

# Annual Report & Accounts: 2018–2019



Foreign &  
Commonwealth  
Office

HC 2393



Foreign & Commonwealth Office  
**Annual Report and Accounts**  
**2018–19**

(For the year ended 31 March 2019)

Accounts presented to the House of Commons pursuant to Section 6(4)  
of the Government Resources and Accounts Act 2000

Annual Report presented to the House of Commons by Command of Her Majesty

Ordered by the House of Commons to be printed **11 July 2019**



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## CORRECTION SLIP

Title: Foreign & Commonwealth Office Annual Report and Accounts 2018-2019

*This correction slip replaces an error made in the Diversity and Inclusion table at the bottom of page 99.*

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## Correction:

The row headings in the table on page 99 of the report are incorrect.

Text currently reads:

	SMS	D7	D6	C5	C4	B3	A2	A1
Female	35%	42%	41%	40%	46%	58%	59%	57%
Disabled	7%	5%	9%	10%	17%	26%	30%	14%
BAME	7%	10%	10%	11%	11%	14%	15%	31%
LGBT	4%	6%	7%	4%	7%	2%	5%	21%

Text should read:

	SMS	D7	D6	C5	C4	B3	A2	A1
Female	35%	42%	41%	40%	46%	58%	59%	57%
BAME	7%	5%	9%	10%	17%	26%	30%	14%
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Month of correction: August 2019

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# Foreword by the Foreign Secretary

The Rt Hon Jeremy Hunt MP



**“I have no doubt about the scale of the challenges that lie ahead. I am equally confident that the FCO will be more than equal to meeting them.”**

The first duty of the Foreign and Commonwealth Office is to keep the British people safe. Our efforts to fulfil this obligation have been a central theme of the diplomacy of 2018-19.

Terrorism inspired by Daesh presents one of the greatest threats. On 23 March, military action by many nations, including Britain, broke Daesh’s grip on its last fragment of territory in the Middle East. The terrorists who once imposed their pitiless rule on thousands of square miles of Syria and Iraq were driven from their physical domain.

This does not mean that Daesh has been defeated: military action by the UK and our partners will continue to be necessary. But we can take heart from the fact that millions of people have been freed from Daesh’s barbarism.

Our diplomats helped to assemble the Global Coalition of 79 countries and international organisations which mounted this campaign. The FCO hosts the Global Coalition’s strategic communications cell, charged with countering Daesh’s online propaganda.

Elsewhere in the Middle East, I have made the quest for peace in Yemen a central priority. Thanks in large measure to British diplomacy, the parties agreed in Stockholm on 13 December to call a ceasefire in Hodeidah province and allow the unhindered flow of humanitarian aid. The progress is fragile and reversible. But the ceasefire has broadly held so far, keeping open the Red Sea ports that provide a lifeline for emergency supplies.

I am grateful to the British officials who worked to bring this about. On 21 December, the Security Council unanimously approved UNSCR



Washington, August 2018  
(Photo courtesy of U.S. Department of State)



Vienna, August 2018



Meeting of the North Atlantic Council  
(Photo courtesy of NATO)



Defend Media Freedom event

2451, sponsored by the UK, which endorsed the Stockholm agreement and set out the steps needed to ease the humanitarian crisis in Yemen.

I have also made relieving the plight of the Rohingya Muslims in Burma a key priority. I visited Burma myself on 19 and 20 September where I met State Counsellor Aung San Suu Kyi and toured northern Rakhine state, the scene of the expulsion of hundreds of thousands of Rohingya. So far, scarcely any have been able to return. There remains a pressing need to ensure accountability for this tragedy.

Elsewhere, Britain joined our partners in the Chemical Weapons Convention to call a Conference of States Parties in The Hague on 27 June. Our diplomats helped to overcome Russian lobbying to win a vote that will allow the Organisation for the Prohibition of Chemical Weapons to attribute responsibility for any future chemical weapon attacks in Syria.

This reform will strengthen the global ban on chemical weapons, which is profoundly in the interests of UK national security.

Our network has also promoted British prosperity by assisting UK business

to secure some hugely significant deals. In 2018, a cross-Whitehall campaign helped BAE Systems to win the Australian Future Frigate contract worth £10 billion. On 28 June, Australia announced that nine Type 26 frigates would be constructed using UK designs, meaning that Britain will be a ship-building partner with Australia for the next 40 years.

On 9 February, Canada followed suit and chose the Type 26 frigate as the mainstay of its navy. Canada will build 15 ships, based on British designs, creating huge opportunities for UK companies.

Throughout this period, the FCO played its part in the negotiations over Britain's withdrawal from the EU. Our European diplomatic network has been supporting our colleagues from DEXEU. The FCO has led the negotiations on particular subjects, including Gibraltar and sanctions policy.

Our staff have been planning for the contingency of leaving the EU without an agreement, particularly with respect to the status of Britons living overseas.

Meanwhile, the Africa Directorate led the UK's response to highly sensitive elections in Zimbabwe, Nigeria and the Democratic Republic of Congo.

All of these episodes show that Britain's interests and influence span the world. Our aim is to keep the British people safe by taking forward a global foreign policy, in the best traditions of the FCO. The overarching aim is to preserve the international rules and institutions that were, in large measure, the joint creation of Britain and America after the Second World War.

In that spirit, we will also uphold the values of our country. This year, I will join the Canadian government to launch a global campaign to defend media freedom. The line that separates open from closed societies is whether journalists are able to hold the powerful to account without fear of retribution.

I have no doubt about the scale of the challenges that lie ahead. I am equally confident that the staff of the FCO will be more than equal to meeting them.

# Executive Summary – Permanent Under-Secretary

Sir Simon McDonald KCMG KCVO



**“Everything we do in the UK and around the world is driven by our determination to protect our people and our values, and ensure that our country prospers.”**

In an interconnected and uncertain world, the security and prosperity of the United Kingdom increasingly depends on action overseas. That’s why the Foreign and Commonwealth Office works across the breadth of government business—from helping victims of forced marriage to improving global patient safety, from securing market access in Taiwan for British pork producers to tackling those who launch cyber-attacks.

Day in day out around the world, our diplomats are fostering the relationships we need to call on in order to respond to security threats, to unlock economic opportunities and to help British citizens when they are in need.

This year, much of our work has focused on preparing to leave the EU, both in a deal and no deal scenario. We have delivered an extensive set of agreements for Gibraltar, supported the arrangements for other Overseas Territories and the Sovereign Base Areas on Cyprus, negotiated continued trade access with a number of third countries and prepared for implementing an autonomous sanctions policy. And above all, we have strived to ensure that UK nationals living in the EU retain the same rights as they now do and are informed about any action they need to take.

As we leave the EU, the Government is committed to reinvigorating our partnerships with Commonwealth countries. In April, the UK hosted the Commonwealth Heads of Government Meeting at which we ensured that important issues such as LGBT rights, modern slavery and climate change were discussed. We also secured endorsement from all 53 members for the goal of 12 years of education for every girl and the Government announced £212 million to support



over one million marginalised girls to access quality education and learning.

This is one of a number of global challenges that we tackled this year, from LGBT rights to climate change to modern slavery. In October, we worked with other Government departments to bring the illegal wildlife trade to the top of the international political agenda through a global conference in London. 65 countries signed the London 2018 declaration calling for trade in illegal wildlife to be treated as a serious organised crime, and for the closure of markets.

Protecting our national security, we built on the co-ordinated international response to Russia's use of a nerve agent in Salisbury by leading an international campaign to strengthen the global norm against chemical weapons. This led to the international community mandating the Organisation for the Prohibition of Chemical Weapons to attribute responsibility for the use of chemical weapons in Syria, sending a clear message that those who use chemical weapons cannot do so with impunity. And in the EU, we secured help to establish a new chemical weapons sanctions regime, and then used it to sanction nine individuals including the two Salisbury suspects.

We have also continued to help build a strong prosperity footprint across

the globe; helping to increase UK exports and showcasing the UK as a place for investment. Prosperity Fund programmes delivered by the FCO have supported inclusive economic growth, trade openness, and poverty reduction in middle-income countries. Programmes launched by the FCO in the last year include a £45m anti-corruption programme, and £34m to support economic reform and low carbon development in ASEAN.

While much of what we do can seem remote to people at home in Britain, 22,000 Brits who got into difficulty around the world received consular assistance last year. Our consular focus remains on prevention and the most vulnerable. We are also seeking to use smarter technology to make our service as efficient as possible, both for the customer and for us as an organisation, freeing up our staff to support those most in need.

All this can only be achieved through a global diplomatic network. This year, we agreed to expand the network so that, by the end of 2020, the FCO will have sovereign missions in 161 countries, more than any other European country. This will facilitate our efforts on the front line overseas as part of our diplomatic efforts; will strengthen our bilateral ties with key European partners and build strong relationships with EU neighbours; and will deliver a step change in our presence in Africa,

in order to deliver the ambitions of a truly Global Britain worldwide.

We have recruited on a scale unprecedented in recent years to support our ambitious diplomatic uplift and the demand for staff across Europe. This has been an opportunity to increase the diversity of our organisation. Of the 113 Higher Executive Officers and Executive Officers directly appointed this year, 67.9% are women and 21.4% Black, Asian and Minority Ethnic (BAME). To ensure we continue to attract high-potential candidates from BAME and low socio-economic backgrounds, our student outreach campaign involved 13 University Roadshow events across the UK, meeting around 800 students.

We are developing a network which represents the whole of the UK, celebrating its diversity, encapsulating our twenty-first century UK values and interests, and committed to delivering for British nationals across the globe. And, as this report shows, everything we do in the UK and around the world is driven by our determination to protect our people and our values, and ensure that our country prospers.

# Performance Report

## Overview

### Who we are and what we do



The FCO network in 2018-19: **270** posts in **169** countries & territories including in **9** multilateral organisations

The FCO network supports the whole of the UK government overseas. 31 Government partners rely on our global platform, including DfID, DIT and the British Council.

The FCO represents all parts of the UK, ensuring the international interests of the Devolved Nations are represented, delivered and advanced.

Our global network, of Embassies, High Commissions, Consulates and other offices, is integral in supporting the UK Government achieve its international objectives.

As we prepare for the UK's exit from the EU, we will support the UK Government and partners in securing the UK's future relations with EU member states and EU institutions, as we build a global Britain that is confident on the world stage.

# Our Objectives in 2018–19

## Protect our people

Safeguard our national security by countering terrorism, extremism, weapons proliferation, and other state and non-state threats in co-operation with allies and partners. Assist British people living, travelling and working around the world when they are most in need.

### PO1 Security Threats

- > Reducing threats to the UK and its interests overseas from Daesh, extremism and terrorism; weapons proliferation, focused on DPRK and Iran; and illegal migration and Serious and Organised Crime.
- > Raising the cost of malicious cyber activity and defending a free, open, peaceful and secure cyberspace

### PO2 Consular and Crisis Response

- > Providing high quality, accessible consular services globally, focused on those most in need.
- > Reducing preventable incidents affecting British people overseas through collaboration with partners and governments.
- > Responding rapidly to all overseas crises, leading cross-government action.

### PO3 Euro-Atlantic Security

- > Ensuring a strengthened, more cohesive NATO with increased defence contributions from European Allies and an effective Western response to Russian security challenges.
- > Supporting a more resilient European neighbourhood, including through hosting a Western Balkans summit in July 2018.
- > Building a distinct UK voice and strategy on wider Euro-Atlantic policy through a new security partnership with the EU, deepened bilateral/small group links with other Europeans.

## Project our global influence

Protect and promote the values and influence of Global Britain, strengthening our partnerships and the rules-based international system. Support good governance, democracy, rule of law and human rights; prevent and resolve conflict; and build stability overseas.

### PO4 Conflict and Stability

- > Strengthening the rules based international system, including more credible UN action to resolve conflict, working with the UNSG on reform.
- > Focusing UK effort on NSC priority countries, advancing political processes in Afghanistan, Syria, Libya, Yemen; supporting security, stability and good governance in the Middle East and Africa; and working to resolve the Rohingya humanitarian crisis

### PO5 Promoting UK Interests and Values

- > Championing democracy, human rights and the rule of law and addressing global challenges, including through campaigns on preventing sexual violence in conflict; reducing modern slavery and promoting female education.
- > Promoting human and environmental security through the London Illegal Wildlife Trade Conference in 2018, reducing threats to endangered species.
- > Deepening relationships between states and peoples, including through the Commonwealth Summit in April 2018 which agrees action to help build more prosperous, secure, sustainable and fair societies.

## Promote our prosperity

Promote our prosperity by opening markets, driving economic reform, championing British business, and supporting free trade and sustainable global growth.

### PO6 Europe

- > 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), Kimberley Process and Third Country Agreements.

### PO7 Economic Diplomacy

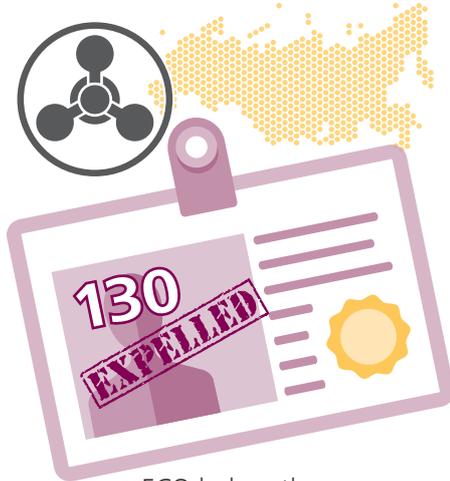
- > Showcasing global leadership of free trade and economic diplomacy, supported by a fully developed trade profession.
- > Reinforcing the WTO's role in global trade and deepening dialogues with future FTA partners.
- > Achieving, with DIT, the UK government's strategic vision to support UK exports and inward and outward investment.
- > Promoting economic development and security, clean and sustainable growth and better business environments in key markets.

### PO8 Overseas Territories

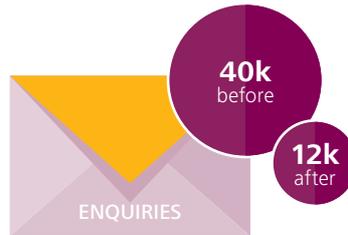
- > Building resilient OTs with good governance, increasingly diversified economies and prosperous communities, able to better prepare for and recover from crisis.

# The FCO in 2018-19

## Protect our people



FCO led on the **international response to the use of a Novichok** agent in Salisbury, which led to the expulsion of 130 Russian undeclared intelligence officers by 28 countries and NATO.



A new intelligent online enquiry form has reduced 40,000 consular enquiries to Embassy mailboxes to 12,000. With less than 1 in 10 needing to be escalated further, consular staff can **focus on helping those who need it most**.



FCO engagement with EU27 counterparts has **protected UK Nationals' rights**. All EU member states have given public assurances that UK Nationals may remain in the state they reside on exit day.

## Project our global influence



FCO-led **'Life After Daesh' campaign** worked to stabilise the region and maintain counter-terrorism assurance. Over 50% in the MENA region on a Facebook poll agreed the Global Coalition is helping.

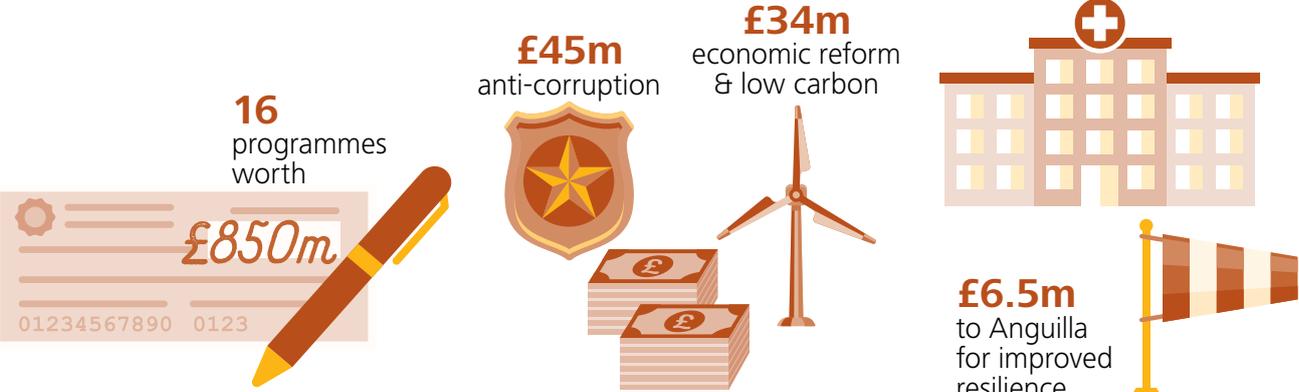


The **Illegal Wildlife Trade campaign** launched the United for Wildlife Financial Taskforce to help report illicit financial flows. So far, there have been 52 law enforcement investigations supported and 19 interdictions of suspect shipments.



1,790 scholars from over 150 countries joined the FCO-led Chevening programme last year. We now have an **alumni network of over 50,000 leaders** around the world making positive change in their communities and countries.

Promote our prosperity



**16 FCO-delivered Prosperity Fund programmes**, worth a combined £850 million, provide expertise and assistance in sectors and countries where there is high potential to support the inclusive economic growth needed to reduce poverty...

...which include a **£45m** Global Anti-Corruption programme, and **£34m** ASEAN economic reform and low carbon programmes.

We have continued to build **greater resilience** in the Caribbean Overseas Territories following Hurricanes Irma and Maria. Resilience funding in 2018-19 included 6.5m in Anguilla to refurbish the island’s only hospital.

Our global network

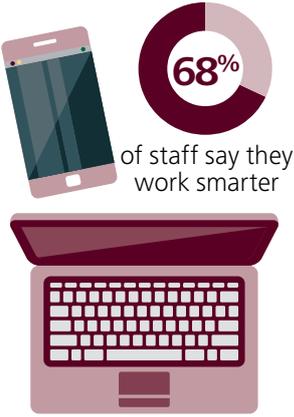
2018–19 Fast Stream entrants:



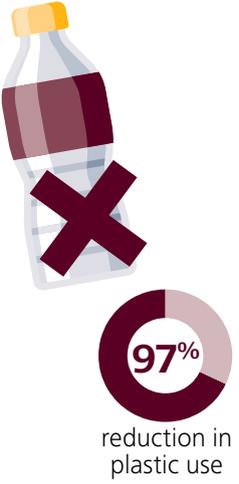
FCO believes that the better our workforce reflects the **diversity** of the country we represent, the stronger an organisation we will be. We have kept this in mind when recruiting this year.



By the end of 2020, the UK’s diplomatic network will have 1,000 more staff members and **sovereign missions in 161 countries**, more than any other European country.



The Tech Overhaul programme deployed over 20,000 new devices to 223 Posts across the FCO network. As a result, **68%** of staff polled reported they now work smarter.



The Beyond Plastics campaign to remove all plastics from our Estates has led to a **97% reduction in plastic use** in FCO UK buildings.

## Ministerial Visits in 2018-19

During 2018-19, the Foreign Secretary and FCO Ministers visited

**92** countries on **187** trips



The FCO Ministerial Team has visited 92 countries and territories this last year. From Yemen to Malaysia to Cuba, the Foreign Secretary and his team of Ministers have used their overseas visits to help deliver our international objectives, build relationships and secure agreements on key international and bilateral issues. Their engagement overseas continues to progress UK interests and demonstrate UK leadership on key international issues across the globe.

# Global Britain

Global Britain is the UK's strategic response to a challenging and rapidly changing global environment, strengthening our influence on the world stage to promote our prosperity and security. It is about projecting the UK as a world class economy; a free, fair and tolerant society; an active and responsible country; and a global power.

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Alongside our exit from the European Union, there are other global trends that are significant for UK interests, including the eastward shift of the global centre of economic gravity; technological transformation; the challenges to liberal democracy; and the threat from climate change. These require us to adapt how we use the wide array of world-leading diplomatic, defence, security, development, trade and soft power assets and capabilities to deliver UK interests and ensure that we retain our influence.

Last year, we worked with colleagues across Government to use this range of capabilities to tackle the increasingly complex global challenges that we face, including by:

- » **Leading** an international campaign to strengthen the global norm against the use of chemical weapons
- » **Promoting** human and environmental security by hosting the largest conference to date aimed at eradicating the illegal wildlife trade
- » **Investing** in the capabilities we will need in a changing world, through announcing the UK's largest diplomatic expansion in a generation that will create the broadest network of sovereign missions of any European country.

We are enhancing our links with the world's fastest-growing economies as well as with our traditional partners in the Commonwealth and Europe. We are increasing our representation to multilateral organisations and our links with key regional organisations, ensuring that UK expertise supports the international system to update the international rulebook so it's fit for today and tackling the global challenges that will affect the next generation.

And in a cross-government effort to co-ordinate Global Britain activity, the 2018 National Security Capability Review established a way forward to ensure strategic coherence and apply the Fusion Doctrine as a platform for strengthening HMG's collective approach. An FCO-chaired Board brings together over a dozen Departments and Agencies to drive delivery of the Global Britain agenda with a focus on the rules-based international system, soft power and influence, and an open, innovative and welcoming economy.



# Performance Analysis

## Protect our people

Safeguard our national security by countering terrorism, extremism, weapons proliferation, and other state and non-state threats in co-operation with allies and partners. Assist British people living, travelling and working around the world when they are most in need.

### Priority Outcome 1: Security Threats (partially achieved)

#### Safeguarding our national security in co-operation with allies and partners

Reduce threats to the UK and its interests overseas from Daesh, extremism and terrorism. Limit impact of cyber threats to the UK and our interests overseas, including from hostile state activity. Constrain weapons proliferation.

##### Overview

In 2018–19, the FCO remained at the centre of the UK-security architecture, as we co-ordinated with other government departments, and international partners to respond to threats.

The FCO leads the Counter Daesh Communications Cell, which undermines Daesh propaganda through strategic communications campaigns and it played a leading role in March 2019 co-ordinating messaging for all the coalition partners, when the last remaining territory held in Daesh in Syria was liberated.

We raised the cost of malicious cyber activity by attributing a campaign of cyber-attacks to the Russian government.

We led on the disruption of serious and organised crime, in line with the government's new strategy.

We demonstrated commitment to the Iran nuclear deal, worked to renew international commitment to the global ban on chemical weapons' use, and supported the push to attribute responsibility for chemical weapons use in Syria.

##### Progress 2018–19

###### *Reducing threats from Daesh, extremism and terrorism*

The FCO has supported government efforts to reduce risk from international terrorism and continues to focus on the ongoing threats we face from Daesh and Al-Qa'ida.

As part of a full-spectrum government approach, the FCO-led Counter Daesh Communications Cell co-leads (with the US and UAE) the strategic communications line of effort for the Global Coalition. The cell is a unique, multi-national team which uses a range of communication tools to tackle Daesh's propaganda and reduce its capability to recruit, incite attacks and inspire support. Arabic channels (especially Facebook) have seen measurable growth in advocacy for Global Coalition causes, such as rebuilding infrastructure, opening schools and hospitals.

This year, the Global Coalition and its partner forces on the ground succeeded in defeating the remaining physical presence of Daesh in Syria.

More broadly, the UK government shaped the bi-annual review of the UN Global Counter-Terrorism Strategy, which was adopted in June 2018. We

worked hard with partners to maintain global agreement on the importance of UK counter-terrorism priorities:

- » Preventing Violent Extremism (PVE)
- » Improving aviation security
- » Preventing terrorist use of the internet (PTUI)

We also secured an updated approach to tackling foreign terrorist fighters (FTFs) to reflect the changing threat.

The FCO has played a leading role in the cross-government campaign to raise the global standard of aviation security, and secured security as a main theme for the 2019 triennial International Civil Aviation Organisation Assembly.

We have increased our counter-terrorism resources in Nigeria, Tunisia and Iraq in the last year. In August 2018, the Prime Minister signed a security and defence pact with President Buhari during her visit to Nigeria, which aims to help the country combat terrorism through better military training and anti-terrorist propaganda techniques developed in the UK. This reinforced the UK's determination to work closely with Nigeria to help fight terrorism, reduce conflict and lay the foundations for future stability and prosperity for both countries.



### In focus: Counter Daesh—fighting propaganda

Despite the historic success of the defeat of all Daesh territory, its fighting force and ideology is far from deterred and will remain the most significant terrorist threat to the UK and our interests overseas in the years ahead. Following territorial losses, Daesh are recalibrating and prioritising their propaganda effort, while reconstituting into a capable insurgency-style group in Iraq and Syria.

The UK, as lead for the Global Coalition against Daesh's efforts to tackle the group's propaganda, has adapted its approach through the C-Daesh Comms Cell by:

- » working with the international community to speak as one voice
- » building resilience to propaganda among vulnerable populations
- » shaping the public narrative to undermine Daesh's propaganda

The FCO's research-led campaign efforts have focused intensively on communicating progress in stabilising communities and areas liberated from Daesh. This is done through building local credible voices as the military campaign nears its end.

The 'Life After Daesh' campaign was just one part of this. Nearly 300 case studies were commissioned that illustrated examples of successful stabilisation projects. They show how liberated areas are slowly coming back to life, with people enjoying culture, practising their traditions and earning a decent living again. The campaign was amplified by our global coalition partners and local media in the region, and focused on demining, culture, education, healthcare, entrepreneurs and women's roles in peacebuilding.

It has also been picked up on in news reports, helping increase the reach of the message beyond the military campaign. Our Facebook poll revealed that more than 50% in the MENA region agree the Coalition is having a positive impact.

We have also increased our resources in Tunisia, with staff from numerous departments and agencies co-ordinated through the Counter Terrorism and Extremism Network. They help to build capacity in the security sector and support continued development of key security agencies.

In Iraq, we have focused on building critical relationships and understanding the weaknesses of the current system.

### Limiting impact of threats to UK and our interests overseas

The FCO has been using measures across the network to disrupt serious and organised crime (SOC) in line with the government's new SOC strategy. The strategy was published on 1 November 2018 and sets out a step change in the way that the UK will tackle this threat. It aims to protect our citizens and prosperity by leaving no safe space for SOC criminals—within the UK and overseas, online and offline—and requires the whole of government delivery for its implementation.

Overseas, the FCO has used its network to establish 56 FCO-led Joint Serious and Organised Crime (JSOC) Platforms in Posts. We also supported the deployment of a cadre of 18 overseas SOC policy co-ordination officers across the network.

The impact of this support has included:

- » A drug seizure in Ghana of high grade cannabis heading to the UK, valued at £29.2 million.
- » Saving the UK Treasury in excess of £140 million in Warsaw alone, mainly through seizure of counterfeit cigarettes.
- » Four Filipino perpetrators arrested and 16 victims of Online Sexual Exploitation of Children or at risk of abuse rescued and safeguarded, as a result of five enforcement operations.

In January 2019, the Foreign Secretary set out the importance of deterrence in the cyber age, making it clear that we must impose a price on malicious cyber activity. Through the UK's efforts to raise the cost of malicious cyber activity and defend a free, open, peaceful and secure cyberspace, we have



achieved a step-change in international resolve to confront malicious cyber activity and promote the rules-based international order. We now call out, with allies, malicious cyber activity by the Russian GRU and China's Ministry of State Security. For example, in October 2018, the UK government attributed a campaign of reckless and indiscriminate cyber-attacks to the Russian government, specifically the GRU. It included WADA, DNC and BadRabbit ransomware and an attack on a UK-based television station. 19 partners, the EU and NATO joined us in calling this out.

### **Constraining weapons proliferation**

#### **Nuclear weapons**

We have continued to work to constrain nuclear weapons proliferation, specifically focused on Iran and North Korea.

The UK has played a vital role with our E3 partners (France and Germany) in helping to maintain the Iran nuclear deal (Joint Comprehensive Plan of Action, or JCPOA) following the US withdrawal. The deal is crucial to our national security as it prevents Iran from developing nuclear weapons.

As part of our standing commitment to the nuclear deal, we have created a new tool to support trade relations with Iran and the delivery of sanctions relief—the so-called Instrument in Support of Trade Exchanges was registered on 31 January 2019. This is an E3-led special purpose vehicle to support trade relations with Iran and the delivery of sanctions relief.

Through public and private communications, using key moments such as the US withdrawal and re-impositions of US sanctions, we affirmed to international and domestic audiences the UK's commitment to the JCPOA as a crucial tool in neutralising the threat of a nuclear-armed Iran.

Following the US's withdrawal, the UK became co-chair (with China) of the Arak Modernisation Project to ensure the conversion of an Iranian nuclear reactor to a proliferation-resistant design.

Despite US withdrawal and US sanctions, which continue to put JCPOA under pressure, we have successfully worked to preserve the deal: Iranian compliance has been confirmed by successive International Atomic Energy Agency reports.

As well as successfully co-ordinating the joint E3 response to US

withdrawal, we also conducted sustained engagement with US stakeholders to protect our wider relationship. We also highlighted areas of common focus in tackling Iran's aggressive missile development programme and destabilising behaviour in the region.

We have also led the UK government's efforts aimed at achieving the denuclearisation of the Democratic People's Republic of Korea (DPRK) through negotiation.

We continued to report and analyse developments inside the country through our Embassy in Pyongyang. We worked with our international partners to support the US strategy of negotiation and continued pressure. We made available the unique technical expertise of our military, nuclear and energy establishments to help prepare for a future denuclearisation process.

We have led campaigns that target DPRK efforts to generate illicit revenue through the use of overseas labourers and cyber-crime. We also engaged our world-leading maritime industry to block DPRK efforts to evade international sanctions. Since mid-2018, four UK ships have joined US-led operations to monitor and deter illegal DPRK shipping activity.

### **In focus: Countering chemical weapons attacks**

Using the Fusion Doctrine, the FCO led on the international response to the use of a Novichok nerve agent in Salisbury, and obtained significant support for our assessment that Russia was responsible for the attack.

In April 2018, the FCO used its experience of dealing with the Salisbury attack to support the Dutch government in exposing Russia's malign cyber activity against the Organisation for the Prohibition of Chemical Weapons (OPCW) headquarters.

The UK also secured a decision which condemned the use of chemical weapons globally, including in Salisbury, and empowered the OPCW to attribute responsibility for chemicals weapons used in Syria and to assist others in attributing responsibility for chemical weapons attacks elsewhere. This was supported overwhelmingly and adopted by 82 votes to 24.

A coalition of countries publicly condemned Russia's violation of the rules-based international system in Salisbury and on other occasions. As a result of the UK's encouragement, 28 other countries and NATO expelled a total of 130 Russian undeclared intelligence officers.



### In focus: Cyber-wing of National Crime Agency-mentored Child Protection Unit



The Prime Minister meets with President Kenyatta in Kenya

Western paedophiles have long exploited the vulnerability and poverty of Kenyan children. Within Kenya, child protection remains weak, and abuse and exploitation rates in some school and communities are troublingly high. In August 2018, the Prime Minister announced, during her visit to Kenya, further UK Conflict, Stability and Security Fund (CSSF) funding to build a cyber-wing for the Anti Human Trafficking and Child Protection Unit in Africa.

The Kenyan authorities take these issues seriously, but their capacity remains low. This unit, established with National Crime Agency mentorship, CSSF and other funding, is the first dedicated unit in Africa.

It has already safeguarded over 400 children, allowed abuse victims to give evidence to a UK court over video link from Kenya for the first time, and rescued a number of human trafficking victims.

The cyber-wing will allow Kenyan authorities for the first time (and uniquely in Africa) to investigate and prosecute internet-based child abuse.

The unit has demonstrated the catalytic impact of UK funding. The cyber-wing costed £30,000 alone of CSSF funding, but this leveraged greater contributions from elsewhere. The Kenyan authorities provide a strong team to the unit, who work with us to tackle threats originating in Kenya aimed at UK interest. Just as importantly, they tackle threats from the UK to Kenya, such as abusers from the West who prey on the most vulnerable.

In the UN Security Council, EU bodies and human rights forums, we have spoken up for the rules-based international system and taken action to enforce the rules by leading an international lobbying campaign against DPRK sanctions evasion and illicit activities.

### Chemical weapons

On 7 April 2018, the Assad regime attacked the Syrian city of Douma with chemical weapons, resulting in the deaths of up to 75 people. The UK, with our US and French allies,

conducted airstrikes against chemical weapon facilities in Syria on 14 April 2018. This was to alleviate the extreme humanitarian suffering on the Syrian people by degrading the Syrian regime's chemical weapons capability and deterring their further use.

The FCO followed up this military action with a co-ordinated international engagement strategy which delivered robust international support for these strikes, including statements from the EU, G7 and key leaders. Importantly, there has since been no credible recorded

use of chlorine or sarin as a weapon by the Assad regime.

In June 2018, we secured a special Conference of State Parties, to the Chemical Weapons Convention (CWC), which condemned the use of chemical weapons in Syria by the Assad regime, in the UK and Malaysia, and in Iraq and Syria by Daesh.

With an unprecedented turnout of 151 countries, it showed how the UK's global network is able to respond rapidly, flexibly and influentially.

The conference mandated the Technical Secretariat of the OPCW to put in place arrangements to identify the perpetrators of the use of chemical weapons in Syria and invited the Director General to submit proposals to strengthen implementation of the CWC verification regime.

The UK, lobbying alongside key partners, thwarted attempts by Russia, China, Iran and Syria to reverse the decision to provide budgetary funding for the new Syria attribution arrangements. This sent a clear signal of broad-based commitment to upholding and strengthening the CWC and the ban on development, production, stockpiling and use of chemical weapons.

In the EU, we have been working with EU partners to establish new measures to respond to the use of chemical weapons in Syria, Iraq, Malaysia and the UK—the first use of chemical weapons in Europe since World War 2.

A new chemical weapons sanctions regime, adopted on 15 October 2018, will enable an asset freeze and travel ban to be imposed on those involved in the use and proliferation of chemical weapons, regardless of nationality or location. On 21 January 2019, the EU added nine individuals and one entity to the regime. This included those involved in the proliferation and use of chemical weapons in Syria, and members of the GRU responsible for the use of a nerve agent in Salisbury in March 2018.

## Priority Outcome 2: Consular (achieved)

# Assisting British people living, travelling and working around the world when they are most in need

Provide high quality, accessible consular services globally, focused on those most in need. Respond rapidly to all overseas crises, leading cross-government action. Reduce preventable incidents affecting British people overseas through collaboration with partners and governments.

### Overview

The FCO provided assistance to over 22,000 British people in new cases around the world, and ongoing support to 7,700 existing cases. We responded to 14 major incidents overseas, from terrorist attacks and natural disasters to high-profile political and security issues.

We have continued to deliver against our strategy: 'Helping British People Overseas: Consular Services 2016 to 2020'.

We continued to invest in our network of consular staff and took forward the transformation of our digital services.

Our communications campaigns helped British travellers avoid preventable problems.

We prepared for a possible no-deal exit from the EU, including drawing on a new cadre of 550 crisis-ready staff across the FCO.

In the run-up to the planned EU Exit date, we continued to support British people living across Europe by providing reliable information.

### Progress in 2018–19

Our consular services are available around the world, 24 hours a day, 365 days a year.

Our global consular contact centres in Malaga and Ottawa now handle all consular telephone enquiries to the FCO in London and to our embassies and consulates overseas, including emergency calls out of hours.

### *High quality assistance focused on those most in need*

FCO's support to vulnerable British nationals overseas is tailored to the circumstances of the individual, and can be life-changing for those we assist. In July 2018, a young boy was reunited with his mother in the UK, having been abducted to Egypt by his father in August 2014. We maintained regular contact with his mother,

### In 2018–19...



We assisted **1,240** British victims of crime



We helped **3,653** British nationals who were hospitalised...



...and **5,452** who were arrested or detained



We supported families of **4,218** people who died overseas



We had over **22,000** new consular cases



We took over **350,000** calls



We answered calls, on average, in **7 seconds**



We issued almost **30,000** emergency travel documents

### In focus: Modern slavery in Magaluf

In 2017, the consular team in Palma de Mallorca raised concerns about vulnerable young people approaching the Consulate, who had had their passports retained by their employers in Magaluf while working in bars in the resort. Using funding from the Consular Programme Fund, research was conducted by the Universidad Europea in Madrid. This discovered that the ticket touts (known as 'Public Relations' PR workers) were a highly vulnerable category and potential victims of modern slavery due to their working conditions and treatment.

Working alongside UK Border Force and the British charity Unseen, we devised and launched a programme to highlight the risk to young people looking to work abroad. Known as Operation Karetu, the programme sought to:

- » safeguard vulnerable young people and adults from labour exploitation and trafficking while working abroad
- » enhance information and intelligence sharing with key strategic partners
- » develop intelligence from partners and members of the public to increase understanding of the scope of the problem of this type of labour exploitation
- » proactively engage with the media to raise awareness amongst the travelling public and encourage them to report risk

The programme ran last summer across 19 UK airports, such as Aberdeen, Belfast, Manchester and Heathrow. We selected outbound flights to Palma de Mallorca at the departure gates and engaged with the public by raising awareness of potential exploitation to British nationals while abroad. As a result of Operation Karetu, Unseen reported that in June 2018, they received 650 calls, the highest number since October 2016. The Campaign also helped us with local lobbying in the resort, with the Spanish Regional Government and Guardia Civil agreeing to carry out 40 additional work inspections on bars potentially linked to the exploitation.

In conjunction with Operation Karetu, the British Embassy in Madrid ran a communications campaign and funded a vlog by Jasmine Clough, entitled 'Travel tricks, tips and essentials for 2018.' It launched on 25 May 2018 to amplify government's modern slavery campaign messaging, and targets UK audiences between the ages of 18 and 25.



put her in touch with Reunite and legal support, and arranged for the Foreign Secretary to speak to his Egyptian counterpart. The dedication of the mother, consular staff at our Embassy in Cairo, the ambassador, and the Egyptian authorities, ensured a safe reunion. They are now able to rebuild their life in the UK.

Shortly after the Sousse attack on 26 June 2015, the then Prime Minister announced funding for a memorial to be dedicated to the 31 British people who lost their lives and all those affected by the Sousse and Bardo terrorist attacks in Tunisia. Many family members who attended the ceremony, where the memorial was unveiled by the Duke of Sussex on 4 March 2019, commented on the support they had received from the FCO and the memorial's importance in reminding everyone that the victims and their families had not been forgotten. FCO took a consultative approach, engaging with families on the location, look and feel of the memorial. The communication maintained with families and stakeholders throughout the three-year project was critical to its success.

### Preventing consular incidents

Last year we ran in-country initiatives to help reduce preventable incidents and ensure that incidents that do occur can be dealt with more effectively.

For example, in 2018–19 we worked with music festival organisers in Croatia to reduce drug-related incidents by 60% and lost passports by 40% at festivals.

In January 2019, we increased support to victims of forced marriage and female genital mutilation, helping them return safely to the UK. Victims of forced marriage who are helped to return to the UK by the Forced Marriage Unit will no longer be asked to take out a loan for their repatriation costs, and



Sousse and Bardo memorial in Cannon Hill Park, Birmingham (unveiled in March)

victims with outstanding loans will have no further cost fall to them.

We have worked with the charity Women's Aid to provide advice to victims of domestic abuse overseas and have updated the advice and guidance we give to the families of British people who go missing abroad. We completed an in-depth review of our assistance to the families of victims overseas of murder and manslaughter which will inform improvements in our service in the coming year.

### *Responding rapidly to overseas crises*

In addition to delivering a rapid, co-ordinated crisis response to 14 major incidents, we have continued to work closely with the whole of government to ensure we are in the best position to respond to overseas crises that can occur at anytime and anywhere. We have worked with partners across government, including the Cabinet Office, DFID and MOD, to develop contingency plans for high risk areas. These include hurricane response in the Caribbean, elections in the Democratic Republic of Congo, tensions over North Korea's nuclear programme and continued unrest in Venezuela.

In response to the destructive Lombok earthquake in Indonesia on 5 August 2018, consular staff at Post in Bali were immediately deployed to the area and later joined by three additional regional staff, of which two were Bahasa speakers, and a six-person Rapid Deployment Team. Embassy staff worked closely with Indonesian authorities, encouraging them to scale up their emergency response. They liaised with EU, Five Eyes and other diplomatic colleagues who were deployed to Lombok to assist their nationals. Between 5 and 8 August, the FCO received over 650 calls about British nationals impacted or potentially impacted by the earthquake, resulting in 353 entries on our Crisis Hub. Teams in London and Indonesia worked

### **In focus: 2018 World Cup**



Deputy Head of Mission Moscow Lindsay Skoll with England Football Manager Gareth Southgate

The FCO was committed to deliver a safe and secure World Cup in Russia 2018 for the estimated 25,000 British fans visiting. This was particularly challenging following the Salisbury attacks and the subsequent expulsion of a large part of our Moscow embassy team.

We built on lessons learned from previous tournaments to ensure supporters and partner organisations were as prepared as possible for a safe trip to some remote parts of Russia. We deployed staff from our London rapid deployment team as well as consular staff from our European and former Soviet Union networks.

Preparations began two years in advance, and our #BeOnTheBall media campaign was viewed 60,000 times, reaching almost every fan who travelled. Collaboration with key stakeholders, such as the Football Association, helped raise awareness. We expected one consular case per 100 visiting fans. But, thanks to our successful campaign, we had only one consular case per 500 visiting fans—a total of 50 consular cases among some 25,000 British nationals.

### *Russia World Cup 2018 consular response*



**3300** fan cards distributed



**700,000** unique views of our Russia travel advice



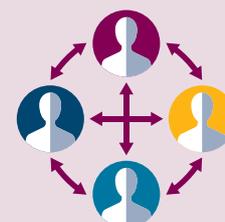
**40** million reached across all UK in Russia channels



We handled **50** new assistance cases



Cases included **5** hospitalisations, **6** arrests and **1** death



Staff from **16** countries supported our response

quickly to locate individuals and by the close of the crisis on 9 August, all crisis hub entries were marked safe apart from a small number of British nationals who we were assisting.

We continued to support UK nationals in Europe during our preparations for a possible no-deal exit. We expanded our campaign to provide information on the rights and status of UK nationals living and traveling in the EU before and after the UK's exit. By the end of March 2019, our online 'living-in guides' were receiving 120,000 visits each week and reached a total of 1.9 million unique page views during 2018–19. Our campaign included information about potential changes as a result of the UK's exit, such as impacts on passport validity and advice to help British residents in EU countries. We worked with over 30 travel, consumer and insurance partners to provide information to travellers before they visit the EU.

### ***Providing high quality, accessible consular services globally***

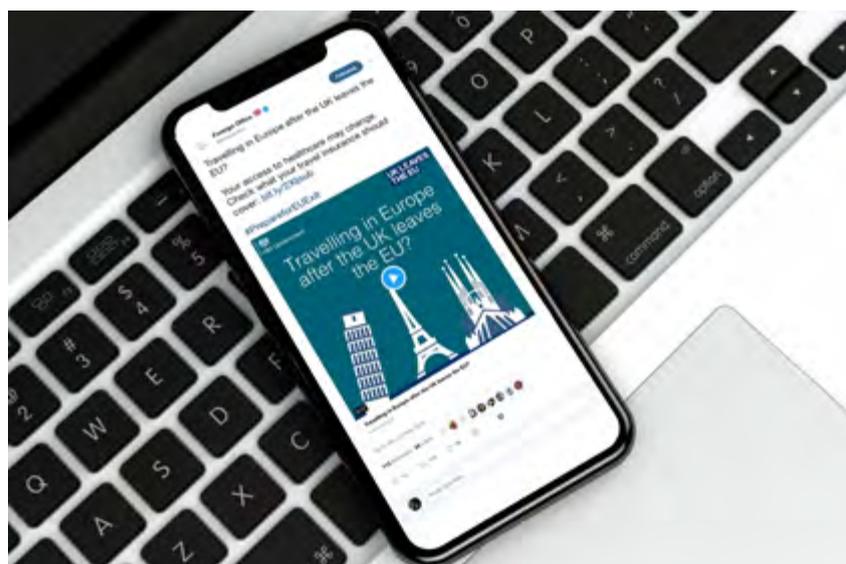
#### **Online enquiries**

During 2018, we launched a new intelligent online enquiry form for consular customers on GOV.UK. Users are directed to the right online advice and, if this does not answer their question, staff at our contact centres will respond. This allows us to respond consistently and professionally to British people who need help.

With customers directed to easy-to-find and relevant answers, monthly email enquiries have dropped from roughly 40,000 to 12,000 online. And 90% of enquiries are answered without escalating to an embassy for reply, so consular staff can focus on helping those who most need our help. The efficiency of this new process means that its full cost will be repaid within a maximum of 18 months in reduced staff time.

#### **Travel advice**

Our travel advice provides tips to help British people prepare for trouble-



free travel. We worked with our TravelAware partners including ABTA and tour operators to ensure that more holiday makers know how to find our advice: the online pages were viewed more than 44 million times in 2018–19.

British people living, working or travelling overseas currently have more than 1.3 million subscriptions to receive country specific updates to our travel advice.

#### **Emergency travel documents**

We issued 29,766 emergency travel documents (ETDs) in 2018–19 to British people whose passports were lost, stolen or expired overseas. Updates to our digital systems mean that, for straightforward applications, the whole process can now be completed online—including uploading documents and photos, and making payments. Customers only have to visit our embassy or consulate to collect their ETD, and 94% of applicants are taking advantage of this new flexibility.

A new centralised ETD processing centre in Madrid ensures we are able to provide consistent decision-making for sensitive border documents, while meeting our public commitment to process completed straightforward applications within two working days. The centre has freed up embassy staff to focus on prevention and providing assistance to vulnerable people.

Over the past year, 82% of consular customers interviewed reported

that they were satisfied or highly satisfied with our service, exceeding our target of 80%. We received 3,397 compliments and 166 complaints, a ratio of almost 20:1.

We continue to work to improve our services.

#### **Building capacity**

We have continued to train and exercise our staff in London and our Posts overseas to be ready to respond to crises. Overseas, our network of regional crisis advisers have visited over 50 Posts for capacity building, reaching over 3,000 staff in our network. We continued to develop our response capability in London including through a high-tech upgrade to audio-visual systems in the FCO's crisis centre.

Implementing lessons from the 2017 hurricanes, we have trained 20% of all FCO staff in London (about 550 people) as a crisis-ready resource. We adapted our crisis response structures to ensure we had robust preparations in place for a possible no-deal exit from the EU in March 2019. This included conducting our largest crisis exercise to date involving over 30 EU and European Free Trade Association Posts.

Priority Outcome 3: Euro-Atlantic Security (partially achieved)

## Strengthening Euro-Atlantic Security

Ensure a strengthened, more cohesive NATO with increased defence contributions from European Allies and an effective Western response to Russian security challenges. Support a more resilient European neighbourhood. Build a distinct UK voice and strategy on wider Euro-Atlantic policy through a new security partnership with the EU, deepened bilateral links with other Europeans, and a renewed dialogue with the US.

### Overview

The UK’s contribution to the NATO Summit, Western Balkans Summit, and Ukraine Reform Conference demonstrated our commitment to Euro-Atlantic policy and these key partnerships. We reinforced the UK’s position as the leading European ally within NATO, and achieved a substantial package of UK policy objectives to ensure NATO is capable of responding to the latest threats facing the Alliance. We worked to support a more resilient European neighbourhood, explored new ways to respond to changing security threats, and confirmed that European defence and security will remain a priority.

### Progress in 2018–19

#### *Ensuring a strengthened, more cohesive NATO*

Over the past few years, NATO has initiated the most significant strengthening of its collective defence in a decade, including increased resilience against hybrid and cyber threats and an increased role in the fight against terrorism. The UK has played a leading role in the alliance, driving forward policy in line with our NATO strategy. The FCO has aided cross-Whitehall efforts through our joint Euro-Atlantic Security Policy Unit, and our overseas network, including our delegation to NATO.

The NATO Brussels Summit 2018 helped to reinforce the UK’s position as the leading European ally within NATO, achieving a substantial package of UK policy objectives.

The FCO was critical in leading the international lobbying effort needed to secure substantive policy outcomes, in agreement with NATO allies. This lobbying played a vital



2018 NATO summit in Brussels

#### **In focus: Demonstrating the UK’s commitment to NATO**

The NATO Summit, which took place in July 2018, was an opportunity for the FCO to demonstrate the UK’s commitment to NATO and the alliance’s role as the bedrock of European security.

As part of his tour of allied capitals ahead of the summit, the NATO Secretary General, Jens Stoltenberg, also visited the UK in June, with the aim of building consensus on certain issues, particularly burden sharing. The FCO recognised this opportunity to discuss key issues and showcase UK commitment to NATO as well as reinforce our position as the leading European ally.

We approached the 2018 NATO Summit knowing it was potentially the last gathering of NATO heads of state and government before EU Exit. Working with MOD and other government departments, we drove the agenda themed on a modern, unified NATO, ready to face new global challenges and deliver against its commitments.

The FCO, engaging with NATO allies both at Post and London missions, and across Whitehall, delivered UK policy objectives and led on the international lobbying effort to secure substantive policy outcomes in agreement with NATO allies. The NATO Secretary General’s visit also helped to move forward key decisions to be taken at the NATO Summit. The summit cemented deliverables that:

- » strengthen deterrence and defence
- » reinforce the transatlantic bond
- » increase NATO’s contribution to stability and the fight against terrorism
- » help progress towards fairer burden-sharing

The UK committed to:



**100** new posts to the NATO Command Structure, taking our commitment to over 1,000 UK Service Personnel.



**440** additional troops into the UK-led Kabul Security Force, making us the third highest contributing nation.

role in ensuring a strengthened, more cohesive NATO with increased defence contributions from European allies and an effective Western response to Russian security challenges.

In June 2017, the UK became the first NATO member to volunteer its sovereign offensive cyber capabilities to NATO. Building on this, the UK led efforts to develop a mechanism to integrate sovereign cyber capabilities into alliance operations and missions. The mechanism was endorsed by allies at the NATO Summit 2018.

The UK will host the second NATO Cyber Defence Pledge Conference in London in May 2019. The UK has also worked closely with the EU to develop and use the EU Cyber Diplomacy Toolbox. The UK secured EU agreement to introduce a cyber-sanctions regime, and agreed with NATO how to integrate sovereign cyber effects within a framework of strong political oversight.

The FCO has worked to develop EU defence and security policy in a way that complements NATO, in line with our EU Exit objectives. The UK fully accepts and respects the EU's decision-making autonomy, but we think it is an important test of how EU defence initiatives develop that they should support NATO's role, not duplicate it—especially as after EU Exit, non-EU countries will provide 80% of NATO's spend.

We have worked closely with other government departments to draft a future partnership agreement with the EU on the Common Security and Defence Policy. We have been consistent in our calls for coherence on defence capabilities so that EU defence initiatives, including the European Development Fund and Permanent Structured Co-operation help the EU do more for its own security and not cut across NATO.

### ***Establishing a distinct UK voice on Euro-Atlantic policy through a renewed dialogue with the US***

The UK and US continued to work together intensely across the range

of security issues. This involved extensive ministerial contact, including three Foreign Secretary visits to Washington and President Trump's working visit to the UK. In addition to this intense day-to-day co-operation, the two governments put in place an overarching six monthly UK-US strategic dialogue involving the Foreign Office, MOD and National Security Secretariat to deepen bilateral co-operation on foreign, defence and security issues, and provide a forum in which to discuss longer-term challenges. The first meeting took place in November 2018 and the next one is scheduled for July 2019.

### ***Supporting a more resilient European neighbourhood***

FCO Conflict, Stability and Security Fund (CSSF) programmes have also sought to strengthen peacebuilding and resilience of conflict-affected communities in Ukraine. Through CSSF programmes, over 111,000 Internally Displaced Peoples received necessary assistance from our network of 23 Liaison Officers across Ukraine to resolve the rights of conflict affected peoples and establish more integrated communities. CSSF support also increased capacity and developed strategies in key ministries.

The Prime Minister's visit to Skopje in May 2018 demonstrated her support to Greece and (the then) Macedonia to resolve the long-standing name issue dispute. At the NATO Summit in July 2018, Macedonia was issued an invitation to start accession talks in a clear sign that NATO's Open Door policy continues and can help spread stability in the Euro-Atlantic area. The UK looks forward to welcoming the newly named North Macedonia as NATO's 30th member.

### **In focus: Western Balkans**

In July 2018, the Prime Minister hosted European and Western Balkans leaders at the Berlin Process Western Balkans Summit in London. She announced an increase in UK funding for the Western Balkans from £40 million in 2018-19 to £80 million by 2020-21, and the doubling of staff working across the region.

Further commitments included deployment of HMRC experts to help financial investigation units, Chevening Fellowships for mid-career law enforcement professionals, and investment in the region's cyber capability. Leaders signed landmark declarations addressing post-conflict legacy issues (war crimes, missing persons, good neighbourly relations) and agreed unprecedented collaboration in our joint response to shared security threats. The summit involved strong contributions from 140 youth advocates and civil society representatives from the region who took part in a debate with foreign ministers and spotlight events on media freedom and avoiding discrimination.

We launched the British Council's 21<sup>st</sup> Century Schools project—the biggest commitment any country has ever made to education in the Western Balkans and the future of its young people. Across the region, education is poorly aligned to labour market needs and jobs lie empty because of a lack of people with IT and digital skills. The CSSF-funded £10 million, three-year programme, aims to give one million 10-to-15-year-old students across the Western Balkans critical thinking, problem solving and coding skills. It will provide training in over 4,500 schools across all six Western Balkans countries, giving access to a digital education and improving the quality of primary education.

21<sup>st</sup> Century Schools photo: Jasir Beqiri, Kosovo



# Project our global influence

Protect and promote the values and influence of Global Britain, strengthening our partnerships and the rules-based international system. Support good governance, democracy, rule of law and human rights; prevent and resolve conflict; and build stability overseas.

## Priority Outcome 4: Conflict and Stability (partially achieved)

### Strengthening the rules-based international system and supporting security, stability and good governance

Strengthen the rules-based international system, including more credible UN action to resolve conflict, working with the UNSG on reform. Focus UK effort on NSC priority countries. Advance political processes in Afghanistan, Syria, Libya, and Yemen. Support security, stability, and good governance in the Middle East and Africa. Work to resolve the Rohingya humanitarian crisis.

#### Overview

The FCO worked to protect the rules-based international system and ensured the UK remained a global leader promoting international peace and security.

The UK Government's cross-departmental Conflict, Stability and Security Fund (CSSF) provides important development and security support to countries which are at risk of conflict or instability. The FCO plays a unique role within the CSSF and makes a critical contribution to its work tackling the global challenges too big for any one department. The FCO both delivers the majority of CSSF programmes, and co-ordinates wider cross-government efforts at the country and regional level, drawing on its deep foreign policy expertise to do so.

Bringing together our bilateral and multilateral diplomacy we worked towards supporting security, stability and good governance across the Middle East, Asia and Africa.

We secured the safe evacuation of the White Helmets in southern Syria, and celebrated with the Global Coalition the liberation of former Daesh territory.

The Foreign Secretary and Permanent Under-Secretary visited Burma to underline our condemnation of the atrocities against the Rohingya, and have given full support to the UN-led political process in Yemen.

#### Progress 2018–19

The UK remains a committed permanent member of the UN Security Council, continuing to uphold its responsibility to maintain international peace and security.

The FCO has pursued a three strand approach to address the threats to the international order, outlined by the Prime Minister at the UN General Assembly in September 2018:

- » demonstrating leadership in building broad coalitions to defend core elements of the international system, while pushing the UN to deliver leadership on international security
- » advocating for reform of a wide range of international organisations, such as the UN, World Trade Organisation, and NATO, to ensure it delivers effectively for people, and, in doing so, retains or regains public trust
- » working with partners to develop new norms and best practice in emerging areas of

international interest, such as new technologies and space

The UK worked closely with the UN Secretariat to agree the Declaration of Shared Commitments on UN Peacekeeping Operations. The declaration was endorsed by 151 member states. It is part of the UN Secretary-General's Action for Peacekeeping reform agenda and complements our '3Ps' priorities of better mission Planning, quality Pledges of personnel and equipment, and stronger mission Performance.

In September we worked with the US to pass Security Council Resolution 2436 on peacekeeping performance. Our peacekeeping programme is supporting the rollout of a Comprehensive Performance Assessment System to better inform decision-making and improve accountability.

The UK has been a strong public supporter of UN Secretary-General Guterres' Sustaining Peace initiative, focused on conflict prevention, peacebuilding and better coordination across the UN system. The UK has recently doubled its annual contribution to the Peacebuilding Fund, which will deploy flexible financing to fragile states at risk of slipping into, or returning to, conflict.

Through the CSSF, we are funding:



### In focus: International Contact Group on Afghanistan

The FCO has supported efforts to kick start a peace process in Afghanistan. We have maintained a close bilateral relationship with the Afghan High Peace Council and expressed vocal support for the US Special Representative, Zalmay Khalilzad, with whom we worked closely as he sought to use unprecedented talks with the Taliban to create an opening for peace.

As part of the cross-government strategy on Afghanistan, the FCO hosted an international conference of the International Contact Group (ICG) on 31 January 2019. Held

at Lancaster House, it secured high-level representation from the Afghan government, the US, EU and other international partners.

The ICG succeeds in bringing together over 50 of the key states and international organisations under joint German-Afghan chairmanship to improve co-ordination and understanding of international activity in and on Afghanistan.

Working closely with the Afghan and German chairs, we were able to frame a clear agenda looking at

the key issues, including a peace process and counter-terrorism.

The successful conference improved understanding of and support for current international peace efforts, as well as agreement on the crucial role of presidential elections for Afghanistan's long-term path to stability.

Partners also affirmed broad recognition of the changing face of the terror threat in Afghanistan, and reaffirmed the critical role of development to sustainable peace and of the principle of protecting human rights gains.

- » conflict mediation and UN diplomatic efforts through the UN Department of Political and Peacebuilding Affairs multi-year appeal
- » cross-UN system rule of law coordination through the Global Focal Point mechanism
- » increased in-country expertise through the deployed Peace and Development Advisors programme
- » additional local staff to UN country teams

The CSSF is also supporting the UN-World Bank partnership and implementation of the Pathways for Peace report. This includes through financial support for the Humanitarian, Development, Peacebuilding and Partnership Facility, which will increase joint analysis, planning, and provide technical assistance in fragile country contexts.

### Syria

The FCO helped co-ordinate an international effort to rescue the

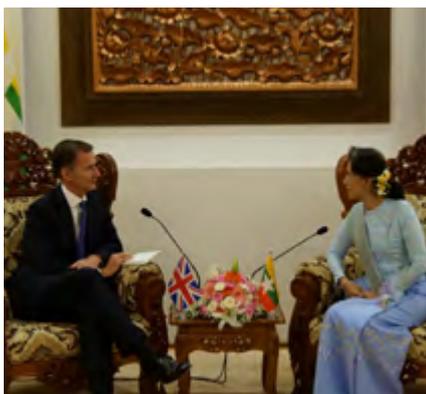


Syrian Civil Defence volunteers, widely known as the 'White Helmets', and find them refuge in third countries.

Volunteers, whose emergency services have saved over 115,000 lives since the start of the Syria conflict, faced an urgent risk to their lives as the Syrian regime re-took former opposition areas of southern Syria. We lobbied international partners to secure agreement for them to leave Syria via Israel and be temporarily hosted in a safe location in Jordan until third-country resettlement procedures could be completed.

