions through the FCO’s global network. This report focusses primarily on the work streams.

In this publication we set out how the FCO is preparing to deliver an effective exit from the EU.

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The National Audit Office’s programme of work on Exiting the EU

Leaving the European Union will be a key moment for the UK, and one that will have a very significant impact across the public sector.

The NAO has an ongoing programme of work across government to examine how government is organising itself to deliver a successful exit from the EU. This document is one of a series of reports that provides insight on aspects of government’s preparedness for Exiting the EU.

Our back catalogue of work is set out in Appendix Three.

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The National Audit Office study team consisted of:
Elizabeth Livingstone and Nigel Vinson,
under the direction of Keith Davis.

This report can be found on the
National Audit Office website at
www.nao.org.uk

For further information about the
National Audit Office please contact:

National Audit Office
Press Office
157–197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Tel: 020 7798 7400

Enquiries: www.nao.org.uk/contact-us

Website: www.nao.org.uk

Twitter: @NAOorguk

Key facts

1.3m

UK nationals living in the EU27 member states who may require support from FCO consular services as a result of EU Exit

14%

reduction in FCO staffing costs across the EU27 member states between 2009-10 and 2014-15

107

existing staff reorganised by the FCO in 2016 to support EU Exit work

428

new staff funded for EU Exit work; consisting of 178 up to the end of 2017-18, and an estimated additional 250 staff from 2018-19

168

staff recruited by April 2018, of the 178 initially funded

11

EU Exit work streams the FCO is responsible for delivering and reporting progress on to DExEU

£90.9m

estimated FCO EU Exit costs to March 2020, consisting of: £25m in re-programmed existing FCO funds; £36.3m in extra HM Treasury funding, and an estimated requirement for at least £29.6m in 2019-20

£65m

that the FCO has identified may additionally be required in 2018-19 in the event of a 'no deal' with the EU, excluding any further funding that may be required for the Overseas Territories

Summary

The Foreign & Commonwealth Office (FCO) aims to “protect our country, our people and our interests; to project our influence and values; and to promote our prosperity overseas.” In the context of Europe, the FCO describes its role as “helping to build a deep and special partnership with our European neighbours and with the European Union that helps protect our people, project our global influence and promote our prosperity.” This includes supporting the Department for Exiting the European Union (DExEU) and other government departments on EU negotiations.

The scale of the FCO’s task:

- **The FCO will need to apply significant resources and skills to successfully deliver the 11 EU Exit work streams it is responsible for delivering and reporting progress on to DExEU.** These work streams are reliant on the FCO achieving close cross-government and international cooperation on sensitive issues such as establishing an independent sanctions regime and the Overseas Territories, including Gibraltar.
- **Demand for consular services from the 1.3 million UK nationals permanently residing in the EU27 member states will likely increase.** One of the FCO’s work streams focuses on consular services. As well as those UK nationals residing officially in, or travelling to, the EU27 member states, there are unregistered UK nationals living in the EU27 member states who may also require support. For example, the embassy in Madrid is aware that there are a significant number of UK nationals not currently registered with the Spanish authorities.
- **The FCO’s focus on EU Exit work has required a combination of additional resources and a re-prioritisation of other work.** Given a 14% reduction in the FCO’s staffing budget across the EU27 member states between 2009-10 and 2014-15, a re-prioritisation of the FCO’s financial and staffing resources onto EU Exit work has been essential.
- **Having previously reduced the number of UK diplomats across the EU27, the FCO now intends to increase them in order to enhance its ability to engage bilaterally with member states.** Although the FCO does not have reliable data on actual numbers, it is clear that the number of UK diplomats reduced substantially in the decade up to the EU referendum. To compensate for leaving the EU institutions the UK is increasing staffing numbers across the FCO’s Europe network in the EU27 member states. In March 2018, the FCO announced 250 new posts in its overseas network, including the Europe network.

Key points on how the FCO has set about its task

Funding

- To date, the FCO has received £36.3 million in additional HM Treasury funding for EU Exit work, as well as re-allocating £25 million of existing FCO funds. The FCO estimates that it may require a further £29.6 million of funds in 2019-20, so total FCO EU Exit costs may be at least £90.9 million by March 2020, plus any additional bids to cover as yet unforeseen activities.
- In the event of ‘no deal’ outcome with the EU, the FCO has identified a requirement for an additional £65 million in 2018-19, with the possibility of additional funds being required for the Overseas Territories.
- Under the ‘Global Britain’ agenda the FCO has considered its role once the UK leaves the EU. For example, it believes there will be a greater need for bilateral work in the EU27 member states. In addition to EU Exit funding, the FCO will receive an extra £45 million a year in 2018-19 and 2019-20 for the Global Britain agenda and to support the British Council.

Additional staff

- The FCO initially planned to recruit 505 extra staff to cover EU Exit work: 178 staff in two initial tranches; and a further 327 staff in a third tranche. In October 2017 the FCO received tranche 1 and 2 funding, that enabled it to fund the 178 additional staff. Of those, the FCO has recruited 168 staff and is advertising for the remainder. In March 2018, the FCO received its tranche 3 funding for 2018-19. It estimates that this will enable it to fund approximately 250 additional staff, for a total of around 428 staff.
- The FCO re-assessed the level of vetting required for some roles to reduce delays in getting staff into post. The government’s security vetting system has come under great pressure, at a time when it is being re-organised, and it is taking longer to process cases.

Prioritisation

- The FCO carried out a short-term re-prioritisation by moving 107 staff: 55 to reinforce the FCO’s Europe network and 52 to create a central EU Exit team in London.
- The FCO has begun to consider what work can be stopped, reduced or not started, in order to prioritise EU Exit activities. So far, however, no significant areas of existing work have been reduced or cut.

Work streams and delivery plans

- Nine of the 11 work streams the FCO is required to deliver and report progress on have an associated delivery plan, as agreed with DExEU. For the tenth work stream – External Security – the FCO has a modified delivery plan but does not consider that a standard plan is required because it relates only to negotiations and does not involve operational delivery or new policy development. The FCO also has a modified delivery plan for its eleventh work stream – Third Country and International Agreements – with several other departments contributing to this programme. This cross-government work stream is coordinated by DExEU.
- The FCO has made progress on the delivery phase of all of its work streams. However, uncertainty around negotiations and a need to rely on other bodies has meant milestones on some work streams have been missed and progress has been slower than planned. While this is significantly due to factors outside the FCO’s control, including dependencies on action by other EU member states, the delay and uncertainty is a concern given the likely impact if key work streams do not deliver. It is important that there is clarity about: any areas where progress is slower than intended; what remains to be done; and what are the consequences of failing to deliver. Appendix One provides a commentary on the progress of each work stream.

