

# Foreign & Commonwealth Office Annual Report and Accounts 2015–16

(For the year ended 31 March 2016)

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

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Foreign and Commonwealth Office, Finance Directorate,  
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## Foreword by the Foreign Secretary

*The Rt Hon Philip Hammond MP*



*I was honoured to return as Foreign Secretary in May 2015. My focus this year has been on promoting Britain's role on the world stage - protecting our national security, strengthening the rules-based international order, promoting Britain's prosperity around the world and Britain's EU reform package.*

In 2015/16, we saw what British diplomacy can do when the call comes. Working with our international partners, we concluded a historic agreement on Iran's nuclear programme – the outcome of thirteen years of diplomatic engagement with the UK at the fore. In August 2015, I raised the Union Flag at our newly reopened Embassy in Tehran marking the first visit of a Foreign Secretary since 2003. FCO climate diplomacy helped achieve an historic international agreement to tackle climate change in Paris in December 2015. For the first time ever, 195 countries agreed to act together to combat global warming and reduce carbon emissions. This deal gives us a framework to limit the impact of climate change.

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Working towards security and regional stability in the Middle East and North Africa remained one of our top priorities this year.

In Libya, we achieved a long term objective with the signing of the Libyan Political Agreement paving the way for the establishment of a Government of National Accord. In Yemen, we helped secure UN Security Council Resolution 2216 which provides a framework for negotiations and a peaceful transition in Yemen. We also continued to engage with the Gulf States who remain key partners in promoting regional stability.

In March 2015, I visited Afghanistan and reiterated our support for the Quadrilateral Coordination Group talks. This is a crucial opportunity to bring peace and stability in the country. We saw mixed progress in Africa. Implementation of the Mali peace process has been slow and the threat to the Sahel region from increased terrorist activity has increased. In Somalia, our contribution to the international piracy effort ensured another year without successful attacks in the Horn.



The re-opening of the British Embassy in Tehran in August 2015

### FCO economic diplomacy continued to play a key role in 2015/16 in opening markets to British businesses and tackling global economic challenges.

Working across Government, we were able to secure international trade deals, including concluding the EU-Vietnam Free Trade Agreement. We were also pleased to welcome Chinese President Xi and Indian Prime Minister Modi to the UK. The China State Visit in October 2015 was the highlight of a special year in the UK-China Special Relationship and delivered enormous benefit to the economy. The visit by Prime Minister Modi a few weeks later helped to deepen our prosperity and security relationship.

On Syria, we secured a majority in Parliament to extend our military action against Daesh from Iraq into Syria demonstrating the UK's political commitment to safeguarding our national security. We were also tragically reminded of the ongoing threat to our democratic values and freedoms with the largest loss of British life to terrorism

since the London attacks of 2005. British nationals were affected by the attacks in Sousse, Tunisia in June 2015, the Metrojet bombing in October, the terrorist attacks in Paris, and those in Brussels. The FCO was at the forefront of the Government's response working with our international partners.

And whilst we continued our fight against terrorism, we tackled old challenges of state-based aggression in breach of the rules-based international order. Just three weeks after the second anniversary of Russia's illegal annexation of Crimea, fighting flared up in eastern Ukraine. On defence, working with other Government Departments, we delivered a 2015 Strategic Defence and Security Review (SDSR) setting out the Government's National Security Strategy priorities for the next five years, giving a clear vision of the UK's global role, including by strengthening the trans-Atlantic security partnership.

This year, the FCO's strengthened crisis response was very visible to all of us. The FCO Crisis Centre responded to nine major crises ranging from terrorist

incidents and political unrest to natural disasters. In the aftermath of the Nepal earthquake, our teams worked to locate British nationals returning 130 people via UK Government organised flights to the UK. We also continued to deliver high quality consular services and assistance to British nationals requiring support overseas – the statistics in this report attest to this. But we are always looking at improving the ways we deliver our services including transforming our digital services. This year, we introduced an online application process for British nationals applying for Emergency Travel Documents.

This year also saw a sustained effort to negotiate a new deal for Britain in the EU and the passing of the EU Referendum Bill to enable the historic referendum on our membership of the EU as pledged in the Conservative Party manifesto.

The work of the FCO this year underlines the importance for the UK of a strong Foreign and Commonwealth Office. I was pleased that the FCO had a good settlement in the 2015 Spending Review which will maintain our world class Diplomatic Service and global presence. We must continue to find efficiencies in the coming year like all Departments.

### Now more than ever we need a strong and skilled FCO.

In February 2016, I was privileged to welcome HRH the Duke of Cambridge to our inaugural Diplomatic Academy awards at the FCO. In its first year, the Academy has established itself as a centre for innovation in learning ensuring that all staff working internationally for the UK Government are equipped to represent the UK and pursue our national interests.

I believe that maintaining Britain's role in world affairs is vital to our national security and economic success. In the coming year, we will be implementing the SDSR's ambitious vision of the UK's role in the world, with global reach and global influence.

## Executive Summary – Permanent Under-Secretary

*Sir Simon McDonald KCMG KCVO*



*"This is my first Annual Report as Permanent Under-Secretary in the Foreign and Commonwealth Office (FCO).*

*The Annual Report is our appraisal of our performance against our objectives for 2015-16. This year, we have achieved four out of the twelve Priority Outcomes and made progress on eight."*

I am proud of what the FCO has achieved. We responded to nine major crises supporting British nationals overseas; negotiated an agreement on Iran's nuclear programme; and demonstrated how climate diplomacy can help achieve a vital international commitment to tackle climate change. Our economic diplomacy delivered three high-impact visits, in support of UK growth. Following months of negotiations, we secured at the European Council in February a settlement for the UK in a reformed EU, which satisfied the Prime Minister (but not in the end the British people). Our achievements in 2015/16 were set against efforts to defeat Daesh in Syria and Iraq and reaching a political settlement in Syria. We continued to manage our differences with Russia, in particular over its annexation of Crimea and continued destabilisation of eastern Ukraine. The terrorist attacks in Sousse, Paris and Brussels reminded us of the security threats we face everywhere.

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*We responded to nine major crises supporting British nationals overseas; negotiated an agreement on Iran's nuclear programme; and demonstrated how climate diplomacy can help achieve a vital international commitment to tackle climate change.*

At home a General Election brought in a new government and a Spending Review followed by an internal review of the FCO. We saw changes at the top of the FCO with the departure of my predecessor Sir Simon Fraser and changes to the Board and non-executive membership. I am particularly grateful to Rudy Markham who departed in July 2015.

In April 2016, we adopted the three strategic objectives in the 2015 National Security Strategy and Strategic Defence and Security Review (NSS/SDSR). The



three foreign policy priorities used since 2010 (and, for the final time, in this Report) - Security, Prosperity and Consular - will be replaced by: **Protect Our People, Project Our Global Influence and Promote Our Prosperity.**

In my first year in this job, I have visited 26 Posts in 21 countries. I have seen the professionalism, hard work and dedication of our staff. I published my objectives for 2015-16 on GOV.UK, setting out my personal priorities for the FCO. Attracting and retaining a talented and diverse workforce remains one of my top objectives. 55% of our Board is female. There are 50 female Heads of Mission and Heads of Post, up from 22 in 2008 but we can do better. Our targets for the diversity of our Senior Management structure to be achieved by 2019 are: 39% female, 7% black and minority ethnic (BME), 7% disabled staff and 6% Lesbian, Gay, Bisexual and Transgender. While we are on track to meet three of these, we are not yet on track to meet our BME target.

To deliver 21st century diplomacy, we need the tools to do the job. The Board approved plans to improve technology in the FCO. The Tech Overhaul Programme will give staff reliable, flexible and mobile technology.

To be the best diplomatic service in the world, we need to be outstanding in our core work: making foreign policy. We launched our Learning and Development

Strategy in May 2015. One year on, the Diplomatic Academy is established as a centre of innovative learning. We need to diversify our skills. We need to get better at managing funds. We launched the Conflict, Stability and Security Fund (CSSF) in 2015, replacing the Conflict Pool. The 2015 Spending Review boosted the CSSF to £1.3bn per year by 2020 and set up a cross-Whitehall Prosperity Fund. Programme management has become core FCO business. Our priority in the coming year is building in-house capability on programme management.

The FCO had a good settlement in the 2015 Spending Review but, like all parts of the Civil Service, the FCO must find further savings. In 2015/16, as part of the UK Estates Reform programme, we vacated our offices in Old Admiralty Building (OAB) and consolidated our footprint in London to the King Charles Street Building. This will save about £5.0m each year. The One HMG Overseas Agenda is helping us align UK Government Departmental practices overseas creating efficiencies for the British taxpayer and maximising the impact of the UK Government overseas. We continue to ensure that we are well positioned to promote the UK abroad. We reopened our Embassy in Tehran in August and opened a new Consulate in Belo Horizonte in September as the UK prepared for the Rio Olympic and Paralympic Games.



*In December 2015, I commissioned an internal review of the FCO – the Future FCO Review - to allow the organisation to become more efficient, effective and with a greater sense of purpose.*

In my first months as Permanent Under-Secretary, I felt that I was leading a great organisation frustrated by increasing bureaucracy and antiquated technology. In December 2015, I commissioned an internal review of the FCO – the Future FCO Review - to allow the organisation to become more efficient, effective and with a greater sense of purpose. The results were published in April 2016 and will form the basis for 'Diplomacy 20:20', the vision that will set the FCO's agenda for the next four years.

Throughout my career, I have been impressed by the dedication, hard work and commitment made by staff in the UK and overseas. They do a lot of good work, often working in difficult and dangerous circumstances, protecting our national security, projecting our values, promoting our prosperity and supporting British people in need. It is an honour and privilege after 33 years in the Service to lead them.

# Performance Report

## Overview

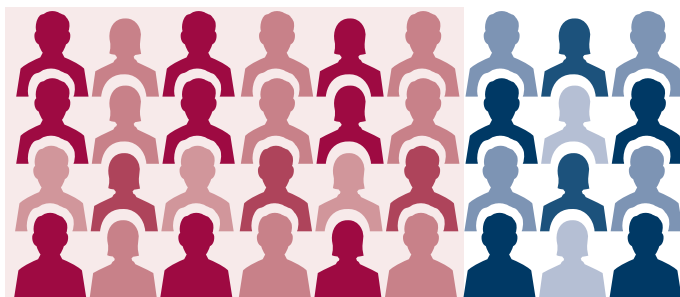
### The FCO at a glance



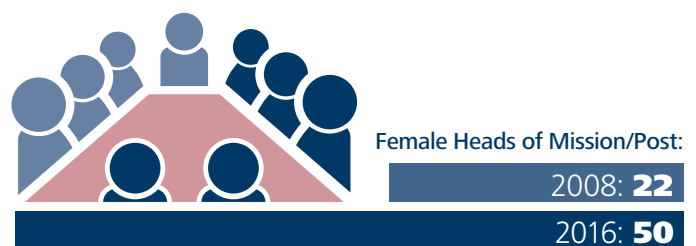
The Foreign & Commonwealth Office (FCO) is the Government Department **leading the UK's foreign policy**. We promote the United Kingdom's interests overseas, supporting our citizens and businesses around the globe. We represent the whole of the UK Government overseas and all parts of the UK.



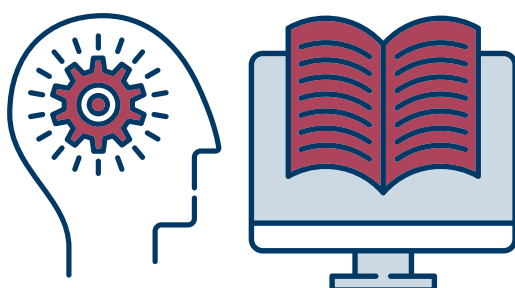
We have a worldwide network of **268 Posts** in **168 countries** including in 9 multilateral organisations. **29 other UK Government Partners** operate on our global platform.



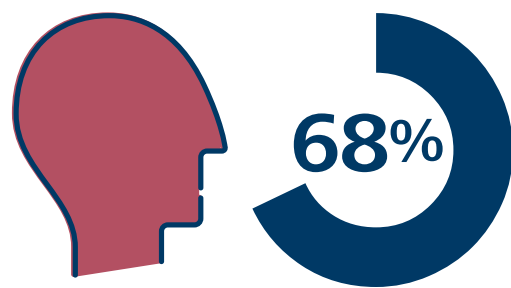
We have a global workforce of approximately **12,500 people**<sup>1</sup>. And we're rich in diversity: two thirds of our staff are locally engaged.



55% of the FCO Board is female. We have **50 female Heads of Mission and Heads of Post**, up from 22 in 2008.



FCO's Diplomatic Academy is a **centre of innovative learning**. The FCO Language Centre offers 70 languages including Mandarin, Russian and Arabic.



Our 2015 Staff Engagement Index Score<sup>2</sup> was 68%, **ten points above the Civil Service benchmark**.

1. The reduction from last year reflects the removal of UK Trade & Investment (UKTI) staff from core FCO headcount as of 1 April 2015 when UKTI became financially independent from the Department of Business, Innovation and Skills (BIS) and the FCO

2. The employee engagement index is calculated as a weighted average of the responses to the five employee engagement questions (B50-B54) in the 2015 Staff Survey and ranges from 0% to 100%. A score of 0% represents all respondents giving a rating of "strongly disagree" to all five questions. A score of 100% represents all respondents giving a rating of "strongly agree" to all five questions.

## Who we are and what we do



The FCO network in 2015-16 had:

**268** posts in **168** countries & territories  
including in **9** multilateral organisations

- » From April 2016, the FCO adopted the three strategic objectives in the 2015 **National Security Strategy and Strategic Defence and Security Review (NSS/SDSR)**.  
The three foreign policy priorities used since 2010 (and in this Report for the final time) - Security, Prosperity and Consular - will be replaced from April 2016 by: **Protect Our People, Project Our Global Influence, and Promote Our Prosperity** (see The FCO in the Year Ahead).

- » **The FCO differs from most other UK Government Departments in that the majority of its work takes place outside the UK.**

Our global diplomatic network of Embassies, High Commissions, Consulates and other offices are vital in helping the UK Government achieve its international objectives. Blending country expertise, programme funds, language skills and influential relationships, our overseas footprint helps us reach a broad range of people, markets, and centres of power to influence others in the UK's national interest, promote our values and prosperity, and protect our country and people.

- » **The FCO represents the whole of the UK government overseas and all of the UK.**  
We have 29 other UK Government partners sharing our global platform (including the Devolved Administrations, UK Trade & Investment (UKTI) and the British Council) working to deliver UK-wide objectives overseas.

- » **Our ambition is to be the best diplomatic service in the world.**  
We work hard to attract and train the most talented individuals from diverse backgrounds, to reflect the country we serve.

- » **The UK is a global leader and the FCO continues to play a central role in the issues that matter.**  
We work with our allies, partners and international organisations to promote the UK's interests overseas and to strengthen the rules-based international order.

## Our Organisation



*Working through our network of 268 overseas posts*

### We work with agencies and public bodies including:

#### UK Trade & Investment

#### Executive Agencies

FCO Services, Wilton Park

#### Executive Non-Departmental Public Bodies

British Council, Great Britain-China Centre, Marshall Aid Commemoration Commission, Westminster Foundation for Democracy

#### Public Corporation

BBC World Service

## Our Objectives in 2015-16

### Security

Safeguard the UK's national security by countering terrorism and weapons proliferation, and by working to reduce conflict

### Prosperity

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

### Consular

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

## Our Purpose

To protect the security of the UK and its citizens, promote UK prosperity and project our values.

## To achieve this we aimed to:

**Strengthen our close relationship with the United States, our partners in Europe, and other allies** as the foundation of our security and international influence.

**Strengthen the rules-based international order**, including by reforming international institutions such as the United Nations and European Union, to better support global prosperity and international security, to pursue UK national interests and protect our sovereignty.

**Strengthen relationships with the emerging powers** of Asia, Latin America and Africa to support UK prosperity and security.

**Promote democratic values**, human rights, climate-resilient development, good governance and conflict prevention, including through the Commonwealth.

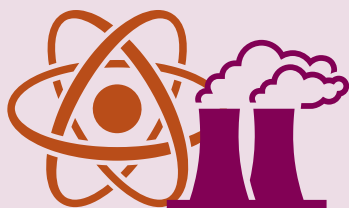
**Respond effectively to crises** by maintaining a high state of crisis readiness including preparedness for terrorist attacks.

**Ensure we have a global network with the skills and experience necessary** to pursue our interests and protect our values in the 21st century.

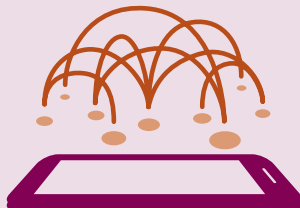
## The FCO in 2015-16

PO – refers to our Priority Outcomes. For more information about how we delivered our priorities in 2015-16 see our Performance Analysis.

### Protecting the security of the UK and promoting the UK's prosperity



**Negotiated a historic agreement with Iran** to restrict their nuclear capacity, working with our international partners (PO4)



Launched a **Global Coalition Communications Cell** with international partners to counter Daesh propaganda (PO1)



**Supported the UN-facilitated process** leading to the Libyan Political Agreement to establish a Government of National Accord (GNA) (PO1)



**Delivered the 2015 Strategic Defence and Security Review (SDSR)** setting out the UK Government's National Security Strategy for the next five years – working with other UK Government Departments (PO3)



Climate diplomacy helped achieve the **historic international Paris Agreement to tackle climate change in December 2015** (PO9)



Passed **EU Referendum Bill** through Parliament with EU referendum date set for 23 June 2016 (PO7)



Helped **secure landmark international trade deals** through global lobbying campaign for the World Trade Organisation Ministerial Conference in Nairobi (PO8)



Coordinated **high impact visits**. Chinese President Xi's visit to the UK delivered more than £40bn of deals and wider UK objectives. Indian Prime Minister Modi's visit deepened our relationship; over £9bn of business announced and a significant Defence and International Security Partnership (DISP) was signed (PO10)



### Supporting British nationals overseas



**Over 80% of 310,892 calls** from British nationals overseas to our contact centres in 2015-16 immediately resolved (PO11)



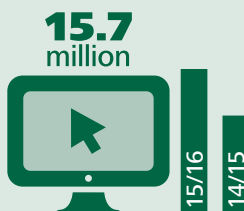
**31,418 emergency travel documents** (ETDs) issued in 2015-16 (PO11)



**84% of consular customers interviewed were satisfied with the service** (increase of 5% points from 2014-15) (PO11)



FCO crisis centre handled **9 major crises in 2015-16** ranging from terrorist incidents and political unrest to natural disasters (PO12)



**15.7m users accessed the FCO travel advice** pages on GOV.UK, an increase of 47% and 76,944 via Twitter, an increase of 17% on the previous year (PO12)



## Other highlights



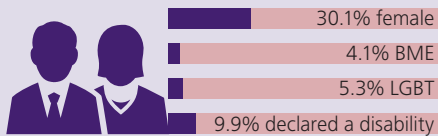
The UK's offer to host the next Commonwealth Heads of Government Meeting in 2018 was accepted at the Summit in Malta in November 2015. The Prime Minister announced **£1m each year for 5 years to establish a new Commonwealth Unit dedicated to counter-radicalisation** (see Case Study)



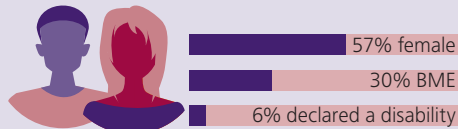
**Chevening Scholarship Programme has tripled in size** since 2014. Total Chevening budget for 2015-2016 was £46.24m with 1802 scholars from more than 150 countries joining the programme in that year.

## An FCO and global network with the skills and experience necessary to pursue our interests and protect our values in the 21st century

### Attracting a talented and diverse workforce



As of March 2016, **Senior Management Structure** was 30.1% female, 4.1% Black and Minority Ethnic (BME), 5.3% Lesbian, Gay, Bisexual and Transgender (LGBT) and 9.9% staff declared a disability

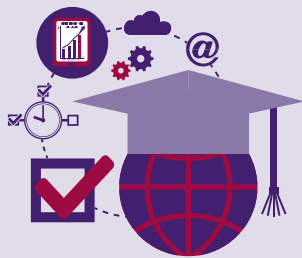


52 **interns** employed in 2015-16: 57% were female, 30% BME, and 6% declared a disability

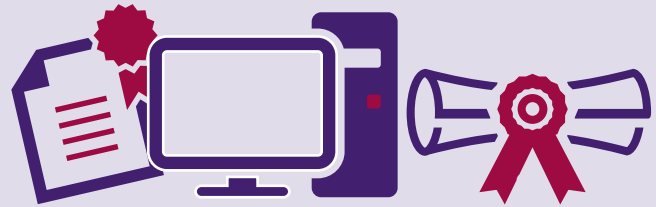


FCO awarded "**Best New Flexible Working Initiative**" by Working Families organisation in 2015 for the FCO's Special Unpaid Leave offer.

### Building capability



Launched **Learning and Development Strategy** in May 2015.



The **Diplomatic Academy** in its first year has established a strong brand and a reputation for innovation in learning. From November 2015 staff passing all Foundation level modules will acquire a City & Guilds accredited Diploma in UK Foreign Policy and Diplomacy.

### Adapting the FCO and our global network to deliver 21st century diplomacy



35% reduction in our **occupation levels**. Majority of FCO staff in London are now in one main site, King Charles Street, working in multi-occupancy offices on a ratio of 8 desks to 10 people.



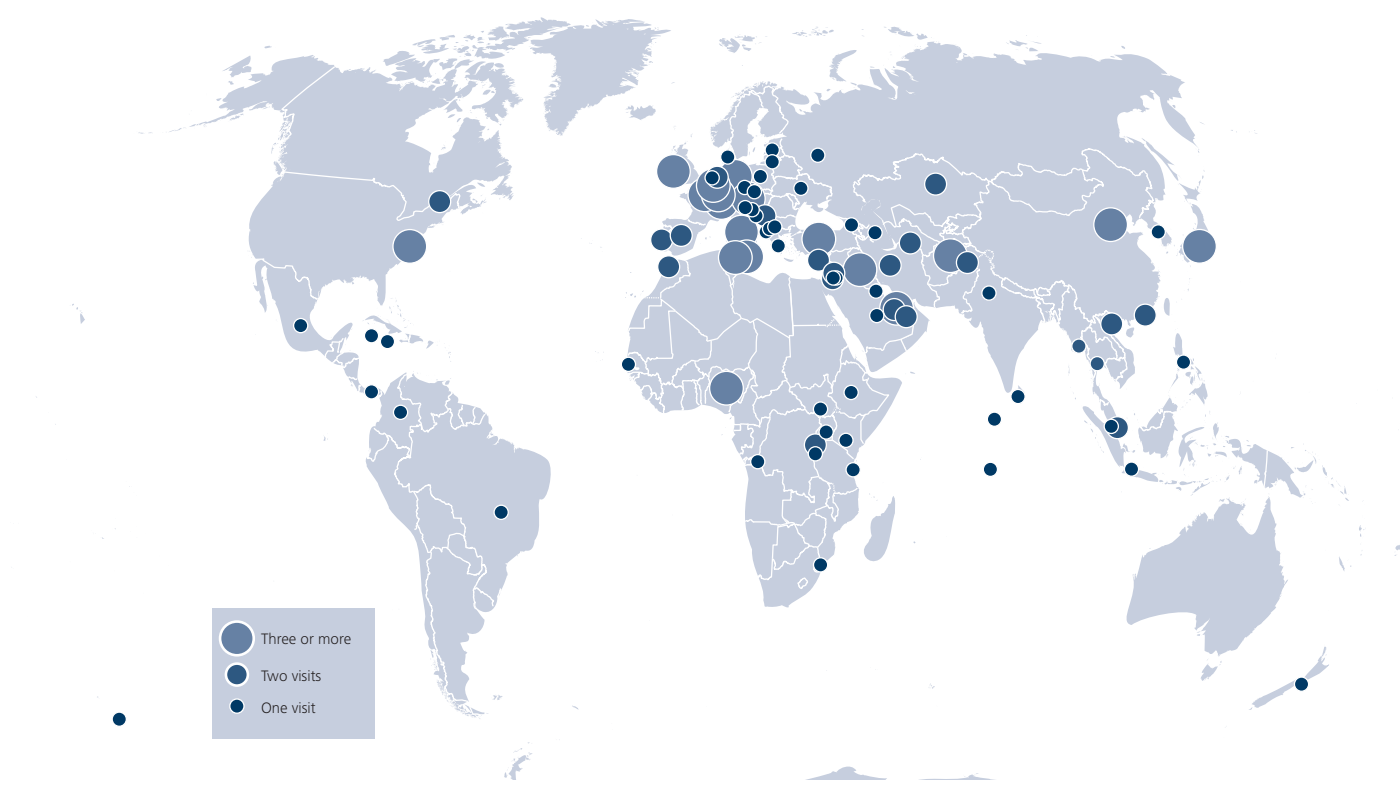
Introduced online process to apply for an **Emergency Travel Document** in January 2016 (PO11) increasing the speed and efficiency of our service.



Approved strategy and budget for **Tech Overhaul** to ensure that the FCO has modern, fit-for-purpose IT enabling staff to work efficiently and effectively wherever they are.

## Ministerial Visits in 2015-16

During the financial year 2015-16, overseas visits made by Foreign Secretary and FCO Ministers totalled 153 in support of our Strategic Priorities. The Foreign Secretary made 51 visits. Overseas visits included travel to the International Syria Support Group, E3+3 Iran Nuclear Negotiations, Human Rights Council, African Union, G20, G7 Foreign Ministers, NATO Foreign Ministers, and the Commonwealth Heads of State and Government in Malta.



## FCO Single Departmental Plan

*In 2015-16, the FCO, in common with other Government Departments, agreed a Single Departmental Plan with Cabinet Office setting out how we plan to implement our strategic objectives, government priorities, corporate goals and make efficiency savings.*

The Single Departmental Plan published in February 2016 outlined progress made towards meeting our 2015-16 Priority Outcomes and is available on the GOV.UK website.

### Manifesto Commitments

The Government's election manifesto sets out 40 commitments for the remainder of the Parliamentary term (2015-2020) related to the UK's security and prosperity where the FCO has either a leading or co-leading role in delivery. The manifesto commitments are outlined in our Single Departmental Plan, along with a short number of key milestones, enabling us to track progress.

### Number of Manifesto commitments where the FCO is the lead Department

Category	Total Number	In Progress	Completed in 15-16
Security	19	19	0
Prosperity	21	20	1
<b>Total</b>	<b>40</b>	<b>39</b>	<b>1</b>

# Performance Analysis

## How we have performed against our Priority Outcomes in 2015-16

*Our work this year has been driven by twelve Priority Outcomes under the three Strategic objectives of Security, Prosperity and Consular.*

We have achieved four out of our twelve Priority Outcomes and made progress on the remaining eight. A summary of how we performed against each of these priorities is set out in this section.

### Security

Safeguard the UK's national security by countering terrorism and weapons proliferation, and by working to reduce conflict

**PO1. Middle East and North Africa:**  
ISIL degraded in Iraq and Syria. Progress towards political settlement in Libya and Yemen. Greater UK support to good governance in the region. Strengthened cooperation with our Gulf partners in support of regional stability.

**PO2. Russia and Ukraine:**  
A working relationship with Russia, protecting the independence of the EU's neighbours and security of NATO members. Political and economic reform in a Ukraine that is more resilient against Russian destabilisation.

**PO3. Security and Defence:**  
Stronger UK and international response to terrorism and extremism globally. UK defence and security enhanced through a stronger transatlantic security partnership, effective deterrence capabilities, and a stronger rules-based counter proliferation system.

**PO 4. Iran:**  
An agreement implemented which satisfies international concerns about Iran's nuclear programme. A co-ordinated approach with key partners to ensure Iran plays a positive rather than a destabilising role in the region. Improved bilateral relations and the re-opening of embassies.

**PO5. Afghanistan:**  
Sustained international and regional backing contributes to a stable government pursuing reform, better governance and peace talks with the Taliban.

**PO6. Africa:**  
Partnerships with the key countries promote greater stability in states bordering the Sahel and in the east. Improved business environments in the fastest growing economies, creating new opportunities for UK business.

### Prosperity

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

**PO7. Europe:**  
Negotiations concluded on a more competitive, flexible, fair and democratically legitimate EU for the benefit of all Member States. UK legislation in place to hold an in/out referendum on our EU membership.

**PO8. Economic Diplomacy:**  
Measurable progress towards EU-US and EU-Japan Free Trade Agreements. Progress on WTO agreements in key commercial sectors. Economic reforms in major UK markets which create new opportunities for UK business.

**PO9. Energy and Climate:**  
An equitable deal at COP21 in December 2015 that maintains prospects for limiting global warming to 2 degrees Celsius. Improved UK energy security by ensuring the EU makes progress in implementing its Energy Union strategy.

**PO10. Asia:**  
UK export market share improved, particularly in China and India. Maintain or improve our position as a European FDI destination for the region's top five economies. A coherent European, and transatlantic, approach to security and stability in the region.

### Consular

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

**PO11. Consular Service:**  
A minimum consular customer satisfaction rate of 80% delivered through professional and tailored assistance to British nationals who most need our help.

**PO12. Crises and Events:**  
A rapid and high quality response to all crises. High quality prevention work to reduce numbers of British nationals experiencing difficulty overseas, including at international events.

# Security

*Safeguarding the UK's national security by countering terrorism and weapons proliferation, and by working to reduce conflict*

## Working towards security and regional stability in the Middle East and North Africa

### Priority Outcome (PO1): Middle East and North Africa (Partially Achieved)

ISIL degraded in Iraq and Syria. Progress towards political settlement in Libya and Yemen. Greater UK support to good governance in the region. Strengthened cooperation with our Gulf partners in support of regional stability.

#### Overview

In 2015-16, progress was made on the campaign against Daesh in Iraq and Syria, though the situation on the ground remained difficult. The FCO led work to unite the international community against Daesh, both within the Global Coalition and at the United Nations (UN). We used our influence to focus the moderate Syrian opposition and key regional powers on a political settlement, which contributed to some modest progress in the Geneva talks, as well as on the ground through the Cessation of Hostilities agreed in February 2016. In Libya, we achieved a UK objective with the signing of the Libyan Political Agreement in December, paving the way for the establishment of a Government of National Accord. In the UN Security Council, the UK was at the forefront in establishing UN Resolution 2216 - a framework for negotiations and a peaceful transition in Yemen. The Gulf States remained key partners in supporting regional stability. In 2015-16, the FCO continued to lead engagement with Gulf States.