We also lobbied several countries to resettle a proportion of the evacuated White Helmets, such as Germany and Canada. In total, 422 White Helmets were able to leave Syria, and of these, 99 were resettled in the UK.

In March 2018, Minister Burt launched the Shared Approach to Gender in Syria, setting out how HMG will use the full range of policy, diplomacy and programme tools to place women and girls in the centre of all our efforts on conflict and stability.



### **Yemen**

Yemen has been a priority over the last year. It remains the largest humanitarian crisis in the world and a planned assault on the port city of Hodeidah, through which the majority of humanitarian aid enters Yemen, risked worsening this appalling situation.

As part of the UK's support for a political solution to end the Yemen conflict, the Foreign Secretary toured the region in the autumn. This leveraged influence on the parties to attend peace talks for the first time in two years in December 2018. The imminent humanitarian crisis was averted and a ceasefire in Hodeidah—while still fragile—held. Work in the next year will focus on supporting the UN-led political process in Yemen and avoiding deterioration of the humanitarian situation.

### **Iraq**

The FCO has focused on building on the territorial defeat of Daesh to stabilise the region and maintain counter-terrorism assurance.

Working across government and with our international partners in the Global Coalition, we have helped support Iraq on the path towards greater normalisation over the last year.

We supported the Government of Iraq in effectively countering the threat from Daesh, reducing the latter's ability to pose a terrorist threat to the UK. We also helped to ensure Iraq's national elections in May 2018 resulted in a peaceful and democratic transfer of power,

as well as the formation of a cross-sectarian and inclusive government.

Among other key activity, we have encouraged a steady improvement in relations between Baghdad and the Kurdistan Regional Government in Erbil. We provided assistance to the Government of Iraq in its efforts to promote reconstruction and reconciliation in liberated areas as well as to improve the business environment.

### **Jordan**

Jordan is a critical partner for the UK in the Middle East. Since the Prime Minister's announcement of a new strategic partnership, made in 2017, our bilateral relationship has continued to build.

The FCO is working with Whitehall departments to leverage the full range of government capabilities and expertise. This included deploying the FCO's diplomatic network and logistical capabilities in support of the DFID-led Jordan Conference in February 2019. The conference brought together a strong coalition of international partners, demonstrated the UK's international convening power and highlighted the level of international support for Jordan's economic resilience.

The UK plays a leading role in the international community by supporting the Government of Jordan to deliver follow-ups that ensure sustained implementation of Jordan's economic reform plan. We also support the Jordanian government to ensure the country's continued security and the resilience of its political institutions.

### **Somalia**

Following on from the 2017 London Somalia Conference, 58 countries and six international organisations reviewed the progress made over the year at the Somalia Partnership Forum held in Brussels in July 2018. The forum welcomed political, security, economic and humanitarian achievements, and agreed new commitments to accelerate state-building.

However, there have been ongoing challenges. These include the delays in consolidating Somalia's federal system and progress towards one-person-one-vote national elections, and limited progress on security sector reform.

The expulsion of the UN Special Representative of the Secretary General in Somalia was deeply regrettable. The UK is working with the international community and Somali partners to ensure our collective efforts continue to deliver against the commitments made at the London Conference.

In support of the security, development and humanitarian assistance in Somalia, the UK assigned over £300 million in 2018–19 to address these ongoing challenges.

This includes providing humanitarian assistance to over 1.2 million people in 2018; emergency food assistance to over 1.4 million; access to clean water and better sanitation for 875,000; and better access to healthcare for over a million Somali women and children.

UK funding is also helping to re-establish federal and regional government systems and capabilities to:

- » create jobs and raise revenue
- » build capacity of the Somali security forces and institutions for a conditions-based transition from the African Union Mission in Somalia to Somali-led security
- » promote a more inclusive election process
- » give over 10,000 women access to justice
- » tackle female genital mutilation and sexual violence

### **Burma (Myanmar)**

The UK has continued to be at the forefront of international efforts to support the Rohingya, including nearly one million refugees in Bangladesh and the estimated 600,000 still in Burma.

As one of the largest donors to the humanitarian response, the UK has provided £129 million since the crisis first started in 2017, which has focused on the protection of rights for refugees and the prevention of sexual violence, as well as emergency food and shelter.

We have built 19 women's centres for refugees in Bangladesh and, in Burma, the UK has adapted its aid portfolio to meet changing needs by placing greater emphasis on social cohesion and targeting those who are persistently left out of economic and social development.

The UK has played an international leading role on Burma at the UN, Security Council, Human Rights Council, and within the EU. The Foreign Secretary convened a meeting of foreign ministers at the UN General Assembly in September 2018 to discuss how best to ensure the perpetrators of these atrocities can be brought to justice and refugees can return.

In the Human Rights Council, the UK worked closely with the Organisation of Islamic States and the EU to secure a resolution which established a mechanism to protect and preserve evidence of atrocities for future prosecutions. A resolution agreed at the most recent Human Rights Council, in March 2019, extended the mandate of the Special Rapporteur on the Human Rights Situation in Myanmar.

In the EU, the UK was at the forefront of efforts to sanction an additional seven senior Burmese military officials responsible for committing atrocities. This brought the total number of individuals placed under targeted EU sanctions to 14.

### **In focus: FCO-led support for democracy across Africa**

#### **Zimbabwe**

In July 2018, Zimbabwe held its first post-Mugabe election, a key moment for the country to demonstrate the new government's willingness to break from the rigged and violent elections of the past. To help Zimbabwe achieve a more peaceful, democratic and prosperous system, we sought to use our influence and development programming to support improvements to the electoral environment.

The FCO lobbied the Government of Zimbabwe at senior level to secure tangible improvements to the electoral environment and to open the electoral process—not only to international journalists, but to international election observers. We co-ordinated with international partners, including the EU and Commonwealth, worked with DFID, civil society and development partners, and deployed UK observer missions on election day across all 10 provinces to Zimbabwe.

In the tense period following the election, including violence in Harare on 1 August 2018, we monitored developments in real time. We engaged with main political parties and key stakeholders, urging restraint on all sides and raising concerns directly with the government. We also used our Embassy in Harare to provide information as necessary to British nationals.

Although there is progress to be made, there was general recognition that the electoral process was an improvement on those of 2008 and 2013. The findings of the EU observation mission identified several fundamental steps forward, many of which the British Embassy played a leading role in.

#### **Nigeria**

In an effort to support Nigeria's 2019 presidential, national and state assembly elections, the FCO election team led the cross-government election engagement strategy. The breadth and depth of understanding of the issues, and range of partnerships, enabled the UK government to influence the conduct of different actors in the election and speak out confidently about the result of the elections.

The cross-government election engagement strategy saw every UK government department in Nigeria involved in identifying key stakeholders and opportunities to deliver messages. This also included working with like-minded missions to co-ordinate our public and private messaging, designed to deliver maximum support for the Nigerian democratic process from the international community.

The FCO also leveraged DFID-funded programmes, such as 'Deepening Democracy in Nigeria' and broader relationships with civil society, including the organisation that delivered the Parallel Voter Tabulation exercise, which played an important role in validating election results.

Although there were shortcomings, our actions mitigated some of the greatest risks and gave civil society and key Nigerian institutions the support to operate effectively and independently.

## Priority Outcome 5: Promoting UK Interests and Values (partially achieved)

# Championing democracy, human rights and the rule of law; addressing global challenges and strengthening the UK role in international institutions

Champion democracy, human rights and the rule of law, and address global challenges, including through campaigns on preventing sexual violence in conflict, reducing modern slavery and promoting female education. Promote human and environmental security through London Illegal Wildlife Trade Conference. Deepen relationships between states and people, including through the Commonwealth Summit.

### Overview

The FCO continued to stand up for values of democracy, tolerance and freedom to help keep people safe and improve their quality of life. We have worked to tackle the global challenges that will affect the next generation, including preventing the root causes of sexual violence in conflict and disrupting the worldwide Illegal Wildlife Trade.

Many of these global challenges require international solutions and we have worked in partnership with old allies and through international institutions to make a difference on these important issues.

### Progress in 2018–19

#### *Championing democracy, human rights and the rule of law*

Since the turn of the millennium, the worldwide advance of human rights and democracy has slowed and, in some respects, gone into reverse. Freedom House reported that 2018 was in the 13<sup>th</sup> consecutive year of ‘global declines in political rights and civil liberties’. This makes it even more important that the FCO strives to uphold the values that define our country. In 2018, the Foreign Secretary outlined his ambition for the UK to be the ‘Invisible Chain’ linking countries in every corner of the globe. Since then we have:

- » sent observers to monitor elections across the globe including in Zimbabwe, Turkey and Russia
- » trained over 800,000 electoral staff in Pakistan, through the FCO CSSF-funded programme, which directly facilitated over 400,000 women to register to vote—overall, UK support led to the inclusion of an additional 3.1 million women to the electoral roll
- » provided £3.5 million in core funding to the Westminster Foundation for Democracy, which works to promote inclusive politics and to support democratic institutions in 40 countries
- » agreed a five-year strategic plan, and issued its first ever outcome statement, on the important issue of media freedom, during the UK’s six-month term as chair of the Executive Committee of the Community of Democracies

Our ministers, officials and diplomats across the globe are determined to extend the rights of people no matter where they live or who they are, or what their belief. In 2018–19 we have taken a three pronged approach: challenging states which

violate or fail to protect human rights, working constructively with those that are open to change, and collaborating with governments and international organisations and civil society groups that share our aims.

The UK’s network of Embassies, High Commissions and other diplomatic missions supported Human Rights Defenders (HRDs) across the world. In Colombia we supported over 200 HRDs at risk and supported the legal rights’ training of 2,000 Dalit women in India, which created the first ever network of women Dalit HRDs.

With a core objective to increase respect for equality and non-discrimination for all, the FCO supported several projects through the Magna Carta Fund. We committed £1.1 million to LGBT rights projects worldwide—a 107% increase in funding on the previous financial year.

In Malawi, as part of our work to reduce the death penalty overseas, a project on re-sentencing concluded in March ensuring that the majority of the 168 individually affected by the mandatory death penalty



The Prime Minister at CHOGM 2018

### In focus: Championing girls' education and LGBT rights

The FCO recognised the need for accelerated action to ensure that governments around the world reform their education systems, invest in good teaching, and prioritise the needs of marginalised communities, to meet the Sustainable Development Goal commitment of quality education for all girls and boys by 2030.



HM Queen at CHOGM

Working closely with DFID and the Department for Education, the FCO launched the Leave No Girl Behind campaign during the Commonwealth Heads of Government Meeting (CHOGM) 2018. At the summit, we committed to using the UK's 2018–20 term as chair-in-office of the Commonwealth to deliver tangible progress on girls' education, and to encourage governments to provide all girls with 12 years of quality education by 2030.

We co-hosted a girls' education event at the UN General Assembly, with the governments of Canada, France, Jordan, Kenya and Niger. Through successful lobbying on Commonwealth, UN and G7 countries by the FCO global network, the UK achieved an all-time record by enlisting the support of 152 countries for our statement on the importance of girls' education. At the G7 Summit, the UK, EU, Germany, Japan, the World Bank and Canada pledged a total of over \$3.8 billion to deliver girls' education.

We have spent around £1 million on projects across the network to progress this work. The Platform for Girls' Education has published its first report, which analyses the barriers to girls' education and presents recommended policy solutions. The UK has provided £212 million to support the Girls' Education Challenge in nine Commonwealth countries in Africa, which aim to ensure 920,000 marginalised girls continue to access quality education and learning. It also offers a second chance to up to a further 53,000 highly marginalised girls who either dropped out of school or didn't have the opportunity to learn.

The FCO also set out to ensure CHOGM enabled meaningful dialogue on issues relating to equality and inclusion, particularly on LGBT rights. The Prime Minister was clear that the UK stands ready to support any Commonwealth country wishing to reform legislation which discriminates on the grounds of sex, gender identity, or sexual orientation. The FCO underpinned this commitment with an allocation of £5.6 million to enable the Equality and Justice Alliance in support of those who wish to reform legislation.

The FCO co-ordinated cross-department working with DFID, the Government Equalities Office and Cabinet Office, to develop a cross-Whitehall approach and engagement strategy. We led on engagement with genuine and credible voices, including with Commonwealth governments and civil society organisations, to develop messaging that appealed to key concerns and the lived experience of the Commonwealth's LGBT community.

We also funded the development and implementation of the Commonwealth Equality Network's CHOGM 2018 strategy, and supported their official accreditation within the Commonwealth itself.

The FCO is now working to ensure there are further meaningful LGBT rights discussions at CHOGM 2020, building on the success of the London summit.



received a re-hearing, with 112 granted an order of immediate release.

In 2018, the UK increased its support for UN Human Rights work, including co-sponsoring a UN resolution on freedom of assembly and association. In the Third Committee of the UN General Assembly, the UK participated in the core group on the resolutions on Iran to express concern for: limitations of religion or belief; restrictions on freedom of expression and the operation of the rule of law; and women's rights. The UK also participated in the core group supporting a resolution on human rights in Crimea, and condemning Russia for its illegal annexation.

At the Human Rights Council (HRC), the UK:

- » led three HRC resolutions on Syria
- » brokered a technical assistance resolution on Sudan in September, and led on the South Sudan and Sri Lanka resolutions in March 2019
- » worked closely with Libya on an HRC resolution to improve accountability in that country

The UK was also active in negotiations that led to the EU tabling an HRC resolution on Burma together with the Organisation of Islamic Co-operation for the first time, which mandated an independent mechanism to advance accountability for possible crimes against humanity and genocide.

### Tackling global challenges

Alongside our work to champion democracy and Human Rights, the FCO is committed to

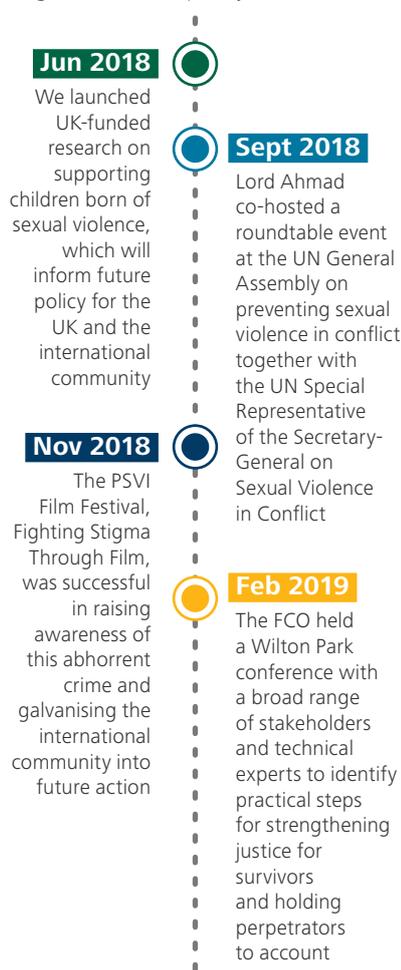
working with partners to tackle international challenges to make the world a safer and fairer place.

### Preventing Sexual Violence in Conflict Initiative

The FCO has supported the Preventing Sexual Violence in Conflict Initiative (PSVI), focused on its three pillars:

- » tackling the stigma faced by survivors
- » strengthening justice and accountability
- » preventing the root causes of sexual violence in conflict

Progress over the past year:



### Illegal Wildlife Trade campaign

Another key aspect of FCO's work over the last year was the Illegal Wildlife Trade (IWT) campaign, to promote human and environmental security and reduce threats to endangered species. We have catalysed activities relating to serious and organised crime and IWT-related money laundering.

This includes funding a study of over 100 jurisdictions for use as a tool to help countries more effectively tackle IWT using money-laundering legal provisions. We also provided joint DFID-FCO Prosperity Funding of £3.5 million to help develop financial crime investigation capacity in countries where IWT-related money laundering may be taking place. In July 2018, experts at a Wilton Park IWT Conference pushed for the implementation of a co-sponsored UN General Assembly Resolution on IWT, calling for countries to amend national legislation so that IWT crimes can be prosecuted under money-laundering laws.

### Modern slavery

We have continued work on the modern slavery campaign, focusing on galvanising global efforts to meet Sustainable Development Goal 8.7 to end forced labour, modern slavery and human trafficking. The UK brought together an increasing number of states to commit to eradicating modern slavery in all its forms, and 88 governments signed the Call to Action by the end of the financial year.

### Freedom of Religion or Belief

In July 2018, the Prime Minister appointed Lord Ahmad of Wimbledon as her Special Envoy on Freedom of Religion or Belief (FoRB). Lord Ahmad has led FoRB diplomacy efforts, defended the right to FoRB internationally, and responded quickly, along with our diplomatic network, to specific instances where FoRB is under attack. The UK has been active in raising the rights of members of the most discriminated religious minorities worldwide; for example the Baha'is in Yemen and Iran; Jehovah's Witnesses in Russia; and the Rohingya. At the 40<sup>th</sup> UN Human Rights Council in March 2019, Lord Ahmad raised concerns about restrictions on FoRB in China, including on Muslims in Xinjiang and Christians across China. We have also committed over £1 million of the FCO's Magna Carta fund for Freedom of

Religion or Belief, which is supporting human rights defenders for all faiths in Burma and is helping to develop curriculum to promote tolerance between faiths in post-conflict Iraq.

### Deepening relationships between states and people

In April 2018, the UK hosted the Commonwealth Heads of Government meeting (CHOGM)—the largest summit of its kind in our country's history. 46 Heads of Government and 49 Foreign Ministers met and agreed actions to build a Commonwealth that is fairer, more sustainable, prosperous, and secure.

The FCO has continued to work with the Commonwealth Secretariat, its 52 other member states, and its organisations to deliver on commitments made at the summit. We have helped raise the profile of the Commonwealth and have strengthened cooperation on:

- » Inclusive and Accountable Democracy: The FCO is working with the Commonwealth Partnership for Democracy to promote the political participation of women, young people, and persons with disabilities.
- » Cyber Security: We have partnered with the World Bank to deliver national cyber security reviews in a range of member states. UK-funded training and events will directly benefit the cyber security of 37 Commonwealth countries.
- » Digital Trade: The Commonwealth Envoy co-chaired, with South Africa, the first meeting of the Digital Connectivity Agenda. The meeting brought together 17 member states to explore how to create a more enabling environment for digital trade.
- » Blue Economy: The FCO-led Commonwealth Marine Economies Programme is helping eight Small Island Developing States develop national Maritime Economy Plans. The FCO-co-ordinated Plans will help to sustainably develop and protect marine environments in the Caribbean and the Pacific.

Lord Ahmad has launched an initiative to strengthen the voice and co-ordination of the Commonwealth in the UN and other multilateral forums. Member states are now meeting more frequently to share priorities in key institutions such as the Human Rights Council and World Trade Organisation.

The UK is now working closely with the Government of Rwanda to share our experiences ahead of CHOGM 2020 in Kigali.

The FCO works to support a wide number of international organisations. A significant achievement of 2018-19 was the re-election of Malcolm Johnson as Deputy Secretary-General of the International Telecommunication Union (ITU). The FCO, working with technical experts in DCMS, successfully secured his re-election in November 2018, as a result of the reach and influence of the FCO's overseas network. Re-election provided continuity and balance in the senior roles at the ITU, forming a strong base for continued reform as it engages with new challenges.

In 2018-19 we have worked across the UN system, in multilateral negotiations, in bilateral meetings, in public and in private, and at ministerial and senior official levels to support, defend, encourage and maintain UN reform efforts. We have worked with colleagues across government and like-minded states, to make the most of diplomatic capital and a small amount of programme funding. The coming year will be critical for the reforms which will improve UN accountability and governance, streamline process and strengthen the UN support infrastructure. These should empower better leadership, able to deliver more effectively, and with greater impact, value for money and credibility in the field.



### In focus: London Illegal Wildlife Trade Conference 2018

Outlined as a key priority last year, the FCO, jointly with Defra and DFID, hosted a high-level global Illegal Wildlife Trade (IWT) Conference to promote human and environmental security and reduce threats to endangered species.

The conference focused on tackling IWT as a serious organised crime, building coalitions, and closing markets. We called for the international community “to act together to support and build urgent collective action to tackle IWT as a serious crime carried out by organised criminals, and to close markets to illegally traded wildlife”. Since then, 65 countries have adopted the London 2018 Declaration. Many of these countries, along with over 50 NGOs and agencies, including the UN, pledged specific actions which they continue to act on.

The conference was a reflection of our Global Britain agenda. It attracted high-level attendance and brought IWT to the top of the international political agenda. We brought together 1,300 participants, including global leaders from more than 70 countries, civil society, academia, NGOs, conservation specialists and the private sector.

We have since witnessed other countries and regions take forward their own IWT initiatives including Peru who hosted their first regional Americas IWT conference in 2019. As a direct result of their pledge made at the London conference, Thailand, as ASEAN Chair, hosted a special ASEAN ministerial IWT meeting in March 2019.

On the eve of the London IWT Conference, the United for Wildlife Financial Taskforce was launched by HRH The Duke of Cambridge. It engaged the financial sector to identify and implement actions to track and report illicit financial flows linked to IWT. An information-sharing system was established to support the actions of taskforce members and has helped to reach strong results:



**36** requests for assistance from law enforcement agencies



**52** law enforcement investigations supported



**8** Arrests resulting from interactions with members of the Transport Taskforce



**19** interdictions of suspect shipments

## In focus: Soft power

### Soft power and the UK

Soft power—the ability to influence others through the power of attraction—has an essential role to play in our ability to advance UK interests overseas, project our values and support the FCO’s Global Britain vision. It is central to building influential global relationships, promoting our prosperity and ultimately protecting our people.

Consistently ranking highly in the Portland Soft Power 30 (number 1 in 2018) and other indexes that measure soft power, the UK can proudly lay claim to considerable strengths. These range from the rich diversity of our culture, sport and educational institutions, to our traditions of democracy.

Creating the enabling environment for soft power to thrive requires a cross-government and whole of UK approach. This year we are working with partners and a range of government departments to produce an FCO-led, cross-government soft power strategy.

The vast majority of the UK’s soft power activities are delivered through organisations that are independent from government, and respecting their independence sets the context of this work. The

World Questions Ghana: BBC World Service flagship discussion programme, in partnership with the British Council, delivered ‘World Questions’ in 29 locations around the world, providing a platform for debate on local and global issues. In Ghana, the event was combined with a performance from the Noyam Dance group. Image © British Council



Chevening Scholarship recipients

FCO’s Arms-Length Bodies play a crucial role in supporting UK soft power. For example, Wilton Park is the FCO’s in-house convener of international foreign policy dialogues held in the UK and all over the world. Over the last year, they have delivered 68 events supporting the UK’s foreign policy objectives.

While respecting the independence of the institutions which generate UK soft power, the strategy will recognise the role that government, in partnership with the devolved administrations, has to play in creating an environment to maximise soft power potential, and opportunities for engagement in the UK and across the global network.

In the coming year, we will enhance our promotion of soft power overseas, integrating soft power into Posts’ business plans and ensuring new Heads of Mission have the consistent support to be able to maximise their soft power assets and boost the UK’s presence, influence

and impact in their region. Increasing the UK’s presence overseas, delivered through the Global Britain Uplift, further builds on our capability to deliver soft power objectives within the overseas network.

### Scholarships

The UK has a world-class reputation for education, which enhances our soft power through:

- » promoting the reputation of the UK
- » developing people-to-people links and government-to-government partnerships
- » attracting foreign nationals to learn within and from our education system

To leverage this competitive advantage, the FCO has funded and run Chevening Scholarships for 35 years—a unique opportunity to build positive relations with future leaders, influencers and decision makers from all over the world.

In September 2018, we welcomed 1,790 scholars to the UK from over 150 countries, many supported by academic and corporate partnerships which co-fund scholar places alongside the FCO. We have a unique and influential alumni network which now exceeds 50,000 leaders around the world, including presidents, prime ministers, academics and business leaders. Our alumni are friends and allies of the UK, making positive

change in their communities and countries, and strengthening our diplomatic efforts around the world.

In recognition of the special relationship between the UK and the US, our Marshall Scholarship, set up in the 1950s, brings together exceptional future leaders (43 in 2018) from the US to study in the UK. In 2018, our Marshall alumni included two of the seven Supreme Court Justices and an astronaut visiting the International Space Station. Our alumni are in influential positions across the US, advocating for the special relationship and supporting our bilateral relations.

### BBC World Service

The BBC World Service brings the UK to the world and links the UK to people and communities who would not otherwise have this opportunity. It is invaluable for the UK's soft power and influence at such an important time. The FCO strongly supports the BBC's mission to bring high-quality and impartial news to global audiences, including where free speech is limited.

The government is investing £291 million between 2016 and 2020 to support the BBC World Service through the World 2020 Programme. This has enabled the BBC to implement one of the largest expansions of the BBC World Service in 70 years, with new services which are tailored to the audiences' needs.

The World 2020 Programme expands the BBC World Service's digital, TV and audio offering. Since 2017, they have successfully launched 12 new language services:

- » Yoruba, Pidgin, Igbo (Nigeria)
- » Amharic, Oromo (Ethiopia)
- » Tigrinya (Eritrea)
- » Marathi, Gujarati, Punjabi, Telugu (India)
- » Korean
- » Serbian

The FCO's investment has also enhanced TV services for Africa, created regionalised content for BBC Arabic, improved services for Russian speakers in Russia and surrounding countries, and enhanced World Service English.

*Note: The BBC World Service is not an arm's length body of the FCO. The BBC World Service is editorially and operationally independent of government. Decisions on the way services are delivered, and the content of programmes are a matter for the BBC.*

### British Council

The British Council is the UK's international organisation for cultural relations and educational opportunities. It has a presence in over 100 countries and works closely with UK government in London and its overseas network. Although operationally independent from government, they are strategically aligned with UK foreign policy objectives, and contribute to projecting British values overseas.

The British Council supports UK soft power by building connections and trust between the UK and other countries through its work in art and culture, the English language, education, and civil society. By doing so, it contributes to the UK's security, prosperity and influence.

The British Council is a significant driver of UK soft power. On a yearly basis, FCO Grant-in-Aid has supported the growth of the British Council's people-to-people links.

In addition, the British Council generates about 85% of its income through commercial sources to support its strong, visible presence across the world. Surplus earned from this work is then recycled to deliver more cultural relations work.



Female Rugby Festival: In partnership with Premiership Rugby, the British Council in Brazil delivers the Try Rugby project to develop sporting connections between UK and Brazil. With a focus on providing opportunities for girls, the project includes female rugby festivals which involve local schools, sports clubs and NGOs in São Paulo. Image © Rodolfo Rizzo



**791 million** interactions in more than 100 countries with the British Council during 2018–19



of which, **45.7 million** reached by using British Council digital social media and learning products

# Promote our prosperity

Promote our prosperity by opening markets, driving economic reform, championing British business, and supporting free trade and sustainable global growth.

## PO6: Europe (partially achieved)

### Strengthening ties within Europe

Bolster bilateral relationships and people-to-people links with European partners. Support DExEU to achieve negotiating objectives for EU Exit. Deliver results on FCO-led EU Exit issues such as sanctions, Overseas Territories (including Gibraltar), the Kimberley Process and International Agreements.

#### Overview

The FCO has provided extensive support to the government's priority efforts to prepare for EU Exit, particularly:

- » contingency planning for a 'No Deal' situation
- » engagement to influence the EU on negotiation priorities and an extension to Article 50
- » providing support to UK nationals living in and travelling to the EU
- » planning for the UK's future partnership with the EU

We have led on negotiations on Gibraltar delivering an extensive set of agreements, as well as EU Exit preparations on the other Overseas Territories. FCO has also supported the negotiation of arrangements for the Sovereign Base Areas on Cyprus, and prepared for the implications of EU Exit on UK sanctions policy.

Our bilateral relationships will become an even more important platform on which to build our co-operation with European countries on the many international issues where we share interests and values. The FCO's 600 new roles, financed through reprioritisation and an additional £50.6 million from HM Treasury, are enabling us to strengthen these relationships and develop

new ways of working with EU partners in the context of EU Exit.

The FCO has strengthened bilateral relationships with European partners, producing long-term strategies with the use of programme funds for impact. Sustained engagement—including formal set-piece events, royal and targeted ministerial visits and official-level engagement—has underpinned co-operation with European partners.

#### Progress in 2018–19

##### *EU Exit preparations*

A primary focus of FCO's preparations for EU Exit has been to safeguard the rights of UK nationals living in the EU. We have launched a lobbying approach with EU member states to ensure they replicate the UK's offer to EU nationals in any scenario and protect UK nationals' rights.

The FCO has led departments across Whitehall to provide clear and accurate information to UK nationals in the EU, based on the latest policy positions. The FCO has consistently engaged on UK nationals' rights with all our EU27 counterparts at both official and ministerial level. All EU member states have given public

assurances that they will protect UK nationals' rights to remain in the state they reside in on exit day. The majority have published 'no deal' legislation which sets this out too.

Work continues to ensure the detail of how this will be implemented is clear and can be communicated to UK nationals. The FCO's network has been leading on engagement events across the EU, which have connected with over 170,000 UK nationals and seen an increased participation of EU27 representatives, using the opportunity to reach and reassure the audience of their 'no deal' plans.

On Gibraltar, the FCO has made significant progress, which includes securing an extensive package of agreements between the UK, Gibraltar and Spain. This will help protect citizens and enhance security and prosperity in the region. We also negotiated a treaty on tax transparency and co-operation. The UK has committed to maintaining Gibraltar's access to the UK market in financial services until at least 2020 under any scenario, and confirmed the Gibraltar Armed Forces Act, which clarifies how UK military and Gibraltarian agencies work together in the territory.

On the Sovereign Base Areas (SBAs), the FCO worked

## Northern Future Forum Oslo 2018



### In focus: Strengthening the UK-Nordic-Baltic relationship

On 30 October 2018, the Prime Minister visited Oslo to attend the Northern Future Forum (NFF), which brings together the eight Prime Ministers of the UK, Nordic and Baltic countries. The NFF is a valuable forum for engaging with EU and non-EU countries, who are like-minded on a broad range of economic and values-based global issues. This year it focused on innovation and technology in healthcare, particularly for ageing populations.

The FCO, and our Nordic Baltic Network of Posts, worked closely with the Norwegian hosts and relevant Whitehall departments to ensure that UK experience and expertise—from the NHS, BEIS and the non-governmental sector—was reflected in the NFF discussions with our Nordic and Baltic partners. The Prime Minister had a series of bilateral meetings with opposites during her programme. At the final session, the prime ministers committed to working closer together on this agenda, including on the follow-up initiatives suggested by the UK.

The Prime Minister delivered a keynote address at the opening of the 70<sup>th</sup> session of the Nordic Council Assembly in the Norwegian Parliament Chamber. This was a first for a British Prime Minister, and an extremely rare invitation to a non-Nordic leader. The Prime Minister set out a vision for a strong future of UK collaboration with the Nordic region, celebrated the depth of shared history, and looked ahead to future collaborations beyond the traditional foreign policy sphere, which would benefit the wider populations of the UK and Nordic countries.

closely with DExEU and the MOD to secure an agreement with the EU and the Republic of Cyprus. It covers how the unique arrangements that apply in the SBAs would operate after the UK's withdrawal from the EU.

This is reflected in the Withdrawal Agreement Protocol on the SBAs. The FCO played a leading role in arrangements for the SBAs in the event of a no-deal EU Exit, working to complement MOD contingency planning. These arrangements will safeguard the effective military functioning of the bases, minimise disruption and uncertainty for those who live, work and travel through the SBAs and protect the UK's broader equities in the Eastern Mediterranean region in any scenario.

The FCO has worked hard to ensure the UK is ready to deliver sanctions independently when it leaves the EU. The Sanctions and Anti-Money Laundering Act 2018, which received Royal Assent in May 2018, provides the legal frameworks for the UK to independently establish sanctions. In the build-up to March, the FCO laid 21 Statutory Instruments under both it and the EU Withdrawal Act (2018), to set up 15 sanctions regimes and for all other EU and UN regimes to be continued under retained EU law on exit.

The FCO led the review of over 1,000 individual designations, compiling additional evidence so that as many listings as possible could be transferred on a robust basis. We prepared a new listings database to publish designations, and had it ready in different formats so banks and others could automatically link to their screening processes. We engaged a number of stakeholders to ensure they understood our new system. Sanctions are a key foreign policy tool, and most effective when designed and applied alongside international partners, so we have continued to invest in our relationships with EU and other partners.

Once we leave the EU, we will want to pursue ambitious trade agreements with a range of partners. That includes continuing existing arrangements. The FCO leads on 16 of the 40 EU association trade agreements as part of the UK's delivery of transitional adoption of the EU's existing free trade agreements with third countries. We are working with countries on bilateral arrangements to ensure continuity for these 16 agreements. The FCO also leads on:

- » transitioning 11 partnership and co-operation agreements, which are predominantly instruments to facilitate bilateral relationships
- » the UK's ratification of all international agreements entered into by cross-Whitehall partners

The FCO has engaged in discussion with all countries that committed to ensuring continuity of existing international agreements. A number have already publicly welcomed this approach, such as Canada, Chile, Israel, Switzerland, Singapore and groupings such as the Southern African Customs Union and Eastern and Southern Africa EPA States.

The FCO played an important role with DIT in supporting the UK-Swiss Trade Agreement which was signed on 11 February 2019, and separate agreements on land transport, insurance, air services and citizens' rights. Switzerland is our third biggest non-



The Prime Minister delivers a keynote address in the Norwegian Parliament Chamber

EU export partner, accounting for over £32 billion in bilateral trade a year.

The FCO has made significant progress with the Kimberley Process, the scheme to prevent the global rough diamond trade fuelling conflict. In December 2018, the UK submitted our application for independent participation in the Kimberley Process and in March 2019, the Statutory Instrument bringing the Kimberley Process into UK law entered the UK statute book. This will come into force once we have left the EU. It will ensure the integrity of the global rough diamond supply chain, and confer powers to Border Force to stop conflict diamonds entering the UK.

### ***Investing in partnerships***

Alongside our work preparing to leave the EU, we have continued to strengthen ties with European partners and enhanced our high-level bilateral engagement across Europe, including:

- » The state visit by King Willem-Alexander and Queen Maxima of the Netherlands, highlighting our shared interests and values.
- » The Duke and Duchess of Sussex first overseas trip to Dublin in July 2018, celebrating our

current bilateral relationship and engaging in our shared history.

- » The third Inter-Governmental Conference with Poland, held in December 2018, and the 'Quadriga' (Defence and Foreign Ministers meeting) in June 2018.

The Foreign Secretary has visited 11 member states, and had substantive contact with counterparts. Significant inward visits have included the heads of state or government of Turkey, Cyprus, Greece, Slovenia and Bulgaria. There have been meetings in new 'small group' formats. For example, the Foreign Secretary hosted central European foreign ministers at Chevening in October 2018.

We have invested in established and innovative initiatives and tried to bring in wider non-governmental groups, such as business, civil society, academia and diaspora groups. These groups have engaged in the substance of our bilateral relationships through annual civil society forums with Spain, Italy, Germany, Poland, Greece, the Nordic and Baltic countries, the Netherlands, and Ireland.

The UK-Spanish Tertulias celebrated its 30th year, and over 300 Polish-British civil society leaders attended the third UK-Poland Belvedere

Forum in March 2019, which also reached 1.2 million people online.

We re-established close ties with the European Chevening Alumni network which includes influential experts from across the continent. The FCO invited 30 influential Chevening alumni to the UK for a reception with the London diplomatic corps and young British people, followed by a three-day conference alongside senior FCO officials. The conference has led to new initiatives and energised contacts and the FCO re-established contact with 'lost alumni' from the EU.

The FCO's Europe directorate organised Joint Diplomats' training programmes with France and Germany, and launched new initiatives with Italy, Spain and Ireland. Overall, 138 UK participants and 133 foreign diplomats took part in the training. A year-long career development course for UK, Italian, French, German, Spanish and Polish female diplomats was also established. These courses ensured we learn from each other and are better placed to tackle shared challenges together in the future.

Across our network of Posts, we have developed new and innovative initiatives to strengthen relations with individual countries. The first

UK-France Mayors' Conference on 6 and 7 March brought together 120 delegates from towns, cities and regions to create tangible partnerships below the national level. We increased our engagement beyond European capital cities with pop-up embassy initiatives in Denmark, Sweden and Estonia, and sustained

regional engagement in France, Germany, Italy, Spain and others.

The second year of the Europe non-ODA Prosperity Fund programme delivered 19 projects across multiple Posts. The programme is laying the foundations for prosperity partnerships, supporting UK business engagement in Europe, and mutual

exchange on how to address global challenges such as climate change. Successes have included commercial wins for UK digital start-ups, new research collaborations on green energy, and European tech companies establishing headquarters in the UK.



Voisins on Tour—regional outreach events included British musicians performing to the crowds

### In focus: 'Les Voisins' [Neighbours] campaign

The GREAT Britain campaign has increased its presence in Europe to remind European audiences of the UK's strength and values and to support activity which drives jobs and growth. It is active in 16 markets and consisted of over 35 mini-campaigns in the last year.

GREAT contributed to the Les Voisins Campaign, launched in March 2017. It celebrates the extraordinary depth and breadth of Franco-British relations, from our long history to our bright future, and mitigates the perception locally that the referendum result meant that the UK would turn its back on France and Europe.

The France Network took its localised 'GREAT Friends' campaign, 'Les Voisins', on tour across France in a Routemaster bus over the summer. We are planning a 'Creativity is GREAT' campaign with 'Voisins on Tour—season 2' playing a significant element. It will take place across the south and south-east of France to strengthen regional bilateral relationships in an area that is politically important for France and home to thousands of British nationals.

*In 2018-19, the Les Voisins campaign allowed us to...*



...take GREAT Friends work outside of Paris to reach a wider target audience: Approximately **14,000** people visited the red bus and 'British Zone' around it.



...strengthen political relationships with local authorities by visiting four key towns with a total French population of **1.1 million**—Nantes, La Rochelle, Bordeaux and Toulouse.



...reach a target audience of 16-35 year olds living in areas close to an airport linked to the UK, advertising the 'I travel for' campaign, in line with Visit Britain's objectives and organising a partnership with **EasyJet**.

## Priority Outcome 7: Economic Diplomacy (partially achieved)

### Working around the world to strengthen our prosperity

Showcase global leadership of free trade and economic diplomacy, supported by a fully developed trade profession. Reinforce the WTO's role in global trade and deepen dialogues with future FTA partners. Achieve, with DIT, UK government's strategic vision to support UK export and inward and outward investment. Promote economic development and security, clean and sustainable growth and better business environments in key markets.

#### Overview:

In 2018-19, the FCO has supported development, growth-friendly policies and trade openness in overseas markets, including using programme funds. Of the several programmes funded by the Prosperity Fund in the last year, the FCO has launched a £45 million anti-corruption programme, a £25 million global infrastructure programme, and invested £34 million to support economic reform and low carbon development in ASEAN.

We are committed to supporting and harnessing the rules-based international system (RBIS) to advance UK economic interests and strengthen bilateral relationships. Last year we supported the UK's transition to a fully independent member of the World Trade Organisation's (WTO) Government Procurement Agreement (GPA), reinforcing its status as a global champion of free trade.

Overseas, the FCO has employed its network in response to DIT and FCO economic diplomacy priorities to help

to build a strong prosperity footprint in Europe, and further afield, by increasing UK exports and showcasing the UK as a place for investment.

#### Progress 2018–19:

##### *World Trade Organisation*

As a champion of free trade, the UK has continued to promote the rules-based global trading system, with the WTO at its centre. At the G20 Leaders' Summit in Buenos Aires in December 2018, the Prime Minister called for an urgent and ambitious reform of the WTO. We welcomed the launch of negotiations on e-commerce, which 76 WTO members had joined by 31 March 2018.

The FCO has been working with DIT and across Whitehall to engage GPA parties in Geneva and in capitals to persuade them to support UK accession to the WTO GPA. This is an agreement between 19 WTO members which mutually opens

government procurement markets and would safeguard the UK's participation either in a deal or no deal scenario.

After lobbying key partners to ensure the terms would replicate current UK market access commitments, it was agreed by GPA parties that the UK would join as an independent member if we left the EU without an agreement. It was also agreed that we would continue to be covered under EU schedules throughout an implementation period, allowing British businesses to bid for £1.3 trillion worth of government contracts overseas in a wide range of sectors.

##### *Supporting UK exports*

FCO programme funding is supporting a range of activities in Europe that help to boost UK exports. For example, FinTech events in Madrid, Warsaw and Dusseldorf have created significant opportunities for UK sectors, and projects in Finland and Italy have supported green finance. Efforts on better regulation and public procurement across a range of countries have supported sharing best practice, and increased awareness of business opportunities across Europe for British companies.

Posts overseas have continued to deliver commercial opportunities for the UK in Europe through extensive economic diplomacy efforts that align with the government's Industrial Strategy. Key activity over the past year has included:

- » Smart Sustainable Cities workshops, led by staff in Madrid to forge partnerships between UK and European cities



British pork promotion event in Taiwan

in support of their transition to low-carbon energy systems

- » a series of events by the British Embassy in Paris to showcase the UK as a world leader in offshore wind technology including the use of drone technology in wind farms
- » a project in Rome looking at female economic participation, which helped develop the UK's relationship with key players in the financial and business community in Italy, and promoted gender equality

### Defence sales campaigns for ships in Australia and Canada

In June 2018, the Government of Australia announced that BAE Systems (BAES) had won the tender to design and build nine future frigates for the Royal Australian Navy, with their Type 26 Global Combat Ship. This is a significant export boost for the UK as we prepare to leave the EU. It will secure around £2 billion of direct exports through British designed and manufactured components like engines (Rolls Royce) and Sonars (Thales UK and Ultra). It also opens doors to UK SMEs and secures approximately £10 billion worth of exports through the life of the programme. The whole of life sustainment win for BAES as a National Shipbuilding Enterprise partner is likely to generate another £40 billion.

The Australia 'Hunter Class' is now one of the UK's largest defence contracts globally and the second largest in Australia's history. It strengthens our strategic defence relationship at a time when we face increasing challenges in the Asia Pacific region and secures a deep partnership between the Royal Navy and the Royal Australian Navy for the next 40 years. This success was emulated in Canada in late 2018 with BAES winning the equivalent Canadian contract. This means that three of the Five Eyes nations will now be operating the same ship platform.

### Taiwan pork market access

In August 2018, the UK gained its first market entry for UK meat products (for human consumption) in Taiwan,

### In focus: Building our capability and expertise

We have supported the global network of government staff working on trade and prosperity, by informing them on the latest UK policy priorities and approaches. This means we work most effectively as one team, and reinforce each department's priorities. This has included hosting a joint FCO-DIT-DFID Trade and Prosperity Conference in February 2019, and working with HM Treasury, DIT and external experts to train the international network to promote the UK's green finance offer.

The Trade Policy Faculty has also increased its trade policy training offer to colleagues at Post, including through the 'train the trainer' programme, which trained 25 new regional training 'champions', who have already benefitted several hundred colleagues overseas, and the launch of more online training modules.

The Trade Policy and Negotiations Faculty has trained over approximately 370 staff across government at expert level. This is through a range of trade policy deep dives and a bespoke training programme for chief negotiators. At practitioner level, over 1,100 staff have benefitted from online learning and the faculty has trained approximately 1,000 staff in the UK.

when Taiwan lifted restrictions on British pork. This process was led by the FCO-funded Economic and Prosperity Team in the British Office Taipei, instrumental in identifying the Taiwanese obstacles and concerns to opening the market and working with Defra to overcome them.

Pork consumption per capita in Taiwan is higher than all OECD economies, consuming 36.5 kilograms per year per capita, with a pork market worth £1.88 billion. We judge that this market could be worth at least £50 million to the UK over the next five years. The export win has also given UK exporters the opportunity to tap into the overseas demand for parts of the pig not commonly purchased in the UK, allowing UK farmers and pork processors to generate income for the whole carcass.

### Delivering inclusive economic growth and better business environments

As an innovative instrument of government policy, the cross-government Prosperity Fund supports the inclusive economic growth needed to reduce poverty in partner countries. Through this primary purpose, the fund's activities will contribute to the UN Sustainable Development

Goals. Primarily funded by the UK's aid budget, the fund, worth £1.2 billion across seven years, targets reforms principally in middle-income developing countries where around 60% of the world's poor live.

These countries face development challenges but have high opportunities for driving future global prosperity so by breaking down barriers to trade and investment, we can help trigger inclusive growth in developing countries. This will create jobs, raise incomes and lift communities out of poverty. The FCO is delivering 16 Prosperity Fund programmes, worth a combined £850 million, through a number of country-focused and thematic mechanisms. They provide expertise and technical assistance in sectors and countries where there is the highest potential to support the inclusive economic growth needed to reduce poverty in partner countries.

Prosperity Fund programmes:

- » promote economic reforms and remove barriers to trade
- » reform key sectors such as infrastructure, energy, financial services, future cities, education and healthcare
- » tackle corruption

Examples of Prosperity fund programmes this year include:

- » The ASEAN reform programme, which helped to shape the Philippines Ease of Doing Business Act (EODB). Signed into law in May 2018, the EODB law improves business efficiency and cuts red tape, with more than 2,000 unnecessary regulations repealed in its inception. This directly benefits UK businesses by establishing a more streamlined, transparent and efficient business environment.
- » The Future Cities programme, funding technical assistance in South Africa. It will use 'Big Data' to improve Cape Town's resilience as part of the response to the city's recent 'once in 300 year's' drought. This technical assistance, active from September 2018 to March 2019, responded directly to a request from the city administration and provided a foothold for UK expertise in South Africa's emerging smart cities market.
- » The FCO £45 million Global Anti-Corruption programme, which works, alongside DIT and DFID, to help UK companies avoid risks of corruption by using the DFID-launched Business Integrity Initiative. We have worked through the OECD, WTO and other UN international economic institutions to set the right standards and rules-based systems for co-operation on global prosperity.
- » The FCO China programme, supporting the first UK Compliance and Transparency Forum in China in March 2018. This helped to



UK/Brazil Year of Science and Innovation event

bring China closer to international standards on anti-money laundering and tax evasion. British businesses will have more confidence to work in an environment that meets international regulatory standards.

The Prosperity Fund also supported the design of Mexico's 2018 FinTech law making it the first country in the world to have such comprehensive legislation. The law facilitates the creation of new types of financial services providers, including crowdfunding and electronic payments.

### *Climate change, energy and science*

Climate change and international commitment to reducing emissions have remained a key priority for the FCO. We have engaged through G7 and G20 to increase ambition at the G20 energy ministerial meeting, and obtained a clear commitment from G7 foreign ministers to continue to consider climate security issues. We have also been active in securing the attendance of 40 countries at the UK's Zero Emissions Vehicle Summit, which launched a declaration to commit countries to decarbonising transport. We have worked through Posts to increase the number of signatories to the UK-Canada Powering Past Coal Alliance of countries committed to phasing out coal. Over the course of the financial year, we have held three energy dialogues—with Japan, India and Norway. We have also launched our Prosperity Fund multi-year energy programme in Mexico and low carbon energy programme in ASEAN.

Mexico City was the first sub-national entity in Latin America to issue a green bond, paving the way for further cities in Mexico and the continent to do so, and expanding the range of investible projects for green finance in the City of London. The Prosperity Fund energy programme

Mexico red bus programme



in Mexico has supported the Mexican Stock Exchange to develop an innovative green financing mechanism and to attract finance for low carbon initiatives including bus-related infrastructure. Over 90 British-made buses are now used at the heart of Mexico City, the Paseo de la Reforma, helping speed up transit times, reduce road congestion, and improve street-level air quality, thanks to a low-emission engine.

The UK has been supporting lithium battery technology, another priority for the Industrial Strategy. It's estimated that South America holds 54% of the world's lithium resources, which are increasingly in demand to manufacture batteries for electric vehicles and energy diversification programmes. The UK aims to have a thriving, sustainable battery industry, which would translate to a £2.7 billion opportunity for the British chemical industry alone by 2025, and our bilateral partnerships are essential to ensure this. In March 2018, the British Embassy in La Paz facilitated a commercial and scientific mission of British actors to work with the Bolivian lithium authority. This led to the agreement of funding UK-led work on remote surveying. In October 2018, British Embassy Santiago, in partnership with our Embassies in La Paz and Buenos Aires and the Inter-American Development Bank, delivered a seminar on lithium battery research and technology transfer at the largest mining fair in Latin America.

Throughout the year, the FCO's Chief Scientific Adviser (CSA) has capitalised on opportunities to engage key members of the European science community in the UK and overseas, through the Science and Innovation Network (SIN). We have worked to fulfil the July 2018 White Paper, that the UK would seek a co-operative agreement with the EU to continue our scientific collaboration. SIN officers organised seven policy dialogues in Central Europe between senior host country stakeholders and a range of representatives from UK governmental departments and Arm's-Length Bodies, such as Universities UK and British Council. The CSA also launched the UK-Brazil Year of Science and Innovation with a series of events to celebrate scientific collaboration between Brazil and the UK and showcase how science is helping to solve global challenges. The programme resulted in several wins, including AstraZeneca committing new funding for joint medical research in Brazil, leading scientists coming together (in partnership with the Brazilian public health foundation, Fiocruz) to discuss recent research on the Zika virus, and the launch of two new centres to advance research into renewable energies.

### In focus: Patient safety

Including during his time as Health Secretary, the Foreign Secretary has seen first-hand the impact resulting from poor patient safety. Globally, 1 in 300 patients are harmed in healthcare and 50% of these incidents are estimated to be avoidable. Medication errors alone are estimated at costing \$42 billion annually, not counting lost wages.

The global financial and socio-economic implications resulting from poor patient safety are considerable. FCO leadership in this area will help reduce patient harm, leading to a safer world and significant economic savings globally. It is in our national and global interest to tackle this urgent issue.

FCO is spearheading the UK-led international effort to pass a resolution on 'Global Action on Patient Safety' at the World Health Assembly (WHA) which will take place in May 2019. The UK, who initiated annual global ministerial summits on patient safety in 2016 with Germany, is committed to working with other countries to foster a global movement on patient safety.

Individual countries will need to address patient safety in a way that best suits their healthcare systems and priorities. But, by taking action together, we can raise awareness, share best practice and support capacity building, particularly in low and middle income countries.

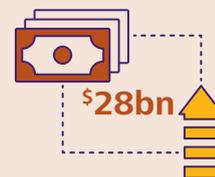
The UK-led proposed resolution called for:

- » member states to recognise patient safety as a national health priority
- » the World Health Organisation (WHO) to ensure it's a priority within their Universal Health Coverage work
- » the establishment of a World Patient Safety Day on 17 September each year

The WHO executive board adopted the resolution, including an international day, on 1 February 2019 and recommended it for adoption at the WHA in May 2019. The resolution would bring greater global visibility and leadership to improve patient safety across all member states.



In high income countries, 1 in 10 patients suffer whilst accessing care. In low- and middle-income countries it is closer to **1 in 4.**



Focused safety improvements in the US lead to an estimated **saving of US\$28 billion** between 2010 and 2015.

## Priority Outcome 8: Overseas Territories (partially achieved)

# Building resilient Overseas Territories with good governance, increasingly diversified economies and prosperous communities

Build resilient Overseas Territories with good governance, increasingly diversified economies and prosperous communities, which are better able to prepare for and recover from crisis.

### Overview:

In 2018-19, we have upheld UK sovereignty in the Overseas Territories (OTs). We have maintained a dialogue with OTs on the implications of the UK's departure from the EU.

The FCO has supported increased security of the territories, with higher standards of governance, sound institutions and an effective public service. We have continued to strengthen law enforcement and criminal justice, and improve prosperity and sustainable economic development, with the eventual aim of reducing dependence on the UK.

We have ensured that OTs meet their international obligations and have taken a leading role on maritime protection: to date, there are three million square kilometres of ocean protected and we are on track to deliver another million around the UK and OTs by 2020.

We have prioritised hurricane recovery and reconstruction programmes across the regions hit by Hurricanes Irma and Maria in 2017, working to help them better prepare for, respond to and recover from crises and natural disasters.

### Progress in 2018–19:

#### EU Exit

Since the EU referendum, the FCO has been in close and regular contact with OT governments on EU Exit issues. In line with the government's objective to achieve an outcome that works for all parts of the British family, the FCO is committed to ensuring

that OT interests are accounted for at every stage of the process.

#### Financial resilience

The FCO has sought to foster prosperity and economic development in the OTs, through technical support on complex issues, involving programme funding and facilitating private sector engagement in collaboration with the OT governments.

We have helped the Government of Anguilla, together with our regional partners, with a phased implementation of a goods and services tax, which both consolidates the tax system and raises revenue to improve the government's long-term fiscal position and resilience. During visits to Anguilla and Montserrat in 2018, Lord Ahmad established links between the Territories and Chambers of Commerce in the UK. He also laid the foundations of a new mentoring relationship between a major UK water bottling company and a local water bottling business in Montserrat. Through the Conflict, Stability and Security Fund (CSSF), the FCO has funded the start-up of a new Economic Development Unit in the Falkland Islands government which develops and co-ordinates new labour, tourism and industry projects.

The FCO has supported the development and modernisation of effective public services in the OTs through the CSSF Public Sector Reform Programme. In 2018–19, Government Partnerships International (GPI) supported the Montserrat Committee tasked with delivering a Ministerial Code. GPI also provided advice and support

on human resources management reform, which included sharing best practice with British Virgin Islands counterparts on leadership, skills mapping and talent management.

The CSSF Public Sector Reform Programme also funds the Commonwealth Parliamentary Association UK, with the National Audit Office (NAO) and the Government Internal Audit Agency, to support public financial management through capacity-building work with the OTs' internal audit, external audit and public account committees. Last year's highlights included the support for five public account committees, Montserrat, St Helena, Turks and Caicos Islands, Cayman Islands and Bermuda. We also saw the first ever inquiry and public hearing, receiving government response in Montserrat. Five OTs are undertaking performance audits of major capital projects, and two further OTs completed an internal audit quality assessment. The Oversight of Public Finances Forum in March 2019 brought together stakeholders in oversight of public finance from 10 OTs and saw the launch of two leadership groups for internal and external audit.

#### Law enforcement and criminal justice

The FCO-led law enforcement programme, delivered through the CSSF, continues to make progress in competency, capability and capacity development in partnership with OT commissioners and chiefs of police. Partnerships with other government departments and agencies include the National Crime Agency, who have led on the development of a

digital forensic hub in the Cayman Islands with cross-OT reach. The MOD has contributed by overseeing the provision of equipment.

FCO-delivered activity has included two separate Post Incident Management courses to highlight the territories' commitment to human rights-compliant policing. Training has resulted in the accreditation of eight Authorised Firearms Officer Instructors, certified to train additional personnel to UK policing standards. It has also improved capability and confidence of Royal Virgin Islands' police to respond to any threats against fair elections and security on election day. International Programme funding also supported repairs to Road Town and West End police stations in the British Virgin Islands.

Monitoring and evaluation of the Integrated Ballistic Identification System has continued with the system producing intelligence leads on a regular basis. Several leads have been confirmed as court-admissible evidence and are leading to the first prosecutions for serious crime offences. The system will become regionally and internationally linked to INTERPOL's Integrated Ballistic Identification Network this year, which will enhance capability to detect transnational firearm movement and crime.

Outside of the Caribbean, the FCO has funded counter-terrorism training for Royal Gibraltar Regiment, and has provided essential training equipment to St Helena police to allow them to respond to a firearms-related incident.

Through the CSSF Criminal Justice Project, the FCO has supported the Crown Prosecution Service, to enable training for Caribbean OTs' magistrates, directors of public prosecutions and judges. It strengthens investigative and prosecution processes, trains police on 'achieving best evidence' techniques, and on asset recovery in the Turks and Caicos Islands, Cayman and Montserrat, to better tackle corruption and illicit financial flows. The project has also provided expertise to modernise legislation and

court processes related to domestic violence and vulnerable witnesses.

We have supported the CSSF Prison Project to strengthen security, improve prison conditions and develop the knowledge and leadership of prison officers. This has included:

- » the full repair of the external perimeter fencing and lighting of prisons in the British Virgin Islands and Anguilla
- » CCTV installed in Anguilla's prison
- » training over 50 OT prison officers in partnership with Her Majesty's Prison and Probation Service

The joint UK-US defence facility on Diego Garcia helps to keep people in Britain and around the world safe from some of the most challenging threats to international peace and security, including terrorism, organised crime and piracy.

The UK is also committed to maintaining its position as one of the leading players in polar affairs, and shares longstanding commercial, security, environmental and scientific interests with the Arctic. We have helped underpin co-operation and stability in the region by supporting an effective Arctic Council.

### **Marine protection**

The UK also remains a leading advocate for marine protection across the Southern Ocean and continues to support the establishment of a network of Marine Protected Areas (MPA) within the area covered by the Convention for the Conservation of Antarctic Marine Living Resources (CCAMLR). We are leading MPA proposals within CCAMLR



HRH Duchess of Cornwall visits the Cayman Islands

### **In focus: Child safeguarding in the Overseas Territories**

Since 2015, the Child Safeguarding Unit in the FCO's Overseas Territories Directorate has supported territory governments and governors in delivering the commitments made by territory leaders. This includes ensuring the highest possible standards for the protection of children and promotion of children's welfare.

Working with territories, and through the CSSF, the FCO has developed bespoke programmes to build the capability (particularly of police, social workers and educators) to:

- » recognise and respond effectively to child abuse
- » enhance legal frameworks
- » strengthen multi-agency working

We have engaged key sources of expertise, including Barnardo's, the Children and Family Court Advisory and Support Service, the Crown Prosecution Service and the National Crime Agency's Child Exploitation and Online Protection Command.

In The Cayman Islands (TCI), support has strengthened the initial multi-agency response to child safeguarding referrals. Cayman has also developed its Child Safeguarding Board, which will play a key role in driving Cayman's strategy on child safeguarding. Additionally, the programme has supported a local NGO, the Crisis Centre, to start a child helpline service.

CSSF funding contributed to the establishment of the Ethel Ingham Centre in TCI. The centre is designed to better protect children and vulnerable adults and to create a multi-agency approach to safeguarding. The Safeguarding and Public Protection Unit and the Social Development Child Safeguarding team will all work together on one site to address this important work.

to designate the second Special Area for Scientific Study around the Pine Glacier, which will protect the region from fishing activity for 10 years. In 2018, the Government of South Georgia and the South Sandwich Islands (SGSSI) undertook their first five-year review of the SGSSI MPA. The government announced additional measures to further enhance its protection and conservation, including:

- » expanding the MPA to cover the entire SGSSI Maritime Zone
- » increasing the areas which will be fully closed to commercial fishing to 23%
- » extending the seasonal closure of the krill fishery from five to seven months
- » prohibiting all commercial mining or hydrocarbons activity throughout SGSSI
- » prohibiting the use and carriage of heavy fuel oil by vessels operating around SGSSI

### Disaster preparedness

The FCO has continued to build greater resilience in the Caribbean OTs following the devastation of

Hurricanes Irma and Maria. The UK and OTs share a collective responsibility for disaster preparedness, and together prepared for the 2018 hurricane season. In June 2018, the FCO organised an international conference in London with key regional partners to improve co-operation in areas such as military and emergency humanitarian assistance. This supported a collective political ambition of building a stronger, more effective, regional response to future natural disasters.