The scale of the task

The FCO is responsible for promoting UK interests overseas and supporting its citizens and businesses around the globe

The FCO's vision in its Single Departmental Plan

In December 2017, in its 2017-18 Single Departmental Plan, the FCO set out its vision to build a Global Britain that is: "...respected abroad, tolerant at home, engaged in the world and working with international partners to advance the UK's prosperity and security". In April 2018, this was updated for 2018-19 as "Local Knowledge, National Interest, Global Reach".

The FCO's three strategic objectives are to:

- **Protect our people:** Safeguarding national security and assisting British people overseas when they are most in need.
- **Project our global influence:** Promoting the UK's interests and values, reducing conflict and creating stability.
- **Promote our prosperity:** Promoting the UK's prosperity by opening markets, driving economic reform, promoting British business and supporting free trade and global growth.

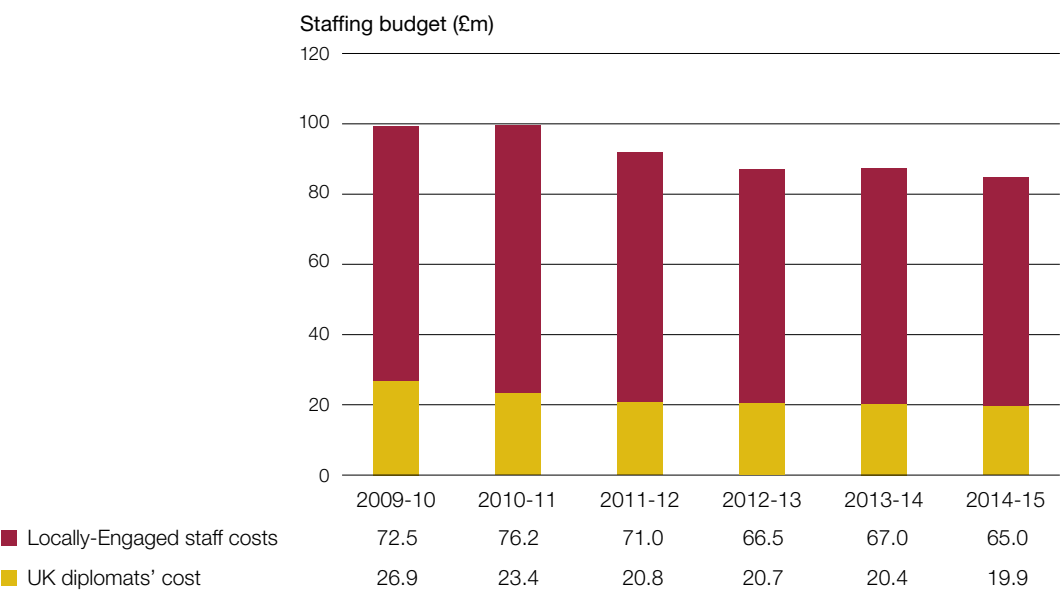
The FCO has a number of Priority Outcomes (including one for Europe) for 2018-19 that support these objectives.

The FCO Priority Outcome on Europe for 2018-19 is:

- Bolstering bilateral relationships and people-to-people links with partners across Europe.
- Supporting DExEU to achieve its negotiating objectives for Exit.
- Delivering results on FCO-led EU Exit issues such as sanctions legislation, Overseas Territories (including Gibraltar), the Kimberley Process (to stem the flow of conflict diamonds) and Third Country Agreements.

FCO staffing costs across the EU27 member states reduced in the period up to the EU referendum

The FCO's available funding for staff working across the EU27 member states reduced by 14% between 2009-10 to 2014-15

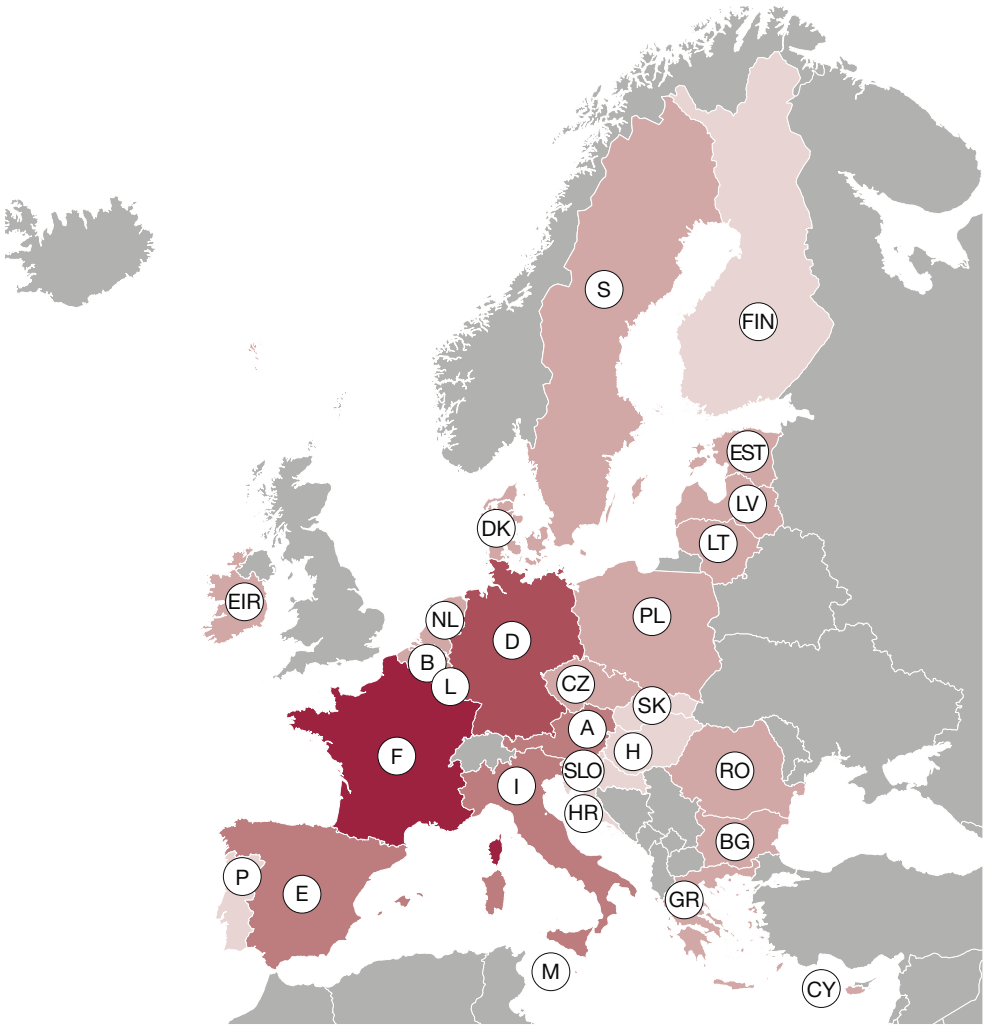


Source: National Audit Office analysis based on data provided by the FCO. More recent data has not been included due to FCO personnel data no longer including UK Trade and Investment staff.