#### Progress in 2015-16

##### Campaign against Daesh in Syria and Iraq

As part of an integrated UK Government approach, the FCO led work to:

- » Co-sponsor sanctions to stem Daesh finances and the flow of foreign fighters.
- » Fund UN stabilisation and counter-IED (improvised explosive device) efforts in Iraq with £2.5m to the UN Development Programme (UNDP) and £2.25m to UN Mine Action Service.
- » Counter Daesh propaganda by setting up the Counter-Daesh Coalition Communications Cell (see In Focus Section).
- » Help secure Parliamentary support for the UK joining the Coalition air campaign in Syria.

##### In Syria, the FCO:

- » Played a key role in creating the International Syria Support Group which delivered UN Security Council Resolution 2254, setting out a framework and timeline for resolution of the conflict.
- » Pressed the Syrian regime and wider international community for humanitarian access.
- » Used the Syria Conflict, Stability and Security Fund (CSSF) programme to deliver £65m of non-humanitarian aid, to bolster moderate governance and improve the lives of ordinary Syrians.

##### Libya

- » Our global diplomatic network worked with the United Nations, European Union (EU), international and regional partners to support the UN-facilitated process leading to the Libyan Political Agreement (LPA)



signed in Morocco on 17 December 2015. The LPA paved the way for the establishment of a Government of National Accord (GNA) which was unanimously endorsed by the UK-led UN Security Council Resolution 2259.

- » The UK Special Envoy to Libya Jonathan Powell worked on the UN's security track, promoting dialogue between militia leaders, reinforced by ceasefires on the ground.
- » We co-hosted an international meeting with the UN in London in October 2015. The FCO Minister Tobias Ellwood joined international counterparts at the Rome Conference on 13 December, demonstrating international community support for a GNA.



The Foreign Secretary, Rt Hon Philip Hammond, Dr Haider Al-Abadi, Prime Minister of Iraq and US Secretary of State John Kerry speak to the media following the Counter-ISIL Coalition Small Group Meeting in London, 22 January 2015.

### In Focus: Counter-Daesh Coalition Communications Cell

*Tackling Daesh's propaganda is critical to our goal of degrading and ultimately defeating Daesh.*

The UK, alongside the United States (US) and United Arab Emirates (UAE), leads the Global Coalition's efforts on Strategic Communications.

To support those efforts, the FCO led the creation of a Counter-Daesh Coalition Communications Cell, launched in February 2016 following an announcement by the Prime Minister at the UN General Assembly (UNGA) in 2015.

Built on the UK's approach to strategic communications, the Coalition Communications Cell is challenging the information space in which Daesh operates. Daesh's use of strategic communications has been critical to its success in promoting itself as a "brand".

Acting as a communications hub for the 66 member Global Coalition, the Cell is: shaping the direction for communications which counter Daesh; sharing expertise

on using strategic communications tools; and building the capacity of our Coalition partners in the region through tailored programmes of support. The Cell is a mix of UK strategic communications expertise, secondees from Coalition partners, and expertise from the US and the region.

In the six months since the Prime Minister's UNGA commitment, the FCO has increased the effectiveness of Coalition messaging and amplified credible and authentic voices from the region. We have also worked to secure reporting in the UK media of UK Government policy in countering Daesh. Our Twitter channel, @UKagainstDaesh has seen steady growth.

### Gulf

- » We supported: the Saudi Arabian-led coalition in Yemen; Bahrain's reform programme including support for independent human rights' oversight bodies; and work to establish a permanent UK defence presence in the Gulf. We held regular joint ministerial working group meetings with Bahrain, Kuwait, Oman, Qatar and the United Arab Emirates.

### Yemen

- » The UK helped establish UN Security Council Resolution 2216 which has provided a framework for negotiations and a peaceful transition in Yemen.

- » Through the Conflict Security and Stability Fund (CSSF), the FCO provided initial funding (total project value £1m over 2015-2017) to the Office of the UN Special Envoy for Yemen. This helped increase the UN's capacity to facilitate peace talks and develop confidence building measures between the parties to the conflict.

### Looking ahead

In 2016-17, we will continue to work with the moderate Syrian opposition. But the negotiations in Geneva brokered by the United Nations remains the best prospect in years for a political settlement to the Syrian crisis. In Libya, working with the GNA, we will aim to

deliver a stable and prosperous Libya tackling the threats both from Daesh and the criminal gangs who have contributed to the migration crisis in the Mediterranean. We will continue to support efforts to find a durable political solution to bring peace and stability to Yemen, and improve the humanitarian and economic situation. We will invest further in our relations with Gulf partners, to support security and prosperity. Our strong relations with Gulf partners should also allow us to have honest conversations about concerns such as human rights and protection of civilians.

## Russia & Ukraine: working towards security and stability in the region

### Priority Outcome 2 (PO2): Russia and Ukraine (Partially Achieved)

A working relationship with Russia, protecting the independence of the EU's neighbours and security of NATO members. Political and economic reform in a Ukraine that is more resilient against Russian destabilisation.

#### Overview

In 2015-16, we saw continued deep differences with Russia, in particular over its illegal annexation of Crimea and its continued destabilisation of eastern Ukraine. The findings of the independent Inquiry into the death of Alexander Litvinenko further complicated the bilateral relationship. On defence and security, the 2015 Strategic Defence and Security Review (SDSR) recognised that Russia is more aggressive, authoritarian and nationalist, increasingly defining itself in opposition to the West. The SDSR reaffirmed NATO as the bedrock of our national defence. Russia's intervention in Syria demonstrated its willingness to intervene where its national interests are threatened. Elsewhere, Ukraine faced continuing challenges – reforming its Soviet era structures, improving its economy and tackling corruption. Launched in March 2015, the £160m UK Good Governance Fund (April 2016 to March 2020) is now providing flexible technical assistance to Ukraine, Georgia, Moldova, Serbia and Bosnia and Herzegovina, supporting the development of open societies and open economies, through cooperation on economic and governance reforms.

#### Progress in 2015-16

- » The successful outcome of the Iran nuclear negotiations was an instance of working with Russia on a vital international issue.
- » We played an instrumental role in ensuring that the EU remained united in upholding sanctions on Russia, applying pressure on Russia to comply fully with its commitments under the Minsk agreements.
- » UK provided over £44m in support to Ukraine leading to: enhanced law enforcement capability in the new National Anti-Corruption Bureau; the creation of a business ombudsman; greater transparency of government expenditure; asset declarations for public officials; humanitarian assistance for those affected by conflict; and over 2,000 Ukrainian soldiers trained in skills which will assist their self-defence capability.
- » We have been a major contributor in enhancing the security of eastern allies, supporting NATO by providing four Typhoons to Baltic Air Policing and deploying over 4,000 personnel to NATO Exercises in 2015. While NATO continues to suspend cooperation with Russia, it is engaging in dialogue to reduce the risk of military incidents.
- » We expressed concern about how Russian military actions in Syria have been used to bolster the Assad regime, the nature of these military actions and the high level of civilian casualties. Cessation of hostilities and



Olga Golodets, Deputy Prime Minister for Social Affairs of the Russian Federation and Ian Blatchford, Director and Chief Executive of the Science Museum Group at the Cosmonauts Exhibition in London in September 2015

Photo © Science Museum

partial Russia withdrawal has seen a welcome reduction in conflict levels in some areas.

- » We highlighted the deterioration in human rights and political and media freedoms, notably during the visit to Moscow of the Minister for Europe, David Lidington, in December 2015.
- » Cultural cooperation included the reciprocal Year of Language and Literature and the successful Cosmonauts Exhibition in London.
- » We continued to celebrate our shared history with Russia. The Rt Hon Sir

Nicholas Soames MP represented the UK at the World War II 70th anniversary commemorations in Moscow in May 2015.

#### Looking ahead

In 2016-17, we will continue to press Russia to meet its commitments under the Minsk Agreements, and we will look to Russia to use its influence over the Assad regime to allow greater access for humanitarian aid. We will continue to support reform in Ukraine.

## Protecting and promoting UK national security and defence

### Priority Outcome 3 (PO3): Security and Defence (Partially Achieved)

Stronger UK and international response to terrorism and extremism globally. UK defence and security enhanced through a stronger transatlantic security partnership, effective deterrence capabilities, and a stronger rules-based counter proliferation system.



### Overview

In 2015-16, we saw the largest loss of British life to terrorism since the London attacks of 2005. British nationals were affected by attacks in Sousse, Tunisia in June 2015, the Metrojet bombing in October 2015 (16,500 British citizens repatriated), the terrorist attacks in Paris in November 2015, and those in Brussels in March 2016. There were 32 UK fatalities in all. The FCO was at the forefront of the UK Government's immediate and longer-term response, helping governments abroad with their counter-terrorism efforts, and working with our international partners to improve aviation security.

On defence, working in partnership with other UK Government Departments, we delivered a 2015 Strategic Defence and Security Review (SDSR) setting out the Government's National Security Strategy priorities for the next five years and giving a clear vision of the UK's global role, including strengthening the trans-Atlantic security partnership. UK counter proliferation programme funding helped strengthen international mechanisms on chemical and biological materials, and encouraged other States to accede to the Arms Trade Treaty (ATT). The UK also played an important role in responding to the migration crisis.

### Progress in 2015-16

- » The FCO made a significant contribution to the delivery of CONTEST, the UK Government's counter-terrorism strategy. Following the succession of terrorist attacks in 2015-16, the FCO provided £15m capacity building assistance and advice to governments in high threat locations to prevent, disrupt and raise their resilience for future incidents, and to improve the protection of UK citizens.
- » On counter-extremism, through support to the UK police, and engagement with partners abroad, we reduced the flow of extremist travellers from the UK to Iraq and Syria. We also took steps to tackle the threat of violent extremism, shaping and building consensus for the UN Secretary General's Plan of Action to Prevent Violent Extremism (PVE).

- » The FCO's work to reduce the risk of cyber incidents included the agreement between Prime Minister Cameron and President Xi of China, the similar G20 agreement, and the report of the UN Group of Government experts on the use of information and communications technology in conflict.
- » Working with the Ministry of Defence, the FCO ensured that the UK led in delivering commitments made at the 2014 NATO Wales Summit, and helping the Alliance to adapt to modern threats.
- » UK assets rescued over 14,000 people between May 2015 and March 2016, including over 3,700 people as part of the EU's Operation Sophia.
- » The UK provided political and financial support for the international response to investigate allegations that the Syrian regime and others were using chemical weapons.
- » The UK also worked to galvanise international support to suppress piracy, including strengthening judicial infrastructure in East Africa.

### Looking ahead

On counter-terrorism, the overall threat has increased and in 2016-17 we will need to strengthen our efforts. The new Joint International Counter Terrorism Unit, established with the Home Office, will streamline counter-terrorism coordination across Whitehall and overseas. In addition, counter-terrorism programme funding will increase from £23.5m in 2016-17 to £31.5m by 2019-20 (as announced in the SDSR). We will work with international partners to take concrete steps to safeguard the UK from extremism overseas, and take forward implementation of the UN Secretary General's Plan of Action to Prevent Violent Extremism. We will also continue to work to preserve a free, open, peaceful and secure cyberspace delivering the international aspects of the National Cyber Security Strategy. On defence, the main priority will be implementing the SDSR's ambitious vision of the UK's role in the world, with global reach and global influence.



### In Focus: Strengthening global nuclear security

The Prime Minister led the UK delegation at the Nuclear Security Summit in Washington in March 2016.

The Prime Minister led the UK delegation at the fourth and final Nuclear Security Summit in Washington DC on 31 March 2015 and 1 April 2016. The UK announced new commitments to lead international efforts to strengthen the cyber security of nuclear plants, undertake the largest ever movement of Highly Enriched Uranium to consolidate global holdings and support the production of medical isotopes, and invest over £10m during 2016 to improve standards worldwide. In the run-up to the Summit, the FCO

helped secure strong commitments from other countries, and chaired the Drafting Group that developed the Summit Action Plan for the United Nations. The FCO also promoted the entry into force of the 2005 Amendment to the Convention on the Physical Protection of Nuclear Material, including through UK funding of an international workshop in Vienna to support the Amendment and encourage other countries to ratify.

The strengthened Convention, which now requires countries to protect

nuclear facilities and material in domestic use, storage and transport, entered into force on 8 May 2016. We will continue to work with our international partners to further strengthen global nuclear security ahead of the International Atomic Energy Agency's International Conference on Nuclear Security in December 2016.

## Delivering the Iran Nuclear Agreement

### Priority Outcome 4 (PO4): Iran (Achieved)

An agreement implemented which satisfies international concerns about Iran's nuclear programme.

A co-ordinated approach with key partners to ensure Iran plays a positive rather than a destabilising role in the region. Improved bilateral relations and the re-opening of Embassies



© European Union

#### Overview

On 14 July 2015, the E3+3 (UK, China, France, Germany, Russia and USA) and Iran reached a historic agreement on Iran's nuclear programme, the Joint Comprehensive Plan of Action (JCPOA). This represented a major step forward in preventing Iran from developing a nuclear weapons capability. On 16 January 2016, the JCPOA was implemented and the first tranche of sanctions on Iran was lifted. The British Embassy in Tehran, which had been closed since our compounds were attacked in 2011, was reopened on 23 August 2015 when the Foreign Secretary raised the Union Flag, marking the first visit of any Foreign Secretary since 2003. We welcomed Foreign Minister

Zarif to London in February 2016 for the Supporting Syria Conference and a bilateral visit.

But while there has been good progress, challenges remain. We have continued to raise serious concerns about Iranian ballistic missile tests at the UN Security Council. We supported renewing the mandate of the UN Special Rapporteur on Human Rights. We also remain concerned about Iran's activity in the region.

#### Progress in 2015-16

- » The FCO played a central role, with the Foreign Secretary and officials negotiating around the clock, to conclude a strategically important nuclear agreement which reflected

the outcome of 13 years of concerted diplomatic engagement, with the UK in the fore.

- » We engaged extensively with British businesses to help them explore the new opportunities offered by sanctions relief, including supporting trade missions and working with the US government to address concerns from the banking sector.
- » The re-opening of our Embassy marked an important step forward in developing our bilateral relations, enabling us to discuss with Iran both areas of common interest and issues on which we disagree, including consular cases, human rights and regional challenges. We reopened a full visa service in Tehran in February, marking a further step in our return to Iran.

#### Looking ahead

- » In 2016-17, we hope to make progress in all areas, including expanding the services we provide from our Embassy. We also remain committed to ensuring Iran's compliance with the JCPOA and upholding our obligations under the agreement for the full duration of the deal.

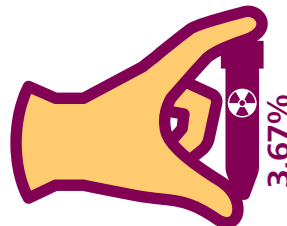
### Key elements of Iran Nuclear Deal



Iran's uranium enrichment capacity has been **reduced** by over two thirds.



Fordow is no longer an uranium enrichment site. It is in the process of becoming a nuclear, physics and technology centre.



Iran's uranium enrichment level will be **limited to 3.67%**.



The reactor at Arak can **no longer be used to produce weapons grade plutonium**.

## Afghanistan: Entering the Transformation Decade

### Priority Outcome 5 (PO5): Afghanistan: (Partially Achieved)

Sustained international and regional backing contributes to a stable government pursuing reform, better governance and peace talks with the Taliban.



#### Overview

The UK has a long term commitment to Afghanistan, supporting the Afghan government to build a more peaceful, secure and prosperous future for the country. We are in the early stages of the Transformation Decade (2015-2024) set out at the London Conference in 2014. In 2015-16, the FCO supported the efforts of the Afghan Government and the Quadrilateral Coordination Group to start direct peace talks.

Since the end of NATO combat operations in December 2014, the Afghan National Defence and Security Forces (ANDSF) have been tested by a persistent insurgency. In response to the security challenges, in 2015 NATO agreed to maintain the Resolute Support Mission's current military footprint in Afghanistan in 2016, including the UK's commitment of around 450 personnel. The ANDSF is working with NATO on reform and is continuing to build its combat effectiveness.

#### Progress in 2015-16

- » We continued to work with President Ghani of Afghanistan and the National Unity Government to support their efforts to create a stronger state.
- » Under the 2012 Chicago Commitments, we are providing £70m per year to ANDSF sustainment until 2017. In 2015-16, we provided mentoring and capacity building support to Afghan security ministries. We were alert to the emergent Daesh presence, which had come under significant pressure from the ANDSF with US support.
- » The Foreign Secretary visited Afghanistan in March 2016, met the High Peace Council representatives and announced further UK support for the peace process.

- » We supported efforts to promote governance, security and women's rights, including through CSSF. FCO engagement has encouraged the first ever Afghan National Action Plan for Women, Peace and Security.

#### Looking ahead

In 2016, the NATO Warsaw Summit (8-9 July) and Afghanistan Development Conference in Brussels (4-5 October) will be significant opportunities for the international community to decide the future size and shape of support to Afghanistan over the next five years. We will continue to work with the Afghan Government on addressing illegal migration to the UK (See In Focus Section opposite).

### Case Study: Conflict Stability and Security Fund

The Conflict Stability and Security Fund (CSSF), launched in April 2015, supports work in countries to reduce the risk of conflict.

Overseen by the National Security Council (NSC), the CSSF is part of the full spectrum approach using all the available tools of Government to achieve the Prime Minister's vision for a secure and prosperous UK. The Fund supports FCO priorities including preventing conflict, reducing illegal migration, countering violent extremism, disrupting transnational organised crime, and strengthening the rules-based international system.

The FCO has played a significant role in delivering this cross-UK Government approach: chairing regional boards; managing the peacekeeping budget; and delivering programmes.

The CSSF will grow from £1.033bn a year in 2015-16 to £1.3bn by 2019-20. In parallel, we are improving the capability of FCO staff (and other Government Departments' staff) to manage major programmes through bespoke CSSF training (see Building Capability section).

#### CSSF in Focus: Colombia

After 50 years of internal conflict, Colombia is drawing closer to a peace deal. Through the CSSF, we are: supporting Colombian Government efforts to implement a peace agreement; helping the security sector respond to post-agreement challenges; and assisting the justice sector to pursue post-conflict reforms.

One example of this is our support to the High Commissioner for Peace Office to develop an innovative



Photo © Corprovisionarios/Fenalper

strategy promoting citizen participation in peace building. Grassroots communities in marginalised regions have little involvement in the peace process, but they have extensive experience of addressing conflict.

Our project is promoting dialogue enabling grass roots communities to share these experiences with new audiences, in turn increasing citizen participation in the peace process. Our bilateral work with Colombia through the CSSF complements support from multilateral bodies such as the EU and UN.

### In Focus: 16 Days of Activism Against Gender Based Violence

The British Embassy in Kabul strongly advocated the White Ribbon Campaign (a global movement of men and boys to end male violence against women and girls) and encouraged President Ghani of Afghanistan and Chief Executive Officer Abdullah to join the campaign.

The Embassy used the White Ribbon campaign to share through social media the UK's support for education for marginalised children through the Girls Education Challenge Fund in Afghanistan, funded by the Department for International Development (DFID). This Fund has already supported over 87,000 children to access community based education and will reach a total of 180,000 girls and train over 8,000 teachers. The UK has also supported programmes which have created employment opportunities for over 6,500 women in the handicraft and textile sector and provided training to enable some of them to set up their own businesses.

Together with the United Nations Population Fund (UNFPA), the British Embassy in Kabul has launched a programme to provide support to survivors of violence through the health sector. The UK will fund the UNFPA to implement its 'Family

Protection Centres' in 6 provinces, reaching at least 6,000 women per year. These centres will provide initial health, legal services and referrals to women survivors of violence and their families.

Our "16 Days of Activism" programme culminated on International Human Rights Day with FCO Minister, Tobias Ellwood giving a speech at the Embassy in Kabul, where he spoke with a number of Afghan MPs and human rights activists.

FCO efforts in this area have also addressed violence against women by working with community and religious leaders on changing norms around violence, raising awareness on women's rights and access to justice, and providing training on human rights and violence against women for the Afghan National Defence and Security Forces.

## Africa: Partnering with key countries to promote stability and develop economic opportunity

### Priority Outcome 6 (PO6): Africa: (Partially Achieved)

Partnerships with the key countries promote greater stability in states bordering the Sahel and in the east. Improved business environments in the fastest growing economies, creating new opportunities for UK business.

#### Overview

In 2015-16, we saw mixed progress in Africa. The environment in which we were seeking to achieve our objectives remained difficult and unpredictable. £86.7m of comprehensive Conflict, Stability and Security Fund programming was in place for 2015-16 aimed at tackling the causes of conflict.

Implementation of the Mali peace process was slow and the threat to the Sahel region from increased terrorist activity increased. Al-Shabaab remained an active threat in Somalia and neighbouring countries.

We made good progress promoting our prosperity agenda, achieving, in co-operation with UK Trade & Investment, business across the continent totalling £8.52bn. In parallel, the Prosperity Fund supported important capacity building aimed at improving economic management. But lower commodity prices, a slowdown in China and weakening currencies dampened growth prospects. Corruption remained an important constraint in many markets.

#### Progress in 2015-16

- » In Somalia, our contribution to continuing international anti-piracy efforts ensured another year without successful attacks in the Horn.
- » UK political engagement helped to deliver a model for Somalia's 2016 elections and a roadmap for more inclusive elections in 2020.

- » Our continued lobbying and joint work with the Department of International Development (DFID) supported Somalia in its effort to improve its public financial management, with an International Monetary Fund (IMF) staff managed programme now underway.
- » We strengthened bilateral security co-operation with Kenya through the signing of the Defence Co-operation Agreement and Security Compact.
- » In the Sahel, we continued our multilateral approach through the EU and UN. The FCO identified where the EU mission could be positively influenced and seconded senior staff to the EU's Common Security and Defence Policy missions in Niger.

#### Looking ahead

There remains the continuing threat of terrorism. An uncertain global economic outlook poses challenges for commodity exporters and African states' ability to raise finance. A prolonged drought has increased the levels of vulnerability in southern and eastern Africa. In 2016-17, the FCO will use its increased programme resources to focus on conflict resolution and improvements in the business environment. We will continue to work with DFID and other key partners to ensure a comprehensive response to instability, alongside the effective delivery of humanitarian assistance and aid to support the needs of the poor.

#### In Focus: Darfur Community Peace and Stability Fund

The Darfur Community Peace and Stability Fund (DCPSF) promotes conflict resolution in Darfur in Sudan. It is funded by the Conflict, Stability and Security Fund, along with support from other international partners.

It has 71 community-based resolution mechanisms across the five states in Darfur. Darfuri communities have a long history of safeguarding the rule of law through negotiation and mediation.

The multi-donor DCPSF supports Darfuri communities to rebuild and strengthen time-honoured methods of mediation, reconciliation, and peaceful settlement. The community based reconciliation mechanisms take a different form in

every community, but they share a common purpose: to resolve disputes and disagreements peacefully. This was a £797,000 project, from a total £8.5m CSSF programme for Sudan and South Sudan. In total, CSSF spent £86.7m in sub-saharan Africa in 2015-16.



Community leaders meet in Abusaeeda Village, Assaylaha, East Darfur.

Photo © Jennifer Paton

### Case Study: Celebrating the 800<sup>th</sup> Anniversary of Magna Carta

2015 was the 800th anniversary of the Magna Carta. The Foreign Secretary stated, "Magna Carta is a symbol of the UK's deeply rooted democracy: a story of evolution rather than revolution; of patient embedding of the principles and institutions that support successful societies".

More than 50 British Embassies and High Commissions marked the anniversary. Hereford Cathedral's 1217 Magna Carta and the only surviving 1215 King's Writ from Runnymede toured the world in celebration of democracy and the rule of law. The Magna Carta 800 Global Tour covered 9 cities, with a total of 25,000 visitors attending during the 39 days of public exhibition.

On the International Day of Democracy, 15 September 2015, FCO Minister of State for Human Rights, Baroness Anelay announced the "Magna Carta Partnerships" pilot fund. This FCO-led initiative provided small, flexible grants



to promote democracy and the rule of law overseas, and generated interest from UK legal and parliamentary experts including the Westminster Foundation for Democracy.

By the end of 2015, we had committed over £100,000 of funding to 14 projects in Africa, the Americas,

Central Asia, South Asia, and South East Asia. Because of the high interest the fund generated, the FCO has since increased the focus on democracy and the rule of law in its larger human rights programme and renamed the programme the "Magna Carta Fund for Human Rights and Democracy" (MCF).

### Case Study: UN Peacekeeping



In 2015, the FCO identified an opportunity for the UK to play a more influential role on UN peacekeeping.

This was against the backdrop of two key reviews of UN work on peacekeeping and peacebuilding, and the review of the landmark UN Security Council Resolution 1325 on Women, Peace and Security. The UK's strong position as a permanent member of the Security Council, and our substantial mandatory contribution to the peacekeeping budget meant that the UK was well placed to shape this important debate.

The FCO worked to align the direction of the UN reform agenda with UK priorities on improving the impact and efficiency of peacekeeping missions on the ground. Following the publication of the UN's reviews, the FCO kick-started reform implementation by funding niche projects using the Conflict, Stability and Security Fund, including deploying police experts to the peacekeeping mission in South Sudan to lead the UN's work on

community policing and trust-building, and supporting the development of a new Strategic Analysis and Planning Unit at the UN in New York. In the 2015 Strategic Security and Defence Review, the FCO also helped successfully make the case for a step change in UK military engagement on peacekeeping. This resulted in the Prime Minister pledging to double the number of UK military personnel deployed to UN peace support operations, including to some of the most difficult theatres, and agreeing to host the UN Peacekeeping Defence Ministerial in London in 2016. The SDSR also recommended forming a joint FCO-MOD peacekeeping unit, hosted in the FCO, to maximise our civilian and military impact.

In 2016-17, the FCO will work to ensure that peacekeeping remains a key tool of the rules-based international system delivering National Security Council priorities and value for money through international burden sharing.

## Case Study: Commonwealth Heads of Government Meeting 2015



The biennial Commonwealth Heads of Government Meeting (CHOGM) in Malta in November 2015 delivered strongly against UK Government expectations.

Our objectives for the 2015 CHOGM in Malta focused on: securing political commitments from leaders to counter violent extremism (CVE); strengthening governance and human rights; implementing the Sustainable Development Goals (SDGs) and combating corruption; supporting Small Island Developing States; and showing ambition on COP21 climate outcomes. We also wanted to see Commonwealth leaders elect a strong Secretary General to take over the leadership of the Secretariat.

Two years previously CHOGM was held in Colombo in Sri Lanka. It was a fractious event that exposed divisions within the Commonwealth. Ahead of the Malta CHOGM omens were more favourable and the FCO worked closely with No 10 to approach the meeting with ambition and practical initiatives to announce supporting our objectives. Delivering these objectives required the FCO in London and the British High Commission in Malta to coordinate between our

network of Commonwealth Posts, Cabinet Office, and other Government Departments.

The UK Government achieved every one of its top objectives for the summit. The UK's offer to host the next CHOGM in 2018 was accepted. The Leaders' Statement reflected UK priorities. Baroness Scotland, standing as a Dominican candidate, was elected Secretary General in a tight contest.

In addition to a Leaders' Statement, CHOGM also achieved an ambitious and high profile Commonwealth Heads of Government statement on climate action (See How we have performed - Priority Outcome 9). The decision for the UK to host the next CHOGM in 2018 provides the FCO with a strong platform on which to build on the progress made in Malta. The FCO is now working to ensure implementation of the 2015 CHOGM commitments with the goal of supporting a process of long-lasting reform and renewal of the Commonwealth.



Photos © CHOGM Malta 2015

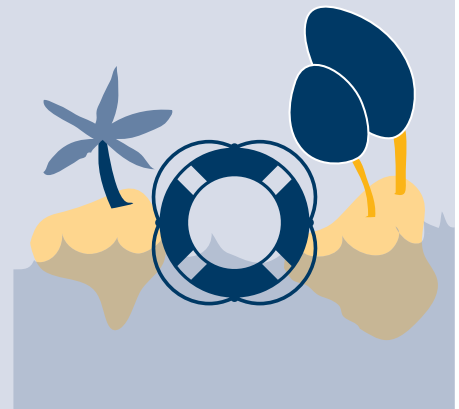
## The Prime Minister announced at CHOGM 2015:



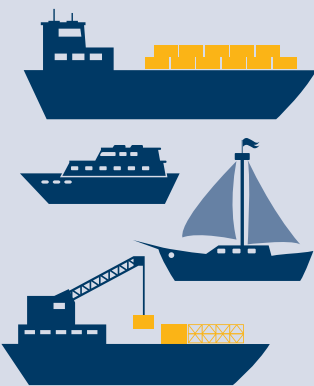
**£1m** each year for five years to establish and run a new Commonwealth unit dedicated to counter-radicalisation



**£200,000** of seed funding to expand a recently-established European counter-radicalisation youth network to the countries of the Commonwealth



**£20m** to enable small island states to access disaster risk insurance and to aid disaster risk contingency planning



**£5.6m** of technical assistance to help small island states develop their maritime economies



**£1m** for expert assistance to access development finance



Up to **£400,000** from existing budgetary contributions to support a new Commonwealth Climate Finance Access Hub



**£50,000** to the Commonwealth Small States Offices in New York and Geneva

## Prosperity

*Build the UK's prosperity by increasing exports and investment, opening markets, ensuring access to resources and promoting sustainable global growth*



### A more competitive, flexible, fair and democratically legitimate EU

#### Priority Outcome 7: Europe (Partially achieved)

Negotiations concluded on a more competitive, flexible, fair and democratically legitimate EU for the benefit of all Member States. UK legislation in place to hold an in/out referendum on our EU membership

##### Overview

Following the May 2015 General Election the Government pursued an agenda of reform and renegotiation to deliver change in our relationship with the European Union, which could then be put to the British people in the first referendum on the UK's membership of the EU since 1975. FCO Ministers and officials and the overseas network were closely involved in this effort.

##### Progress in 2015-16

- » The FCO supported the Prime Minister, Foreign Secretary, Chancellor and other Ministers in their international engagement, and in aspects of the renegotiation itself.
- » The Foreign Secretary and Minister for Europe made over thirty visits to EU capitals, the Foreign Secretary completing his tour of every Member State.
- » Following months of negotiations, at the European Council on 18-19

February 2016 the UK Government secured a new settlement for the UK in a reformed EU covering four key areas: economic governance; competitiveness; sovereignty; and welfare and free movement.