Working with MOD, DFID, and several other departments to provide skills, humanitarian and technical assistance and funding, the FCO co-ordinated the government response to Hurricanes Irma and Maria across Anguilla, the British Virgin Islands and the Turks and Caicos Islands.

In Anguilla, there has been an investment of £60 million. In 2018-19, £6.5 million of this was spent to:

- » refurbish Anguilla's only hospital, Princess Alexandra Hospital
- » open a temporary fixed structure ferry terminal at Blowing Point

- » provide two new fire engines to the Fire and Rescue Service

The FCO Disaster Resilience Fund supported works to government and shelter infrastructure, and the communications tower. We expect building work to commence next year on eight identified school projects, five health projects and seven government building projects.

In the British Virgin Islands, early recovery support funding contributed to critical repairs to seven water reservoirs, sewage and water pumping infrastructure. It also funded repairs to prison and police stations, a new temporary court house and support for social housing. They will receive £10 million of reconstruction funding to support the Recovery and Development Agency and to provide wider technical expertise to key ministries, such as ports, water and public works.

In the Cayman Islands, as a joint venture with the UK, they invested in the procurement of a new long range police helicopter, equipped to provide a flexible disaster response.

Argentine families visit the Falklands and pay their respects at the gravesides of their lost relatives for the first time



### In focus: Falklands-Argentina co-operation

In 2016, Sir Alan Duncan, as Minister for Americas, agreed a UK-Argentine Joint Communique, which sets out areas of closer co-operation for the UK and Argentina. This delivered across three main areas in 2018:

#### 1. Better co-operation between the UK (including the Falkland Islands) and Argentina on fisheries management.

The scientific sub-committee of the South Atlantic Fisheries Commission met on two occasions to reach an agreement of fisheries data and an agreement on participation by Argentine and Falkland Islands' fisheries experts in joint research cruises in the region.

**2. Political agreement on a new flight between South America and the Falkland Islands.** The UK government reached the agreement with the Government of Argentina over a route and carrier for a new flight. The flight, operated by LATAM, will fly from São Paulo to Stanley on a weekly basis, stopping once per month each way in Cordoba. The Falkland Islands' government hopes the flights will commence in autumn 2019.

**3. Work with the International Committee of the Red Cross (ICRC) to identify those unknown casualties from the 1982 conflict buried on the Falkland Islands.** The ICRC DNA identification project, run under the auspices of a Humanitarian Project Plan, is the first time that governments from opposing sides of a conflict have worked together to identify deceased combatants. So far, 110 of the 122 sets of remains have been identified, and this progress would not be successful without the sensitive co-operation of the Government of Argentina and Falkland Islanders.

# Delivering the UN Sustainable Development Goals

The FCO supports the delivery of all the Sustainable Development Goals (SDGs) internationally, working closely with the full range of UK government departments and partners abroad. The UK's progress in delivering against the SDGs will be set out in the Voluntary National Review to the UN in 2019.

4 QUALITY EDUCATION



We secured endorsement from all 53 Commonwealth countries to 12 years of quality education for girls by 2030 at the Commonwealth Heads of Government Meeting 2018. We built on this at the Human Rights Council in June 2018 when 152 UN member states signed the UK statement on 12 years of quality education.

The FCO also promotes quality education through the Chevening Scholarships programme which offers university-level scholarships to young leaders with potential across the globe. This supports the long-term prosperity and stability of developing countries as part of a holistic approach to raising prosperity and reducing poverty.

5 GENDER EQUALITY



The FCO has maintained its commitment to overcoming barriers to global gender equality, spearheaded by our Special Envoy for Gender Equality. The UK continues to champion the Preventing Sexual Violence in Conflict Initiative (PSVI) and we are preparing for a PSVI International Conference, which will be held in November 2019.

FCO-led policy programmes apply the International Development (Gender Equality) Act and prioritise gender equality with, for example, gender sensitivity embedded within the governance of the Conflict, Stability and Security Fund (CSSF).

8 DECENT WORK AND ECONOMIC GROWTH



The FCO has worked closely with partners across government to eradicate forced labour, modern slavery, human trafficking and child labour.

The Prime Minister's Call to Action on modern slavery, launched in 2017, has now been endorsed by over a third of UN members and we have continued to work in multilateral forums to ensure that this issue remains high on the agenda. We also work bilaterally to help tackle the issue on the ground, where we can make the most impact. For example, the departmental foreign policy programme worked with the private sector to fund work to promote workers' rights and tackle forced labour and sexual violence in India, which has benefitted 14,000 women in 13 factories so far.

13 CLIMATE ACTION



Our special envoy for Climate Change and global network of climate leaders are spearheading cross-government and internal progress on tackling this global issue.

Our diplomatic engagement complements and amplifies wider efforts across government, including the £5.8 billion International Climate Fund. The fund focuses on partnerships with developing countries to reduce carbon emissions while boosting sustainable, resilient and inclusive growth.

We are also promoting low carbon development and affordable and clean energy through Prosperity Fund programmes in South East Asia, Mexico, Brazil, China and India. Climate change is one of FCO's top priorities in 2019-20, demonstrating the UK's commitment to leading the globe in tackling this threat.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS



The Foreign Secretary has championed the rules-based international system, and much of our diplomatic and policy programme effort focuses on implementing, reforming and upholding its institutions and rules. For example, the Foreign Secretary's Middle East visit in 2018 used our influence on the parties involved in the Yemen conflict to help persuade them to attend new UN-led peace talks in December.

We are promoting media freedom and the protection of journalists, including through specific support in countries around the world, and in 2019 the UK will host an international conference on Media Freedom.

17 PARTNERSHIPS FOR THE GOALS



The FCO diplomatic network uses its voices and works with partners to advocate for reforms that will accelerate progress towards the SDGs. For example, we successfully supported OECD Development Assistance Committee efforts to identify a more diverse set of financial instruments and recognise new partners who are required to contribute to SDGs. In Brazil, the FCO Prosperity Fund programme has helped build regulatory and technical infrastructure to improve the uptake of renewable technologies.

Our Commonwealth Marine Economies Programme is supporting 17 Small Island Developing States to identify the potential of, and develop, their marine economies in a sustainable, resilient and integrated way. The programme promotes growth, innovation, jobs and investment while safeguarding healthy seas and ecosystems.

# UK Engagement

## Engaging with the Devolved Administrations

### Our network

In the last year, we continued to work closely with UK government departments, the devolved administrations and other partners in Scotland, Wales and Northern Ireland to promote, protect and project the interests of the whole of the United Kingdom.

Our network delivered visits by 56 senior officials to Scotland, Wales and Northern Ireland, and supported 46 overseas visits by devolved administration ministers. In November 2018, delegates on the FCO's flagship International Leaders Programme, aimed at developing lasting relationships with future leaders, met representatives from industry, civil society groups and education in Edinburgh, to hear about the strengths and expertise that Scotland has to offer.

In January 2019, the UK, as chair of the Community of Democracies, hosted a gathering of 28 member states and international civil society groups. The UK government, the Northern Ireland Civil Service and the Scottish Government demonstrated how devolution works in the UK and the benefits of devolution to democracy as a whole.

In March 2019, the Foreign Secretary went to Aberdeen to discuss the importance of the oil and gas industry to the UK, and to deliver a speech on cyber deterrence in



The Scottish Saltire flies on the Foreign Office building in London for St Andrew's Day, 30 November 2018

Glasgow, emphasising the UK's efforts to stand steadfast alongside our allies to counter this threat and continue to strengthen our cyber security capabilities.

### International events

There have been international events involving the devolved nations or their administrations that demonstrate Global Britain in action. In July 2018, Edinburgh was the venue for the tenth Australia-United Kingdom ministerial consultations, at which the Foreign and Defence Secretaries engaged their counterparts on high-level foreign policy, defence and security issues.

2018 marked the 20<sup>th</sup> anniversary of the Committee of Experts European Charter for Regional and Minority Languages, which promotes and protects historical, regional and minority languages. The UK, as one of its first signatories, hosted a visit from the committee in May 2018 to assess UK implementation of the charter, which included meetings with the devolved administrations. The committee report complimented the UK on promoting minority languages

in several fields, highlighting work in the Isle of Man, Scotland and Wales.

### Foreign policy

We shared information with the devolved administrations on topical foreign policy issues, including EU Exit technical notices on sanctions, Overseas Territories and the Kimberley Process. We also engaged on practical areas such as FCO consular assistance to British nationals overseas. We have kept the Scottish government informed about the UK's Arctic policy framework.

### Culture and tourism

Our network continued to promote culture, tourism and investment in Northern Ireland, Scotland and Wales. Through the GREAT Challenge Fund, we supported a year-long Food is GREAT campaign. The campaign was led by Defra and developed by government and industry to increase UK food and drink export ambitions by £2.9 billion by 2020. This included promoting produce from the devolved nations at Burns Night celebrations in Slovenia and



Mongolia, and Queen's Birthday events at the British Embassy in Rome.

Our Posts throughout the year have raised the profile of all nations of the UK globally through the celebration of national days and other national festivals such as the Edinburgh Festival. We were delighted that international and national media (including BBC Wales and the Scottish Herald) highlighted the work of diplomats and civil servants of Scottish, Welsh and Northern Irish origin delivering around the world.

### Expertise

We have collaborated with devolved administrations and companies to promote the UK's expertise in Artificial Intelligence in a number of international markets, including Japan. It has also helped to develop

our UK-China relationship, and create investment opportunities across many sectors in South Africa.

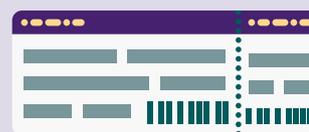
The Scottish and Welsh Governments, and the Northern Ireland Executive, were involved in our UK-China People to People dialogue, one of our major soft power initiatives with China. In October 2018, China hosted local authorities from England, Northern Ireland and Scotland for the fourth UK-China Regional Leaders Summit, resulting in a series of new partnership and collaboration agreements.

FCO staff are encouraged to develop devolution expertise through Diplomatic Academy learning, interchange and collaboration with the devolved administrations. Since 2016, all new heads of missions visit either Scotland, Wales or Northern Ireland as part of their leadership training.



Heads of Mission at Cardiff stadium as part of Wales visit

### Engaging with Devolved Administrations in the FCO



This year, our network delivered visits by **56** senior officials to Scotland, Wales and Northern Ireland.



We supported **46** overseas visits by devolved administration ministers



All new heads of missions visit either **Scotland, Wales** or **Northern Ireland** as part of their leadership training

## Engaging with Parliament

### Parliament and the FCO

The FCO respects the vital role of Parliament to scrutinise our work and engages fully through:

- » formal proceedings in the House of Commons and the House of Lords
- » Select Committees
- » the work of individual MPs
- » country-specific all-party parliamentary groups

We are committed to ensuring our obligations to Parliament are met in full. The FCO's Diplomatic Academy offers workshops, training, and specific modules designed to support the development of all staff's understanding of Parliament, including its processes and its importance.

This year covered the second half of the 2017 to 2019 Parliamentary session, which ran from June 2017 and is still ongoing. Since 2018, FCO has been the lead department for 28 enquiries by committees of both houses, covering topics such as the future of Overseas Territories, Global Britain, India, Yemen, and Parliamentary Scrutiny of International Agreements. The FCO provided committees with written memorandums on each inquiry. FCO ministers and

officials gave evidence 37 times to those inquiries, and inquiries on which other departments led.

The Rt Hon Jeremy Hunt MP was appointed as Foreign Secretary in July 2018. Since his appointment, he has given evidence twice to the Commons Foreign Affairs Committee, and once to the Lords International Relations Committee to discuss the work of the FCO. The Permanent Under-Secretary also appeared before the Foreign Affairs Committee: twice to support the Foreign Secretary, and once to discuss management of the FCO, along with the FCO's chief operating officer and chief financial officer.

Other business in Parliament has made it more challenging for committees to timetable visits overseas.

Nonetheless, since the start of 2018, the FCO has supported committees on over 40 overseas visits, including the US, Germany and Norway.

Over the past year, the House of Lords changed how it considers international agreements. In January 2019, the Lords EU Committee took on the responsibility for scrutinising EU Exit-related agreements until the end of the parliamentary session. The FCO has worked closely with the committee to help ensure that it is

fully equipped to carry out effective scrutiny. We maintain a parliamentary hotline for general enquiries from MPs and a consular hotline that allows direct access to consular staff to discuss constituent cases.

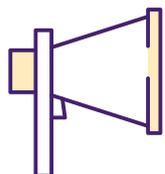
### The Parliamentary and Health Service Ombudsman

The Parliamentary and Health Service Ombudsman was set up by Parliament to provide an independent complaint handling service for complaints that have not been resolved by NHS England and UK government departments. They share their findings with Parliament, to help it to scrutinise public service providers.

In 2017–18 (the most recent year for which statistics are available), there were 6,571 enquiries from MPs concerning all government departments, agencies and UK public organisations<sup>1</sup>. Of these, 21 enquiries concerned the FCO. Seven of these complaints were assessed and three accepted (in principle) for investigation. Of these, none were fully or partly upheld, and

<sup>1</sup> Because of the introduction of their new casework management system and a new recording methodology, data for the number of enquiries received in 2017–18 cannot be compared to data in 2016–17.

### Key Parliamentary Activity in 2018-19



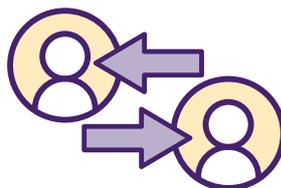
#### Oral questions

Ministers attended departmental Oral Questions eight times; almost 30 FCO Oral Questions answered in the Lords.



#### Written Ministerial Statements

Ministers made over 50.



#### Debates

Almost 50 in both Houses, covering subjects such as the Commonwealth, Religious Persecution, Russia and the Democratic People's Republic of Korea.



#### Urgent Questions & Private Notice Questions

19 UQs allowed in the Commons on subjects ranging from Yemen to Russia to the Middle East Peace Process; Lord Speaker allowed 5 Private Notices Questions.

one was not upheld (complaints accepted for investigation in previous years may be carried over to subsequent years).

## Key Parliamentary activity in 2017–18

### Secondary legislation

This Sanctions and Anti-Money Laundering Act 2018 received Royal Assent on 23 May 2018. The act enables the UK to:

- » continue to implement UN sanctions regimes
- » use sanctions to meet national security and foreign policy objectives
- » ensure anti-money laundering and counter-terrorist financing measures are kept up-to-date after the UK leaves the EU

To implement the sanctions regimes covered by the act, the FCO is bringing forward secondary legislation. From 2018 to present, the FCO has laid 20 Statutory Instruments before Parliament, the majority of which have now cleared parliamentary scrutiny.

### Openness and transparency

The UK recognises the power of transparency in tackling corruption, promoting accountability, and building stronger and more stable states through creating links between citizens and governments. The UK has led internationally on this agenda and the FCO aspires to be one of the most transparent foreign affairs ministries in the world.

During the past year, FCO has consistently released data in line with the cross government commitments and the UK's Open Government National Action Plan. Key milestones have included releasing details of all our Official Development Assistance (ODA) funded projects and participation in the International Aid Transparency Index assessment and the Trade Union Facility Time Regulations 2017 data. The FCO continues to invest resources in improving the quantity and quality of information made publicly available. It is aiming to improve its position in the 2020 Aid Transparency Index and meet government's commitment to achieve "good" or "very good" by 2020. More details on the FCO's transparency work and all our released data are available at GOV.UK.

As part of our membership and support for the Open Government Partnership we have run projects in eight countries during the year. These have included supporting projects in Peru, Argentina, Lesotho, Colombia, Zambia, Ghana, Nigeria, and Kenya. These were part of International Open Data Day and promoted the use of open data and advocate equal development, civic participation and government accountability. We have sent delegates to support events to promote international collaboration in Belgium and Luxembourg, as well as hosting a delegation from France, and co-ordinating and providing UK attendance at the Open Government Partnerships Summit 2018 in Georgia.

## *This table sets out some of our activity in Parliament in 2018:*

### Written Answers (Commons and Lords)

- » 4,199 Parliamentary Questions (PQs) for written answer were tabled to the FCO in 2018. 96% were answered to deadline. Of these:
  - » 2,830 questions were in the Commons, of which 98% were answered to deadline.
  - » 1,369 questions were in the Lords, of which 94% were answered to deadline.

### Parliamentary Correspondence

- » Received 7,385 pieces of correspondence (including emails) from MPs and Peers in 2018, of which 82% were answered within our 20 day deadline.
- » Received 2,075 pieces of hard copy correspondence from Members of the Public, of which 70% was answered within our 20 day deadline.
- » High profile letter writing campaigns covered issues such as Burma, Yemen, the Occupied Palestinian Territories, and religious persecution.

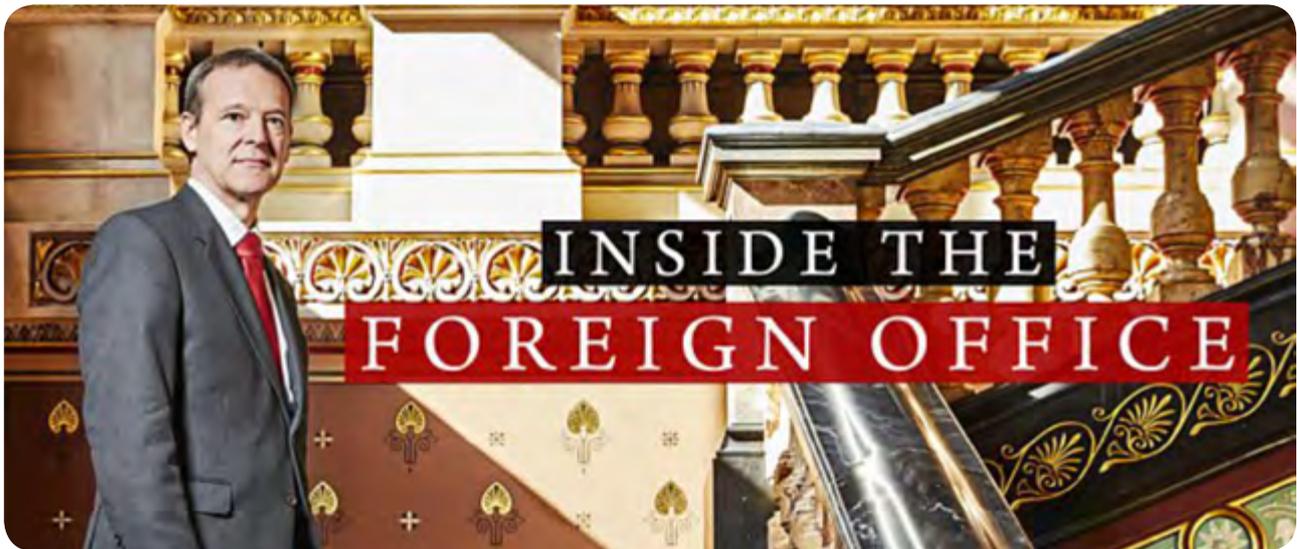
### Parliamentary Scrutiny requirements for EU Documents

- » Explanatory Memorandums (EMs) on 164 EU documents and proposals were submitted to Parliament for scrutiny in 2018.
- » 61 resulted in overriding scrutiny of one or both of the Scrutiny Committees, 75% of which concerned sanctions and restrictive measures. (The figures for non-sanctions overrides were slightly high this year because of a clash between summer recess dates and the adoption of a number of EU mission mandates.)

### Oral Questions, Debates and Statements

- » 70 House of Commons Urgent Questions (UQs) for the FCO were requested. Of those, the Speaker of the House of Commons allowed 19 UQs on subject ranging from Yemen, Russia and the Middle East Peace Process.
- » 5 out of 13 Private Notice Questions (Urgent Questions in the Lords) allowed by the Lord Speaker.
- » Responded to a three hour urgent debate on Yemen in the House of Commons, which took place on the day after it was requested.
- » Responded to a wide range of oral questions and debates in the House of Lords and House of Commons. Commons Ministers attended departmental Oral Questions eight times during the year. There were almost 30 FCO Oral Questions answered in the Lords.
- » There were around 50 debates in both Houses on subjects such as the Commonwealth, Religious Persecution, Russia and the Democratic People's Republic of Korea.
- » FCO Ministers made Oral Statements in Parliament on nine separate occasions, in order to update Parliament on foreign affairs issues. Ministers made over 50 Written Ministerial Statements.

## Engaging with the UK public



The Foreign Office uses various channels to help engage and inform people in the UK.

### *Inside the Foreign Office*

The FCO improved the general public's understanding of our work in 2018–19 to showcase Global Britain and demonstrate that we work hard in the best interests of the UK and its people.

The primetime BBC2 documentary series, the first of its kind for almost 25 years, has helped to create a step change in active and direct

communication between the FCO and the people it serves.

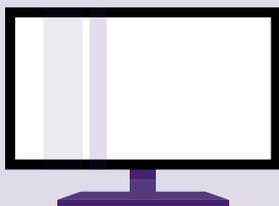
The documentary was an opportunity to promote our work to a wider UK audience, and build trust in the FCO as a transparent institution, and in diplomats as politically neutral public servants. We aimed to increase understanding, improve favourability and change attitudes by challenging myths and stereotypes.

We did this while demonstrating modern diplomacy and celebrating the diverse people who work here.

### *Digital channels*

We use digital channels to explain UK foreign policy and build advocacy for our positions. Our content reaches millions of people each month and we actively focus on producing content that helps to contextualise foreign policy issues, explain the UK response and provides a clear factual account of events. Our content is tailored and targeted to UK audiences and shared through online channels. We are consistently ranked as one of the leading exponents of digital diplomacy in the world and our UK

### *BBC2 documentary, Inside the Foreign Office:*



The first episode garnered **1.7m views**, including iPlayer replays, which is high for a factual documentary on BBC2.



Across the first two episodes, just **less than 19%** of viewers were based in London.



Positive sentiment outnumbered negative by **5:1**. Final episode, *Brits in trouble*, generated the highest number of social media mentions using #InsideTheForeignOffice.

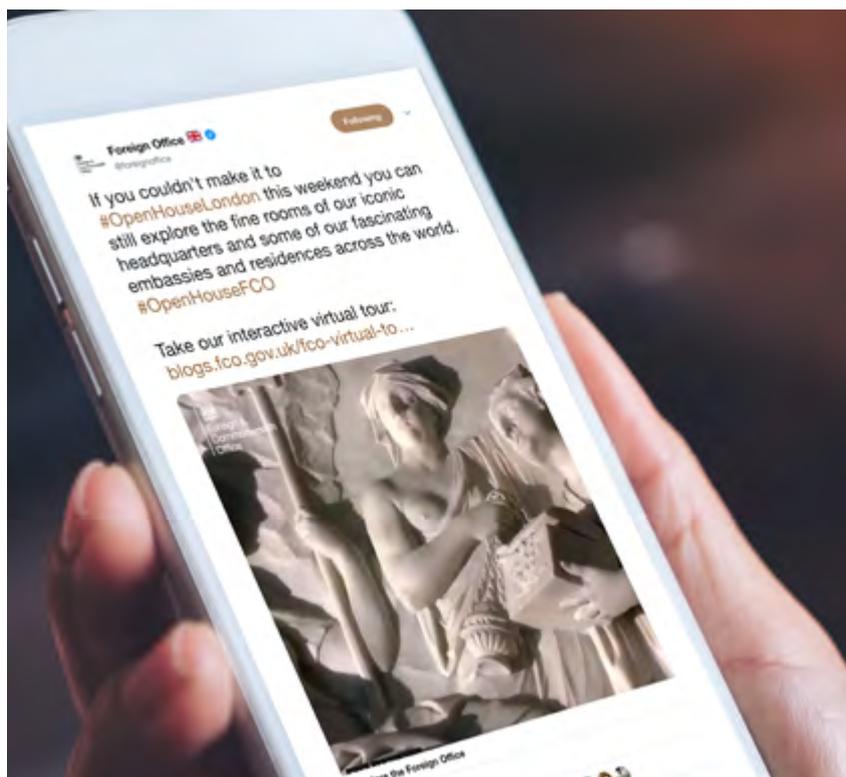
corporate social media accounts have over one million followers.

We have been providing FCO travel advice since 1990. It provides objective information and advice to help British nationals make their own informed decisions about foreign travel. In 2018, our travel advice country pages received over 44 million unique page views.

### Open House

Each year, the FCO participates in Open House London, the world’s largest architecture festival, which gives free public access to certain buildings over one weekend. In 2018, 12,720 people visited the FCO building. Of those polled, 83% were favourable or very favourable towards the organisation after their visit.

With public diplomacy at its core, the FCO uses this opportunity to showcase our transparent and open organisation. It provides a platform to engage with the general public on the vast and global work that our people do in the UK and throughout the network overseas. This event was promoted through our digital channels, including a virtual tour and invitations to professional Instagrammers.



### UK regional engagement

It is essential that we continue to engage with the general public, local and regional representatives, and stakeholders across the whole of the UK. We need to create opportunities and mechanisms to listen and discuss major foreign policy opportunities and challenges.

In 2018–19, we have worked with the think tank, the British Foreign Policy Group, on a varied and

engaging event programme. This has included FCO representatives joining events across the UK such as:

- » Sheffield’s Chamber of Commerce event on the city and region’s international links and ambitions
- » Manchester’s ‘International Ambitions in a Time of Change’ event, with Manchester City Council, Manchester Metropolitan University and the Northern Powerhouse Partnership.

### The FCO at 2018’s Open House London:



The FCO opened its doors to **12,720 visitors** in 2018, 16% more than the previous year.



**83%** of visitors polled were favourable or very favourable towards the organisation after visiting the FCO main building.



In partnership with 15 prominent Instagrammers, the hashtag **#OpenHouseFCO** led to an increase in volume and engagement with posts by 50% and an increase in likes by 55% from 2017.

# FCO in the year ahead

## National Interest, Global Leadership

We lead HMG’s global diplomatic network to advance British interests and act for the people of the UK around the world, supporting all UK Government activity overseas. As the UK leaves the EU, we will seize the opportunities to deliver for a Global Britain as we protect our country and our people, project our influence and values, and promote our prosperity overseas.

The Foreign and Commonwealth Office has a Single Departmental Plan (SDP) that sets out our objectives and how we will achieve them. For the year 2019-20, we will have 11 Foreign Policy Priority Outcomes, facilitated by our new Corporate Policy Priority Outcome, under the following three strategic objectives: protect our people, project our influence and demonstrate diplomatic leadership, and promote our prosperity.

## Cross-Cutting Activity

Underpinning our Priority Outcomes will be:

- > Strong communications with international partners and UK citizens
- > A twenty-first century diplomatic service ready to respond quickly to global challenges by ensuring that it is well trained, has local expertise and language skills, and the technology to work in an agile, collaborative way
- > A work force that both represents the modern United Kingdom and benefits from the expertise of local staff, and that can utilise modern programme and project skills to ensure impact and value for money for our Official Development Assistance
- > The ability to host world class events



### Expertise

- > Strategy and policy leadership and delivery.
- > International negotiations.
- > Strategic communications on international priorities for HM Government.
- > Innovative programme delivery.
- > Deep country, multilateral and regional expertise.
- > Professional Expertise: negotiating, influencing, crisis management, consular assistance, engagement.
- > Language skills.
- > Diplomatic Academy develops to keep our diplomatic skills and tradecraft best in class.

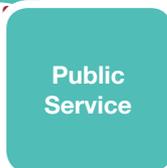
### Agility

- > New technology introduced and exploited to work smarter.
- > Corporate Capability Programme improving support services, freeing up time for front-line diplomacy.
- > Agile workforce and resource use, meeting needs of EU Exit Global Britain, and Africa Strategy.

### Platform

- > A bigger, more impactful, growing global network that operates globally, 24/7: UK HQ, 274 overseas Posts, 169 countries and territories, 9 international organisations, over 12,000 staff.
- > FCO provides a home for ‘One HMG’—delivering all government activity overseas, supporting 30 departments and the Devolved Administrations, through our diplomatic network of Embassies, High Commissions, Consulates and offices.
- > Investment in, and improvement of the global platform so that it is safe, secure, and promotes a positive image of the UK (for all government departments).

### Our values



## Our Department's Strategic Objectives

### Protect our people

Utilise the UK's hard power expertise to protect UK citizens and our allies through our Cyber expertise, P5 status and NATO membership to counter terrorism, prevent weapons proliferation, counter malicious cyber activity, and tackle state and non-state threats.

### Project our influence and demonstrate diplomatic leadership

Advance UK interests by protecting and promoting UK's values, influence and soft power. Working through the rules-based international system, with partners, we will make the world safer and fairer by supporting human rights, democracy, good governance, the rule of law, and preventing and resolving conflict.

### Promote our prosperity

Promote UK prosperity by projecting the UK as a connected, innovative and active global economy, ensuring it is an attractive investment destination, opening overseas markets, driving economic reform, championing UK business, and enhancing global free trade through key international bodies.

## Department's Foreign Policy Priority Outcomes (FPPOs). In 2019–20 we will:

### FPPO1 Consular and Crisis

- > Stand up for British citizens overseas by providing high quality, accessible consular services globally, focused on those most in need.
- > Reduce preventable incidents affecting British people overseas through collaboration with partners and governments.
- > Respond rapidly to all overseas crises, leading cross-government action.

### FPPO2 Euro-Atlantic Security

- > Strengthen key security partnerships and ensure our contribution is felt, in particular with the US and Europe—forging a new security partnership with the EU to enhance shared capability and tackle shared threats.
- > Support a more resilient European neighbourhood, including the Western Balkans and Turkey.

Ensure a strengthened, expanding, more cohesive NATO—with increased contributions from partners—acts to confront security challenges, including from Russia, and remains a global leader in mutual security cooperation, leading this at the London NATO Leaders' Summit in 2019.

### FPPO3 Security Challenges

- > Counter malicious cyber activity by developing a global doctrine of attribution and deterrence, defend a free, open, peaceful and secure cyberspace, and raise the cost for malicious online actors.
- > Reduce the threat to UK interests from terrorism, weapon proliferation, Hostile State Actors, illegal migration, and Serious and Organised Crime, drawing on all UK Government capabilities.

### FPPO4 Diplomatic Leadership

- > Lead delivery of the UK's first Soft Power strategy.
- > Work to champion democracy, human rights, good governance and the rule of law by assisting supporters and using our leverage against abusers.
- > Advance media freedom by leading a global campaign; promote gender equality, including the PSVI initiative; protect the oceans; defend freedom of religion and belief; address global challenges including modern slavery.
- > Promote UK global leadership in the safe, ethical and innovative development of AI and other emerging technologies, including through championing UK standards to shape the international debate.

### FPPO5 Multilateralism

- > Defend the current Rules Based International System (RBIS), which is based on norms, rules and alliances, and support its reform and evolution.
- > Promote the UK's position within the RBIS including improving UK presence in international organisations while building broader coalitions around core interests and values and partnering with emerging powers.
- > Deliver Commonwealth Heads of Government Meeting (CHOGM) 2018 commitments; boost the Commonwealth's voice; increase mutual Commonwealth support in multilateral fora and reform the Commonwealth Secretariat.

### FPPO6 Europe

- > Deliver a strong post EU Exit relationship, advancing UK interests and tackling shared global challenges; protecting UK interests on sanctions, the Overseas Territories (including Gibraltar), Kimberly Process, and Third Country Agreements.
- > Harness opportunities and mitigate risks linked to EU Exit.
- > Bolster governmental and people-to-people links across Europe.
- > Help negotiate a strong future partnership with the EU.

### FPPO7 Conflict and Stability

- > Focus UK effort on NSC priority countries, advancing inclusive political processes and protecting UK interests in Afghanistan, Syria, Libya and Yemen; supporting security, stability and good governance in the Middle East & Africa; and working to resolve the Rohingya humanitarian crises.

### FPPO8 Overseas Territories

- > Build resilient Overseas Territories with good governance, increasingly diversified economies and prosperous communities, able to better prepare for and recover from crisis.

### FPPO9 Global Economic Architecture

- > Work with partners to promote a multilateral economic, financial and trading system for strong, sustainable, balanced and inclusive growth.
- > Reinforce the rules based international economic system, particularly the World Trade Organisation's role in global trade, by advocating and leading reform, focused on international trading rules, regulatory diplomacy, and eCommerce.

### FPPO10 Economic Diplomacy

- > Showcase global leadership of free trade and economic diplomacy, including through working with DIT on new and transitioned Free Trade Agreements with third countries, including in Europe.
- > Work with DIT and BEIS to support UK exports and inward and outward investment, including in rising economic powers, Asia, Africa and Latin America, in line with the Industrial Strategy.

Promote economic development, clean and sustainable growth, and better business environments in key markets, ensuring that technological and educational advances are delivering mutual prosperity, delivering under the Industrial Strategy and its Grand Challenges.

- > Promote UK leadership on science and innovation, including through working with BEIS, to boost UK prosperity and deliver solutions to global challenges.

### FPPO11 Climate Change

- > Tackle the global threat of Climate Change by: galvanising international action; promoting the role and impact of COP26, including bidding to host it; and taking a global leadership role.

## Facilitated by our Corporate Policy Priority Outcome (CPPO):

### CPPO1 International Platform

- > Provide an efficient, impactful and collaborative international platform for the whole of the UK government via our Embassies, High Commissions, Consulates and Offices.
- > Leadership and support to all departments overseas to deliver government priorities

# Investing in our people

## Investment and recruitment

The FCO has continued to focus on the wellbeing and health and safety of our staff, both in the UK and across our global network. Despite the additional pressures of this year, brought about by EU Exit-related activities, we have continued to invest in the development of our staff, building expertise and agility through Diplomacy 20:20.

We have recruited on a scale unseen in the FCO for decades to fill London-based roles, as experienced staff were deployed overseas in support of Global Britain, EU Exit and Africa strategy programmes. By April 2019, around 400 new staff, the majority on fixed-term contracts, will have begun their positions in FCO. While carrying out this expansion, we have always sought to recruit from the widest possible pool of talent, promoting diversity of thought, skills, and background.

We want the modern FCO to reflect the best of modern Britain. We want to develop a diverse talent pipeline of individuals with skills that work now and in the future. Recruitment processes are fair, objective and impartial, and in line with wider Civil Service practices.

Investing in our people is an integral part of our Workforce Strategy 2020 and, through it, we aim to:

- » attract and recruit people with high-quality skills to work for us
- » retain and reward staff by recognising their contribution
- » promote and enable excellent leadership
- » ensure our organisation is adaptable, flexible, responsive and innovative

- » develop and support our staff to fulfil their potential and achieve their career aspirations
- » keep the people we need and be honest with those we do not

The FCO management board reviews progress towards achieving the strategy and agrees key priorities annually. In December 2018, they agreed to continue with the priority themes of Workforce Planning, Leadership and Wellbeing, and to conduct a light-touch refresh of the strategy during 2019.

## Diversity and inclusion

To be the best it can possibly be, the FCO needs the skills of a truly diverse workforce. We must make the most of our talent and ensure every member of staff achieves their full potential. The FCO's management board is committed to ensuring that everyone plays a role in embedding diversity and inclusion into every part of our work. This is essential if we are to deliver excellent foreign policy and diplomacy in a diverse and changing world.

Our Diversity and Inclusion 20:20 Strategy covers three priorities:

- » a diverse talent pipeline
- » tackling bullying, harassment and discrimination
- » creating an inclusive environment

The strategy sets out how we plan to reach our ambition of an inclusive FCO, in which all staff are valued and contribute to the best of their abilities. We believe that the better our workforce reflects the diversity of the country we represent, the stronger an organisation we will be.

In 2018–19, with a strong drive from the BAME Staff Network,

we put a particular focus on race, including at board level. We looked at ways to translate our recruitment successes into fair opportunities and a talent pipeline through the organisation. In the coming year, we will launch a dedicated BAME Talent Programme to support these efforts.

## Progress in 2018–19

### *Fast Stream and related recruitment*

In 2018–19, the FCO recruited 36 specialists across the delegated grades and 63 Fast Stream policy entrants. The profile of our 2018–19 Fast Stream cohort is:

- » 49.2% female;
- » 17.5% BAME;
- » 14.3% disabled; and
- » 15.9% LGBT.

The FCO also recruited 66 higher executive officers and 47 executive officers through the Direct Appointment Scheme. The profile of the new recruits is:

- » 67.9% female;
- » 21.4% BAME;
- » 11.6% disabled; and
- » 6.2% LGBT.

Additional recruitment undertaken during 2018–19 includes:

65 higher executive officers recruited via the Cabinet Office-run Policy Professional external recruitment campaign, of whom:

- » 52.3% female;
- » 23.1% BAME;
- » 10.8% disabled; and
- » 6.2% LGBT.



77 administration officers, of whom:

- » 56.4% female;
- » 46.2% BAME;
- » 7.7% disabled; and
- » 5.1% LGBT.

9 finance directorate administration officers—the small group size means diversity data is withheld to respect anonymity.

### Internships

Our work experience schemes encourage undergraduates and graduates from all backgrounds to experience life at the heart of the UK government and consider the FCO as a future employer.

In 2018–19, we offered 110 internships, representing a 27% increase on the previous year. There were 66 graduate interns who undertook placements of up to nine months. A further 25 benefitted from six-week placements as part of the Summer Diversity Internship Programme. The Summer Diversity Internship Programme targets individuals from underrepresented groups and is managed centrally by the Government Recruitment Service.

The FCO manages its own annual graduate internship programme, which is open to graduates from all backgrounds. In 2018–19, the profile of our graduate interns is:

- » 53% female;
- » 23% BAME;
- » 14% disabled; and
- » 10% LGBT.

### Apprenticeships

Apprenticeships are a key part of the FCO's external recruitment cycle. In line with government strategy, we are committed to developing and broadening our apprenticeship programmes further.

Our target (shared with our executive agencies, FCO services and Wilton Park) is to ensure that apprentices account for 2.3% of our combined workforces in England, achieving Civil Service targets for public departments. In 2018–19, the FCO contributed 62 apprentices to the combined target. Unfortunately, there were delays in security clearances which prevented more from joining us this year.

FCO has recruited apprentices through a number of routes over the past year, including our own external recruitment as well as through the Civil Service Fast Track, and Government Communication Service schemes. These campaigns have yielded 50 business administration apprentices, three communications apprentices, one finance apprentice, and seven HR apprentices (the latter support the FCO's Corporate Services Centre).

The profile of our 2018–19 apprentices is:

- » 48% female;
- » 21% BAME; and
- » 8% disabled.

In the coming year, the FCO will continue to recruit business administration and professional apprentices. By doing this, we can build more capability across

*We recruited 63 Fast Stream entrants, of which:*

**49.2%** are female



**17.5%** are BAME



**14.3%** are disabled



**15.9%** identify as LGBT

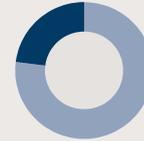


*We recruited 65 higher executive officers via a Cabinet Office-run campaign, of which:*

**52.3%** are female



**23.1%** are BAME



**10.8%** are disabled



**6.2%** identify as LGBT



the department and contribute to the government's goal of three million apprenticeships by 2020.

### **Exceptions to Fair and Open Competition 2018–19**

Some exceptions to the Civil Service Recruitment Principles are allowed. They are listed below, along with the number of appointments of each type made in 2018–19. These figures include only new contracts granted, or extensions which required the permission of the Civil Service Commission:

Type of Exception	Number
Short-term appointments for up to two years	39 (including 25 SDIP)
Support for government employment programmes for up to two years	2
Secondments for up to two years	4
Extended Ministerial Offices	0
Re-appointment of former civil servants	2
Interchange with Northern Ireland Civil Service	0
Transfer of staff from other public bodies	0
Transfer of organisations into the Civil Service	0
Transfer of individuals into the Civil Service	0
Conversion to permanency: administrative & industrial grades	1

## **Health, Safety and Wellbeing (HSW) of our staff**

In November 2018, the Permanent Under-Secretary issued his refreshed Health Safety and Wellbeing Commitment across the FCO network. We will focus on the following objectives, which include the introduction of senior responsible owners, and actions for directorates and posts.

### **Oversight of the Health and Safety (H&S) Framework**

An organisational health check by an external professional body has been commissioned, including a review of the H&S team's operating model. We will analyse the findings and implement changes as appropriate.

### **Incidents**

Over the year we investigated a range of incidents in the UK and overseas concerning gas, electrical, working at height and event management.



Student outreach event

### **In focus: Student outreach**

The overall aim of our student outreach is to increase the number of successful applicants from diverse backgrounds, in line with UK population figures, to all of our recruitment campaigns. Our particular focus is the Diplomatic Fast Stream. Our outreach programme focuses on high-potential candidates from Black, Asian and Minority Ethnic (BAME), low socio-economic and widening participation backgrounds. Importantly, it also encourages regional diversity in our entrants.

We seek to engage individuals who might not otherwise consider, or who could even self-select out of, an FCO career. FCO outreach began in 2013 as a university roadshow, and students who once attended FCO outreach events are now colleagues today. This outreach has the ability to change perceptions, and, of those who attended the 2018 University Roadshow, 92% came away with a better perception of the FCO as a result.

We have increasingly worked with universities who have a strong record in widening participation so that we target our efforts effectively. Through these programmes and work with widening participation officers, we have increased focused engagement with our target audiences.

Running from February through to March 2019, the FCO university roadshow took us across the UK, visiting universities from all regions of England and all devolved administrations. Students from diverse backgrounds were engaged through a series of events that aimed to inspire them to consider the work of the FCO and a career here. Over the course of this period, we met with around 800 students at 13 events.

This year our developed outreach toolkit has supported over 30 individual volunteers undertaking their own outreach to both school and university students of diverse backgrounds and disciplines. We have run a number of other outreach projects, such as working alongside the Children's Commissioner for England to host our own FCO 'Whitehall Takeover Challenge'. We are currently exploring new relationships with partner organisations to engage with talented schools and university students from diverse backgrounds.



**Audits**

Internal audit completed an audit at FCO’s logistics site Hanslope Park, Milton Keynes, focusing on the FCO’s responsibilities as landlord. A number of H&S-related recommendations included reviewing the park’s governance to improve co-ordination on H&S and to clarify and formalise authorities to access and permits to work.

**HSW projects**

The eight HSW Senior Responsible Officers (SROs) are leading projects across a range of HSW topics.

We are addressing lessons from the Grenfell fire tragedy and have identified 23 changes originating from

Dame Judith Hackitt’s Independent Review of Building Regulations and Fire Safety. Our updated policy will be launched in April 2019, with ‘escape from fire’ our primary objective, and incorporating our own fire risk assessment tool and improved means for staff to raise concerns to SROs.

We are halfway through a delivery programme to adapt properties that are structurally in the highest-risk categories for earthquakes.

We plan to reinvigorate our policy approach to construction, design and management regulations area and look at how high-risk safety at work is led and controlled.

Protocol have commissioned a review of event safety at

Lancaster House with the aim of streamlining H&S practices to improve operational delivery.

Our Transport Policy has been updated with regard to vehicle safety, and re-issued.

We are also considering health and air pollution. A data collection and analysis exercise is underway to identify the worst-polluted Posts on both a year-round and seasonal basis. Appropriate mitigations will be discussed and implemented in conjunction with geographic directorates and Human Resources Directorate.

We are making good progress towards meeting a Cabinet Office objective to train 90% of our senior leadership

*2018 Staff Survey by the numbers*



We had an **87%** participation rate



Our overall engagement index was **72%**



Our scores were **61%** positive on learning and development, 7 points above the Civil Service average



**670** more staff completed the survey than in 2017



Our engagement index was **10 points** above the Civil Service average



On leadership and managing change, our results were **16<sup>th</sup>** best of 111 participating organisations



Diplomacy 20:20 event

officers on 'wellbeing-confident leadership' by June 2019. We have also trained 128 mental health first aiders.

## 2018 Staff Survey

The overall picture of the 2018 Staff Survey remained positive and, as the previous year, the FCO scored above the Civil Service Average (CSA) in eight of the nine survey themes. Our participation rate rose again, with 670 more staff completing the survey than in 2017. This raised the overall participation rate to 87%—the highest participation of any similarly-sized participating government organisation.

Important statistics to note were:

- » leadership and managing change was 10% above the CSA, placing the FCO 16th of 111 participating organisations
- » learning and development was 7% above CSA
- » engagement index score remained high at 72%, 10% ahead of the CSA and 6% above the Civil Service High Performers
- » bullying and harassment scores remained at 13%, though discrimination scores decreased to 15%
- » FCO staff were also 12% above the CSA and 3% above the Civil Service High Performers in believing that action would be taken as a result of the survey.

Pay and Benefits was the only theme where we were not above the

CSA, having dropped by 1%. The survey was conducted before the implementation of a new pay structure and the 2019 survey will show if this has an impact on the scores.

## Diplomacy 20:20

Diplomacy 20:20 is the FCO's transformational change programme to deliver a more expert and agile organisation, supported by a world-class platform. The programme was launched in 2016 and will run until at least 2020. It is organised in three pillars—expertise, agility and platform.

Now in its third year, Diplomacy 20:20 delivered further organisational improvements. Our work over the past three years has also been reviewed by the Infrastructure and Projects Authority—most recently in February 2019—where it concluded that we had made good progress.

On expertise, we are piloting integrated cross-government business planning overseas in seven diplomatic Posts and supported eight secondments to organisations outside government to help our staff gain external experience. We continued to grow the learning and development offer for staff working on international issues across government through the Diplomatic Academy, including by opening a new learning centre. We also deepened the exchange of best practice and experience

of Diplomacy 20:20 through an internal campaign, #MakingItReal.

We are finalising the restructuring of policy directorates in London to ensure the wider size, structure and shape of the FCO and its network is ready to meet our priority outcomes. These changes, alongside others under the agility pillar, have helped us to respond well to priorities such as EU Exit. Following the introduction of a new global charter recognising the crucial role played by our local staff, there are now more than 100 local charters in place across our overseas network.

Following the landmark sale last year of the British Embassy building in Bangkok, we began a range of estate modernisation projects around the world to improve our platform. Nine new diplomatic Posts in Commonwealth countries are under development, with all expected to open before March 2020. Work to improve our corporate services continued, including the first ever global gathering of our corporate services managers to support local implementation. We also continued to roll out upgraded technology across our diplomatic network.

## Diplomatic Academy

The Diplomatic Academy remains at the heart of the FCO's efforts to ensure all staff have the right skills, knowledge and expertise to deliver against FCO objectives. The academy has 12 faculties, as well as regional teams supporting the learning and development needs of our overseas network.

This year, HRH The Duke of Cambridge opened the Mayhew Theatre on 4 March 2019. A once un-used courtyard within the FCO's main building now houses the FCO's largest dedicated learning and development space. The theatre is named after Cicely Mayhew, one of the first female diplomats, who helped pave the way for more women to join the diplomatic service. The sustainable design, approved by Historic

England, will bring staff together, both physically and virtually, to share knowledge, expertise and skills.

'Diplomacy in the 21st Century', an online course developed in partnership with the Open University and the FutureLearn platform, was launched publicly and has 10,000 registered learners including FCO staff, diplomats from other countries and students. It will be followed by further internal and public-facing courses to reinforce FCO staff expertise as well as contributing to FCO outreach.

We ran 35 induction courses for more than 600 new staff in the UK, the largest influx of new staff in recent years. The number of colleagues studying and completing foundation level (FL) continued to increase. As of March 2019, 188 staff have completed the City and Guilds qualification, and there are over 1,420 registered FL learners. Next year, we will focus on creating a revised FL in line with the academy's commitment to continual improvement.

We now have 9,000 colleagues across government registered to use GLO (the FCO's platform for Global Learning Opportunities) which gives access to the FCO's digital Learning & Development resources.

As part of their support to the overseas network, our regional teams have delivered:

- » 12 modules of the Confident Manager Programme virtually
- » eight Global Leadership Programmes (from which 130 staff have benefitted)
- » six new Emerging Leaders Programmes (from which 95 staff have benefitted)
- » 14 learning cohorts supported by 'Learn About...' programmes enabling experts to share knowledge and expertise regionally

### Languages

Languages are an integral part of the FCO's ability to deliver our Global Britain vision, allowing us to understand local cultures and build relationships that can deliver results. In October 2018, the Foreign Secretary announced that over the next 10 years the FCO should aspire to double the number of British diplomats who are able to speak the native language of the country where they serve. We currently have some 565 speaker slots around the world, and train over 200 staff each year to reach the linguistic level required for their roles.

### Diplomatic Academy Foundation Level Passes per module to March 2019

Module	Number of staff
Government & Parliament	642
Understanding the UK	522
UK & Europe	393
UK & the World	377
Prosperity	306
Security	321
Skills for Working	192
Migration	213

This year, we provided full-time language training to 53 officers in Arabic, 34 in Mandarin, 42 in Russian, 34 in Spanish and 32 in French. Currently, 79% of our Heads of Mission are able to operate primarily in the language of their host country where speaking this language is a requirement of the role.



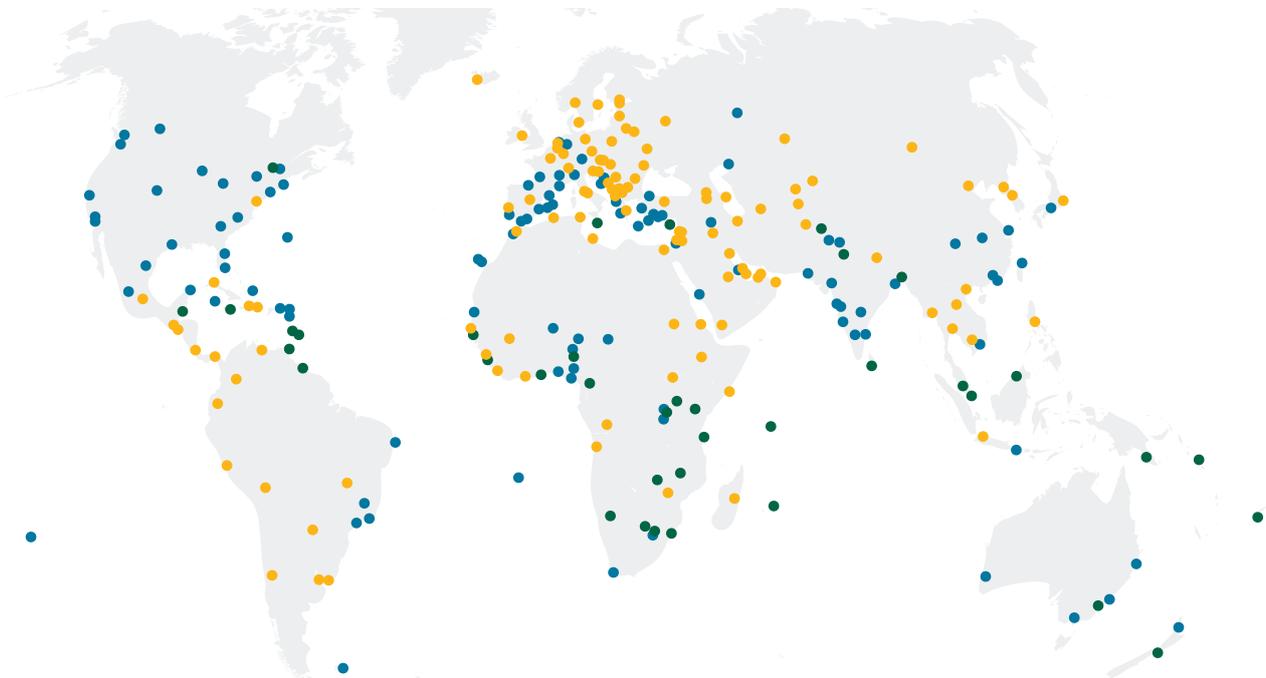
The opening of the Mayhew Theatre (seen at right)



# Our global network

## Our Global Network

The FCO’s global network works to protect our people, project our global influence, and promote our prosperity. The overseas network also provides a platform for 31 other government departments. Last year, the FCO secured new resources to significantly expand our global network in support of EU Exit, Global Britain, and the delivery of a new approach to Africa. This expansion will strengthen talent and expertise at our Posts across the world, as well as deepening our engagement in key countries and institutions.



Key: ● Embassy      ● High Commission      ● Other Posts

Over the last year, we have continued to aim for buildings in our overseas estate which are safer, functional, sustainable and accessible. We are working towards smaller footprints and less floor space per person worldwide. We have also continued to provide physical, technical and personnel security for all staff, and remain on course to deliver the tech overhaul programme within budget.

The Foreign Secretary’s speech at Policy Exchange on 31 October 2018 set out the FCO’s plans to invigorate and expand the diplomatic network beyond EU Exit, with the aim of

delivering our foreign policy priorities. Global Britain, Africa and EU Exit uplifts are the three components of the network’s expansion and will together deliver over 1,000 new staff positions by 2020. Of these positions—roughly one-third UK-based overseas, one-third local staff and another third in the UK—we expect to have filled almost half by March 2019.

### **One HMG platform**

The FCO, through our overseas network, provides the One HMG Overseas platform which allows our network and 31 partners

across government to deliver government objectives overseas.

One HMG aims to deliver government objectives and joined-up activity overseas as effectively and efficiently as possible, removing duplication of costs and co-locating HMG’s operations overseas at a single Post, except where good business reasons dictate otherwise.

The FCO Diplomacy 20:20 programme aims for a more expert and agile organisation, supported by a world-class platform. As of 31 March 2019, the FCO network had 270 posts in 169 countries and

### In focus: Diplomatic uplift

The Global Network Uplift has been the biggest investment in the FCO for decades. We will have sovereign missions in 161 countries, which is more than any other European country.

By the end of 2020, the UK's diplomatic network will have gained almost 1,000 members of staff. This represents a visible demonstration of the UK's commitment to engage globally. The broadening of the network and deepening of core political capability in existing Posts will enhance our ability to better deliver against the UK national security objectives of protecting our people, projecting our influence and promoting our prosperity.

The uplift consists of three component parts:

- » the first in response to the need for new positions to reflect our changed relationship with the EU and individual member states
- » the second to achieve a step-change in our presence and impact in Africa
- » the third to deliver the ambitions of a Global Britain in key locations across the world.

The Global Britain component of the uplift includes new roles focusing on emerging opportunities and threats. It will deliver greater political engagement with other G20 members, rising powers, and new partners. We will bolster our impact in working alongside historic partners, such as the Commonwealth and, in particular, our friends and allies across Europe.

We will enhance our ability to meet our clear obligations in support of Overseas Territories, our provision of consular services, and specific policy issues such as cyber and non-proliferation, of which the UK is a leading actor.

Our multilateral missions in New York and Geneva will undergo a significant strengthening. We will establish a new mission to ASEAN to promote, defend and adapt international norms, institutions and systems that strengthen international peace and prosperity. We will develop our capabilities and expertise to influence international policy, standards and rules in line with UK interests, and harness our strengths, history and values to maximise soft power which supports our security and prosperity objectives. One example of this is the upcoming conference on Media Freedom in summer 2019.

UK leadership in tackling shared challenges is in the global interest, but it is also fundamentally and unequivocally in the national interest. The Global Britain Uplift serves to support a safe, secure and freely trading global environment—all of which underpins security and prosperity at home.

The new roof on the High Commission Colombo



territories, and nine multilateral organisations. During 2018–19, we closed subordinate Posts in Alexandria, St Petersburg, Almaty, Porto Alegre and Tijuana, and opened a new British Embassy in Nouakchott.

### The Estate

The FCO's estate remains a unique and highly diverse public asset—with owned or rented properties (offices, residential and a mixture of ancillary buildings and land) primarily overseas. Among key activities throughout the last year, January 2018 saw the completion of the sale of the current Bangkok Embassy compound in Thailand—the biggest land deal in Thai history and the FCO's biggest ever sale, which raised at least £420 million. The funds released enabled the FCO to begin work on around 50 major and long-planned estates projects, as part of our continued efforts to update and modernise our global estate to achieve our aspiration of a world-class platform.

As a result of the Bangkok compound's sale, we scaled up our estates team to ensure the delivery of the programme of major projects. Overseas, excellent progress has been made, including the redevelopment of office accommodation in Kathmandu, which is near completion despite its complexity and scale. As of March 2019, the FCO is now co-located with nine countries and the European External Action Service, NATO, and the World Bank in 28 different locations. In addition to formal co-location arrangements, there are also a number of less formal sharing arrangements, which demonstrate the ongoing range of co-operation with partners.

Other key achievements across the network's estate this year include:

- » the relocation of the Düsseldorf office
- » the co-location of New Zealand with the UK in Stockholm
- » a major roof replacement project in Colombo
- » completion of the Paris Residence rewire

There are also numerous projects scheduled for completion in 2019–20, which include:

- » re-provision of embassies in Mexico and Bangkok, and major improvement works in Paris
- » 12 new Posts in Africa, the Americas and Asia-Pacific, and platform enhancements under the Africa Uplift as part of the Global Britain Uplift programme
- » improvements to our platforms in Bucharest, Rangoon, Nicosia, Accra and Karachi
- » the completion of office improvement works for DFID across Africa in Addis Ababa, Freetown, Kinshasa, Kampala and Khartoum

In total, we will complete 14 new and upgraded Posts by 2020:

- » six new High Commissions in Samoa, Vanuatu, Tonga, Eswatini (formally Swaziland), Lesotho, and the Bahamas
- » two new embassies in Djibouti and the Maldives
- » upgrading our offices in Chad and Niger to Embassies
- » a new mission to ASEAN in Jakarta
- » three Resident Commissioners in Antigua and Barbuda, St. Vincent and the Grenadines, and Grenada

### **Security of our staff and missions**

The FCO provides physical, technical and personnel security for all government departments operating in our missions overseas as part of the One HMG platform. This includes a dedicated cadre of professional overseas security managers, and covers our security responsibilities towards both local staff and UK-based staff and families. In 2018, the FCO facilitated 2,391 places on security training for fragile environments and delivered home and overseas security courses to 1,749 individuals from the FCO and other departments. In addition, we provided bespoke security training for groups of staff at six Posts in response to changing threat levels.

Palmerston, the FCO cat, with reusable coffee cups



### **In focus: Sustainability\***

By the end of 2018, the FCO removed 1.5 million items of avoidable single-use plastic from its UK estate. This was 97% of our baseline figure, and by March 2019 elimination was at 98%. In our overseas network, we have eliminated a further one million items. The FCO is the first government department to take determined action, following a public commitment from the Foreign Secretary in February 2018, to 'eliminate avoidable single-use plastics from its UK operations by the end of 2018 and from its global operations by 2020.'

FCO introduced the first Latte Levy in Whitehall and we encouraged staff to use their own coffee cup through the #BeyondPlastic communications campaign. This succeeded in driving reusable cup use from 3% to 51% within the first month.

Overseas, we have 150 #BeyondPlastic Champions across 107 Posts to lead local action. 13 Posts are already avoidable single-use plastic free and another 37 are committed to target dates to join them.

Our campaign has brought media recognition, case studies in both CCS Procurement Policy and the Government Estate Strategy 2018, and the opportunity to partner with the Zoological Society of London's (ZSL) #OneLess campaign as a pioneer partner. We have also been nominated for four Business Green Leaders awards.

A consistently supportive FCO Board, Interserve, Facilities Management supplier, and Sir David Attenborough's encouragement when speaking at our Leadership Conference 2018, have helped to make this possible. But our greatest asset is the unbounded enthusiasm of colleagues across the FCO.