The distribution of UK diplomats across the EU 27 member states: 2016-17

Number of UK Diplomats

- Less than 5
- 5–9
- 10–14
- 15–20
- More than 20
- UK and Non-EU 27 countries



A	Austria	12	H	Hungary	5
B	Belgium	10	EIR	Ireland	9
	In addition: UK Permanent Representation to the EU	75	I	Italy	11
			LV	Latvia	6
			LT	Lithuania	6
BG	Bulgaria	6	L	Luxembourg	1
HR	Croatia	5	M	Malta	8
CY	Cyprus	9	NL	The Netherlands	8
CZ	Czech Republic	6	PL	Poland	8
DK	Denmark	9	P	Portugal	3
EST	Estonia	7	RO	Romania	7
FIN	Finland	5	SK	Slovakia	2
F	France	27	SLO	Slovenia	2
D	Germany	18	E	Spain	11
GR	Greece	10	S	Sweden	9

Note

1 Numbers in **bold** indicate the number of UK diplomats based at the UK's embassy in that country.

Source: The number of diplomats in each post comes from the *Foreign and Commonwealth Office Annual Report and Accounts 2016 to 2017*.

The FCO has to deliver some challenging EU Exit work streams

The government has identified 313 work streams that need to be undertaken to support EU Exit

By November 2017, DExEU and departments had identified 313 work streams that needed to be undertaken to support EU Exit. DExEU asked that departments, for each of their EU Exit related work streams, should:

- develop both preferred negotiation positions and contingency options for a 'no deal' scenario, assessing each option in terms of legislation required, funding and delivery plans;
- formulate primary and secondary legislation to ensure a functional legal framework is in place after EU Exit, as required; and
- implement the domestic consequences of EU Exit, which could include setting up new regulators.

The FCO's role in EU Exit

For EU Exit, the FCO's role is to:

- Be responsible for delivering and reporting progress to DExEU on 11 of the 313 work streams, such as the Overseas Territories and sanctions (Appendix One).

- Support the government's negotiations with the EU on those specific elements where the FCO has a direct interest.
- Support the government's objectives across the negotiations through the use of the FCO's overseas network. The FCO's Europe network is the primary tool to influence and engage with the individual EU27 member states and the EU institutions. The FCO's network outside the EU also has an important task in promoting the government's positions in the negotiations and more broadly.
- The FCO also supports the work of other departments in the delivery of the international aspects of further work streams, but does not report progress on these to DExEU as other departments own these work streams.

Delivery of some of the FCO's work streams will be challenging

Some work streams are challenging and will require significant time and expertise to implement new structures to replace those currently administered by the EU. For example, the FCO is leading on establishing a UK approach to international sanctions, reviewing some 1,000 EU listings of existing sanctions to ensure

the evidence is defensible in a UK court. If the UK does not get its sanctions regime right, or if it is not ready in time for the UK's exit from the EU, the UK could be exposed to greater legal risk, including potentially large costs from losing a legal challenge.

Many of the risks across the FCO's work streams are outside the Department's control. For example, on Gibraltar, the FCO has to work with a number of other departments, such as the MoD for security and DfT for road haulage issues.

In October 2017, the FCO submitted to Parliament its only piece of primary legislation, the Sanctions and Anti-Money Laundering Bill, to establish a framework for the UK to operate its own sanctions regime. The FCO is also responsible for approximately 70 pieces of secondary legislation for sanctions, plus a range of other pieces of secondary legislation.

Other pieces of primary legislation also impact on the FCO's work, including the EU Withdrawal Bill, led by DExEU; the Taxation (Cross Border Trade) Bill, led by HM Treasury; and the Trade Bill, led by DIT.

How FCO has set about its task

The FCO has developed its delivery plans and responded to DExEU's stocktakes

DExEU expects delivery plans for each work stream

DExEU provided guidance in the spring and autumn of 2017, setting out the responsibilities of departments in the implementation of EU Exit.

DExEU expects delivery plans for each work stream. These should include:

- critical paths;
- legislative requirements;
- spending and capability and capacity requirements;
- devolution impacts; and
- stakeholder handling plans.

The FCO has 11 work streams but nine delivery plans. For the tenth work stream – External Security – the FCO has a modified delivery plan but does not consider that a standard plan is required because it relates only to negotiations and does not involve operational delivery or new policy development. The FCO also has a modified delivery plan for its eleventh work stream – Third Country and International Agreements – with several other departments contributing to this programme. This cross-government work stream is coordinated by DExEU.

DExEU ran two stocktakes to examine delivery plans

Stocktakes in the spring and autumn 2017 examined departments' readiness for EU Exit; prioritisation of issues; identification of barriers to progress and mitigating actions. For each work stream the FCO provided detail on:

- readiness to deliver;
- legislation required;
- costs associated with changes; and
- additional headcount needs.

The stocktakes reported progress in the FCO delivery plans

The DExEU stocktakes reported that FCO has made progress in preparing for EU Exit. FCO EU Exit teams have been established on the Department's key EU Exit interests overseen by a Director-General, supported by an EU Exit Taskforce of Senior Responsible Owners for each issue and supported by the Europe Directorate and other parts of the FCO.

According to DExEU's stocktake the FCO has established a clear, strong structure of devolved accountability. The FCO EU Exit teams have also mapped out risks in their delivery plans.

DExEU's delivery plan guidance required departments to formulate delivery plans to support multiple possible scenarios for each EU Exit work stream.

From January 2018, DExEU has asked departments to report on their work streams on a monthly – rather than a quarterly – basis and this is being used to monitor progress.

The FCO has made some progress on the delivery of all of its work streams, but they are subject to some uncertainty and delay

The FCO has made some progress on all of its work streams

The FCO is responsible for delivering and reporting on 11 work streams to DExEU, and has made some progress on the delivery phase of all of them (Appendix One).

For example, on the sanctions work stream, the Sanctions and Anti-Money Laundering Bill is with Parliament and the FCO hopes it will receive Royal Assent by summer 2018. Further, funding for the 30+ staff required for sanctions work was bid for in November 2017, and the FCO is reviewing the current EU sanctions listings to better understand the legal defensibility of each and is considering the UK's approach to implementing any existing and potential sanctions' regimes.

Uncertainty around negotiations and a reliance on other bodies has contributed to some delays

Although the FCO has made progress on all of its work streams, uncertainty around EU negotiations and a reliance on other bodies has contributed to delays to some of its work streams. The FCO is also dependent on actions that other EU member states need to take.