- » Over this period FCO Ministers were also responsible, supported by Cabinet Office Ministers, for the passage of a Referendum Bill through Parliament to enable the referendum to take place. This Bill was introduced to Parliament immediately after the Queen's Speech in May 2015, and received Royal Assent on 17 December 2015.
- » Secondary legislation required to set the date, the conduct rules, and the costs of the referendum was completed on 23 March 2016. The date of the referendum was set for 23 June 2016.
- » On 23 June, the British people voted to leave the European Union.

### Secure British jobs and growth, and to tackle global economic challenges

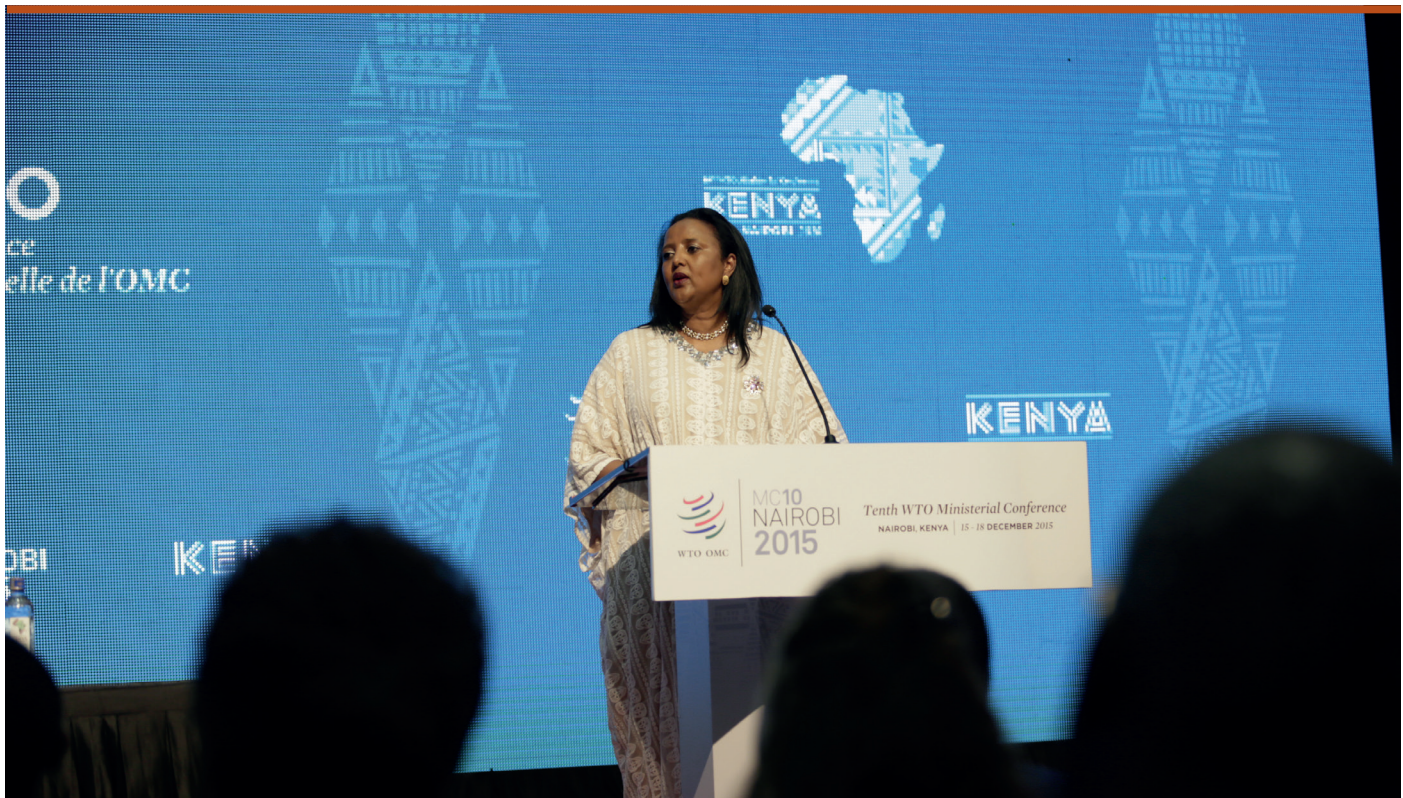
#### Priority Outcome 8: Economic Diplomacy (Partially Achieved)

Measurable progress towards EU-US and EU-Japan Free Trade Agreements. Progress on WTO agreements in key commercial sectors. Economic reforms in major UK markets which create new opportunities for UK business.



##### Overview

In 2015-16, FCO economic diplomacy continued to play a key role in opening markets to UK businesses and tackling global economic challenges in partnership with other governments. We helped secure landmark international trade deals. Working across government, we delivered a global lobbying campaign for the World Trade Organisation (WTO) Ministerial Conference in Nairobi, and continued our campaigns to secure ambitious free trade agreements with the US and Japan, estimated to be worth a combined £15bn to the UK economy each year.



© WTO - Courtesy of Admedia Communication.

### In Focus: 10<sup>th</sup> WTO Ministerial Conference

The 10th World Trade Organisation Ministerial Conference (MC10) was held in Nairobi, Kenya from 14-18 December 2015. Lobbying across the FCO network, including in London, Brussels, Geneva and Nairobi, was instrumental to achieving UK objectives, with MC10 a watershed for multilateral trade.

Alongside an agreement to reduce the agricultural subsidies that negatively affect producers in poor countries, MC10 secured a deal to reduce tariffs on IT goods that was the biggest of its kind in WTO history, covering \$1.3 trillion of global trade. The FCO ran a campaign of high-level lobbying through Ministers and Posts.

In Nairobi, Lord Maude, the then Minister for UK Trade & Investment, and the UK delegation helped tackle blockages in negotiations through targeted lobbying of WTO members. The FCO worked closely with the Department of Business

Innovation and Skills (BIS) and Department of International Development (DFID) to secure language in statements at the Commonwealth, G7 and G20 to support ambitious MC10 outcomes. We also shared our diplomatic expertise, with the British High Commission in Nairobi funding the secondment of our trade attaché from the UK Mission in Geneva to the Kenyan government to help the hosts deliver a successful conference. We are now working closely with WTO Members to develop an ambitious and forward-looking agenda for the WTO.

### Progress in 2015-16

- » Whilst some areas of the Doha Development Agenda are outstanding, such as agreement on agricultural domestic support, the lobbying campaign helped achieve the largest agriculture and tariff reduction deals in WTO history. The updated Information Technology Agreement is expected to boost British exports by at least £110m a year through eliminating tariffs on high-tech goods, covering 10% of global trade.
- » In November 2015, the UK handed £29m back to the Macao authorities in the first case of the UK

returning stolen assets under the UN Convention against Corruption.

- » We promoted greater co-operation between countries on global health issues to help address threats to future prosperity and development. The FCO played a leading role to counter antimicrobial resistance (AMR) resulting in the first World Health Organisation Global Action Plan on AMR.
- » Much of our economic diplomacy activity has been supported by the FCO Prosperity Fund, which conducted 220 economic diplomacy projects in 13 priority markets

around the world. The 2015 SDSR announced a £1.3bn Prosperity Fund over the next 5 years to promote the economic reform and development needed for growth in partner countries.

### Looking ahead

Combating anti-corruption will be a priority for the FCO in 2016-17, building on the results of the London Anti-Corruption Summit on 12 May 2016. We will also work to further strengthen international co-operation on countering antimicrobial resistance – a key global health risk.

## Limiting the impact of climate change and improving UK energy security

### Priority Outcome 9 (PO9): Climate Change (Achieved)

An equitable deal at COP21 in December 2015 that maintains prospects for limiting global warming to 2 degrees Celsius. Improved UK energy security by ensuring the EU makes progress in implementing its Energy Union Strategy.



#### Overview

FCO climate change diplomacy helped achieve an historic international agreement to tackle climate change in Paris in December 2015. For the first time ever, 195 countries agreed to act together to combat global warming and reduce carbon emissions. It marked a clear turning point towards a sustainable and low carbon future. The successful outcome established a clear framework of rules to track global progress on tackling climate change and keep our goal of limiting temperature rises to 2°C within reach.

#### Progress in 2015-16

- » Working with the Department of Energy and Climate Change (DECC), we used the FCO's network of approximately 80 specialist climate attachés to secure ambitious outcomes from the deal.
- » The FCO was instrumental in securing a strong statement at the Commonwealth Heads of Government Meeting (CHOGM) in Malta which took place the

month before the COP21 Climate Negotiations in Paris. The diversity of Commonwealth membership, encompassing some of the world's largest and smallest nations, helped add weight to the statement. Bringing together representatives of developed economies, Small Island States and Least Developed Countries sent a robust signal that every country was united behind the goal of wanting an effective climate agreement in Paris.

- » The FCO also worked with European partners to ensure the EU Energy Union strengthened UK energy security helping increase sources of energy supply in the EU and enhance energy interconnectivity between EU Members States.
- » Beyond the EU, the FCO strengthened cooperation across business, technical and academic spheres with emerging energy consumers and producers, such as India and China, to help them deliver on commitments made in Paris and mitigate global risk. The FCO also played a key role working with China in particular, as it designs its energy market to meet future demand while reducing carbon intensity.

#### Looking ahead

In 2016-17, we will work with international partners to sustain momentum and help implement the deal. We are seeking ways to maximise commercial opportunities for UK companies arising from the transition to a low carbon global economy. The FCO is also now working to ensure the Commonwealth delivers the climate initiatives that were launched in CHOGM.

## Secure British jobs and growth, and to tackle global economic challenges

### Priority Outcome 10: Asia (Partially Achieved)

UK export market share improved, particularly in China and India. Maintain or improve our position as a European FDI destination for the region's top five economies. A coherent European, and transatlantic, approach to security and stability in the region.

#### Overview

In 2015-16, we saw trade and investment success across the region. The best available figures show that the UK continued to be the number one European destination for Foreign Direct Investment (FDI) from the region, and that UK market share in Asia Pacific remained steady at 1.5%. A range of deals from across the region contributed: there was a £35m return on investment from the GREAT campaign in the Philippines (through an investment of only £106,000), and £600m and £2.1bn of business contracts won by UK companies in the Singaporean and Australian infrastructure sectors respectively.

The security environment remained difficult across the region. The FCO played a critical role in strengthening security co-operation. This included signing an important defence and security agreement with India and agreeing an ambitious package of cooperation with Japan and other partners. In the United Nations Security Council, we worked together on global issues with Japan, New Zealand and Malaysia. Close coordination with regional and international partners, including the Republic of Korea, ensured a robust response to the Democratic People's Republic of Korea's provocations, whilst the UK provided significant support for the historic democratic transition in Burma. The FCO led a number of projects to help reduce tensions over historical and territorial



### In Focus: 2015 China State Visit

The 2015 China State Visit was the crowning highlight in a special year for the UK-China relationship - a global partnership for the 21st century – and a spectacular celebration of our shared appreciation of heritage and culture. This was the first time a Chinese President has visited the UK in 10 years, and the President visited London, Chequers and Manchester.

The visit delivered for the British economy. More than £40bn of trade and investment deals were completed, and 5,500 permanent and 24,000 temporary jobs were created across the UK. These agreements further cemented our relationship with the world's second largest economy. The deals signed during the State Visit covered a wide range of the UK economy including £2bn of investment creating 2,000 jobs to build electric buses in Scotland; £2bn of regeneration investment in the Northern Powerhouse; £1bn of deals in the advanced engineering sector; and £350m of creative sector deals.

The State Visit gained widespread attention, helping further raise the profile of the UK as place to visit and do business. Events such as the Prime Minister and President Xi enjoying a pint in a local pub were played out across Chinese state media, including on around 750 million Chinese smart-phones.

The visit also demonstrated that being open to China does not mean a choice between trade and dealing with difficult issues. We continue to do both. Frank private talks, and a willingness to address difficult issues, remain a key part of the relationship.

disputes, and funded activities and provided ongoing practical support for peace processes, including in Burma and the Philippines. It also increased cooperation on counter-terrorism and tackling extremism, including initiating important Islamic exchanges between imams and community leaders with Muslim-majority Malaysia and Indonesia.

### Progress in 2015-16

Our achievements were exemplified by three high impact visits:

- » The Prime Minister's visit to South East Asia demonstrated our 'All-of-

Asia' policy, helping UK companies sign deals worth over £1bn, and opened new avenues for cooperation in a wide range of policy areas. The visit coincided with the conclusion of the EU-Vietnam Free Trade Agreement, expected to open up substantial new trade opportunities.

- » Chinese President Xi's visit to the UK delivered enormous benefit for the UK economy, with more than £40bn of deals completed. It also delivered on wider UK objectives and helped discussion on a range of important bilateral issues, including agreement

to hold Dialogues on security, peacekeeping and South Asia.

- » Indian Prime Minister Modi's visit deepened our relationship; over £9bn of business was announced and a significant Defence and International Security Partnership (DISP) was signed.



## GREAT in 2015-16

The FCO and our diplomatic network continued to support the delivery of the successful GREAT Britain Campaign, which is the UK Government's international marketing initiative designed to generate jobs and growth for the UK.

Since 2012, the campaign has secured economic returns of £1.8bn. Working with UKTI, VisitBritain and the British Council, our overseas teams help deliver nearly 100 GREAT-branded events every month highlighting the UK as a world class destination for trade, investment, tourism and education. In 2015-16, the Campaign and our Posts used strong soft power assets, including the James Bond franchise (around the release of 'SPECTRE') and William Shakespeare (on the 400th anniversary of his death), to promote the UK's commercial, cultural, education and tourism offer.



### In Focus: Digging For GREAT Opportunities in Chile

Chile is the world's largest producer of copper, as well as a significant producer of other materials, including gold, silver and lithium. Over the next seven years, the Chilean Government is planning £70bn of investment in mining equipment, services and infrastructure.

The British Embassy in Santiago recognised that UK companies are well-placed to secure this lucrative business. They applied for £10,000 of GREAT funding to ensure there was a strong UK presence at EXPONOR, one of Latin America's biggest mining shows, which takes place in Antofagasta in the heart of Chile's mining region.

Over 20 UK companies attended EXPONOR, and made valuable contacts with potential customers, through various networking events and one-to-one meetings. The UK delegation also benefitted from an eye-catching GREAT-branded pavilion, which helped their offer rise above the competition. As a result of their participation, several UK products and services were trialled, which has subsequently led to over £10m worth of business. Many of the EXPONOR attendees are returning to Chile to attend another major mining show in Santiago, as part of a delegation of 40 UK companies.

## Case Study : Chevening – Building UK soft power

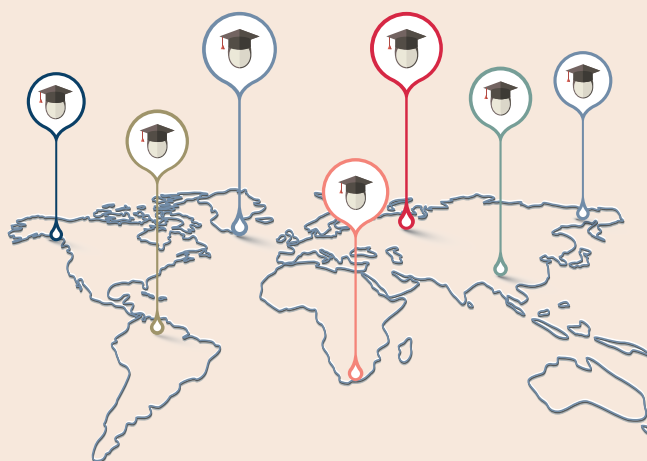


The Chevening Scholarship Programme offers a unique opportunity for future leaders, influencers, and decision-makers from all over the world to develop professionally and academically, create extensive networks, experience UK culture, and build lasting positive relationships with the UK.

The Chevening Scholarship Programme tripled in size following the Chancellor's allocation of additional development funding in the 2014 budget. The total Chevening budget for 2015-2016 was £46.24m and 1,802 scholars from more than 150 countries joined the programme in that year. A key focus now is on developing our Chevening alumni network into an even more effective tool for building UK soft power.



Chevening budget tripled to **£46.24million**<sup>1</sup> this allowed us to take on the largest cohort to date of **1,802 scholars**<sup>2</sup>.



The **44,000 strong Chevening alumni community** is a network of influencers around the world and a **key soft power asset for the UK**.

<sup>1</sup> The central budget for 2015-16 is £46.24m, of which £44.64m is spent on ODA eligible countries and £1.64m on non-ODA eligible countries.

<sup>2</sup> 638 scholars in 2014- increase of 1164.

# Consular

*Supporting British nationals around the world through modern and efficient consular services*

## Supporting British nationals overseas

### Priority Outcome 11 (PO11): (Achieved)

A minimum consular customer satisfaction rate of 80% delivered through professional and tailored assistance to British nationals who most need our help

#### Overview

We continued to deliver high quality consular services and assistance to British nationals requiring support overseas. Our Contact Centres in Hong Kong, Malaga, Ottawa, and the 24/7 response centre in London provided first line response to British nationals most in need of our help. Consular staff responded to 18,179\* new cases in 2015-16. Our Murder and Manslaughter team handled an unprecedented number of new cases, recording 86, including the tragic deaths resulting from the terrorist attacks in Sousse, Tunisia in June 2015. To support those affected in the Tunisia attacks the FCO set up and hosted the cross-government Joint Officials Unit, established by the Prime Minister. In January 2016, we introduced an online application process for British nationals requiring emergency travel documents.

#### Progress in 2015-16

- » 84% of consular customers interviewed reported that they were satisfied or highly satisfied with the service received (an increase of 5% from 2014-15 when we started to record consular satisfaction).
- » Our global consular network handled over 600,000 enquiries from British Nationals overseas.
- » Over 80% of the 310,892 calls received by our three Contact Centres in Hong Kong, Malaga and Ottawa were resolved immediately, enabling us to provide high quality first line response to British nationals most in need of our help.
- » Staff responded to 18,179\* new consular cases, including helping 291 Britons who were victim of a rape

or sexual assault, 3,319 who were hospitalised, and 5,122 who were arrested or detained.

- » We supported the families of 3,606 British nationals who died overseas.
- » Issued 31,418 emergency travel documents (ETDs).
- » 1765 compliments and 318 complaints - a ratio of nearly 6:1.

#### Looking ahead

In 2016-17, we will continue to improve our services, aim to maintain our customer satisfaction levels, and improve online information making it easier for British nationals to access the consular advice they need.

\*Excluding Emergency Travel Documents, lost/stolen/recovered passports and advice

### At a glance: Supporting British nationals overseas in 2015-16



**18,179\*** new assistance cases

\*Excluding Emergency Travel Documents, lost/stolen/recovered passports and advice



**291** Rape & sexual assault



**3,319** hospitalisations



**3,606** death cases



**5,122** arrest & detention



**310,892** calls handled by our three contact centres



### In Focus: The Murder and Manslaughter Team (MMT)

The MMT was established in 2015 to provide a specialist service to families bereaved in very difficult circumstances.

In 2015 consular officials were informed by authorities overseas that a British national – Paul (not his real name) – had been attacked and killed while travelling. Our priority was to inform Paul's family. Consular staff identified Paul's next of kin from his passport and worked with UK police to inform his family of his death in person. We assigned Paul's family a dedicated point of contact in the MMT and, working with consular officers overseas, MMT staff were able to provide Paul's family with information about the circumstances around his death and the overseas investigation. MMT staff advised the family about their options for burying or cremating Paul overseas or repatriating him to the UK. They also worked closely with the funeral directors appointed by the family to bring Paul home. With the family's consent the FCO referred them to Victim Support, a specialist organisation part funded by the FCO, and secured a caseworker. The investigation into Paul's death continues and MMT and consular staff overseas will continue to support the family throughout the investigation and any future trial.



### In Focus: Transforming our digital services – Emergency Travel Documents

One of the services the FCO offers to the public is emergency travel documents (ETDs), with over 30,000 documents issued each year. We provide ETDs to British nationals overseas whose passports are unavailable (for example lost, stolen, or recently expired) and who need to travel urgently before they can get a replacement passport.

Until recently, ETD application forms had to be completed by hand. Eligible applicants can now complete an online form, with options to book an appointment and pay online. The system is fully integrated with Consular Directorate's new case management system, meaning consular officers can make checks in advance, saving the applicant time. More than 20% of applications are already going through this route. Over 100 posts have received online applications, and over 70 have taken an online payment. This service will be made more widely available on GOV.UK in 2016.

Customer satisfaction for ETDs is at 95% with more than 70% very satisfied, as of 31 May 2016. Applicants have commented that the ETD is 'very quick and easy for an emergency situation' whilst consular officers report major time savings in providing the service.

This is the first major service which the FCO has made available digitally. 2016 will also see the biggest consular service, Legalisation, go digital.





## Leading the UK's response in crises overseas

### Priority Outcome 12 (PO12): Crisis and Events (Achieved)

A rapid and high quality response to all crises. High quality prevention work to reduce numbers of British nationals experiencing difficulty overseas, including at international events.

#### Overview

In 2015-16, the FCO provided a rapid response to nine major crises. These ranged from terrorist incidents and political unrest to natural disasters. Large numbers of Britons were affected including in the earthquake in Nepal in April 2015, the Sharm-el-Sheikh Airport crisis in November 2015, and the terrorist attacks in Tunisia, Paris, and Brussels. To further improve our crisis response we surveyed British nationals whom we had assisted during crises from December 2013 to May 2015. 66% of those interviewed said the FCO had met or exceeded their expectations.

#### In 2015-16, the FCO

- » Worked with the Nepalese authorities to locate and assist British nationals in the aftermath of the earthquake in Nepal, returning 120 people via UK Government organised flights back to the UK;
- » Assisted 16,500 British travellers to safely return from Sharm-el-Sheikh following the downing of Metrojet flight 9268;
- » Supported the victims and families of those involved in the attacks in Tunis and Sousse, Tunisia.

- » Led a co-ordinated response to the Paris and Brussels terrorist attacks, working closely with the police and the Home Office (see Priority Outcome 3).
- » Supported Britons attending numerous international events in 2015-16. Our campaigns included 'Take Your Pic', which targeted young people travelling to nine resorts in Spain, Greece, Cyprus and Bulgaria. Following the campaign, we saw a 7.4% drop in new cases in these resorts with significant reductions in the number of British Nationals arrested or hospitalised.
- » We increased our presence on digital media to provide advice to Britons. 15.7 million users accessed our travel advice pages on GOV.UK (an increase of 47%), and 76,944 via Twitter, an increase of 17% on the previous year.

#### Looking ahead

In 2016-17, we will build on our preparations for key sporting events, such as the UEFA European Championship in France and the Olympics and Paralympics in Rio de Janeiro.



Photos © Andrew Dunsmore, Westminster Abbey

### In Focus: Sousse attack, Tunisia, June 2015

On 26 June a gunman killed 38 tourists on the beach outside the Imperial Marhaba Hotel and Hotel Club Bellevue in Port el Kantaoui, Sousse. A number of British nationals were seriously injured and 30 were killed.

The FCO Crisis Centre and the British Embassy in Tunis immediately activated crisis procedures upon the news breaking. FCO consular staff, media officers and the Red Cross were sent to Tunisia to provide support and practical assistance to British nationals affected by the attack. Police Family Liaison Officers supported bereaved families in the UK.

The seriously injured were repatriated to the UK either by private medical evacuation organised through their travel agents or by the RAF. The FCO, working with the military, coroner's office and police, organised the return of the deceased British nationals to Brize Norton where dignified repatriation ceremonies were held. FCO staff attended each ceremony, alongside Ministers, military and a representative of the Royal Family. We continued to work with tour operators to support the departure of British nationals wishing to leave Tunisia following the attack.

A Joint Officials Unit was established to provide support from across Government to all those affected by the attacks. Working closely with Westminster Abbey, the Unit organised the Service of Solemn Commemoration for the Victims of the 2015 Terrorist Attacks in Tunisia held on 12 April 2016.

### At a glance: Social Media statistics



**43.6 million unique page views of our travel advice**  
(22% increase on FY2014-15)

**15.7 million users**  
(47% increase on FY2014-15)



**43,873 page likes [=followers] of FCO Travel on Facebook**  
(33% increase since 31 March 2015)



**76,944 followers of @fcotravel on Twitter**  
(17% increase since 31 March 2015)

## Representing the whole of the UK overseas

*2015-16 saw continued engagement with the Devolved Administrations (DAs). We worked with the DAs on EU renegotiation and ensured their interests were defended, whether through negotiating fishing quotas, or EU funding for culture projects.*

FCO Ministers and officials travelled across the UK to understand better the international priorities of different parts of the UK. The Foreign Secretary hosted high-level political talks with the DAs' leadership. Our Embassies supported DA Ministers' overseas engagements: the Scottish First Minister to China, Hong Kong and the USA; the Welsh First Minister to Argentina and Japan; and the Northern Ireland Trade Minister to Kuwait.

**FCO Key Fact:** British Embassy in Oslo helped deliver a £155m investment to build the world's first floating wind farm array, which will power 20,000 Scottish households.

We helped businesses across the UK secure trade and investment successes in 2015-16. Our Embassy in Oslo helped deliver a £155m investment in November 2015 to build the world's first floating wind farm array, which will power 20,000 Scottish households. Our Chief Scientific Adviser (CSA) and the CSA for Wales worked together to secure commercial opportunities for the Cardiff Catalysis Institute. Our Embassy in Dubai helped Queen's University Belfast sign a major Academic Partnership to develop a College of Medicine in Dubai in 2015. And Milan Expo 2015 highlighted the best of our regional food and drink, showcasing Melton Mowbray pork pies, Cumberland sausages and the work of Scottish Michelin-starred chef Tom Kitchin (see Case Study).

In 2015, we reviewed how we work with and deliver for the different parts of the UK – England, Scotland, Wales, and Northern Ireland - through our overseas network. As a result, we were encouraged to build our officers' skills and understanding of the devolution settlements. For example, we are strengthening relations across different administrations, hosting 11 Scottish Government officials in our Embassies and Posts this year. We will continue to encourage all staff in the FCO, whether in the UK or overseas, to deepen their knowledge, and to think UK-wide in their objectives.



The UK's theme for Milan Expo 2015 was 'Grown in Britain & Northern Ireland', a flagship initiative led by UK Trade & Investment (UKTI).

The UK's Pavilion was inspired by the role of the bee in the global ecosystem, forming a platform for a six-month global programme of UK business and cultural events linked to the challenge of feeding the planet.

The UK pavilion showcased cuisine from across the UK. In July, top Scottish chef Tom Kitchin – the youngest Scot ever to gain a Michelin star – brought Scotland's cuisine to the world with a three-course menu blending traditional and modern Scottish cuisine and ingredients including haggis and artisan Scottish cheese.

There were over 3.3 million visitors to the UK Pavilion with 81% of visitors saying they were more likely to visit the UK after experiencing the UK Pavilion. 130 FCO/UKTI Posts promoted UK's excellence and capability in key sectors (e.g. food and drink). A total media audience was reached of 450 million with 20,000 social media mentions.

**TECHNOLOGY IS GREAT BRITAIN**

The British Government is investing in Smart City projects across the UK, such as £24 million in Glasgow. For a strong collaborative working style essential for future city planning, choose the UK.

gov.uk/ukti

**UKinthePhilippines** @ukinphilippines

Looking for your next travel destination? Consider Northern Ireland! #NIFACTS [discovernorthernireland.com/Seven-Walking-](http://discovernorthernireland.com/Seven-Walking-)

Retweets: 2 Likes: 5

**NORTHERN IRELAND: INSPIRED?**

How much do you know about Northern Ireland's cultural impact? Try our quiz

**WALES IS GREAT**

On St David's Day, here's 10 reasons why, from the Foreign & Commonwealth Office

### Case Study: Devolution communications campaign

We used the UK's national days and events in 2015-16 to promote UK business, tourism, culture, education, and our policy delivery, leading a cross-government effort working with colleagues including the Scotland Office, Wales Office, Northern Ireland Office, and other Government Departments.

For St Andrew's Day the network promoted Scottish business, tourism and culture, posting 1,122 separate pieces of social media content, reaching millions of accounts. Media coverage in Scotland included promotion of economic opportunities in Italy, and UK support for disaster relief efforts after the Nepal earthquake (jointly arranged with Department for International Development, DFID).

Burns Night promoted Scottish whisky and food exports. Events were held across the globe. Scottish television covered footage of the FCO's Consul-General Jerusalem briefing on the work of the UK Government locally and the work of Robert Burns, as well as a cultural video of children from around the network reciting Burns' poetry.

St David's Day supported Visit Wales' Year of Adventure and Exporting is GREAT. The network promoted businesses such

as Airbus with a video made specifically for the campaign. A cultural 'Learn Welsh in 15 Seconds' video made by children from our High Commission in Dar es Salaam was published by The Independent with over 30,000 views.

Northern Ireland (NI) was celebrated on 14-16 March, also linked with Exporting is GREAT, including the creative industries with NI's role as a filming base for the 'Game of Thrones' TV series. Media coverage in NI included FCO/UKTI support for NI companies in Shanghai, and safety when travelling in Spain, from the consular network.

We continue to seek opportunities to promote all parts of the UK, including St George's Day in 2016 for England and its regions.

## Engaging with Parliament in 2015-16

*FCO Ministers and officials take their responsibilities to Parliament seriously. Officials are encouraged to take a positive and open approach to engaging with Parliamentarians during policy making, and to recognise the importance of Parliamentary scrutiny of the FCO's work.*

Throughout the year, FCO Ministers and officials gave evidence to Select Committees on a broad range of issues including Human Rights, Libya, Daesh financing, UK victims of Irish Republican Army (IRA) attacks using Gaddafi-supplied Semtex, Sexual Violence in Conflict and various Europe related inquiries. The Foreign Secretary gave evidence to the Foreign Affairs Committee (FAC) on 21 July 2015 and 9 September 2015, as part of their ongoing inquiry into foreign policy developments. The Permanent Under-Secretary, appointed in September 2015, appeared before the FAC twice in his first three weeks in the role.

FCO Ministers and senior officials brief the FAC on changes to the FCO's network of overseas Posts or where foreign policy is being developed rapidly in response to fast-moving, global situations. As part of their familiarisation and induction in July 2016, the newly appointed FAC toured the FCO Crisis Centre, as well as receiving a briefing from the PUS and Europe Directorate. Briefings are also provided to All Party Parliamentary Groups.

The FCO in London and our global network work closely with a range of Select Committees (e.g. FAC, Defence, Home Affairs, Justice) to facilitate their visits overseas on fact-finding tours, helping to inform their inquiries. For example, the FAC visited Abu Dhabi, Amman, Ankara, Beirut, Cairo, Tehran, Baghdad and Riyadh in November 2015; Brussels in January 2016; and Tunis and Cairo in March 2016. This coordination between the FCO and Select Committees allows our global network to add value to proposed visits through their local knowledge, influence and contacts. This enables Parliamentary Committee Members to get the most from their visits.