Introducing plant-based compostable alternatives has eliminated **656,000** plastic disposable coffee cups



We also removed all **101,000** plastic bottled drinks sold annually through our retail points.

\*A summary of the FCO Sustainability Report, plus a link to the full Report, can be found in the Accountability Report (page 74).

## In focus: Tech Overhaul

Tech Overhaul is a £120 million IT programme in the government's major projects portfolio, aimed at transforming the way staff use technology. The programme, which began in 2015, is on track for completion within budget in 2019–20. Last year saw the rollout of new technology across the network, from Afghanistan to Zimbabwe, supported by a behaviours-based 'Work Smarter' campaign.

A major element of the Tech Overhaul programme was updating the aging Vista-based IT, which led to the deployment of more than 20,000 laptops, desktops and smartphones to 223 Posts across the FCO network over a 12-month period. More than 20,000 bags of IT hardware were dispatched in total, with the largest single deployment of over 500 devices in New Delhi. As a result, Posts now have more reliable laptops and smartphones.



Tech Overhaul has had measurable impacts on productivity, saving staff time and enabling more efficient use of office space in the UK and overseas: 80% of users have declared that the new smartphones have improved their working lives. The programme has given more options to FCO users to work remotely and from home, and helped the FCO meet the government's 10:8 staff-desk target. Reported IT faults fell by 23% between 2017 and 2018, and 90% of staff reported that login times have reduced. The new technology also consumes less power, which has saved on electricity use and reduced our CO2 consumption.

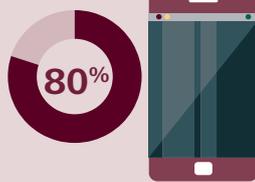
To encourage staff to explore how they can better use technology to work in a more flexible and agile way, we launched a transformation campaign and expanded our 'Tech Ninja' network, which helps leaders make the most of new products. FCO Labs, our dedicated design and innovation team, have also developed bespoke products to support new kinds of diplomacy and the FCO's operations, including a prototype of a new business planning and impact tracking tool and a bullying, harassment and discrimination anonymous feedback tool.

The last quarter of the year has seen a particular focus on supporting EU Exit planning, including rolling out collaborative Office 365 technology to staff engaged in EU Exit preparations. The year 2019–20 will see the Tech Overhaul programme move into its final phases before the programme formally closes in the autumn. The work smarter campaign will continue, so staff are well-supported to use the new technology.

By April 2019, the FCO deployment of the new cross-Whitehall secret Rosa platform will be substantially complete, with FCO users across the UK estate and 168 overseas Posts enrolled and fully trained. The new platform incorporates modern Microsoft Office tools and will enable seamless collaborative working at secret, including with One HMG partners on the FCO's overseas platform and across Whitehall. Rosa will also allow the FCO to de-commission the legacy Confidential Firecrest platform, which is end of life, simplifying the IT estate and saving money.



More than **20,000** devices were deployed to **223** Posts.



**80%** of users say their new smartphones have improved working life.



Reported IT faults fell by **23%** between 2017 and 2018.



**90%** of staff reported that login times have reduced.

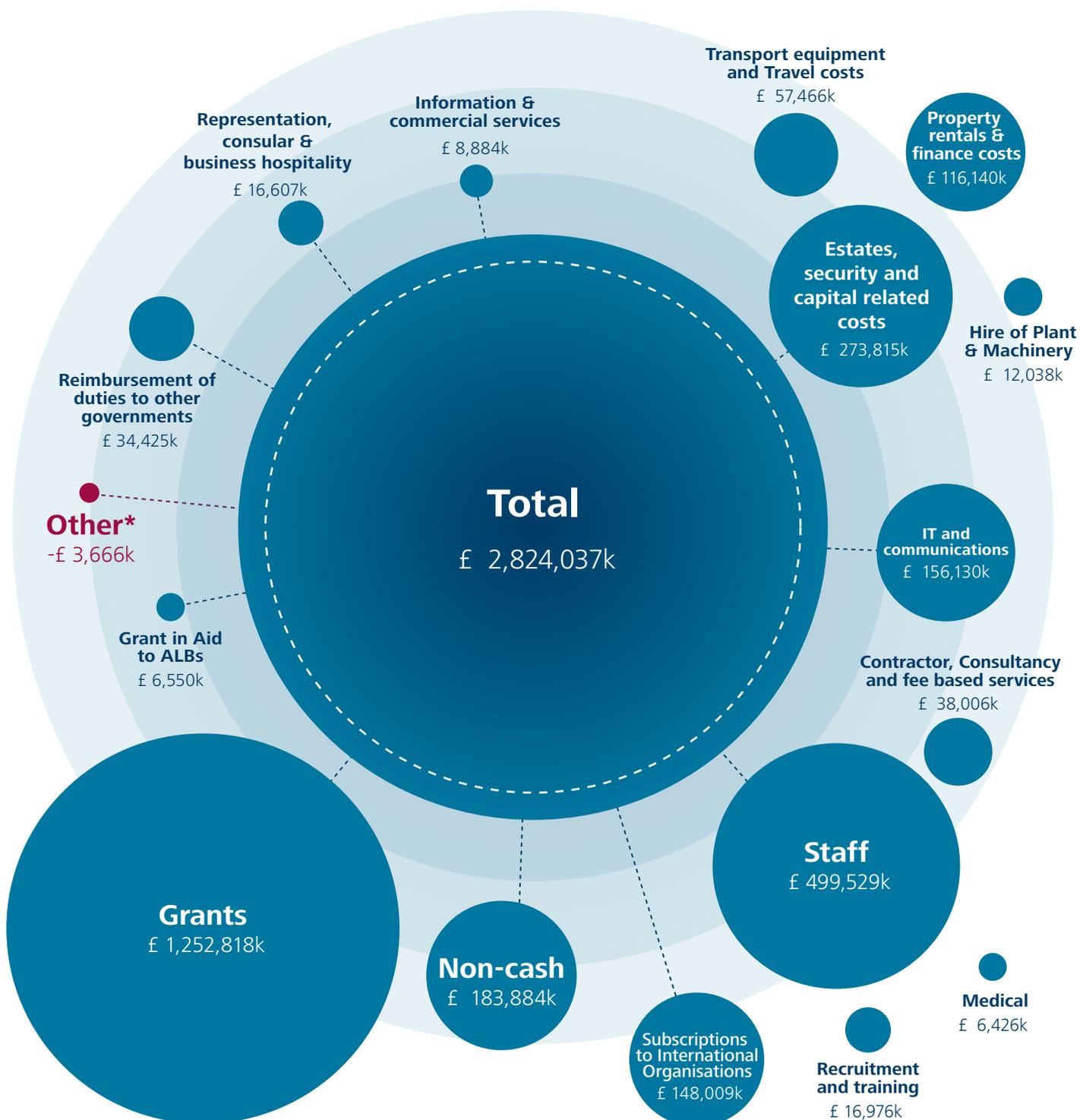
**Simon McDonald**

8 July 2019  
Accounting Officer  
Foreign and Commonwealth Office  
King Charles Street  
London  
SW1A 2AH

# Accountability Report

## Spending flow

Breakdown of operating costs for Core Department and Agency



\*includes both realised and unrealised gain on exchange

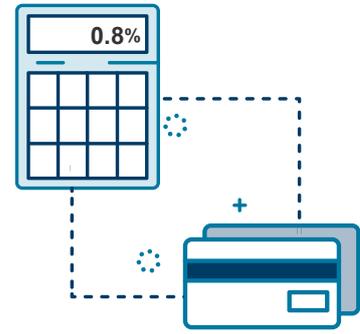
### Finance facts for 2018–19



By the end of 2018-19, **82%** of overseas payments were paid or controlled centrally.



The FCO was the top performing department in Whitehall for prompt payment, with **97.9%** of UK supplier invoices paid within 5 working days, exceeding the government target of 80%.

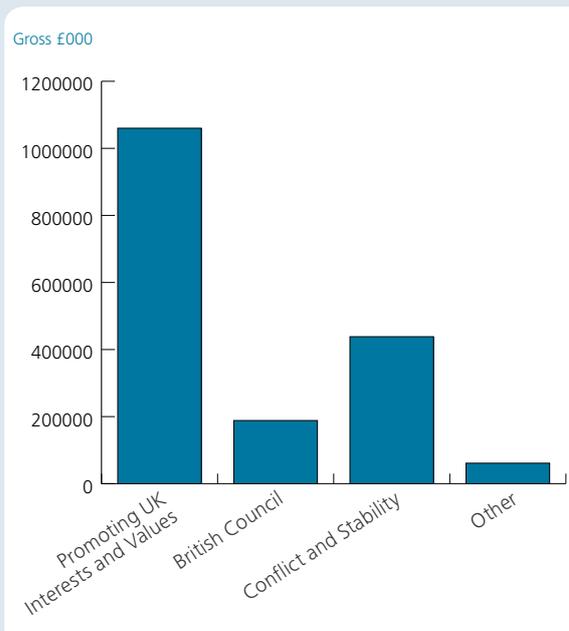


We achieved an underspend of **0.8%** (£19.6m), within HMT's target of 1% (£24.3m).

### Percentage of FCO spending by objective



### Project our global influence consists of:



## Corporate Governance Report

### Senior Management: Ministers in 2018–19



**Secretary of State for Foreign and Commonwealth Affairs:  
Rt Hon Jeremy Hunt MP**

Overall responsibility for the work of the Foreign and Commonwealth Office, and specific responsibility for Policy Unit, Honours, Intelligence Policy, Oceans.



**Minister of State for Europe and the Americas:  
Rt Hon Sir Alan Duncan KCMG**

Responsible for the Americas (including Cuba), Europe (including all parts of the former Soviet Union and Turkey), NATO and European Security, Defence and International Security, The Falklands, Polar Regions, Migration, Protocol, Human Resources, OSCE and Council of Europe, Relations with Parliament, FCO Finance, Knowledge and Technology and the Diplomatic Academy.



**Minister of State for the Commonwealth and the UN:  
Rt Hon Lord Ahmad of Wimbledon**

Responsible for all FCO business in the Lords, The Commonwealth (as an Institution), Overseas Territories (excluding Falklands, Sovereign Base Areas and Gibraltar), The Caribbean, Prime Minister's Special Representative on Preventing Sexual Violence in Conflict. Prime Minister's Special Envoy on Freedom of Religion or Belief. Human Rights and Modern Slavery, The UN, Peacekeeping, Conflict and International Criminal Court, National Security, Counter Terrorism, Countering Violent Extremism and Cyber.



**Minister of State for Asia and the Pacific:  
Rt Hon Mark Field MP**

Responsible for Asia (excluding Central Asia), Australasia and the Pacific, Communications, Public Diplomacy and Scholarships, British Council, Economic Diplomacy (including Illegal Wildlife Trade and Climate Change), Economics Unit, Ministerial oversight of FCO Services, FCO Representative for Prosperity Fund Ministerial Board.



**Minister of State for Africa- Joint Minister with DFID:  
Harriett Baldwin MP**

Responsible for Africa, Consular Policy and International Crime.

## Directors' Report

### Senior Management: Members of the FCO Management Board

A list of every serving member within the period 1 April 2018 and 31 March 2019 can be found in the Governance Statement. Note 17 in the Accounts gives details of company directorships and other significant interests held by members of the Management Board which may conflict with their management responsibilities.

### Financial Review

In 2018-19 we successfully managed within all Parliamentary and HM Treasury (HMT) controls; and within our 1% underspend target. The year saw significant expansion through the global network uplifts, and uncertainty linked to planning for EU exit.

Key developments during the year included:

**Foreign Currency Mechanism:** We worked with HMT to improve our exchange rate protection in countries where the FCO has to pay in hard currency rather than local currency. We requested and received additional non-cash funding to deal with any potential impact on our asset valuations.

**Global Banking and Payments:** Over recent years the FCO has centralised the majority of payments into our global processing centres in Milton Keynes and Manila. This is more secure, accurate and efficient and reduces administrative burdens at Post. By the end of 2018-19, 82% of overseas payments were paid or controlled centrally; our target for 2019 is to reach 90%.

**UK Based Delegated Pay Restructuring:** In September 2018, Cabinet Office and HMT approved the FCO's proposal for a revised pay structure, more closely aligned with other government departments. The increases, which are being staged over 28 months, are focused on those grades which were furthest behind.

### Departmental Expenditure Limits—Resource

Our overall Resource DEL underspend was £19.6m (0.8% of budget); the underspend excluding non-cash depreciation was £11.5m (0.5% of budget). The detailed figures are in the Statement of Parliamentary Supply (SoPS) Note 1.1.

The SoPS shows resource expenditure against seven main headings in the Estimate, A to G. Explanations of all significant movements, overspends and underspends are given below:

**Headings A and B:** Administration and Programme and International Organisations Grants. Expenditure was £47m below estimate. Of this, £19.8m was provided

to the British Council and £9.6m to cover additional peacekeeping expenditure. Budget transfers have been made on the face of the accounts to reflect these changes.

The true underspend on Administration and Programme and International Organisations Grants was therefore £17.6m. The biggest driver of this was the FCO's preparation for EU Exit. As part of our no-deal planning, we held back contingency in the final quarter of the year in case sterling dropped significantly; it did not. We drew down extra non-cash funding to cope with any exchange rate impacts on our asset valuations; but £8.1m of this was not needed. In addition, we only needed to use £1m of our £5.6m no-deal "urgent requirements" funding.

Leaving aside EU exit factors, the resource underspend was broadly in line with last year.

**Heading C:** British Council. Expenditure was £19.8m above estimate. As mentioned above, £19.8m of funding has been transferred to cover the expenditure.

**Heading D:** Net funding for NDPBs—an underspend of £0.8m against a budget of £6.6m.

**Heading E:** Prosperity Fund Programme Expenditure—an underspend of £1.2m against a budget of £59.3m. This is mainly due to a programme which did not proceed as planned.

**Heading F and G:** Conflict Prevention Programme Expenditure and Peacekeeping. These are ring-fenced elements of FCO Resource DEL, funded from the Conflict, Stability and Security Fund (CSSF). The financial position was £9.6m above estimate. £1.5m of this was covered using an underspend in the Integrated Activity Fund Programme, and £8.1m using underspends from other FCO programmes. The main reason for the additional cost was an increase in peacekeeping contributions following higher UN spending in 2017-18.

### Departmental Expenditure Limit—Capital

FCO capital expenditure is funded through two main sources; core funding from HMT (with an annual budget of £98m), and recycled proceeds from asset sales. We have flexibility to draw down sale proceeds in future years. HMT is currently holding £355.8m of surplus Bangkok sale proceeds from 2017-18 on our behalf.

The underspend on our Capital DEL was £14.9m against a net funding of £156.6m. Over half of the underspend (£8.4m) was caused by a decision in March to acquire a property on a 25-year operating lease (which does not score as capital) rather than in perpetuity as originally planned. The Treasury has agreed that we can access this fund in the future years as the decision was based on value for money.

## Annually Managed Expenditure (AME)

**Heading H:** Annually Managed Expenditure (AME). This area of spend includes unrealised gains/losses on foreign exchange forward purchase contracts, impairments arising on the revaluation of worldwide properties, new provisions and movement in existing provisions. The outturn of negative £3.1m was £163.1m below estimate.

AME spend by its nature is volatile and demand led, and therefore difficult to forecast. In particular, exchange rate movements on open forward contracts and revaluations/impairments of the FCO property portfolio can significantly impact the outturn.

**Heading I:** Annually Managed Expenditure (AME) Reimbursements. This is the cash element of our AME budget and mainly relates to reimbursements of certain duties and taxes, including VAT on diplomatic missions and International Organisations hosted in the UK. The outturn was £5.6m below estimate.

## FCO Policy Programmes

Policy programmes are a vital part of modern diplomacy—a vehicle through which we deliver foreign policy outcomes. They help us think through the change we want to achieve, structure what we do and align resources to objectives to deliver value for money. They also enable work across organisational boundaries, with other departments across HMG, and with local and international partners.

FCO policy programmes are strategically focussed, supporting delivery of the National Security Council's priorities and FCO Priority Outcomes. The FCO uses programme funds to help unlock some of the most difficult foreign policy issues. Our programming helps advance the UN Sustainable Development Goals, while at the same time progressing our national security and economic interests. It responds to new challenges and exploits opportunities where there are no tried and tested approaches or where there are complex or dynamic political risks and sensitivities. FCO programmes integrate Official Development Assistance (ODA) and non-ODA spending. Our flexible approach enables us to exploit opportunities for our partner countries and the UK taxpayer.

The FCO is an experienced and reliable ODA delivery department and committed to continuing to drive up programme management standards. We take a risk based approach to delivery. All FCO-led foreign policy programmes are expected to follow HMG best practice, as well as the FCO's internal assurance processes. We draw on skills and expertise from across HMG but apply this to the FCO's operating model.

As well as policy programming using department resources (as per indicative figures from the estimate memorandum, £87.3m total ODA and non-ODA in FY 18/19), FCO-led programming makes a key contribution

to cross-government delivery (£1,099.7m total ODA and non-ODA in FY 18/19). Within the cross-government funds the FCO delivers specific programmes through the Conflict Stability and Security Fund (CSSF) and Prosperity Fund (PF) and convenes wider cross-government activity in support of NSC policy direction, including programme spend.

### Official Development Assistance

The following section focuses on ODA spend. The definition of ODA is set by the Organisation for Economic Co-operation and Development (OECD), Development Assistance Committee (DAC). The rules set by the OECD ensure international comparability and consistency in the reporting of ODA among DAC members. Under the rules, spend must be reported on a calendar-year basis to provide comparable data taking into account the fact that financial years vary across members (data therefore spans two UK financial years). The rules also state that ODA spend must be recorded on a cash basis (not accruals).

ODA supports a significant proportion of our policy programme work. This expenditure is used to support and deliver three of the four strategic objectives of the government's 2015 Aid Strategy which aligns the government's global efforts to defeat poverty, tackle instability and create prosperity in developing countries.

Provisional figures released as part of FCO's submission to *DFID's Statistics on International Development: Provisional UK Aid Spend 2018* show that in calendar year 2018 the FCO spent £633m of ODA from its core budget. This included £38m on the FCO's departmental policy programme, the International Programme, and £58m through Chevening Scholarships. In addition the FCO spent £411m of the cross-government CSSF's total ODA spend, and £50m of the £95m cross-government Prosperity Fund's ODA. While the FCO delivers programmes under both of these funds the Cabinet Office is responsible for the overall strategic direction and management of both the CSSF and Prosperity Fund.

### International Programmes

ODA supports a significant proportion of our policy programme work. This expenditure is used to support and deliver three of the four strategic objectives of the government's 2015 Aid Strategy which aligns the government's global efforts to defeat poverty, tackle instability and create prosperity in developing countries.

ODA eligible FCO policy programmes under the International Programme supported a wide range of UK foreign policy priorities in ODA eligible countries. The International Programme focusses on specific policy and geographic areas in particular those not covered through the cross-government funds). Full details of the breadth and scope of the International Programme,

alongside financial data and contextual information, can be found on the FCO's ODA pages on gov.uk.

The International Programme complements traditional diplomatic activity and is delivered through our network. Activity included small-scale interventions as well as longer-term capacity building programmes around the world to promote British interests, including through contributing to the economic development and welfare of developing countries. The International Programme's spending contributes to strengthening global peace, security, governance, and resilience, or promoting global prosperity in support of the UK Aid Strategy.

Among other achievements in 2018, funding from the International Programme:

- » Supported the delivery of guidance and training for lawyers in China defending death penalty drug cases nationwide. Since then, this has seen reduced penalties in several cases where the defence lawyer drew directly on the guidelines.
- » Worked with UNESCO to counter violence against journalists in Uzbekistan, and contributed to creating a safe environment for media work through cooperation with the government. In February 2019, recommendations of journalists, who participated in UNESCO workshops, were officially submitted through the Institute of Democracy and Human Rights to the Legislative Chamber of the Parliament to improve media legislation in Uzbekistan.
- » Supported work to tackle gender inequality and stigma associated with Gender Based Violence (GBV) in South Sudan, where Gender Based Violence is one of the most pervasive and devastating realities for thousands of women and girls. This included support through small scale activity in Gbudue State which builds on previous programme work in South Sudan. This work contributes to increased awareness on the impacts of Gender based Violence and the responsibilities of community in their prevention.
- » Supporting Wildlabs Tech Hub to develop sustainable tech solutions to wildlife crime. Tech Hub is piloting the Open Data Institute's Data Trust model, a legal framework for conservationists and enforcement agencies to share data with developers. FCO investment in the Tech Hub has driven a new £1 million Tech for Good Challenge Prize for tech solutions that deliver social good, and a £1 million Digital Leadership Fund to improve charity leaders' digital skills.

### ***Chevening Scholarships Programme***

The programme offers a life changing opportunity to study in the UK to people with talent and potential, often from some of the poorest parts of the world. Chevening supports longer term prosperity in the developing world by building capacity through education and access to opportunity, the benefits of which are then amplified when the scholar returns to their home country.

Chevening supports the Sustainable Development Goal

target to substantially expand globally the number of scholarships available to developing countries.

### ***Cross-government Prosperity Fund***

In calendar year 2018, the FCO spent £50m of ODA from the cross-government Prosperity Fund (PF) to advance National Security and UK aid objectives. More information on the PF's, objectives can be found on PF pages on gov.uk.

FCO-led work in 2018 focused on developing programmes that encourage inclusive growth, such as infrastructure, low carbon energy, finance and the business environment, laying the groundwork for multi-year programmes. Examples of recent impact include:

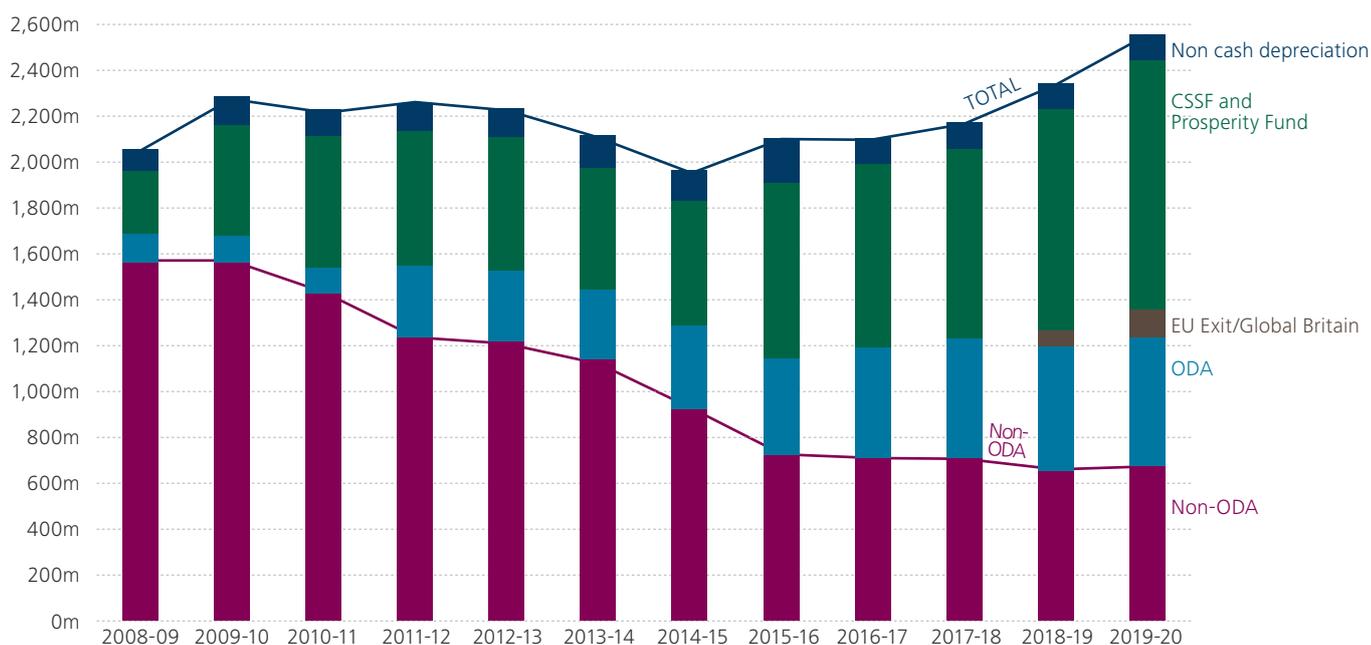
- » In Mexico, PF programmes supported the design of its financial technology law, making it the first country in the world to have such comprehensive legislation. The law will help increase competition and drive financial inclusion in a country where only 37% of adults have a formal bank account, as well as help open up this huge market to international businesses, including UK companies.
- » In the Philippines, the UK helped shape the Philippines Ease of Doing Business Act of May 2018 to improve business efficiency and cut red tape. Improving the business environment is a key enabler for inclusive economic growth and can provide a significant positive impact on poverty and inequality but it can also benefit international and UK businesses by establishing a more streamlined, transparent and efficient business environment.

Further illustrative examples will be published in the Prosperity Fund Annual Report for 2018-19.

### ***Cross-government Conflict, Stability and Security Fund (CSSF)***

In calendar year 2018 the FCO spent £411m of ODA from the cross-government CSSF to advance national security interests. More information of the CSSF's objectives can be found on CSSF pages on gov.uk.

The CSSF funds development and security activity to support countries, which are at risk of conflict or instability. It combines multi-year activity with crisis response. Programmes can fund activity using both ODA and non-ODA funding streams, this innovative funding mechanism, combined with working off the FCO platform allows the CSSF to have a broader thematic and geographic reach than departments could achieve on their own. Programmes work to make countries, where the UK has key interests, more secure from threats such as terrorism, corruption, serious organised crime and illegal migration and trafficking. They also work to build peace and help create the conditions that maintain peace, such as supporting good governance and effective security and justice.

**FCO Resource Department Expenditure Limit funding in real terms**

Figures show RDEL in real terms (2019-20 prices), using GDP deflators at April 2019. This chart shows Parliamentary Funding at the start of the year, not end-year outturn. Therefore, it excludes budget adjustments made in the Supplementary Estimate for International Subscriptions, the Consular Premium, and the FCO's foreign currency mechanism and differential inflation agreement. It also excludes FCO's income from other sources. Funding for UKTI has been removed from the series (£75.7m a year from 2008-09 to 2010-11; £114m from 2011-12 to 2013-14). The CSSF and Prosperity Fund category also includes funding in 2018-19 for the Gulf Strategy Integrated Activity Fund. The 2019-20 increase is attributable to an £130m increase for the Prosperity Fund and £50m increase for CSSF.

Among other achievements in 2018, CSSF Funding:

- » Helped ensure continuity in the implementation of the Colombia peace process through a change of Government. In particular, kick-starting development programmes in conflict-affected areas and economic projects for ex-combatants.
- » Supported projects aimed at involving women in peace-building processes, in getting women engaged in politics at both the local and national levels, and funded work helping young and/or marginalised communities gain access to employment or education in multiple countries in the Middle East and North Africa.
- » Supported efforts to clear over 253 834m<sup>2</sup> of land from landmines and unexploded ordnance in Ukraine leading to a reduction in casualties, enabling humanitarian access to land and facilitating the repair of damaged infrastructure.
- » Helped build and support youth groups in Beirut and Tripoli, working to reconcile at risk and marginalised young men and women, supporting them to reintegrate and improve their communities.

Further illustrative case studies will be published in the CSSF annual report for 2018-19.

**International Subscriptions, Arm's Length Bodies, and Frontline Diplomatic Activity**

International Subscriptions to Multilateral Organisations: The FCO provides core contributions to ODA-eligible international organisations, including the United Nations, the Organisation for Security and Co-operation in Europe (OSCE) and the Office of the United Nations High Commissioner for Human Rights (UN OHCHR).

The proportion of the contribution that we make to each institutions' core budget is set by the DAC.

**British Council:** Our grant-in-aid is a critical source of funding for the Council to deliver its cultural relations programmes in developing countries. The grant-in-aid supports stability and development around the world providing positive pathways for young people in fragile and conflict-affected states, improving their resilience, skills and life chances. As well as having direct developmental benefits in ODA countries, these programmes also support the UK's long term prosperity, security and influence globally, where the Council plays a leading role building the positive ties that are important for UK influence around the world.

**BBC World Service:** The FCO is also responsible for grants to the BBC World Service. The World Service provides accurate, impartial and independent news and analysis to some of the most remote places in the world. It is well established, both among OECD members and the wider development community, that addressing freedom of the press is essential to the success of development efforts in the long term. The World Service spends its grant on programmes in several ODA recipient countries. Our grant is being used to deliver 12 new language services, in addition to enhancing existing services around the world.

**Frontline Diplomatic Activity:** The FCO reports the running costs it incurs in delivering development assistance as ODA. These are included as part of its Frontline Diplomatic Activity (FDA) costs, where these are not disclosed elsewhere. The three main elements of the FCO's FDA are: staffing, estate maintenance costs, and other associated operational spend. Since the FCO

provides the buildings, security and IT systems for all government departments delivering ODA in its diplomatic network, FDA also captures a proportion of these estates costs as ODA. This treatment is compliant with the OECD Development Assistance Committee's (DAC) directives on ODA, which allow for the scoring of diplomatic staff time and administrative costs for officials delivering ODA.

## Non-Departmental Public Bodies (NDPBs)

The FCO has three NDPBs within its accounting boundary and one Executive Agency. The Executive Agency is Wilton Park. The three NDPBs are The Westminster Foundation for Democracy, Great Britain China Centre, and Marshall Aid Commemoration Commission.

### **Wilton Park**

[www.wiltonpark.org.uk](http://www.wiltonpark.org.uk)

Wilton Park provides a global forum for strategic discussions. Wilton Park is governed by a Framework Document, which is being updated in 2019 following the last review. The FCO Director of Communications is the Senior Departmental Officer for the FCO relationship, and sits on the Wilton Park Board, which aims to meet five times a year. Communications Directorate provide annual core funding to Wilton Park; other Directorates within the FCO may provide additional discretionary funding to support specific Wilton Park conferences. The Foreign Secretary appoints the Non-Executive Chair of the Wilton Park Board, for a period of five years (extendable) and the Permanent Under-Secretary appoints the Chief Executive for a fixed period of three years, with a possibility of extension under Civil Service appointment terms.

### **The Westminster Foundation for Democracy (WFD)**

[www.wfd.org.uk](http://www.wfd.org.uk)

WFD supports democratic practices in developing democracies. WFD is supported by both Grant-in-Aid

from the FCO and via a grant from DFID. The relationship between the WFD and the FCO is governed by a Framework Document. The Framework Document provides for FCO to exercise meaningful oversight of WFD's strategy and performance, pay arrangements and/or major financial transactions. The Foreign Secretary is accountable to Parliament for the activities of the WFD and has responsibility for approving their strategic objectives, the appointment of the CEO, the Board, and laying of the WFD accounts before Parliament. Human Rights and Democracy Department is the sponsoring team in the FCO and is the principal source of advice to the Foreign Secretary and the PUS on these matters. Officials report regularly to Ministers on WFD-related issues, in particular on funding, corporate planning and review-related issues.

### **Great Britain China Centre (GBCC)**

[www.gbcc.org.uk](http://www.gbcc.org.uk)

GBCC is an FCO-sponsored NDPB to which the FCO provides annual Grant-in-Aid. The Foreign Secretary signs off appointments of the Chair. China Department is the sponsoring team for FCO; the head of the FCO's China Department sits on the Board. GBCC's mission is to promote mutual trust and understanding between the UK and China by building long-term connections between decision-makers. GBCC also works to promote the rule of law, good governance and sustainable development. GBCC has one subsidiary that it consolidates (The UK China Forum).

### **Marshall Aid Commemoration Commission (MACC)**

[www.marshallscholarship.org](http://www.marshallscholarship.org)

MACC was established under the 1953 Marshall Aid Commemoration Commission Act, awarding up to 40 postgraduate scholarships in the UK each year for students from the USA with the potential to excel in their chosen fields of study and future careers. The FCO provides MACC with Grant-in-Aid which is agreed as part of the overall annual allocation of FCO programme



funding agreed by Ministers. The Head of the FCO Public Diplomacy Team within Communications Directorate represents the FCO at MACC Board meetings. The Foreign Secretary signs off the MACC annual report, and all appointments to the MACC Board, including the Chair.

### Names of Public Sector Bodies outside the Boundary for which the Department has Lead

The FCO takes the lead for three public sector bodies which are outside the accounting boundary are:

#### *British Council*

The British Council is a charity, public corporation and NDPB governed by a Royal Charter which sets its Charitable Objects. It is the UK's international organisation for cultural relations and educational opportunities, building lasting relationships between the UK and other countries. The FCO provides the British Council with Grant-in-Aid, but the majority of the British Council's income and expenditure stems from its own earned income. The FCO's Director General Global Britain is a member of the British Council Board of Trustees. FCO Ministers and senior officials meet the British Council Chair and Chief Executive regularly. The British Council must seek the agreement of the FCO if it proposes opening or closing any of its representation overseas. A Tailored Review was published in March 2019, this included a recommendation to include a high level British Council objective in the FCO's single departmental plan, as well as recommending that British Council and FCO should develop a clear set of expectations and standard operating procedures.

#### *FCO Services (FCOS)*

FCOS is an agency of FCO, and has been a trading fund since April 2008. As a trading fund it generates its own income to fund its activities. It designs and builds highly secure government facilities, including diplomatic and military premises, servicing their security, property, digital and logistics needs anywhere in the world. This includes protective security, estates and construction, secure cloud technology, communications, secure logistics, diplomatic and ministerial vehicles, and translation and interpreting. Ultimate responsibility for FCOS as an organisation rests with the Foreign Secretary, who delegates responsibility to an FCO Minister. The FCO holds an investment in FCOS, comprised of 100% of its Public Dividend Capital of £4,981,000. As a trading fund FCOS is not included within the FCO departmental boundary.

#### *British Intergovernment Services Authority Ltd (BISA), Kuwait Delivery Authority Ltd (KDA)*

BISA and KDA were set up in order to support British foreign policy objectives through overseeing delivery of the UK Government's obligations under Government to Government agreements. Both are companies limited by shares, incorporated on 27 August 2013 and 17 October 2013 respectively. The Foreign Secretary owns the entire issued share capital of BISA, which in turn owns the entire issued share capital of KDA. Neither company traded in the period from their formation to the date of signature of these accounts; therefore both are entitled to exemption from audit under section 480 of the Companies Act 2006 relating to dormant companies.

### Consular fees and charges

Consular Directorate receives income from the Consular premium, fees charged for specific services provided to British nationals abroad (mainly the issue of Emergency Travel Documents), and legalisation services provided in the UK. This income is used to fund consular services provided by our consular officers and supported by our wider network overseas. In line with HM Treasury guidelines, the fees charged are reviewed annually to ensure the cost of providing our services is fully recovered. For more details see the Parliamentary Accountability Disclosures.

### Publicity and Advertising

The FCO fulfils the Cabinet Office requirement to operate a Professional Assurance process for marketing and communication spend, ensuring that our activity is value for money and reflects good practice, as set out by the Government Communication Service. Spending proposals below £100,000 require the approval of the FCO Director of Communication. Spending proposals above £100,000 require further approval from our Minister for Communication, as well as the Minister for Communication in the Cabinet Office. Only one proposal was above this threshold this year, for a total of £500,000, for consular communication. Communication Directorate approved an additional 24 assurance requests which came to a total of £205,602.83.

### Incidents Involving the Loss/Compromise of Personal Data

Personal data incidents 2018-19 for the FCO have changed compared to previous years due to the change in legislation of the General Data Protection Regulation which changed in May 2018. The below table shows the figures for 2018-19.

Cat	Nature of Incident	Total
A	Human Error	19
B	Deliberate Contravention of DP regs— staff emailing to personal accounts	11

Cat	Nature of Incident	Total
C	Deliberate Contravention of DP regs— Unauthorised disposal of IT equipment	1
D	Technical issue.	3
E	Personal information shared without consent	1

The figures do not include incidents involving visa or passport section information, as these are handled and reported on by UK Visas and Immigration and HM Passport Office respectively.

To note the descriptors used have also changed from previous years. The number of data breaches has also increased, again this is due to the change in legislation.

Four incidents were considered serious enough to be reported to the Information Commissioner's Office. Steps have been taken to improve staff awareness of the issues.

## Safeguarding against Sexual Exploitation and Abuse (SEA)

Following the revelations about SEA in the aid sector the FCO, along with HMG partners, has redoubled its efforts to tackle this issue to ensure that recipients of UK support, and those working for our delivery and multilateral partners, are protected from harm.

DFID hosted a summit in London in October 2018 to take action on this issue at which a donor commitments statement was signed by HMG and other key donors. A Whitehall coordination group has been working to ensure we take a consistent approach, while at

the same time respecting the different operating models used to deliver key policy outcomes.

In line with that approach, the FCO has:

- » reviewed the contractual terms and conditions we use for the Conflict Stability and Security Fund (CSSF) and Prosperity Fund (PF) procurement frameworks as well as FCO Accountable Grants and Memoranda of Understanding to include standard language on the prevention of sexual exploitation, abuse and harassment, and require compliance with the Supplier Code of Conduct;
- » written to all Posts across our overseas network asking Heads of Mission to contact implementing agencies to clearly explain our position on safeguarding and the steps we expect them to take;
- » updated our guidance on due diligence in line with DFID's approach; and
- » appointed our Chief Operating Officer as the senior board level champion to advance SEA issues across the FCO.

We have also been leading the effort at the UN and in NATO to ensure that SEA remains in the spotlight. Over the past three years a CSSF-funded project has provided support to the work of the UN Secretary-General's Victims Rights' Advocate to tackle sexual exploitation and abuse and improve accountability. We have also lobbied for change at the highest levels in the UN and have supported the development of NATO's SEA policy. We will continue to coordinate our response and work closely with DFID and other departments on this agenda.

Internally, our Human Resources Directorate has been working closely with Civil Service HR and other

## Headline Performance against Greening Government Commitment (GGC) Targets

UK Performance Target (Baseline 2009-10)* <i>*Unless otherwise stated</i>	2020 Target* <i>*Unless otherwise stated</i>	Cost	Performance
<b>Greenhouse Gases</b>  7,753 tCO <sub>2</sub> e 60% reduction	10,386 tCO <sub>2</sub> e 46% reduction	Estate energy expenditure: £4,004,577	Achieved 2020 target
<b>Domestic Flights</b>  857 flights 17% Increase over baseline	515 flights 30% reduction	Vehicle, domestic train and air travel expenditure: £720,055	Behind target
<b>Office Water</b>  5.84 m <sup>3</sup> /FTE	6m <sup>3</sup> /FTE (Good Practice)	Office water expenditure: £59,484	Achieved
<b>Total Waste</b>  571 tonnes 56% Reduction	493 tonnes 62% Reduction	Waste disposal expenditure: £152,812	Behind Target
<b>Recycling Rate</b>  60% recycled	75% recycled		Behind target
<b>Paper Consumption</b>  12,787 reams A4e 67% Reduction	19,464 reams A4e 50% Reduction		Achieved
<b>Avoidable Single-Use Plastic</b>  97% reduction within ten months to December. 98% achieved by March 2019.	2018 Target: 100% of 1.56 million item baseline for UK estate removed.		Close to target

departments to ensure we maintain the same standards that we ask of others. Activity in this area is focused on five areas: using FCO values to drive culture change; prevention; improving reporting; support to victims and evaluating and building the evidence base.

## Payment of Suppliers

The FCO was the top performing department in Whitehall for prompt payment, with 97.9% of UK supplier invoices paid within 5 working days, exceeding the government target of 80%.

## Commercial

Commercial continued to implement the Commercial Strategy and the development of commercial and contract management capacity and capability in the FCO. Specific focus has been on Category Management, which will drive increased benefit for the FCO by helping to shape global requirements to deliver efficiencies across our platform. Commercial have led the introduction of Contract management across the organisation and all Contract Managers in the FCO are undergoing appropriate training via the central Cabinet Office training programme.

We continue to invest in transforming how FCO Commercial operates, revisiting policy and procedures and commercial systems to ensure the FCO has the tools to deliver value for money. The focus is to meet the requirements of the Government's Commercial Operating Standards. We continue to work closely with our One HMG Platform partners to strengthen collaboration and ensure alignment of service via the International Commercial Board (ICB).

The regional procurement hubs continue to support posts in the procurement and delivery of multiple local projects valued between £25k—£100k. The Hub organisation structure was reviewed resulting in increased resource to ensure adequate capacity. Category Management was introduced to the regional hubs to ensure local involvement in creating global category strategies and support opportunities identification

## Corporate Sponsorship

Please see Annex A for Sponsorship table 2018-19.

## FCO Sustainability

Because of the Government's commitment to sustainable development and the FCO's specific role in promoting global action on climate change, the FCO attaches importance to leading by example through reducing the environmental impact of its own operations and procurement. Lower environmental impacts also generally mean lower costs, allowing resources to be redeployed to our front line diplomacy efforts.

In line with the FCO's Diplomacy 20:20 programme, FCO Sustainability is working to deliver a world-class platform by delivering a cost effective, environmentally efficient department.

At the beginning of 2018, the Foreign Secretary committed to removing avoidable single-use plastics from across the UK estate by the end of 2018 and globally by the end of 2020, and the FCO is pleased to report strong performance against these stretching #BeyondPlastic targets.

For full details of the FCO's sustainability performance and activities please read the FCO's Sustainability Report 2018-19, available on the gov.uk web-site.

All government departments have set Greening Government Commitment (GGC) targets to 2019-20 compared to a 2009-10 baseline, for their UK operations. The FCO's performance against those targets and the Foreign Secretary's plastic target is set out in the table and graph below.

The FCO is pleased to have achieved the 2020 carbon emission reduction target early. The reduction was driven by a significant reduction in the grid electricity carbon factor whilst electricity consumption continued to fall overall. There has been an increase in carbon emissions associated with heating; for operational reasons there has been a switch from biodiesel to low-sulphur fuel oil. There has also been an increase since last year in carbon emissions associated with domestic flights and fugitive emissions, these have a marginal impact on our total carbon emissions.

### Headline Performance

<b>Energy</b>	The FCO's overall greenhouse gas emissions have fallen by 21% this year, which makes a total 60% reduction since the baseline year of 2009-10. Carbon emissions per staff member now stands at 1.37tCO <sub>2</sub> e per FTE, down by 0.5t since 2017-18.
<b>Travel</b>	The FCO's overall number of domestic flights have increased by 17% this year over the baseline year. Following an increase in staff numbers over 2018-19 and increased cross-departmental working, we've seen an increase in domestic flights. Domestic flights account for 1.1% of our UK official air travel.
<b>Waste</b>	The FCO's overall waste tonnages have increased by 30 tonnes this year, which makes a total 56% reduction since the baseline year of 2009-10. Waste per staff member remains at 101kg per FTE; waste disposal has increased slightly this year as have staff numbers, resulting in a static waste per FTE. This is in part due to the FCO's Tech Overhaul programme disposing of an increased amount of IT equipment at the beginning of the financial year.
<b>Water Consumption</b>	The FCO's overall water consumption has decreased by 2.5% this year, which makes a total 25% reduction since the baseline year of 2009-10. Efficiency per FTE has improved, reducing to 5.8m <sup>3</sup> /FTE this year, as office water consumption continued to reduce at a time of increasing staff numbers in the office. The FCO UK has now achieved the target 'good practice' water consumption levels

## Headline Performance

<b>Paper</b>	<p>The FCO's overall paper consumption has decreased by 30% this year, which makes a total 67% reduction since the baseline year of 2009-10.</p> <p>The FCO consumed 2.3 reams of A4e per FTE, significantly below the best practice level of 7 reams per FTE.</p> <p>The Tech Overhaul programme has provided staff with laptops and electronic note taking apps, along with pin-and-print printer technology, changing staff behaviours and driving reductions in paper use.</p>
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The full version of the FCO's 2018-19 Sustainability Report, is available on the gov.uk web-site. This report includes information on the FCO's sustainability strategy and purpose; priorities; materiality; benchmarking; stakeholders; biodiversity; risk and opportunities; performance; environmental management system; impacts; the global picture; #BeyondPlastic; governance; supply chain; transparency; and GRI benchmarking.

## Major Contractual Arrangements

### *Conflict Stability and Security Fund*

The CSSF Framework was retendered in 2018. The Framework is an essential part of the delivery of the CSSF, offering an agile route to market while allowing requirements to be commercially competed in a compliant way. Suppliers on the new Framework demonstrated capacity and capability across twelve thematic areas and nine regions to meet the CSSF's new and growing policy requirements. The full range of activities include Counter terrorism, Migration and work in the Overseas Territories. The new framework has over 100 suppliers (the previous Framework had 74 suppliers) and now includes a larger number of SMEs and NGOs. New terms and conditions have been introduced to align with best practice across HMG including, for example, provisions on performance management, open book accounting and safeguarding.

### *Prosperity Fund*

The Prosperity Fund Framework has successfully awarded 27 contracts to date totalling just over £112 million, is close to awarding 12 more and has a further 27 in the pipeline. Many high value, diverse procurements spanning the globe have used the Framework and benefitted from the competition driven from the 39 suppliers across 9 thematic lots. A number of the Programmes contracted so far are in the Inception Phase, in anticipation of the Implementation Phase which will follow later this year. Following success in awarding through the Prosperity Fund Framework, the team is moving its focus towards Contract Management; this involves sharing expertise between continents and upskilling Programme Teams. The training will achieve strategic objectives across the disciplines whilst concurrently delivering value for taxpayer's money.

### *ICT*

Under the Atlas programme, which aims to replace the current Enterprise Resource Planning software for HR and Finance to a cloud-based solution, initial contracts have been put in place for an initial phase of work to determine requirements in terms of process design and prototyping. With regards to the ECHO2 programme for re-procuring the global wide area network solution, procurement activity has been put on hold whilst we reconsider the technical and commercial strategy.

### *Estates and Security*

We retendered and awarded a new contract to Interserve covering UK and Europe Facilities Management and awarded a contract for Washington Embassy design. We commenced the creation of category strategies for three main areas of spend: Estates (Design and Construction), Security (Guarding, Equipment and Other Services) and Facilities Management.

### *Corporate Services*

Language and Exams contract were retendered and new contract commenced on 1 April 2019. Two other significant contracts included Diplomatic Academy Trade Faculty and Legalisation Office Courier Service. We created and launched a new Payment Solutions category strategy identifying potential cost reduction and business improvement opportunities around the use of Corporate and Purchasing Cards. FCO Commercial is investigating further category areas with a view to creating further strategies in 2019-20.

## Lead Non-Executive Director: Introduction to FCO Annual Report and Accounts 2018–19

This is my third report as FCO Lead Non-Executive Director in a year in which the FCO's regular responsibilities of diplomatic, consular, prosperity and security work have been supplemented by the exceptional demands of supporting Brexit negotiations and planning for EU Exit.

Having successfully secured additional funding for EU Exit and Global Britain requirements, the FCO was swift to set up programmes for the rapid and effective distribution of those funds and to ensure that resources were being redeployed for maximum impact, not least in reinforcing the UK's representation in individual European countries, and in opening a number of new posts.

Last year Sir Ed Lister supported the sale of the Bangkok Embassy in order to raise additional funds for the ongoing maintenance and development of our overseas posts; this year he has focused on preparation and approval of the business case for the new Beijing Embassy and the refurbishment of our Embassy in Washington.

Following the appointment of the new Foreign Secretary last July, the FCO has a fresh focus on the potential for soft power as a key and increasingly important tool to support the UK's influence around the world in a post-Brexit environment. The development of a new FCO soft power strategy was complemented by the Tailored Review of the British Council which I chaired, and which has come up with a number of recommendations, not least to strengthen the FCO's oversight of the Council and to help suggest ways of increasing its reach and efficiency.

As the most recent appointee to the FCO Non-Executive Director team Gaenor Bagley was able very quickly to earn the respect of FCO colleagues for her clear and active contributions to Management and Senior Appointment Boards at a time when the FCO has been accelerating, expanding and diversifying its recruitment policies.

As Chair of the Audit and Risk Assurance Committee Warren Tucker has continued his oversight and engagement with the FCO Finance Team to continue to improve reporting of financial performance, and to support relationships with HMT, as well as the continuing need to strengthen working relationships across One HMG platform partners.

Warren and the entire FCO Non-Executive Director team have been actively involved in strategic planning, particularly in encouraging the FCO leadership to capitalise on the opportunities provided by the Cabinet Office and HMT's new strategic guidelines in respect of the forthcoming Spending Review.

We have also begun actively to build bilateral relationships and working groups with fellow Non-Executive Directors in other government departments with international responsibilities, applying the Fusion doctrine with a view to supporting improved cross-departmental collaboration and sharing of resources across HMG.

This has been a complex and challenging year for the FCO, and the demands of the coming months will continue to be intense. However we believe that the FCO leadership team has been thoughtful and clear-sighted in allocating resources and putting programmes in place to meet those challenges.



**Miranda Curtis,**  
Lead Non-Executive  
Board Member

## Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury has directed the Foreign and Commonwealth Office (FCO) to prepare, for each financial year, consolidated resource accounts detailing the resources acquired, held or disposed of, and the use of resources, during the year by the Department (inclusive of its executive agency) and its sponsored Non-Departmental Public Bodies designated by order made under the GRAA by Statutory Instrument 2018 no 1335 (together known as the 'departmental group', consisting of the Department and sponsored bodies listed at note 18 to the accounts). The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department and the departmental group as well as the net resource outturn, application of resources, changes in taxpayers' equity and cash flow of the departmental group for the financial year.

In preparing the accounts, the Accounting Officer of the Department is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- » observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- » ensure that the Department has in place appropriate and reliable systems and procedures to carry out the consolidation process;
- » make judgements and estimates on a reasonable basis, including those judgements involved in consolidating the accounting information provided by non-departmental [and other arm's length] public bodies;
- » state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts;
- » prepare the accounts on a going concern basis;
- » that the annual report and accounts as a whole is fair, balanced and understandable and that he takes personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable; and,
- » confirm that, as far as he is aware, there is no relevant audit information of which the entity's auditors are unaware, and that he has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

HM Treasury has appointed the Permanent Head (Permanent Under-Secretary, PUS) of the Department as Accounting Officer of the FCO.

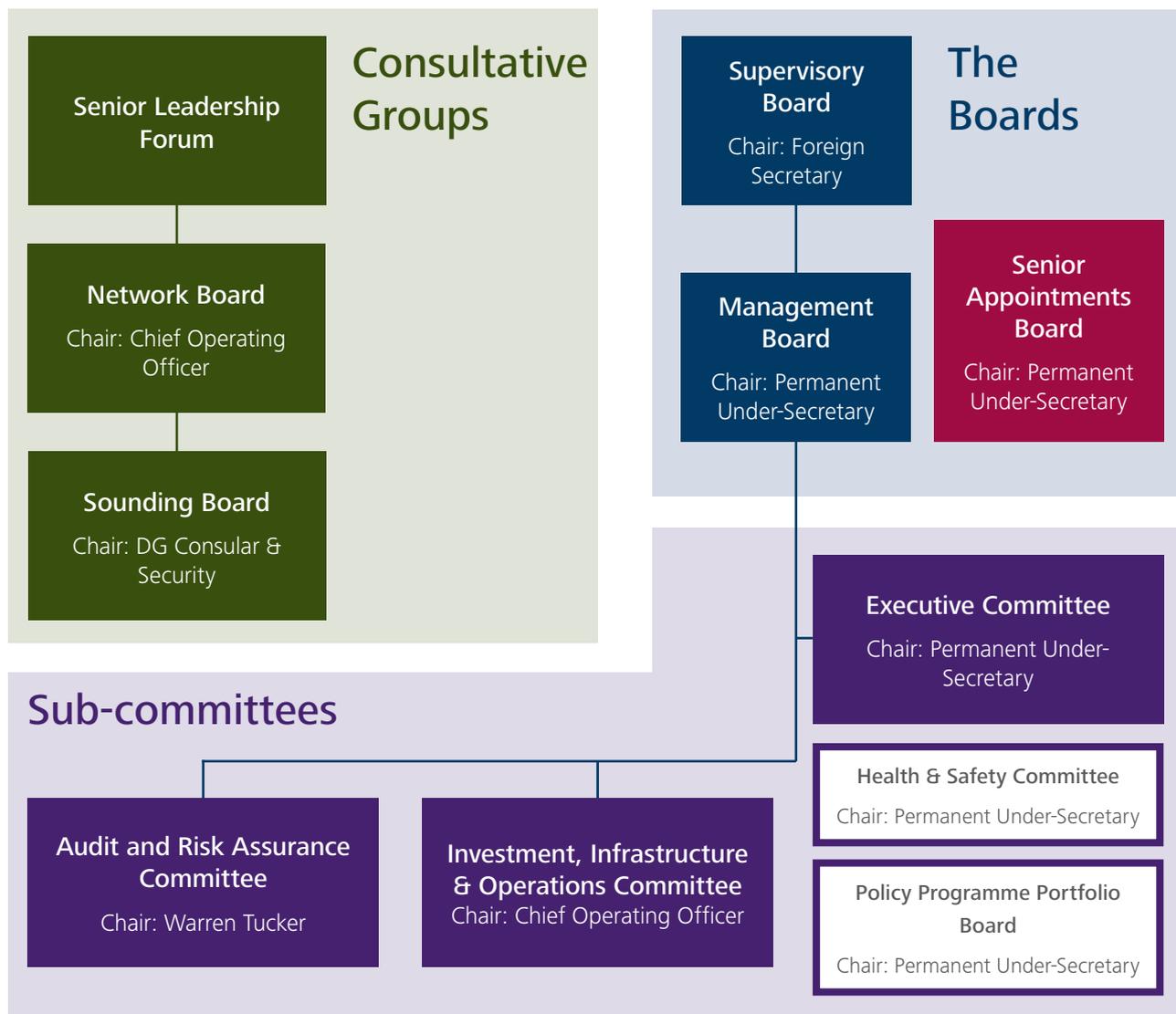
The Accounting Officer of the Department has appointed the Chief Executives or Chairperson of its sponsored Non-Departmental Public Bodies as Accounting Officers of those bodies. The Accounting Officer of the Department is responsible for ensuring that appropriate systems and controls are in place to ensure that any grants that the Department makes to its sponsored bodies are applied for the purposes intended and that such expenditure

and the other income and expenditure of the sponsored bodies are properly accounted for, for the purposes of consolidation within the resource accounts. Under their terms of appointment, the Accounting Officers of the sponsored bodies are accountable for the use, including the regularity and propriety, of the grants received and the other income and expenditure of the sponsored bodies.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the Department or Non-Departmental Public Bodies for which the Accounting Officer is responsible, are set out in *Managing Public Money* published by HM Treasury.

# Corporate Governance Report

The FCO governance structure during 2018-19 has been as follows:



## Boards

The **Supervisory Board** forms the collective strategic leadership of the FCO, bringing together Ministers, senior officials and non-executive board members. It advises on strategic and high level operational issues affecting the FCO. It is chaired by the Foreign Secretary. The Supervisory Board met twice during the financial year.

The **Management Board**, chaired by the Permanent Under-Secretary (PUS), provides the FCO's top-level leadership and includes two non-executive directors. The

Management Board met on ten occasions during the financial year. This year saw a number of membership changes. Gaenor Bagley replaced Julia Bond as Non-Executive Director in May 2018, after Julia's departure. Richard Moore took over from Karen Pierce as Political Director from April 2018. Jill Gallard was replaced in October 2018 by Jonathan Sinclair as Director Human Resources. Menna Rawlings joined the Board as Director-General Global & Economic Issues in February 2019 replacing Deborah Bronnert. Alison Blake also departed in February 2019 and was replaced by Jill Morris, HM

Ambassador Rome. Alastair McPhail, Simon Wren and Hugo Shorter consecutively attended the Board as Acting Director Communications while Helen Bower-Easton was on maternity leave between March 2018 and January 2019. Helen continued to attend the Board on an ad-hoc basis.

### Sub-Committees

The Management Board had oversight over three sub-committees:

- » Executive members of the Management Board, plus Richard Salt (FCO Chief Economist) and Lindsay Appleby (DG EU Exit) meet weekly as the **Executive Committee** (ExCo) which has delegated authority to make decisions on certain issues. This committee also monitors the implementation of agreed policies and agrees proposals not requiring Management Board attention. Twice per year, ExCo meets as the **Health and Safety Committee**, inviting a relevant broader membership. In 2018–2019 the **Policy Programme Portfolio Board** met three times. The Board aims to meet three times a year to oversee the FCO's portfolio of programme investments. It provides strategic direction on the policy programme portfolio overall. It also considers the largest (£10m+) and highest risk individual business cases. On occasions, papers and decisions are taken out of committee.
- » The **Audit and Risk Assurance Committee** (ARAC) supports the Management Board and PUS as Accounting Officer by advising on the effectiveness of arrangements for risk management and internal control. It reviews the comprehensiveness, reliability and integrity of assurances provided to the Management Board and PUS; challenges the executive, and promotes best practice across the FCO. It has no executive responsibilities. The Management Board delegates responsibility to ARAC to have oversight of the audit process. ARAC reviews the NAO's proposed audit approaches and handles coordination of the audit effort. ARAC oversees the work of Internal Audit Department, reviews and approves the Internal Audit Department audit plan, and meets with internal auditors and management on a periodic basis to discuss matters of concern that may arise. The Committee is chaired by non-executive board member Warren Tucker and comprises two further non-executive members. The Chief Operating Officer, NAO Director, Head of Internal Audit, Finance Director and other Directors attend as required. The Committee meets five times a year, with one meeting devoted to the review and external audit of the FCO accounts. A regular review of the Committee's effectiveness is undertaken, using NAO guidance.
- » **The Investment, Infrastructure and Operations Committee** provides oversight and assurance of the FCO's estates, IT, project, programme and other investments. It is chaired by the Chief Operating Officer and has delegated authority from the Management Board to take investment decisions between £5million and £15million. The financial thresholds for Programmes and IT were raised from £2million to £5million in January 2019 to align with Estates and Commercial cases. If decisions are required above the £15m threshold,

the Committee makes a recommendation to the Management Board. The Committee ensures decisions offer value for money and meet the business needs of the FCO and One HMG partners overseas. The Committee provides the same level of oversight on FCO programme spending with scrutiny focused on capacity, delivery model, financial requirements and fiduciary risk.

### Agendas

The Supervisory Board and the Management Board are duty-bound to consider certain issues on a regular basis. Both review management information through key performance reports. This includes finance, risk, human resources, project and programme funds, legal challenges and major projects. In-year financial control and future year resource management are highly important. The Management Board assesses the financial risk to the Department for the financial year on a monthly basis, allowing the Board to take any action required, including reprioritisation.

The Management Board and Supervisory Board consider a Top Risk Register, which provides information about our most serious strategic risks; provides assurance that risk is being managed appropriately; and enables the Management Board to consider organisational capacity to respond. The Management Board also reviews a 'Bubbling Under' Risk Register.

The focus of the Supervisory Board in 2018-19 has been on Global Britain, corporate service provision, the FCO estate, and the FCO's preparations on EU Exit for both Deal and No Deal outcomes. In particular, the Board has looked at resourcing our network to deliver EU Exit and achieve HMG's Global Britain objectives.