These factors are largely outside the FCO's control, but the Department is working across government to address these. However, the impact of government failing to solve these issues would be significant.

On the consular work stream, in order to inform and support the 1.3 million UK nationals living across the EU27, there is a dependency on the member states in a number of aspects of citizens' rights. The FCO is reliant on each member state implementing agreements reached with the EU. This may also require some member states to enact legislation.

On the Kimberley Process the government is working with the EU to secure the UK's continued participation. The FCO's original delivery plan milestone, which was not achieved, involved the government engaging with the EU from November 2017 to determine whether the UK's application to join the Kimberley Process could take place during the negotiation period, leading to consideration of the UK application in November 2018. Agreement on the implementation period has opened the possibility of the EU continuing to represent the UK in the Kimberley Process, providing the flexibility to discuss options with the EU ahead of making an application.

However the UK still intends to apply for independent membership of the Kimberley Process, most likely for consideration at the November 2018 Annual Plenary meeting.

One element of uncertainty for the Overseas Territories, including Gibraltar, was reduced at the March 2018 European Council meeting because the agreed scope of the draft withdrawal agreement between the UK and the EU makes it clear that it should apply to them all – and that this extends to the implementation period. Discussions are continuing with the Government of Gibraltar and the EU27 member states regarding the specific implications for Gibraltar.

The External Security work stream relates only to the negotiations and does not involve operational delivery or new policy development, therefore the FCO considers that a delivery plan is not required. At the March 2018 European Council an approach to external security during the implementation period was agreed. Further talks on the longer-term arrangements between the UK and the EU on external security are planned.

The FCO originally estimated that it would need an additional 505 staff for EU Exit

The FCO used existing staff to cover initial EU Exit work

With the establishment of DExEU in July 2016, the FCO transferred 65 positions to DExEU. Most of the staff who were in those positions have now returned to the FCO. The FCO also created 55 new positions in the Europe network which were filled by existing staff, and a further 52 new positions to create an EU Exit team at its London headquarters. These positions were funded by re-allocating existing FCO resources.

Most of these staff have been allocated to posts based in EU member state capitals, but also in Berne, Istanbul, Oslo and at the UK's Permanent Representation to the EU. It took the FCO almost a year to move all the staff into their new roles, given their additional training and language needs. The FCO has also up-graded seven UK diplomatic posts across Europe to a more senior ambassadorial grade to better address bilateral issues.

The FCO has changed its internal appointment processes in order to more easily fill EU Exit positions. Staff applying for their next posting must select an EU Exit role as one of their preferred appointments.

The FCO initially estimated it required 505 additional staff

The FCO initially estimated a requirement for 505 additional staff to undertake EU Exit work. The 505 were intended to be a mix of UK diplomats and locally-engaged staff based in the UK and abroad, as follows:

Location	Number
Based in London	+147
UK diplomats based overseas	+227
Locally engaged staff	+131
Total	505

Some of these new staff were intended to backfill the roles vacated by the staff internally transferred, but most were to be used to create additional capacity in a number of skill areas needed to deliver EU Exit.

The types of roles the FCO expected to recruit for were as follows:

- Staff for UK embassies across the Europe network.
- Consular services to support UK nationals across the EU27 member states.
- Staff to re-inforce teams working on Global EU Exit influencing strategy and treaty support, the Overseas Territories, sanctions and legal and international expertise.
- Policy staff to deal with EU Exit issues.
- HR, training and finance staff to handle the increase in staff numbers.

To avoid potential delays, the FCO has recruited staff before getting formal budgetary approval

The government's security vetting function is delaying the FCO's ability to employ its new staff

The FCO's task of potentially recruiting hundreds of new additional staff quickly is challenging as many staff have to be security-cleared. Until EU Exit, the FCO required many of its staff to hold the 'Developed Vetting' (DV) security clearance standard.

However, the government's security vetting system has come under great pressure, at a time when it is being re-organised, and it is taking longer to process cases.

In September 2017, the government designated the FCO as a 'priority department' for EU Exit staffing requirements, along with BEIS, DCMS, Defra, DExEU and DIT, to allow it to more easily put staff through the vetting process.

The FCO has also re-assessed the level of vetting required for some roles as suitable at the lower, 'Security-Cleared' level, in order to reduce delays getting staff into post.

The FCO has recruited most of the staff it requested in the first funding tranches for EU Exit work

The FCO received sufficient funds in its October 2017 tranche 1 and 2 approval to recruit 178 additional staff for EU Exit work. Of those, 168 are in post with the remainder being advertised.

In response to potential delays, the FCO has recruited staff before getting formal budgetary approval

Because of the time lag in appointing new staff and achieving security clearance the FCO Board decided to recruit 28 of the staff requested in its tranche 3 bid while it awaited budgetary approval from HM Treasury. The FCO Board believed that this risk was acceptable and the FCO has now received tranche 3 funding from HM Treasury for 2018-19.

The FCO has received £36.3 million of EU Exit funding, but in the event of a ‘no deal’ it estimates that it would require at least a further £65 million in 2018-19

Bids for additional funding have largely been to increase FCO staff numbers

HM Treasury expects departments, as far as possible, to live within their existing budgets in preparing for EU Exit. Where this has not been possible departments have bid to HM Treasury for additional funds. Departments have been able to bid for extra resources, in 3 tranches to date.

The FCO’s tranche 1 bid was based on 30 additional staff to establish a Third Country Agreement Unit, including working on the 16 trade agreements the FCO is responsible for. Tranche 1 funding gave the FCO one month’s funding to set up the Unit. The funding was then rolled into the tranche 2 funding bid.

The subsequent tranche 1 and 2 bid was primarily for 178 staff to reinforce the Europe network and address specific policy and financial risks relating to consular, trade, sanctions, Overseas Territories and wider expertise. The FCO received £6.7 million for the remainder of 2017-18, and £14.5 million for 2018-19, totalling £21.2 million to date. The FCO expects that further funding will be necessary in 2019-20 to sustain these 178 staff.

In March 2018, the FCO received its 2018-19 tranche 3 funding of £15.1 million which it expects will cover the recruitment of approximately 250 extra staff, for a total of approximately 428 staff. The FCO initially planned to recruit 327 staff in tranche 3, for a total of 505 additional staff.

For 2019-20, the FCO expects the levels of annual funding provided by tranche 1 and 2 (£14.5 million) and tranche 3 (£15.1 million) funding to continue and considers that it will most likely require further funding to respond to the changing nature of the negotiations.

Under a ‘no deal’ outcome with the EU the FCO will request a further £65 million for 2018-19

In the tranche 3 business case the FCO also estimated that under a ‘no deal’ outcome with EU Exit it would require an extra £65 million of funding. In addition, under a ‘no deal’ exit further resources could be required to support some of the Overseas Territories.