The FCO also maintains a frequently used consular hotline to provide MPs with direct access to consular staff to discuss constituent cases.

### Our performance in 2015-16

Activity	Progress in 2015-16
<b>Written Answers (Commons and Lords)</b>	<ul style="list-style-type: none"> <li>• <b>3,669</b> Parliamentary questions for written answer were tabled to the FCO in the Parliamentary session 2015-16, of which <b>95.6%</b> were answered to deadline.</li> <li>• <b>2,430</b> questions were for written answer in the Commons, of which <b>2,295</b> were answered to deadline (<b>94.4%</b>)</li> <li>• <b>1,239</b> questions were for answer in the Lords, of which <b>1,214</b> were answered to deadline (<b>97.9%</b>)</li> </ul>
<b>Parliamentary Correspondence</b>	<ul style="list-style-type: none"> <li>• Received <b>8,021</b> pieces of correspondence from MPs and peers from 1 January – 31 December 2015. <b>87.2%</b> received a response within our 20 day deadline.</li> <li>• Received <b>810</b> letters on Europe and <b>2,935</b> on the Middle East.</li> <li>• High profile letter writing campaigns covered human rights issues including the persecution of Christians, the humanitarian situations in Yemen and Syria and the Safe Schools Declaration.</li> </ul>
<b>Performance in responding to correspondence from the public</b>	<ul style="list-style-type: none"> <li>• Received <b>3,293</b> pieces of hard copy correspondence from members of the public between 1 January 2015 and 31 December 2015.</li> <li>• <b>2,350</b> letters (<b>71.4%</b>) received replies within our 20 day deadline. In line with correspondence from Parliamentarians, the EU renegotiation and referendum and Middle East issues accounted for half of all public correspondence.</li> <li>• Received <b>12,584</b> emails from MPs and members of the public. This relatively high figure partially accounts for a drop in hard copy correspondence.</li> </ul>
<b>Parliamentary Scrutiny requirements for EU Documents</b>	<p>We remain committed to improving transparency and accountability to Parliament on European issues. <b>167</b> Explanatory Memoranda (EMs) and <b>257</b> documents were submitted to Parliament for scrutiny in 2015-16. <b>49</b> resulted in overrides of one or both of the Scrutiny Committees, around three quarters of which concerned sanctions and restrictive measures.</p>

## Key parliamentary activities in 2015-16\*

*\*Unless specified, all activity has taken place within the 2015-16 Parliamentary session from 18 May 2015-12 May 2016*



### Legislation

The FCO took the EU Referendum Bill through Parliament, a key commitment in the 2015 Queen's Speech (see Priority Outcome 7)



### Oral Statements

Six oral statements in the House of Commons covering the Iran Nuclear Deal, EU renegotiation, Syria and Libya.



### Urgent Questions and Private Notice Questions

Responded to 11 Urgent Questions in the Commons (on China, Burma, Egypt, the Overseas Territories, Saudi Arabia, Syria, Turkey and EU renegotiation).

Responded to two Private Notice Questions in the House of Lords on the December European Council, and Daesh and the treatment of religious minorities.

### Written Ministerial Statements

Issued a total of 68 Written Ministerial Statements including routine statements after EU Foreign Affairs councils, the 800th anniversary of the Magna Carta Tour, supporting British nationals abroad, the Wass Inquiry, Democratic People's Republic of Korea (DPRK) nuclear tests, and gifting.



### Debates

FCO Ministers led, or responded to, 63 House of Commons and 20 House of Lords debates on the full range of foreign policy issues, and responded to 46 House of Lords Oral Questions.



### In Focus: Engaging with the new Parliament in May 2015

Anticipating high levels of Parliamentary interest in the FCO's work, we reached out to newly-elected MPs after the General Election in May 2015. We provided information about the FCO (including our Consular hotline) to all new and returning MPs in May 2015 via an App placed on their Parliamentary iPads – the only UK Government Department to do so. In addition, the Minister for Europe David Lidington chaired a briefing session in Portcullis House to which all Parliamentarians were invited and the Foreign Secretary invited all new MPs from across the House to an event hosted in the FCO.

## The Parliamentary Ombudsman

*The Parliamentary Ombudsman's role is to investigate complaints that Central Government Departments and/or their agencies have acted improperly, unfairly, or have provided a poor service.*

In 2014-15 (the most recent Parliamentary Ombudsman reporting period relevant to this report) a total of 37 enquiries were received by the Ombudsman concerning the FCO. Six of these enquiries were assessed as complaints and five were accepted for investigation. Two of these investigations were not upheld and the remaining three are ongoing. We take all Ombudsman recommendations seriously, and continue to strive to make it as easy as possible for our customers to provide feedback, and to use that feedback to improve our service offerings and operational performance.

The full report can be found at [www.ombudsman.org.uk](http://www.ombudsman.org.uk).

## Openness and Transparency

*Transparency is a vital tool for pursuing foreign policy, and the FCO aspires to be one of the most transparent foreign affairs ministries.*

Internationally, the FCO helped deliver the UK contribution to the Open Government Partnership summit in Mexico in October 2015 which included the UK being presented with the International Award for Open Government, marking our outstanding achievement and our commitment to the principles and benefits of Open Government. We have used the UK's credibility as a transparency leader to advocate the benefits of transparency to other governments which has helped deliver change in several countries. In 2015-16, an FCO funded project in Croatia promoting transparency and public engagement in the legislative process was considered for nomination as the UK's entry to the 2015 Open Government Awards.

The FCO remains committed to leading by example through meeting the UK Government's domestic transparency commitments. Although technical issues have delayed the publication of some datasets, we have been able to identify and publish others, such as treaty work, which go beyond our formal commitments.

### Freedom of Information Requests

Freedom of Information (FOI) statistics are published separately on a quarterly basis on the GOV.UK website (<https://www.GOV.UK/government/collections/government-foi-statistics>)

## The FCO in the Year Ahead

### Strategic Priorities for 2016-17

The National Security Strategy (NSS) and Strategic Defence and Security Review (SDSR) outlined the government's vision for a secure and prosperous United Kingdom, with global reach and influence. The SDSR set out three National Security Objectives to: *Protect our People - Project our Global Influence - Promote our Prosperity*

The FCO has taken these three National Security Objectives as its Strategic Objectives for the remainder of the parliamentary term. Under these three broad Objectives, a list of 6 Priority Outcomes has been agreed for 2016-17: the EU; European Security; Middle East and North Africa; Conflict and Stability; Economic Diplomacy; and Consular (details in the table shown below).

We will be updating our 2016-17 business plans to reflect these new priorities.

### Diplomacy 20:20

Between January and March 2016 we conducted an internal review of the FCO's structures and working methods which reported at the end of April. The review received unprecedented levels of engagement from staff throughout the organisation. 88 posts and 48 departments sent in collective contributions, representing the views of over 8500 staff. The Future FCO intranet community attracted over 10,000 views and over 130 interviews, workshops and forums were conducted with staff and stakeholders.

The FCO's Management Board discussed the Review at its meeting in April. The Chief Operating Officer has been asked to coordinate more analysis of the Review's recommendations.

This will allow us to gather further evidence and plan implementation properly before taking decisions. The programme known as Diplomacy 20:20 will shape the future of the FCO through to 2020.

## Our Purpose

To protect our country, our people and our interests; to project our influence and values; and to promote our prosperity. To achieve this we will maintain a global network with the people, partnerships, skills and knowledge to deliver.

### 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. Support British nationals around the world through effective consular services and swift crisis response.

#### PO1 Middle East and North Africa

- > Threats to the UK and the region from Daesh and extremism reduced, including through effective implementation of commitments from the 2016 London Conference on Syria and the Region.
- > Progress towards inclusive political settlements in Syria, Iraq, Libya and Yemen.

#### PO2 Consular

- > Rapid response to all crises, leading cross-government action overseas. Efficient consular services focused on those most in need.
- > Targeted campaigns help British nationals take greater responsibility for their welfare overseas.

### Project our global influence

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

#### PO3 European Security

- > Security of NATO Allies and partners strengthened, including through an ambitious NATO Warsaw Summit.
- > Effective response to Russian security challenges, and engagement with Russia where necessary.
- > Progress towards a more resilient European neighbourhood, maintaining Western unity in support of a sovereign, stable Ukraine.

#### PO4 Conflict and Stability

- > UK action to promote good governance, rule of law and human rights and tackle terrorism/extremism helps to promote stability and reduce conflict, including in Afghanistan and other fragile states.
- > Conflict Stability and Security Fund delivers NSC priorities with fast, flexible and responsive programming.

### Promote our prosperity

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

#### PO5 EU

- > A substantial UK package of reform for a more competitive, flexible, fair and democratically legitimate EU agreed and implemented.
- > Legislation and publications for a referendum on our EU membership delivered.
- > Effective European action to tackle regional and global challenges.

#### PO6 Economic Diplomacy

- > Substantial progress towards global free trade agreements and cross-government trade/investment targets.
- > Effective action to tackle barriers to sustainable growth and improve the business environment in China, India and other emerging economies, as well as promoting opportunities for British business in priority sectors and markets.
- > Successful roll-out of the new cross-government Prosperity Fund.

## Investing in our People

*We need the right people with the right skills in the right places at the right time. Our highly professional and talented workforce remains our greatest asset. One of our biggest challenges is ensuring that the 12,500 people across our 268 Posts feel part of one organisation. Around two-thirds of our staff are locally employed in posts overseas.*

The FCO continues to increase the diversity of our workforce in the UK and of our representation overseas. This includes visible diversity but also promoting diversity of thought, skills and background. We also work hard to recruit diverse talent. For more information about our staffing and workforce (see Staff Report).

### Attracting a talented and diverse workforce

The FCO at a glance: As of March 2016, the Senior Management Structure is 30.1% female, 4.1% Black and Minority Ethnic, 5.3% Lesbian, Gay, Bisexual and Transgender and 9.9% declared as disabled. The FCO Board is 55% female; there are 50 female Heads of Mission and Heads of Post, up from 22 in 2008.

#### Diversity

We have targets for the diversity of our Senior Management Structure (SMS) to be achieved by October 2019: 39% female, 7% black and minority ethnicity (BME), 7% disabled staff and 6% Lesbian, Gay, Bisexual and Transgender (LGBT). We are on track to meet three of these but not yet on track to meet the BME target. We have made strong progress against all five FCO Board diversity and inclusion priorities:

#### Progress on Diversity in 2015-16

» **Driving a step change in leadership and line manager capability and behaviour on diversity including diversity of thought:** Over 85% of SMS staff have completed face-to-face unconscious bias training to date; the Board and senior leaders made specific #iwill pledges to support diversity and inclusion; in the 2105 Staff Engagement Survey, our leadership scores increased by 7% and Leadership Statement scores were in the top three across the Civil Service.

- » **Providing further support for talent from under-represented groups:** 27 FCO staff secured places on targeted Learning & Development schemes, including a new “Alchemy” programme for BME staff. Successful University outreach roadshow (see In Focus section opposite) and a digital campaign reached out to diverse potential applicants.
- » **Improving the experience of, and support for, staff with disabilities:** The FCO has taken forward a number of initiatives to improve the support available to disabled staff (see Staff Report for more information).
- » **Improving the FCO’s diversity data to inform future actions:** A campaign to improve Diversity Data Recording rates led to significant voluntary increases of 9% on ethnicity, 26% on disability, and 29% on sexual orientation, giving a much more accurate basis on which to target interventions.
- » **Agreeing a new ‘business deal’ with staff associations:** This helped provide better support for our 11 Staff Associations.



#### In Focus: #beforeignoffice – attracting a talented and diverse workforce and representing today’s Britain

Now in its third year, the 2015-16 FCO University roadshow aimed to encourage students to apply for the Diplomatic Fast Stream by explaining the FCO’s work in the UK and overseas. We targeted universities across all English regions, Scotland, Wales and Northern Ireland, with a high proportion of Black Minority Ethnic and low socio-economic background students. FCO participants included the Permanent Under Secretary, Board members, Heads of Mission and recent entrants. The FCO Open House Weekend in September 2015 and a recruitment event in January 2016 opened the doors of King Charles Street to prospective applicants.

To reach out to a broader audience ahead of the Fast Stream application deadline, we engaged via social media with a live one hour Q&A reaching 54,709 accounts followed by a Fast Stream Q&A reaching 25,097 accounts together with videos on Snapchat and vlogs. Our #beforeignoffice “whiteboard” campaign highlighted the diversity of our current staff. In 2016-17, we will implement the Bridge Group’s recommendations to engage further with students, schools and applicants from diverse backgrounds.

In 2015, the Wellbeing Network was established to offer support, guidance and advice on any issues which affect FCO staff wellbeing, regardless of grade or location. The FCO was presented the "Best New Flexible Working Initiative" award by the Working Families organisation in 2015.

But there is more work to do, especially removing barriers for talented BME colleagues to progress and to tackle enduringly high Bullying, Harassment and Discrimination (BHD) scores, particularly for disabled staff. In 2015, 14% of respondents said they had experienced discrimination at work, up from 13% the previous year (Civil Service average – 11%). 12% of respondents said they had experienced bullying or harassment at work, no change from previous year (Civil Service – 10%).

We take complaints of BHD seriously and have internal guidance and BHD "points of contact" in place to respond to staff concerns. In 2015, the FCO Management Board prioritised tackling BHD, and appointed a Board level Champion to reduce BHD and lead work on creating a more inclusive culture within the organisation.

## Recruitment

### The FCO at a glance:

Of our new Fast Stream recruits in 2015-16, 42% of Fast Stream entrants were female, 35% declared a Black and Minority Ethnic background, and 10% declared a disability.

The FCO seeks to recruit talented British nationals from all backgrounds and from across the UK. We want to ensure that we are the best Diplomatic Service we can be and to represent more effectively the country we serve. In line with the Civil Service recruitment freeze, we only recruit to the Diplomatic Fast Stream and other business critical roles. We are following and implementing the Civil Service Recruitment Principles of fair and open competition (relevant exceptions detailed opposite).

## Progress in 2015-16

### Fast Stream and other specialist recruitment

- » 30 Fast Stream Band C entrants and 36 specialists (including two Fast Track Commercial Apprentices) recruited at various grades in 2015-16.

- » 42% of Fast Stream entrants were female, 35% declared a Black and Minority Ethnic (BME) background, and 10% declared a disability (the 2014 intake, 39% were female, 12% were BME, and 6% disabled).
- » Our university roadshow sought to enhance the diversity of our Fast Stream recruitment, supported by a digital campaign: #beforeignoffice.

### Band A (Administrative Officer) and B (Executive Officer) recruitment

- » Exceptionally recruited 44 staff at Band A, including two apprentices, and eight staff at B3. This recruitment - the first at these grades since 2010 and 2006 respectively - aimed to fill gaps and to maintain the diversity of the talent pipeline.
- » Worked with community and faith-based organisations and schools and colleges in areas of social economic disadvantage to attract people from diverse backgrounds.
- » Piloted a relocation allowance to encourage more applicants from outside Greater London.
- » Of the new recruits, 44% were women, 17% declared as BME and 10% declared a disability.

### Interns

- » Our work experience scheme encourages people of all backgrounds to consider the FCO as an employer. 52 interns were employed in 2015-16. 33 interns worked for between seven and 12 months with a further 19 working between two and 12 weeks.
- » 57% of interns were female, 30% declared as BME, and 6% declared a disability.

- » Future recruitment activities will see us recruit further apprentices as part of the Government's goal of 3 million apprenticeships by 2020

## Exceptions to Fair and Open Competition 2015-16

Some exceptions to the recruitment principles are allowed and are listed below along with the number of appointments of each type made by the FCO in 2015-16:

Type of Exception	Number Appointed
Short term appointments for up to two years	11*
Support for government employment programmes for up to two years	0
Secondments for up to two years	1*
Extended Ministerial Offices	0
Re-appointment of former civil servants	19*
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	0

\*Includes appointments whose contracts have been extended during FY 2015-16

## In Focus: Experience of working in the FCO as a Summer Intern

"The summer placement gave me a truly valuable, in depth and realistic experience of the work of the Foreign and Commonwealth Office. Working in the Human Rights and Democracy department, I worked on real projects. I saw the things I had been studying in action, and was able to gain a greater understanding of the way our government works to fulfil its aims through international institutions. The placement gave me a great sense of the realities of working in the public sector, and enhanced my understanding of how British foreign policy is created and implemented, as well as cementing my intention of devoting my career to it! I wholeheartedly recommend you apply."

Rebecca Viney, University of York: Social and Political Sciences

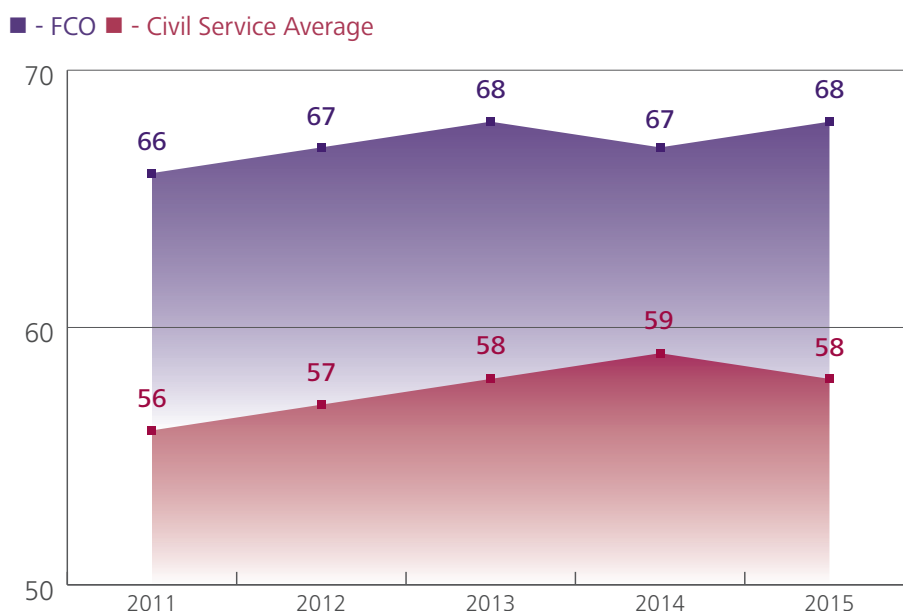
## 2015 Staff Survey

The 2015 Staff Survey\*, completed by both UK based staff and our Local Staff working overseas, attracted a participation rate of 79%. In terms of absolute numbers, more staff completed the survey this year and the FCO retains the highest response rate for a government department of its size (6,000+ employees).

The overall picture is positive. Of the nine core themes, percentage increases were seen in My Manager (+1); Learning & Development (+2); Resources & Workload (+1); and Leadership & Managing Change (+7). Decreases were seen in Organisational Objectives & Purpose (-1) and Pay & Benefits (-1). However, we maintained our strong overall scores in My Team (81%); Inclusion & fair treatment (78%); and My work (79%). We consistently maintain a high Engagement Index score. In 2015, it increased to 68% - this is 10% above the Civil Service average. Leadership teams in both the UK and Posts overseas are encouraged to analyse their results and use them as the basis for local follow-up initiatives.

\*Staff Survey is the internal name given to the Civil Service People Survey.

### Engagement Index 2011-2015 (% positive)



## Promotion

In summer 2015, following an extensive Promotion Review, we introduced a new shorter and more targeted promotion model and assessment process for all UK based staff and staff entering senior management. The new model places more weight on ongoing performance and development on the job whilst retaining an element of assessment via interactive exercises. Results have been positive. At each of the three levels (Bands B-C, Bands C-D and Bands D-SMS) we have recorded higher pass rates compared with FY 2014-15. We believe this is due to an improved sift process and greater understanding of the process amongst candidates and line managers. We will be undertaking a review of the process in July 2016. Particular attention will be paid to the pass rates of minority and protected groups to ensure that the new model does not impact negatively upon them.

## Health and Safety of our Staff

Since 2011 the FCO has made continued progress towards embedding a new Health and Safety (HS) culture and behavioural change.

In 2015-16 we:

- Completed benchmarking our existing HS culture using Du Pont's internationally accepted safety culture model.
- Simplified our HS Guidance into 12 core chapters, using chapter icons to improve understanding.
- Developed new tools to drive culture change including:
  - » workplace coaching and short conversations to change behaviour.
  - » use of organisation diagrams to encourage team working.
  - » a short four question survey to quickly measure progress.

We also took our first steps at implementing the above using Fire Safety in the UK as our focus. Despite high level support at Permanent Under Secretary and Board level, we have done less well at translating approved decisions into organisation-wide practice. In 2016, we will be encouraging Directors and officers in Directorates to become active on Health and Safety practice in the workplace to help embed this new approach. If we adopt this approach we will be the first UK Government department to be on track to ultimately remove preventable workplace ill-health and injury.

## Building Capability

The FCO at a glance: 2015 Staff Survey scores for L&D rose by 2% this year; 7% above the Civil Service average.

The FCO values knowledge, skills and expertise - the foundations of effective policy making and diplomacy. The Learning & Development (L&D) Strategy was launched in May 2015 to address perceived barriers to learning (e.g. access to training) and establish the core L&D offer. 2015-16 has been a pivotal year. We have seen a strengthened L&D network, active engagement with Civil Service Learning (CSL) to shape the new curriculum and profile-raising events such as the L&D Day at the 2015 FCO Leadership Conference.



### The Diplomatic Academy

The Diplomatic Academy, in its first year, has established a strong brand and a reputation for innovation in learning. The Academy aims to ensure that all staff working internationally for the UK Government are equipped to represent the UK and pursue our national interests. The Foundation Level curriculum, launched in May 2015, builds knowledge and awareness in key areas, using a blended approach of online learning and self-facilitated workshops. From November 2015 staff passing

all Foundation level modules acquire a City & Guilds accredited Diploma in UK Foreign Policy and Diplomacy. The new Practitioner Level curriculum will be rolled out during 2016-17. The Academy has also become a focal point for hosting guest speakers and learning events.



The inaugural Diplomatic Academy Awards were presented by HRH the Duke of Cambridge in February 2016. Celebrating good practice, innovation and inclusion, the Awards attracted 28 high quality nominations.

### Building our foreign policy capability

The Diplomacy 20:20 programme will continue to frame the FCO's ambition to be the best diplomatic service in the world. Making excellent policy allows us to influence internationally and promote the UK's interests overseas; the new International Policy Curriculum for the Diplomatic Academy offers staff access to a range of tools, materials, workshops and masterclasses to support that policy work. In 2015-16, we delivered sessions

on international policy making as part of London-based induction courses. The FCO continued to engage with external experts and UK Government colleagues to challenge and inform our thinking on key foreign policy issues. And we worked closely with the HMG Policy Profession to ensure that the new cross-Whitehall policy skills framework will offer direction to policy makers working in an international context.

### In Focus: Policy Week at the FCO

In March 2016, the FCO held a Policy Week to showcase the range of tools and resources available to support staff in London and overseas, including flagship events with internal and external experts.

Well-attended by FCO, Cabinet Office and DFID staff, sessions provided opportunities to develop skills in strategic thinking, tackling policy problems, international relations theory and development.

We also highlighted new Big Data technologies available to policy makers in the FCO. Digital material included a Q&A with a Ministerial office, a PUS blog and an article from Director Strategy. Staff planned to work differently as a result including aiming to 'encourage creativity around the office'.

## Diplomatic Academy: Key facts



In the 2015 Staff Survey, **3,450 people** said that the Diplomatic Academy had made a positive impact on their effectiveness in their job—this was **just five months** after the Foundation Level launched.



Over **45,000 unique visits** to the Foundation e-learning site since May 2015 with the rate as at 31 March 2016 steady at around **135 visits per day**.



**113 staff** registered to complete the Foundation Level Diploma. Pass rate so far is **79%**.



### Languages

Language skills remain a priority for the FCO: the ability to communicate with others in their own language is vital to the FCO's delivery of the Government's foreign policy priorities and enables diplomats to connect and do business around the world. In 2015-16, 281 full time language students received over 56,862 hours of training at the FCO Language Centre. This includes 20 Mandarin, 39 Russian and 43 Arabic students, covering three of our priority languages. Over 500 staff have attended part-time classes in 12 different languages. In 2016, we plan to review how language skills are effectively being deployed.

### Learning and Development Overseas

Our Regional Learning & Development Teams (RLDT) continue to support the development of all staff overseas. During 2015-16, they delivered over 4,000 hours of face to face training to over 9,000 people and assisted our diplomatic missions to improve their business processes, communication, team working and inclusion (see In focus: The Global Leadership Development Programme opposite).

FCO  
**GLO**

### In Focus: Innovation in Learning & Development

In 2015, the FCO began developing a new learning App: FCO GLO (Global Learning Opportunities) which will go live in 2016.

It will enable staff to access L&D when they need it via their PCs, smartphones and tablets, benefitting from the latest techniques in adult learning.

FCO GLO is based on ConNEC - the Consular learning App launched in September 2015. Integrating all Consular and Crisis Management L&D on a single platform, the App enables Consular staff to learn "on the go" and the Diplomatic Academy Consular and Crisis Faculty to monitor participation and achievement.

Over 100 Department of Work and Pensions staff used ConNEC to complete Consular immersion training during the Greece banking crisis in summer 2015 and the aim is to make FCO GLO available to all Government staff working on international issues in the UK and abroad.



### Developing our Professional Capability

Anticipating the need for a more agile workforce, but with deeper expertise, we have focussed on improving skills and building professional capability in a number of key areas.

» **Programme and Project delivery** is a top priority. Programme Funding is central to the FCO's policy approach. We need to build the skills to use funds (e.g. the Conflict, Stability and Security Fund (CSSF)) to the best effect. In 2015-16, we introduced new training courses to rapidly develop capacity across the network, to maximise use of the CSSF and new Prosperity Fund. 73 Prosperity programme managers have been trained since January 2016 and over 100 FCO staff have participated in a cross-Whitehall CSSF training programme. The new Programme and Project Delivery Skills Strategy will build the level of project capability required by staff in different roles ensuring that they are able to apply these skills effectively to policy work, fund management or business change.

» **Professionalising Finance** remained a priority during 2015. We supported staff working in finance in achieving professional accountancy and commercial/procurement qualifications and supported continuous professional development.

» On communication, the Digital Curriculum has been running for over a year, during which time we have trained over 940 staff around the network on communications, policy and service management, receiving positive feedback on our digital communications efforts from both the National Audit Office and Cabinet Office.

### The Year Ahead in Learning and Development

L&D remains a priority for the FCO. Our focus in 2016-17 will be reinforcing core diplomatic skills; the Diplomatic Academy, as a first class resource for all staff; developing digital capability to maximise the benefits of our Tech Overhaul Programme and encourage innovations in social media; and increased programme and project delivery skills.

To underpin this we need inspiring, confident and empowering leaders. The Leadership Statement, launched in February 2015, is helping to define the behaviours that we expect our senior staff to demonstrate. We used the L&D Day at our Annual Leadership Conference in July 2015 to emphasise the need for effective leadership and a more inclusive learning environment. We are starting to see progress with 56% of staff (21% above the Civil Service average) in the 2015 Staff Survey noting that their managers actively role model good leadership behaviours.

We will continue to use the Statement as a point of reference and will capitalise on the launch of the new Civil Service Learning curriculum (and the proposed Leadership Academy) to drive renewed interest in the development of leadership as a core diplomatic skill.

### In Focus: The Global Leadership Development Programme

The Global Leadership Development Programme (GLDP) is designed to increase participants' self-awareness and confidence, encourage regional networking and initiative and build strong leadership capability.

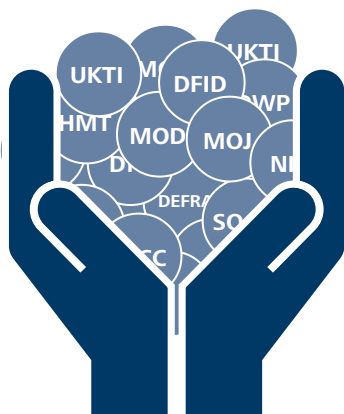
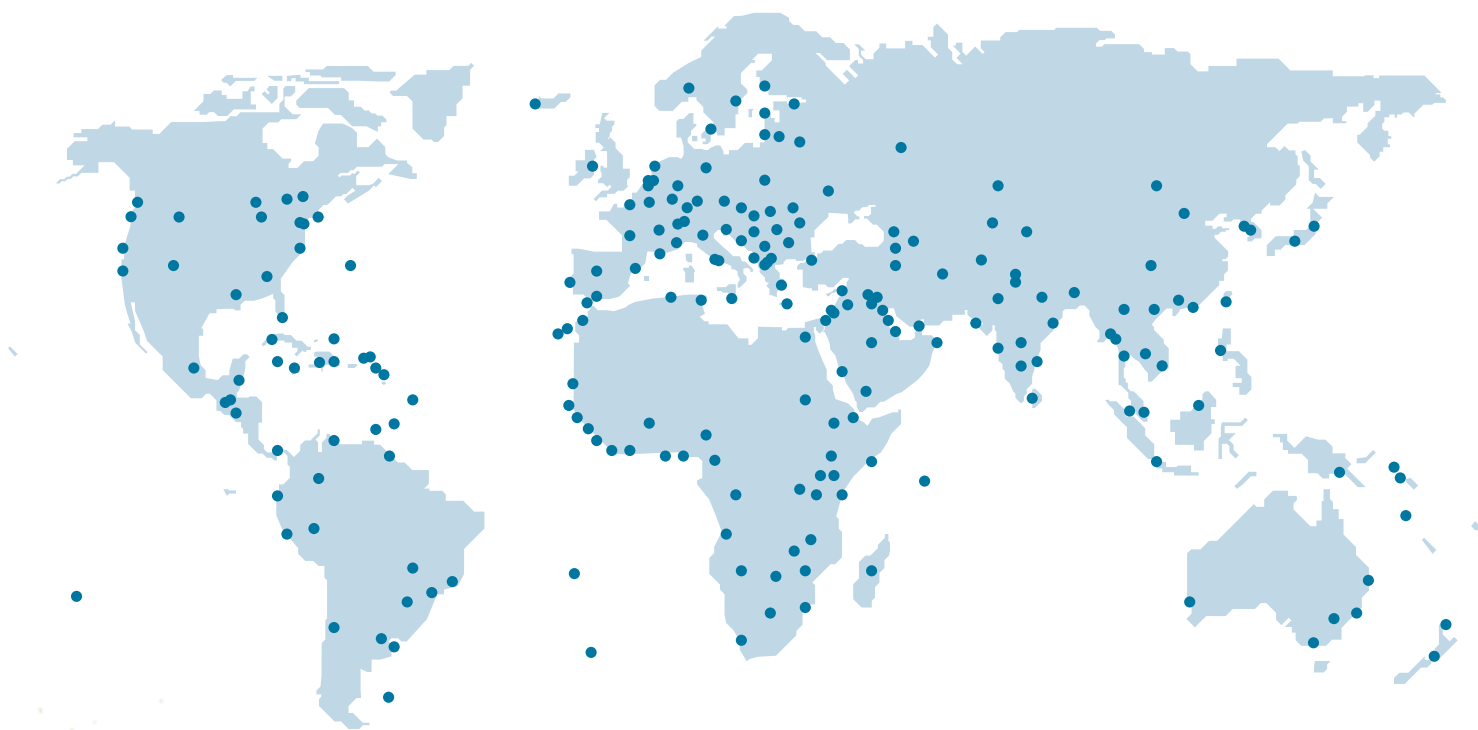
The programme commenced in November 2014 and 187 staff across 5 continents have since taken part, including local and UK staff from other Government Departments. In 2015-16, 170 staff participated in the GLDP and the feedback was excellent with many saying they could not have achieved the results at their Post without the training. The programme lasts 12 months delivered face-to-face and online with sessions from senior staff and external speakers, action-learning sets and a thriving online community. The success of the programme has led to the development of the China Emerging Leaders Programme

# Adapting the FCO and our global network to deliver 21st century diplomacy

## Overseas Network

*Our global diplomatic network advances UK interests worldwide, helping the FCO to deliver our strategic priorities as cost effectively as possible.*

We and other UK Government Departments implemented the major shift in network resources announced by the previous Foreign Secretary in May 2011, so that our network reflects the shifting power dynamics in today's world whilst securing better value for money for the taxpayer. In all, we are now saving over £100m per year in running costs compared with 2010-11. We regularly review our overseas presence to ensure that we are well positioned to promote the UK abroad. We re-opened our Embassy in Tehran in August 2015 (see Priority Outcome 4) and opened a new Consulate General in Belo Horizonte (Brazil) in September 2015.