One area of focus for the Management Board during the financial year has been the Diplomacy 20:20 programme. The programme was set up in 2016 to enable the FCO to become more efficient, effective and able to meet the demands of the 21st century. The goal of Diplomacy 20:20 is to help the FCO evolve into an organisation that is more expert and more agile, supported by a world-class platform. The aim is to achieve these three objectives through greater expertise at home and overseas, accessing the FCO's deep local knowledge and global reach. As a more agile organisation, the FCO will be better able to deploy the right staff and target resources on the areas of work that matter most, while the world class platform will provide the infrastructure for this to happen. November 2018 marked the mid-point of the four-year programme and an opportunity for the Board to review achievements so far under each pillar (see Figure 1).

Priorities for Diplomacy 20:20 in 2019 include accelerating work on the Corporate Capability Programme, which will improve how the FCO provides corporate services globally, and developing Atlas, the FCO's future Enterprise Reporting System (ERP). The newly-formed Global Network Uplift Programme Board will oversee the expansion of our

overseas network in three newly-funded priority areas: EU Exit, Global Britain and a new approach to Africa.

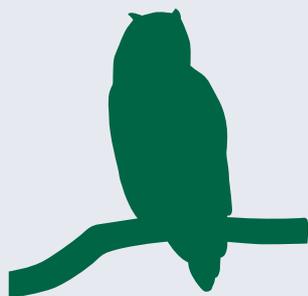
A key issue for the Board during 2018-19 has been the EU Exit negotiations. The FCO contributes to the wider HMG negotiations but also leads on specific issues, including Gibraltar, Overseas Territories, UK Nationals, Consular, Third Country Agreements, Sanctions, and Common Foreign and Security Policy. The FCO jointly leads on Common Security and Defence Policy with the MOD and with DFID on external actions and development spend. The Board has monitored the FCO's work, particularly ensuring priority resource allocation. Last year, the Executive Committee set up an EU Exit Task Force with a structure of assigned Senior Responsible Officers. The 21 December Management Board took stock of progress, and EU Exit was discussed at the Management Board Strategy day on 15 March. Weekly EU Exit discussions at the Executive Committee started on 12 March.

Other items discussed by the Management Board regularly have included a monthly dashboard reporting on progress on delivering the major IT programme, Tech Overhaul. The Management Board also reviews the monthly estates and security dashboard, impact monitoring and the FCO's response to the annual staff survey. The Management Board reviewed progress following the 2017 and 2018 Staff Survey results, particularly on reported experiences of Bullying, Harassment and Discrimination and our progress

on Diversity and Inclusion. The Board agreed that while the previous action plans had delivered improvement, we need to go further to meet our high aspirations in these important areas. They requested that new targets and measures be adopted to encourage improvement. Further data on the equality impact of the FCO's employment practices and activities can be found at [gov.uk/FCO](http://gov.uk/FCO).

The Management Board is required to approve and monitor major projects, as defined by the Infrastructure and Projects Authority (IPA). It takes investment decisions at key stages in the IPA process and monitors progress. In 2018-19, the Board approved the prioritisation of FCO estate investments in 2018 and beyond as part of the Global Asset Management Plan and approved the Outline Business Case for a new Embassy and Residence in Beijing. The Board signed off the UK Contribution to the Afghan National Army Trust Fund as part of the CSSF in Afghanistan. The Board also agreed the plans and contract for the FCO's new Atlas system, and was kept regularly updated and made decisions on major estates projects and the FCO's Tech Overhaul and other major IT programmes, including the ECHO 2 connectivity programme. The Board continued its focus on maintaining and improving the UK's international platform and identified the need for strategic investment in order that it should be fit for purpose and that the risk and additional maintenance cost could be avoided.

Figure 1



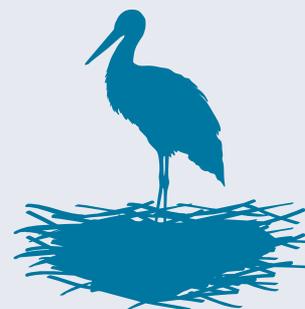
### Expertise

- » Central Hubs providing higher quality briefing for and freeing up departments for front line policy delivery.
- » Diplomatic Academy is an established brand across HMG; more staff obtaining accredited C&G qualifications.
- » Skills embedded in appointments and performance management; promotion now based on expertise demonstrated in job.



### Agility

- » Reprioritisation of resource, and allocation of new funding to support new foreign priorities: Global Britain, EU Exit, Africa.
- » Up to 400 new positions filled through more agile HR processes.
- » Pay flexibility initiative approved by HMT, moved FCO pay structure closer to other international departments.



### Platform

- » Modern IT, rolled out in the UK and overseas, is changing the way we work and increasing productivity.
- » Corporate services future operating model produced.
- » Delivering the biggest expansion of the diplomatic network in a generation, including 14 new or upgraded Posts.
- » Bangkok estate sale released funding for major update of overseas estate.

To increase transparency, the Management Board invites observers to its meetings. During the year, we invited 10 London based staff and two local staff to each meeting. Observers are also invited to attend most sub-committee meetings during the month of the Management Board.

The 2018-19 **Board Effectiveness Evaluation**, covering the reporting period 1 April 2018 to 31 March 2019, was carried out in April 2019. The Supervisory Board met twice during 2018-19, chaired once by then Secretary of State for Foreign Affairs The Rt Honourable Boris Johnson MP and once by the current Secretary of State The Rt Honourable Jeremy Hunt MP. This year's effectiveness evaluation was again conducted with reference to the Management Board, which is chaired by the Permanent Under-Secretary and met ten times during the review period.

Desk research was carried out to assess attendance, agendas, information flows between the Board and its sub-committees, the format of management information and the effectiveness of minutes and action logs. Findings were broadly positive, but the maintenance of the action logs throughout the year had slipped: these were last updated and reviewed by the Board in February 2019, and will be included in Board papers at every other Board meeting through 2019-20. The Board raised no issues with the quality of data submitted to it.

The 2017-18 effectiveness evaluation had found that focused agenda-setting had improved since the previous evaluation but needed further attention. This year the Board Secretariat reviewed the time allocated to all agenda items in 2018-19 against the FCO's strategic objectives and priority outcomes. The Management Board had dedicated most time to reviewing the FCO's financial position, the Diplomacy 20:20 programme, and high-value projects especially in technology and estates. This is in line with the Board's Terms of Reference, which emphasise the Board's role in ensuring that resources are effectively allocated to deliver the policy priorities set by Ministers, and taking strategic decisions on the FCO's corporate agenda. Due to the pace of developments, EU Exit was discussed more often at the Executive Committee, but this informed Board discussions in particular on resource allocation.

From January 2019 the Board moved to a new schedule of meetings: rather than ten three-hour meetings each year, the Board would meet six times in this format and twice for longer strategy away-days, the first of which took place in March 2019. These changes were introduced to create space for deeper and longer discussions on key strategic issues. The effectiveness of the changes will be assessed in the 2019-20 effectiveness evaluation, which will draw on feedback from an external observer and outcomes from a facilitated Board discussion.

### ***Non-Executive Board Members***

The FCO continue to benefit from the advice of non-executive board members. Their scrutiny and challenge has contributed to improved management and oversight of discretionary programmes and major projects. They have brought challenge and external expertise to a range of our business activities. Miranda Curtis is the lead non-executive and works alongside our three non-executives Gaenor Bagley, Warren Tucker and Sir Edward Lister.

The Audit and Risk Assurance Committee also benefits from the advice of two non-executive committee members, Simon O'Regan and Ann Cormack.

## **Wider engagement**

### ***The Sounding Board***

The Sounding Board first met in December 2016. It acts as a consultative body and is made up of staff from across the organisation who represent their grades or a particular staff association or network. It is chaired by a Management Board member who provides the link between the Sounding Board and the Management Board. Meetings take place once a month. Staff provide feedback to the Board on staff related issues coming to the Management Board or Executive Committee.

### ***The Senior Leadership Forum (SLF)***

The SLF comprises the FCO's senior global leadership, bringing together the PUS, our Directors-General and our most senior heads of mission. The group meets in London two or three times a year to develop and inform corporate and policy initiatives.

### ***Cross-Whitehall Collaboration through the One HMG Network Board***

The One HMG Network Board is chaired by the FCO's Chief Operating Officer and attended by equivalents in the largest government departments represented overseas, as well as HMT and the Cabinet Office. It serves as a forum to coordinate HMG activity overseas so that we are operating as effectively and efficiently as possible. The Network Board has been essential in helping set the direction for how the FCO should be structured overseas and how together with other HMG partners we can better join up.

### ***Ministerial Directions***

There have been no Ministerial directions during the 2018-19 period.

### ***Raising Concerns***

The FCO is committed to ensuring a high standard of conduct in all that it does, including the effective use of taxpayers' money and mitigating the risk of fraud and error. An effective policy for raising concerns is one of the key ways of identifying fraud and error.

Staff can raise concerns about perceived wrongdoing through their line management chain or via an independent Nominated Officer who can provide a confidential source of advice on matters where the Civil Service Code may have been breached. Where concerns relate to financial management or fraud, we maintain a confidential whistleblowing hotline (phone/email/mail) accessible 24 hours a day, 7 days a week, 365 days a year. All reports under the raising concerns policy are taken seriously and investigated.

Identities of those raising a concern remain confidential and senior management and the Audit and Risk Assurance Committee take all concerns raised very seriously, ensuring full and adequate consideration and resolution. Heads of Mission and Department are required to ensure that their teams are aware of procedures and encourage them to report a concern. Our Internal Audit team also review both the raising concerns procedures, and awareness of the procedures.

During 2018-19, one concern was raised with a nominated officer. However, this was an anonymous report and because of the nature of the complaint and it being anonymous, it was not investigated. The Department's Anti-Fraud and Corruption Unit received 21 reported concerns outside of normal line management reporting. In 2019-20, we will continue to ensure that staff are aware of the procedures, have confidence in their use and that all reports are investigated. At the request of ARAC there is a review of whistleblowing procedures underway.

### ***FCO Compliance with the Corporate Governance in Central Government Departments: Code of Good Practice 2017***

The FCO has sound governance arrangements in place and is compliant with the Code of Good Practice in all but one aspect of the Board composition principles. The FCO has not formed a Nominations and Governance Committee. We continue to believe that the functions of this committee, as specified in the Code, are fulfilled by the Honours Committee, Senior Appointments Board and the Senior Pay Committee. The presence of Gaenor Bagley, non-executive member of our Supervisory and Management Boards, creates a reporting line to the Boards and ensures robust external challenge. The Senior Pay Committee is chaired by the PUS and, for setting the salaries of our most senior staff, consists of additional external members adding further challenges to the process of determining salaries and reward arrangements.

### ***Executive Agencies and Non-Departmental Public Bodies***

The FCO is responsible for one Executive Agency, Wilton Park, and four Non-Departmental Public Bodies: the Marshall Aid Commemoration Commission (MACC), the Great Britain China Centre (GBCC), the Westminster Foundation for Democracy (WFD), and the British Council (which is also a Public Corporation and registered charity). The PUS is the Principle Accounting Officer for the five organisations, which each have a nominated Accounting Officer at Chair or Chief Executive level. Each has its own governance and objectives, which the FCO believes is the most effective way of achieving their respective outcomes. Each produces an Annual Report in Parliament every year.

All five are covered by Cabinet Office rules on Arm's Length Bodies and are subject to periodic Cabinet Office reviews of their form, function and effectiveness. All Public Appointments to these bodies are subject to Cabinet Office Public Appointment rules. The FCO Management Board or nominated Sub-Committee conducts an annual review of each body, and all five have a Senior Responsible Officer (SRO) at Official level in the FCO. The SRO for MACC, Wilton Park and the British Council is the Director of Communication, for GBCC is the Head of the China Department and for WFD is the Deputy Director for Human Rights and Democracy.

### ***FCO Risk Management Framework***

The FCO faces a range of risks because of its global footprint and activities. The complexity of the organisation is inherently challenging, and the world is increasingly complex. To mitigate these risks the FCO has multiple checks and balances.

The FCO manages risk at all levels of the organisation. Heads of Mission and Directors manage and are accountable for risks within their Post or Directorate. An officer, ranging from individual project managers up to Heads of Mission, can own individual risks. Heads of Mission and Directors escalate risks if necessary to the Top Risk Register or the Bubbling Under Risk Register. The Top Risk Register typically contains 25-30 major, urgent risks that pose a significant threat to our ability to deliver our policy and operational objectives as set out in our Single Departmental Plan. The Bubbling Under Risk Register typically contains upcoming risks that are not yet significant enough for the Top Risk Register, but should be brought to the attention of the Board. Issues transfer between the two registers and are removed when the mitigations are sufficient to significantly reduce the likelihood or impact of the risk.

The Top Risk Register marshals risks into a 'heat map' in order to identify those risks most urgently requiring the attention of the Management Board. The Supervisory Board and Management Board considers the Top Risk Register regularly. The Risk Appetite Statement sets out

our broad approach to risk appetite for foreign policy and operational risks and aids the management of risk.

Managing risk will always be central to FCO activity. To better understand the environment in which Posts operate and to manage the risks arising, a process of horizon scanning is undertaken. This brings together representatives from across relevant FCO departments and DIT to review individual Posts in each Directorate at least twice a year. Meetings consider external issues (political & security) and internal ones (programme management performance, procurement, estates, HR and finance).

The process allows greater transparency and sharing of “Small Data”—delayed account submissions, poor audit scores, budgetary management, known and suspected fraud—to create a shared view of what is happening across the region. Posts receive an informal RAG rating according to where greatest potential risks and issues are identified. The performance of red-rated posts is tracked and depending on the nature of the risk, a coordinated response is created to help manage and mitigate the risks and issues identified.

The FCO’s Internal Audit function reviews risk management arrangements in home departments and at Posts overseas, as part of their programme of visits, and reports their findings and conclusions to the Audit and Risk Assurance Committee and the Accounting Officer. Their overall opinion this year was that controls provide a Moderate level of assurance that objectives will be achieved. That is, some weaknesses in the operation of controls could impair the achievement of objectives, and improvements are required to enhance their adequacy and effectiveness. However, the identified control weaknesses were caused more by compliance issues than design. The ARAC gives particular attention to areas where Internal Audit published a Limited assurance opinion (e.g. Lancaster House Income Generation, Public Records Management, One HMG Governance, Kabul, Hargeisa, Oslo and Algiers) and common internal control issues overseas (e.g. security of emergency travel documents). Directors and Heads of Missions submit an Annual Consolidated Certificate of Assurance (ACCA) each year to confirm that agreed remedial action has been taken. The ACCA also facilitates the identification of any new emerging operational risks and helps strengthen the risk management framework.

The FCO divides risks into two categories: **policy risks** and **operational risks**. Policy risks relate to the delivery of the FCO’s key policy objectives. These include for example risks from terrorism, the future of the Iran nuclear deal and potential issues arising out of the decision to leave the EU, including sanctions. Operational risks are threats to the FCO’s management processes and logistics. These include our capacity, capability and resources; managing risks in our supply chain; information management; the integrity of our infrastructure and protecting our staff. Policy and operational risks do interact. Following our response to

hurricanes in the Caribbean in 2017 there was a lessons learned exercise, a process undertaken on a regular basis. This led to embedding crisis response as a key capability for all FCO staff, allowing the FCO to meet such demands with the speed, capability and the embedded structures and practices required. One action we took was to train 20% of all staff in London as a crisis-ready resource. This has enabled us to move with greater agility to respond to the risks arising during the subsequent year from EU Exit.

In 2018-19, the continued high number of policy risks faced by the FCO concerned the Board. The world faces more varied serious risks, from many sources: climate change, degraded international relationships, continuing conflicts and cyber-crime. Policy risks generally focus on the ability of the FCO to deliver on its policy objectives and included policy design, consideration of levers and implementation issues. Risks related to some areas—for instance, hurricanes in the Caribbean—were removed from the register, as longer-term resilience measures are being implemented, while others—for instance, on EU Exit preparations for No Deal—were added. To mitigate these risks, the FCO undertakes regular policy refreshes, engages with key allies and multilateral organisations, develops focused communication efforts, and runs cross-government working groups on specific issues. The FCO participates in and leads on a number of cross-government joint units and groups at ministerial, senior official and working level. The work covers some of the most important foreign policy issues that the government faces. For example, the FCO leads cross-government work on Russia, including in 2018-19 efforts which led to attribution of the novichok attacks. The FCO also led work to ensure that the UK can implement sanctions effectively once the UK has left the EU. The Board has also been concerned about a number of cross-cutting areas of risk, including the broader implications of leaving the European Union and the threat posed by terrorism and cyber-attacks.

We continue to keep security issues under review and look to learn lessons wherever possible—including through regular exchanges with friendly diplomatic services and other international organisations.

The Board monitors key improvement programmes such as the FCO’s transformational change programmes, Diplomacy 20:20, and Tech Overhaul (the project to improve our IT). Each of these regularly presents to the Board outside of the Top Risk process. The Management Board and Executive Committee consider resourcing issues separately.

Operational risks were high on the Board’s agenda, and were also discussed at the Investment, Infrastructure and Operations Committee (IIOC). The Management Board regularly scrutinises major projects to ensure risks are being properly managed. Like many other organisations with a global presence, we face increasing threats to our people, premises and information, from civil disorder, conflict, crime, espionage and terrorism across the network.

## Operational Risks

Below is a summary of the 2018-19 Key Operational Risks that have been addressed or remain under management.

### General Data Protection Regulation (GDPR)

FCO continues to embed the requirements of the UK Data Protection Act 2018 (incorporating the General Data Protection Regulation) which is a top risk as lack of compliance in itself could lead to regulatory action from the Information Commissioner. Data protection is of particular importance to consular work, given the high level of personal data processed. The FCO has a high degree of confidence in its ability to handle personal Consular data in compliance with GDPR and the DPA 2018. A data breach stemming from a lack of compliance could result in much more stringent regulatory action by the Commissioner. Both of these outcomes would result in reputational damage to the FCO, with the potential for financial penalty; and although we are not the only Whitehall Department still not in full compliance, we will make every effort to come into line with the DPA 2018 and GDPR as soon as possible regarding our collection, retention and use of personal data and how we inform citizens of this work. During 2018-19 there were 54 personal data incidents recorded of which 19 breached UK Data Protection Legislation and 3 were reported to the ICO. The ICO review of these cases concluded that no further action was required.

#### Mitigating actions:

- » Knowledge and Technology Directorate Transparency and Data Team is responsible for overarching compliance with data protection legislation and is working through the FCO Data Protection Action Group to achieve compliance. This includes implementing the action plan agreed with owners across the Office as well as acting upon the recommendations from Internal Audit.
- » Specific priority actions include: mapping our personal data to understand our risk and meet our DPA18 recording obligations; refreshing all our commercial contracts so they are DPA18 compliant; and establishing Memoranda of Understanding and data sharing agreements with organisations we share personal data with or which operate on our platform; ensuring our processing of children's data is compliant; and reviewing our IT systems to ensure that they are capable of addressing data subject rights and, for those implemented before May 2016, that they meet the DPA18 privacy by design Criteria. Reviewing our IT systems to ensure that they are capable of addressing data subject rights and, for those implemented before May 2016, that they meet the DPA18 privacy by design criteria.

## People

The FCO's global presence, and the UK's global interests, create particular resourcing and staff requirements. The FCO lead or are heavily involved in a number of areas related to leaving the EU. Global

crises and additional demands emanating from the process of leaving the EU, while expanding our global network to deliver Global Britain and a new approach to Africa, exacerbate and stretch FCO capacity and capability gaps and risk delivery of FCO objectives.

New funding allocated for EU Exit, Global Britain and Africa will add around 1000 new staff positions—a mixture of UK Based and Local Staff, overseas and in the UK—by the end of 2020. There will be a lead-in time for recruitment and vetting new staff, with security clearances taking longer, as the Civil Service gears up for the UK's departure from the EU. New monies will help to rebalance our network, particularly in Europe, to enable the UK to support many more functions of government independently once outside the EU. Resourcing must continue to balance reduced core funding with the temporary uplift. Our aim is to have the right people in the right place at the right time. To do this we need to be clear about demand, supply and affordability, with good workforce planning and accurate management information on both numbers and skills. We are improving, particularly on numbers, but still lack comprehensive information on skills.

Capacity and capability gaps put the delivery of key objectives at risk.

#### Mitigating actions:

- » Diplomacy 20:20, the FCO's transformational change programme launched in 2016 (see page 3) is designed around three pillars: Expertise, Agility and Platform. Agility and expertise need to be underpinned by a world-class platform: efficient services and systems that make the best of our buildings and our technology and support all HMG partners on the platform. The programme is managed through a Programme Board that meets monthly and an Advisory Board that meets quarterly. The Chief Operating Officer is SRO for the Programme.
- » Workforce Strategy is in place, along with an Implementation Plan, and has been reviewed by the Management Board.
- » The FCO continues to increase the diversity of the workforce, including by reaching out through: various apprenticeship schemes, internships programmes and promoting the FCO as a great place to work at outreach events. Diversity includes visible diversity but also promoting diversity of thought, skills and background.

Despite these mitigations, risks associated with re-aligning resources to meet objectives continue to be classified as 'likely' and would have a significant impact on the FCO's outcomes.

Due to the FCO's prominent global profile and the nature of the FCO's work, there is a constant threat to the **safety of the FCO's staff and estates**. In the worst case, this could result in the death of or injury to staff, dependents and contractors, as well as the destruction of our buildings.

**Mitigating actions:**

- » Active threat monitoring.
- » Staff awareness and training.
- » Adjustments to staff numbers at affected Posts.
- » Guarding and practical counter-measures.

These mitigations reduce the impact and likelihood of this risk from 'severe' and 'highly likely' to 'major' and 'possible'.

**Health, Safety and Wellbeing**

The successful management of Health, Safety and Wellbeing (HSW) remains a key FCO operational risk and strategic goal. Building on past progress FCO took further steps in 2018-19 to embed a preventative and risk based culture to become a public sector exemplar on HSW risk management.

By the close of 2018-19 the FCO had better structures, risk management processes and staff awareness facilitated by senior manager led HSW projects including on fire safety, wellbeing, air quality and public event safety. The Estates and Security Directorate are on track to launch their updated fire safety policy—post Grenfell—which role models the new culture we seek.

Human Resources Directorate's Health and Safety Team (the team responsible for guiding the Executive Committee and the organisation on HSW risk management) identified new HSW risk control gaps within FCO's HSW framework meaning the FCO was no longer fully compliant with its HSW obligations in the UK and overseas. Corrective actions have been commissioned. To regain compliance and build in resilience the Health and Safety Team have ordered a health check of their business model to ensure this team remains capable of supporting an improving organisation where there may be greater demand for HSW services.

**Commercial Management**

A gap in the commercial management capability and capacity in FCO in 2018-19 meant there was an increased risk that the FCO might not deliver best value for money or fully comply with commercial regulations and best practice. Category Management structure implemented covering operational spend with the development of category strategies underway for key spend areas. This approach will support the FCO to leverage its skill and scale and ensure appropriate procurement models are put in place.

With the growth of policy programme spending, it is increasingly important that staff are well trained in commercial management programmes.

**Mitigating actions:**

- » All procurements over £100k are required to appear in front of the Procurement Strategy and Advisory Board (PSAB). Commercial experts from across the FCO sit on the Board; they challenge and review business cases to ensure value for money is being achieved.

- » All procurements over £5million go to the Investment, Infrastructure and Operations Committee (IIOC) for scrutiny. The Committee is made up of SMS level representatives across the FCO.
- » Government Commercial Operating Standards (GCOS) improvement plan in place covering all commercial activity.
- » Online Commercial Awareness training available to all employees across the FCO.

These mitigating actions have reduced the likelihood of this major risk from 'likely' to 'possible'.

**Contract Management Capability** and lack of staff with the right capacity could present a risk to policy delivery. Strong contract management is key to ensuring contracts deliver as intended. Cabinet Office has set minimum Commercial operating standards and have launched the Contract Management training initiative:

- » Appropriate level and number of contract managers, trained and competent assigned to each eligible contract
- » Contract Management being applied proportionately with regular performance reviews to demonstrate conformance against agreed contracted outcomes

**Mitigating actions:**

- » Online Contract Management training made available to all employees.
- » New structures in place to ensure all strategic contracts will have an appropriately trained Contract Manager in the future.

These mitigating actions have reduced the likelihood of this major risk from 'likely' to 'possible'.

**Major Policy Programmes**

Delays to the delivery of major programmes, in particular Prosperity Fund Programmes could impact policy delivery or FCO reputation. These are captured in two risks on the Top Risk Register: Prosperity Fund Programme, and Policy Programme Delivery.

**Mitigating actions:**

- » Establishment of the Portfolio Board for policy programmes, chaired by the PUS.
- » Additional commercial expertise recruited.
- » The Policy Programme Transformation Unit has been upgraded to a Portfolio Management Office, strengthening assurance and oversight of FCO spend.;
- » Internal assurance framework for policy programmes clarified, strengthened and communicated to staff.
- » Case made successfully to re-profile the Prosperity Fund to reflect realistic delivery timelines.
- » Training delivered to key staff, including programme SROs.
- » Work underway on a refreshed operating framework for policy programmes in the FCO.

These mitigating actions have reduced the likelihood of the Prosperity Fund Programme risk from

‘highly likely’ to ‘likely’ and the Policy Programme Delivery risk from ‘likely’ to ‘possible’.

The nature of the projects and programmes undertaken by the FCO means it operates in a wide range of countries, including some fragile environments e.g. war zones or areas of crisis. In such environments, there is limited recourse to a normal business infrastructure to manage or control financial transactions. This increases operational risk. Sometimes payments have to be managed with cash, which by its nature increases the risk of fraud or the diversion of funds. The FCO puts in place checks and control frameworks to manage and mitigate these risks; however they cannot be eradicated and there will always be an element of residual risk when working in certain fragile environments. The FCO takes the decision to operate in such fragile environments with these risks in mind and deploys practical mitigations as far as possible. Programme managers are required to regularly review their risks and monitor their controls. We will continue to prioritise support in a number of areas, including on Overseas Security and Justice Assistance assessments, and on Due Diligence Assessments of implementing partners to tackle sexual exploitation and abuse.

### Infrastructure

We are planning on an **increase in capital spend across the estate** with the proceeds of the Bangkok Compound sale which will address historic underinvestment. While this allows us to reduce overall risk (particularly as spend is focusing on health and safety rectification; overdue maintenance; and seismic strengthening), this scale-up in spend brings delivery risk.

#### *Mitigating actions:*

- » We are hiring additional project managers in the Estates team, outsourcing delivery where necessary, and putting in place a new Programme Management Office to ensure rigorous delivery and integration across Estates and Security Directorate.

### IT Delivery

The FCO has prioritised the replacement of legacy equipment to reduce operational risk. Nevertheless, some legacy components remain; and with them a continued risk of operational failure. Projects to replace remaining legacy equipment are prioritised on a risk basis.

#### *Mitigating actions:*

- » Many services have now been migrated off old server infrastructure as services have moved to the Cloud.
- » iPhone deployment is complete, increasing the reliability of our mobile devices.
- » IT disaster recovery plans are being reviewed.

The potential risk continues to be rated as high, but the likelihood and impact of this risk will decrease as the Tech Overhaul programme is completed by autumn 2019.

### Tech Overhaul

Tech Overhaul has delivered significant improvements to the FCO’s IT capability, bringing the organisation into line with best practice across government. It has also increased efficiency by encouraging Smarter Working practices.

There is nevertheless a risk that a lack of staff engagement could mean that Tech Overhaul does not deliver the transformational change we expect and, as a result, does not deliver the expected benefits in full.

#### *Mitigating actions:*

- » Modelling active leadership by example.
- » Providing first class Learning & Development.
- » Delivering a successful #WorkSmarter campaign.
- » Rolling out a ‘Tech Ninja’ network of IT-savvy staff to mentor senior leaders.

These mitigations have reduced the likelihood of the programme not delivering the expected benefits from ‘likely’ to ‘possible’.

### Cyber and Information

**Major information loss** or loss of capability to work could result from a failure to keep the FCO’s global infrastructure secure. A failure of information security would not only result in significant strategic threats to the FCO but could also incur significant reputational damage to the organisation, as well as the UK’s reputation worldwide.

#### *Mitigating actions:*

- » Encryption of all personal data within our networks.
- » Large-scale counter-phishing campaign.
- » Tech Overhaul programme to deliver systems that are more rigorously designed and assured.
- » Additional cyber security monitoring and audit software on our devices.

The likelihood of a cyber security incident resulting in information or capability loss remains ‘possible’.

### Fraud

Parliament and Cabinet Office is concerned that departments are not identifying all fraud that is taking place. Departments have been tasked to undertake more work to actively identify fraud and to professionalise counter fraud activities. The FCO continues to work with Cabinet Office, DFID, the British Council and others to attempt to understand the true level of fraud.

The nature of the FCO’s programme work carries an inherently higher risk of fraud and error than the administrative spend. We have put in place procedures to mitigate these risks and where higher risk projects are undertaken, appropriate levels of management including Ministers are consulted.

No frauds of material value were identified in 2018–19.

Three criminal cases were identified relating to the misuse of public money (one a locally engaged officer and two ex-UK based officers), with criminal convictions in all three cases.

To maximise value for money from procurement and expenses processes, where possible, credit cards are used for these transactions. As last year, a few officers are found to have abused these procedures.

We have also made efforts to reduce cash receipts where fees apply for our consular services, including through the introduction of Gov.pay. Over 80% of all payments for consular services are now made online or by credit card.

***Mitigating actions:***

- » Where fraud was identified, appropriate disciplinary action was taken and where appropriate reported to the police.
- » Whilst there are risks with the use of credit cards, we consider that the net risk is reduced as the amount of cash used reduces. We are confident that there are appropriate processes in place to mitigate the risks associated with the increasing use of credit cards.

Cyber fraud is an increasing risk for any organisation where vigilance is an important deterrent. Given the nature of this risk, mitigations have reduced the likelihood of fraud in these areas, but with the need to be constantly vigilant and identify circumstances where fraud can occur, the likelihood remains as 'possible'.

## FCO Corporate Governance Architecture, Membership and Attendance Record

### A. Supervisory Board

Frequency of meetings: The Board met twice during 2018-19

Member	Tenure	No. of Meetings Attended during 2018–19
The Rt Hon Boris Johnson MP Secretary of State for Foreign Affairs (Chair)	From July 2016 until July 2018	1/1
The Rt Hon Jeremy Hunt MP Secretary of State for Foreign Affairs (Chair)	From July 2018	1/1
The Rt Hon Sir Alan Duncan MP	From July 2016	2/2
The Rt Hon Mark Field MP	From June 2017	1/2
The Rt Hon Alistair Burt MP	From June 2017 until March 2019	1/2
Lord Tariq Ahmad of Wimbledon	From June 2017	2/2
Harriett Baldwin MP	From January 2018	1/2
Miranda Curtis, Lead Non-Executive Board Member	From March 2017	2/2
Warren Tucker, Non-Executive Board Member and Chair of FCO Audit and Risk Assurance Committee	From November 2015	1/2
Julia Bond, Non-Executive Board Member	From April 2011 until May 2018	0/0*
Sir Edward Lister, Non-Executive Board Member	From March 2017	2/2
Gaenor Bagley, Non-Executive Board Member	From May 2018	2/2
Sir Simon McDonald, Permanent Under-Secretary	From September 2015	2/2
Peter Jones, Chief Operating Officer	From May 2017	1/2
One of four policy DGs attending on rotating basis		2/2
Andrew Sanderson, Director Finance	From September 2016	2/2

\*No Supervisory Boards held during tenure.

### B. FCO Management Board

Frequency of meetings: The Board met ten times during 2018–19.

Sir Simon McDonald, Permanent Under Secretary (Chair)	From September 2015	10/10
Richard Moore, Director-General Political	From May 2018	8/10*
Dr Christian Turner, Deputy National Security Adviser	From April 2016	4/10*
Peter Jones, Chief Operating Officer	From May 2017	9/10*
Philip Barton, Director-General Consular & Security	From April 2017	9/10*
Deborah Bronnert, Director-General Global & Economic Issues	From July 2017 until March 2019	6/9*
Menna Rawlings, Director-General Global & Economic Issues	From February 2019	1/1
Jill Gallard, Director Human Resources	From October 2014 until September 2018	5/5
Jonathan Sinclair, Director Human Resources	From October 2018	5/5
Andrew Sanderson, Director Finance	From September 2016	10/10
Helen Bower-Easton, Director Communications	From March 2017 (MATL Mar 2018–Jan 2019)	8/10
Dr Alastair McPhail, Acting Director Communications	From March until June 2018	2/2
Simon Wren, Acting Director Communications	From May until October 2018	2/4*
Hugo Shorter, Acting Director Communications	From October 2018 until January 2019	2/2
Dr Liane Saunders, Director Strategy & Strategic Programmes Coordinator	From May 2017	8/10*
Sir Iain MacLeod, Legal Adviser	From 2011	7/10*
Alison Blake, Her Majesty's High Commissioner, Dhaka	From September 2016 until February 2019	7/9*
Jill Morris, Her Majesty's Ambassador, Rome	From February 2019	1/1
Warren Tucker, Non-Executive Board Member	From November 2015	10/10
Julia Bond, Non-Executive Board Member	From April 2011 until May 2018	1/1
Gaenor Bagley, Non-Executive Board Member	From May 2018	8/9*

\*Members unable to attend provided written feedback

### C. Senior Appointments Board

Membership	PUS, Chief Operating Officer, DG Political, DG Consular and Security, DG Global Britain, DG EU Exit, Assistant Private Secretary to the Deputy National Security Adviser (Conflict, Stability and Defence), HR Director, Gaenor Bagley (Non-Executive Board Member), with PPS/Foreign Secretary as an observer.
Summary of Discussions during 2018-19	The Senior Appointments Board considered appointments at SMS2 and above, weighing up candidates' experience and expertise and their performance against SMS competences. The Board also considered issues affecting senior appointments such as the diversity of appointments and the grading of roles.
Frequency of meetings	Monthly (except August)

### D. Audit & Risk Assurance Committee

Membership	Warren Tucker, Chairman Non-Executive Member of Management Board; Ann Cormack, Non-Executive Member; and Simon O'Regan, Non-Executive Member.
Summary of Discussions during 2018-19	Evaluation of strategic processes for risk, control and governance, challenging the effectiveness of existing systems through the targeting of potential weaknesses. Review of risks through risk register reviews and mitigation plans surrounding Information Risk (including GDPR), Cyber Security, Commercial, Health and Safety, Programme, HR Resources and Estates and Security. Analysis of planned activity and results of both internal and external audit services, including assurance mapping and the outcome of fraud investigations. Consideration of FCO accounting policies and resource accounts prior to PUS signature. Regular effectiveness reviews of the Audit & Risk Assurance Committee are conducted, using the NAO checklist, and action is taken to address any matters arising.
Frequency of meetings	Five times during the financial year.

### E. Investment, Infrastructure & Operations Committee

Membership	Chief Operating Officer (Chair), DG Operations Directors, Regional Directors, Consular Director, Heads of Mission, Overseas Staff.
Summary of Discussions during 2018-19	The FCO's Global Asset Management Plan, including addressing health and safety issues across the network and other estate related investment decisions exceeding £5million in value, including the new Bangkok residence and office. Oversight of the FCO's IT portfolio, with a focus on the ECHO 2 programme, providing advice to the FCO Board, and other IT investment decisions exceeding £5million in value. The Committee signed off on physical security guarding contracts overseas and the procurement of armoured vehicles. CSSF and Prosperity Fund programme spend over £5million including projects in Syria, Jordan and China.
Frequency of meetings	Fortnightly

### F. Health & Safety Committee

Membership	ExCo members, Head of International HR Department (Human Resources Directorate), Director Consular, Director Estates and Security, Head of Security and Departmental Security Officer (Estates and Security Directorate), Head of Talent and Capability Department (Human Resources Directorate), Health and Safety Manager (Human Resources Directorate).
Summary of Discussions during 2018-19	The review of property standards and follow up after the Overseas Fire Safety Group's review of the FCO's estates portfolio in the wake of Grenfell. Wellbeing, including SMS attendance at the Wellbeing Confident training workshop, ACCA statements and establishing good practice in construction.
Frequency of meetings	Twice a year

### G. One HMG Overseas Network Board

Membership	FCO Chief Operating Officer (Chair) and representatives from the Department for International Development, Ministry of Defence, Department for International Trade, Her Majesty's Revenue & Customs, British Council, National Crime Agency, Home Office, Her Majesty's Treasury and Cabinet Office.
Summary of Discussions during 2018-19	Re-focused the Network Board to play a more strategic role around Global Network Uplift and corporate contingency planning for No Deal Brexit. Set the direction of the functional boards—International People, International Estates and Security, International Procurement, Chief Information Officers, Finance and the Steering Group and held them to account. Ensured continued close collaboration with the Expertise and Platform pillars of the Diplomacy 20:20 Programme in particular the Corporate Capability Programme and change control process.
Frequency of meetings	Quarterly

### H. Policy Programme Portfolio Board

Membership	ExCo members
Summary of Discussions during 2018-19	The Policy Programme Portfolio Board met in June, November and March. It provided strategic direction for the policy programme overall; discussed the risks facing FCO-led Prosperity Fund programmes; agreed how to strengthen senior oversight and accountability; reviewed results and impact to date and the balance of risk and results; discussed key amber rated programmes in greater depth; and, decided how to strengthen FCO project delivery capacity.
Frequency of meetings	Three times a year

# FCO Remuneration and Staff Report 2018–19

A number of sections in the Remuneration Report are subject to audit. Equivalent information relating to Wilton Park is given in its separate accounts. Other Arm's length bodies (ALBs) and Non-Departmental Public Bodies (NDPBs) provide equivalent information in their own accounts when required to do so, therefore they do not feature in this report.

## Service Contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service and Diplomatic Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at [www.civilservicecommission.org.uk](http://www.civilservicecommission.org.uk)

## Remuneration Policy

The pay of senior civil servants (SCS) is set by the Prime Minister following independent advice from the Review Body on Senior Salaries. From time to time, the Review Body advises the Prime Minister on the pay, pensions and allowances of ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

In making its recommendations, the Review Body considers:

- » the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;

- » regional and local variations in labour markets and their effects on the recruitment and retention of staff;
- » government policies for improving public services, including the requirement on departments to meet the output targets for the delivery of departmental services;
- » the funds available to departments as set out in the government's departmental expenditure limits; and
- » the government's inflation target, wider economic considerations, and the affordability of its recommendations.

For the Permanent Under-Secretary, remuneration is set by the Prime Minister on the recommendation of the Permanent Secretaries' Remuneration Committee. For the remaining executive members of the FCO Board remuneration is determined by the FCO's SMS Pay Committee in line with the SCS guidance.

Minister's remuneration is set by the Ministerial and Other Salaries Act 1975 and the Ministerial and Other Pensions Act 1991.

## Remuneration (salary, benefits in kind and pensions)

The following sections are subject to audit and provide details of the remuneration and pension interests of the Ministers and most senior management (i.e. Board members) of the Department.

Since 2018 Harriet Baldwin MP served as Minister for the FCO. Her remuneration and pension benefits are disclosed with DFID's Annual Report and Accounts. This was a joint Ministerial Role with DFID.

## Ministers (subject to audit)

Ministers	Salary (£)		Benefits in kind (to nearest £100)		Pension benefits (to nearest £1000) <sup>1</sup>		Total (to nearest £1,000)	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
Rt Hon Jeremy Hunt MP (from July 2018) <sup>2</sup>	48,996	-	-	-	12,000	-	61,000	-
Rt Hon Sir Alan Duncan KCMG MP	31,680	31,680	-	-	7,000	7,000	39,000	39,000
Rt Hon Lord Ahmad of Wimbledon <sup>3</sup>	82,831	62,545	-	-	17,000	17,000	100,000	80,000
Rt Hon Alistair Burt MP (until March 2019) <sup>4</sup>	31,169	25,344	-	-	7,000	5,000	38,000	30,000
Rt Hon Mark Field MP <sup>5</sup>	-	-	-	-	-	-	-	-
Rt Hon Boris Johnson MP (until July 2018) <sup>6</sup>	18,509	67,505	-	-	3,000	18,000	22,000	86,000
Rt Hon Baroness Anelay of St Johns DBE (until June 2017) <sup>7</sup>	-	28,814	-	-	-	10,000	-	39,000
Rt Hon Tobias Ellwood MP (until June 2017) <sup>8</sup>	-	5,594	-	-	-	2,000	-	8,000
Alok Sharma MP (until June 2017) <sup>9</sup>	-	5,594	-	-	-	2,000	-	8,000

<sup>1</sup> The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights. The pension benefits shown are before tax or any other applicable deductions have been taken.

<sup>2</sup> Rt Hon Jeremy Hunt MP full year equivalent salary was £67,505 in 2018-19

<sup>3</sup> Lord Ahmad of Wimbledon full year equivalent salary was £82,711 for 2017-18

<sup>4</sup> Rt Hon Alistair Burt MP full year equivalent salary was £31,680 in 2018-19

<sup>5</sup> Rt Hon Mark Field MP did not claim a salary or pension in 2017-18 or 2018-19

<sup>6</sup> Rt Hon Boris Johnson MP full year equivalent salary was £67,505 in 2018-19

<sup>7</sup> Rt Hon Baroness Anelay of St Johns DBE full year equivalent salary was £115,257 in 2017-18

<sup>8</sup> Rt Hon Tobias Ellwood MP full year equivalent salary was £22,375 in 2017-18

<sup>9</sup> Alok Sharma MP full year equivalent salary was £22,375 in 2017-18

## Executive Members of the FCO Management Board (subject to audit)

Officials	Salary (£'000) <sup>1</sup>		Bonus payments (£000)		Benefits in kind (to nearest £100)		Pension benefits (£'000 to the nearest £1000) <sup>2,22</sup>		Total (to nearest £1,000)	
	2018-2019	2017-2018	2018-2019	2017-2018	2018-2019	2017-2018	2018-2019	2017-2018	2018-2019	2017-2018
Simon McDonald	190-195	185-190	-	-	-	-	12	3	200-205	185-190
Peter Jones <sup>17</sup>	130-135	115-120	-	-	-	-	46	272	175-180	385-390
Deborah Bronnert (until March 2019) <sup>3,18</sup>	120-125	95-100	-	-	-	-	46	14	165-170	110-115
Liane Saunders <sup>19</sup>	100-105	90-95	10-15	-	-	-	40	20	155-160	110-115 <sup>22</sup>
Jill Gallard (until September 2018) <sup>4</sup>	50-55	100-105	10-15	10-15	-	-	16	27	75-80	135-140
Andrew Sanderson	105-110	100-105	-	-	-	-	36	23	140-145	120-125
Iain MacLeod	135-140	135-140	-	-	-	-	19	8	155-160	140-145
Alison Blake (until February 2019) <sup>5</sup>	80-85	85-90	-	-	-	-	25	17	105-110	100-105
Philip Barton <sup>20</sup>	130-135	130-135	10-15	-	-	-	19	3	160-165	135-140 <sup>22</sup>
Helen Bower-Easton	105-110	105-110	-	-	-	-	39	29	140-145	130-135
Richard Moore (from May 2018) <sup>6</sup>	125-130	-	10-15	-	-	-	46	-	180-185	-
Christian Turner <sup>7</sup>	120-125	115-120	5-10	10-15	-	-	32	52	160-165	180-185
Menna Rawlings (from February 2019) <sup>8</sup>	10-15	-	-	-	-	-	18	-	25-30	-
Jill Morris (from February 2019) <sup>9</sup>	10-15	-	-	-	-	-	6	-	15-20	-
Jonathan Sinclair (from October 2018) <sup>10</sup>	50-55	-	-	-	-	-	59	-	110-115	-
Alastair McPhail (from March until June 2018) <sup>11</sup>	15-20	-	-	-	-	-	3	-	15-20	-
Simon Wren (from May 2018 until October 2018) <sup>12</sup>	45-50	-	-	-	-	-	8	-	50-55	-
Hugo Shorter (from October 2018 until January 2019) <sup>13</sup>	20-25	-	10-15	-	-	-	8	-	40-45	-

Officials	Salary (£'000) <sup>1</sup>		Bonus payments (£000)		Benefits in kind (to nearest £100)		Pension benefits (£'000 to the nearest £1000) <sup>2,22</sup>		Total (to nearest £1,000)	
	2018-2019	2017-2018	2018-2019	2017-2018	2018-2019	2017-2018	2018-2019	2017-2018	2018-2019	2017-2018
Lindsay Croisdale-Appleby (until July 2017) <sup>14,21</sup>	-	35-40	-	-	-	-	-	42	-	75-80
Karen Pierce (to March 2018) <sup>15,16</sup>	-	135-140	-	-	-	-	-	-	-	135-140

1. The figures shown for salary are total gross salary including all taxable allowances before any applicable tax or other deductions are taken

2. The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of Pension rights. The pension benefits shown are before tax or any other applicable deductions have been taken

3. Deborah Bronnert full year equivalent salary was £130-135k in 2018-19

4. Jill Gallard full year equivalent salary was £100-105k in 2018-19.

5. Alison Blake full year equivalent salary was £90-95k in 2018-19

6. Richard Moore full year equivalent salary was £135-140k in 2018-19

7. Christian Turner has been paid by the Cabinet Office since May 2017. As part of this new role he remains a member of the FCO board.

8. Menna Rawlings full year equivalent salary was £130-135k in 2018-19

9. Jill Morris full year equivalent salary was £90-95k in 2018-19

10. Jonathan Sinclair full year equivalent salary was £100-105k in 2018-19

11. Alastair McPhail full year equivalent salary was £95-100k in 2018-19

12. Simon Wren full year equivalent salary was £105-110k in 2018-19

13. Hugo Shorter full year equivalent salary was £100-105k in 2018-19

14. Lindsay Croisdale-Appleby full year equivalent fees were £110-115k in 2017-18

15. Karen Pierce chose not to be covered by the Civil Service pension arrangements during 2017-18 and 2018-19

16. Karen Pierce full year equivalent salary was £140-145K in 2017-18

17. Peter Jones full year equivalent salary was £125-130k in 2017-18

18. Deborah Bronnert full year equivalent salary was £130-135k in 2017-18

19. Liane Saunders full year equivalent salary was £100-105K in 2017-18

20. Philip Barton full year equivalent salary was £130-135K in 2017-18

21. Lindsay Croisdale-Appleby full year equivalent salary was £110-115K in 2017-18

22. Where revised information has been received from the pension provider, prior year figures have been restated accordingly

### Non-Executive and Independent Directors (subject to audit)

Officials	Salary (£'000)		Bonus payments (£,000)		Benefits in kind (to nearest £100) <sup>1</sup>		Pension benefits (to nearest £1000) <sup>2</sup>		Total (£'000)	
	2018-2019	2017-2018	2018-2019	2017-2018	2018-2019	2017-2018	2018-2019	2017-2018	2018-2019	2017-2018
Julia Bond (to May 2018)	-	10-15	-	-	-	-	-	-	-	10-15
Warren Tucker	15-20	15-20	-	-	-	-	-	-	15-20	15-20
Gaenor Bagley (from May 2018) <sup>1</sup>	10-15	-	-	-	-	-	-	-	10-15	-
Edward Lister	10-15	10-15	-	-	-	-	-	-	10-15	10-15
Stephen Hawker <sup>2</sup>	10-15	15-20	-	-	-	-	-	-	10-15	15-20
Miranda Curtis	15-20	20-25	-	-	-	-	-	-	15-20	20-25
Ann Cormack <sup>3</sup>	0-5	0-5	-	-	-	-	-	-	0-5	0-5
Simon O'Regan (from Aug 2018) <sup>4</sup>	0-5	-	-	-	-	-	-	-	0-5	-

1. Gaenor Bagley full year equivalent salary was £10-15k in 2018-19

2. Stephen Hawker's fees include work as a NED on FCO Services Board, until March 2018. For the FCO, Stephen Hawker was an independent member of ARAC until September 2018 and his full year equivalent salary was £15-20k in 2018-19

3. Ann Cormack is a Non-Executive member of ARAC

4. Simon O'Regan is a Non Executive Member of ARAC. His full year equivalent salary was £5-10k in 2018-19

### Salary

'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments

made by the Department and thus recorded in these accounts. In respect of Ministers in the House of Commons, departments bear only the cost of the additional Ministerial remuneration; the salary for their services as an MP (£77,379 from 1 April 2018, £79,468 from 1 April 2019) and various allowances to which they are entitled are borne centrally. However, the arrangement for Ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their Ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the Department and is therefore shown in full in the figures above.

### Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the Department and treated by HM Revenue and Customs as a taxable emolument.

### Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2018-19 relate to performance in 2018-19 and the comparative bonuses reported for 2017-18 relate to the performance in 2017-18.

### Pay multiples (subject to audit)

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in the FCO in the financial year 2018-19 was £190-195k (2017-18, £185-190k) as disclosed in the Remuneration report table on page 91. This was 5.7 times (2017-18, 5.7) the median remuneration of the workforce, which was £33,913 (2017-18, £33,108).

In 2018-19, no employee received remuneration in excess of the highest-paid director (2017-18, 0). Remuneration ranged from £19,384 to £195,000 (2017-18, £19,041-£190,000).

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

	2018-19	2017-18	% change
Band of highest paid director's total remuneration	£190-195k	£185-190k	2.67%
Median remuneration of all UK Based staff	£33,913	£33,108	2.43%
Ratio	5.7	5.7	0%

Median remuneration in the FCO has again fluctuated due to workforce composition and structure. The median person in the FCO is graded at C4 (Higher Executive Officer) in 2018-19 as was also the case in 2017-18. This, coupled with an increase in the highest paid Director's remuneration has led to no change in the ratio of median vs. highest paid.

There is a change to the previously reported 2017-18 figures for median remuneration and ratio due to the previous non-inclusion of staff working for the Department's agency Wilton Park.

Local staff salaries are excluded from the pay multiple calculation for a number of reasons. Data on Local Staff

salaries is not held centrally, salary payments are paid in local currency and based on local market conditions and local staff salaries are subject to individual countries taxation and social security arrangements and adhere to local law. The variation of arrangements plus differences in rates of pay and local purchasing power would distort the pay multiple calculation and would make comparisons with other organisations impossible.

### Ministerial Pension Benefits (subject to audit)

Minister	Accrued pension at age 65 as at 31/3/19	Real increase in pension at age 65	CETV at 31/3/19	CETV at 31/3/18	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Rt Hon Jeremy Hunt MP (from July 2018)	10-15	0-2.5	214	195 <sup>1</sup>	6
Rt Hon Sir Alan Duncan KCMG MP	5-10	0-2.5	109	96	5
Rt Hon Lord Ahmad of Wimbledon	5-10	0-2.5	118	97 <sup>1</sup>	8
Rt Hon Alistair Burt MP (until March 2019)	5-10	0-2.5	163	146 <sup>1</sup>	6
Rt Hon Mark Field MP <sup>2</sup>	-	-	-	-	-
Rt Hon Boris Johnson MP (until July 2018)	0-5	0-2.5	35	31 <sup>1</sup>	1

<sup>1</sup> Where revised information has been received from the pension provider, prior year figures have been restated accordingly

<sup>2</sup> Rt Hon Mark Field did not receive an FCO pension in 2017-18 or 2018-19

<sup>3</sup> This does not include Minister Harriett Baldwin MP as she is joint Minister for the FCO and DFID. Harriet Baldwin MP is on DFID's payroll and details of her remuneration can be found in DFID's Annual Report and Accounts

### Ministerial pensions

Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute and the rules are set out in the Ministers' etc. Pension Scheme 2015, available at <http://qna.files.parliament>.

uk/ws-attachments/170890/original/PCPF%20MINISTERIAL%20SCHEME%20FINAL%20RULES.doc.

Those Ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this report). A new MP's pension scheme was introduced from May 2015, although members who were MPs and aged 55 or older on 1 April 2013 have transitional protection to remain in the previous MP's final salary pension scheme.

Benefits for Ministers are payable from State Pension age under the 2015 scheme. Pensions are re-valued annually in line with Pensions Increase legislation both before and after retirement. The contribution rate from May 2015 is 11.1% and the accrual rate is 1.775% of pensionable earnings.

The figure shown for pension value includes the total pension payable to the member under both the pre- and post-2015 Ministerial pension schemes.

### ***The Cash Equivalent Transfer Value (CETV)***

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member

at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total Ministerial service, not just their current appointment as a Minister. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### ***The real increase in the value of the CETV***

This is the element of the increase in accrued pension funded by the Exchequer. It excludes increases due to inflation and contributions paid by the Minister. It is worked out using common market valuation factors for the start and end of the period.

### **Official's pensions (subject to audit)**

Officials	Accrued pension at pension age as at 31/3/19 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/19	CETV at 31/3/18	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Simon McDonald	85-90 plus a lump sum of 260-265	0-2.5 plus a lump sum of 2.5-5	2055	1858	13	-
Peter Jones	60-65 plus a lump sum of 75-80	2.5-5 plus a lump sum of 0-2.5	1285	1122	45	-
Deborah Bronnert (to February 2019)	55-60 plus a lump sum of 125-130	2.5-5 plus a lump sum of 0-2.5	1030	887	25	-
Liane Saunders	40-45 plus a lump sum of 35-40	0-2.5 plus a lump sum of 0-2.5	757	646 <sup>3</sup>	22	-
Jill Gallard (until September 2018)	30-35 plus a lump sum of 75-80	0-2.5 plus a lump sum of 0	565	533	8	-
Andrew Sanderson	25-30 plus a lump sum of 60-65	0-2.5 plus a lump sum of 0	459	380	16	-
Iain MacLeod	50-55 plus a lump sum of 155-160	0-2.5 plus a lump sum of 2.5-5	1205	1078	19	-
Alison Blake (until February 2019)	40-45 plus a lump sum of 45-50	0-2.5 plus a lump sum of 0-2.5	932	821	25	-
Philip Barton (from April 2017)	55-60 plus a lump sum of 175-180	0-2.5 plus a lump sum of 2.5-5	1275	1131 <sup>3</sup>	18	-
Helen Bower-Easton	25-30 plus a lump sum of 0	0-2.5 plus a lump sum of 0	341	273 <sup>3</sup>	15	-
Richard Moore (from May 2018)	0-5 plus a lump sum of 0	2.5-5 plus a lump sum of 0	36	0	28	-
Simon Wren (May 2018 to October 2018)	50-55 plus a lump sum of 130-135	0-2.5 plus a lump sum of 0	997	932	1	-

Officials	Accrued pension at pension age as at 31/3/19 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/19	CETV at 31/3/18	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Hugo Shorter (from October 2018 to January 2019)	35-40 plus a lump sum of 80-85	0-2.5 plus a lump sum of 0-2.5	662	654	5	-
Alastair McPhail (March 2018 to June 2018)	25-30 plus a lump sum of 75-80	0-2.5 plus a lump sum of 0-2.5	585	578	3	-
Christian Turner <sup>2</sup>	35—40 plus a lump sum of 85—90	0—2.5 plus a lump sum of 0	641	541 <sup>3</sup>	9	-
Menna Rawlings (from February 2019)	35-40 plus a lump sum of 85-90	0-2.5 plus a lump sum of 0-2.5	700	684	15	-
Jill Morris (from February 2019)	35-40 plus a lump sum of 80-85	0-2.5 plus a lump sum of 0-2.5	647	640	3	-
Jonathan Sinclair (from October 2018)	30-35 plus a lump sum of 75-80	2.5-5 plus a lump sum of 5-7.5	560	455	44	-

<sup>1</sup>Karen Pierce chose not to be covered by the Civil Service pension arrangements during 2017-18 and 2018-19

<sup>2</sup>Christian Turner is an FCO board member. He holds a position in the Cabinet Office and is paid by the Cabinet Office since May 2017

<sup>3</sup>Where revised information has been received from the pension provider, prior year figures have been restated accordingly

### Non-executive pensions

None of the non-Executive directors are members of the Civil Service Pension Scheme.

### Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced—the Civil Servants and Others Pension Scheme or Alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined Alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and Alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch

into Alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to Alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave Alpha. (The pension figures quoted for officials show pension earned in PCSPS or Alpha—as appropriate. Where the official has benefits in both the PCSPS and Alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and Alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is updated in line with Pensions Increase legislation. Benefits in Alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of Alpha. (The pension figures quoted for officials show pension earned in PCSPS or Alpha—as appropriate. Where the official has benefits in both the PCSPS and Alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

### **Cash Equivalent Transfer Values**

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### **Real increase in CETV**

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

### **Compensation for loss of office**

The FCO made the following payments for compensation for loss of office in 2018-19.

The Rt Hon Boris Johnson left under severance terms on 9 July 2018 and received a compensation payment of £16,876.25.

The Rt Hon Alastair Burt MP left under severance terms on 25 March 2019 and received a compensation payment of £7,920.00.

Benjamin Gascoigne, Special Advisor, received a severance payment of £18,000.00 due to his contract being terminated with the departure from Government of The Rt Hon Boris Johnson on 9 July 2018.

David Frost, Special Advisor, received a severance payment of £ 30,000.00 due to due to his contract being terminated with the departure from Government of The Rt Hon Boris Johnson.

## Staff Report

The total FCO workforce as at 31 March 2019 was 13,233 comprising 5,055 FCO UK based staff and 8,178 FCO local staff.

### FCO Staff Headcount (subject to audit)

The figures are calculated using staff numbers as at the end of the financial year.

	2018-19	2017-18
UK Based <sup>1</sup>	5055	4591
Local Staff	8178	7946
Ministers <sup>2</sup>	4	4
Special Advisors	3	3

1 These figures exclude all staff working for UK Visa and Immigration (UKVI), Department for International Trade, Wilton Park, FCO Services, other Whitehall Partners on the FCO platform overseas. But they do include staff working in cross-Whitehall Programme Funded roles.

2 In June 2017 two joint FCO-DFID private offices were created. These numbers exclude joint Ministers.

### FCO UK based staff headcount

The figures are calculated using staff numbers as at the end of the financial year.

	2014-15	2015-16	2016-17 <sup>1</sup>	2017-18 <sup>1</sup>	Actual 2018-19 <sup>1</sup>	Forecast 2018-19
Headcount <sup>1</sup>	4469	4295	4499	4591	5055	4893
Full Time Equivalent	4380	4212	4420	4523	4986	4825
Casual	13	11	-	-	-	-
Total FTE	4393	4223	4420	4523	4986	4825
Overtime	59	42	36	36	30	-

1 These figures exclude all staff working for UK Visa and Immigration (UKVI), UK Trade & Industry (now Department for International Trade), Wilton Park, FCO Services, other Whitehall Partners on the FCO platform . But they do include staff working in cross-Whitehall Programme Funded roles.

### Total UK staff

As at 31 March 2019, 61% of UK staff were working in the UK and 39% were based in overseas posts.