The FCO has re-prioritised some existing resources, but expects to fund most EU Exit work through additional funding

The FCO expects to fund most of its EU Exit work through additional funding from HM Treasury

In general, the FCO expects to fund the majority of its EU Exit work through its request for additional funding from HM Treasury. To date, the FCO has received £36.3 million and estimates that it will require at least a further £29.6 million in 2019-20, totalling £65.9m of approved or estimated external funding.

The FCO has re-prioritised some resources

The FCO has a high percentage of fixed costs, and it believes re-prioritising existing budgets to support EU Exit work is challenging. However, the FCO Board has begun to prioritise what can be stopped, reduced or not started, to focus on EU Exit. In 2017 the FCO explored the possibility of utilising its global network to support greater efforts to tackle marine plastics across the oceans. This work has not progressed, as EU Exit work has taken precedence.

When the result of the EU referendum was announced the FCO re-allocated over £25 million of its existing budget to EU Exit work up to the end of 2019-20 - which together with the £65.9m of external funding totals at least £90.9m for FCO EU Exit work. It has achieved savings of £15 million across the rest of its expenditure to cover this re-allocation so far. Most of this allocation was made up of funding the 107 additional staff, but some funding relates to reinforcing certain areas of national security work, setting up the new trade faculty within the FCO's Diplomatic Academy, and on the UK residence in Brussels.

The FCO is also concerned that de-prioritising work may erode the Global Britain agenda and carries reputational risks, as some of the 107 staff the FCO re-prioritised onto EU Exit came from embassies worldwide. Under the Global Britain agenda the FCO has considered its role once the UK leaves the EU. For example, it believes there will be a greater need for bilateral work in the EU27 member states. In addition to EU Exit funding, the FCO will receive an extra £45 million a year in 2018-19 and 2019-20 for the Global Britain agenda and to support the British Council.

The FCO expects to bid for more resources to enhance relations with the EU and the member states after EU Exit

As an EU member, the UK conducted relations with the EU27 member states primarily through central bodies such as the European Council. In the run up to EU Exit, the FCO intends to place additional importance on influencing bilaterally each of the EU27 member states on the benefits of achieving the right deal between the EU and the UK.

Once the UK leaves the EU, the FCO regards bilateral relations as a key means by which to continue to influence EU collective policy. Therefore the FCO has said that it will require programme funds for posts to enhance relations; for example, for trade relations and security. Currently, the FCO has £32 million of non-ODA programme funds, of which £24.5 million is already ring-fenced for specific, non-EU Exit tasks.

In 2018-19, the GREAT Friends Fund – which is designed to provide posts in the Europe network with money for bilateral work – will provide £2 million. It is likely that in future the FCO will look to further increase spend on bilateral and multilateral activities across Europe.

Working with others

The FCO supports other government departments

Supporting DExEU and DIT

The FCO and DExEU have set up an engagement unit to ensure consistency of the government's message to the EU27 member states. The FCO also leads work to ensure that non-EU partners are kept up to date on the negotiations.

The FCO also works on the Third Country and International Agreements work stream (Appendix One). DExEU is the coordinating department and the FCO, DIT and DFID have agreed to split the work on transitioning 40 trade agreements. The FCO leads 16 of these trade agreements plus 14 non-trade, EU political agreements.

The FCO Third Country Agreement Unit (TCAU) oversees the government's engagement and transition of agreements in all other third countries apart from the USA, Canada, the European Free Trade Association countries, Turkey and Japan, which DExEU leads on. The TCAU covers around 90 countries where agreements need to be transitioned, including Australia, New Zealand and Israel.

There are hundreds of agreements in the scope of this project, covering sectors including nuclear safety, aviation, customs cooperation and agriculture as well as those related to trade and political cooperation. The unit works alongside DExEU in aiming to ensure that all departments have the necessary support.

The FCO is working with other departments to deliver its 11 work streams

The FCO works with other departments on a range of issues:

- Working with departments to ensure they consider Gibraltar and the other Overseas Territories in the development of their delivery plans. For example, ensuring DfT considers Gibraltar in its delivery plan for road haulage.
- Supporting other departments on the international elements of a number of additional DExEU work streams.

The FCO has reviewed other departmental work streams to assess any international elements

The FCO was concerned that it did not have a view of work streams in other departments that included an international focus. In particular, it was concerned that in developing their delivery plans, other departments were not fully taking into account FCO interests in their policy decisions, such as the requirements of the Overseas Territories.

In agreement with DExEU, the FCO projects taskforce team reviewed all government work streams collated at that stage. The taskforce identified a number of work streams with an international element where the 'no deal' scenario had a potentially high or medium-high impact on UK/FCO interests. The FCO initially had no involvement in the planning of most of these scenarios. Since the review, the FCO has downgraded the assessed impact of several of these work streams. The FCO now works with lead departments across the remaining work streams to support delivery.

The Diplomatic Academy

The FCO's Diplomatic Academy offers learning and development opportunities to government staff on 12 areas of international work. This includes the Europe and the Trade Policy and Negotiations Faculties. The Europe Faculty offers courses at foundation, practitioner and expert level to include the implications of EU Exit. Since 2016, the Europe Faculty has provided training to 249 staff across 10 departments on face-to-face courses on EU Exit. A further 1,500 staff across 28 departments have attended masterclasses on a range of EU Exit topics provided by the Faculty. Examples include: masterclasses on EU institutions and member states' stances on EU Exit; workshops and briefings on how the EU concludes agreements with third countries; and courses on understanding, working with and influencing the EU.

The FCO needs to manage a series of stakeholder relationships

The FCO's EU Exit work will impact on businesses and the wider public. It is vital to engage with stakeholders to deliver a "smooth and orderly exit"¹ from the EU, including avoiding damaging the government's reputation.

Keeping UK nationals informed

There are approximately 1.3 million UK nationals residing in the EU27 member states (see map on page 19). Providing consular services is the responsibility of the FCO, and demand may increase as a result of EU Exit. The FCO plans to deliver a communications campaign to inform UK nationals living in the EU of any changes to their rights or services available to them or how to access them, as a result of the UK's Exit from the EU (Appendix One).

Working with the private sector

The FCO ran a public consultation in early 2017 on the UK's future legal framework for imposing and implementing sanctions. This involved emailing 30,000 individuals and companies the consultation document, as well as holding seven roundtables with charities, insurance, financial services, legal, think tanks, academics and trade. A separate discussion was held for the Overseas Territories.

The FCO also consulted the private sector on guidance for the proposed legal framework with the aim of ensuring that businesses understood it and would have time to update their processes.