### One HMG: Co-location Key Facts



2014-2015 **26 UK government partners** operating on our global platform in **168 Posts**



2015-2016 **29 UK government partners** operating on our global platform in **207 Posts**

## One HMG

*In 2015-16, we saw progress across the One HMG Overseas agenda, aligning Government Departmental practices overseas, creating efficiencies for the British taxpayer and maximising the collective impact of all UK Government Departments operating overseas.*

### One HMG Highlights in 2015-16

- » **Co-Location:** The FCO's overseas network provides a platform for 29 other UK Government Departments, Executive Agencies, Arms Length Bodies and Devolved Administrations, operating overseas in 207 of our 268 Posts. In 2015, Ecosystems Services for Poverty Alleviation, Health and Safety Laboratory and Public Health England all joined our global platform. Co-location encourages collaboration. We are pursuing further co-location where it makes financial sense to do so.
- » **Consolidation:** Department for International Development (DFID) and FCO corporate services are now consolidated wherever we are located together. Consolidation

has taken place in 26 of DFID's 29 offices globally, including their India Network, Pakistan and Kenya. Further progress on major projects in Sierra Leone, Nigeria and Nepal is expected soon.

- » **Harmonisation:** We established an International People Board in June 2015 to bring together Human Resources (HR) Directors of the largest Partners to work together effectively, creating an integrated international human resources platform. This, along with Finance, Estates and equivalents will report to the cross-Government Network Board chaired by the FCO.
- » **Regionalisation:** We conducted a review of the regional hubs providing

Human Resources, finance and procurement services to ensure they met requirements. We have provided recommendations for further improvements.

In 2015-16, significant progress was made in agreeing a new funding mechanism to secure greater collaboration and security of funding for the overseas network. This will further strengthen our ability to align network resources with the Government's international priorities.

## UK Estate Reform

*The UK Estate Reform Project is the FCO's contribution to the Government's Civil Service Reform Plan. The project has consolidated the FCO's London headquarters.*

The UK Estate Reform Project in London is near completion: the Old Admiralty Building was transferred to the Department for Education in November 2015 enabling the FCO to further reduce its UK footprint by 15,279 m<sup>2</sup>. The majority of FCO staff in London are now in one main site, King Charles Street, working in multi-occupancy offices on a ratio of 8 desks to 10 people. We have reduced our occupation level by 35%. We are also making better use of mobile IT and flexible working arrangements.

Further internal office changes will take place in early 2016-17. This will include providing a larger space for the Diplomatic Academy (see Building Capability) and removal of the temporary accommodation in the King Charles Street quadrangle. Once the UK Estate Reform Project is complete this will lead to further efficiencies and cost savings as consolidation becomes fully embedded. We also expect to see further improvements in the FCO's operational sustainability including reduced carbon and water footprints (see Sustainable operations and procurement opposite). Risks are largely closed now, with the main construction works complete. The project was delayed due to contractor error, but the project remains in budget.

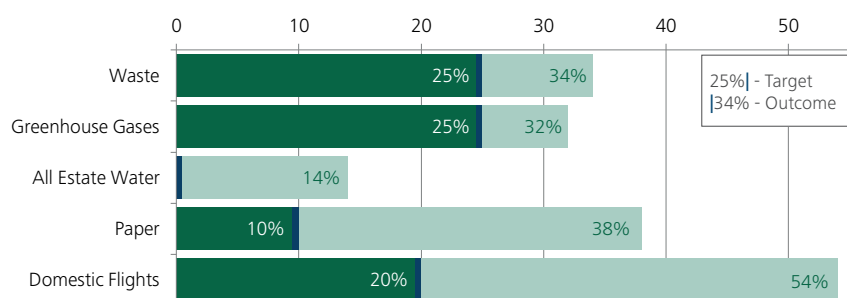


## Sustainable operations and procurement

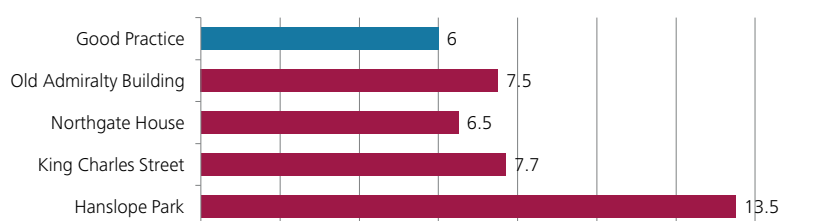
The FCO is working to deliver a sustainable future through its own operational sustainability efforts. All Government Departments were set Greener Government Commitment (GGC) targets for 2015-16 compared to a 2009-10 baseline, for their UK operations. The FCO's performance against those targets is set out in the graphs opposite.

The FCO has met its Waste, Greenhouse Gases, All Estate Water, Paper and domestic flight GGC targets. None of the FCO's four office buildings met the office water consumption per Full Time Equivalent (FTE) staff number 'Good Practice' benchmark.

## GGC percentage reductions since 2009/10 baseline



## Office water consumption per head (m<sup>3</sup>/FTE)



## Progress in 2015-16 compared to previous year

**Energy:** FCO energy use fell by 1% in 2015-16, and the FCO's overall greenhouse gas emissions also fell by 5% due to a 7% decrease in the carbon factor of grid electricity. Calculated by the Department for Environment, Food and Rural Affairs (DEFRA), a carbon factor relates to the carbon intensity associated with the production of an energy source such as electricity, gas and diesel. The electricity factor varies annually due to the mix of coal, gas, nuclear and renewable energies used to supply the UK.

**Travel:** Domestic flights taken by FCO staff within the UK fell by 47% following a targeted approach with our travel provider to encourage all staff to opt for domestic train travel in preference to air travel where appropriate.

**Waste:** Waste arisings, i.e. office waste, paper, plastics, decreased by 1% in 2015-16 despite on-going consolidation of the FCO's London estate. By the end of 2014-15, no FCO UK waste was being landfilled and we have continued to operate with zero waste to landfill in 2015-16.

**Water Consumption:** Water consumption across the UK estate increased by 20%. This is linked to the increases in normalised water consumption performances, in particular at Hanslope Park of 13.5m<sup>3</sup>/FTE. We

carried out investigations however, it appears that the increase in water consumption is in part attributable to an increase in IT infrastructure at Hanslope Park over the year, and the associated increase in use of the water-based cooling system.

In the Old Admiralty Building water consumption was notably higher in 2015-16 than in previous years. This was attributed to a leak, however, we were unable to confirm this prior to our disposal of the site.

The FCO also invested in an innovative cooling tower water recycling system in King Charles Street; the project was completed towards the end of the financial year with early indications suggesting that the associated water savings would be significant.

**Paper:** Paper procurement has decreased by a further 14%.

The full version of the FCO Sustainability Report 2015-16 is available on GOV.UK. This report includes information on: the FCO's sustainability strategy and governance; data assurance; the scope of reporting; a breakdown of environmental impacts and associated expenditure; past years' and normalised environmental performance data; measures taken and planned; and the FCO's sustainable procurement, biodiversity, sustainability risks and opportunities.

## Technology Overhaul

*In 2015-16, the FCO Board approved the scope and budget for a £105m Technology Overhaul (TO) Programme.*

To ensure the FCO has modern, fit-for-purpose IT, the programme is aiming for greater speed, stability and reliability enabling staff to work effectively wherever they are, including in geographically remote locations and crisis situations. Aiming for flexibility, Tech Overhaul will also allow staff to access real time information through new mobile platforms with new collaboration tools and more effective information management tools.

A number of projects commenced in late 2015-16: the installation of Wi-Fi across the FCO's UK estate and 50 biggest Posts overseas; and an upgrade to our offices in King Charles Street (a new room booking system, new Audio-Video equipment in meeting rooms, new printers and digital signage). The bulk of the delivery will take place in 2016 and 2017 when new devices, online collaboration tools, and a new records management system will be deployed across the global network. Tech Overhaul will be a key enabler for the FCO in the delivery of foreign policy and diplomacy, and building institutional strength between now and 2020.

# Overview of our resource and expenditure by Foreign Policy Priority

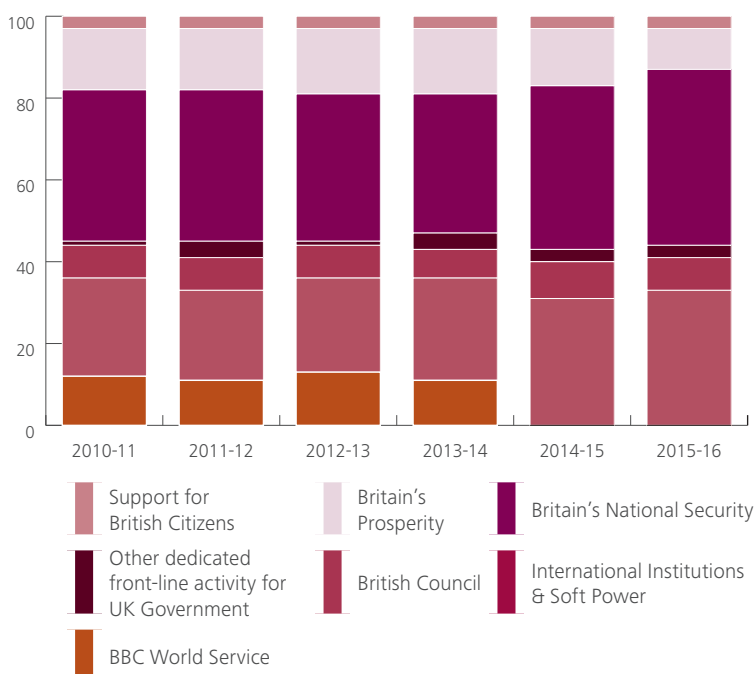
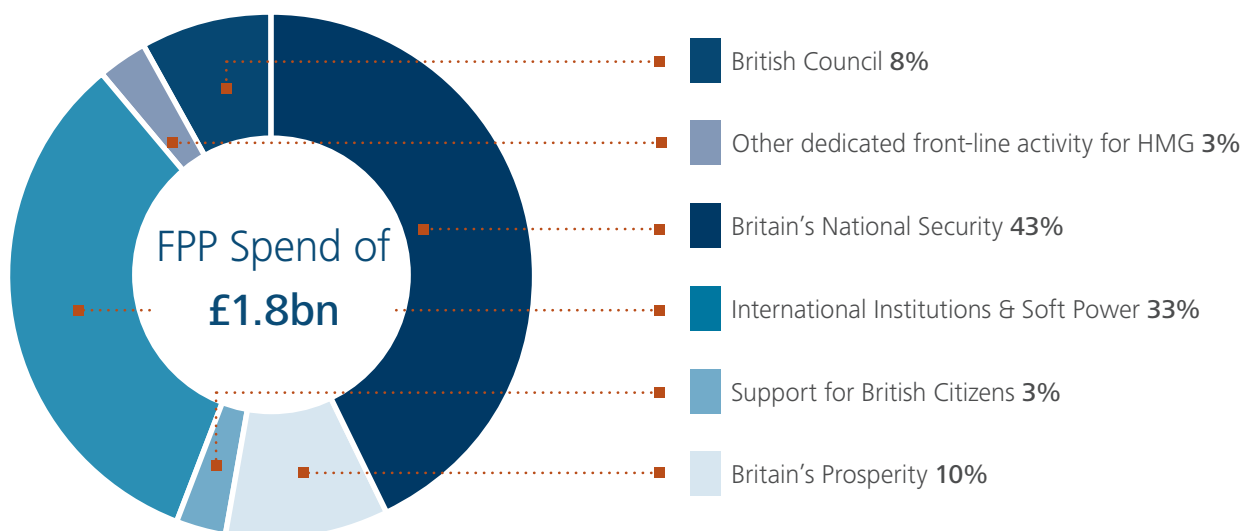
## Spending Review 2015

*The Spending Review in 2015 provided the FCO with a good Resource settlement (though we will need to fund pressures within it) and a challenging Capital settlement.*

Overall, we will have more funds available to us than in the past to pursue the Government's foreign policy goals, but we will see further pressure on non-Official Development Assistance (ODA) budgets and will need to bid competitively for new resources of external funding. In short, the settlement sets out more commitments than in previous years but gives us flexibility in how we absorb the additional pressures and fund new priorities throughout the Spending Review period.

In 2016-17, we will be required to fund: our Chairmanship of the Commonwealth (and associated Heads of Government meeting in 2018); enhanced support for the Overseas Territories; and new activity in the Gulf and the former Soviet Union, in line with the 2015 National Security Strategy and Strategic Defence and Security Review.

## Spend by Foreign Policy Priority (FPP) 2015-16



**Simon McDonald**

11 July 2016

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

# Accountability Report

## Corporate Governance Report

### Senior Management: Ministers



**The Secretary of State for Foreign and Commonwealth Affairs: Rt Hon Philip Hammond MP**

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



**Minister of State: Rt Hon Baroness Anelay of St Johns DBE**

Conducts all FCO business in the House of Lords and is responsible for human rights, international organisations including the UN and ICC, migration, climate change, and international energy security policy.



**Minister of State for Europe: Rt Hon David Lidington MP**

Responsible for policy on Europe, including the EU (including Gibraltar and the Sovereign Base Areas of Akrotiri and Dhekelia), the Balkans, Russia, Ukraine, Belarus, Moldova, South Caucasus, NATO and European security, the OSCE and the Council of Europe. He is also responsible for: relations with Parliament; communications; FCO finance; estates and security; and information and technology.



**Minister of State: Rt Hon Hugo Swire MP**

Responsible for the Asia Pacific region, South Asia excluding Afghanistan and Pakistan, and the Americas (including Dominican Republic, Haiti, Cuba, and the Falklands). He is also responsible for: the Commonwealth (as an institution), public diplomacy, Olympics legacy, Chevening and the GREAT campaign, prosperity work (including FCO's relations with British business), Islamic finance and drugs and international crime.



**Parliamentary Under-Secretary of State: Tobias Ellwood MP**

Responsible for the Middle East and North Africa, Afghanistan, Pakistan and Central Asia, counter-terrorism, defence and international security, and human resources.



**Parliamentary Under-Secretary of State: James Duddridge MP**

21 July-21 October 2016 – Temporary Minister of State: Rt Hon Grant Shapps MP, covered for James Duddridge MP. Responsible for Africa (excluding North Africa), the Caribbean (excluding Dominican Republic, Haiti and Cuba), UK Overseas Territories (excluding Falklands, Sovereign Base Areas (SBAs) and Gibraltar), conflict issues, consular policy, protocol, and ministerial oversight of FCO Services.



**Minister of State for Trade and Investment: Rt Hon Francis Maude**

Responsible for Trade and Investment issues at the Foreign & Commonwealth Office and the Department for Business Innovation and Skills, including trade policy, trade promotion and inward investment, UK Trade and Investment and UK Export Finance. He is also a Member of the Exports Implementation Taskforce (chaired by the Secretary of State). He was replaced by Lord Price on the 1st April 2016.

## Senior Management: Members of the FCO Management Board

A list of every serving member within this financial year can be found in the Governance Statement.

## Financial Review

This was the 2013 Spending Review Year, an extension of SR2010 intended to provide financial certainty for UK government departments during the General Election year. The General Election and completion of the Spending Review 2015 exercise were major activities in the first half of the financial year and contributed to slow spending. This accelerated in the second half of the year once we had planning certainty.

As part of the Whitehall wide UK Estates Reform programme, the FCO vacated its offices in the Old Admiralty Building (OAB) and consolidated its footprint in London to the King Charles Street Building. This is estimated to provide a saving of £5.0m each year. OAB was transferred to the Department of Education at the Book Value of £73.8m. FCO issued a Capital Grant in Kind to ensure that the transfer was budget neutral.

On 1 April 2015 - as part of the One HMG Overseas Agenda - we consolidated the overseas corporate services with the Department for International Development (DfID) at an annual operating cost of £34.0m, initially operating in 22 posts. A further 11 posts consolidated during the year and another post will consolidate mid FY16-17. The consolidation delivered savings to the combined corporate services headcount of around 20%. 163 staff have now been transferred from DfID to the FCO. Assets with Net Book Values of £40.4m have also been transferred from DfID to the FCO's balance sheet.

A reduction of £20.0m to our Resource Baseline at the start of the Financial Year was absorbed through reprioritising lower priority activity to ensure there was no impact on the delivery of our top priority objectives.

In 2015-16 we have:

- » Continued to strengthen our commercial capability and processes. We continued the rollout of the FCO Corporate Credit Card programme, which has delivered efficiencies in processes, a cash saving of £0.8m in 2015-16, and cumulative savings of £2.2m since 2012.
- » Strengthened and broadened our governance over commercial procurement activity, with more than £350m of activity being approved by our Procurement Strategic Advisory Board this financial year.
- » Improved transparency to the UK taxpayer by publishing our performance and spending information, demonstrating that every decision that commits the FCO's resources gives good value for money.
- » Delivered on our Spending Round commitments on Overseas Development Assistance (ODA). Current estimates show we have exceeded our increased ODA target of £423m for 2015-16 by £27m.
- » Agreed an extension to the Foreign Currency Mechanism (FCM) with HM Treasury into 2015-16. The FCM shelters the FCO from exchange rate fluctuations by using a budget rate of exchange to protect the purchasing power of the pound to 2010 levels. A Differential Inflation adjustment was introduced for the first time this year to protect FCO's budget against inflationary pressures as a consequence of operating globally. Due to the relative strength of the pound during the first half of the financial year, slightly offset by overseas inflationary pressures, the FCO returned £49m to HM Treasury during the Supplementary Estimates.
- » Removed UK Trade and Investment (UKTI) from the FCO's base line in response to the Chancellor's Autumn Statement from December 2013, making UKTI clearly accountable to Parliament. A budget transfer of £113.6m was made from FCO to UKTI.

## Departmental Expenditure Limit – Resource

Net total Resource expended was £1,955.6m against an Estimate of £1,970.6m, resulting in an overall Resource underspend of £15.0m. Our Resource underspend excluding Conflict, Stability and Security Fund (Conflict and Peacekeeping) was £7.2m meeting our Diplomatic Excellence target of 99-100% expenditure in this area. The detailed figures are in the Statement of Parliamentary Supply (SoPS) Note 1.1 to the accounts. The SoPS note reports Administration costs of £114.0m against an Estimate of £188.6m. During the 2010 Spending Review, the FCO and HM Treasury agreed that a greater proportion of costs (including some UK front line and overseas security costs) could be reclassified as programme expenditure. Net Resource DEL Administration costs are £67.2m lower than FY14-15. This was due primarily to: i) a switch of £22.5m from Administration budget to Capital; ii) £16.5m budget reduction at the beginning of the year; iii) more costs attributed to ODA through Administration to Programme switch (£15.0m). The balance was due to UKTI HQ costs removed from FCO base line and a small underspend.

SoPS Note 1.1 shows that Resource expenditure comprises of nine main headings, A to I. Explanations of all significant movement, overspends and underspends exceeding the greater of 10% or £500k relating to individual headings, are shown below:

- » **Headings A and B:** Administration and Programme and International Organisations Grants. Expenditure was £7.0m below estimate. The underspend was due to a general fall in activity in the first half of the year due to the General Election, and uncertainty regarding SR2015 settlement, a reduction in IT costs including a negotiated reduction in licensing costs, deferred Resource expenditure associated with project slippages and additional differential inflation budget than originally anticipated.
- » **Heading F and G:** Conflict Prevention Programme Grants and Peacekeeping Grants are non-discretionary elements of the FCO Resource DEL and now collectively known as Conflict, Stability and Security Fund. This includes all National Security Council Departments as opposed to the previous Conflict Pool which was tri-departmental (FCO, MOD and DFID). HM Treasury provides a CSSF settlement, which covers both the Peacekeeping and Conflict Prevention Programmes. The overall position is an underspend of £7.8m. The underspend mainly reflects the savings on the

Peacekeeping allocation from favourable outcomes from the UN Scales of Assessment negotiations at the United Nations General Assembly's (UNGA) 5th Committee which sets member states' contribution rates for the UN budgets.

### Departmental Expenditure Limit – Capital

FCO's net expenditure was £131.5m against a Capital DEL of £139.2m, an underspend of £7.7m. During the course of the year, two large property disposals did not take place due to insufficient offers being received. To mitigate the reduction in income the FCO switched £22.5m to Capital from Resource in the Supplementary Estimate as well as receiving an additional £10.3m Reserve Claim from HM Treasury. The final underspend is a combination of delayed progress on Capital projects late in the year and two international property disposals completing sooner than planned.

### Annually Managed Expenditure (AME)

- » **Heading H:** Annually Managed Expenditure (AME). This area of spend includes unrealised gains/losses on forward contracts, impairments arising on the revaluation of worldwide properties, new provisions and movement in existing provisions. The outturn of £4.0m was £61m below Estimate. AME spend by its nature is volatile and demand led, and therefore difficult to forecast. In particular, exchange rates movements on open forward contracts and revaluations/impairments of the FCO property portfolio can significantly impact the outturn. During the year net AME impairments were £11.7m (Note 3), net provisions were £7.5m and the total also includes £1.8m of other expenditure including pensions and depreciation for donated assets. This was offset by a net monetary unrealised gain of £14.4m and a net gain of £2.5m on Peacekeeping forward contracts.
- » **Heading I:** Annually Managed Expenditure (AME) Reimbursements. This is the cash element of our AME budget and relates to climate change levy fees and reimbursements of certain duties and taxes including VAT on diplomatic missions hosted in the UK. The outturn of £34.6m was £0.4m below Estimate.

## Non-Departmental Public Bodies

The FCO works with three non-departmental public bodies (NDPBs) and one Executive Agency. The three NDPBs are The Westminster Foundation for Democracy, Great Britain China Centre and Marshall Aid Commemoration Commission, and the Executive Agency is Wilton Park. The guidance on NDPBs is available at <https://www.gov.uk/public-bodies-reform#ndpbs-and-executive-agencies>.

### Wilton Park

([www.wiltonpark.org.uk](http://www.wiltonpark.org.uk))

Wilton Park provides a global forum for strategic discussion. It organises over 50 events a year in the UK and overseas, bringing together leading representatives from the worlds of politics, business, academia, diplomacy, civil society and media. Wilton Park is governed by a Framework Document, which was updated in April 2013 and is reviewed every three years. The FCO Director of Communications is the Senior Departmental Officer (SDO) of the FCO relationship, and sits on the Wilton Park Board which usually meets five times a year. Communications Directorate provides annual core funding to Wilton Park and other Directorates within the FCO may provide additional discretionary funding to support specific Wilton Park conferences. The Foreign Secretary appoints the Chair of the Wilton Park Board, for a period of five years (extendable) and the Chief Executive for a fixed period of three years, with possibility of extension under Civil Service appointment terms.

### The Westminster Foundation for Democracy (WFD)

([www.wfd.org.uk](http://www.wfd.org.uk))

The Westminster Foundation for Democracy (WFD) supports democratic practices and institutions in developing democracies. Working with partner organisations, it strengthens the institutions of democracy, principally political parties, parliaments and institutions that make up civil society. WFD is supported by FCO Grant-in-Aid, as well as by an Accountable Grant from DfID. The relationship between the WFD and the FCO is governed by a Management Statement and a Financial Memorandum. The Foreign Secretary is accountable to Parliament for the activities of WFD and has responsibility for approving their strategic objectives, the appointment of the CEO and 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 Non-Departmental Public Body to which the FCO provides annual Grant-in-Aid. The Foreign Secretary signs off appointments of the Chair, and 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. The GBCC also works to promote the rule of law, good governance and sustainable development in China.

### Marshall Aid Commemoration Commission (MACC)

([www.marshallscholarship.org](http://www.marshallscholarship.org))

The 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 Communication 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 public sector bodies outside the boundary for which the FCO has the lead are:

#### British Council

The British Council is a charity, public corporation and non-departmental public body 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 Chief Operating Officer 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 their representation overseas.

#### FCO Services (FCOS)

FCOS is an agency of the FCO, and has also been a trading fund since April 2008. They provide a range of bespoke, secure services worldwide as a trusted partner to UK government departments, foreign governments and other organisations closely linked to the UK and for whom security is essential. Ultimate responsibility for FCOS as an organisation rests with the Foreign Secretary who delegates responsibility to an FCO Minister.

#### British Intergovernmental Services Authority Ltd (BISA), Kuwait Development 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 and 17 October 2013 respectively. The Secretary of State for Foreign and Commonwealth Affairs 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.

### Description of the Departmental Reporting Cycle

The Core Department no longer produces an annual report and set of accounts in its own right; these are now separately identified in these Group Accounts. The Department also lays before Parliament an annual Main Estimate, along with a Supplementary Estimate later in the year. Copies of the Main and Supplementary Estimates can be found on the Treasury website at: <https://www.gov.uk/government/collections/hmt-mainestimates>.

### Publicity and Advertising

Following announcement of the Marketing and Advertising Freeze on 4 June 2010, the FCO has implemented an exacting process to scrutinise all proposals for expenditure on paid for communications activities.

All spending proposals for 2015-16 in this area below £100,000 required the approval of the FCO Director of Communication and those above £100,000 also required approval from the Efficiency and Reform Group, via the Cabinet Office. The FCO approved 32 exemption requests (30 in 2014-15) that came under the £100,000 threshold. This came to a total of £229,505 (£628,133 in 2014-15).

Requests for marketing and advertising expenditure that have been approved by the Efficiency and Reform Group can be found at: [www.gov.uk/government/collections/exceptions-data](http://www.gov.uk/government/collections/exceptions-data).

### Incidents Involving the Loss / Compromise of Personal Data

Personal data incidents 2015-16 (Figures for 2014-15 are shown in brackets).

Category	Nature of Incident	Total
1	Loss of inadequately protected electronic equipment, devices or paper documents from secured government premises	4 (0)
2	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured government premises	1 (0)
3	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0 (0)
4	Unauthorised disclosure	4 (2)
5	Other	0 (0)

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.

No incidents were reported to the Information Commissioner's Office.

## Payment of Suppliers

In May 2010 the UK Government target to pay 90% of supplier invoices within 10 working days was replaced with a new target to pay 80% of UK supplier invoices in 5 working days. The FCO supports this important UK Government initiative, paid 81.0% (2014-15: 81.9%) of supplier invoices within 5 working days of receipt of a valid invoice in the financial year ending March 2016.

## Procurement

Our Procurement Hubs in Washington, Vilnius, New Delhi, Manila and Pretoria are now well established and are carrying out procurements valued from £25,000-£80,000 on behalf of our network of posts. Burden on posts has been reduced further through local promotion of Government Procurement Cards for low value purchases, which has reduced bureaucracy and transaction costs.

Procurement Hubs have created lists of 'agreed' suppliers for our posts who can be approached directly for purchasing goods and services valued below £25,000. Bureaucracy is reduced and more time can be spent developing relationships with suppliers. A more tightly focussed pool of suppliers also provides us with greater commercial leverage in seeking better deals.

Our robust procurement governance and global commercial strategy has ensured total annual combined savings of £10m.

Commercial Procurement Group have been driving regular Board member level engagement with our strategic suppliers. A collaborative working environment fosters openness and honesty which drives innovation and adds value. Managing these relationships is important, both due to the contracts' strategic importance in terms of our infrastructure and duty of care, but also in the value of the contracts. The FCO spends in excess of £200m per annum with these suppliers; about one third of the FCO's third party spend.

To ensure value for money and scrutiny of higher value procurements, the Procurement Strategy Approval Board (PSAB) allocates specialist resource to manage all new procurements, extensions and contract changes valued above £80,000. Contracts with a value of £348m were reviewed by the PSAB in the last year.

The FCO has conducted a Commercial Capability Review (CCR) as part of a cross-government Cabinet Office/HM Treasury initiative. A particular focus of our Commercial Capability Action Plan is about ensuring that senior officials in particular are aware of their responsibilities and have the capability to make the right commercial decisions.

## Corporate Sponsorship

Please see Annex A for Sponsorship table 2015-16.

## Major Contractual Arrangements

### Security Guarding Services Afghanistan

The contract for the provision of security and guarding services in Afghanistan ensures the safety and security of staff, enabling HMG's delivery of key strategic objectives.

### FCO's Commercial Procurement Group

Commercial Procurement Group (CPG) led an Official Journal of the European Union (OJEU) compliant tender exercise in collaboration with other UK government partners, and awarded the contract to G4S. Effective from July 2015, with options to extend up to and including June 2020, this open book contract should realise savings of some £13m over the initial three-year period.

### Armoured Vehicles for high risk locations overseas

In August 2015, CPG and Estates and Security Directorate (ESD) led a project to procure 84 armoured vehicles.