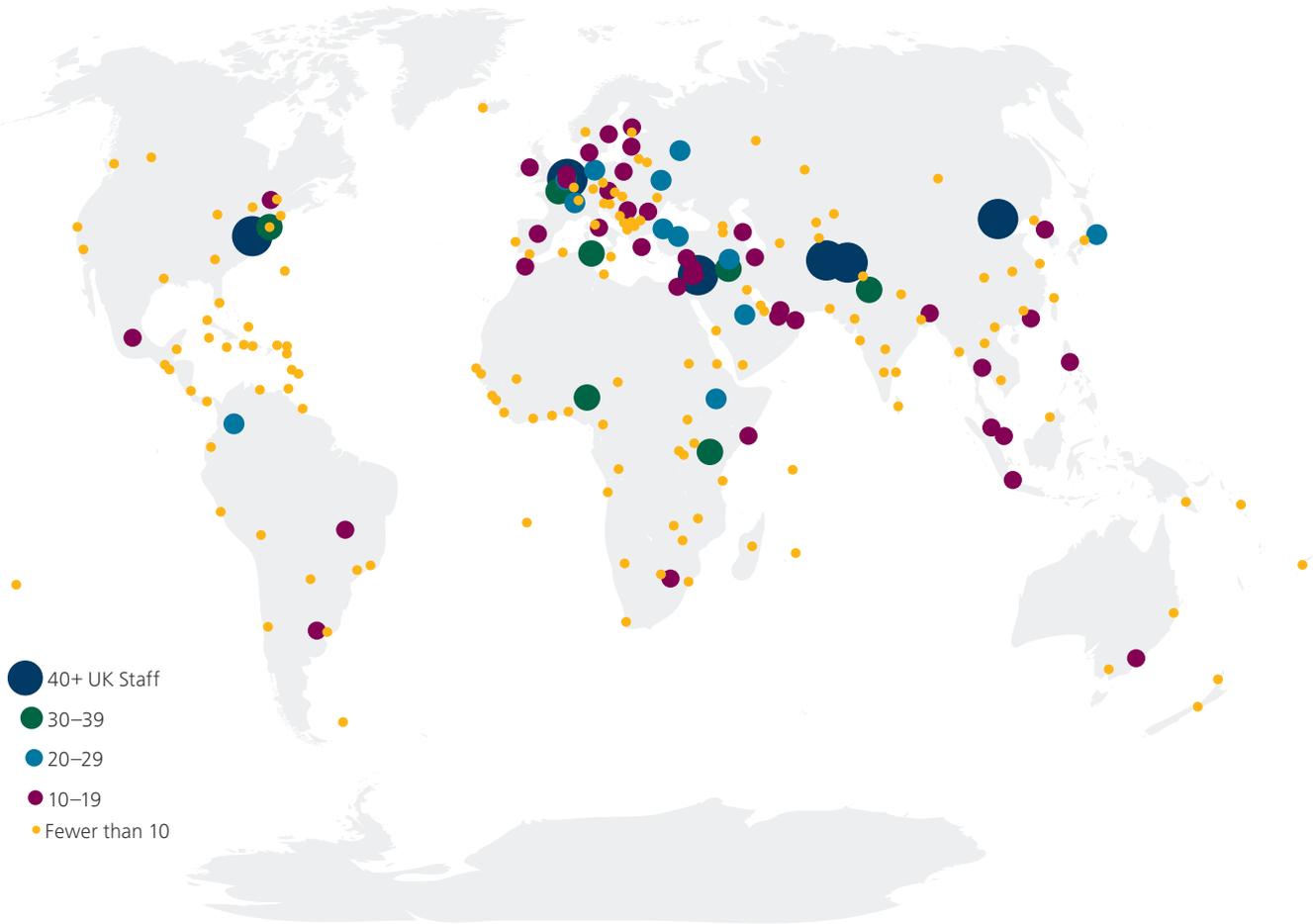
### Staff costs (Subject to audit)

The figures are calculated using average staff numbers throughout the financial year.

This table is subject to audit and forms part of the accounts Note 3.

	Permanent Staff					2018-19	2017-18
	Local staff	UK staff	Others	Ministers	Special advisors	Total	Total
	£000	£000	£000	£000	£000	£000	£000
Wages and salaries	163,076	266,017	2,428	213	304	432,038	387,572
Social security costs	0	18,675	2	20	40	18,736	15,750
Other pension costs	16,747	37,365	4	23	45	54,185	50,474
	179,823	322,057	2,434	256	389	504,959	453,796
Less recovered from Outward Secc	0	(2,430)	0	0	0	(2,430)	(2,236)
Total net costs	179,823	319,627	2,434	256	389	502,529	451,561

### UK Staff at Diplomatic offices overseas



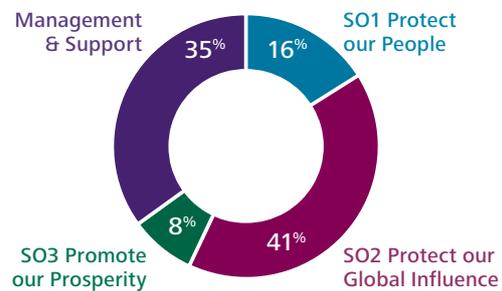
### Departmental Activity

The figures in the table below are calculated using average staff numbers throughout the financial year, as opposed to staffing levels at the year end. The figures include front line activity only. A management and support element has been proportionately distributed across these activities

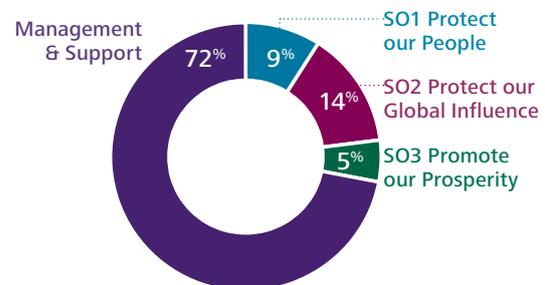
Departmental Activity	2018-19			2017-18	
	Permanent staff Local staff	UK staff	Others	Total	Total
SO1—Protect our People	2,440	1,173	20	3,633	3,472
SO2—Project our Influence and demonstrate diplomatic leadership	4,026	3,033	52	7,111	7,030
SO3—Promote our Prosperity	1,493	579	10	2,082	2,004
	<b>7,959</b>	<b>4,785</b>	<b>82</b>	<b>12,826</b>	<b>12,506</b>
Of which:					
Core FCO	7,870	4,652	82	12,604	12,320
Wilton Park	-	81	-	81	78
Other Designated Bodies	89	52	-	141	108
	<b>7,959</b>	<b>4,785</b>	<b>82</b>	<b>12,826</b>	<b>12,506</b>

In addition to the above numbers there were 6 Ministers and 3 Special Advisors whose portfolios can cover all Foreign Policy priorities and therefore have not been allocated specifically in the table

Percentage of UK staff time spent on priorities (as at March 2019)



Percentage of local staff time spent on priorities (as at March 2019)



### **Local staff**

Our Local Staff make up 62% of the total FCO workforce and are an integral part of our global network overseas. They are based in our diplomatic offices around the network and deliver front-line foreign policy objectives, consular services, corporate, management and support functions.

The Mexico and Washington HR Hubs were combined in November 2018 to create one Americas' HR Hub based in Washington, reducing the overall number of HR Hubs from seven to six. Our HR Hubs provide HR services to all our overseas Posts and are exclusively staffed by local HR professionals. Their value in providing greater consistency, compliance and streamlining of HR policy and processes continues to grow, delivering a resilient and efficient platform where service continues to improve year on year. The wider HR Hub review, as part of the Corporate Capability Programme, is paused until Atlas (Prism replacement) capabilities are confirmed. However, we are taking forward work on initiatives that contribute to the overall project such as streamlining local staff payroll and recruitment.

During 2018 we continued to use recruitment software for Local Staff vacancies in all our HR Hubs. The Hubs received 201,849 completed applications for 2,113 vacancies in 2018-19. This online platform provides candidates with a more efficient and modern experience. The refresh of the external facing web pages was completed in 2018 and better reflects Local Staff job opportunities, including for the One HMG partners on our platform.

As part of our Global Minimum Standards for Local Staff, Maternity and Adoption Leave allocations were increased in January 2019 to a minimum of 18 weeks' paid leave followed by an optional 8 weeks' unpaid leave, including for the One HMG partners on our platform.

### **Diversity and Inclusion**

Our Diversity and Inclusion 20:20 strategy covers three priorities (a diverse talent pipeline, tackling bullying harassment and discrimination, and creating an inclusive environment). It sets out why diversity matters and how we plan to reach our ambition of an inclusive Foreign Office where all staff are valued and contribute to the best of their abilities. We believe that we will be a stronger organisation when our workforce better reflects the diversity of the country we represent.

	SMS	D7	D6	C5	C4	B3	A2	A1
Female	35%	42%	41%	40%	46%	58%	59%	57%
Disabled	7%	5%	9%	10%	17%	26%	30%	14%
BAME	7%	10%	10%	11%	11%	14%	15%	31%
LGBT	4%	6%	7%	4%	7%	2%	5%	21%

The reported percentages are calculated based on the voluntary returns of staff and include nil returns of those who did not want to disclose the information.

These figures exclude all staff working for other Whitehall Partners on the FCO platform overseas, including Wilton Park and FCO Services.

Other Employee matters are covered in the Performance Report under Investing in Our People, page 52.

### **Number of female Heads of Mission**

Including Job Shares, there are 49 female Heads of Mission including Governors (30%) and 12 female Heads of Post (35%)

### **Employment of people with a disability**

The FCO is a member of the Business Disability Forum (BDF), a not-for-profit member organisation that makes it easier and more rewarding to do business with and employ disabled people in the UK. The FCO is currently ranked Silver under the BDF Disability Standard Benchmarking scheme. The FCO was also awarded Disability Confident Leader status by the Department of Work and Pensions in March 2017. In April 2018 the FCO achieved a Silver award (up from Bronze in 2017) in the Workplace Wellbeing Index run by the mental health charity, MIND.

Disability support for UK based staff is provided by the Disability Policy and Support Team in the Human Resources Directorate. In line with wider Civil Service practice all staff who require them have a Workplace Adjustment Passport. When required the Disability Policy and Support Team seek advice from the Civil Service Workplace Adjustment Team and use the services of expert disability providers for advice and assessments. Terms and conditions for Local Staff working at FCO Posts abroad are governed by local law but advice and support on disability policy issues is also available from the Disability Policy and Support Team.

Disabilities disclosed by UK-based staff cover a broad range of conditions, including neuro-diverse conditions (e.g. dyslexia, dyspraxia and Asperger's), mobility issues and hearing or visual impairments. The provision of workplace adjustments for disabled staff can include an expert disability assessment; the supply of specialised office equipment and/or provision of IT software and hardware and appropriate training.

More general awareness training and support is also available to disabled staff, their managers and (where appropriate) team colleagues. Staff who are profoundly deaf or with a significant hearing impairment can additionally request the support of qualified British Sign Language interpreters and lip speakers.

### Staff composition—UK based / Local based split by gender

Gender	Number of Local Staff	Number of UK based Staff
Female	3452	2325
Male	4703	2730
<b>Total</b>	<b>8155</b>	<b>5055</b>

These figures exclude all staff working for other Whitehall Partners on the FCO platform overseas, including Wilton Park and FCO Services.

### Percentage of SMS by gender

Grade	2017-18			2018-19		
	Total	% Female	% male	Total	% Female	% male
SMS1	286	38%	62%	300	38%	62%
SMS2	105	23%	77%	104	27%	73%
SMS3	28	25%	75%	25	28%	72%
SMS4	3	0%	100%	3	0%	100%
<b>Total</b>	<b>422</b>	<b>33%</b>	<b>67%</b>	<b>432</b>	<b>35%</b>	<b>65%</b>

These figures exclude all staff working for other Whitehall Partners on the FCO platform overseas, including Wilton Park and FCO Services.

### Expenditure on Consultancy and temporary staff (FCO only)

The 2018-19 spend figure on Consultancy is £1,927,753 (17-18, £1,261,979). Consultancy expenditure in 2018-19 reflects aggregated spend across our global network. This spend consists of requirements for management consultancy to support Corporate Capability (the Diplomacy 20:20 programme), Consultancy in our overseas network on ad-hoc legal matters where specialist local advice is needed as well as a myriad of other specialist requirements. All new proposals for Consultancy projects are subject to business case clearance procedures in line with Cabinet Office guidelines. The FCO has a policy of only using Hayes to recruit consultancy staff. A small number of such staff were recruited via other agencies to support major projects, this spend is not material. Spend on UK Temporary Staff (defined as contingent labour) through Hayes was £5.07m (17-18 £3.55m).

1. Consultancy expenditure incurred by the department's executive agencies and ALBs, along with any contingent labour expenditure incurred by the department's executive agencies and ALBs is considered to be immaterial and is not disclosed

### Sick Absence Rates

The average number of working days lost (for FCO Civil Servants) is 3.3. The primary reason for short-term absence remains respiratory issues, and for long-term absence the primary reason remains mental health conditions. This is consistent with last year's figures and the wider

Civil Service. Overall, our sickness absence rates are below the Civil Service Average and almost 75% of staff have taken no sickness absence at all in the period.

Sickness Absence in the FCO	2018 <sup>1</sup>
Working Days Lost (Short Term)	7006
Working Days Lost (Long Term)	8867
<b>Total Working Days Lost</b>	<b>15,873</b>
Average Annual Working Days lost per staff year	3.3
Percentage of staff with no sick leave	73.5%

1. Calendar year 2018. Due to delays between absence and recording on our staff management system, it is our standard practice to report a year's worth of absence data on a quarterly basis. The last quarterly period for central reporting was December 2018

2. Figures are for UK Based FCO civil servants. As of 2017, the annual absence figures no longer include staff working for FCO Services or Wilton Park

### Short term staff loans

Career experience outside of the FCO helps to build expertise and organisational agility. Interchange (staff loans) to and from other Government departments offer staff the opportunity to keep perspectives fresh, build new skills and forge stronger networks of influence. In 2018-19 interchange moves were particularly important in allowing the FCO to loan staff to support HMG requirements on EU Exit preparations as well as receiving, on inward interchange, additional staff required to manage the FCO's internal EU Exit work. The majority of interchange moves are into administrative and policy roles.

### Outward Interchange

	Timeframe over 1 year	Timeframe under 1 year
A2	4	A2 TDs 0
B3	4	B3 TDs 0
C4	27	C4 TDs 0
C5	14	C5 TDs 0
D6	26	D6 TDs 0
D7	28	D7 TDs 0
SMS	25	SMS TDs 2

### Inward Interchange

	Timeframe over 1 year	Timeframe under 1 year
A2	4	A2 TDs 0
B3	21	B3 TDs 3
C4	90	C4 TDs 8
C5	44	C5 TDs 1
D6	84	D6 TDs 8
D7 2	7	D7 TDs 0
SMS	17	SMS TDs 1

1 TD relates to temporary duties under 1 year

## Off Payroll engagements

**Table 1**

for all off-payroll engagements as of 31 March 2019 for more than £245 per day and that last longer than six months

	FCO	Agency	NDPBs
No. of existing engagements as of 31 March 2019	73	0	0
<b>Of which :</b>			
No. that have existed for less than one year at time of reporting	35	0	0
No. that have existed for between one and two years at time of reporting	34	0	0
No. that have existed for between two and three years at time of reporting	3	0	0
No. that have existed for between three and four years at time of reporting	0	0	0
No. that have existed for four or more years at time of reporting	1	0	0

**Table 2**

For all new off-payroll engagements, or those that reached six months in duration between 1 April 2018 and 31 March 2019, for more than £245 per day and that lasts longer than six months.

	FCO	Agency	NDPBs
No. of new engagements, or those that reached six months in duration, between 1 April 2018 and 31 March 2019	41	0	0
<b>Of which :</b>			
No. assessed as caught by IR35	0	0	0
No. assessed as not caught by IR35 [out of scope of IR35]	41	0	0
<b>Of which :</b>			
No. engaged directly (via PSC contracted to department) and are on the department payroll	9	0	0
No. of engagements reassessed for consistency/ assurance purposed during the year	9	0	0
No. of engagements that saw a change to IR35 status following the consistency review	0	0	0

**Table 3**

For any off-payroll engagements of board members, and/or senior officials with significant financial responsibility between 1 April 2018 and 31 March 2019

	FCO	Agency	NDPBs
No of off-payroll engagements of board members and/or senior officials with significant financial responsibility during the financial year	0	0	0
No of officials that have been deemed "board members and/or senior officials with significant financial responsibility" during the financial year including off-payroll and on-payroll engagements	14	2	5

## Exit Package scheme (subject to audit)

### Local Staff VES Scheme

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	1	36	37
£10,000—£25,000	2	31	33
£25,000—£50,000	1	9	10
£50,000—£100,000	-	4	4
£100,000-£150,000	-	-	-
£150,000-£200,000	-	1	1
Total number of exit packages	4	81	85
Total cost /£000	54	1,473	1,527

1 Centrally run Local Staff VES Scheme, not the Civil Service Pension scheme. HMT agreed the scheme in December 2017.

### UK based staff voluntary redundancy

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	-	-	-
£10,000—£25,000	-	1	1
£25,000—£50,000	-	-	-
£50,000—£100,000	-	-	-
£100,000- £150,000	-	-	-
£150,000- £200,000	-	-	-
Total number of exit packages	-	1	1
Total cost /£000	-	21	21

**Facility Time Publication Requirements –****Table 1: Relevant Union Officials**

Number of employees who were relevant union officials during 1 April 2018- 31 March 2019	Full-time equivalent employee number
10	3

**Table 2: Percentage of time spent on Facility time**

Number of employees who were relevant union officials employed during 1 April 2018—31 March 2019 that spent a) 0%, b) 1%-50% c) 51%-99% or d) 100% of their working hours on facility time.

Percentage of time	Number of Employees
0%	0
1-50%	10
51-99%	0
100%	0

**Table 3: Percentage of pay bill spent on facility time**

	Figure
The total cost of facility time	£95,315
The total pay bill	£378,461,367
The percentage of the total pay bill spent on facility time	0.03%

**Table 4: Paid trade union activities**

Percentage of time spent on trade union activities as a percentage of total paid facility time hours	0.53%
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This data includes FCO, FCO Services and Wilton Park. The TU Officials represent all 3 entities



# Parliamentary Accountability and Audit Report

## Statement of Parliamentary Supply

### Summary of Resource and Capital Outturn

							2018–19	2017–18	
			Estimate	Outturn				Outturn	
Note	Voted	Non-Voted	Total	Voted	Non-Voted	Total	Saving / (Excess)	Total	
	£000	£000	£000	£000	£000	£000	£000	£000	
<b>Departmental Expenditure Limit</b>									
Resource	SoPS 1.1	2,429,738	-	2,429,738	2,410,132	-	2,410,132	19,606	2,207,708
Capital	SoPS 1.2	156,595	-	156,595	141,744	-	141,744	14,851	(251,901)
<b>Annually Managed Expenditure</b>									
Resource	SoPS 1.1	200,000	-	200,000	31,319	-	31,319	168,681	142,033
Capital		-	-	-	-	-	-	-	-
<b>Total Budget</b>		<b>2,786,333</b>	<b>-</b>	<b>2,786,333</b>	<b>2,583,195</b>	<b>-</b>	<b>2,583,195</b>	<b>203,138</b>	<b>2,097,840</b>
<b>Non-Budget</b>									
Resource		-	-	-	-	-	-	-	-
<b>Total</b>		<b>2,786,333</b>	<b>-</b>	<b>2,786,333</b>	<b>2,583,195</b>	<b>-</b>	<b>2,583,195</b>	<b>203,138</b>	<b>2,097,840</b>
Total Resource	SoPS 1.1	2,629,738	-	2,629,738	2,441,451	-	2,441,451	188,287	2,349,741
Total Capital	SoPS 1.2	156,595	-	156,595	141,744	-	141,744	14,851	(251,901)
<b>Total</b>		<b>2,786,333</b>	<b>-</b>	<b>2,786,333</b>	<b>2,583,195</b>	<b>-</b>	<b>2,583,195</b>	<b>203,138</b>	<b>2,097,840</b>

					2018–19	2017–18
Note	Estimate	Outturn	Saving / (Excess)	Outturn		
	£000	£000	£000	£000		
Net Cash Requirement	SoPS 3	2,474,850	2,316,611	158,239		1,920,653
Administration Costs		193,048	128,552			176,451

The outturn for Annually Managed Expenditure (AME) covers demand-led and volatile spending, which falls into four main areas: Impairments and Provisions, Unrealised Gains/Losses on Foreign Exchange, Tax Reimbursements and Other (e.g. actuarial gains/losses on Pension schemes, depreciation on donated assets).

Parliamentary control of FCO spending applies to:

- » The net resource DEL requirement;
- » The net capital DEL requirement;
- » The net resource AME requirement; and,
- » The net cash requirement for the Estimate as a whole

In addition, although not a separate voted limit, any breach of the administration budget will also result in an excess vote. Explanations of variances between estimate and outturn are given in the Financial Review contained within the Accountability Report.

The notes following these main schedules form part of these financial statements.

## Notes to the Statement of Parliamentary Supply (Audited)

### SoPS 1 Net Outturn

#### SoPS 1.1 Analysis of Departmental Group Net Resource Outturn by Section

								2018–19	2017–18		
							Outturn	Estimate		Outturn	
Administration			Programme						Net Total compared to estimate adjusted for Virements		Total
Gross	Income	Net	Gross	Income	Net	Total	Net Total	Net Total compared to estimate		Total	
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	

#### Departmental Expenditure Limits

A: Administration and programme expenditure	382,563	(254,011)	128,552	971,777	(92,387)	879,390	1,007,942	1,060,018	52,076	17,605	901,316
B: Programme and international organisations grants	-	-	-	382,109	-	382,109	382,109	377,000	(5,109)	-	368,140
C: British Council	-	-	-	188,300	-	188,300	188,300	168,500	(19,800)	-	171,000
D: Net Funding for NDPBs	-	-	-	5,779	-	5,779	5,779	6,573	794	794	6,166
E: Prosperity Fund Programme Expenditure	-	-	-	58,090	-	58,090	58,090	59,298	1,208	1,208	46,183
F: Conflict Prevention Programme Expenditure	-	-	-	433,449	(9,752)	423,697	423,697	425,506	1,809	-	403,920
G: Peacekeeping	-	-	-	344,215	-	344,215	344,215	332,843	(11,372)	-	310,983
	382,563	(254,011)	128,552	2,383,719	(102,140)	2,281,580	2,410,132	2,429,738	19,606	19,606	2,207,708

#### Annually Managed Expenditure

G: AME Programme	-	-	-	(3,106)	-	(3,106)	(3,106)	160,000	163,106	163,106	102,048
H: Reimbursement of certain duties, taxes and licence fees	-	-	-	34,425	-	34,425	34,425	40,000	5,575	5,575	39,985
	-	-	-	31,319	-	31,319	31,319	200,000	168,681	168,681	142,033
<b>Total</b>	<b>382,563</b>	<b>(254,011)</b>	<b>128,552</b>	<b>2,415,038</b>	<b>(102,140)</b>	<b>2,312,899</b>	<b>2,441,451</b>	<b>2,629,738</b>	<b>188,287</b>	<b>188,287</b>	<b>2,349,741</b>

In order to provide greater clarity, for 2018-19 the FCO's spending through the Prosperity Fund is shown on a separate section rather than embedded within sections A and B. This inserts a new line in SOPS 1.1 and 1.2 as Section E. The prior year cross-Whitehall spending on resource and capital has also been split between the three funds.

## SoPS 1.2 Analysis of Departmental Group Net Capital Outturn by Section

	2018–19						2017–18
	Outturn			Estimate			Outturn
	Gross	Income	Net	Net	Net Total compared to Estimate	Net Total compared to Estimate adjusted for Virements	Net
	£000	£000	£000	£000	£000	£000	£000
<b>Departmental Expenditure Limits</b>							
A: Administration and programme expenditure	147,844	(25,162)	122,682	138,184	15,502	14,851	(270,872)
B: Programme and international organisations grants	2,236	-	2,236	2,000	(236)	-	9,959
C: British Council - Capital grant	-	-	-	-	-	-	-
E: Prosperity Programme Expenditure	-	-	-	-	-	-	-
E: Conflict Prevention Programme Expenditure	16,827	-	16,827	16,411	(416)	-	9,012
F: Peacekeeping	-	-	-	-	-	-	-
	166,906	(25,162)	141,744	156,595	14,851	14,851	(251,901)

## SoPS 2 Reconciliation of Departmental Group Outturn to Net Operating Cost

## SoPS 2.1 Reconciliation of Net Resource Outturn to Net Operating Cost

		SoPS Note	2018–19	2017–18
			£000	£000
<b>Total resource outturn in Statement of Parliamentary Supply</b>				
Budget		1.1	2,441,451	2,349,741
Non-Budget			-	-
Add:	Capital Grants and Capital Grants in Kind	1.2	2,236	7,345
	Research and Development	1.2	6,447	6,056
	Other		16,827	9,012
Less:	Income payable to the Consolidated Fund	4.1	(2,791)	(2,096)
	Net Profit/Loss on Disposal		(21,448)	(382,770)
<b>Net Operating Expenditure in CSCNE</b>		<b>CSCNE</b>	<b>2,442,722</b>	<b>1,987,288</b>

## SoPS 3 Reconciliation of Departmental Group Net Resource Outturn to Net Cash Requirement

			2018-19	2017-18
	Note	Estimate	Outturn	Outturn
		£000	£000	£000
Resource Outturn	SoPS 1.1	2,629,738	2,441,451	2,349,741
Capital Outturn	SoPS 1.2	156,595	141,744	(251,901)
<b>Accruals to Cash Adjustments</b>				
Adjustments to remove non-cash items:				
Depreciation / Amortisation	3	(231,460)	(142,539)	(124,093)
New provisions and adjustments to previous provisions	3	(15,000)	(9,828)	(10,965)
New impairments and adjustments to previous impairments	3	-	(52,527)	(14,943)
Other non-cash items (except profit on disposal of PPE)		(110,000)	15,512	(75,582)
Capital Grant In Kind		-	-	(2,614)
Adjustments for designated ALBs:				
Remove voted resource and capital		(6,573)	(5,779)	(6,166)
Add cash grant-in-aid	CSCNE	6,550	6,550	6,220
Adjustments to reflect movements in working balances:				
Increase/(decrease) in inventory	CSCF	-	(73)	(178)
Increase/(decrease) in receivables		-	(8,694)	(1,748)
(Increase)/decrease in payables		30,000	(81,151)	46,663
Use of provisions	14	15,000	10,548	5,958
Adjustments re pension schemes	16	-	1,492	552
Other Adjustments		-	(95)	(291)
		2,474,850	2,316,611	1,920,653
<b>Removal of Non-Voted Budget Items</b>				
Consolidated Fund Standing Services		-	-	-
Other Adjustments		-	-	-
<b>Net Cash Requirement</b>		<b>2,474,850</b>	<b>2,316,611</b>	<b>1,920,653</b>

## SoPS 4 Income Payable to the Consolidated Fund

### SoPS 4.1 Analysis of Income Payable to the Consolidated Fund

In addition to income retained by the FCO, the following income relates to the FCO and is payable to the Consolidated Fund

	2018-19		2017-18	
	Income	Receipts	Income	Receipts
	£000	£000	£000	£000
Operating income outside the ambit of the Estimate	2,791	2,791	2,096	2,096
Excess cash surrenderable to the Consolidated Fund	-	-	-	-
<b>Total income payable to the Consolidated Fund</b>	<b>2,791</b>	<b>2,791</b>	<b>2,096</b>	<b>2,096</b>

Consolidated Fund income shown in note 4.1 above does not include any amounts collected by the FCO where it was acting as agent for the Consolidated Fund rather than as principal.

The amounts collected as agent for the Consolidated Fund (which are excluded from the FCO's income) were:

### SoPS 4.2 Consolidated Fund Income

	2018-19	2017-18
	£000	£000
Consular fees	1,840	1,780
Miscellaneous income	12	27
Amount payable to the Consolidated Fund	1,852	1,807
Balance held at the start of the year	506	394
	2,358	2,201
Payments into Consolidated Fund	(1,982)	(1,695)
<b>Balance held on trust/due from Consolidated Fund at the end of the year</b>	<b>376</b>	<b>506</b>

## Parliamentary Accountability Disclosures *(The following sections are subject to audit)*

### Losses and Special Payments

Losses	2018–19			2017–18		
	Core Department & Agencies £000	Departmental Group £000	Number of Cases	Core Department & Agencies £000	Departmental Group £000	Number of Cases
Cash losses	2,462	2,462	5	110	110	4
Administrative write-offs	7	7	1	491	491	17
Stores losses	11	11	3	230	230	3
Fruitless payments and constructive losses	781	781	2	-	-	-
Losses for fraud, theft, arson or sabotage	-	-	-	-	-	-
Claims waived and abandoned	191	191	3	11	11	-
<b>Total</b>	<b>3,452</b>	<b>3,452</b>	<b>14</b>	<b>842</b>	<b>842</b>	<b>24</b>

All Frauds, whether resulting in a loss to the FCO or not, are published in the FCO's contribution to the Cabinet Office's quarterly fraud report and on gov.uk. <https://www.gov.uk/government/publications/fco-counter-fraud-losses-april-2018-to-march-2019>

### *Procurement of replacement global connectivity services contract*

In November 2018 the FCO announced its intent to award Vodafone a contract to supply global connectivity services to FCO, DFID and British Council. The contract was estimated to be worth circa £90.5m over 7 years.

A claim was issued by Fujitsu, an unsuccessful bidder, in December 2018. The claim alleged errors in the technical and financial evaluation of the bids. During the course of the proceedings, the FCO discovered that there were flaws in the normalisation of two of the bids during the financial evaluation. The FCO considered that the technical requirements were clear and that the evaluation was correct. However, it accepted that a Court could have decided differently after a lengthy and costly trial. The FCO considered that there was benefit (to the procurement and the ultimate contract with the winning bidder) in ensuring that its requirements were completely clear. In addition, given the time since commencement of the procurement, the Authority considered that it would now be sensible to take advantage of technological developments which were not previously included.

The FCO therefore decided not to award a contract and considered that the fairest and most proportionate option was to initiate a new procedure. The FCO considered that any other option would have been highly likely to result in protracted and expensive litigation, which was considered undesirable given the urgency to place this contract. This action led to Fujitsu withdrawing their claim against the FCO. The FCO has agreed to pay the legal costs of Fujitsu, and these are included within the Special Payments. The FCO also agreed to compensate Vodafone for the costs associated with the detailed work on contract engrossment following them being informed they were the preferred bidder.

The total payment made to Vodafone as a consequence, and shown here as a fruitless payment, is £740k. These payments avoid the costs to the taxpayer of a lengthy legal case, and allows FCO to continue with a new procurement exercise and appoint a supplier for this contract.

### *Foreign exchange cash loss*

The FCO had a realised exchange loss of £2.4m arising from the day-to-day management of its operations around the globe. Payments are made, and income received, in over 150 currencies on a daily basis to cover a number of operational and contractual liabilities. These foreign currencies are translated to sterling using the corporate exchange rate of the month the transaction occurred. Where the market rate differs from the corporate rate a gain or loss results. Each transaction in foreign currency incurs some form of gain or loss when converted to GBP. The movement for the year is reported here if a net loss is recorded. In 2017-18 there was a net realised gain of £6.2m.

Special Payments	2018–19		2017–18	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
Total number of special payments	5	5	4	4
Total value of special payments (£000)	395	395	31	31

These include compensation and ex-gratia payments in respect of personal injury and severance payments. Severance payments are paid under certain circumstances to employees, contractors and others outside of normal statutory or contractual requirements, when leaving employment in the public service, whether they resign, are dismissed, or reach an agreed termination of contract.

## Gifts

Additional HM Treasury (HMT) guidance on capital donations has revised the approval process the FCO has with HMT. Full details of this clarification can be found in Note 1.16 of the Accounts. The impact is that where donations of assets have the nature of a grant, rather than a gift, the FCO follows the HMT guidance on handling grants-in-kind. The FCO recognises Parliament's scrutiny role and will continue to inform Parliament of these by Written Ministerial Statement, along with all future gifts. For the year ended 31 March 2019 there were no gifts given that exceeded £300k.

## Fees and Charges

The FCO is required, in accordance with HMT's Managing Public Money, to disclose results for the areas of its activities where fees and charges are levied. The information set out below is for fees and charges purposes and is not intended to meet the requirements of IFRS 8 Operating Segments.

The power to charge fees for consular work is set out in the Consular Fees Act 1980. Under the current version of the Act, the FCO is permitted to take into account the expenses incurred in relation to exercising other consular functions. By policy, there is a cross-subsidy from consular fees in the UK to support the costs of consular services and issuing emergency travel documents overseas. The current fees are prescribed in the Consular Fees (Amendment) Order 2016 No. 373 and the Consular Fees (Amendment) Order 2019 No. 182. In line with HMT guidelines, the fees charged are reviewed annually.

The fees and charges table below lists the services FCO provides to external and public sector customers where the full cost exceeds £1 million. In accordance with HMT guidance in Managing Public Money, it is FCO's financial objective to recover the full cost of providing consular services. Disclosed in the table is the income received, the full cost incurred and the amount of any surplus or deficit between the income received or full cost charged. In any year surpluses and deficits can arise for a number of reasons, including demand fluctuations or variations to FCO costs.

The fees are grouped into the three categories: Legalisation fees include those fees paid for legalising documents; the fees for Emergency Travel Documents and Emergency Passports; and Notarial and Documentary Services. Notarial and Documentary services include services such as administering an oath or issuing a certificate of no impediment to marriage.

## Consular Premiums

The table also includes the amounts received from the Consular Premiums: a reserve claim transferred to the FCO from HMT through the Supplementary Estimate process each year. The Consular Premium, which is based on the income from a premium (currently £15.50) on the cost of standard passport applications, is used to fund non-fee-bearing consular services provided by our consular officers in London and in our Embassies and Consulates overseas. The FCO may also receive HMT reserve funding from the Emergency Disaster Relief Fund (EDRF) to contribute to the cost of responding to major crises overseas. Claims against this fund are calculated on a cost recovery basis. No claim was made against the EDRF in 2018-19.

## Analysis of Consular Fees and Charges where the full cost of providing the service exceeds £1 million

	2018–19			2017–18		
	£000 Income / Funding	£000 Full Cost	£000 Surplus/(Deficit)	£000 Income / Funding	£000 Full Cost	£000 Surplus/(Deficit)
Legalisation Office	22,893	2,944	19,949	21,557	3,332	18,225
Emergency Travel Documents	3,086	12,537	(9,451)	3,019	12,919	(9,900)
Notarial & Documentary Services	1,840	6,047	(4,207)	1,780	5,486	(3,706)
<b>Total for fee-bearing services</b>	<b>27,819</b>	<b>21,528</b>	<b>6,291</b>	<b>26,356</b>	<b>21,737</b>	<b>4,619</b>
Consular Premium	81,154			80,235		
Consular and Crisis Assistance and Support		96,829	(15,675)		89,702	(9,467)
<b>Total</b>	<b>108,973</b>	<b>118,357</b>	<b>(9,384)</b>	<b>106,591</b>	<b>111,439</b>	<b>(4,848)</b>

## Financial Guarantees and Indemnities

The FCO has entered into the following quantifiable contingent liabilities by offering indemnities. These are given on behalf of the British Council for art exhibitions overseas which are not commercial activities that fall outside the FCO's core activities. Any decision to offer an indemnity is only given on the basis of a cost-benefit analysis. As part of the agreement between FCO, British Council and HMT, the British Council will meet the first £3m of any claim. These liabilities have increased from £1,100k as at 31 March 2018 to £3,200k as at 31 March 2019. None of these is a contingent liability within the meaning of IAS 37 since the likelihood of a transfer of economic benefit in settlement is too remote. They are disclosed here under parliamentary reporting requirements, and are measured following the requirements of IAS 39.

### Indemnities

1 April 2018 (£000)	Increase in year (£000)	Liabilities crystallised in year (£000)	Obligations expired in year (£000)	31 March 2019 (£000)	Amount reported to Parliament by Departmental Minute (£000)
1,100	2,500	-	(400)	3,200	-

### Remote Contingent Liabilities

The FCO has no liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of a contingent liability. Contingent liabilities within the meaning of IAS 37 can be found in Note 15 in the Annual Accounts.

### Audit Fees

The Accounts have been audited by the Comptroller and Auditor General. The audit fee for the Core Department is £290,000 (2017-18: £280,000) in total. The non-cash audit fee for Wilton Park was £27,000 (2017-18: £25,500). The total cost of audit for all the bodies across the Departmental Group is £353,750 of which £36,750 is a cash charge and £317,000 is a notional charge (2017-18: total £342,000 comprising £36,000 cash costs and £306,000 notional charge). The audit of the designated bodies was carried out by the National Audit Office (NAO) under various statutes, and the costs are included in the figures disclosed above. Further details are given in the accounts of the bodies concerned.

In addition, the NAO received fees indirectly from FCO of £56,721 during 2018-19 for carrying out international technical co-operation advisory services via other organisations managing FCO programmes. For comparison, in 2017-18 the FCO directly paid the NAO £39,842. In 2017-18 indirect fees totalled £79,375, of which £1,200 came indirectly from Westminster Foundation for Democracy.

### Regularity

During 2018-19 the FCO complied with the concept of regularity, which specifically encompasses compliance with all relevant legislation, delegated authorities and the guidance set out in HMT's Managing Public Money publication. The importance of operating with regularity and the need for efficiency, economy, effectiveness and prudence in the administration of public resources to secure value for public money, is the responsibility of FCO's Principal Accounting Officer. Treasury approval has been obtained for all novel, contentious or repercussive transactions relating to 2018-19.

**Simon McDonald**

8 July 2019  
Accounting Officer  
Foreign and Commonwealth Office  
King Charles Street  
London  
SW1A 2AH

# The Certificate of the Comptroller and Auditor General to the House of Commons

## Opinion on financial statements

I certify that I have audited the financial statements of the Foreign and Commonwealth Office and of its Departmental Group for the year ended 31 March 2019 under the Government Resources and Accounts Act 2000. The Department comprises the core Department and its agencies. The Departmental Group consists of the Department and the bodies designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2019. The financial statements comprise: the Department's and Departmental Group's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- » the financial statements give a true and fair view of the state of the Department's and the Departmental Group's affairs as at 31 March 2019 and of the Department's net expenditure for the year and Departmental Group's total comprehensive net expenditure for the year then ended; and
- » the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

## Opinion on regularity

In my opinion, in all material respects:

- » the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2019 and shows that those totals have not been exceeded; and
- » the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard

2016. I am independent of the Foreign and Commonwealth Office in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the Foreign and Commonwealth Office's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

## Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

## Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- » identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- » obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the Foreign and Commonwealth Office's internal control.
- » evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- » evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- » obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the group financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the Annual Report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and,

in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### Opinion on other matters

In my opinion:

- » the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- » in the light of the knowledge and understanding of the group and the parent and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- » the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- » adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- » the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- » I have not received all of the information and explanations I require for my audit; or
- » the Governance Statement does not reflect compliance with HM Treasury's guidance.

### Report

I have no observations to make on these financial statements.

**Gareth Davies**

Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

**10 July 2019**

# Accounts

## Consolidated Statement of Comprehensive Net Expenditure

This account shows key areas of expenditure and income as detailed in the associated notes. Other comprehensive net expenditure directly impacts the general fund and therefore is not reclassified in net operating costs.

	Note	2018–19		2017–18	
		Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
		£000	£000	£000	£000
Revenue from contracts with customers	4	(326,724)	(326,724)	(299,223)	(299,223)
Other operating income	4	-	-	(2,614)	(2,614)
<b>Total operating income</b>		<b>(326,724)</b>	<b>(326,724)</b>	<b>(301,837)</b>	<b>(301,837)</b>
<b>Operating Expenditure</b>					
Staff costs	3	499,529	502,529	448,912	451,561
Grants	3	1,252,818	1,266,356	1,175,733	1,185,029
Subscriptions to international organisations	3	148,009	148,009	142,380	142,380
Rentals under operating leases	3	123,636	123,636	123,835	123,835
Other costs	3	609,611	609,648	532,271	532,307
Non-cash costs	3	183,884	183,918	251,839	251,871
		2,817,487	2,834,096	2,674,970	2,686,983
<b>Net Operating Expenditure</b>		<b>2,490,763</b>	<b>2,507,372</b>	<b>2,373,133</b>	<b>2,385,146</b>
<b>Other Income</b>					
Finance income	4	(47,365)	(47,365)	(385,742)	(385,741)
Consolidated Fund Extra Receipts	4	(2,791)	(2,791)	(2,096)	(2,096)
Income of consolidated bodies	4	(3,681)	(14,494)	(4,174)	(10,021)
		(53,837)	(64,650)	(392,012)	(397,858)
<b>Other Expenditure</b>					
Grant in Aid to designated Arms Length Bodies	3	6,550	-	6,220	-
Net Other Expenditure		(47,287)	(64,650)	(385,792)	(397,858)
<b>Net Expenditure for the Year</b>		<b>2,443,476</b>	<b>2,442,722</b>	<b>1,987,341</b>	<b>1,987,288</b>
Total Expenditure		2,824,037	2,834,096	2,681,190	2,686,983
Total Income		(380,561)	(391,374)	(693,849)	(699,695)
<b>Net Expenditure for the Year</b>		<b>2,443,476</b>	<b>2,442,722</b>	<b>1,987,341</b>	<b>1,987,288</b>
<b>Other Comprehensive Net Expenditure</b>					
Items that will not be reclassified to net operating expenditure:					
<b>Net (gain)/loss on:</b>					
Revaluation of property, plant and equipment	5	(172,259)	(172,259)	(76,559)	(76,559)
Revaluation of intangibles	6	(5)	(5)	(10)	(10)
Revaluation of assets held for sale	5	322	322	11	11
Actuarial (gain)/loss on defined benefit pension schemes	16	(900)	(900)	(1,320)	(1,320)
		(172,842)	(172,842)	(77,878)	(77,878)
<b>Total Comprehensive Net Expenditure</b>		<b>2,270,634</b>	<b>2,269,880</b>	<b>1,909,463</b>	<b>1,909,410</b>

The notes following these main schedules form part of these financial statements.

## Consolidated Statement of Financial Position

This statement presents the financial position of the FCO as at 31st March 2019.

		2018–19		2017–18	
	Note	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
		£000	£000	£000	£000
<b>Non-Current Assets</b>					
Property, Plant and Equipment	5	2,922,667	2,922,692	2,814,800	2,814,827
Intangible Assets	6	350	350	559	560
Financial Assets	9	9,532	9,532	6,073	6,073
Retirement benefit schemes asset	16	2,322	2,322	2,276	2,276
Other Non-Current Assets	12	28,473	28,473	29,150	29,150
<b>Total Non-Current Assets</b>		<b>2,963,344</b>	<b>2,963,369</b>	<b>2,852,858</b>	<b>2,852,886</b>
<b>Current Assets</b>					
Assets classified as held for sale	5	10,617	10,617	3,733	3,733
Inventories	10	927	927	1,000	1,000
Trade and other receivables	12	122,747	124,978	201,739	203,100
Contract Assets	12	33,754	33,754	44,833	44,833
Financial Assets	9	7,022	7,022	8,374	8,374
Cash and cash equivalents	11	76,942	80,424	254,221	256,368
Total Current Assets		252,009	257,722	513,900	517,408
<b>Total Assets</b>		<b>3,215,353</b>	<b>3,221,091</b>	<b>3,366,758</b>	<b>3,370,294</b>
<b>Current Liabilities</b>					
Trade and Other Payables	13	(382,101)	(385,629)	(457,015)	(459,113)
Contract Liabilities	13	(24,146)	(24,146)	(43,138)	(43,138)
Financial Liabilities	9	(3,177)	(3,177)	(10,744)	(10,744)
Provisions	14	(10,316)	(10,316)	(6,666)	(6,684)
Total Current Liabilities		(419,740)	(423,268)	(517,563)	(519,679)
<b>Non-Current Assets plus / Net Current Assets / Liabilities</b>		<b>2,795,613</b>	<b>2,797,823</b>	<b>2,849,195</b>	<b>2,850,615</b>
<b>Non-Current Liabilities</b>					
Provisions	14	(39,026)	(39,062)	(42,193)	(42,193)
Other Payables	13	(26,195)	(26,195)	(28,417)	(28,417)
Financial Liabilities	9	(2,649)	(2,649)	(14,855)	(14,855)
Retirement Benefit Schemes Liability	16	(26,463)	(26,463)	(28,808)	(28,808)
<b>Total Non-Current Liabilities</b>		<b>(94,333)</b>	<b>(94,369)</b>	<b>(114,273)</b>	<b>(114,273)</b>
<b>Total Assets less Liabilities</b>		<b>2,701,280</b>	<b>2,703,454</b>	<b>2,734,922</b>	<b>2,736,342</b>
<b>Tax-payers Equity and Other Reserves</b>					
General Fund	CSCTE	960,742	962,916	1,114,184	1,115,604
Revaluation Reserve	CSCTE	1,740,538	1,740,538	1,620,738	1,620,738
<b>Total Equity</b>		<b>2,701,280</b>	<b>2,703,454</b>	<b>2,734,922</b>	<b>2,736,342</b>

The notes following these main schedules form part of these financial statements.

Simon McDonald

8 July 2019  
Accounting Officer  
Foreign and Commonwealth Office  
King Charles Street  
London  
SW1A 2AH

## Consolidated Statement of Cash Flow

The Statement of Cash Flow shows how the FCO generates and uses cash and cash equivalents by classifying cash flows into operating, investing and financing activities. The PFI liability reduced by £2,123k (2017-18: £745k) with capital payments of £1,648k (2017-18: £1,520k) and an exchange rate gain of £475k (2017-18: £775k loss). The movement in both receivables and payables reflects the £81.7m of Supply Receivable in 2017-18 that reversed out in 2018-19. The £81.7m is the amount not drawn down in 2017-18 as a result of the cash received from the sale of the Bangkok compound.

		2018–19		2017–18	
	Note	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
		£000	£000	£000	£000
<b>Cash Flows from Operating Activities</b>					
Net Expenditure for the Year	CSCNE	(2,443,476)	(2,442,722)	(1,987,341)	(1,987,288)
Adjustments for non-Cash Transactions		167,518	167,548	(156,194)	(156,887)
(Increase)/Decrease in Trade and Other Receivables	12	8,694	7,824	1,748	1,816
Less Movements in Receivables relating to items not passing through the CSCNE		20,281	20,288	(1,329)	(1,329)
(Increase)/Decrease in Inventories	10	73	73	178	178
Increase/(Decrease) in Trade Payables	13	81,151	82,581	(46,710)	(46,691)
Less Movements in Payables relating to items not passing through the CSCNE		2,904	2,904	(4,637)	(4,637)
Use of Provisions	14	(10,548)	(10,548)	(5,958)	(5,958)
Adjustment to replace Defined Benefit Pension Scheme CSCNE charge with cash payments	16	(1,492)	(1,492)	(552)	(552)
<b>Net Cash Outflow from Operating Activities</b>		<b>(2,174,895)</b>	<b>(2,173,544)</b>	<b>(2,200,795)</b>	<b>(2,201,348)</b>
<b>Cash Flows from Investing Activities</b>					
Purchase of Property, Plant and Equipment		(142,157)	(142,171)	(128,046)	(128,053)
Purchase of Intangible Assets	6	(7)	(7)	(46)	(46)
Proceeds from Disposal of Property, Plant and Equipment		4,886	4,884	411,850	411,850
Loan Repayments from Other Bodies	9	-	-	-	-
<b>Net Cash Outflow from Investing Activities</b>		<b>(137,278)</b>	<b>(137,294)</b>	<b>283,758</b>	<b>283,751</b>
<b>Cash Flows from Financing Activities</b>					
From the Consolidated Fund (Supply) - current year	CSCTE	2,139,463	2,139,463	2,104,103	2,104,103
From the Consolidated Fund - settlement of prior year receivable		-	-	-	-
Capital Element of Payments of Finance Leases and On-Balance Sheet (SoFP) PFI Contracts		(1,648)	(1,648)	(1,520)	(1,520)
<b>Net Financing</b>		<b>2,137,815</b>	<b>2,137,815</b>	<b>2,102,583</b>	<b>2,102,583</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents in the period before Adjustment for Receipts and Payments to the Consolidated Fund</b>		<b>(174,358)</b>	<b>(173,023)</b>	<b>185,546</b>	<b>184,986</b>
Receipts of Amounts as agent of the Consolidated Fund	SoPS 4.2	1,852	1,852	1,807	1,807
Payments of Amounts Due to the Consolidated Fund	SoPS 4.1, 4.2	(4,773)	(4,773)	(3,791)	(3,791)
<b>Net Increase/(Decrease) in Cash and Cash Equivalents in the period after Adjustment for Receipts and Payments to the Consolidated Fund</b>		<b>(177,279)</b>	<b>(175,944)</b>	<b>183,562</b>	<b>183,002</b>
Cash and Cash Equivalents at the beginning of the period	11	254,221	256,368	70,659	73,366
Cash and Cash Equivalents at the end of the period	11	76,942	80,424	254,221	256,368

The notes following these main schedules form part of these financial statements.

## Consolidated Statement of Changes in Taxpayers' Equity

This statement shows the movement in the year on the two reserves held by the FCO.

- » The general fund includes those reserves that reflect a contribution from the Consolidated Fund.
- » The revaluation reserve which reflects the change in asset values that have not been recognised as income or expenditure. The depreciation charge on a revalued asset will be different to the depreciation that would have been charged based on the historical cost of the asset. Annually FCO transfers an amount equal to the excess annual depreciation from the revaluation reserve to the general fund, which ensures that when the asset becomes fully depreciated there is no residual balance for that asset within the revaluation reserve.

	Note	Core Department & Agencies			Departmental Group		
		General Fund	Revaluation Reserve	Total	General Fund	Revaluation Reserve	Total
		£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2017</b>	<b>CSoFP</b>	<b>1,023,808</b>	<b>1,639,698</b>	<b>2,663,506</b>	<b>1,026,912</b>	<b>1,639,698</b>	<b>2,666,610</b>
Net Operating Cost	CSCNE	(1,987,341)	-	(1,987,341)	(1,987,288)	-	(1,987,288)
Net Gain/(loss) on Revaluation of PPE	5	-	76,559	76,559	-	76,559	76,559
Net Gain/(Loss) on Revaluation of Intangibles	6	-	10	10	-	10	10
Net Gain/(Loss) on Revaluation of Assets Held for Sale	5	-	(11)	(11)	-	(11)	(11)
Net Gain/(Loss) on Foreign Exchange		(19,939)	-	(19,939)	(19,939)	-	(19,939)
Actuarial (Gain)/Loss on Defined Benefit Pension Schemes	16	1,320	-	1,320	1,320	-	1,320
		<b>(2,005,960)</b>	<b>76,558</b>	<b>(1,929,402)</b>	<b>(2,005,907)</b>	<b>76,558</b>	<b>(1,929,349)</b>
Net Parliamentary Funding - drawn down		2,104,103	-	2,104,103	2,104,103	-	2,104,103
Supply Receivable Adjustment		(253,715)	-	(253,715)	(253,715)	-	(253,715)
Net Parliamentary Funding deemed		70,265	-	70,265	70,265	-	70,265
Parliamentary Funding - Supply receivable		81,672	-	81,672	81,672	-	81,672
CFERS Payable to the Consolidated Fund	SoPS 4.1	(2,096)	-	(2,096)	(2,096)	-	(2,096)
Non-Cash Charges - Auditors Remuneration	3	306	-	306	306	-	306
Transfers between Reserves		95,669	(95,669)	-	95,669	(95,669)	-
Consolidation and other In-year Adjustments		132	151	283	(1,605)	151	(1,454)
<b>Balance at 31 March 2018</b>	<b>CSoFP</b>	<b>1,114,184</b>	<b>1,620,738</b>	<b>2,734,922</b>	<b>1,115,604</b>	<b>1,620,738</b>	<b>2,736,342</b>
Net Operating Cost	CSCNE	(2,443,476)	-	(2,443,476)	(2,442,722)	-	(2,442,722)
Net Gain/(loss) on Revaluation of PPE	5	-	172,259	172,259	-	172,259	172,259
Net Gain/(Loss) on Revaluation of Intangibles	6	-	5	5	-	5	5
Net Gain/(Loss) on Revaluation of Assets Held for Sale	5	-	(322)	(322)	-	(322)	(322)
Net Gain/(Loss) on Foreign Exchange		4,469	-	4,469	4,469	-	4,469
Actuarial (Gain)/Loss on Defined Benefit Pension Schemes	16	900	-	900	900	-	900
		<b>(2,438,107)</b>	<b>171,942</b>	<b>(2,266,165)</b>	<b>(2,437,353)</b>	<b>171,942</b>	<b>(2,265,411)</b>
Net Parliamentary Funding - drawn down		2,139,463	-	2,139,463	2,139,463	-	2,139,463
Supply Receivable Adjustment		(76,566)	-	(76,566)	(76,566)	-	(76,566)
Net Parliamentary Funding deemed		253,715	-	253,715	253,715	-	253,715
Parliamentary Funding - Supply receivable		(81,672)	-	(81,672)	(81,672)	-	(81,672)
CFERS Payable to the Consolidated Fund	SoPS 4.1	(2,791)	-	(2,791)	(2,791)	-	(2,791)
Non-Cash Charges - Auditors Remuneration	3	317	-	317	317	-	317
Transfers between Reserves		52,139	(52,139)	-	52,139	(52,139)	-
Consolidation and other In-year Adjustments		60	(3)	57	60	(3)	57
<b>Balance at 31 March 2019</b>	<b>CSoFP</b>	<b>960,742</b>	<b>1,740,538</b>	<b>2,701,280</b>	<b>962,916</b>	<b>1,740,538</b>	<b>2,703,454</b>

The notes following these main schedules form part of these financial statements.

# 1. Notes to the Departmental Resource Accounts

## 1. Statement of accounting policies

These Financial Statements have been prepared in accordance with the 2018-19 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Department for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Department are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

In addition to the primary statements prepared under IFRS, the FReM also requires the Department to prepare an additional primary statement. The Statement of Parliamentary Supply (SoPS) and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement. The SoPS and supporting notes can be found in the Accountability section of the Accounts.

### 1.1 Accounting convention

These Accounts have been prepared under the historical cost convention as modified to account for the revaluation of property, plant and equipment, intangible assets and inventories where material, and certain financial assets and liabilities.

### 1.2 Basis of consolidation

These Accounts comprise a consolidation of the Core Department, its departmental agency and those other arm's length bodies which fall within the departmental boundary as defined in the statutory instrument SI 2018 No 313 laid by HM Treasury. These bodies make up the 'Departmental Group'. Transactions between the entities included in the consolidation are eliminated. A list of all those entities within the departmental boundary is given in Note 19 to the Accounts.

In the preparation of the Group Accounts, the Department is required to adopt consistent and uniform accounting policies across all entities with appropriate adjustments made where any differences have a material impact on the Accounts.

### 1.3 Operating Income and Revenue Recognition

Operating income is income which relates to the operating activities of the FCO. It principally comprises charges for

services provided, on a full cost basis, to external partners across government. Operating income is stated net of VAT, and is recognised in accordance with the FReM and IFRS 15 Revenue from Contracts with Customers. The FCO recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the FCO expects to be entitled to in exchange for those goods or services.

### 1.4 Property, plant and equipment (PPE)

On initial recognition property, plant and equipment are measured at cost including any costs such as installation directly attributable to bringing them into working condition. PPE are subsequently included in the accounts at the valuation applicable as at the date of the Statement of Financial Position; any movements in valuation during the year are taken to Other Comprehensive Net Expenditure in the CSCNE and to the revaluation reserve, or are treated as impairments where appropriate. The revaluation is contributed to by both market and foreign exchange movements.

The minimum level for capitalisation of a single tangible asset is £3,000 subject to grouping conventions where appropriate.

#### Non-specialised buildings

Non-specialised buildings which are owned or held on long term leases, and perpetual leasehold land, are stated at fair value on an existing use basis using periodic professional valuations. When a new property is brought into active use it is immediately re-valued in accordance with the relevant Royal Institute of Chartered Surveyors (RICS) guidelines. The overseas estate is subject to a three-to-five-year rolling revaluation programme and interim annual review. Since 2010-11, property valuations are carried out as at a 30 September valuation date. A review is undertaken as at 31 March to assess whether there are significant movements in the intervening period, and, where material, property values are updated.

Historically property valuations have moved upwards between 30 September and the following 31 March as a result of market movements. The FCO has assets across a diverse range of markets, some of which will be subject to market volatility and all market movements outside the UK will also be influenced by foreign exchange movements.

#### Specialised buildings

Specialised buildings are valued using Depreciated Replacement Cost methodology on a Modern Equivalent Replacement basis. Further detail on building valuations is given in Note 5.

## Perpetual leases

In some instances the FCO enjoys the benefit of perpetual leases, which either continue at a peppercorn rent or are renewable at a de minimis premium indefinitely. These interests are non-reversionary and rest with the FCO for as long as the FCO requires. For valuation purposes these interests are regarded as akin to freehold interests, and valued accordingly.

## Operating leases

Buildings and land held on short term leases are regarded as operating leases and rental payments are recorded in the CSCNE. Leases for buildings and land which do not meet the IAS 17 definition of finance leases, are treated as operating leases, and rental payments are recorded in the SoCNE. In practice, operating leases are defined as those where the lease is less than seven years or marked to market at no more than five-yearly intervals. The premium paid for the land element of a non-perpetual lease is recognised within prepayments. Prepayments are amortised over the life of the lease.

## Assets held for Sale

Non-current assets are reclassified as held for sale if it is highly probable that their carrying amount will be recovered principally through a sales transaction rather than continuing use. This will be the case when the FCO has made a firm decision to sell a non-current asset and it is actively marketed. At year end, any such assets will be shown as assets held for sale.

## Other PPE

Antiques and works of art (AWA) are grouped and valued on a market value basis by professional valuers. Valuations take place every five years on a rolling basis, valuing a separate region each year. Within each region the valuations focus on the posts with the highest-value AWA. Most AWA are held overseas, and the vast majority of what's held overseas is in Europe. The FCO collection includes furniture, carpets architectural fittings such as chandeliers, silverware, glassware and china, tapestries, sculpture, decorative arts and some paintings (but not the Government Art Collection). The FCO does not have a purchasing programme for AWA.

Transport, plant and machinery are stated at current value using appropriate indices.

## 1.5 Depreciation

PPE are depreciated and intangible assets are amortised at rates calculated to write off the cost or valuation of the assets on a straight-line basis over their estimated useful lives. Freehold and Perpetual Leasehold Land is not depreciated. Assets under construction are not depreciated until the asset is brought into use. The useful life of an asset

is the period over which an asset is expected to be available for use. Useful lives are normally in the following ranges:

- » Freehold buildings—up to remaining 60 years
- » Leasehold land and buildings (including Non-residential enhancements)—term of lease
- » Information technology and communications—up to 10 years
- » Transport equipment—2 to 8 years
- » Plant and machinery—3 to 25 years. Within plant and machinery there are 3 main subcategories:
  - Office Equipment 5 years,
  - Technical Equipment 8 years, and
  - Heavy Machinery 20 years.

Non-residential enhancements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is the shorter.