Working with other countries

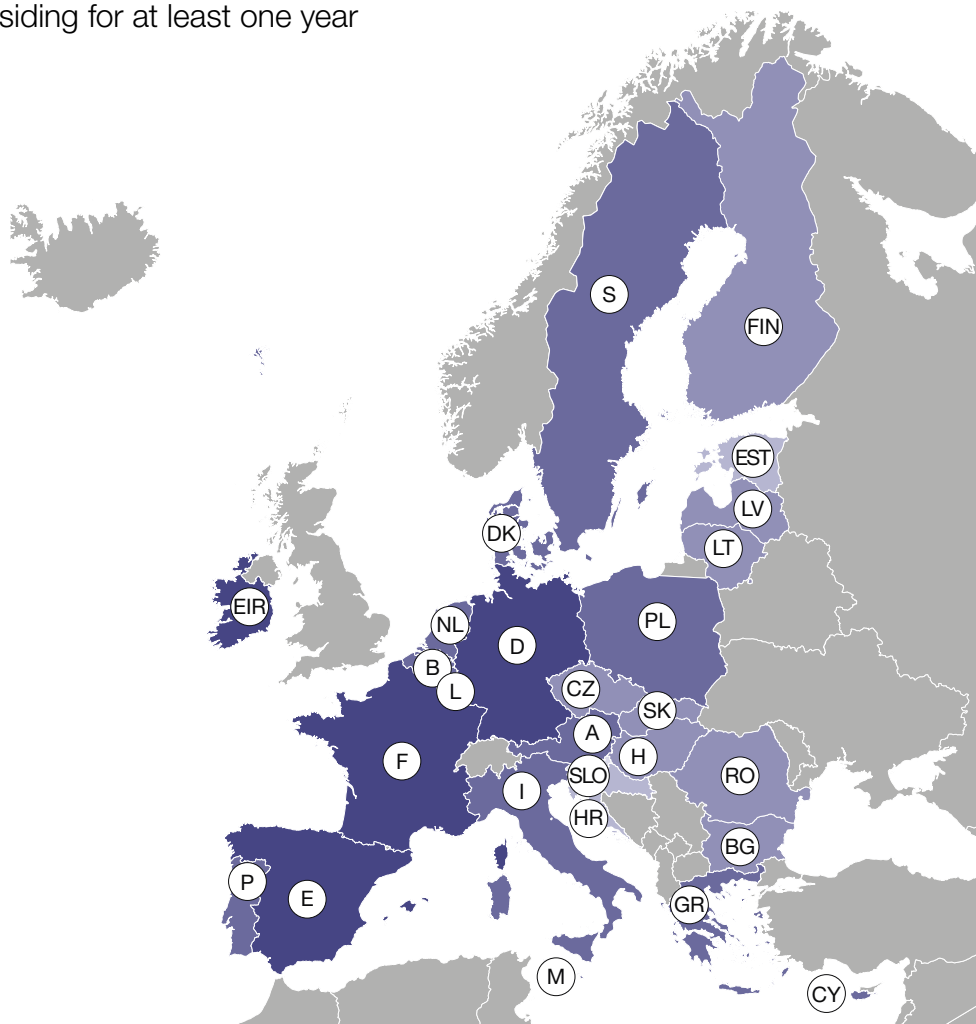
When developing the new Sanctions and Anti-Money Laundering Bill, as well as consulting with the private sector, the FCO engaged with Australia, Canada, France, Germany, Ireland, New Zealand, Norway, Switzerland and the US.

Note

- 1 This is one of the 12 objectives for the EU Exit negotiations set out by the Prime Minister in January 2017. Available at: www.gov.uk/government/speeches/the-governments-negotiating-objectives-for-exiting-the-eu-pm-speech

The FCO needs to manage a series of stakeholder relationships *continued*

Number of UK citizens residing for at least one year



A	Austria	12,127	I	Italy	72,234
B	Belgium	28,234	LV	Latvia	1,111
BG	Bulgaria	8,025	LT	Lithuania	3,026
HR	Croatia	652	L	Luxembourg	6,946
CY	Cyprus	39,497	M	Malta	12,928
CZ	Czech Republic	4,206	NL	The Netherlands	53,007
DK	Denmark	21,286	PL	Poland	36,186
EST	Estonia	463	P	Portugal	18,709
FIN	Finland	7,055	RO	Romania	6,870
F	France	188,161	SK	Slovakia	5,083
D	Germany	103,700	SLO	Slovenia	12
GR	Greece	17,358	E	Spain	308,872
H	Hungary	9,392	S	Sweden	25,558
EIR	Ireland	278,040			

Note

1 Those born in the UK but having resided in the host state for at least a year.

Source: Population numbers come from the *United Nations Department of Economic and Social Affairs Population Division International Migration Report 2017*, published December 2017

The FCO needs to manage a series of stakeholder relationships *continued*

Working with the devolved administrations

The FCO seeks to keep the devolved administrations and territorial offices in Northern Ireland, Scotland and Wales informed about the international aspects of EU Exit. At ministerial level, although the FCO does not sit on the Joint Ministerial Committee on EU Exit, it is consulted over relevant agenda items such as how to give greater involvement to the devolved administrations in the negotiations on the UK's future relationship with the EU.

There are various channels that the FCO uses at official level to engage with the devolved aspects of EU Exit. These include the Cross Whitehall Leaders network (attended by the territorial offices, but not the devolved administrations) and the FCO's Devolution Engagement strategy, which is part of the Cabinet Office's wider Engagement strategy.

In reviewing this Strategy, in December 2017 the FCO board decided that its senior officials should continue to engage regularly with stakeholders and key influencers across the devolved nations, including with the devolved administrations. Two senior FCO officials visited Edinburgh early in 2018 for EU Exit-related public events.

Heads of Mission-designate routinely meet with the devolved administrations as part of their preparation for office so that they can gain a fuller understanding of the priorities including the impact of EU Exit on the devolved nations. In 2017, over 30 Heads of Mission-designate visited at least one of the devolved nations. The FCO arranges policy briefing sessions for staff from the devolved administrations and the territorial offices on how the FCO works and its priorities. The FCO network also provides a service to devolved administration ministers undertaking overseas visits.

Working with Gibraltar and the other Overseas Territories

To take into account the particular interests of Gibraltar there is a quarterly, ministerial-level Joint Ministerial Council on Gibraltar EU Negotiations, and biannual Joint Ministerial Councils – co-chaired by the FCO and DExEU ministers. These are underpinned by regular official level engagement. This includes UK government-Government of Gibraltar working groups on areas such as trade and financial services. Similarly for the Overseas Territories there has been regular engagement between them and government departments on areas such as free movement, funding and the trade relationship with the EU.