The vehicles were required to maintain secure support to our operations in hostile environments, and to ensure a consistent duty of care was provided to all UK government colleagues supported by the FCO overseas platform. Contracts for these vehicles were awarded to two Framework suppliers: Stoof, and MacNeillie & Sons, delivering £0.6m in savings and ensuring all vehicles were supplied in year.

### Technology Overhaul

Technology Overhaul is a transformation programme designed to drive a step change in the way that FCO staff perform their duties by providing the correct IT tools necessary to deliver this.

There are many strands to the programme, leading to new contractual arrangements under existing FCO Frameworks and resulting from procurements in 2015 and 2016. The main elements consist of: adopting a commercial Cloud environment, new devices with the emphasis on laptops, introduction of Wi-Fi in the UK estate and 50 prioritised overseas posts, and network traffic accelerators to speed up the access to files and data. These changes will primarily support secure flexible working, easier collaboration across all UK departments on the FCO overseas platform, whilst reducing costs with a smaller physical IT estate and removing the need to upgrade and update old infrastructure.

### Conflict Stability and Security Fund (CSSF) Framework

The FCO led on the successful procurement of the Conflict, Stability, and Security Fund (CSSF) Framework of approved suppliers capable of delivering projects within fragile and conflict affected states on behalf of the various UK government departments.

The Framework consists of 75 suppliers. The suppliers are a mixture of Small and Medium-sized Enterprises, Primes and NGOs. The Framework enables the CSSF and UK government in general to procure services more consistently, efficiently, effectively and cheaply.

### UK Guarding

In November 2015 the FCO's Facilities Management Client Unit (FMCU) and Crown Commercial Service (CCS) procured a new FCO UK security guarding contract. The contract was awarded to Servest.

The contract provides security, reception and events support services to all FCO UK estate. Through early engagement between FMCU and CCS, the FCO became the first department to procure through the new CCS Contractual Framework for these services.

## Statement of Accounting Officers Responsibilities

Under the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury has directed the 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 agencies) and its sponsored non-departmental public bodies designated by order made under the GRAA by Statutory Instrument 2015 no. 632 and 2015 no. 2062 (together known as the 'departmental group', consisting of the department and sponsored bodies listed at note 17 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, the departmental group and of the net resource outturn, application of resources, changes in taxpayers' equity and cash flows 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 the 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 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; and
- » prepare the accounts on a going concern basis.

HM Treasury has appointed the Permanent Under-Secretary as Accounting Officer of the FCO. The Accounting Officer of the department has also appointed the Chairmen and Chief Executives 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 body for which the Accounting Officer is responsible, are set out in Managing Public Money published by HM Treasury.

## Lead Non-Executive Report

This has been a busy and atypical year at the Foreign and Commonwealth Office. There was change at the top with the departure of Sir Simon Fraser from the role of Permanent-under-Secretary and the arrival of Sir Simon McDonald, formerly Her Majesty's Ambassador to Germany.

This year also saw several changes to non-executive membership. Rudy Markham departed the FCO in July 2015. We were incredibly grateful to him for all the help and support he had provided during his six years here. We now welcome Warren Tucker into the role.

Following the May 2015 general election, the Spending Review was high on the corporate agenda. Preparatory work began early in 2015, and was discussed at all levels of governance. We, as non-executives, took a keen interest and contributed to the development of proposals. We worried that a heavily reduced budget would limit the FCO's ability to carry out its work, so were relieved to see the 2015 Autumn Statement protect the FCO's budget in real terms.

From my perspective, the outcome of the Spending Review will benefit the FCO; however to meet the demands of the 21st century world, the organisation needs to change to become more efficient, effective and with a greater sense of purpose. Work is already underway. The PUS commissioned a review of working structures and culture at the FCO. The review took place during the first quarter of 2016 and was led by Tom Fletcher. We were fully engaged and met with Tom to put forward our ideas, as well as joining discussions at the Senior Leadership Forum. The results were published at the end of March and will form the basis for 'Diplomacy 20:20', the vision that will set the FCO's agenda until 2020 and beyond.

Throughout the year, all of us have continued to participate in the Supervisory Board. Julia and Warren both sit on the FCO's monthly Management Board. Warren has also taken over as chair of the Audit and Risk Assurance Committee, while Julia continues as a member of the Senior Appointments Board. We all take a full and active interest in many areas of FCO work, taking part in challenge sessions, interview panels, and participating in events such as the Senior Leadership Forum.

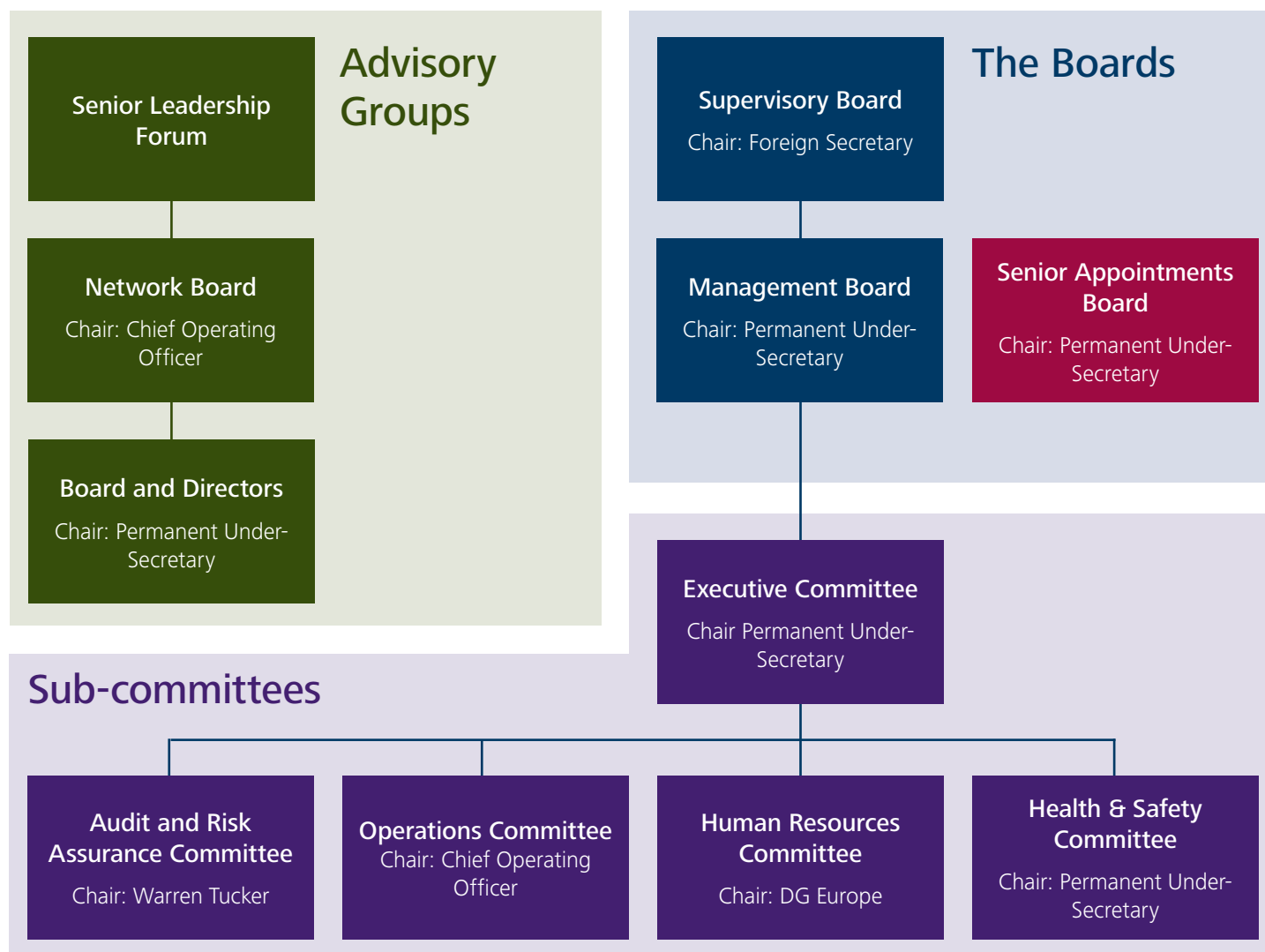
This is my final year as lead non-executive director. It has been a privilege to have played a role in one of the great departments of state, and I have hugely enjoyed the time I have spent with the exceptional people who work in it. There are obviously challenging times ahead, as the UK prepares to build what will be a new and different working relationship with the European Union. However, my experience of the past few years makes me very confident that the FCO will continue to do a fine job of making the case for the UK and advancing its interests around the world.

**Richard Lambert**

Lead Non-Executive Board Member

## Governance Statement

The FCO is governed through a series of Boards and Committees. The structure throughout FY 2015-16 was:



### 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 and is chaired by the Foreign Secretary.

The Board Effectiveness Evaluation was carried out for the fifth year from 1 April 2015 to 31 March 2016. To complete the evaluation member's views were canvassed on a range of matters. Preliminary findings suggested broad satisfaction with the Supervisory Board. Several areas were identified for improvement, including: oversight of, and engagement with, Arms Length Bodies, communications between meetings, and ensuring Board members have a clearer understanding of the roles and responsibilities of the Board. The Board Secretariat will take these forward.

The Management Board, chaired by myself as PUS, continued to provide the FCO's top official level leadership. There were a number of changes to Board membership in the year. Sir Simon Fraser, Dominic Jerney and Rudy Markham departed in

July 2015. Catherine Raines and Warren Tucker replaced Rudy and Dominic, while I replaced Simon as chair. Iain Macleod was made a formal Board member in September 2015. In January 2016, Sir Julian King left and was replaced by Deborah Bronnert. Karen Pierce took over as Chief Operating Officer in February 2016, while Sir Tim Barrow replaced Sir Simon Gass as DG Political at the end of March 2016. Christian Turner started in the new position of DG Middle East in April 2016, increasing the Board's membership to 13.

### Sub-Committees

At the end of the financial year 2015-16 the Board had oversight of five sub-committees:

- » **Executive Committee (ExCo)**, comprising executive members of the Management Board, has delegated authority to make decisions on certain issues. This committee monitors the implementation of agreed policies and considers proposals not requiring Management Board attention.
- » **Audit and Risk Assurance Committee**, which changed its name from the Audit and Risk Committee, provides

assurance to the Board and myself, as Accounting Officer, that the FCO has effective arrangements in place for governance, risk management and internal control. It does not have delegated authority to make decisions, instead providing an independent scrutiny and challenge function for the Board, and promotes best practice across the FCO. The Committee is chaired by the non-executive board member Warren Tucker and has two other members, both of whom are independent.

- » **Health and Safety Committee** acts as an advisory body and is responsible for consulting and reviewing health and safety arrangements and performance across the FCO. I chair the Committee and it meets every six months.
- » **Operations Committee**, which provides oversight and assurance of the FCO's Estates, IT and other investments. This Committee focuses on value for money and ensuring decisions deliver the FCO's business needs. It is chaired by the Chief Operating Officer and has delegated to take investment decisions between £2million and £15million (£1million and £5million for IT). Decisions above this threshold are referred to the Management Board.
- » **Human Resources Committee** last sat in 2015. We plan to make changes to this committee during quarter two of 2016/17.

### Governance Review

In February 2016, I commissioned a review of the FCO's corporate governance structures undertaken by the Board Secretariat. Board members, staff and stakeholders were consulted. Governance arrangements were found to be effective and in compliance with Cabinet Office guidelines, but some streamlining was recommended. No changes were recommended to the Management or Supervisory Boards. Some slight changes to ExCo and the sub committees were proposed, including to Operations Committee membership and to the role, mandate and membership of the HR Committee. ExCo discussed the proposals and its conclusions will be considered by the Management Board at the end of July 2016.

### Agendas

The Management Board's priority throughout this period has been ensuring that the FCO's capability to pursue the government's Foreign Policy Priorities. This year, much of the focus was on the FCO's overhaul of its information technology, workforce planning following the Spending Review, programme governance and security. The Board considers certain topics on a regular basis, particularly finance, risk and security. We also approve and monitor major projects, as defined by the Major Projects Authority (MPA) such as the almost-complete UK Estate Reform project (refurbishing the King Charles Street Offices).

The Supervisory Board and the Management Board both review management information through key performance reports. Finance is of particular importance. The Management Board assesses the financial risk to the Department for the financial year, allowing the Board to take any action required, including reprioritisation.

The Management Board and Supervisory Board consider a Top Risk Register which captures strategic risk to the achievement of the FCO's objectives as set out in our Single Departmental Plan (protecting our people, projecting our global influence, and promoting our prosperity). We also review a 'Bubbling Under' Risk Register which captures emergent risks which are of a lower order of impact, likelihood and proximity but have the potential to become strategic risks. The Top Risk Register informs the Supervisory Board and Management Board 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 risk management framework is considered in more detail below).

The Management Board takes investment decisions at key stages in the Major Projects Authority process and monitors progress. Throughout FY15-16, the Board monitored the progress of the UK Estate Reform project and the High Commission build in Abuja. We also monitored the progress of Technology Overhaul, considering and approving seven final business cases throughout the year. This featured regularly on our agendas throughout the year. FY16-17 will see the implementation of the programme.

The Management Board discussed diversity twice during the year. We have made progress against targets for SMS, but still have a way to go so agreed five diversity priorities for the year.

The general election in May 2015 brought in a new government and a spending review. The Executive Committee provided the forum for regular discussions and planning ahead of the Chancellor's statement on 25 November 2015. The Supervisory Board and Management Board also discussed the spending review.

In December 2015, I commissioned an internal review of working structures and culture at the FCO – the Future FCO Review. This was to enable the organisation to become more efficient, effective and with a greater sense of purpose to meet the demands of the 21st century. The Management Board discussed the review in April 2016 and tasked the Chief Operating Officer to take forward a programme of work to implement many of its recommendations. Looking forward, this Diplomacy 20:20 initiative will shape the agendas of the Supervisory Board, Management Board and ExCo until 2020.

### Non-Executive Board Members

In 2015-16, we continued to benefit from the advice of our non-executive board members. Their scrutiny and challenge contributed to improved management and oversight of our discretionary programmes and our major projects. They have brought challenge and external expertise to a range of our business activities.

## Wider engagement

The role of the FCO's Senior Leadership Forum (SLF)

The SLF is the FCO's senior global leadership, bringing together executive members of the Management Board and our most senior heads of post. The SLF is a consultative body which meets in London two or three times a year to consider corporate and policy issues. In September 2015, membership was revised, reducing the number of attendees from upwards of 40 to a maximum of 20.

## Board Observers

To increase transparency, the Management Board invites observers to its meetings. During the year, 10 London based staff and 2 local staff attended each meeting. Observers are also invited to attend most sub-committee meetings during the month of the Management Board.

## Cross-Whitehall Collaboration through the Network Board

The 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 HM Treasury and the Cabinet Office. It serves as a forum to coordinate Her Majesty's Government (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 FY15-16.

## Raising Concerns

The FCO is committed to ensuring a high standard of conduct in all that we do, including the effective use of tax payers' money and mitigating the risk of fraud and error. An effective whistle blowing policy is one of the key ways of identifying fraud and error. We refer to this as "raising concerns" rather than "whistle blowing" as we believe it is more positive and encourages reports.

In the FCO, staff can raise concerns on 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 whistle blowing 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 investigated.

While the identities of those raising a concern remain confidential, senior management (the Finance Director and the Audit and Risk Assurance Committee) take an active interest in the number of reports received, action taken in respect of each report and common themes from the reports. 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 2015-16, there were no specific concerns raised with nominated officers. However, the department's Anti Fraud and Corruption team received 13 reported concerns. All were investigated. Of these four related to other Government Departments and were forwarded appropriately, seven were disproven, one was shown to be fraud and one remains under investigation. In 2016-17, we will continue to ensure that staff are aware of the procedures and have confidence in their use and that all reports will be investigated.

Financial Year	No. of reports	No. investigated	No. of investigations completed	No. cases proven	Amount lost
15-16	13	13	12 (1 ongoing)	1 (fraud)	Less than £1000
14-15	16	16	16	1 (theft of fuel)	Less than £1000
13-14	9	9	9	1 (non-compliance with procedures)	N/A

## FCO Compliance with the Corporate Governance in Central Government Departments: Code of Good Practice 2011

I am satisfied that we have sound governance arrangements in place. The FCO 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 Senior Appointments Board and the Senior Staff Remuneration Panel. The presence of Julia Bond, Non-Executive Member of our Supervisory and Management Boards, creates a reporting line to the Boards and ensures robust external challenge. The Senior Staff Remuneration Panel is chaired by Sir John Baker and consists of additional external members, adding further challenges to the process of determining starting salaries and reward arrangements for the most senior staff in the office.

## FCO Risk Management Framework

The FCO faces a range of risks in part as a result of its global footprint. 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. Despite this, it will never be possible to manage risk down to zero.

The FCO manages risk at all levels of the organisation, including the Supervisory Board and Management Board, which considers the Top Risk Register on a regular basis. Different owners are responsible for different risks: from individual projects and programme risks, to risks overseas owned by Heads of Mission, through to strategic-level, cross-cutting risks owned by Directors. Heads of Mission and Directors manage and are accountable for their own risks, escalating them if necessary through the FCO's risk governance arrangements.

During the year we introduced a Risk Appetite Statement. This sets out our broad approach to risk appetite for foreign policy

and operational risks and so aids in decision making about the management of risk.

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 & Risk Assurance Committee and Accounting Officer. Their overall opinion this year was that controls provide a moderate level of assurance and have improved overseas. Particular attention is given to areas where Internal Audit issued a limited assurance opinion on risk management or identified weaknesses with a significant impact e.g. aspects of payroll management, top up rents overseas and IT disaster recovery. Directors and Heads of Post submit an Annual Consolidated Certificate of Assurance (ACCA) to me 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.

An internal audit of the FCO's risk management framework was conducted during the year 2015-16. We made a number of changes in response to recommendations from the audit. These included refreshing our Top Risk Register to ensure it captures the highest likelihood and impact strategic risks; introducing new guidance and a new tool to aid assessment of risk; and developing a new role for the Strategic Policy Group in testing whether top policy risks are being correctly identified and managed.

In foreign policy terms, the Board was particularly concerned in 2015-16 about the high number of risks emanating from the Middle East and North Africa. These included the risk of increased instability in the region and the threat from Daesh, which could have both operational and policy implications for the FCO. The UK's relationship with the EU and risks posed by Russian interventions in its neighbourhood also featured heavily throughout the year. We mitigate the risks these challenges can pose to operations through a range of security and other measures. Foreign policy interventions are also designed to mitigate risk, although often take more than a year to reach fruition. The top risk register illustrated the positive impact that long term foreign policy measures can have on the FCO's and UK's risk profile (e.g. on the Iran Nuclear negotiations - a deal was agreed this year).

Operational risks were also high on the Board's agenda. The Management Board regularly scrutinise major projects to ensure risk is being properly managed. In 2015-16 the focus was on the Technology Overhaul programme and continued UK Estate Reform project. Preparations for and implications of possible outcomes of the 2015 Spending Review were regularly discussed by the Management Board between April and November. We are now focussed on adapting the FCO to the challenges we face. This will take into account the recommendations of the Future FCO review carried out in early 2016.

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, including in new forms such as doxing (publication of private information on the internet). We

manage these risks rigorously through a combination of active monitoring, staff awareness and training, adjustments to our physical posture (e.g. reduction of staff numbers at affected Posts), guarding and practical counter-measures (employing a range of equipment, where required, such as armoured vehicles, body armour and tracking devices).

The FCO's longstanding policy is not to disclose details of our security arrangements in order to deny any advantage to a would-be attacker. However, we continue to keep these under close review and look to learn lessons wherever possible (including through regular exchanges with friendly diplomatic services and other international organisations). In particular, we have recently reviewed our baseline security measures for our overseas estate, and introduced some changes to improve the system. We are also working with Cabinet Office to help form the new UK Security Vetting organisation. And we have extended the provision of security support to other Government Departments operating overseas.

Managing risk will always be central to FCO activity. In the coming year, we will retain a strong focus on improving risk management, and improve staff capability in this area.

## FCO Corporate Governance Architecture, Membership and Attendance Record

### A. Supervisory Board

Frequency of meetings: The Board met twice during 2015-16

Member	Tenure	No. of Meetings Attended during 2015-16
The Rt Hon Philip Hammond MP Secretary of State for Foreign Affairs (Chair)	From July 2014	2/2
The Rt Hon David Lidington MP	From December 2011	1/2
The Rt Hon Hugo Swire MP	From September 2012	1/2
The Rt Hon. Baroness Anelay of St Johns DBE	From August 2014	1/2
Sir Richard Lambert, Lead Non-Executive Board Member	From December 2011	2/2
Rudy Markham, Non-Executive Board Member and Chair of FCO Audit and Risk Committee	From December 2011 to July 2015	0/1
Warren Tucker, Non-Executive Board Member and Chair of FCO Audit and Risk Assurance Committee	From November 2015	1/1
Julia Bond, Non-Executive Board Member	From December 2011	2/2
Sir Simon Fraser, PUS	From December 2011 to July 2015	1/1
Sir Simon McDonald, PUS	From September 2015	1/1
Deborah Bronnert, Chief Operating Officer	From September 2014 to January 2016	1/1
Karen Pierce, Chief Operating Officer	From February 2016	1/1
One of three policy DGs attending on rotating basis	From June 2014	2/2
Iain Walker, Director Finance	From January 2013	2/2

### B. FCO Management Board

Frequency of meetings: The Board met nine times during 2015-16.

Member	Tenure	No. of Meetings Attended during 2015-16
Sir Simon Fraser, Permanent Under Secretary of State (Chair)	From August 2010 to July 2015	4/4
Sir Simon McDonald, Permanent Under Secretary of State (Chair)	From September 2015	5/5
Deborah Bronnert, Chief Operating Officer	From September 2014 to January 2016	7/7
Karen Pierce, Chief Operating Officer	From February 2016	1/1
Sir Simon Gass, Director General Political	From Jan 2012 to March 2016	5/9
Sir Tim Barrow, Director General Political	From March 2016	0/0
Sarah MacIntosh, Director General Defence and Intelligence	From May 2014	8/9
Sir Julian King, Director General Economic and Consular	From June 2014 to January 2016	5/7
Deborah Bronnert, Director General Economic and Consular	From January 2016	2/2
Dominic Jermy Chief Executive UK Trade & Investment	From June 2014 to September 2015	3/4
Catherine Raines, Chief Executive UK Trade & Investment	From October 2015	2/4
Jill Gallard, Director Human Resources	From November 2014	8/9
Iain Walker, Director Finance	From December 2012	9/9
Iain Macleod, The Legal Adviser	From September 2015	4/5
Caroline Wilson, Consul General Hong Kong	From September 2014	7/8
Rudy Markham, Non-Executive Board Member	From January 2010 to July 2015	3/4
Warren Tucker, Non-Executive Board Member	From November 2015	4/4
Julia Bond, Non-Executive Board Member	From April 2011	8/9

### C. Senior Appointments Board

Membership	PUS, Chief Operating Officer, DG Political, DG Defence and Intelligence, DG Economic and Consular, DG Middle East & North Africa, HR Director, Julia Bond (Non-Executive Board Member), with PPS/Foreign Secretary as an observer.
Summary of Discussions during 2015-16	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 tour lengths, grading of SMS jobs and SMS exits.
Frequency of meetings	Monthly (except August)

### D. Audit & Risk Assurance Committee

Membership	Warren Tucker, Chair (Non- Executive Member of Management Board); Ann Cormack, Independent Member; and Stephen Hawker, Independent Member
Summary of Discussions during 2015-16	Evaluation of strategic processes for risk, control and governance, challenging the effectiveness of existing systems through the targeting of potential weaknesses. Review of risks and mitigation plans surrounding overseas contingent liabilities, information management, anti-corruption and bribery policies, Technology Overhaul and other major FCO projects. Analysis of planned activity and results of both internal and external audit services 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 Committee are conducted, facilitated by the NAO, and action is taken to address any matters arising.
Frequency of meetings	Five times during 2015-16, including one meeting to consider the Resource Accounts.

### E. Operations Committee

Membership	Chief Operating Officer (Chair), DG Ops Directors, Regional Directors, Consular Director, Heads of Mission, LE staff, UKTI.
Summary of Discussions during 2015-16	The FCO's Global Asset Management Plan, including the re-opening of our Embassy in Tehran and other estate related investment decisions exceeding £2m in value. Oversight of the FCO's IT portfolio, with a focus on the £105m Tech Overhaul project, providing advice to the FCO Board, and other IT investment decisions exceeding £1m in value. Non-salary staff reward package e.g. personal baggage allowances, and other investment projects. The Committee also reviewed and signed off the Network Shift and £100m savings programmes. Following a review of business in 2015-16, the Committee seeks to better coordinate the links between and across estate, IT and HR activities.
Frequency of meetings	Fortnightly

### F. HR Committee

Membership	Chair of the HRC: DG Economic and Consular, 4 Geographical/Thematic Directors; HR Director; HR Director (DWP); 5 Overseas representatives (D6-SMS); 5 Band representatives (1 for each of the delegated grades and the SMS); 4 Locally-Engaged representatives; a 'Specialist Cadre' representative.
Summary of Discussions during 2015-16	Learning and Development in the FCO: The Deal /FCO UK based Promotion processes – update on Progress and Roll out of New Promotion processes/Roll of HRC Band Reps/HR Directorate vision and values: Skills/capabilities, including level of ambition; Creativity, innovation, agility and flexibility; Diversity; Better Valued/Morale: Discussion on staff morale/Leadership Conference Breakout sessions: Leadership statement and creative leadership/Supporting Language Excellence – Next steps/Performance, Talent and Validation: Discussion on ExCo Paper/New appraisal forms for SMS and Delegated grades/ FCO Support for Disabled Staff/Managing under and poor performance/Network HR: Collaborating between HR Hubs, RLDTs and HRBPs
Frequency of meetings	Fortnightly

## G. Health & Safety Committee

Membership	PUS, Chief Operating Officer, Director/Estates & Security Directorate, Director/Overseas Territories Directorate, Director/Facilities Management Client Unit, Director/Human Resources Directorate, Director/Europe Directorate, Director/Africa Directorate, Senior Advisor/Legal Directorate, Head/Health & Welfare Policy Team/Human Resources Directorate, Head/Business Continuity/Operations Directorate, Head of Secretariat/FCO Services, Director/Communications Directorate, Chair/TUS, TUS, Head, HMA Abidjan, HM Consul General & Counsellor Corporate Services, USA.
Summary of Discussions during 2015-6	The fatality (falling from height) in Tehran, the Health and Safety Annual Report, UK Fire Safety, 3rd Edition of the Health and Safety Framework, UKER Project, the work of ENABLE and the Wellbeing network.
Frequency of meetings	Twice a year

## H. One HMG Overseas Network Board

Membership	FCO's Chief Operating Officer (Chair) and representatives from the Department for International Development, Ministry of Defence, UK Trade & Investment, Her Majesty's Revenue & Customs, British Council, National Crime Agency, UK Visas and Immigration, Her Majesty's Treasury and Cabinet Office
Summary of Discussions during 2015-16	Agreement that phase one of One HMG Overseas should be brought to an end to coincide with SR and agreement to run One HMG Overseas Agenda in line with Programme principles from 2016; the development of a new, more transparent aligned funding bid between all Partners for the new SR resulting in a revised cost-sharing arrangement based on cost per capita per post, for departments on the overseas platform; implementation of a new International People Board to work through Harmonisation reporting directly to the Network Board.
Frequency of meetings	Quarterly

## Remuneration & Staff Report

### Remuneration Report

The following sections of the Remuneration Report are subject to audit: single total figure of remuneration for each minister and director; CETV disclosures for each minister and director; payments for loss of office; and fair pay disclosures.

Equivalent information relating to Wilton Park is given in its separate accounts. Other ALBs 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 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

Ministers' remuneration is set by the Ministerial and Other Salaries Act 1975 and the Ministerial and Other Pensions and Salaries Act 1991.

The salary of the Permanent Under-Secretary was set by the Prime Minister on the recommendation of the Permanent Secretaries' Remuneration Committee.

The Committee's membership and terms of reference were announced by the then Prime Minister on 9 February 1995. The salary of the Chief Executive of UK Trade & Investment was set by the Department

for Business, Innovation and Skills.

The salaries of the 29 most senior Foreign and Commonwealth Office staff are agreed by the Foreign Secretary on the advice of the Senior Heads of Mission Remuneration Committee, which is chaired by Sir John Baker.

The salaries of member of the Board in Senior Management Structure Payband 2 followed a framework set centrally for the Civil Service in response to the recommendations of the Senior Salaries Review Board. Annual pay awards for these staff are determined by the Payband 2 Remuneration Committee, which is chaired by the Chief Operating Officer.

### Remuneration (including salary) and pension entitlements

The following sections provide details of the remuneration and pension interests of the Ministers and most senior management (i.e. Board members) of the department.

### Remuneration (salary, benefits in kind and pensions)<sup>1</sup>

Ministers	Salary (£)		Benefits in Kind (to nearest £100)		Pension Benefits (to nearest £1000) <sup>2</sup>		Total (to nearest £1000)	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Rt Hon Philip Hammond MP	67,505	45,003 <sup>3</sup>	-	-	33,000	14,000	101,000	59,000
Rt Hon Baroness Anelay	115,257	67,233 <sup>4</sup>	-	-	48,000	15,000	163,000	83,000
Rt Hon David Lidington MP	31,680	31,680	-	-	17,000	11,000	48,000	43,000
Rt Hon Hugo Swire MP	31,680	31,680	-	-	17,000	11,000	48,000	43,000
Rt Hon Francis Maude (from 11/05/2015 to 11/03/2016)	94,344 <sup>5</sup>	-	-	-	34,000	-	128,000	-
James Duddridge MP	22,375	14,315 <sup>6</sup>	-	-	5,000	5,000	27,000	19,000
Tobias Ellwood MP	22,375	15,939 <sup>7</sup>	-	-	5,000	6,000	28,000	22,000

<sup>1</sup> Where revised information has been received from the pension provider, prior year figures have been restated accordingly

<sup>2</sup> The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) 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.

<sup>3</sup> Rt Hon Philip Hammond MP full year equivalent salary was £67,505 in 2014-15

<sup>4</sup> Rt Hon Baroness Anelay full year equivalent salary was £115,257 in 2014-15

<sup>5</sup> Rt Hon Francis Maude full year equivalent salary was £115,257 in 2015-16

<sup>6</sup> James Duddridge MP full year equivalent salary was £22,375 in 2014-15

<sup>7</sup> Tobias Ellwood MP full year equivalent salary was £22,375 in 2014-15

## Members of the FCO Management Board

The information given below relates to the period for which FCO Senior Managers served on the Board.