Depreciation methods, estimated useful lives and residual values are reviewed at each reporting date. Freehold buildings have their remaining life adjusted annually based on expert valuation, and the depreciation is adjusted over the remaining life of the building. Non-property assets whose historic cost is greater than £150k are reviewed as part of the asset verification exercise, and re-lifed where appropriate. Such changes constitute a change in accounting estimate.

## 1.6 Intangible assets

Purchased computer software licences are capitalised as intangible assets where expenditure of £3,000 or more is incurred. These assets are restated to current value either through the use of indices, or otherwise where reliable market evidence of current value can be readily ascertained. Capitalised software licences are amortised over the shorter of the term of the licence and the useful economic life.

## 1.7 Financial Instruments

IFRS 7 Financial Instruments: Disclosures requires disclosures in the accounts that enable users to evaluate the significance of financial instruments to the financial position and performance of the Department. It requires the disclosure of the nature and extent of risks arising from financial instruments to which the FCO is exposed, and requires explanation of how those risks are managed. Financial assets and liabilities are recognised when the department becomes party to the contracts that give rise to them and conditions satisfying recognition are met.

## 1.8 Financial assets—investment in other public sector bodies

The FCO holds an investment in FCO Services, comprised of 100% of its Public Dividend Capital (PDC). As a trading fund,

FCO Services is not included within the FCO departmental boundary, and the Department's investment is reported in these accounts at historical cost.

### **1.9 Impairment of financial assets**

Impairment under IFRS 9 is based on expected credit losses. The loss being the difference between contracted cash flows due to the FCO, and what is expected to be received. The FCO recognises a loss allowance at an amount equal to the lifetime expected credit losses. An impairment is raised for any loss expected over the lifetime of the receivable.

The majority of financial instruments relate to contracts for non-financial items in line with the Department's expected purchase and usage requirements and the Department is therefore exposed to little credit, liquidity or market risk. As many of the department's trade receivables are, by their nature, short term in duration, they are recorded at fair value. On this basis, no systematic exercise to compare the fair value with carrying amount is conducted.

FCO's largest group of trade receivables are with Other Government Departments. HMT has mandated that receivable balances with core central government departments (including their executive agencies) are excluded from being recognised for impairments; with the liabilities being assessed as having zero 'own credit risk' by the entities holding these liabilities.

For those customers and counterparties that are not public sector organisations the Department has policies and procedures in place to ensure credit risk is kept to a minimum.

The Department is not exposed to material credit risk.

### **1.10 Foreign currency forward purchase contracts**

The FCO has foreign currency forward purchase contracts for US Dollars and Euros in order to gain greater budget certainty for its peacekeeping expenditure obligations. Under IAS 39 Financial Instruments Recognition and Measurements, these contracts were accounted for as derivatives, initially at a nil cost, and classified as held for trading financial instruments. Foreign currency forward contracts are not in hedging relationships in accordance with IFRS 9. Subsequently, open contracts are measured at fair value with movements in fair value being charged or credited to the CSCNE. The fair value is measured as the difference between the currency's midmarket forward rate at the date of valuation (provided by the Bank of England) and the rate stipulated in the contract multiplied by the number of contracted units of currency. Once each contract has been settled it is removed from the Consolidated Statement of Financial Position with any further gain or loss, calculated by comparing the contract proceeds translated at the corporate rate of exchange at maturity with the purchase cost at the rate stipulated in the contract, taken to

the CSCNE. We have assessed that this treatment remains the same under IFRS 9 Financial Instruments. As such, there has been no change to the recognition of these assets on implementation of IFRS 9. Details of open and settled contracts are in Note 9.2.

### **1.11 Income collected as agent for the Consolidated Fund**

Income collected by the FCO where it was acting as agent for the Consolidated Fund rather than as principal is excluded from the Consolidated Statement of Comprehensive Net Expenditure. Details of the amount and balance held at the year-end date are given in SoPS 4.2.

### **1.12 Notional costs—audit fees**

In accordance with the requirements of the FReM, the external audit fees for the core department and its agency are charged to Net Operating Cost although they are notional costs to the FCO and are borne by the NAO. As the amounts are not actually paid, they are reversed by a credit to the General Fund. Further details of the amounts paid to the NAO are disclosed in the Parliamentary Accountability and Audit Report of the Annual Report and Accounts.

### **1.13 Foreign currency transactions**

Transactions denominated in foreign currencies are translated into sterling at corporate rates of exchange determined on the first day of the month in which the transaction occurs (as an approximation of the actual exchange rate at the date of the transaction). Monetary assets and liabilities denominated in foreign currencies at the year-end are translated to sterling using the corporate rates of exchange at 31 March. Differences on translation are dealt with in the CSCNE in accordance with IAS 21 The Effects of Changes in Foreign Exchange Rates. The foreign exchange element of revaluations of property, plant and equipment is accounted for as part of the revaluation amount.

### **1.14 Capital commitments**

Capital commitments represent capital expenditure contracted for at the end of the reporting period, but not recognised as liabilities as no payment has been made and no performance has been rendered by the supplier.

### **1.15 Service concessions (PFI)**

Private Finance Initiative (PFI) transactions have been accounted for in accordance with HMT and FReM requirements. Where the terms of the PFI meet the definition of service concession arrangements in IFRIC 12 *Service Concession Arrangements*, the infrastructure asset is recognised as a non-current asset and the liability

to pay for it is accounted for as if a finance lease. Contract payments are apportioned between a reduction in the capital obligation and charges to the CSCNE for service performance and finance cost. Further details can be found in Note 8.3.1.

### **1.16 Grants payable**

The majority of grants made by the Department are recorded as expenditure in the period in which the claim is paid, as the grant funding cannot be directly related to activity in a specific period. The claims are deemed to be the only appropriate and measurable activity that creates an entitlement for the recipient. However, recognition of the entitlement of grant varies according to the individual programme. Where entitlement to the grant has arisen during the period it is accrued in the CSCNE and shown as a liability on the CSFP.

Grant in Aid (GIA) payments from the Department to ALBs are paid only when the need for cash has been demonstrated by the body concerned. ALBs treat receipts of GIA as financing. These transactions are eliminated on consolidation. Where grants rather than GIA are given to ALBs any payables or receivables by the ALBs are accounted for on an accruals basis.

Programme grants reflect non-administrative costs, including payments of grants and other disbursements by the Department and certain staff costs where they relate directly to service delivery.

When the Department purchases goods which are to be provided for a project, rather than providing cash funding, the transfer of the goods is considered a grant-in-kind. A grant-in-kind differs from a capital grant where the Department provides funding to the recipient to be used to buy capital assets.

When the Department donates surplus goods with no preconditions and without the expectation of any return (or delivery of policy objectives) they donation is treated as a gift, which would require parliamentary approval.

### **1.17 Provisions**

The FCO provides for legal and constructive obligations which are of uncertain timing or amount at the date of the Statement of Financial Position, on the basis of best estimate of the expenditure required to settle the obligation taking into account the risks and uncertainties surrounding the obligation. The provision for early departure costs (see below) is discounted at the HMT pension discount rate. Each year the financing charges in the CSCNE include the adjustments to unwind one year's discount so that liabilities are shown at current price levels.

### **1.18 Staff costs**

In accordance with IAS 19 Employee Benefits, all short-term staff costs accrued at the year-end are recognised in the CSCNE. These short-term benefits largely relate to bonuses announced but not paid and accrued paid holiday entitlement at the period end date. Longer-term benefits, such as pensions provided to staff, are recognised in line with IAS 19 as modified by the FReM.

### **1.19 Pensions—UK employees**

From 1 April 2015 a new pension scheme known as Alpha was introduced, and all newly appointed civil servants, and most of those already in service, joined Alpha. Prior to that date UK-based employees were covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). Both Alpha and PCSPS defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. The FCO recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the scheme of amounts calculated on an accruing basis. In respect of the PCSPS defined contribution 'money purchase' schemes, the FCO recognises the contributions payable for the year. For more details of these schemes please see the relevant section of the Remuneration Report.

### **1.20 Early departure costs**

For early departures under the Civil Service Compensation Scheme (CSCS) in 2010-11 and earlier years, the FCO met the additional costs of benefits, beyond the normal PCSPS benefits in respect of employees who retired early, by paying the required amounts annually to the PCSPS, over the period between early retirement and normal retirement date. After 1 April 2011 the FCO provided for this in full, when the early retirement programme became binding on the Department, by establishing a provision for the estimated payments discounted by HM Treasury pension discount rate of 0.29% (2017-18: 0.10%) in real terms.

The CSCS was revised in December 2010 so that early leavers are entitled to lump sum compensation depending on their number of years' service. Eligible leavers can use their lump sum, with a departmental top-up if necessary, to enable them to draw their pension without actuarial reduction. Once the lump sum plus any departmental top-up is paid over to the PCSPS there is no further liability for the Department.

### **1.21 Overseas pensions and terminal benefits**

The FCO is required to observe local employment laws regarding the payment of pensions, gratuities and terminal benefits at its overseas posts. Where state or other trustee schemes exist, the FCO discharges its obligation in-year

by the payment of accrued contributions. Where the final gratuity or terminal benefit has to be met by the FCO, the full cost has been provided for in the accounts. The FCO has adopted the requirements of IAS 19 Employee Benefits in respect of its overseas pension schemes. Actuarial gains/losses are taken through Other Comprehensive Net Expenditure. In respect of the defined contribution elements of the Schemes, the FCO recognises the contributions payable for one year. A summary of the performance of the schemes is provided in these financial statements, with further information available in Note 16.

### 1.22 Value Added Tax

Most of the activities of the FCO and its NDPBs are outside the scope of VAT. Irrecoverable VAT incurred is included within the overall cost of purchases. For recoverable VAT, amounts are stated net.

### 1.23 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, the FCO discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of HM Treasury's Managing Public Money.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

### 1.24 Cash and cash equivalents

The FCO accounting policy is to disclose all cash and cash equivalents on the Consolidated Statement of Financial Position. FCO's cash and cash equivalents consist of cash at bank and in hand. Bank balances are in respect of official FCO bank accounts which are approved by the Finance Director. FCO bank accounts are provided either by the Government Banking Service, or by commercial providers where this is not possible, e.g. overseas accounts, and approved by HM Treasury. Balances from overseas bank accounts that are denominated in foreign currency are converted to Sterling at the FCO corporate rate prevailing at the date of the Statement of Financial Position. Bank overdrafts that are repayable on demand and which form an integral part of the FCO's cash management are included as a component of cash and cash equivalents. The FCO's policy on the balances of official bank accounts is to optimise bank balance levels to enable outstanding liabilities to be settled within agreed payment terms and to reduce cash holdings. The FCO acts as agent for UK Visas and Immigration Agency

(UKVI) and accounts for income as cash, and recognises a payable to the UKVI in their accounts. If expenses are paid by the UKVI, they are made from bank accounts held and controlled by the FCO. FCO accounts for these expenses and recognises a receivable from UKVI in its accounts.

### 1.25 Accounting estimates and judgements

The preparation of the Department and group financial statements requires management to make significant judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure. The estimates and assumptions are continually evaluated, based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, the actual results may differ from these estimates.

The key areas in which estimates and judgements have been used are:

- » The allocation of expenditure between administration and programme classifications.
- » The valuation of property, plant and equipment, including depreciation and estimated useful lives (see Notes 1.4, 1.5 and 5). Such estimation is based on experience with similar assets. Overseas properties can be held under a number of different individual agreements, and the FCO values these appropriately within the local market. The estimated useful life of each asset is reviewed periodically.
- » The estimation of provisions for terminal benefits for local staff (see Note 1.21).
- » The valuation of defined benefit pension schemes (see Notes 1.19, 1.21 and 16). The present value of the net pension liability depends on a number of actuarially derived assumptions about variables such as inflation, discount factors, and mortality rates.
- » The FCO has an agreement with HMT to recycle assets to achieve 'capital smoothing' and this is written into the Spending Round (SR) settlement. In order to take advantage of this FCO has to:
  - Submit quarterly forecast updates to HMT for both capital expenses and income in-year (including a forecast for the amount FCO intends to carry forward).
  - Submit forward capital plans for the entire SR at the same time as agreeing the carry-forward amount each year at the Supplementary Estimate.

### 1.26 Rounding

The numbers presented in the Accounts are consistent with the underlying data, the figures being taken either from the Prism system or offline input are entered to the nearest pound wherever available. Please note that totals shown in the Notes may not sum however due to rounding that has

taken place. In addition there may be rounding differences between the Notes and the main financial statements.

### ***1.27 Impending application of newly issued accounting standards not yet effective***

The following changes to IFRS may affect the FCO, and will be adopted by the FCO when they are adopted by the FReM (subject to any interpretations or adaptations applied by the FReM). The effective dates of the IFRS changes noted below relate to the financial years beginning on or after the date and are also subject to EU adoption of the changes.

- » **IFRS 16 Leases:** The IASB has issued the final version of IFRS 16 which will replace IAS 17 for annual periods beginning on or after 1 January 2019. Public sector adaptations and interpretations of the standard have largely been finalised, amendments to budgeting are still under discussion. HMT have agreed that leases will be budgeted for consistently with IFRS 16. There are a number of consequential issues to resolve (most significantly, the budgeting treatment for inter-governmental leases). Final budgeting guidance will be issued later in 2019. The FCO considers that the minimum impact will be to include those operating leases disclosed in Note 8.2 within the Statement of Financial Position. Adoption by the public sector has been postponed by one year and therefore the standard will not be implemented by FCO until 2020-21. IFRS 16 eliminates the operating and finance lease distinction and imposes a single model geared towards the recognition of all but low-value or short term leases of 12 months or less. Both the lease obligation and the value of the underlying right-of-use asset will be recognised on the Statement of Financial Position. Given the large volume of operating leases held by the FCO, the impact of the transition to the new standard is expected to be significant and work is ongoing in preparation for adoption on 1 April 2020. The FCO's current annual charge for operating lease rentals is over £100m.
- » **IAS 1 and IAS 8 Disclosure initiative: Definition of material.** Effective date 1 January 2020 (pending EU endorsement). Aligns the wording of the definition of material across all IFRS Standards. The amendments are unlikely to result in significant changes to materiality limits or disclosures.
- » **Changes to the FReM.** There has been no EU adopted standards, or amendments to standards applicable for 2018-19, which will be included in the FReM at present.

### ***1.28 Accounting standards that have been issued and affect the 2018-19 Accounts***

IFRS 15 Revenue from Contracts with Customers was applied by FCO for the first time in 2018-19, along with IFRS 9 Financial Instruments. In accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, a number of disclosures are required upon initial

application of new accounting standards. These are in Note 4 for IFRS 15 and Note 9 for IFRS 9. For both accounting standards the FReM has adapted the IAS 8 to withdraw the accounting policy choice upon transition to retrospectively restate.

## 2. Statement of Costs by Operating Segments

	2018–19			2017–18		
	Gross	Income	Net	Gross	Income	Net
	£000	£000	£000	£000	£000	£000
<b>Strategic Objectives</b>						
SO1—Protect Our People	705,371	(108,083)	597,288	799,418	(90,732)	708,686
SO2—Project Our Global Influence	1,744,122	(229,318)	1,514,804	1,607,127	(575,998)	1,031,130
SO3—Promote Our Prosperity	384,603	(53,973)	330,630	280,438	(32,965)	247,473
<b>Net Operating Costs (CSCNE)</b>	<b>2,834,096</b>	<b>(391,374)</b>	<b>2,442,722</b>	<b>2,686,983</b>	<b>(699,695)</b>	<b>1,987,288</b>
<b>SO2—Project Our Global Influence consists of:</b>						
International Institutions and Soft Power	-	-	-	1,048,665	(100,492)	948,173
Promoting UK Interests and Values	1,060,760	(143,715)	917,045	-	-	-
British Council	188,300	-	188,300	171,000	-	171,000
Conflict Resolution and Stability	438,375	(21,784)	416,591	280,751	(13,947)	266,804
Migration Policy	-	-	-	23,167	(2,821)	20,346
Other*	56,687	(63,819)	(7,132)	83,544	(458,737)	(375,193)
	<b>1,744,122</b>	<b>(229,318)</b>	<b>1,514,804</b>	<b>1,607,127</b>	<b>(575,998)</b>	<b>1,031,130</b>

The Department reports its expenditure by operating segment in accordance with IFRS 8 Operating Segments. The FCO Management Board has been identified as the Chief Operating Decision Maker (CODM). The CODM is responsible for allocating resources and assessing performance. Segmental information is reported to the Management Board at regular intervals during the year.

The segmental analysis presents the financial information based on the structure reported to the FCO Management Board as part of its role in meeting performance targets set for FCO by Parliament within the current Spending Round. The segments reflect this performance reporting structure, and are measured using activity recording. Activity recording collects staff time spent on each of the strategic objectives. Cost drivers are then associated with this time. FCO income and costs are disclosed per segment. It is not possible to accurately allocate assets and liabilities to operating segments and thus such information is not reported to the FCO Management Board or included in the segmental reporting in these financial accounts.

More details of the FCO's performance reporting can be found in the Performance Analysis within the Annual Report.

On 1 April 2018 some of the Priority Outcomes (POs) that sit underneath the three Strategic Objectives were updated.

- » SO1 includes PO1: Security Threats, PO2: Consular and Crisis Response and PO3: Euro-Atlantic Security
- » SO2 includes PO4: Conflict and Stability and PO5: Promoting UK Interests and Values
- » SO3 includes PO6: Europe, PO7: Economic Diplomacy and PO8: Overseas Territories
- » PO5 was added to reflect the focus on UK values, and to include work on Illegal Wildlife Trade and the Commonwealth. Consequently PO4 now reports on political developments in the multilateral system and in key countries. PO8 reports separately the work we do in the Overseas Territories, which the POs had not previously highlighted.

The sale of the Bangkok compound in 2017-18 caused a shift in the balance of spending between the strategic objectives, this can be seen in the net spend on "Other".

Capital expenditure in year to meet the objectives is analysed below.

Major types of capital spend:	£000
Security	32,214
IT	25,030
CSSF capital grants	16,827
Facilities management	8,190
Other Capital grants	2,236
Global Britain	1,640
Other*	14,814
	<b>100,951</b>

Estates	
Capital expenditure	65,955
Less capital income (recycled)	-25,162
	<b>40,793</b>

<b>TOTAL</b>	<b>141,744</b>
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\*"Other" includes other front-line activity conducted on behalf of Other Government Departments.

### 3. Operating Costs

	2018–19		2017–18	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
<b>Staff costs</b>				
Wages and salaries	429,632	432,038	385,434	387,572
Social security costs	17,684	17,919	14,791	14,999
Other pension costs	53,825	54,185	50,172	50,474
Recoveries outward secondments	(2,430)	(2,430)	(2,236)	(2,236)
Apprenticeship levy costs	817	817	751	751
	<b>499,529</b>	<b>502,529</b>	<b>448,912</b>	<b>451,561</b>
<b>Grants</b>				
FCO Programmes	287,210	300,747	271,248	280,544
British Council	188,300	188,300	171,000	171,000
Conflict, Stability and Security Fund programmes	789,375	789,375	776,802	776,802
Peacekeeping foreign exchange rate loss / (gain)	(12,067)	(12,067)	(43,317)	(43,317)
	<b>1,252,818</b>	<b>1,266,356</b>	<b>1,175,733</b>	<b>1,185,029</b>
<b>Subscriptions to International Organisations</b>				
United Nations	65,877	65,877	65,595	65,595
NATO	21,967	21,967	19,926	19,926
Council of Europe	28,326	28,326	27,610	27,610
Organisation for Economic Cooperation and Development	13,264	13,264	12,916	12,916
Commonwealth Secretariat	7,286	7,286	5,457	5,457
Organisation for Security and Cooperation in Europe	4,905	4,905	5,074	5,074
Residual payments to Western European Union	1,072	1,072	1,064	1,064
Office of the High Commissioner for Human Rights	2,500	2,500	2,500	2,500
Others	2,813	2,813	2,238	2,238
	<b>148,009</b>	<b>148,009</b>	<b>142,380</b>	<b>142,380</b>
<b>Rentals under operating leases</b>				
Hire of plant and machinery	12,038	12,038	22,698	22,698
Property rentals	111,598	111,598	101,137	101,137
	<b>123,636</b>	<b>123,636</b>	<b>123,835</b>	<b>123,835</b>
<b>Interest charges</b>				
On-balance sheet PFI contracts	2,265	2,265	2,377	2,377
	<b>2,265</b>	<b>2,265</b>	<b>2,377</b>	<b>2,377</b>
<b>PFI and other service concession arrangements</b>				
Service element of on-balance sheet contracts	2,277	2,277	2,206	2,206
	<b>2,277</b>	<b>2,277</b>	<b>2,206</b>	<b>2,206</b>

### 3. Operating Costs (cont.)

	2018–19		2017-18	
	Core Department & Agencies £000	Departmental Group £000	Core Department & Agencies £000	Departmental Group £000
<b>Other expenditure</b>				
Reimbursements of duties to other Governments	34,425	34,425	39,985	39,985
Audit fees for Arms Length Bodies	-	37	-	36
(Gain)/loss on exchange—realised	2,441	2,441	(6,227)	(6,227)
(Gain)/loss on exchange—unrealised	(2,850)	(2,850)	2,467	2,467
Business hospitality	12,027	12,027	11,034	11,034
Consular	1,869	1,869	1,951	1,951
Contractor, consultancy and fee based services	38,006	38,006	50,043	50,043
Estate, security and capital related costs	273,815	273,815	241,066	241,066
Information and commercial services	8,884	8,884	7,030	7,030
IT and communications	156,130	156,130	100,427	100,427
Medical	6,426	6,426	10,939	10,939
Recruitment	1,614	1,614	1,222	1,222
Representation	2,711	2,711	1,565	1,565
Transport equipment costs	6,925	6,925	6,046	6,046
Training	15,362	15,362	14,490	14,490
Travel	50,541	50,541	46,621	46,621
Other	(3,254)	(3,254)	(972)	(972)
	<b>605,069</b>	<b>605,106</b>	<b>527,688</b>	<b>527,724</b>
<b>Total Operating Expenditure</b>	<b>2,633,603</b>	<b>2,650,178</b>	<b>2,423,131</b>	<b>2,435,112</b>
Grant in Aid to other Arms Length Bodies	6,550	-	6,220	-
<b>Total Cash</b>	<b>2,640,153</b>	<b>2,650,178</b>	<b>2,429,351</b>	<b>2,435,112</b>
<b>Non-cash items</b>				
Depreciation: Property, plant and equipment	142,122	142,140	123,720	123,751
Amortisation: Intangible assets	417	417	373	373
Non-perpetual leasehold land prepayment release	379	379	380	380
Loss on disposal of property, plant and equipment	174	172	49	49
Capital Grant in Kind—Property	-	-	-	-
Impairments—Departmental Expenditure Limit	31,796	31,796	22,571	22,571
Impairments—Non-current assets	36,417	36,417	9,057	9,057
Reversal of Impairments—Annually Managed Expenditure	(15,686)	(15,686)	(16,685)	(16,685)
	<b>195,618</b>	<b>195,634</b>	<b>139,464</b>	<b>139,495</b>
Auditors' remuneration and expenses	317	317	306	306
Provisions: Provided in year	18,266	18,284	13,632	13,632
Provisions: Written back	(8,465)	(8,465)	(2,685)	(2,685)
Provisions: Unwinding of discount	27	27	18	18
Unrealised (gains)/losses on forward contracts	(21,880)	(21,880)	101,105	101,105
	<b>(11,735)</b>	<b>(11,717)</b>	<b>112,375</b>	<b>112,375</b>
<b>Total Non-Cash</b>	<b>183,884</b>	<b>183,918</b>	<b>251,839</b>	<b>251,871</b>
<b>Total Expenditure</b>	<b>2,824,037</b>	<b>2,834,095</b>	<b>2,681,190</b>	<b>2,686,982</b>

For further information on Staff Costs please see the Remuneration and Staff Report.

In order to better reflect local staff costs, in 2018-19 "Subsidies to local staff medical schemes" has been moved from Other Expenditure to Wages and Salaries. As a consequence Wages and Salaries has increased by £4.8m. For 2017-18 no adjustment was made, the comparable amount was £4.7m.

In the 2017-18 published accounts Apprenticeship Levy costs were included within Social Security Costs, for 2018-19 these were disclosed separately. The prior year figures have been adjusted accordingly.

## 4. Income

	2018–19		2017–18	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
<b>Revenue from contracts with customers</b>				
Income from OGDs <sup>1</sup>	261,365	261,365	227,463	227,463
Income from other organisations <sup>2</sup>	9,752	9,752	18,787	18,787
Consular fees	25,979	25,979	24,576	24,576
Running cost receipts	29,628	29,628	28,396	28,396
	<b>326,724</b>	<b>326,724</b>	<b>299,223</b>	<b>299,223</b>
<b>Other operating income</b>				
Capital Grant in Kind—Receipts <sup>3</sup>	-	-	2,614	2,614
<b>Total operating income</b>	<b>326,724</b>	<b>326,724</b>	<b>301,837</b>	<b>301,837</b>
<b>Finance income</b>				
Dividends receivable—FCO Services	25,000	25,000	2,258	2,258
Interest on loans	745	745	661	661
Profit on disposal of property, plant and equipment <sup>4</sup>	21,620	21,620	382,823	382,822
	<b>47,365</b>	<b>47,365</b>	<b>385,742</b>	<b>385,741</b>
<b>Income due to the Consolidated Fund</b>				
Consolidated Fund Extra Receipts	2,791	2,791	2,096	2,096
<b>Income of consolidated bodies</b>				
Agency: Wilton Park	3,681	3,681	4,174	4,174
Non-Departmental Public Bodies	-	10,813	-	5,846
	<b>3,682</b>	<b>14,495</b>	<b>4,174</b>	<b>10,021</b>
<b>Total Income</b>	<b>380,561</b>	<b>391,374</b>	<b>693,849</b>	<b>699,695</b>

<sup>1</sup> This includes the income from partner Departments that use our overseas platform.

<sup>2</sup> This includes income from partner countries to help fund FCO managed projects overseas.

<sup>3</sup> In 2017-18 a capital grant in kind of £2,614k, representing the transfer to FCO of DFID's Nigerian based assets was included in operating income. Income collected by the FCO where it was acting as agent for the Consolidated Fund rather than as principal is excluded from note 4. Details of the amount and balance held at the year-end date are given in SOPS note 4.2.

<sup>4</sup> The profit on disposal of property, plant and equipment in 2017-18 and 2018-19 primarily relates to the disposal of the Bangkok compound, £20.5m of income from the 2017-18 sale was deferred into 2018-19.

IFRS 15 Revenue from Contracts with Customers was applied by FCO for the first time in 2018-19. This accounting standard recognises income as costs are incurred, measured by the transfer of control to the customer. IFRS 15 introduces a new five stage model to be applied to all contracts with customers. It also introduces greater disclosure requirements designed to be more relevant and informative than the previous accounting standard IAS 18. Under IAS 18 income was recognised when risk and rewards were transferred to the customer.

Income from OGDs are not subject to impairment, billing is made via a standard contract for platform charges, residential accommodation and other central charges. OGDs are largely charged on a per capita basis.

Income from other organisations is given to support overseas programmes carried out by FCO. Work supported by donor countries is scaled up and down as donations are received.

Consular fees are based on statutory authority, and are drawn down from the Consolidated Fund based on a percentage of each passport fee. The income is provided to FCO to cover work on consular activities overseas.

Legalisation is a statutory duty undertaken by the FCO, fees are set in line with HMT guidelines. This is a direct charge for the service provided. Fees are set to break even over the Spending Review period. The fees are normally non-refundable unless the FCO is at fault.

Consular fees are statutory based and further information is given in the Accountability Report under Fees & Charges. Consular fees comprise:

- » Emergency Travel Documents (ETD) £3,086k; and,
- » Legalisation Fees £22,893k

Running costs receipts are recovered under Memorandums of Understanding (MOUs) and signed letters of agreement with partner organisations. These receipts include secondment recoveries, rent, selling to wider markets, sponsorship income and recovery of overseas platform costs from organisations outside of One HMG.

Of the CFER income £2,515k comes from refunds of unspent projects from prior years, and £234k from litigation recoveries. We return 100% to the Exchequer. This follows guidance from HMT. The amount shown in Note 4 (and SOPS 4.1) is the only moneys FCO receives on behalf of the Consolidated Fund where we do not act as agent.

FCO recognises income as costs are incurred, which measures the transfer of control to the customer. On implementation FCO has analysed the income streams (as above) and determined that the impact of IFRS 15 is not materially different from the previous standard IAS 18.

Due to the immaterial impact of IFRS 15 on the FCO's accounts, the accounts are not restated, nor do they show a cumulative catch up in the statement of taxpayer's equity, to reflect the change in accounting policy. Contract assets and liabilities (as defined below) have been recognised in placement of accrued and deferred income.

Within the Statement of Financial Position, a contract asset and contract liability have been recognised.

Contract asset: the difference between the amount invoiced to the customer and the latest milestone achieved. Any accompanying receivable will be recognised if the customer has yet to pay the invoice. This balance will also include recognition of a receivable for costs which have been incurred to support milestones that have not yet been fully achieved. Any impairment relating to this balance will be measured, presented and disclosed in relation to IFRS 9.

Contract liability: the difference between the invoiced income and the latest achieved contracted milestone. An accompanying receivable will be recognised if the customer has yet to pay the invoice.

## 5. Property, Plant and Equipment

Consolidated 2018–19												
	Non-residential Land	Buildings Excluding Dwellings	Non-residential Enhancements	Residential Land	Dwellings	Residential Enhancements	Information Technology <sup>2</sup>	Transport Equipment	Plant and Machinery	Antiques and Works of Art	Payments on Account and Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>												
At 1 April 2018	410,679	1,478,281	77,772	473,261	1,090,467	3,253	395,371	109,590	206,193	17,018	128,729	4,390,613
Additions	1	7	59	511	1,216	43	697	1,928	12,190	-	124,738	141,390
Donations	-	-	(126)	-	-	-	-	-	-	-	-	(126)
Disposals	-	(30)	-	-	-	-	(113,641)	(7,194)	(991)	-	-	(121,856)
Impairments	(4,604)	(43,909)	(15)	(2,417)	(35,602)	(11)	(127)	-	(228)	-	(13,448)	(100,360)
Reversals of Impairments	4,661	6,901	-	2,660	3,101	-	413	1	338	189	-	18,264
OGD Transfers	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification <sup>1</sup>	3,626	11,783	15,483	(2,806)	(3,895)	(472)	38,275	9,047	24,824	-	(109,991)	(14,125)
Revaluation	16,583	149,743	-	21,407	58,267	-	2,283	3,014	3,089	-	-	254,386
<b>At 31 March 2019</b>	<b>430,946</b>	<b>1,602,777</b>	<b>93,174</b>	<b>492,617</b>	<b>1,113,554</b>	<b>2,812</b>	<b>323,270</b>	<b>116,386</b>	<b>245,415</b>	<b>17,207</b>	<b>130,028</b>	<b>4,568,186</b>
<b>Depreciation</b>												
At 1 April 2018	-	583,515	53,608	-	448,787	1,559	295,361	68,621	124,334	-	-	1,575,786
Charged in Year	-	39,537	7,068	-	24,740	431	37,761	13,745	18,858	-	-	142,140
Charged in Year - Donations	-	-	(126)	-	-	-	-	-	-	-	-	(126)
Disposals	-	(30)	-	-	-	-	(113,640)	(6,996)	(895)	-	-	(121,562)
Impairments	-	(6,809)	(8)	-	(25,046)	(125)	(19)	-	(139)	-	-	(32,147)
Reversals of Impairments	-	1,492	-	-	794	-	252	1	39	-	-	2,577
OGD Transfers	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification <sup>1</sup>	-	1,469	(1,325)	-	(3,394)	-	(53)	-	-	-	-	(3,302)
Revaluation	-	50,353	-	-	26,434	-	1,916	1,676	1,748	-	-	82,127
<b>At 31 March 2019</b>	<b>-</b>	<b>669,528</b>	<b>59,218</b>	<b>-</b>	<b>472,315</b>	<b>1,865</b>	<b>221,577</b>	<b>77,047</b>	<b>143,945</b>	<b>-</b>	<b>-</b>	<b>1,645,495</b>
<b>Net Book Value at 1 April 2018</b>	<b>410,679</b>	<b>894,766</b>	<b>24,164</b>	<b>473,261</b>	<b>641,680</b>	<b>1,694</b>	<b>100,009</b>	<b>40,969</b>	<b>81,859</b>	<b>17,018</b>	<b>128,729</b>	<b>2,814,827</b>
<b>Net Book Value at 31 March 2019</b>	<b>430,946</b>	<b>933,248</b>	<b>33,957</b>	<b>492,617</b>	<b>641,239</b>	<b>947</b>	<b>101,693</b>	<b>39,339</b>	<b>101,470</b>	<b>17,207</b>	<b>130,028</b>	<b>2,922,692</b>
<b>Asset Financing</b>												
Owned	366,486	684,204	33,957	380,015	426,026	947	101,693	39,339	101,470	17,207	130,028	2,281,372
Leased	48,507	230,536	-	112,602	215,213	-	-	-	-	-	-	606,858
On-Balance Sheet (SOPF) PFI Contracts	15,953	18,508	-	-	-	-	-	-	-	-	-	34,461
<b>Net Book Value at 31 March 2019</b>	<b>430,946</b>	<b>933,248</b>	<b>33,957</b>	<b>492,617</b>	<b>641,239</b>	<b>947</b>	<b>101,693</b>	<b>39,339</b>	<b>101,470</b>	<b>17,207</b>	<b>130,028</b>	<b>2,922,692</b>
<b>Of the Total</b>												
Department	430,946	933,248	33,735	492,617	641,239	947	101,420	39,333	101,349	17,207	129,959	2,922,000
Agencies	-	-	216	-	-	-	256	6	119	-	69	667
ALBs	-	-	6	-	-	-	17	-	1	-	-	24
<b>Net Book Value at 31 March 2019</b>	<b>430,946</b>	<b>933,248</b>	<b>33,957</b>	<b>492,617</b>	<b>641,239</b>	<b>947</b>	<b>101,693</b>	<b>39,339</b>	<b>101,470</b>	<b>17,207</b>	<b>130,028</b>	<b>2,922,692</b>

Assets Under Construction includes Tangible and Intangible assets.

<sup>1</sup> Some assets have been reclassified to assets held for sale (Note 5.1).

## 5. Property, Plant and Equipment (cont.)

Consolidated 2017–18												
	Non-residential Land	Buildings Excluding Dwellings	Non-residential Enhancements	Residential Land	Dwellings	Residential Enhancements	Information Technology <sup>2</sup>	Transport Equipment	Plant and Machinery	Antiques and Works of Art	Payments on Account and Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>												
At 1 April 2017	417,883	1,414,098	110,077	502,191	976,867	25,330	421,032	103,493	190,396	17,042	175,760	4,354,168
Additions	-	5	400	2,978	6,980	-	1,155	6,192	499	-	115,334	133,543
Disposals	-	(2)	(32,858)	-	-	(22,685)	(102,551)	(13,340)	(3,115)	-	-	(174,550)
Impairments	(2,866)	(23,863)	(148)	(2,843)	(12,735)	-	(298)	(359)	(1,518)	(24)	(106)	(44,762)
Reversals of Impairments	2,082	16,668	-	685	1,245	-	416	2	-	-	-	21,096
OGD Transfers	-	-	207	-	-	368	25	248	766	-	1,000	2,614
Reclassification <sup>1</sup>	(10,000)	53,356	95	(10,807)	(595)	240	70,001	9,179	23,891	-	(163,260)	(27,900)
Revaluation	3,581	18,019	-	(18,942)	118,705	-	5,591	4,176	(4,725)	-	-	126,403
<b>At 31 March 2018</b>	<b>410,679</b>	<b>1,478,281</b>	<b>77,772</b>	<b>473,261</b>	<b>1,090,467</b>	<b>3,253</b>	<b>395,371</b>	<b>109,590</b>	<b>206,193</b>	<b>17,018</b>	<b>128,729</b>	<b>4,390,613</b>
<b>Depreciation</b>												
At 1 April 2018	-	568,941	77,979	-	371,484	23,448	365,007	67,608	111,982	-	-	1,586,448
Charged in Year	-	34,069	8,483	-	22,286	796	27,608	11,873	18,635	-	-	123,751
Disposals	-	(1)	(32,854)	-	-	(22,685)	(102,550)	(12,760)	(3,071)	-	-	(173,921)
Impairments	-	(10,286)	-	-	(2,345)	-	-	(236)	(267)	-	-	(13,133)
Reversals of Impairments	-	3,565	-	-	430	-	416	1	-	-	-	4,411
OGD Transfers	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification <sup>1</sup>	-	-	-	-	(1,614)	-	-	-	-	-	-	(1,614)
Revaluation	-	(12,773)	-	-	58,547	-	4,881	2,135	(2,946)	-	-	49,845
<b>At 31 March 2018</b>	<b>-</b>	<b>583,515</b>	<b>53,608</b>	<b>-</b>	<b>448,787</b>	<b>1,559</b>	<b>295,361</b>	<b>68,621</b>	<b>124,334</b>	<b>-</b>	<b>-</b>	<b>1,575,786</b>
<b>Net Book Value at 1 April 2017</b>	<b>417,883</b>	<b>845,158</b>	<b>32,098</b>	<b>502,191</b>	<b>605,383</b>	<b>1,882</b>	<b>56,025</b>	<b>35,885</b>	<b>78,413</b>	<b>17,042</b>	<b>175,760</b>	<b>2,767,720</b>
<b>Net Book Value at 31 March 2018</b>	<b>410,679</b>	<b>894,766</b>	<b>24,164</b>	<b>473,261</b>	<b>641,680</b>	<b>1,694</b>	<b>100,009</b>	<b>40,969</b>	<b>81,859</b>	<b>17,018</b>	<b>128,729</b>	<b>2,814,827</b>
<b>Asset Financing</b>												
Owned	347,754	665,221	24,164	359,498	431,327	1,694	100,009	40,969	81,859	17,018	128,729	2,198,241
Leased	48,398	212,683	-	113,763	210,354	-	-	-	-	-	-	585,198
On-Balance Sheet (SOFP) PFI Contracts	14,527	16,861	-	-	-	-	-	-	-	-	-	31,388
<b>Net Book Value at 31 March 2018</b>	<b>410,679</b>	<b>894,766</b>	<b>24,164</b>	<b>473,261</b>	<b>641,680</b>	<b>1,694</b>	<b>100,009</b>	<b>40,969</b>	<b>81,859</b>	<b>17,018</b>	<b>128,729</b>	<b>2,814,827</b>
<b>Of the Total</b>												
Department	410,679	894,766	23,920	473,261	641,680	1,694	99,784	40,969	81,717	17,018	128,729	2,814,215
Agencies	-	-	244	-	-	-	200	-	141	-	-	585
ALBs	-	-	-	-	-	-	25	-	2	-	-	27
<b>Net Book Value at 31 March 2018</b>	<b>410,679</b>	<b>894,766</b>	<b>24,164</b>	<b>473,261</b>	<b>641,680</b>	<b>1,694</b>	<b>100,009</b>	<b>40,969</b>	<b>81,859</b>	<b>17,018</b>	<b>128,729</b>	<b>2,814,827</b>

<sup>1</sup> Some assets have been reclassified to assets held for sale (Note 5.1)

<sup>2</sup> Following the roll-out of Tech Overhaul the old Firecrest equipment (which has been fully depreciated) has been moved to disposals within Information Technology.

## 5. Property, Plant and Equipment (cont.)

### Property Valuations:

Physical inspections to inform valuations of properties were carried out as follows:

Property Location	Valuer	Effective Valuation Date
Asia Pacific, South Asia and Afghanistan	Colliers International	30 September 2018
European Union; Wider Europe and Russia; Caucasus; Central Asia		30 September 2017
Middle East & North Africa		30 September 2016
Sub-Saharan Africa		30 September 2015
Americas		30 September 2014

Desk reviews for revaluation purposes were carried out for all FCO properties as at 30 September 2018 where not physically inspected in year. These desk valuations were carried out for all other regions by Colliers International using RICS registered valuers. End of year impairments were assessed by Colliers International in conjunction with in-house FCO chartered surveyors. The total fees payable to the valuers in all cases represent less than 5% of the total fee income of the valuing firm/body.

### Specialised Properties

Specialised properties have been valued using Depreciated Replacement Cost (DRC) methodology on a Modern Equivalent Replacement basis ignoring listed status (where relevant). It should be noted that DRC valuations are only relevant subject to the continuing prospect of the property in question remaining viable and occupied. In the event the property is no longer required for service delivery then the achievable Market Value of the asset may be significantly less or more than the value now reported on a DRC basis. In cases where DRC valuations have been applied, Market Values are also supplied for comparison purposes.

All the valuations have been prepared in accordance with the Royal Institution of Chartered Surveyors Valuation Professional Standards (Global and UK) January 2014. All valuers are experienced and qualified Chartered Valuation Surveyors and Registered Valuers with relevant knowledge, skill and understanding. The desk valuations have been undertaken by way of a desk review of the valuations previously supplied by external Chartered Valuation Surveyors. Where possible, in arriving at an opinion of Market Value and/or Fair Value, observable prices and market data relating to actual transactions involving comparable properties has been utilised. For a number of properties, however, it has been necessary to rely on information obtained from market indices and benchmarks, informal advice received from local estate professionals and valuer judgement. These valuations are valid as at 30 September 2018, and reviewed at the reporting date for any material impact from global market volatility. Unless there are material changes the valuation is not changed from that at 30 September.

The FCO also holds a number of cemeteries across the world which are classified as non-operational assets, and as such, have de

minimis carrying values. The cemeteries were purchased from public subscriptions. The cemeteries are held in the Embassy name for the local British Community.

### Leased properties

The leased properties disclosed constitute two elements 1) Leasehold buildings £445.7 million (2017-18 £423.0 million); 2) Leases for ground rent held in perpetuity £161.1 million (2017-18 £162.2 million), which are treated as akin to freehold tenure and disclosed within land. Neither category is regarded as a finance lease.

### Antiques and Works of Art

Valuation visits have been carried out to the Home Estate in 2018-19. A revised quinquennial revaluation process focuses on Posts with the most material AWA values.

### Assets Held for Sale

The FCO manages its property portfolio in line with its dynamic business needs, including investment in new properties and disposal of those no longer required. Capital disposal receipts are retained for further investment by the FCO as agreed with HMT. Note 1.4 explains the accounting policy for Assets Held for Sale.

The following assets are classified as held for sale:

	2018-19	2017-18
	£000	£000
Overseas properties		
Balance as at 1 April	3,733	4,920
Reclassification to Assets Held For Sale at Carrying Value	10,626	25,938
Revaluation to Fair Value Less Costs to Sell	(322)	(11)
(Impairments) / Reversals	-	-
Disposals	(3,420)	(27,113)
Balance as at 31 March	10,617	3,733

### Proceeds from Assets Sales

In 2018-19 proceeds from the sale of assets mainly consisted of £20.5m deferred income from the sale of the Bangkok compound in 2017-18 and approximately £1m each from the sale of properties in Canberra and Washington.

## 6. Intangible Assets

	Consolidated 2018–19		
	Software Licences	Website Design	Total
	£000	£000	£000
<b>Cost or Valuation</b>			
At 1 April 2018	11,868	318	12,186
Additions	-	7	7
Disposals	-	-	-
Impairments	-	-	-
Reversals of Impairments	-	-	-
Revaluation	82	-	82
Reclassification	186	64	250
<b>At 31 March 2019</b>	<b>12,136</b>	<b>389</b>	<b>12,525</b>
<b>Amortisation</b>			
At 1 April 2018	11,437	189	11,627
Charged for the Year	344	73	417
Disposals	-	-	-
Impairments	-	-	-
Reversals of Impairments	-	-	-
Revaluation	77	-	77
Reclassification	-	53	53
<b>At 31 March 2019</b>	<b>11,858</b>	<b>316</b>	<b>12,175</b>
<b>Net Book Value at 1 April 2018</b>	<b>431</b>	<b>129</b>	<b>560</b>
<b>Net Book Value at 31 March 2019</b>	<b>277</b>	<b>73</b>	<b>350</b>
<b>Of the Total</b>			
Department	277	-	277
Agencies	-	73	73
ALBs	-	-	-
<b>Net Book Value at 31 March 2019</b>	<b>277</b>	<b>73</b>	<b>350</b>
<b>Asset Financing</b>			
Owned	277	73	350
Finance Leased	-	-	-
<b>Net Book Value at 31 March 2019</b>	<b>277</b>	<b>73</b>	<b>350</b>

	Consolidated 2017–18		
	Software Licences	Website Design	Total
	£000	£000	£000
<b>Cost or Valuation</b>			
At 1 April 2017	11,373	293	11,666
Additions	-	46	46
Disposals	(13)	(21)	(35)
Impairments	-	-	-
Reversals of Impairments	-	-	-
Revaluation	161	-	161
Reclassification	348	-	348
<b>At 31 March 2018</b>	<b>11,868</b>	<b>318</b>	<b>12,187</b>
<b>Amortisation</b>			
At 1 April 2017	10,994	144	11,137
Charged for the Year	307	66	373
Disposals	(13)	(21)	(35)
Impairments	-	-	-
Reversals of Impairments	-	-	-
Revaluation	151	-	151
Reclassification	-	-	-
<b>At 31 March 2018</b>	<b>11,437</b>	<b>189</b>	<b>11,627</b>
<b>Net Book Value at 1 April 2017</b>	<b>379</b>	<b>149</b>	<b>529</b>
<b>Net Book Value at 31 March 2018</b>	<b>431</b>	<b>129</b>	<b>560</b>
<b>Of the Total</b>			
Department	431	-	431
Agencies	-	129	129
ALBs	-	-	-
<b>Net Book Value at 31 March 2018</b>	<b>431</b>	<b>129</b>	<b>560</b>
<b>Asset Financing</b>			
Owned	431	129	560
Finance Leased	-	-	-
<b>Net Book Value at 31 March 2018</b>	<b>431</b>	<b>129</b>	<b>560</b>

## 7. Impairments

	2018-19		2017-18	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
<b>Impairment and Reversals charged to CSCNE</b>				
Land	(301)	(301)	2,942	2,942
Buildings and Dwellings	39,939	39,939	10,049	10,049
Enhancements	(107)	(107)	148	148
Information Technology	(54)	(54)	298	298
Transport Equipment	-	-	123	123
Plant and Machinery	(209)	(209)	1,252	1,252
Antiques and Works of Art	(189)	(189)	24	24
Payments on Accounts & Assets Under Construction	13,448	13,448	106	106
Intangible Assets	-	-	-	-
Assets held for sale	-	-	-	-
Other	-	-	-	-
Transferred from Revaluation Reserve	-	-	-	-
	<b>52,527</b>	<b>52,527</b>	<b>14,943</b>	<b>14,943</b>

The total impairment for the year was charged directly to the Consolidated Statement of Comprehensive Net Expenditure. A new asset category of Enhancements to Operating Leases was introduced in 2018-19, with assets split out from the Buildings category. In practice, this mainly means FCO-funded improvements to rented properties. The prior year numbers have been adjusted in line with this new analysis. Enhancements that were not made to operating leases have been impaired (these were to assets split out from the Buildings and AUC categories). There was an impairment reversal of £7.3m for Land during 2018-19. In addition there were impairment reversals of £377k for Plant & Machinery, £189k for AWA and £665k for IT. These impairment reversals resulted in an overall negative impairment for these asset categories. Following a valuation exercise on the Home Estate in 2018 there was a reverse impairment of £12.3m for Buildings. There was no movement between the revaluation reserve and general reserve in respect of impairments.

## 8. Capital and Other Commitments

### 8.1 Capital Commitments

Contracted Capital Commitments at 31 March not otherwise included in these Financial Statements:

	2018–19		2017–18	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Estates Projects	18,182	18,182	28,003	28,003
IT Infrastructure	2,168	2,168	16,384	16,384
Vehicles	39	39	39	39
	<b>20,389</b>	<b>20,389</b>	<b>44,426</b>	<b>44,426</b>

### 8.2 Commitments under Leases

#### 8.2.1 Operating Leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods:

	2018–19		2017–18	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
<b>Land and Buildings</b>				
Not later than 1 year	72,056	72,056	76,080	76,080
Later than 1 year but not later than 5 years	86,912	86,912	106,028	106,028
Later than 5 years	54,603	54,603	60,861	60,861
	<b>213,571</b>	<b>213,571</b>	<b>242,969</b>	<b>242,969</b>
<b>Other</b>				
Not later than 1 year	187	187	186	232
Later than 1 year but not later than 5 years	102	102	162	162
Later than 5 years	14	14	18	18
	<b>302</b>	<b>302</b>	<b>367</b>	<b>412</b>
<b>Total</b>	<b>213,873</b>	<b>213,873</b>	<b>243,336</b>	<b>243,382</b>

At present the FCO does not have any finance leases. The majority of the Operating Lease payments represent rentals for buildings within the FCO's overseas estate. Lease terms and rentals vary depending on local circumstances.

## 8. Capital and Other Commitments (cont.)

### 8.3 Commitments under PFI Contracts and other service concession arrangements

#### 8.3.1 On-Balance Sheet (included within Consolidated Statement of Financial Position)

	2018–19	2017–18
	£000	£000
Not later than 1 year	3,817	3,883
Later than 1 year but not later than 5 years	15,267	15,533
Later than 5 years	23,854	28,154
	<b>42,938</b>	<b>47,570</b>
Less Interest element	(15,008)	(17,517)
<b>Present Value of obligations</b>	<b>27,930</b>	<b>30,053</b>
The above liability is disclosed under Payables (Note 13) as follows:		
Amounts falling due within 1 year	1,735	1,635
Amounts falling due after	26,195	28,417
	<b>27,930</b>	<b>30,053</b>

Private Finance Initiative (PFI) transactions have been accounted for in accordance with HMT and FReM requirements. Where the terms of the PFI meet the definition of service concession arrangements in IFRIC 12 Service Concession Arrangements, the infrastructure asset is recognised as a non-current asset and the liability to pay for it is accounted for as a finance lease. Contract payments are apportioned between a reduction in the capital obligation and charges to the CSCNE for service performance and finance cost.

#### Berlin Embassy

The contract in respect of the building, operation and maintenance of the British Embassy Berlin for a term of 30 years from 23 June 2000 with an option to extend for a further 30 years. The property meets the criteria determined by IFRIC 12, and therefore the embassy is included in the accounts within Property, Plant and Equipment. The initial capitalization of the contract was reflected in the FCO's accounts for 2002–03.

Contractual payments therefore comprise two elements: imputed finance lease charges and service charges. The liability to pay for the property is in substance a finance lease obligation.

#### 8.3.2 Charge to the Consolidated Statement of Comprehensive Net Expenditure and future commitments

	2018–19		2017–18	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Not later than 1 year	2,262	2,262	2,185	2,185
Later than 1 year but not later than 5 years	9,048	9,048	8,739	8,739
Later than 5 years	15,834	15,834	17,478	17,478
	<b>27,144</b>	<b>27,144</b>	<b>28,402</b>	<b>28,402</b>

### 8.4 Other financial commitments

The Department has entered into non-cancellable contracts (which are not leases or PFI contracts) for facilities management, logistics and computer services.

The payments to which the FCO is committed, analysed by the period during which the commitment expires, were as follows:

	2018–19		2017–18	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Not later than 1 year	40,425	40,425	104,995	104,995
Later than 1 year but not later than 5 years	8,136	8,136	17,921	17,921
Later than 5 years	-	-	-	-
	<b>48,561</b>	<b>48,561</b>	<b>122,915</b>	<b>122,915</b>

## 9. Financial Instruments

### Summary of Financial Instruments

	Note	2018-19	2017-18
		£000	£000
<b>Non-Current Financial Assets</b>			
Investment in Other Public Sector Bodies	9.1	4,981	4,981
Forward Currency Contracts	9.2	4,551	1,092
		9,532	6,073
<b>Current Financial Assets</b>			
Forward Currency Contracts	9.2	7,022	8,374
<b>Current Financial Liabilities</b>			
Forward Currency Contracts	9.2	(3,177)	(10,744)
<b>Non-Current Financial Liabilities</b>			
Forward Currency Contracts	9.2	(2,649)	(14,855)
		10,727	(11,153)

### 9.1 Investment in other public sector bodies

The FCO holds an investment in FCO Services, comprised of 100% of its Public Dividend Capital (PDC) of £4,981,000. As a trading fund FCO Services is not included within the FCO departmental boundary, and the Department's investment is reported in these accounts at historical cost.

There have been no movements since 31 March 2017 and the value remains at £4,981,000.

### 9.2 Forward Currency Contracts

Forward purchases have been used to reduce budget uncertainty in respect of foreign exchange in the significant currencies in which the FCO operates. Further information is provided below under the IFRS 17 heading.

Forward purchases contracts matured as follows:

	2018-19			2017-18		
	Foreign Currency	Sterling Cost	Average Exchange Rate	Foreign Currency	Sterling Cost	Average Exchange Rate
	000	£000		000	£000	
Euro	40,810	35,062	1.16	29,600	23,587	1.25
US Dollar	381,000	275,123	1.38	393,930	262,974	1.5
		310,185			286,561	

Forecast unrealised gains and losses on forward purchases maturing in future periods, based on the actual rates of exchange at the reporting period date, are analysed as follows:

## 9.2 Forward Currency Contracts (cont.)

		2018–19			
Foreign Currency	Currency Value	Sterling Value	Unrealised Gains	Unrealised Losses	
	000	£000	£000	£000	
<b>Current Assets and Liabilities</b>					
Maturing in 2019-20	Euro	39,300	35,118	151	(1,359)
	US Dollar	364,300	272,089	6,870	(1,818)
			<b>307,207</b>	<b>7,022</b>	<b>(3,177)</b>
<b>Non-current Assets and Liabilities</b>					
Maturing in 2020-21	Euro	27,952	25,588	-	(1,222)
	US Dollar	241,949	178,040	3,521	(599)
			<b>203,628</b>	<b>3,521</b>	<b>(1,820)</b>
Maturing in 2021-22	Euro	14,622	13,398	-	(478)
	US Dollar	115,400	84,559	1,030	(350)
			<b>97,958</b>	<b>1,030</b>	<b>(829)</b>
<b>Total</b>			<b>608,793</b>	<b>11,572</b>	<b>(5,826)</b>

		2017–18			
Foreign Currency	Currency Value	Sterling Value	Unrealised Gains	Unrealised Losses	
	000	£000	£000	£000	
<b>Current Assets and Liabilities</b>					
Maturing in 2018-19	Euro	40,810	35,062	1,411	(628)
	US Dollar	346,000	249,055	6,963	(10,116)
			<b>284,117</b>	<b>8,374</b>	<b>(10,744)</b>
<b>Non-current Assets and Liabilities</b>					
Maturing in 2019-20	Euro	26,633	23,697	396	(346)
	US Dollar	237,205	175,283	695	(9,959)
			<b>198,980</b>	<b>1,092</b>	<b>(10,304)</b>
Maturing in 2020-21	Euro	14,433	13,345	-	(270)
	US Dollar	115,233	83,733	-	(4,281)
			<b>97,078</b>	<b>-</b>	<b>(4,551)</b>
Maturing in 2021-22	Euro	-	-	-	-
	US Dollar	-	-	-	-
			<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>			<b>580,175</b>	<b>9,465</b>	<b>(25,599)</b>

IFRS 9 Financial Instruments was applied by FCO for the first time in 2018-19, it replaces the 'incurred loss model' in IAS 39 with a forward looking 'expected credit loss' (ECL) model. This new impairment model mainly impacts the FCO's loans and receivables balances, debt instruments measured at amortised cost, and some trade and other receivables balances.

The FCO has made an assessment of those financial assets to which IFRS 9 applies. The FCO considered all reasonable and supportable information that is relevant and available without undue cost of effort in assessing the credit risk and determining the appropriate level of ECLs. This included qualitative and quantitative information; and analysis based on historical experience, modified to reflect current as well as forecast information. 'Expected' means applying a weighting to the risk of default.

The majority of financial instruments relate to contracts for non-financial items in line with the Department's expected purchase and usage requirements and the Department is therefore

exposed to little credit, liquidity or market risk. As many of the Department's trade receivables and trade payables are, by their nature, short term in duration, they are recorded at fair value. On this basis, no systematic exercise to compare the fair value with carrying amount is conducted.

Most of the Department's customers and counterparties are other public sector organisations. HMT has mandated that receivable balances with core central government departments are excluded from being recognised for impairments.

For those customers and counterparties that are not public sector organisations the Department has policies and procedures in place to ensure credit risk is kept to a minimum.

The Department is not exposed to material credit risk.

#### Estimated impact of adoption

The FCO has made an assessment of those financial assets to which IFRS 9 applies.

There are three ways of measuring expected credit losses:

Probability Weighted Outcome (not best or worst case)

- » Time value of money
- » Reasonable and supportable information available without undue cost or effort
- » Information used to assess the loss can be past events, current conditions and forecasts.

IFRS 9 also requires a risk assessment of all receivables over 30 days old.

### Financial Instruments

The core Department holds 100% of the shares in FCO Services. As a trading fund, FCO Services is not included within the FCO departmental boundary, and the Department's investment is reported in these accounts at historical cost. This is considered to be a reasonable approximation for fair value as any surplus from trading is paid annually to the Department in the form of a dividend. This treatment does not change under IFRS 9.

We have assessed that the classification and accounting treatment of foreign currency forward contracts as held for trading financial instruments, does not change under IFRS 9 Financial Instruments, because they were not designated as hedges on inception by the FCO. Please see accounting policy 1.10 *foreign currency forward purchase contracts* for further detail.

### Receivables

Under the simplified model within IFRS 9, both short term and long term receivables should always recognise a loss allowance for an amount equal to lifetime ECLs. This approach simplifies the application of the impairment model as it removes the need for a constant assessment for impairment but is likely to result in a significant 'day one' loss.

The FCO's Trade Receivables includes Consular debt, where only that debt time bound by statute of limitations is written off. Of the debt outstanding for the financial year ending 31 Mar 2019 the FCO is expected to write off £6k (2018: £10k) of consular debt. The probability weighted outcome for lifetime ECL is calculated to be £37k.

Advances have been assessed as having an expected lifetime loss of £38k, with that for deposits being assessed at £61k.

All of these debts are actively monitored, and a number of collection methods are used to keep default to a minimum.

Specific disclosures are not required if the information resulting from that disclosure is not material. The FCO considers that the above indicates that no specific disclosures are required as the estimated impairments are trivial.

IFRS 7 Financial instruments: Disclosures requires disclosures in the financial statements that enable users to evaluate the significance of financial instruments to the financial position and performance, and the nature and extent of risks arising from financial instruments to which the FCO is exposed during the year and at the financial year end, and how those risks are being managed.

### Currency risk

The FCO is exposed to foreign currency risks which can be significant because of the nature of its business and geographical presence. The following describe the mechanisms by which FCO deals with the exposure:

The Foreign Currency Mechanism (FCM) originally agreed with HMT in the 2010 Spending Review was updated in the 2015 Spending Review. The FCM increases or decreases the FCO's budget each year in the Supplementary Estimate to take account of movements in the top 100 currencies where the Department spent most money in 2015-16. The FCM uses exchange rate movements covering the period February to January, and applies it to the FCO's baseline spend to calculate the adjustment to the FCO's budget. However, significant currency movements between February and March each year would only be reflected in a budget adjustment to the following financial year. Consequently there remains a foreign exchange risk related to movements in February and March in the current year. The FCM includes an element to take account of the differential inflation rates between countries. The FCM only applies to the FCO's core budget so does not cover expenditure on British Council, or peacekeeping.