Appendix One

The FCO's EU Exit work streams

Work stream title	Work stream description	Progress
Future Foreign and External Security Policy Relationship with the EU (External Security)	The FCO is working to establish a future foreign and external security relationship with the EU which allows the UK to pursue an independent foreign policy whilst also enabling the UK and EU to combine efforts where this is in their shared interests.	The government published a paper in September 2017, 'Foreign Policy, Defence and Development: A Future Partnership' outlining the UK's continued commitment to European security post-EU Exit. The government agreed with the EU27 at the March 2018 European Council that the future relationship on foreign and defence policy can be brought into effect during the implementation period. Therefore, with external security part of the Withdrawal Agreement text the FCO considers the development of this relationship is now a core part of negotiations with the EU. The government hopes to begin negotiations on the future relationship shortly.
Consular Services in EU and EFTA countries	The FCO is working to ensure consular assistance continues to be available for the most vulnerable UK nationals affected by EU Exit, while providing clear and timely information to UK nationals on their rights and how to access them.	The FCO is working with other departments to continue to ensure information is available to UK nationals on their current rights in the EU and how to access them, and progress on the EU Exit negotiations. The FCO is continuing to provide consular assistance when UK nationals are most in need overseas. The FCO is developing a detailed negotiating position on the provision of mutual consular assistance for unrepresented UK nationals and EU citizens in third countries. There is a dependency on EU member states taking action on UK citizens' rights, which could include legislating.
Gibraltar – Trade and Economy	The FCO is seeking to ensure continued prosperity for the Gibraltar economy following EU Exit.	The FCO has worked to ensure Gibraltar's particular priorities are reflected within the UK Government's work on EU Exit. With DExEU, the FCO has established a UK-Gibraltar Joint Ministerial Council (Gibraltar EU Negotiations), the sixth meeting of which took place on 8 March 2018 and agreed a package of measures to protect access to the UK market. In addition, a range of official level dialogues have taken place on technical matters of particular interest, including issues related to financial services and trade.

Work stream title	Work stream description	Progress
Gibraltar – Borders (Land)	The FCO is seeking to maintain a well-functioning Gibraltar/Spain land border.	The FCO has worked to ensure Gibraltar's particular priorities are reflected within the UK Government's work on EU Exit. With DExEU, the FCO has established a UK-Gibraltar Joint Ministerial Council (Gibraltar EU Negotiations) to discuss issues of mutual importance at senior level. In addition, a range of official level dialogues have taken place on technical matters of particular interest, including issues related to the land border.
Gibraltar – Borders (Air)	The FCO is seeking to ensure the continued smooth operation of Gibraltar airport.	The FCO has worked to ensure Gibraltar's particular priorities are reflected within the UK Government's work on EU Exit. With DExEU, the FCO has established a UK-Gibraltar Joint Ministerial Council (Gibraltar EU Negotiations) to discuss issues of mutual importance at senior level. In addition, a range of official level dialogues have taken place on technical matters of particular interest, including issues related to transport.
Heading IV (EU external spending) and EU budget	The FCO and DFID are working to ensure that decisions on external spending are in line with the government's objective of a smooth and orderly exit from the EU and that there is sufficient oversight of UK contributions and scrutiny of spend after exit.	The FCO and DFID are developing options and delivery plans to cover a range of negotiating scenarios, but expect spending to continue beyond 2020. The FCO considers that these plans may require additional funding.
Kimberley Process	The FCO is seeking to secure continuity of UK participation in the Kimberley Process to stem the flow of conflict diamonds and enable continued UK trading in rough diamonds (worth some £2.1 billion in 2016).	The government is working with the EU to secure the UK's continued participation in the Kimberley Process. The FCO's original delivery plan milestone, which was not achieved, involved the government engaging with the EU from November 2017 to determine whether the UK's application to join the Kimberley Process could take place during the negotiation period, leading to consideration of the UK application in November 2018. The March 2018 agreement on the implementation period has opened the possibility of the EU continuing to represent the UK in the Kimberley Process, providing the flexibility to discuss options with the EU ahead of making an application. However the UK still intends to apply for independent membership of the Kimberley Process, most likely for consideration at the November 2018 Annual Plenary meeting.
Overseas Territories – Development Funding	The FCO is seeking to ensure that the Overseas Territories continue to receive adequate development funding post-Exit.	The FCO is supporting DExEU to take forward agreement reached at the March 2018 European Council confirming development funding until the end of the current European Development Funding period in 2020. The FCO and DFID are working together to explore potential mechanisms for providing funding into the future.

Work stream title	Work stream description	Progress
Overseas Territories – Trade and Economy	The FCO is seeking to ensure continued prosperity for the Overseas Territories' economies post-Exit through access to EU and UK markets.	With DFID, the FCO is working across government to ensure the Overseas Territories are included in relevant delivery plans. Access to UK markets will be granted through the Customs Bill that is currently passing through Parliament. The FCO is leading work to support DExEU negotiations on Overseas Territories in the context of wider negotiations on the UK's future economic relationship with the EU.
Sanctions	The FCO is working to provide the necessary legal framework and make the necessary preparations for the UK to impose, update and lift sanctions after the UK leaves the EU.	The FCO is working to establish the UK's own sanctions framework. It is reviewing the current EU sanctions listings to better understand the legal defensibility of each, and is considering the UK's approach to implementing existing and potential future sanctions' regimes. The FCO aims for Royal Assent for the Sanctions and Anti-Money Laundering Bill by summer 2018.
Third Country Agreements	Within the DExEU coordinated cross-government programme, the FCO is working to transition International Agreements that need to be replaced or amended as a result of the UK's exit from the EU.	The FCO is leading on about 30 cross-cutting agreements, including 16 association agreements, as part of the cross-government programme, coordinated by DExEU, to transition key EU agreements with third countries by the end of the implementation period. A Third Country Agreement Unit has been established within the FCO to lead this work and to coordinate third country engagement, both in London and through the Diplomatic network. Significant risks have been identified, including on other countries' capacity and willingness to replicate third country agreements. This will provide resourcing challenges across government.

Appendix Two

Examples of the impact of EU Exit on overseas posts

British Embassy in Madrid

Key facts

● Embassy budget for 2017-18.	£7.64m
● Total staff working for the UK government in Spain:	245
● UK diplomats in Spain ¹	13
● Locally engaged staff	160
● UK staff from other government departments based in Spain	27
● Locally engaged staff employed by other government departments in Spain.	45
● Estimated number of UK nationals living in Spain:	308,872+
● Registered	308,872
● Unregistered. ²	unknown – but thought to be significant
● UK tourists visiting Spain (annually).	19m

Gibraltar:

● Number of tourists crossing the border annually.	7.1m
● Number of Spanish workers crossing border daily.	8,000

Notes

- ¹ There were 11 UK diplomats at the end of 2016-17, as reported in the FCO Annual Report and Accounts.
- ² Under Spanish law, foreign nationals should register with their local town hall and police, if they are resident in Spain for three months or more.