Officials	Salary (£000)		Performance Related Pay (£000)		Benefits in Kind (to nearest £100)		Pension Benefits (to nearest £1000)		Total (£000)	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16 <sup>8</sup>	2014-15 <sup>9</sup>	2015-16	2014-15
Simon McDonald (from 1 September 2015)	105-110 <sup>10</sup>	-	-	-	-	-	299,000	-	405-410	-
Karen Pierce (from 3 February 2016)	20-25 <sup>11</sup>	-	-	-	-	-	76,000	-	95-100	-
Sarah MacIntosh	125-130	115-120 <sup>12</sup>	-	-	-	-	79,000	249,000	205-210	365-370
Deborah Bronnert	125-130	70-75 <sup>13</sup>	-	-	2.9	1.7	172,000	169,000	300-305	235-240
Iain Macleod (from 11 September 2015)	70-75 <sup>14</sup>	-	-	-	-	-	18,000	-	90-95	-
Iain Walker	110-115	110-115	10-15	10-15	-	-	38,000	36,000	160-165	155-160
Jill Gallard	100-105	40-45 <sup>15</sup>	-	-	0.2	-	120,000	59,000	220-225	105-110
Tim Barrow (from 28 March 2016)	0-5 <sup>16</sup>	-	-	-	-	-	-	-	0-5	-
Caroline Wilson	95-100	55-60 <sup>17</sup>	-	-	-	-	42,000	15,000	140-145	65-70
Simon Gass (until 25 March 2016)	140-145 <sup>18</sup>	140-145	10-15	10-15	-	-	32,000 <sup>19</sup>	26,000	185-190	180-185
Julian King (until 31 January 2016)	105-110 <sup>20</sup>	100-105 <sup>21</sup>	-	-	-	-	52,000	93,000	160-165	190-195
Dominic Jerney (until 3 September 2015)	45-50 <sup>22</sup>	85-90 <sup>23</sup>	-	-	-	-	38,000	85,000	85-90	170-175
Simon Fraser (until 31 July 2015)	60-65 <sup>24</sup>	185-190	-	15-20	-	-	- <sup>25</sup>	-	60-65	200-205
Menna Rawlings (until 12 October 2014)	-	60-65 <sup>26</sup>	-	-	-	-	-	19,000	-	80-85
Matthew Rycroft (until 25 August 2014)	-	55-60 <sup>27</sup>	-	10-15	-	-	-	34,000	-	100-105
Shan Morgan (until 24 July 2014)	-	35-40 <sup>28</sup>	-	10-15	-	-	-	7,000	-	55-60
Barbara Woodward (until 15 June 2014)	-	20-25 <sup>29</sup>	-	-	-	-	-	2,000	-	20-25
Robert Hannigan (until 5 May 2014)	-	10-15 <sup>30</sup>	-	-	-	-	-	4,000	-	10-15

Dr Catherine Raines (Chief Executive of UKTI) is employed by the Department for Business, Innovation and Skills and sits on the FCO Management Board. Her remuneration information can be found in their Remuneration Report.

<sup>8</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 (contributions made by the individual). The real increase excludes increases due to inflation or any increases or decreases due to a transfer of pension rights.

<sup>9</sup> The 2014-15 pension benefits figures have been re-calculated for Deborah Bronnert, Jill Gallard, Caroline Wilson and Dominic Jerney due to retrospective changes provided during this year's disclosure.

<sup>10</sup> Simon McDonald full year equivalent salary was £180-185k in 2015-16

<sup>11</sup> Karen Pierce full year equivalent salary was £135-140k in 2015-16

<sup>12</sup> Sarah MacIntosh full year equivalent salary was £125-130k in 2014-15

<sup>13</sup> Deborah Bronnert full year equivalent salary was £125-130k in 2014-15

<sup>14</sup> Iain Macleod full year equivalent salary was £130-135k in 2015-16

<sup>15</sup> Jill Gallard full year equivalent salary was £95-100k in 2014-15

<sup>16</sup> Tim Barrow full year equivalent salary was £130-135k in 2015-16

<sup>17</sup> Caroline Wilson full year equivalent salary was £90-95k in 2014-15

<sup>18</sup> Simon Gass full year equivalent salary was £145-150k in 2015-16

<sup>19</sup> Simon Gass chose not to be covered by the Civil Service pensions arrangements from 31/01/2016

<sup>20</sup> Julian King full year equivalent salary was £130-135k in 2015-16

<sup>21</sup> Julian King full year equivalent salary was £125-130k in 2014-15

<sup>22</sup> Dominic Jerney full year equivalent salary was £110-115k in 2015-16

<sup>23</sup> Dominic Jerney full year equivalent salary was £105-110k in 2014-15

<sup>24</sup> Simon Fraser full year equivalent salary was £185-190k in 2015-16

<sup>25</sup> Simon Fraser chose not to be covered by the Civil Service pensions arrangements during both reporting years

<sup>26</sup> Menna Rawlings full year equivalent salary was £105-110k in 2014-15

<sup>27</sup> Matthew Rycroft full year equivalent salary was £125-130k in 2014-15

<sup>28</sup> Shan Morgan full year equivalent salary was £110-115k in 2014-15

<sup>29</sup> Barbara Woodward full year equivalent salary was £120-125k in 2014-15

<sup>30</sup> Robert Hannigan full year equivalent salary was £135-140k in 2014-15

## Non-executive directors<sup>34</sup>

Officials	Salary (£000)		Performance Related Pay (£000)		Benefits in Kind (to nearest £100)		Pension Benefits (to nearest £1000)		Total (£000)	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Julia Bond	10-15	10-15	-	-	-	-	-	-	10-15	10-15
Warren Tucker (from 23 November 2015)	5-10 <sup>31</sup>	-	-	-	-	-	-	-	5-10	-
Richard Lambert	15-20	15-20	-	-	-	-	-	-	15-20	20-25
Rudy Markham (to 31 July 2015)	.. <sup>32</sup>	15-20 <sup>33</sup>	-	-	-	-	-	-	-	15-20
Heather Rabbats (until 31 March 2015)	-	10-15	-	-	-	-	-	-	-	10-15

<sup>31</sup> Warren Tucker full year equivalent fees were £15-20k in 2015-16

<sup>32</sup> Rudy Markham was not remunerated for his work after 31 March 2015

<sup>33</sup> Rudy Markham's salary was donated in its entirety on his behalf to 'The Pimpernel Trust

<sup>34</sup> Ann Cormack and Stephen Hawker are not remunerated for their role as independent members of the Audit and Risk Assurance Committee

## 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 (£67,060 from 1 April 2014, £74,000 from 8 May 2015) 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.

## Performance Related Payments

Performance Related Payments (PRP) are based on performance levels attained and are made as part of the annual appraisal and pay, PRP and talent moderation processes. Due to timings of the appraisal process, PRP paid in 2015-16 relate to performance in 2014-15, and PRP paid in 2014-15 relate to performance in 2013-14.

SMS staff appraisals are benchmarked for both base pay and PRP. For base pay, staff are benchmarked across three ratings with the following distribution (with 1 being the highest): 1-25%; 2-65%; 3-10%. The criteria for assessment are:

1. The quality of leadership provided by the jobholder – taking account of what the jobholder's team has achieved and how it has been done. For this line managers are asked to consult SMS leadership competence behaviours including valuing diversity;
2. Ability to learn and develop – taking account of competence growth through improved skills rather than volume of development activity;

3. Corporate contribution – for performance related pay, line managers are asked for a judgement about the jobholder's delivery of clear, stretching and specific outcomes in year. They should take into account factors like stretch, complexity, challenging environment and availability and quality of resources. Following benchmarking, 25% of SMS staff can be paid PRP. The value of PRP awarded were £10,045 (SMS 1), £11,685 (SMS 2) and £13,975 (SMS 3).

Permanent Secretaries are assessed against objectives which include business delivery; corporate delivery and capability building. Performance related payments are subject to scrutiny at the Permanent Secretary Remuneration Committee (PSRC). This is a sub-committee of the independent Senior Salaries Review Board. Its main purpose is to make recommendations to the Prime Minister on pay and non-consolidated payments to be awarded to Permanent Secretaries.

## 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.

## Pay Multiples

	2015-16	2014-15	% change
Band of highest paid directors total remuneration	£180-185k	£200-205k	-9.8% <sup>1</sup>
Median remuneration of all UK Based staff	£35,415	£34,448	2.8% <sup>2</sup>
Ratio	5.2	5.9	-11.9% <sup>3</sup>

<sup>1</sup> the percentage change in the midpoints of the salary ranges

<sup>2</sup> the percentage change in median salary

<sup>3</sup> the percentage change in the ratio

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 Foreign and Commonwealth Office in the financial year 2015-16 was £180k-185k (2014-15, £200k-205k). This was 5.2 times (2014-15, 5.9) the median remuneration of the workforce, which was £35,415 (2014-15, £34,448).

The decrease in remuneration for the highest paid director is due to non-payment of PRP in 2015-16 relating to performance in 2014-15. The change in median remuneration for all UK Based staff is affected by a number of factors – salary and taxable allowances paid, awards of PRP and the general grade mix of the workforce.

In 2015-16, one employee received remuneration in excess of the highest-paid director, (0 in 2014-15). Remuneration ranged from £18,520 to £190,000 (2014-15, £18,337 to £205,000).

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.

### Pension Benefits

Minister	Accrued pension at age 65 as at 31/3/16	Real increase in pension at age 65	CETV at 31/3/16	CETV at 31/3/15	Real increase in CETV
	£000	£000	£000	£000	£000
Rt Hon Philip Hammond MP	10-15	0-2.5	179	141	27
Rt Hon Baroness Anelay	15-20	2.5-5	306	264	41
Rt Hon David Lidington MP	5-10	0-2.5	92	73	13
Rt Hon Hugo Swire MP	5-10	0-2.5	85	68	12
Rt Hon Francis Maude (from 11/05/2015 to 11/03/2016)	10-15	0-2.5	225	186	31
James Duddridge MP	0-5	0-2.5	31	27	1
Tobias Ellwood MP	0-5	0-2.5	10	6	2

The "CETV at 31/3/15" figure does not match the corresponding figure in last year's Remuneration Report due to the change in transfer factors used by the PCPF. The factors were changed in March 2016 following updated guidance from HM Treasury which sets the financial assumptions to use to calculate CETVs from PCPF. More information about this change can be found here - [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/508105/Basis\\_for\\_setting\\_the\\_discount\\_rate\\_for\\_calculating\\_cash\\_equivalent\\_transfer\\_values\\_payable\\_from\\_the\\_public\\_service\\_pension\\_schemes.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/508105/Basis_for_setting_the_discount_rate_for_calculating_cash_equivalent_transfer_values_payable_from_the_public_service_pension_schemes.pdf).

### 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 aged 55 or older on 1st April 2013 have transitional protection to remain in the previous 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.

Officials	Accrued pension at pension age as at 31/3/16 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/16 <sup>1</sup>	CETV at 31/3/15 <sup>2</sup>	Real increase in CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	Nearest £100
Simon McDonald (from 1 September 2015)	65-70 plus lump sum of 205-210	12.5-15 plus lump sum of 37.5-40	1,450	1,109	270	-
Karen Pierce (from 3 February 2016)	50-55 plus lump sum of 160-165	2.5-5 plus lump sum of 7.5-10	1,172	1,078	70	-
Sarah MacIntosh	35-40 plus lump sum of 110-115	2.5-5 plus lump sum of 2.5-5	629	530	41	-
Deborah Bronnert	40-45 plus lump sum of 120-125	7.5-10 plus lump sum of 15-17.5	761	582	116	-
Iain Macleod (from 11 September 2015)	45-50 plus lump sum of 135-140	0-2.5 plus lump sum of 2.5-5	933	861	16	-
Iain Walker	10-15 plus no lump sum	0-2.5 plus no lump sum	111	82	10	-
Jill Gallard	25-30 plus lump sum of 75-80	5-7.5 plus lump sum of 10-12.5	454	341	77	-
Tim Barrow (from 28 March 2015)	45-50 plus lump sum of 135-140	0-2.5 plus lump sum of 0-2.5	893	893	0	-
Caroline Wilson	20-25 plus lump sum of 65-70	2.5-5 plus lump sum of 0-2.5	403	342	18	-
Simon Gass (until 25 March 2016)	60-65 plus lump sum of 190-195	0-2.5 plus lump sum of 5-7.5	1,444	1,347	31	-
Julian King (until 31 January 2016)	45-50 plus lump sum of 145-150	2.5-5 plus lump sum of 7.5-10	901	816	40	-
Dominic Jerney (until 3 September 2015)	25-30 plus lump sum of 80-85	0-2.5 plus lump sum of 2.5-5	473	428	22	-
Simon Fraser (until 31 July 2015) <sup>3</sup>	-	-	-	-	-	-
Menna Rawlings (until 12 October 2014)	-	-	-	447	-	-
Matthew Rycroft (until 25 August 2014)	-	-	-	632	-	-
Shan Morgan (until 24 July 2014)	-	-	-	1311	-	-
Barbara Woodward (until 15 June 2014)	-	-	-	653	-	-
Robert Hannigan (until 5 May 2014)	-	-	-	357	-	-

<sup>1</sup> The factors used to calculate the CETV were reviewed by the scheme actuary in 2015, so the tables of factors used to calculate the CETV in 2015 are not the same as those used to calculate the CETV in 2016

<sup>2</sup> The 2014-15 CETV figures have been re-calculated for Deborah Bronnert, Jill Gallard, Caroline Wilson and Dominic Jerney due to retrospective changes provided during this year's disclosure.

<sup>3</sup> Simon Fraser chose not to be covered by the Civil Service Pension arrangements during both reporting years

## Non-executive Directors

None of the non-executive directors is a member of the 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 3% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of 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 uprated 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 3% and 12.5% up to 30 September 2015 and 8% and 14.75% from 1 October 2015 (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 0.8% of pensionable salary up to 30 September 2015 and 0.5% of pensionable salary from 1 October 2015 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 PUS Simon Fraser left the FCO on 31 July 2015 and received a compensation payment equal to 3 month's salary plus London Location Allowance on leaving post, equating to £46,625. This arrangement is in line with the business appointment rules for public servants. It was agreed with Simon Fraser that he take up no other employment between 1 August and 31 October. Cabinet Office was consulted when the payment was proposed, and HM Treasury approved this payment.

## Staff Report

*The total FCO workforce as of 31 March 2016 was 12,563 comprising 4,295 FCO UK based staff and 8,268 FCO local staff. The reduction from last year reflects the removal of UKTI staff from core FCO headcount as of 1 April 2015 when UKTI became financially independent from the Department of Business, Innovation and Skills (BIS) and the FCO.*

### FCO staff headcount

The figures are calculated using staff numbers as at the end of the financial year.

	2015-16	2014-15
UK Based	4,295	4,469
Locally Engaged	8,268	9,200
Ministers	6	6
Special Advisors	3	2
Other	131	102

### FCO UK based staff headcount

The figures are calculated using staff numbers as at the end of the financial year.

								Actual	Forecast
Year	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2015-16
Headcount <sup>1</sup>	4834	4990	4786	4576	4836	4609	4469	4295	4220
Full Time Equivalent	4758	4860	4682	4492	4721	4523	4380	4201	4163
Casual	22	71	35	18	50	16	13	11	
<b>Total FTE</b>	<b>4780</b>	<b>4931</b>	<b>4717</b>	<b>4510</b>	<b>4771</b>	<b>4539</b>	<b>4393</b>	<b>4212</b>	<b>4163</b>
Overtime	56	42	45	45	46	42	59	42	

<sup>1</sup> These figures exclude all staff working for UK Visa and Immigration (UKVI); UK Trade and Investment (UKTI); and other Whitehall Partners operating on the FCO platform overseas; and all staff working for Wilton Park and FCO Services. The reduction from last year reflects the removal of UKTI staff from core FCO headcount as of 1 April 2015 when UKTI became financially independent from the Department of Business, Innovation and Skills (BIS) and the FCO [The 2015-16 forecast excluded 70 FTE working with the Conflict Security and Stability Fund, which are included in the FCO staffing numbers, because they were a new requirement and the FCO was provided with additional Programme funding].

## Total UK Staff (by grade)

As at 31 March 2016, 64% of our UK based staff were working in the UK and 36% were based in overseas posts. Approximately 8% of the UK based workforce were on loan from Other Government Departments.

The figures are calculated using staff numbers as at the end of the financial year.

Staff by Grade	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16
A1 (AA)	122	133	107	54	64	18	19	19
A2 (AO)	843	843	833	791	759	653	555	491
B3 (EO)	976	980	920	850	849	734	715	689
C4 (HEO)	972	1017	968	968	1117	1165	1133	1102
C5 (SE0)	404	381	401	403	438	446	443	461
D6 (Grade 7)	788	770	714	700	754	782	792	744
D7 (Grade 6)	302	325	325	360	410	407	430	424
SMS (SCS)	415	415	395	395	409	404	382	365
Others	12	126	123	55	36	0	0	0
<b>Total</b>	<b>4834</b>	<b>4990</b>	<b>4786</b>	<b>4576</b>	<b>4836</b>	<b>4609</b>	<b>4469</b>	<b>4295</b>

## Number of Senior Civil Servants (by grade)

The figures are calculated using staff numbers as at the end of the financial year.

Grade of Staff	2015-16	2014-15
SMS4	3	3
SMS3	30	30
SMS2	101	106
SMS1	231	243
<b>Total</b>	<b>365</b>	<b>382</b>

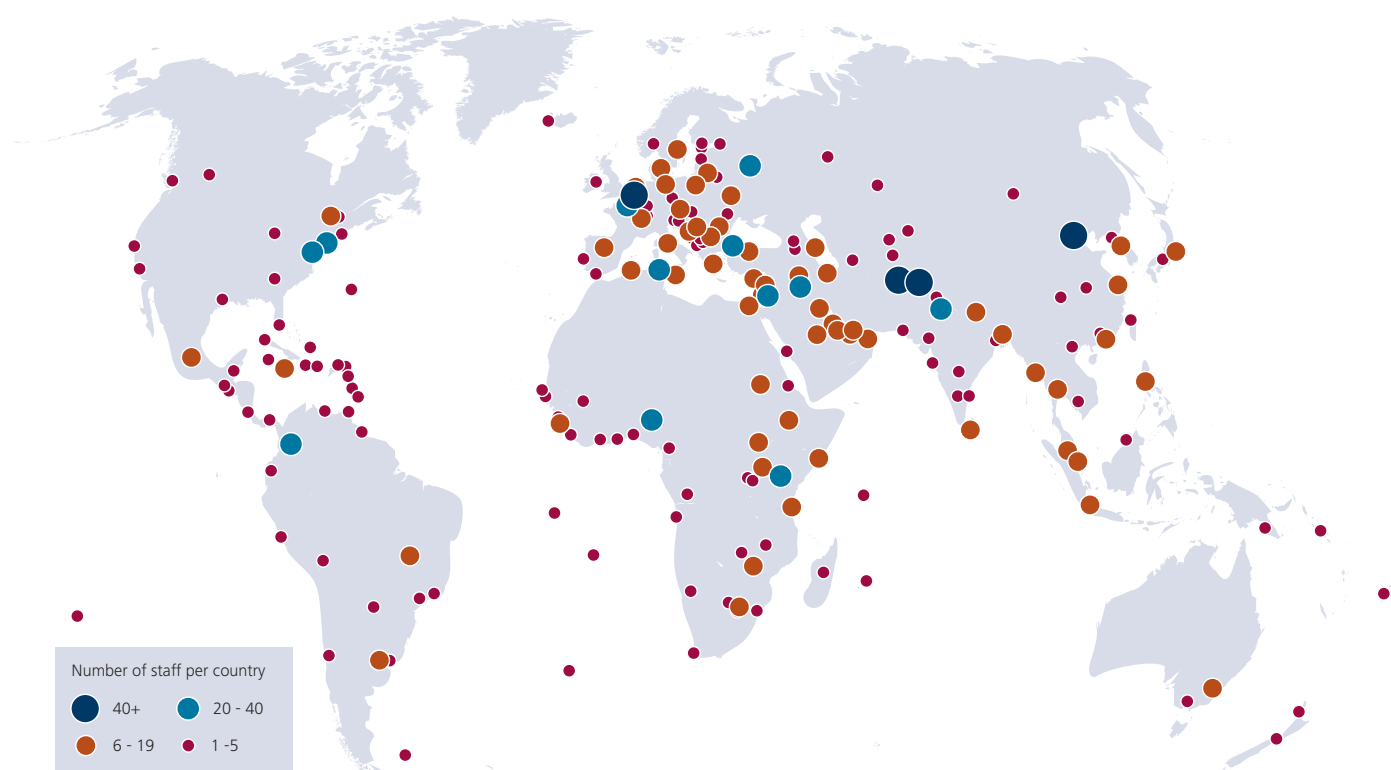
Total SMS staff numbers have reduced by 17 in this financial year through a mixture of staff turnover, inter-change officers reverting, re-evaluating job responsibility levels and retirements.

## Staff Numbers and Related Costs

The figures are calculated using average staff numbers throughout the financial year. This table is subject to audit and forms part of the accounts in Note 3.

	2015-16					2014-15	
	Permanent Staff		Others	Ministers	Special Advisers	Total	Total
	Local Staff	UK Staff					
	£000	£000	£000	£000	£000	£000	£000
Wages and Salaries	118,139	225,071	3,450	394	205	347,259	418,405
Social Security Costs	-	11,531	3	40	23	11,597	11,778
Other Pension Costs	13,021	32,338	132	9	32	45,532	51,171
	<b>131,159</b>	<b>268,940</b>	<b>3,585</b>	<b>444</b>	<b>260</b>	<b>404,388</b>	<b>481,354</b>
Less Recoveries from Outward Secondments	-	(1,878)	-	-	-	(1,878)	(1,906)
<b>Total Net Costs</b>	<b>131,159</b>	<b>267,062</b>	<b>3,585</b>	<b>444</b>	<b>260</b>	<b>402,510</b>	<b>479,449</b>

## UK staff at diplomatic offices overseas (numbers per country)



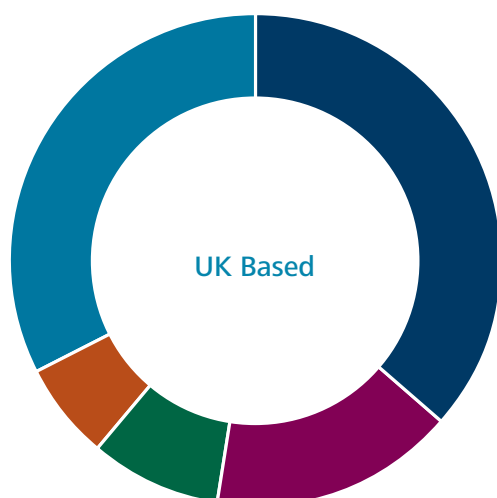
Abidjan	2	Bucharest	6	Houston	1	Moscow	31	Singapore	10
Abu Dhabi	6	Budapest	3	Hyderabad	1	Mumbai	1	Skopje	3
Abuja	25	Buenos Aires	11	Islamabad	58	Muscat	10	Sofia	6
Accra	5	Cairo	17	Istanbul	22	Nairobi	25	St Helena	2
Addis Ababa	19	Calgary	1	Jakarta	16	New Delhi	27	St Petersburg	2
Ahmedabad	1	Canberra	9	Jedda	4	New York (CG)	2	Stanley	3
Algiers	7	Cape Town	1	Jerusalem	10	New York (UKMis)	35	Stockholm	11
Amman	37	Caracas	5	Johannesburg	1	Nicosia	8	Strasbourg CoE	4
Amsterdam	1	Castries	1	Juba	7	Nouakchott	1	Suva	2
Anguilla	2	Chandigarh	1	Kabul	42	Osaka	1	Taipei	4
Ankara	18	Chennai	1	Kampala	8	Oslo	5	Tallinn	3
Antananarivo	1	Chicago	2	Karachi	3	Ottawa	9	Tashkent	4
Ascension	1	Chisinau	3	Kathmandu	6	Panama City	4	Tbilisi	5
Ashgabat	2	Chongqing	2	Khartoum	10	Paris (Embassy)	22	Tehran	7
Asmara	2	Colombo	7	Kiev	11	Paris (OECD)	4	Tel Aviv	10
Astana	4	Conakry	1	Kigali	3	Phnom Penh	2	The Hague	7
Asuncion	2	Copenhagen	7	Kingston	8	Pitcairn	1	Tirana	2
Athens	8	Dakar	2	Kinshasa	5	Podgorica	1	Tokyo	18
Atlanta	1	Dar es Salaam	6	Kolkata	2	Port au Prince	1	Tortola	2
Auckland	1	Dhaka	12	Kuala Lumpur	8	Port Louis	2	Tristan da Cunha	1
Baghdad	24	Doha	9	Kuwait	6	Port Moresby	3	Tunis	21
Bahrain	7	Dubai	11	La Paz	2	Port of Spain	3	Ulaanbaatar	4
Baku	8	Dublin	5	Lagos	4	Prague	3	Valletta	7
Bamako	2	Dushanbe	2	Lilongwe	3	Pretoria	17	Vancouver	1
Bandar Seri Begawan	2	Erbil	11	Lima	4	Pristina	4	Victoria	2
Bangalore	1	Freetown	6	Lisbon	3	Pyongyang	5	Vienna (Embassy)	12
Bangkok	12	Gaborone	2	Ljubljana	2	Quito	2	Vienna (OSCE)	8
Banjul	1	Geneva (UKMis)	16	Los Angeles	2	Rabat	11	Vienna (UKMis)	9
Beijing	50	Georgetown	2	Luanda	4	Rangoon	8	Vientiane	2
Beirut	12	Gibraltar	3	Lusaka	2	Reykjavik	2	Vilnius	6
Belgrade	8	Goma	1	Luxembourg	1	Riga	5	Warsaw	6
Belmopan	2	Grand Cayman	2	Madrid	11	Rio de Janeiro	3	Washington	36
Berlin	16	Grand Turk	2	Manila	9	Riyadh	18	Wellington	5
Berne	3	Guangzhou	5	Maputo	2	Rome	11	Windhoek	1
Bishkek	3	Guatemala City	3	Melbourne	1	San Francisco	2	Wuhan	2
Bogota	22	Hamilton	3	Mexico City	12	San Jose	2	Yaounde	4
Boston	1	Hanoi	5	Miami	2	San Salvador	2	Yekaterinburg	1
Brasilia	16	Harare	8	Minsk	3	Santiago	5	Yerevan	2
Bratislava	2	Havana	4	Mogadishu	8	Santo Domingo	3	Zagreb	4
Bridgetown	3	Helsinki	5	Monrovia	1	Sao Paulo	2		
Brussels (Emb)	6	Holy See	2	Montevideo	3	Sarajevo	7		
Brussels (NATO)	15	Hong Kong	15	Montreal	1	Seoul	10		
Brussels (UKRep)	84	Honiara	2	Montserrat	2	Shanghai	6		

## Departmental Activity

The figures are calculated using average staff numbers throughout the financial year. This table is subject to audit and forms part of the accounts in Note 3.

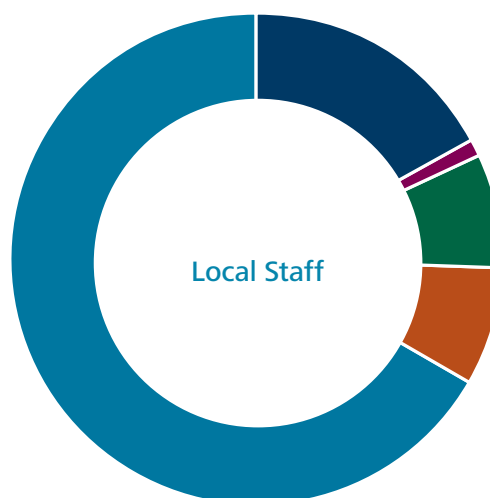
	2015-16			2014-15	
	Permanent Staff		Others	Total	Total
	Local Staff	UK Staff			
Our Purpose	4,046	2,283	96	6,425	5,302
FPP1 - Britain's National Security	370	1,047	39	1,456	1,426
FPP2 - Britain's Prosperity	1,534	561	21	2,116	5,081
FPP3 - Support British Citizens	1,890	393	15	2,298	1,880
	7,840	4,284	171	12,295	13,689
<b>Of which:</b>					
Core Department	7,812	4,194	160	12,166	13,566
Wilton Park	-	65	5	70	75
Other Designated Bodies	28	25	6	59	48
	7,840	4,284	171	12,295	13,689

Percentage of UK based staff spent on priorities (as at March 2016)



34% Our Purpose 15% FPP1 Security 8% FPP2 Prosperity  
6% FPP3 Consular 30% Management & Support

Percentage of Local staff spent on priorities (as at March 2016)



16% Our Purpose 1% FPP1 Security 7% FPP2 Prosperity  
7% FPP3 Consular 62% Management & Support

### Local Staff

Our local staff are an integral part of our global network overseas and make up 66% of the total FCO workforce. They are based in our diplomatic offices around the network and deliver front-line foreign policy objectives, corporate management functions and support services. Our local staff also provide consular assistance along with a range of services and support for British Nationals abroad.

Our focus has been on developing of the Regional Corporate Service Hubs who provide HR services to all 268 overseas Posts. The seven hubs are exclusively staffed by local HR professionals, and their value in providing greater consistency, compliance and streamlining of HR policy and processes is becoming evident. We are continuing to work on embedding the Regional operating model, so that service globally continues to improve.

A major challenge has been recruitment, which had been processed manually. In the financial year the hubs processed 187,583 applications for 2,759 vacancies. We have now procured global recruitment software for all Local Staff vacancies. The system, which is now live, is facilitating more efficient sifting and processing of applications with a better experience for applicants. Looking ahead, the new recruitment software will also provide the platform for us to refresh local staff recruitment policy to ensure that it meets the needs of the organisation.

The One Global Workforce Programme has helped align the management of local staff with that of UK based staff. Our focus remains on embedding changes delivered under this programme to improve simplicity, fairness and consistency for all staff, and improve the voice and visibility of local staff.

### Equal Opportunities

The FCO is an equal opportunities employer. Our equal opportunities policy states that no staff should be exposed to unfair discrimination, including harassment, bullying or victimisation on any grounds, particularly age, gender, marital status, race, disability, religion or belief, sexual orientation, pregnancy or maternity, or gender reassignment. In particular:

- » We aim to provide all staff with equality of opportunity in all aspects of their work;
- » Policies are in place to guard against unfair discrimination or barriers to employment and advancement;
- » Employment and promotion are on merit;
- » The right to request flexible working is open to all.