As described above the FCO is exposed in the current year to exchange rate movements in February and March. FCO uses the spot rate for foreign currency transactions in that period. A budget adjustment is requested in the following year.

As the peacekeeping budget is not included in the FCM, the FCO continues to use forward purchase currency contracts for peacekeeping expenditure only, to minimise budget uncertainty. The Ministry of Defence (MoD) arranges the purchase of foreign currency on behalf of the FCO.

The following table illustrates the impact of changes in the Sterling to Euro and Sterling to US Dollar rates, and assumes the level of balances remains constant.

£000	Balance at 31 March	Euro rate at 31 March	Impact of FX rate change of 1% on Financial Assets is
Cash	22,794	0.8535	+/- 1.38%

£000	Balance at 31 March	USD rate at 31 March	Impact of FX rate change of 1% on Financial Assets is
Cash	20,456	0.7498	+/- 2.43%

### Liquidity risk

The cash requirements of the Department for day-to-day operations and capital investments are met through the Estimates process and by the passing of the annual Appropriation Act. The Estimates process allows for amendments to funding to be made during the year via the Supplementary Estimate. Consequently there is limited liquidity risk.

### Market risk

The Department's costs and reserve numbers are dependent upon the property markets in countries where the Department has significant non-current assets. Historically the material impact has been increases in the value of non-current assets resulting in increased depreciation charges.

## 10. Inventories

	2018–19		2017–18	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Total physical stock	927	927	1,000	1,000
	<b>927</b>	<b>927</b>	<b>1,000</b>	<b>1,000</b>

Physical stock held includes Emergency Travel Documents (ETDs) held at Posts, and the Government Wine Cellar (used to support the work of Government Hospitality in delivering business hospitality for all government ministers and departments).

## 11. Cash and Equivalents

	2018–19		2017–18	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Balance at 1 April	254,221	256,368	70,659	73,366
Net change in cash balances	(177,279)	(175,944)	183,562	183,002
<b>Balance at 31 March</b>	<b>76,942</b>	<b>80,424</b>	<b>254,221</b>	<b>256,368</b>
<b>The following balances and overdrafts were held at 31 March:</b>				
Government Banking Service	6,799	6,799	140,134	140,134
Commercial banks and cash in hand UK and overseas	70,144	73,625	114,087	116,234
<b>Balance at 31 March</b>	<b>76,942</b>	<b>80,424</b>	<b>254,221</b>	<b>256,368</b>

## 12. Trade Receivables, Financial and Other Assets

	2018–19		2017–18	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
<b>Amounts Falling Due Within 1 Year</b>				
Trade receivables	33,280	33,908	27,397	27,772
Deposits and Advances	1,296	1,494	942	1,016
Other receivables	12,028	12,028	14,124	14,124
Leasehold land (non-perpetual) prepayments	379	379	380	380
Other prepayments and accrued income	75,763	77,170	77,225	78,136
Contract Assets	33,754	33,754	44,833	44,833
Under issue of Supply from the Consolidated Fund	-	-	81,672	81,672
	<b>156,501</b>	<b>158,732</b>	<b>246,572</b>	<b>247,933</b>
<b>Amounts Falling Due After 1 Year</b>				
Leasehold land (non-perpetual) prepayments	25,722	25,722	26,103	26,103
Other receivables	2,751	2,751	3,047	3,047
	<b>28,473</b>	<b>28,473</b>	<b>29,150</b>	<b>29,150</b>
<b>Total</b>	<b>184,973</b>	<b>187,204</b>	<b>275,721</b>	<b>277,082</b>

## 13. Trade Payables and Other Liabilities

	2018–19		2017–18	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
<b>Amounts Falling Due Within 1 Year</b>				
Bank overdrafts	-	-	-	-
Other taxation and social security	1,244	1,254	311	376
Payments on account	377	377	252	252
Trade payables	34,210	35,308	30,317	31,166
Other payables	106,248	106,254	26,375	26,375
Accruals and deferred income	161,345	163,759	143,903	145,088
Contract Liabilities	24,146	24,146	43,138	43,138
Current part of finance leases	-	-	-	-
Current part of imputed finance lease element of on-SoFP PFI contracts	1,735	1,735	1,635	1,635
<b>Total excluding amounts due to the Consolidated Fund</b>	<b>329,305</b>	<b>332,833</b>	<b>245,932</b>	<b>248,030</b>
<b>Amounts issued from the Consolidated Fund for supply but not spent</b>				
At year end	76,566	76,566	253,715	253,715
Income due to be paid to the Consolidated Fund	376	376	506	506
	<b>406,247</b>	<b>409,775</b>	<b>500,153</b>	<b>502,251</b>
<b>Amounts Falling Due After 1 Year</b>				
Payables, accruals and deferred income	-	-	-	-
Finance leases	-	-	-	-
Imputed finance lease element of on-SoFP PFI contracts	26,195	26,195	28,417	28,417
	<b>26,195</b>	<b>26,195</b>	<b>28,417</b>	<b>28,417</b>
<b>Total</b>	<b>432,442</b>	<b>435,970</b>	<b>528,570</b>	<b>530,668</b>

The increase in "Other taxation and social security" relates in part to a payable to HMRC for income tax and national insurance contributions. The increase in "Other Payables" relates to visa receipts collected on behalf of Home Office.

## 14. Provisions for Liabilities and Charges

Note 1 to the Accounts sets out the Statement of Accounting Policy and details about the calculation for early departure costs (Note 1.20) and terminal benefits for local staff (Note 1.21).

### Early departure provisions

The Department and its Agency meets the additional costs of benefits beyond the normal Principal Civil Service Pension Scheme (PCSPS) benefit for employees who retire early. An amount is paid annually to the PCSPS for the period between early departure and the normal retirement date. The Department and Agency provides for this in full when the early retirement becomes a binding liability.

### Local Staff Terminal Gratuities

Depending upon local employment law and custom, the FCO at Post may set up a Terminal Gratuity Provision for locally engaged staff. This is not a formal pension fund, but does allow the FCO to

create a liability for payments to employees. These get paid out upon their retirement or when they leave service (depending on the specific terms and conditions of the scheme in that country). As the employee works through each year they gradually increase the value of their own specific Terminal Gratuity Provision, which will be paid to them if they met the conditions of the scheme.

### Other Staff provisions

These relate to provisions by the core Department for claims made by staff against the Department. The provision is calculated based on general experience of what the most likely outcome is for each type of claim.

### Other provisions

These relate to provisions by the core Department for possible back-rental demands and other estate commitments, as well as claims made by third parties against the Department.

	2018–19		2017–18	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Balance at 1 April	48,858	48,877	47,506	47,525
Provided in year (bal)	18,266	18,284	13,632	13,632
Provisions not required written back	(8,465)	(8,465)	(2,685)	(2,685)
Provisions utilised in the year	(10,548)	(10,548)	(5,958)	(5,958)
Unwinding of discount	27	27	18	18
Terminal gratuities exchange unrealised (gain)/loss	1,203	1,203	(3,655)	(3,655)
<b>Balance at 31 March</b>	<b>49,342</b>	<b>49,378</b>	<b>48,858</b>	<b>48,877</b>

### 14.1 Analysis of Expected Timing of Discounted Cash Flows

	2018–19		2017–18	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Not later than 1 year	10,316	10,316	6,666	6,684
Later than 1 year but not later than 5 years	12,899	12,935	16,957	16,957
Later than 5 years	26,127	26,127	25,236	25,236
<b>Balance at 31 March</b>	<b>49,342</b>	<b>49,378</b>	<b>48,858</b>	<b>48,877</b>

### 14.2 Analysis of Provision by Type

	2018–19				
	Early Departure Costs	LE Staff Terminal Gratuities	Other Staff Provisions	Other Provisions	Total
	£000	£000	£000	£000	£000
Not later than 1 year	93	2,596	833	6,794	10,316
Later than 1 year but not later than 5 years	180	9,652	1,617	1,486	12,935
Later than 5 years	-	26,087	40	-	26,127
<b>Balance at 31 March</b>	<b>273</b>	<b>38,335</b>	<b>2,489</b>	<b>8,280</b>	<b>49,378</b>

## 15. Contingent Liabilities and Contingent Assets disclosed under IAS 37

	2018-19	2017-18
	£000	£000
<b>Potential Obligations</b>	<b>51,055</b>	<b>55,297</b>

In addition to contingent liabilities disclosed in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, the FCO discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of HMT's Managing Public Money. These can be found in the Parliamentary Accountability and Audit Report of the Annual Report and Accounts.

## 16. Retirement Benefit Schemes

Retirement benefits for UK-based employees are provided through the Civil Service pension arrangements. For staff engaged overseas the FCO observes local employment laws and provides for the payment of pensions and other terminal benefits. The FCO contributes to pension schemes in the following ways.

### Civil Service pension scheme

In respect of UK-based staff, from 1 April 2015 all those newly appointed, and the majority of those already in service, joined the new Civil Servants and Others Pension Scheme or Alpha. Prior to that date, UK-based employees participated in the PCSPS. These are unfunded multi-employer defined benefit schemes and the FCO does not separately identify its share of the underlying liabilities.

For 2018-19, employer contributions of £41,642,480 (2017-18: £37,903,088) were paid to the Civil Service pension schemes. This figure includes contributions made on behalf of staff from One HMG platform partners which are re-charged. The contribution rates are based on salary bands and are set to meet the cost of the benefits accruing during 2018-19 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, which is a 'money purchase' stakeholder pension with an employer contribution. Employer contributions of £230,145 (2017-18: £289,100) were paid to one or more of the appointed stakeholder pension providers.

In addition, employer contributions of £8,731 (2018-17: £6,725), 0.5% of pensionable pay, were paid to the Civil Service pension scheme to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Material contingent liabilities are not disclosed separately for commercial reasons, all other contingent liabilities are not individually material.

Litigation in respect of compensation claims brought about as part of the Kenyan Emergency Group Litigation and Cyprus Emergency have ended following the outcome of court cases this year. The contingent liability in 2017-18 did not include any amount for these group litigations as the FCO believed disclosing an amount would seriously prejudice the litigation. The 2017-18 Accounts did, however, disclose that these cases had been brought against the FCO.

Further details are given in the Remuneration and Staff Report.

### Other defined contribution schemes

The FCO operates defined contribution schemes independent of local government in some Posts. The value of contributions in 2018-19, excluding contributions to government schemes, was £2,839,551 (2017-18: £4,847,395).

### Other defined benefit schemes

The FCO operates defined benefit schemes in the countries as shown in the tables below. These are based on final salary and provide for pensions at retirement and for benefits on death or disablement in service. Posts retain responsibility for the stewardship of these schemes and funding is met by the FCO out of in year resources. They are subject to annual actuarial review and the actuarial valuations as at 31 March 2019 are incorporated below.

The schemes are closed to new members, other than a scheme in the Netherlands which is not included below because, as an insurance-based scheme operated by a life company, there are no assets and obligations to report and it is therefore treated as a defined contribution scheme. The schemes are funded other than the Cyprus scheme (the British East Mediterranean Relay Service Pension Scheme in respect of former BBC World Service staff who operated on the island) which is unfunded with the benefits being paid out of current resources. The estimated amount of contributions expected to be paid to the schemes in the next financial year 2019-20 is £920,353.

## 16. Retirement Benefit Schemes (cont.)

### Defined Benefit Schemes Recognised in the Statement of Financial Position

	2018–19	2017–18
	£000	£000
<b>Present Value of Funded Obligations</b>		
Canada	(10,340)	(9,510)
Republic of Ireland	(5,799)	(5,649)
Jamaica	(2,374)	(2,112)
Mauritius	(200)	(313)
South Africa	(1,225)	(1,650)
Columbia	(572)	(566)
Belgium	(1,193)	(1,096)
	<b>(21,704)</b>	<b>(20,896)</b>
<b>Fair Value of Plan Assets</b>		
Canada	11,934	10,976
Republic of Ireland	5,721	5,449
Jamaica <sup>1</sup>	2,663	2,672
Mauritius	150	215
South Africa	1,666	1,900
Columbia	118	125
Belgium	666	644
	<b>22,917</b>	<b>21,980</b>
<b>Net Asset/(Liability) of Funded Schemes</b>	<b>1,213</b>	<b>1,084</b>
<b>Present Value of Unfunded Obligations</b>		
Cyprus	(25,355)	(27,616)
<b>Total</b>	<b>(24,141)</b>	<b>(26,532)</b>
<b>Summary</b>		
Assets	2,322	2,276
Liabilities	(26,463)	(28,808)
<b>Net Asset/(Liability)</b>	<b>(24,141)</b>	<b>(26,532)</b>
<b>Amounts Recognised in the CSCNE</b>		
Total service costs <sup>2</sup>	412	795
Net Interest <sup>3</sup>	511	663
Exchange differences on foreign plans	(494)	879
<b>Total Included in Employee Benefits Expense</b>	<b>428</b>	<b>2,337</b>
<b>Remeasurements</b>	<b>(900)</b>	<b>(1,320)</b>

<sup>1</sup> The Jamaica Scheme is subject to an asset ceiling which has reduced the net defined benefit asset by £514,000 (2017-18: £nil), in respect of a limitation on the economic benefit of future employer contributions.

<sup>2</sup> Service costs contain both current and past service costs along with curtailment costs in both the current year and prior year comparator in line with the revised IAS 19 (Employee benefits) standard.

<sup>3</sup> Net Interest combines interest on obligations and expected return on plan assets

## 16. Retirement Benefit Schemes (cont.)

	2018-19	2017-18
<b>Changes in the Present Value of the Defined Benefit Obligation</b>	£000	£000
Opening defined benefit obligation	(48,512)	(50,134)
Pensioners in payment exactly matched by annuity contracts	(107)	(6)
Service cost	(412)	(795)
Curtailement / settlement cost	-	-
Interest cost	(1,417)	(1,631)
Contributions by participants	(124)	(139)
Actuarial (losses)/gains	(327)	818
Exchange differences	276	166
Benefits paid	2,681	2,903
Changes in assumptions underlying the present value of the scheme liabilities	883	307
<b>Closing Defined Benefit Obligation</b>	<b>(47,059)</b>	<b>(48,511)</b>
<b>Changes in the Fair Value of Plan Assets</b>		
Opening fair value of plan assets	21,980	21,731
Pensioners in payment exactly matched by annuity contracts	107	6
Expected return	906	968
Actuarial gains (losses)	344	195
Contributions by employer	419	1,409
Contributions by participants	124	139
Exchange differences	218	(1,044)
Benefits paid	(1,180)	(1,424)
Changes in assumptions underlying the present value of the scheme assets	-	-
<b>Closing Fair Value of Plan Assets</b>	<b>22,917</b>	<b>21,980</b>

The major categories of plan assets as a percentage of total plan assets are as follows

	2018-19	2017-18
Equities	41.18%	34.72%
Bonds	34.65%	26.66%
Other	24.17%	38.63%

Principal actuarial assumptions as at 31 March (expressed as weighted averages)

	2018-19	2017-18
Discount rate	1.78%	1.76%
Expected return on plan assets	3.81%	4.00%
Future salary increases	2.51%	2.53%
Future pension increases	1.91%	2.43%

## 16. Retirement Benefit Schemes (cont.)

Amounts for the current and previous four years	2018-19	2017-18	2016-17	2015-16	2014-15
<b>Funded Schemes</b>	£000	£000	£000	£000	£000
Defined benefit obligation	(21,704)	(20,896)	(20,960)	(18,054)	(18,649)
Plan assets	22,917	21,980	21,731	17,527	18,080
<b>Surplus/(Deficit)</b>	<b>1,213</b>	<b>1,084</b>	<b>770</b>	<b>(528)</b>	<b>(569)</b>
<b>Unfunded Scheme</b>					
Defined Benefit Obligation	(25,355)	(27,616)	(29,174)	(24,394)	(24,299)
Experience adjustments on plan liabilities	883	307	(3,791)	1,064	(2,855)
Experience adjustments on plan assets	-	-	-	-	-

### Analysis of Movements in Obligations and Assets

2018–19

	Brought forward	Matched by annuity contracts	Exchange	Service cost, Curtailment / settlement costs	Interest, Finance income	Changes in assumptions, Employer contributions	Participants contributions	Benefits paid	Actuarial gains / (losses)	Carried forward
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Present Value of Funded Obligations</b>										
Canada	(9,510)	-	(379)	(100)	(342)	-	(32)	642	(620)	(10,340)
Republic of Ireland	(5,649)	-	99	(134)	(97)	(218)	(19)	127	92	(5,799)
Jamaica	(2,112)	(107)	(178)	(67)	(162)	-	(43)	191	104	(2,374)
Mauritius	(313)	-	97	(6)	(13)	-	-	-	35	(200)
South Africa	(1,650)	-	175	(47)	(123)	261	(29)	223	(35)	(1,225)
Colombia	(566)	-	32	(58)	-	-	-	-	20	(572)
Belgium	(1,096)	-	-	-	-	-	-	1	(97)	(1,193)
	<b>(20,896)</b>	<b>(107)</b>	<b>(154)</b>	<b>(412)</b>	<b>(737)</b>	<b>43</b>	<b>(124)</b>	<b>1,184</b>	<b>(502)</b>	<b>(21,704)</b>

### Fair Value of Plan Assets

Canada	10,976	-	437	-	393	72	32	(642)	665	11,934
Republic of Ireland	5,449	-	(97)	-	93	181	19	(127)	203	5,721
Jamaica	2,672	107	213	-	209	54	43	(191)	(446)	2,663
Mauritius	215	-	(99)	-	9	22	-	-	4	150
South Africa	1,900	-	(218)	-	176	79	29	(223)	(77)	1,666
Colombia	125	-	(7)	-	14	-	-	3	(16)	118
Belgium	644	-	(11)	-	12	11	-	(1)	12	666
	<b>21,980</b>	<b>107</b>	<b>218</b>	<b>-</b>	<b>906</b>	<b>419</b>	<b>124</b>	<b>(1,180)</b>	<b>344</b>	<b>22,917</b>
<b>Net Asset/(Liability) of Funded Schemes</b>	<b>1,084</b>	<b>-</b>	<b>64</b>	<b>(412)</b>	<b>169</b>	<b>462</b>	<b>-</b>	<b>3</b>	<b>(158)</b>	<b>1,214</b>

### Present Value of Unfunded Obligations

Cyprus	(27,616)	-	430	-	(680)	840	-	1,497	175	(25,355)
<b>Total</b>	<b>(26,532)</b>	<b>-</b>	<b>494</b>	<b>(412)</b>	<b>(511)</b>	<b>1,302</b>	<b>-</b>	<b>1,500</b>	<b>17</b>	<b>(24,141)</b>

## 16. Retirement Benefit Schemes (cont.)

### Analysis of Movements in Obligations and Assets

2017-18

	Brought forward	Matched by annuity contracts	Exchange	Service cost, Curtailment / settlement costs	Interest, Finance income	Changes in assumptions, Employer contributions	Participants contributions	Benefits paid	Actuarial gains / (losses)	Carried forward
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Present Value of Funded Obligations</b>										
Canada	(9,932)	-	789	(132)	(372)	(171)	(41)	392	(43)	(9,510)
Republic of Ireland	(5,200)	-	(134)	(133)	(90)	-	(18)	18	(92)	(5,649)
Jamaica	(1,999)	(6)	212	(88)	(179)	(377)	(41)	35	332	(2,112)
Mauritius	(259)	-	14	(10)	(16)	-	-	-	(42)	(313)
South Africa	(1,828)	-	(29)	(79)	(148)	(8)	(39)	602	(123)	(1,650)
Colombia	(547)	-	44	(354)	-	-	-	272	19	(566)
Belgium	(1,196)	-	(28)	-	(20)	-	-	104	44	(1,096)
	<b>(20,960)</b>	<b>(6)</b>	<b>867</b>	<b>(795)</b>	<b>(825)</b>	<b>(557)</b>	<b>(139)</b>	<b>1,424</b>	<b>95</b>	<b>(20,896)</b>
<b>Fair Value of Plan Assets</b>										
Canada	11,607	-	(916)	-	430	113	41	(392)	93	10,976
Republic of Ireland	4,207	-	119	-	73	1,098	18	(18)	(47)	5,449
Jamaica	2,420	6	(262)	-	222	56	41	(35)	224	2,672
Mauritius	205	-	(10)	-	13	8	-	-	(1)	215
South Africa	2,124	-	33	-	180	86	39	(602)	41	1,900
Colombia	508	-	(25)	-	39	-	-	(272)	(126)	125
Belgium	660	-	16	-	11	49	-	(104)	12	644
	<b>21,731</b>	<b>6</b>	<b>(1,044)</b>	<b>-</b>	<b>968</b>	<b>1,409</b>	<b>139</b>	<b>(1,424)</b>	<b>195</b>	<b>21,980</b>
<b>Net Asset/(Liability) of Funded Schemes</b>	<b>770</b>	<b>-</b>	<b>(177)</b>	<b>(795)</b>	<b>143</b>	<b>853</b>	<b>-</b>	<b>-</b>	<b>290</b>	<b>1,084</b>
<b>Present Value of Unfunded Obligations</b>										
Cyprus	(29,174)	-	(702)	-	(806)	863	-	1,479	723	(27,616)
<b>Total</b>	<b>(28,404)</b>	<b>-</b>	<b>(879)</b>	<b>(795)</b>	<b>(663)</b>	<b>1,716</b>	<b>-</b>	<b>1,479</b>	<b>1,013</b>	<b>(26,532)</b>

## 16. Retirement Benefit Schemes (cont.)

Each of the schemes typically expose the FCO to key actuarial risks as outlined below which could result in an increase in recommended contributions to maintain their funding positions:

1. Investment risk—the long term real rate of return achieved on scheme assets and the market yields on long term fixed interest and index linked bonds reduce, creating a significant difference between the returns achieved and that assumed in the calculations.
2. Interest rate risk—a reduction in rates such that the expected costs of future pensions are greater than allowed for in the actuarial assumptions.
3. Remuneration risk—an unexpected increase in the general remuneration level of scheme members above that assumed in the calculations.
4. Inflation risk—future inflation higher than assumed will lead to higher pension payments.

5. Mortality risk—an increase in life expectancy of the schemes' participants will increase the schemes' liabilities.

### Sensitivity analysis

The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. In recognition of this uncertainty we illustrate below the approximate effects on the actuarial liability of changes to the main actuarial assumptions. The tables show the indicative effects on the scheme total liability as at 31 March 2019 for the Cyprus unfunded scheme and the two largest funded schemes as a result of a change in the stated assumptions. The principal financial assumptions are the nominal discount rate and rate of inflation. An increase in the nominal discount rate assumption will decrease the value of the liabilities and vice versa, whilst an increase in the inflation assumption will increase the value of the liabilities and vice versa. A key demographic assumption is pensioner mortality.

#### Cyprus - Unfunded

Change in assumption	Approximate effect on total liability	
	%	Euros (000)
1% reduction in discount rate	14%	4,000
1% reduction in inflation rate	-11%	-3,300
Pensioners living on average 2 years longer	10%	2,900

#### Ireland - Funded

Change in assumption	Approximate effect on pension liability	
	%	Euros (000)
1% reduction in discount rate	26%	1,772
1% reduction in inflation rate	-8%	-522
Pensioners living on average 2 years longer	6%	373

#### Canada - Funded

Change in assumption	Approximate effect on pension liability	
	%	CAD (000)
1% reduction in discount rate	18%	3,253
1% reduction in inflation rate	-13%	-2,359
Pensioners living on average 2 years longer	8%	1,521

## 17. Related parties

The Foreign and Commonwealth Office is the parent department of Wilton Park Executive Agency, sponsors FCO Services (a trading fund) and a number of non-departmental and other arms length public bodies as listed in Note 18. These bodies are regarded as related parties with which the Department has had various material transactions during the year. In addition, the FCO has had regular transactions with Partners across Government.

Iain Macleod, a member of the FCO Management Board, was a Trustee of the British Institute of International and Comparative Law (a not-for-profit charity) during 2018-19. The FCO paid the British Institute of International and Comparative Law £55,198

during the year. The FCO also made a £5,000 contribution to the Arthur Watts Fellowship, which was established by the British Institute of International and Comparative Law.

Ann Cormack, a member of the ARAC Board, was a Council Member of Chatham House (a not-for-profit charity also known as The Royal Institute of International Affairs) during 2018-19. The FCO paid Chatham House £515,591 during the year.

No minister, board member, key manager or other related parties other than as mentioned above have undertaken any material transaction with the FCO during the year. There are no potential conflicts of interest to report.

## 18. Entities within and outside the Departmental accounting boundary

### Associated entities inside the Departmental accounting boundary

The entities within the boundary during 2018-19 were:

- » Wilton Park Executive Agency—the Annual Report and Accounts of Wilton Park is published separately. See [wiltonpark.org.uk](http://wiltonpark.org.uk)
- » The Great Britain-China Centre (Executive NDPB) and its subsidiary The UK China Forum. See [www.gbcc.org.uk](http://www.gbcc.org.uk).
- » The Marshall Aid Commemoration Commission (Executive NDPB). See [www.marshallscholarships.org](http://www.marshallscholarships.org)
- » The Westminster Foundation for Democracy Limited (Executive NDPB). See [www.wfd.org](http://www.wfd.org)

More information on these entities can be found in the Accountability Report.

Income and expenditure for the FCO incorporated financing of the following Non Departmental Public Bodies (NDPBs), in full or in part, in the current financial year:

- » UK India Round Table (Advisory NDPB).

### Associated entities outside the Departmental accounting boundary

- » FCO programmes include payments to British Council (Executive NDPB, charity established by Royal Charter, Public Corporation). See [www.britishcouncil.org](http://www.britishcouncil.org)
- » FCO Services (FCOS) is an agency of FCO as well as a trading fund. As a Trading Fund FCOS provides a range of integrated secure services worldwide to the FCO, other UK public bodies and foreign governments and international organisations closely linked to the UK. See [www.fcosservices.gov.uk](http://www.fcosservices.gov.uk)
- » British Intergovernment Services Authority (BISA) which was set up to oversee delivery of the UK Government's obligations under Government to Government agreements, although to date it has not started trading.

More information on these entities can be found in the Accountability Report.

## 19. Events after the reporting date

In accordance with the requirements of IAS 10, events after the reporting period are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

On 11 April 2019 the Article 50 negotiation period was extended. Preparations for a no-deal exit from the EU were wound down while negotiations continue.

The Accounting Officer authorised these financial statements for issue on the same date as the Comptroller & Auditor General's Audit Certificate. The accounts do not reflect events after this date.

## Annex A: Corporate Sponsorship (unaudited)

Description of project	Total Forecast Project Costs (£)	Name of Sponsor(s)	Cash (LC)	In-Kind (LC)	Cash (£)	In-Kind (£)
<b>Abu Dhabi</b>						
Queen's Birthday Party	75,455	Al Habtoor Motors	93,296		18,014	
		Shell	67,500		13,033	
		Marks & Spencer MENA (Al Futtaim Group)	230,000		44,408	
<b>Accra</b>						
Queen's Birthday Party	32,058	Olam Ghana	100,000		15,675	
		Golden Exotic Limited	33,000		5,274	
		Tullow Ghana Ltd	48,800		7,879	
		Prudential Life Insurance	20,000		3,230	
Queen's Birthday Party	2493.01	Prudential Life Insurance	15434.75		2,493	
<b>Algeria</b>						
Queen's Birthday Party	15,283	Anadarko	800,899		5,050	
		BP Exploration Algeria Ltd	800,899		5,166	
		Petrofac	800,899		5,067	
<b>Americas</b>						
AMERICAS Love is GREAT	5,701	British Airways				12,820
		National Grid			5,701	
<b>Amman</b>						
Queen's Birthday Party	89,148	Eastern Investment Group Holding	15,000		15,323	
		IrisGuard Jordan	7,000		7,151	
		Inspirational Development Group	5,000		5,108	
		Mahmoudia	15,000		15,323	
		Le Gray	7,000		7,433	
		Hertz Shakhshir Car Rental	7,000		7,528	
		Standard Chartered Bank	15,000		16,131	
		Dnata Ltd	6,999		7,431	
		Unilever	7,000		7,721	
<b>ASEAN</b>						
Regional Education campaign		British Alumni Association				23,760
<b>Astana</b>						
Queen's Birthday Party 2018		Shell		2,289,000		5,127
<b>Bahrain</b>						
Queen's Birthday Party 2018	22,573	BAE systems	3,000		5,643	
		Euro Motors	3,000		5,643	
		Charles Russells Speechlys	3,000		5,643	
		Standard Chartered Bank	3,000		5,643	

Description of project	Total Forecast Project Costs (£)	Name of Sponsor(s)	Cash (LC)	In-Kind (LC)	Cash (£)	In-Kind (£)	
<b>Beirut</b>							
Queen's Birthday Party 2018	79,843	Risk Advisory Group	30,000		21,744		
		DG Jones & Partners	10,000		7,248		
		Mana Automotive	20,000		15,067		
		BCTC	30,000		22,601		
		LIBANK S.A.L	10,000		7,534		
		Mclaren	7,500		5,650		
BESA Trade Mission & EDEX 2018		Promethean Board				8,560	
<b>Beijing</b>							
China International Import Expo	295,000	BP			30,000		
		Rio Tinto			25,000		
		ACCA			20,000		
		HSBC			30,000		
		Lloyds Bank			10,000		
		World First			30,000		
		BTG			10,000		
		TPP			30,000		
		Arup			15,000		
		Diageo					15,000
		Premier League				30,000	
		University of Buckingham				15,000	
		IHG				50,000	
		BA					30,000
<b>Berlin</b>							
Berlin ConCar Fair 2018		JLR				5,500	
Berlin Royal Wedding Celebration		Aston Martin				8,499	
Pride Parade	5,262.00	German Foreign office			5,262		
<b>Bogota</b>							
UK interests in Colombia	7,844	Mott MacDonald	30,000,000		7,844		
<b>Buenos Aires</b>							
Queen's Birthday Party 2018	11,802	Phonenix	289,062		5,877		
		Integra Capital	317,520		5,925		
<b>Cairo</b>							
Queen's Birthday Party 2018	57,235	Malvern College Egypt	20,000		14,183		
		Astrazeneca Egypt	9,998		7,636		
		MTI Automotive (Bentley) MM Group	10,000		7,534		
		Avre Partnership Ltd	9,998		7,532		
		BP International	9,977		7,516		
		Vodafone Egypt	9,973		7,586		
		Zaki Hashem	6,998		5,247		

Description of project	Total Forecast Project Costs (£)	Name of Sponsor(s)	Cash (LC)	In-Kind (LC)	Cash (£)	In-Kind (£)
<b>China</b>						
Be Yourself	35,251	BP	300,000	300,000	35,251	35,251
Queen's Birthday Party 2018	24,849	R&F Properties Co Ltd	100,000	180,000	11,519	20,735
		BP China	50,000	180,000	5,760	20,735
		Clyde + Co LLP	64,421	108,212	7,570	12,715
CSR conference 2018	68,445	CHC	91,000	91,000	10,370	10,370
		Efund	100,000	529,190	11,284	59,713
		Consulate General of the Kingdom of Netherlands	63,206	529,190	7,095	59,405
		BYD	50,000	529,190	5,642	59,713
		China Southern Airlines	50,000	529,190	5,613	59,405
		Huawei	150,000	529,190	17,224	60,765
		APG	99,984	529,190	11,218	59,372
Open Day Silver	22,297	Yingguo Baojie	50,000	200,000	5,613	22,451
		Costa Coffee	100,000	200,000	11,141	22,283
		Shanghai Yehao Network Technology Co. Ltd.	50,000	200,000	5,543	22,172
<b>Doha</b>						
Queen's Birthday Party 2018	51,130	Hilson Moran Qatar LLC	75,812		14,766	
		Qatar Shell	126,353		26,143	
		BAE Systems	51,342		10,221	
Ramadan 2018	5,244	Vodafone Qatar	25,000		5,244	
British Festival 2018	70,961	Travelex			10,000	
		Qatar Financial Center			5,000	
		UCL Qatar			5,000	2,000
		HSBC Qatar			11,007	545
		Qatar National Library			29,954	895
		Supreme Committee for Delivery and Legacy			10,000	
		Doha Film Institute				
ILOVE Qatar					6,281	
<b>Dubai</b>						
Royal Wedding Celebrations		Al Futtaim (John Lewis)				7,890
		Royal Mint				5,200
		DP World				39,448
<b>Geneva</b>						
Queen's Birthday Party 2018	11,500	Barclays	15,000		11,500	
<b>Hanoi</b>						
GREAT Campain in Vietnam 2018	19,956	Jardine	151,540,000		5,000	
		British University	445,785,000		14,956	
Hanoi 45 years of Diplomatic relations	25,000	British University Vietnam			10,000	
		Jardines			5,000	
		HongKong Land			5,000	
		Dragon Capital			5,000	
		Vietnam Airlines				

Description of project	Total Forecast Project Costs (£)	Name of Sponsor(s)	Cash (LC)	In-Kind (LC)	Cash (£)	In-Kind (£)
<b>Helsinki</b>						
Film is GREAT		Gutsy Productions				7,288
<b>Hong Kong</b>						
Queen's Birthday Party 2018	27,706	CK Hutchison	60,000		5,541	
		Clifford Chance	60,000		5,541	
		HSBC	59,985		5,540	
		Jardine Matheson	60,000		5,541	
		St James' Place	60,000		5,541	
<b>Italy</b>						
Queen's Birthday Party 2018	62,048	Banca Intesa SanPaolo			13,296	
		Algebris			13,296	
		Ferrovie dello Stato			13,296	
		Babcock's			13,296	
		Clive Christian			8,864	
<b>Jakarta</b>						
Jakarta Tourism		Wego				53,908
<b>Kingston</b>						
UK in Jamaica Fair	5,749	Continental Bakery	1,000,000		5,749	
<b>Kuala Lumpur</b>						
Queen's Birthday Party 2018	7,366	Standard Chartered Bank	40,000		7,366	
<b>Kyiv</b>						
Queen's Birthday Party 2018	5,063	Vodafone	175,519		5,063	
<b>Lisbon</b>						
Lisbon Ancient Alliance, Modern Friendship		Second Home				6,000
		NOS				8,000
<b>Luanda</b>						
Queen's Birthday Party 2018	10,000	BP	1,532,495		5,000	
		Aggreko	1,570,618		5,000	
<b>Madrid</b>						
GREAT Friends polling	50,000	EasyJet			50,000	50,000
Handmade Excellence	9,950	Sastreria Langa			9,950	1,400
<b>Mexico City</b>						
Queen's Birthday Party 2018	5,033	EY Mexico	125,000		5,033	

Description of project	Total Forecast Project Costs (£)	Name of Sponsor(s)	Cash (LC)	In-Kind (LC)	Cash (£)	In-Kind (£)
<b>Mexico City (cont'd)</b>						
Shopping is GREAT Month	169,583	TED Baker			8,750	3,750
		Hamleys			11,719	
		Karen Miller			8,750	3,750
		Hacket London			16,667	
		All Saints			10,000	6,667
		Jo Malone			16,667	
		Pepe Jeans			13,281	
		Mini Cooper Mexico			20,833	
		Fullers			7,292	7,292
		Shepherd Neame			10,000	6,667
		Tesco			5,833	
		Waitrose				8,750
		JLR			20,833	
		Whittards of Chelsea			6,250	
		Twinnings			4,375	1,875
HSBC			8,333			
<b>Minsk</b>						
Minsk GREAT UK Festival	9,940	Godel Technologies	13,194		9,940	
		BelAECOM				5,696
<b>New Delhi</b>						
Queen's Birthday Party 2018	39,057	CDC Group PLC	906,215		9,659	
		British Council	469,092		5,279	
		Resolver	1,030,000		10,845	
		BBC	750,000		7,897	
		GSH Group	500,000		5,376	
<b>Nouakchott</b>						
Queen's Birthday Party 2018	5,021	BP	229,250		5,021	
<b>Panama City</b>						
Platinum Sponsorship	17,006	JEM Capital Group	11,980		8,496	
		Kings College	12,000		8,510	
<b>Paris</b>						
Les Voisins on Tour	8,902	EasyJet	10,000		8,902	
<b>Prague</b>						
Centenary book events and women in science	34,451	RWS Moravia	500,000		17,510	
		Portland Trust	250,000		8,471	
		Savills	250,000		8,471	
<b>Pretoria</b>						
Eve of Parliament	10,000	Levergy Marketing Agency	168,795		10,000	
Queen's Birthday Party 2018	9,796	HSBC	182,300		9,796	
<b>Rabat</b>						
Queen's Birthday Party 2018	10,041	SIST	130,000		10,041	
Embassy activities	8,246	SIST	100,000		8,246	

Description of project	Total Forecast Project Costs (£)	Name of Sponsor(s)	Cash (LC)	In-Kind (LC)	Cash (£)	In-Kind (£)
<b>Riyadh</b>						
Queen's Birthday Party 2018	96,122	BUPA Opex	75,000		14,183	
		Al Fanar	100,000		18,911	
		Sabb - Al Madar Advert	100,000		18,911	
		British Communications	40,000		7,564	
		NY Naghi Jeddah	75,000		14,257	
		Haji Alireza	75,000		14,183	
		BAE Systems	40,000		8,113	
<b>Rome</b>						
Queen's Birthday Party 2018	39,671	Algebris	10,000		8,748	
		Intesa Sanpaolo	15,000		13,264	
		Babcock	10,000		8,748	
		Ferrovie dello Stato	10,000		8,911	
UK-Italy Business Boost		Borsa Italiana				35,619
<b>Santiago</b>						
Santiago Legal Services		Kennedys Law LLP				9,100
		Stephenson Harwood LLP				9,100
		MFB Solicitors				9,100
<b>Seoul</b>						
Green is GREAT		Korea Energy Association				7,000
		JLR				11,725
Automotive is GREAT		Korea Energy Association				7,000
		JLR				11,725
<b>Shandong</b>						
UK Week in Shandong	85,349	Citic Bank Jinan branch			5,741	
		Parc 66, Jinan Hanglung Plaza				20,047
		Seafish Organisation			15,000	
		Seafish Organisation				18,884
		Crab Company Scotland				18,884
		Scottish Fishermen's Organisation				18,884
		Scrabster Seafoods				18,884
		Blue Sea Food Company				18,884
		Rooney Fish				18,884
		Qingdao Government				15,072
		Shandong education department				20,000
		Shandong Ecological Environment Department				5,100
		Qingdao government				10,000
		Connect China				14,437
<b>Singapore</b>						
Singapore Food and Drink		British Airways				10,000
<b>Sweden</b>						
British Summer		Nytimber Drinks				9,000
<b>Tehran</b>						
Queen's Birthday Party 2018	10,054	BP	283,145,000		5,054	
		Debenhams	289,500,000		5,000	

Description of project	Total Forecast Project Costs (£)	Name of Sponsor(s)	Cash (LC)	In-Kind (LC)	Cash (£)	In-Kind (£)
<b>Tel Aviv Tech Hub</b>						
Israel Tech Hub	397,748	1 W. Family	572,000		119,999	
		Exhilarch Foundation	659,213		137,832	
		British Council	138,000		27,854	
		RBS	158,074		55,522	
		BP International	37,991		8,000	
		Centrica	37,287		8,000	
		GlaxoSmithKline	35,569		7,500	
		Admiral Group	28,990		6,041	
		BIRD & BIRD	56,179		12,000	
		Albanian Embassy	29,381		5,000	
		Fragoman	22,568		5,000	
Innovate UK	29,381		5,000			
<b>Tel Aviv</b>						
Royal Reception June 2018	27,370	BDO LLP	45,738		10,000	
		ICL	47,184		9,982	
		HSBC Bank	35,565		7,388	
Royal Wedding May 2018	7,500	DRC	35,854		7,500	
Jewish News - IG Aliya 100 Event 10 May 2018	8,187	Jewish News IG	39,194		8,187	
Israel Youth Award Reception Oct 2018	6,503	IYA	31,053		6,503	
RICS Events	6,336	RICS	30,038		6,336	
<b>Tirana</b>						
Tech Hub Project	78,975	Wertheimer Family Ltd	10,934,875		78,975	
<b>Tokyo</b>						
Queen's Birthday Party 2018		Decima Japan		1,049,400		6,973
Great British Festival	5,696	BelaECOM	16,000		5,696	
UK Parliamentary delegation	6,222	UK Parliament	8,179		6,222	
<b>Warsaw</b>						
Queen's Birthday Party 2018	18,402	MBDA UK Ltd	30,000		6,253	
		Babcock Integrated Technology Ashton House	30,000		6,074	
		Provident	30,000		6,074	
<b>Washington</b>						
Royal Wedding May 2018	38,032	BP	50,000		38,032	
DC Pride June 2018	5,382	National Grid	7,000		5,382	

Total Forecast Project Costs (£)	Name of Sponsor(s)	Cash (LC)	In-Kind (LC)	Cash (£)	In-Kind (£)
<b>UK-Chevening Scholarship Programme</b>					
75,000	GSK	75,000		75,000	
604,000	CK Hutchison	604,000		604,000	
0	SAID Foundation		93,451		93,451
0	International Student House		52,418		52,418
32,792	Pasha Bank	32,792		32,792	
7,500	Belarusky Narodny Bank	7,500		7,500	
10,000	Pinheiro Neto	10,000		10,000	
16,703	EDUCA, Kings & Conversa	16,703		16,703	
32,000	Lemann	32,000		32,000	
16,000	Prudence Foundation Burma	16,000		16,000	
27,501	Marga Landmark	27,501		27,501	
15,000	Prudence Foundation Cambodia	15,000		15,000	
10,000	Mansion House China	10,000		10,000	
29,523	ICETEX	29,523		29,523	
280,000	Amerisur	280,000		280,000	
30,000	BP Egypt	30,000		30,000	
30,000	MEK	30,000		30,000	
95,921	Tree of Life Foundation	95,921		95,921	
10,000	Mansion House Indonesia	10,000		10,000	
15,000	Prudential Indonesia	15,000		15,000	
24,040	King Abdullah Development	24,040		24,040	
30,000	Prudence Foundation Laos	30,000		30,000	
28,850	Prudence Foundation Malaysia	28,850		28,850	
191,038	Yayasan Khazana	191,038		191,038	
140,000	CIMB	140,000		140,000	
16,000	BP Mauritania	16,000		16,000	
16,762	Shell Mexico	16,762		16,762	
26,125	BP Mexico	26,125		26,125	
116,588	SEP	116,588		116,588	
180,717	MECS	180,717		180,717	
15,120	Petrofund	15,120		15,120	
10,000	Mansion House Nigeria	10,000		10,000	
10,000	Mansion House Peru	10,000		10,000	
240,000	BECAL	240,000		240,000	
15,000	Prudence Foundation Philippines	15,000		15,000	
30,000	Megaworld	30,000		30,000	
30,000	Monde Nissin	30,000		30,000	
15,000	Unilever Philippines	15,000		15,000	
28,000	GSK Philippines	28,000		28,000	
28,675	Bank of Kigali	28,675		28,675	
32,000	BP Senegal	32,000		32,000	
25,000	Cofftea	25,000		25,000	
32,515	King Power	32,515		32,515	
14,000	Prudential Vietnam	14,000		14,000	
10,000	Icelandair Group	10,000		10,000	
57,941	BAE Oman	57,941		57,941	
49,354	MOEF	49,354		49,354	

Total Forecast Project Costs (£)	Name of Sponsor(s)	Cash (LC)	In-Kind (LC)	Cash (£)	In-Kind (£)
<b>UK-Chevening Scholarship Programme</b>					
976,834	MSIT	976,834		976,834	
28,175	FSS	28,175		28,175	
15,376	BOK	15,376		15,376	
14,000	Diageo	14,000		14,000	
12,000	Delta	12,000		12,000	
17,000	Prof Winston Wong	17,000		17,000	
61,312	ANIL	61,312		61,312	
102,237	Standard Chartered	102,237		102,237	
128,860	Rolls Royce	128,860		128,860	
	Bangor University		35,200		35,200
	Birbeck University of London		37,700		37,700
	Bristol University		15,600		15,600
	Brunel University		37,760		37,760
	Cambridge Trust		320,000		320,000
	Cardiff University		125,720		125,720
	Coventry University		24,080		24,080
	Durham University		61,292		61,292
	Lancaster University		28,496		28,496
	LSE		72,173		72,173
	Queen Mary University of London		82,080		82,080
	Robert Gordon University		9,680		9,680
	Schumacher Scholarship		29,944		29,944
	Swansea University		36,040		36,040
	University of Aberdeen		57,280		57,280
	University of Birmingham		216,792		216,792
	University of Central Lancashire		10,360		10,360
	University of East Anglia		65,920		65,920
	University of Edinburgh		141,520		141,520
	University of Glasgow		162,560		162,560
	University of Huddersfield		11,200		11,200
	University of Kent		39,040		39,040
	University of Leeds		45,600		45,600
	University of Nottingham		148,392		148,392
	University of Reading		50,080		50,080
	University of South Wales		31,200		31,200
	University of Southampton		14,037		14,037
	University of Surrey		6,000		6,000
	University of Sussex		63,520		63,520
	University of Warwick		100,648		100,648
	University of York		13,424		13,424
	Weidenfeld Hoffmann Trust (Oxford University)		52,500		52,500
	Demontfort Indonesia Local		20,960		20,960
	University of Bradford		12,520		12,520
	University of Exeter Strategy and Security Institute (SSI)		17,200		17,200
	Aberystwyth University		3,150		3,150
	Anglia Ruskin University		5,240		5,240
	Architectural Association		5,115		5,115

Total Forecast Project Costs (£)	Name of Sponsor(s)	Cash (LC)	In-Kind (LC)	Cash (£)	In-Kind (£)
<b>UK-Chevening Scholarship Programme</b>					
	Aston University		3,610		3,610
	Bangor University		23,360		23,360
	Bath Spa University		2,970		2,970
	Birkbeck, University of London		94,870		94,870
	Birmingham City University		2,400		2,400
	Bournemouth University		32,000		32,000
	Brunel University		64,880		64,880
	Cardiff Metropolitan University		2,600		2,600
	Cardiff University		76,040		76,040
	City, University of London		105,700		105,700
	Coventry University		31,410		31,410
	Coventry University, London		3,237		3,237
	Cranfield University		59,400		59,400
	De Montfort University		10,480		10,480
	Durham University		44,254		44,254
	Edinburgh Napier University		5,544		5,544
	Glasgow Caledonian University		2,520		2,520
	Goldsmiths, University of London		90,762		90,762
	Heriot-Watt University		28,976		28,976
	Imperial College London		178,500		178,500
	King's College London		296,358		296,358
	Kingston University		15,140		15,140
	Lancaster University		45,668		45,668
	Leeds Beckett University		9,800		9,800
	Liverpool John Moores University		10,600		10,600
	Liverpool School of Tropical Medicine		22,840		22,840
	London Business School		63,350		63,350
	London Metropolitan University		10,302		10,302
	London School of Economics and Political Science		511,202		511,202
	London School of Hygiene and Tropical Medicine		190,648		190,648
	Loughborough University		20,220		20,220
	Loughborough University, London		11,660		11,660
	Manchester Metropolitan University		14,900		14,900
	Met Film School		3,200		3,200
	Middlesex University		16,600		16,600
	Newcastle University		47,880		47,880
	Northumbria University		5,600		5,600
	Nottingham Trent University		19,780		19,780
	Oxford Brookes University		11,056		11,056
	Plymouth University		5,600		5,600
	Queen Margaret University		5,520		5,520
	Queen Mary, University of London		322,400		322,400
	Queen's University Belfast		9,420		9,420
	Ravensbourne		3,000		3,000
	Robert Gordon University		5,820		5,820
	Roehampton University		5,786		5,786
	Royal Agricultural University		7,620		7,620

Total Forecast Project Costs (£)	Name of Sponsor(s)	Cash (LC)	In-Kind (LC)	Cash (£)	In-Kind (£)
<b>UK-Chevening Scholarship Programme</b>					
	Royal Conservatoire of Scotland		3,916		3,916
	Royal Holloway, University of London		37,480		37,480
	Royal Veterinary College		4,770		4,770
	School of Advanced Study, University of London		11,101		11,101
	Schumacher College		14,972		14,972
	SOAS, University of London		203,811		203,811
	Swansea University		31,450		31,450
	UCL Institute of Education		18,240		18,240
	Ulster University		5,472		5,472
	University College London		810,358		810,358
	University of Aberdeen		142,000		142,000
	University of Bath		30,760		30,760
	University of Birmingham		118,758		118,758
	University of Bradford		57,738		57,738
	University of Brighton		8,748		8,748
	University of Bristol		132,400		132,400
	University of Buckingham		5,528		5,528
	University of Cambridge		225,664		225,664
	University of Central Lancashire		5,380		5,380
	University of Chester		4,800		4,800
	University of Dundee		43,970		43,970
	University of East Anglia		57,640		57,640
	University of East London		7,636		7,636
	University of Edinburgh		272,680		272,680
	University of Essex		32,555		32,555
	University of Exeter		68,315		68,315
	University of Glasgow		139,394		139,394
	University of Gloucestershire		2,768		2,768
	University of Greenwich		13,390		13,390
	University of Hertfordshire		2,500		2,500
	University of Huddersfield		5,780		5,780
	University of Hull		11,300		11,300
	University of Kent		64,140		64,140
	University of Leeds		229,600		229,600
	University of Leicester		17,697		17,697
	University of Liverpool		18,510		18,510
	University of Liverpool, London Campus		12,230		12,230
	University of Manchester		245,100		245,100
	University of Northampton		4,880		4,880
	University of Nottingham		119,457		119,457
	University of Oxford		268,898		268,898
	University of Portsmouth		8,840		8,840
	University of Reading		92,472		92,472
	University of Salford		5,544		5,544
	University of Sheffield		74,130		74,130
	University of South Wales		7,800		7,800
	University of Southampton		57,968		57,968

Total Forecast Project Costs (£)	Name of Sponsor(s)	Cash (LC)	In-Kind (LC)	Cash (£)	In-Kind (£)
<b>UK-Chevening Scholarship Programme</b>					
	University of St Andrews		20,980		20,980
	University of Stirling		3,050		3,050
	University of Strathclyde		33,180		33,180
	University of Surrey		40,220		40,220
	University of Sussex		371,010		371,010
	University of the West of England		2,600		2,600
	University of the West of Scotland		2,620		2,620
	University of Warwick		170,078		170,078
	University of West London		2,400		2,400
	University of Westminster		79,900		79,900
	University of York		55,666		55,666
	Wimbledon College of Art		3,870		3,870

Total Forecast Project Costs (£)	Name of Sponsor(s)	Cash (LC)	In-Kind (LC)	Cash (£)	In-Kind (£)
<b>UK - Marshall Aid Commemoration Commission (Scholarship)</b>					
5,180.00	Annenberg Foundation (Endowment)	5,180		5,180	
27,880.00	Association of Marshall Scholars (AMS)	27,880		27,880	
	Balliol College, Oxford		23,027		23,027
34,796.00	British Schools and Universities Foundation (BSUF)	34,796		34,796	
	Cambridge Emmanuel		21,027		21,027
	Cambridge Magdalene		51,705		51,705
	Cardiff University		19,950		19,950
	Exeter College, Oxford		21,732		21,732
	Goldsmiths		13,190		13,190
	Gonville and Caius College, Cambridge		9,699		9,699
	Imperial College London		119,700		119,700
	King's College London		63,230		63,230
	King's College, Cambridge		18,055		18,055
	London School of Economics and Political Science (LSE)		46,272		46,272
	London School of Hygiene and Tropical Medicine (LSHTM)		22,600		22,600
	London School of Hygiene and Tropical Medicine (LSHTM)		22,600		22,600
	Magdalen College, Oxford		23,027		23,027
	New College, Oxford		46,054		46,054
	Nuffield College, Oxford		18,685		18,685
	Oxford Lincoln		25,922		25,922
	Pembroke College, Cambridge		27,060		27,060
	Peterhouse, Cambridge		28,575		28,575
	Queen Mary, University of London		36,050		36,050
	Royal Holloway, University of London		14,900		14,900
	School of Oriental and African Studies (SOAS)		39,430		39,430
	Somerville College, Oxford		46,054		46,054
	St John's College, Cambridge		26,502		26,502
	Trinity College, Oxford		10,000		10,000
	University College London (UCL)		68,240		68,240
	University College, Oxford		20,387		20,387
	University of East Anglia		15,800		15,800

Total Forecast Project Costs (£)	Name of Sponsor(s)	Cash (LC)	In-Kind (LC)	Cash (£)	In-Kind (£)
<b>UK - Marshall Aid Commemoration Commission (Scholarship)</b>					
	University of Edinburgh		61,500		61,500
	University of Manchester		18,000		18,000
	University of Oxford		59,062		59,062
6,504.00	University of Sussex	6,504		6,504	
	University of Sussex		15,500		15,500
	University of York		16,780		16,780
81,921.00	Marshall Xtra stipend	81,921		81,921	
<b>Total forecast project costs for all countries (£)</b>				<b>Subtotal Cash (£)</b>	<b>Subtotal In-Kind (£)</b>
				6,638,579	15,203,825
					<b>Total Sponsorship (£)</b>
					21,842,403

## Annex B: Core Tables (unaudited)

The common core tables below reflect total departmental budgets including the core FCO, bodies sponsored by the FCO and expenditure on prosperity, conflict prevention and peacekeeping. The Prosperity, Conflict Prevention and Peacekeeping funds are controlled on a multidepartmental basis and are not included in budgets shown in the Department's business plan. See footnotes for further details.

### Total Departmental Spending

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans
	£M	£M	£M	£M	£M	£M
<b>Resource DEL</b>						
Section A: Administration and programme expenditure <sup>1,2</sup>	1,031	853	904	901	1,008	946
Section B: Programme and international organisation grants <sup>2</sup>	149	301	331	368	382	377
Section C: British Council	150	157	162	171	188	167
Section D: Net Funding for NDPBs	6	6	4	6	6	7
Section E: Prosperity Fund Programme expenditure <sup>3</sup>	-	-		46	58	207
Section F: Conflict Prevention Programme expenditure	144	281	339	404	424	536
Section G: Peacekeeping	382	356	318	311	344	377
<i>Departmental Unallocated Provision</i>	-	-	-	-	-	-
<b>Total Resource DEL</b>	<b>1,862</b>	<b>1,953</b>	<b>2,058</b>	<b>2,208</b>	<b>2,410</b>	<b>2,617</b>
<b>Of which:</b>						
-Pay <sup>4</sup>	475	403	439	448	503	
-Net Current Procurement <sup>4</sup>	413	265	346	351	337	
-Current grants and subsidies to the private sector and abroad	675	938	988	1,092	1,208	1,290
-Depreciation <sup>5</sup>	149	191	123	146	174	111
-Other <sup>6</sup>	150	157	162	171	188	167
<b>Resource AME</b>						
Section H: AME Programme	(103)	4	(88)	102	(3)	65
Section I: Reimbursement of certain duties taxes and licence fees	33	35	35	40	34	35
<b>Total Resource AME<sup>7</sup></b>	<b>(70)</b>	<b>39</b>	<b>(53)</b>	<b>142</b>	<b>31</b>	<b>100</b>
<b>Of which:</b>						
-Current grants and subsidies to the private sector and abroad	33	35	35	40	34	35
-Take up of provisions	-	15	2	11	10	15
-Release of provisions	(10)	(8)	(7)	(6)	(11)	(15)
-Depreciation <sup>5</sup>	11	12	(36)	(8)	21	50
-Other	(104)	(15)	(47)	105	(23)	15
<b>Total Resource Budget</b>	<b>1,792</b>	<b>1,992</b>	<b>2,005</b>	<b>2,350</b>	<b>2,441</b>	<b>2,717</b>

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans
	£M	£M	£M	£M	£M	£M
<b>Of which:</b>						
-Depreciation <sup>5</sup>	160	203	87	139	195	161
<b>Capital DEL</b>						
Section A: Administration and programme expenditure	118	113	47	(271)	123	100
Section B: Programme and international organisation grants	25	14	10	10	2	2
Section C: British Council—Capital Grant	5	5	-	-	-	-
Section E: Prosperity Fund Programme expenditure	-	-	-	-	-	-
Section F: Conflict Prevention Programme expenditure	-	-	3	9	17	10
Section G: Peacekeeping <sup>2</sup>	10	-	-	-	-	-
<b>Total Capital DEL</b>	<b>158</b>	<b>131</b>	<b>60</b>	<b>(252)</b>	<b>142</b>	<b>112</b>
<b>Of which:</b>						
-Purchase of assets <sup>4</sup>	123	249	104	142	148	110
-Income from sales of assets	(5)	(136)	(57)	(413)	(25)	(10)
-Capital grants to the private sector and abroad	35	14	13	19	19	12
-Capital support for public corporations	5	5	-	-	-	-
<b>Total Capital Budget</b>	<b>158</b>	<b>131</b>	<b>60</b>	<b>(252)</b>	<b>142</b>	<b>112</b>
<b>Total Departmental Spending <sup>8</sup></b>	<b>1,790</b>	<b>1,921</b>	<b>1,977</b>	<b>1,959</b>	<b>2,389</b>	<b>2,668</b>
<b>Of which:</b>						
-Total DEL	1,871	1,894	1,994	1,809	2,379	2,618
-Total AME	(81)	27	(17)	150	10	50

<sup>1</sup>All years reflect the Machinery of Government transfer of £2.797m Resource DEL to the Department for Exiting the European Union.

<sup>2</sup>Plans also reflect savings arising from pay restraint and the BBC World Service move to Licence Fee funding from 2014-15.

<sup>3</sup>The Prosperity Fund was included in Section A in 2017-18. Section E also includes the Gulf Strategy Integrated Activity Fund from 2019-20.

<sup>4</sup>The published accounts for 2014-15 have applied merger accounting rules to remove BBC World Service from the published numbers.

<sup>5</sup>Includes impairments.

<sup>6</sup>Includes grants to public corporations.

<sup>7</sup>Includes gain on forward contracts for foreign exchange of £93m in 2014-15.

<sup>8</sup>Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.

## Administration Budget

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans
	£M	£M	£M	£M	£M	£M
Section A: Administration and programme expenditure	178	111	116	176	129	183
<i>Departmental Unallocated Provision</i>	-	-	-	-	-	-
<b>Total Administration Budget <sup>1</sup></b>	<b>178</b>	<b>111</b>	<b>116</b>	<b>176</b>	<b>129</b>	<b>183</b>
<b>Of which:</b>						
-Paybill	172	147	166	163	167	
-Expenditure	103	69	146	219	216	283
-Income	(97)	(104)	(196)	(206)	(254)	(100)

<sup>1</sup>£114m for the costs of security staff overseas and UK located staff with representative roles were reclassified to front line programme expenditure at Spending Review 2010. Around £400m of costs associated with front-line staff were reclassified to programme in CSR07. Plans also reflect savings arising from pay restraint.



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