Key issues for the embassy

Bilateral engagement. The UK can no longer rely on being able to engage through EU meetings and forums and must now deepen its separate bilateral work in European capitals. The embassy supports DExEU by providing information on the Spanish government's positions and UK nationals' concerns.

UK nationals living in Spain. The embassy aims to be in regular contact with citizen's groups and individual British nationals, many of whom have concerns around healthcare, pensions and other issues. The embassy is also aware that there could be a significant number of British nationals resident in Spain who are not correctly registered with the Spanish authorities and therefore cannot access local services such as healthcare. There are no reliable estimates of the number of unregistered British nationals in Spain, but the FCO considers that it could be in the low hundreds of thousands. The FCO is working to encourage these individuals to register. This unknown number of unregistered British nationals is an issue for planning future consular provisions.

Gibraltar. The embassy engages in extensive dialogue with the Government of Gibraltar and the Spanish government to understand the implications of EU Exit and feed information back to the Gibraltar teams in London.

Spanish perceptions of the UK. After the referendum result, the UK could be portrayed more negatively in the Spanish press, and a priority for the embassy's communications team is to address that.

Resilience and prioritisation. Most parts of the embassy have had significant increases to their workload as a result of EU Exit. At the time of our visit the embassy had received one additional UK diplomat to help but had also de-prioritised some activities to ease the pressure on staff. These included regional visits and information updates on Spanish domestic issues.

British Embassy in Slovakia

Key facts

● Embassy budget for 2017-18.	£500,000
● Total staff working for the UK government in Slovakia:	23
● UK diplomats in Slovakia ¹	3
● Locally engaged staff ²	13
● UK staff from other government departments based in Slovakia	1
● Locally engaged staff employed by other government departments in Slovakia. ³	6
● Estimated number of UK nationals living in Slovakia.	5,083
● UK tourists visiting Slovakia (annually).	77,800

Notes

- 1 There were 2 UK diplomats at the end of 2016-17, as reported in the FCO Annual Report and Accounts. A third UK diplomat was appointed after the EU referendum result. Another UK diplomatic member of staff is expected to be in post by autumn 2018.
- 2 Another locally engaged member of staff will join in April 2018.
- 3 Another 1.5 locally engaged staff employed by other government departments will start in April 2018.

Key issues for the embassy

Bilateral engagement. When the UK leaves the EU, it will no longer be able to engage other EU countries through EU meetings and forums. The embassy is aiming to deepen bilateral work by engaging with individual Slovak ministries on topics of mutual interest to the UK and Slovakia, not just the foreign ministry. The embassy also supports DExEU in its negotiating positions with the EU by providing information on the Slovak government's positions on issues.

Relative size of the embassy in comparison with other embassies. The UK embassy in Bratislava told us that the German embassy in Slovakia has 10 German diplomatic staff and the French embassy 15 French diplomats – in addition to locally-employed staff. These embassies are working to build better bilateral relations in Slovakia. For example, both the Institut Francais and the Goethe Institute run large cultural programmes. By contrast, the UK embassy now has three UK diplomatic staff and until recently had no programme funding to put on events and showcase the UK. In 2017-18 it received £20,000 from the FCO and £6,000 from DExEU.

Resilience and prioritisation. Prior to the EU referendum, there were two UK diplomats in the embassy. This provided little resilience in case of illness, staff leave, training or crises. There is now one additional UK diplomat in post to help with the increased EU Exit work. There has also been some de-prioritisation of activities to help ease pressure on staff. An example of this was to minimise activity in areas such as climate change and rule of law work. A further UK diplomat is expected in post by autumn 2018.

Appendix Three

National Audit Office programme of work and publications

NAO's programme of work on preparations for exiting the EU

In scrutinising public spending the National Audit Office (NAO) routinely monitors the challenges faced by departments and, where the Comptroller & Auditor General identifies a pressing or relevant issue, reports on those to Parliament.

Leaving the European Union will be a historic moment for the UK, and one that will have a very significant impact across the public sector. As with other aspects of government activity, it is not for the NAO to comment on the policy choices being made in relation to exiting the EU. But the management systems that support the implementation of these policies fall naturally within the NAO's remit.

The NAO has an ongoing programme of work across government to examine how government is organising itself to deliver a successful exit from the EU. This covers the key bodies in the centre of government and the major spending departments that have to deliver Exit programmes.

Out of this work, we are publishing a series of reports to provide insight on aspects of government's preparedness for exiting the EU.

Recent NAO publications relevant to the UK exiting the European Union

- Exiting the EU: The financial settlement (April 2018).
- Implementing the UK's exit from the European Union: The Department for International Trade (January 2018).
- Implementing the UK's exit from the European Union: The Department for Environment, Food and Rural Affairs (December 2017).
- Implementing the UK's exit from the European Union – People and skills: The role of the centre of government (December 2017).
- Implementing the UK's exit from the European Union: The Department for Business, Energy & Industrial Strategy (November 2017).
- Implementing the UK's exit from the European Union: the Infrastructure and Projects Authority (November 2017).
- Implementing the UK's exit from the European Union: the Department for Exiting the EU and the centre of government (November 2017)

- The UK Border (October 2017).
- Customs Declaration Service (July 2017).
- HM Treasury's economic analysis in the lead-up to the referendum on European Union membership (June 2017).
- Capability in the Civil Service (March 2017).
- Briefing on the EU-UK finances (December 2016).

These reports are available on the NAO website:

www.nao.org.uk/search/pi_area/european-union/type/report

Glossary

Key terms

Global Britain	Defined as the Government's vision for adjusting positively to a changing world, ensuring that the UK will remain an internationally engaged and influential global power.
Locally-engaged	A member of staff who resides in a country outside the UK but who works for the FCO. They may or may not be a UK citizen.
ODA	Official Development Assistance – defined as government aid to promote the economic development and welfare of developing countries. The UK has committed to spend 0.7% of gross national income on ODA. Non-ODA programme spend does not count towards the 0.7% commitment.
UK diplomat	Refers to a permanent member of staff at the Foreign & Commonwealth Office posted overseas, as opposed to a locally-engaged member of staff, who could potentially be a UK citizen.

Key organisations

BEIS	Department for Business, Energy & Industrial Strategy
DCMS	Department for Digital, Culture, Media & Sport
Defra	Department for Environment, Food & Rural Affairs
DExEU	Department for Exiting the European Union
DFID	Department for International Development
DfT	Department for Transport
DIT	Department for International Trade
EU27	The 27 member states of the European Union, excluding the United Kingdom
MoD	Ministry of Defence

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