Equal opportunity considerations are at the core of the FCO's personnel policies. The FCO has published equality data in line with the requirements of the Equality Act 2010. The FCO Equality Report can be found on [www.gov.uk](http://www.gov.uk).

### Staff Composition

#### Total Number of Employees (by gender)

The figures are calculated using staff numbers as at the end of the financial year

	2015-16		2014-15	
	UK Based	Local Staff	UK Based	Local Staff
Female	1855 (43.2%)	3498 (42.3%)	1914 (42.8%)	4237 (45.6%)
Male	2440 (56.8%)	4770 (57.7%)	2555 (57.2%)	5051 (54.4%)
<b>Grand Total</b>	<b>4295</b>	<b>8268</b>	<b>4469</b>	<b>9288</b>

#### Total Number of Senior Civil Servants (by gender)

The figures are calculated using staff numbers as at the end of the financial year

Grade	2015-16			2014-15		
	Total	% Female	% Male	Total	% Female	% Male
SMS1	231	36%	64%	243	32%	68%
SMS2	101	20%	80%	106	19%	81%
SMS3	30	23%	77%	30	20%	80%
SMS4	3	0%	100%	3	0%	100%
<b>Overall</b>	<b>365</b>	<b>30%</b>	<b>70%</b>	<b>382</b>	<b>27%</b>	<b>73%</b>

### Employment of people with a disability

The FCO follows the Civil Service Code of Practice on the employment of people with a disability, which aims to ensure that there is no unfair discrimination on the grounds of disability and that access to employment and career advancement is based solely on ability, qualifications and suitability for the work.

Internally the FCO has taken forward a number of initiatives to improve the support available to disabled staff. This has included:

- » an audit of the main FCO building to help improve accessibility for staff and visitors;
- » the introduction of policies to allow disabled staff greater flexibility if they wish to stay longer in roles when based in the UK; and
- » a new pilot scheme to create "job carving" opportunities for disabled staff who would otherwise face challenges in securing a suitable role.

This has resulted in improved engagement with disabled staff with around 10 officers taking the opportunity to remain in their current roles this year thereby avoiding the stress and anxiety related to moving to a new role. 4 staff are now settled in new 'job carved' roles and performing effectively.

Disabled staff, their line managers, and team members, can access disability related training available from Civil Service Learning or where more appropriate request workplace training for individual disabilities. The FCO also offers coaching and mentoring opportunities. The FCO also work in close partnership with the FCO's Staff Association for Disability Issues (known as Enable) to support and assist their work to make the FCO a more "disability-confident" organisation. Their input is vital to ensure the FCO can be more supportive of all people with disabilities, whether visible or invisible.

The FCO also works in partnership with the recently launched Civil Service Workplace Adjustment Service (CSWAS) and has introduced the CSWAS designed "Workplace Disability Passport". The FCO is a member of the Business Disability Forum (BDF) and for the last three years has hosted the BDF's Central Government Roundtable meetings which allow disability support staff across Whitehall to network and share best practice.

### Civil Service HR

During the year the FCO focussed on internal HR policies; modernising and streamlining as needed. These policies continue to make good use of Civil Service Employee Policy (CSEP) best practice, including making more use of the Organisational Design and Development (OD) Service; and aligning with, or implementing a number of Whitehall wide HR policies including: remote working, flexible working, job shares, study leave, and fixed term appointments.

### Expenditure on Consultancy

Total spend by the FCO for 2015-16 on consultancy was £1.08m (2014-15 £1.6m) and spend on other UK temporary staff was £4.61m (2014-15 £4.3m).

### Sick Absence Rates

Over the last year, the total number of working days lost (for FCO Civil Servants/UK Based staff) has decreased slightly. However, due to a reduction in headcount, the average working days lost figure has increased by 0.1 days. At the same time, the percentage of staff taking no sick leave has risen from 67% to 69%. Whilst our figures remain well below the Whitehall average, we are working towards aligning with the CSHR policy. The split between short term and long term absences in the FCO tends to mirror the averages seen across the Civil Service.

Sickness Absence <sup>1</sup> in the FCO	2015-16
Working Days Lost (Short Term)	10,294
Working Days Lost (Long Term)	11,306
Total Working Days Lost	21,600
Average Annual Working Days Lost per staff year	4.0

<sup>1</sup> FCO Civil Servants/UK Based Staff

### Off Payroll Engagements

**Table 1:** For off-payroll engagements as of 31 March 2016, for more than £220 per day and that lasts longer than six months.

	FCO	Agency	NDPBs
No. of existing engagement as of 31 March 2016	28	0	0
Of which:			
No. that have existed for less than one year at time of reporting	17	0	0
No. that have existed for between one and two years at time of reporting	3	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	4	0	0
No. that have existed for four or more years at time of reporting	1	0	0

We can confirm that all existing off-payroll engagements, outlined above, have at some point been subject to a risk based assessment as to whether assurance is required that the individual is paying the right amount of tax and, where necessary, that assurance has been sought.

**Table 2:** For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2015 and 31 March 2016, for more than £220 per day and that last for longer than six months.

	FCO	Agency	NDPBs
No. of new engagements, or those that reached six months in duration, between 1 April 2015 and 31 March 2016	35	0	0
No. of the above which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations	35	0	0
No. for whom assurance has been requested	35	0	0
Of which:			
No. for whom assurance has been received	35	0	0
No. for whom assurance has not been received	0	0	0
No. that have been terminated as a result of assurance not being received	0	0	0

**Table 3:** For any off-payroll engagements of board members and/or senior officials with significant financial responsibility, between 1 April 2015 and 31 March 2016.

	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 individuals that have been deemed "board members and/or senior officials with significant financial responsibility" during the financial year including both off-payroll and on-payroll engagements	13	1	2

## Reporting of Civil Service and other compensation schemes – exit packages

Comparative data shown (in brackets) for previous year

This table is subject to audit.

Exit package cost band	Core Dept			Core Dept. & Agencies			Departmental Group		
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	0 (0)	0(1)	0(1)	0 (0)	0(1)	0(1)	0 (0)	0(1)	0(1)
£10,000 - £25,000	0 (0)	0(7)	0(7)	0 (0)	0(7)	0(7)	0 (0)	2(7)	2(7)
£25,000 - £50,000	0(0)	0(9)	0(9)	0(0)	0(9)	0(9)	0(0)	1(9)	1(9)
£50,000 - £100,000	0(0)	0(32)	0(32)	0(0)	0(32)	0(32)	0(0)	0(32)	0(32)
£100,000 - £150,000	0(1)	0(6)	0(7)	0(1)	0(6)	0(7)	0(1)	0(6)	0(7)
£150,000 - £200,000	0(0)	0(2)	0(2)	0(0)	0(2)	0(2)	0(0)	0(2)	0(2)
Total number of exit packages	0(1)	0(57)	0(58)	0(1)	0(57)	0(58)	0(1)	3(57)	0(58)
Total cost /£	0 (£131,726)	0 (£3,840,393)	0 (£3,972,119)	0 (£131,726)	0 (£3,840,393)	0 (£3,972,119)	0 (£131,726)	£74,821 (£3,840,393)	£74,821 (£3,972,119)

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the department has agreed early retirements, the additional costs are met by the department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

## Parliamentary Accountability and Audit Report

### Statement of Parliamentary Supply

#### Summary of Resource and Capital Outturn

							2015-16	2014-15
		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	1,970,570	-	1,970,570	1,955,587	-	1,955,587	14,983
Capital	SoPS 1.2	139,171	-	139,171	131,482	-	131,482	7,689
<b>Annually Managed Expenditure</b>								
Resource	SoPS 1.1	100,001	-	100,001	38,615	-	38,615	61,386
Capital		-	-	-	-	-	-	-
<b>Total Budget</b>		<b>2,209,742</b>	<b>-</b>	<b>2,209,742</b>	<b>2,125,684</b>	<b>-</b>	<b>2,125,684</b>	<b>84,058</b>
<b>Non-Budget</b>								
Resource		-	-	-	-	-	-	-
<b>Total</b>		<b>2,209,742</b>	<b>-</b>	<b>2,209,742</b>	<b>2,125,684</b>	<b>-</b>	<b>2,125,684</b>	<b>84,058</b>
Total Resource	SoPS 1.1	2,070,571	-	2,070,571	1,994,202	-	1,994,202	76,369
Total Capital	SoPS 1.2	139,171	-	139,171	131,482	-	131,482	7,689
<b>Total</b>		<b>2,209,742</b>	<b>-</b>	<b>2,209,742</b>	<b>2,125,684</b>	<b>-</b>	<b>2,125,684</b>	<b>84,058</b>

							2015-16	2014-15
		Estimate			Outturn			Outturn
Note		Estimate	Outturn	Saving / (Excess)	Outturn			
		£000	£000	£000	£000			
Net Cash Requirement	SoPS 3	1,960,241	1,885,481	74,760				1,867,975
Administration Costs		188,604	114,017					181,128

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 in the Directors Report.

The notes following these main schedules form part of these financial statements.

## Notes to the Statement of Parliamentary Supply

### SoPS 1 Net Outturn

#### SoPS 1.1 Analysis of Departmental Group Net Resource Outturn by Section

										2015-16	2014-15
										Estimate	Outturn
	Administration			Programme			Outturn		Net Total compared to Estimate	Net Total compared to Estimate adjusted for Virements	Total
	Gross	Income	Net	Gross	Income	Net	Total	Net Total			
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Departmental Expenditure Limits</b>											
A: Administration and programme expenditure	218,479	(104,462)	114,017	935,227	(193,781)	741,446	855,463	925,117	69,654	7,002	1,033,728
B: Programme and international organisations grants	-	-	-	301,452	-	301,452	301,452	248,800	(52,652)	-	148,697
C: British Council	-	-	-	156,650	-	156,650	156,650	146,650	(10,000)	-	150,300
E: Net Funding for NDPBs	-	-	-	5,602	-	5,602	5,602	5,823	221	221	5,922
F: Conflict Prevention Programme Expenditure	-	-	-	280,907	-	280,907	280,907	264,880	(16,027)	-	143,845
G: Peacekeeping	-	-	-	355,513	-	355,513	355,513	379,300	23,787	7,760	381,623
	218,479	(104,462)	114,017	2,035,351	(193,781)	1,841,570	1,955,587	1,970,570	14,983	14,983	1,864,115
<b>Annually Managed Expenditure</b>											
H: AME Programme	-	-	-	4,038	-	4,038	4,038	65,000	60,962	60,962	(102,823)
I: Reimbursement of certain duties, taxes and licence fees	-	-	-	34,577	-	34,577	34,577	35,001	424	424	32,550
	-	-	-	38,615	-	38,615	38,615	100,001	61,386	61,386	(70,273)
<b>Total</b>	<b>218,479</b>	<b>(104,462)</b>	<b>114,017</b>	<b>2,073,966</b>	<b>(193,781)</b>	<b>1,880,185</b>	<b>1,994,202</b>	<b>2,070,571</b>	<b>76,369</b>	<b>76,369</b>	<b>1,793,842</b>

## SoPS 1.2 Analysis of Departmental Group Net Capital Outturn by Section

						2015-16	2014-15
	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	248,638	(135,895)	112,743	124,171	11,428	7,689	118,368
B: Programme and international organisations grants	13,739	-	13,739	10,000	(3,739)	-	24,595
D: British Council - Capital grant	5,000	-	5,000	5,000	-	-	4,580
G: Peacekeeping	-	-	-	-	-	-	9,973
	267,377	(135,895)	131,482	139,171	7,689	7,689	157,516

## 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	2015-16	2014-15
		£000	£000
<b>Total resource outturn in Statement of Parliamentary Supply</b>			
Budget	1.1	1,994,202	1,793,842
Non-Budget	1.1		
Add: Capital Grants and Capital Grants in Kind	1.2	52,081	39,148
Other			
Less: Income payable to the Consolidated Fund	4.1	(3,660)	(3,026)
Net Profit/Loss on Disposal		(7,581)	(459)
Net Operating Expenditure in CSCNE	CSCNE	2,035,042	1,829,503

### SoPS 3 Reconciliation of Departmental Group Net Resource Outturn to Net Cash Requirement

				2015-16	2014-15
	Note	Estimate	Outturn	Saving/ (Excess)	Outturn
		£000	£000	£000	£000
Resource Outturn	SoPS 1.1	2,070,571	1,994,202	76,369	1,793,842
Capital Outturn	SoPS 1.2	139,171	131,482	7,689	157,516
<b>Accruals to Cash Adjustments</b>					
Adjustments to remove non-cash items:					
Depreciation / Amortisation	3	(234,478)	(112,855)	(121,623)	(113,334)
New provisions and adjustments to previous provisions	3	(22,000)	(16,180)	(5,820)	284
New impairments and adjustments to previous impairments	3	-	(90,009)	90,009	(46,717)
Other non-cash items (except profit on disposal of PPE)	3	(15,000)	(29,311)	14,311	89,850
Capital Grant In Kind		-	33,342	(33,342)	-
Adjustments for designated ALBs:					
Remove voted resource and capital		(5,823)	(5,602)	(221)	(5,922)
Add cash grant-in-aid	CSCNE	5,800	5,753	47	5,803
Adjustments to reflect movements in working balances					
Increase/(decrease) in inventory	CSCF	-	(119)	119	58
Increase/(decrease) in receivables	CSCF	-	13,502	(13,502)	(5,969)
(Increase)/decrease in payables	CSCF, 13	-	(44,777)	44,777	(21,604)
Use of provisions	14	22,000	7,979	14,021	10,318
Adjustments re pension schemes	16	-	(1,924)	1,924	4,105
Other Adjustments		-	(2)	2	(255)
		<b>1,960,241</b>	<b>1,885,481</b>	<b>74,760</b>	<b>1,867,975</b>
<b>Removal of Non-Voted Budget Items</b>					
Consolidated Fund Standing Services		-	-	-	-
Other Adjustments		-	-	-	-
<b>Net Cash Requirement</b>		<b>1,960,241</b>	<b>1,885,481</b>	<b>74,760</b>	<b>1,867,975</b>

The Capital Grant in Kind line includes the net impact of non-cash transactions involving a grant by FCO to DfE of £73.8m in respect of the transfer of Old Admiralty Building, and the receipt of a capital grant from DFID of £40.4m in respect of the transfer to FCO of DFID's overseas corporate assets.

## SoPS 4 Income Payable to the Consolidated Fund

### SoPS 4.1 Analysis of Income Payable to the Consolidated Fund

	2015-16		2014-15	
	Income	Receipts	Income	Receipts
	£000	£000	£000	£000
Operating income outside the ambit of the Estimate	3,660	3,660	3,026	3,026
Excess cash surrenderable to the Consolidated Fund	-	-	-	-
<b>Total income payable to the Consolidated Fund</b>	<b>3,660</b>	<b>3,660</b>	<b>3,026</b>	<b>3,026</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 otherwise excluded from these financial statements) were:

### SoPS 4.2 Consolidated Fund Income

	2015-16	2014-15
	£000	£000
Consular fees	2,238	2,741
Miscellaneous income	7,985	20
Amount payable to the Consolidated Fund	10,223	2,761
Balance held at the start of the year	1,590	346
	<b>11,813</b>	<b>3,106</b>
Payments into Consolidated Fund	(2,435)	(1,516 )
<b>Balance held on trust/due from Consolidated Fund at the end of the year</b>	<b>9,378</b>	<b>1,590</b>

## Parliamentary Accountability Disclosures

The following sections are subject to audit

Losses Statement	2015-16			2014-15	
	Core Department & Agencies	Departmental Group	Number of Cases	Departmental Group	Number of Cases
	£000	£000		£000	
Cash losses	2	2	8	1	6
Administrative Write-Offs	2,346	2,346	24	286	14
Stores Losses	0	0	0	881	4
Fruitless Payments and Constructive Losses	335	335	2	502	1
<b>Total</b>	<b>2,683</b>	<b>2,683</b>	<b>34</b>	<b>1,670</b>	<b>25</b>

### Other Government Department (OGD) debt write-off

The FCO provides the platform for all UK government departments operating overseas. During 2015-16 the FCO undertook a review of all historic OGD debt relating to the provision of this platform. Work was carried out with partners to identify all disputed and incorrect charges. The outcome of this review led to an agreed write back of £2,145,000 across 41 OGD's to the FCO. While this write back, due to non payment by OGD's, represents an additional budgetary pressure for the FCO, there is no cash loss to the taxpayer.

Special Payments	2015-16		2014-15	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
Total number of special payments	10	10	39	39
Total value of special payments (£000)	436	436	2220	2220

There were no special payments over £300,000.

### Other Payments – Gifts

Date	Minute Laid	£000	Date of Written Ministerial Statement/ Departmental Minute
Nov-2015	Syria CSSF: Support to the Moderate Armed Opposition	2,050	17-Nov-2015
Nov-2015	Somalia CSSF: Support to the Somali National Army	3,200	26-Nov-2015
Jan-2016	Gifting of equipment to the 4th Land Border Regiment of the Lebanese Armed Forces	967	12-Jan-2016
Feb-2016	Gifting of Equipment to the Jordanian Public Security Department	353	02-Feb-2016

### 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 and 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 HM Treasury, the British Council will meet the first £3m of any claim. These liabilities are reproduced in the table below. They are disclosed here under Parliamentary reporting requirements, and are measured following the requirements of IAS 39.

1 April 2015 (£000)	Increase in year (£000)	Liabilities crystallised in year (£000)	Obligations expired in year (£000)	31 March 2016 (£000)	Amount reported to Parliament by Departmental Minute (£000)
6,755	862	0	(6,455)	1,162	-

### 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 apart from the aforementioned indemnities. Contingent liabilities reported within the meaning of IAS 37 can be found in Note 15 in the Annual Accounts.

### Long Term Expenditure Trends

Expenditure from 2010-11 to 2015-16 can be found in Annex B: Core Tables.

The FCO has agreed a spending plan with HM Treasury as part of the Spending Round 2015 (SR15) to cover the four years to March 2020. The FCO will continue to spend a large proportion of the allocated funds on running costs and its overseas estates. Funding for Strategic and Bilateral programmes will continue, as well as subscriptions to international organisations and grants (e.g. to the British Council and the Westminster Foundation for Democracy). The FCO will also provide funding for the BBC World Service. The FCO's ODA allocation for FY2016-17 is £466m which will increase over the course of the spending review to £560m by 2020. Outline plans can be found at: <https://www.gov.uk/government/news/foreign-offices-settlement-at-the-spending-review-2015>.

The result of the referendum held on 23 June was in favour of the UK leaving the European Union. The majority of the FCO's business is funded by the UK Government, however the FCO holds some bank accounts denominated in foreign currencies, which may be impacted by the fall in the value of Sterling since the Referendum result. In Note 9 of the Accounts there is an explanation of the foreign currency operations of the FCO, and how exchange rate risk is managed. The mechanisms outlined in Note 9 will continue to operate to protect FCO expenditure.

### Audit Fees

The Accounts have been audited by the Comptroller and Auditor General (C&AG). The audit fee for the Core Department is £255,000 (2014-15: £245,000) in total. The non-cash audit fee for Wilton Park was £22,000 (2014-15: £22,000). The total cost of audit for all the bodies across the Departmental Group is £300,000 of which £23,000 is a cash charge and £277,000 is a notional charge (2014-15: total £289,000 comprising £22,000 cash costs and £267,000 notional charge). The audit of the designated bodies was carried out by 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. Remuneration of £29,635 was paid to the external auditors for non-audit work.

At the time of approval of this report, so far as the Permanent Under-Secretary is aware, there is no relevant audit information of which the FCO's auditor is unaware. The Permanent Under-Secretary has taken all the steps that he ought to have taken as Accounting Officer in order to make himself aware of any relevant audit information and to establish that the FCO's auditor is aware of that information.

**Simon McDonald**

11 July 2016

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

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 2016 under the Government Resources and Accounts Act 2000. The Department consists of 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 2015. 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. 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 Remuneration Report and the Parliamentary Accountability Disclosures that is described in those reports and disclosures as having been audited.

### Respective responsibilities of the Accounting Officer and auditor

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. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

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. This includes an assessment of: whether the accounting policies are appropriate to the Department's and the Departmental Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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.

### 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 2016 and shows that those totals have not been exceeded; and
- » 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.

### Opinion on financial statements

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 2016 and of the Department's net operating cost and Departmental Group's net operating cost 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 other matters

In my opinion:

- » the parts of the Remuneration and Staffing Report and the Parliamentary Accountability and Audit Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- » the information given in the Performance Report and Accountability Report 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, the Statement of Parliamentary Supply and the parts of the [list out the relevant main sub-sections within 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.

**Sir Amyas C E Morse**

**Comptroller and Auditor General**

12 July 2016

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

## Accounts

### Consolidated Statement of Comprehensive Net Expenditure

		2015-16		2014-15	
	Note	Core Department & Agencies £000	Departmental Group £000	Core Department & Agencies £000	Departmental Group £000
Operating Income	4	(328,818)	(328,818)	(294,950)	(294,950)
<b>Operating Expenditure</b>					
Staff costs	3	400,714	402,510	478,027	479,449
Other costs	3	1,684,010	1,692,162	1,570,582	1,578,593
Non-cash costs	3	291,824	291,805	79,073	79,081
		2,376,548	2,386,477	2,127,682	2,137,123
Net Operating Expenditure		<b>2,047,730</b>	<b>2,057,659</b>	<b>1,832,732</b>	<b>1,842,173</b>
<b>Other Income</b>					
Finance income	4	(10,533)	(10,533)	(2,080)	(2,080)
Consolidated Fund Extra Receipts	4	(3,660)	(3,660)	(3,026)	(3,026)
Income of consolidated bodies	4	(4,018)	(8,423)	(4,045)	(7,562)
		<b>(18,211)</b>	<b>(22,616)</b>	<b>(9,151)</b>	<b>(12,668)</b>
<b>Other Expenditure</b>					
Grant in Aid to designated Arms Length Bodies	3	5,753	-	5,803	-
Net Other Expenditure		(12,458)	(22,616)	(3,348)	(12,668)
Net Expenditure for the Year		<b>2,035,272</b>	<b>2,035,043</b>	<b>1,829,382</b>	<b>1,829,503</b>
Total Expenditure		2,382,301	2,386,477	2,133,484	2,137,122
Total Income		(347,029)	(351,434)	(304,102)	(307,619)
Net Expenditure for the Year		<b>2,035,272</b>	<b>2,035,043</b>	<b>1,829,382</b>	<b>1,829,503</b>
<b>Other Comprehensive Net Expenditure</b>					
<b>Items that will not be reclassified to net operating costs:</b>					
Net (gain)/loss on:					
Revaluation of property, plant and equipment	5	(224,289)	(224,289)	(52,164)	(52,164)
Revaluation of intangibles	6	(22)	(22)	(3)	(3)
<b>Items that may be reclassified to net operating costs:</b>					
Revaluation of assets held for sale	5	1,078	1,078	358	358
Actuarial (gain)/loss on defined benefit pension schemes	16	(1,871)	(1,871)	4,799	4,799
		<b>(225,104)</b>	<b>(225,104)</b>	<b>(47,010)</b>	<b>(47,010)</b>
Total Comprehensive Net Expenditure		<b>1,810,168</b>	<b>1,809,939</b>	<b>1,782,372</b>	<b>1,782,493</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 2016.

	Note	2015-16		2014-15	
		Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
		£000	£000	£000	£000
<b>Non-Current Assets</b>					
Property, Plant and Equipment	5	2,425,308	2,425,334	2,318,786	2,318,796
Intangible Assets	6	693	695	375	381
Financial Assets	9	24,139	24,139	29,272	29,272
Retirement benefit schemes asset	16	1,018	1,018	1,183	1,183
Other Non-Current Assets	12	30,653	30,653	31,612	31,612
<b>Total Non-Current Assets</b>		<b>2,481,811</b>	<b>2,481,839</b>	<b>2,381,228</b>	<b>2,381,244</b>
<b>Current Assets</b>					
Assets classified as held for sale	5	16,658	16,658	12,291	12,291
Inventories	10	1,073	1,073	1,193	1,193
Trade and other receivables	12	144,033	143,815	129,572	130,176
Financial Assets	9	28,305	28,305	23,116	23,116
Cash and cash equivalents	11	84,139	86,279	68,394	69,948
<b>Total Current Assets</b>		<b>274,208</b>	<b>276,130</b>	<b>234,566</b>	<b>236,724</b>
<b>Total Assets</b>		<b>2,756,019</b>	<b>2,757,969</b>	<b>2,615,794</b>	<b>2,617,968</b>
<b>Current Liabilities</b>					
Trade and Other Payables	13	(325,871)	(326,465)	(272,148)	(273,039)
Financial Liabilities	9	(460)	(460)	(2,155)	(2,155)
Provisions	14	(4,999)	(5,014)	(5,777)	(5,774)
<b>Total Current Liabilities</b>		<b>(331,330)</b>	<b>(331,939)</b>	<b>(280,080)</b>	<b>(280,968)</b>
<b>Non-Current Assets plus / Net Current Assets / Liabilities</b>		<b>2,424,689</b>	<b>2,426,030</b>	<b>2,335,714</b>	<b>2,337,000</b>
<b>Non-Current Liabilities</b>					
Provisions	14	(44,140)	(44,140)	(35,865)	(35,865)
Other Payables	13	(26,050)	(26,050)	(27,208)	(27,208)
Financial Liabilities	9	(787)	(787)	(1,517)	(1,517)
Retirement Benefit Schemes Liability	16	(25,939)	(25,939)	(26,052)	(26,052)
<b>Total Non-Current Liabilities</b>		<b>(96,916)</b>	<b>(96,916)</b>	<b>(90,642)</b>	<b>(90,642)</b>
<b>Total Assets less Liabilities</b>		<b>2,327,773</b>	<b>2,329,114</b>	<b>2,245,072</b>	<b>2,246,358</b>
<b>Tax-payers Equity and Other Reserves</b>					
General Fund	CSCTE	965,410	966,751	984,550	985,836
Revaluation Service	CSCTE	1,362,363	1,362,363	1,260,522	1,260,522
<b>Total Equity</b>		<b>2,327,773</b>	<b>2,329,114</b>	<b>2,245,072</b>	<b>2,246,358</b>

Simon McDonald

11 July 2016

Accounting Officer  
Foreign and Commonwealth Office  
King Charles Street, London  
SW1A 2AH

## Consolidated Statement of Cash Flow

The Statement of Cash Flows shows how the FCO generates and uses cash and cash equivalents by classifying cash flows into operating, investing and financing activities.

		2015-16		2014-15	
Note	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group	
	£000	£000	£000	£000	
<b>Cash Flows from Operating Activities</b>					
Net Operating Cost	CSCNE	(2,035,272)	(2,035,043)	(1,829,382)	(1,829,503)
Adjustments for non-Cash Transactions	3	249,748	249,604	65,579	65,563
(Increase)/Decrease in Trade and Other Receivables	12	(13,502)	(12,680)	5,969	6,045
Less Movements in Receivables relating to items not passing through the CSCNE	12	4,105	4,105	(6,603)	(6,603)
(Increase)/Decrease in Inventories	10	119	119	(58)	(58)
Increase/(Decrease) in Trade Payables	13	60,521	60,225	56,408	56,349
Less Movements in Payables relating to items not passing through the CSCNE	13	(14,399)	(14,399)	(4,108)	(4,102)
Use of Provisions	14	(7,979)	(7,979)	(10,318)	(10,318)
Adjustment to replace Defined Benefit Pension Scheme CSCNE charge with cash payments	16	1,924	1,924	(4,105)	(4,105)
Net Cash Outflow from Operating Activities		<b>(1,754,735)</b>	<b>(1,754,124)</b>	<b>(1,726,618)</b>	<b>(1,726,732)</b>
<b>Cash Flows from Investing Activities</b>					
Purchase of Property, Plant and Equipment	5	(134,656)	(134,682)	(148,712)	(148,719)
Purchase of Intangible Assets	6	(36)	(37)	(53)	(53)
Proceeds from Disposal of Property, Plant and Equipment	5	16,647	16,648	10,562	10,562
Loan Repayments from Other Bodies	9	-	-	949	949
Net Cash Outflow from Investing Activities		<b>(118,045)</b>	<b>(118,071)</b>	<b>(137,254)</b>	<b>(137,261)</b>
<b>Cash Flows from Financing Activities</b>					
From the Consolidated Fund (Supply) - current year	CSCTE	1,893,437	1,893,437	1,901,535	1,901,535
From the Consolidated Fund (Supply) - prior year	CSCTE	-	-	-	-
Capital Element of Payments of Finance Leases and On-Balance Sheet (SoFP) PFI Contracts		(1,086)	(1,086)	(1,078)	(1,078)
Net Financing		<b>1,892,351</b>	<b>1,892,351</b>	<b>1,900,457</b>	<b>1,900,457</b>
Net Increase/(Decrease) in Cash and Cash Equivalents in the period before Adjustment for Receipts and Payments to the Consolidated Fund		<b>19,571</b>	<b>20,156</b>	<b>36,585</b>	<b>36,464</b>
Receipts of Amounts as agent of the Consolidated Fund	SoPS 4.2	2,270	2,270	2,761	2,761
Payments of Amounts Due to the Consolidated Fund	SoPS 4.1, 4.2	(6,096)	(6,096)	(4,542)	(4,542)
Net Increase/(Decrease) in Cash and Cash Equivalents in the period after Adjustment for Receipts and Payments to the Consolidated Fund		<b>15,745</b>	<b>16,330</b>	<b>34,804</b>	<b>34,683</b>
Cash and Cash Equivalents at the beginning of the period	11	68,394	69,949	33,590	35,266
Cash and Cash Equivalents at the end of the period	11	<b>84,139</b>	<b>86,279</b>	<b>68,394</b>	<b>69,949</b>

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. 'General fund reserves' (i.e. those reserves that reflect a contribution from the Consolidated Fund), and the Revaluation Reserve which reflects the change in asset values that have not been recognised as income or expenditure.

The transfer between reserves shown below reflects the reduction in the Revaluation Reserve following the disposal of Old Admiralty Building to DfE.

	Note	Core Department & Agencies			Departmental Group		
		General Fund	Revaluation Reserve	Total	General Fund	Revaluation Reserve	Total
		£000	£000	£000	£000	£000	£000
Balance at 31 March 2014	CSofP	955,003	1,215,643	2,170,646	956,428	1,215,643	2,172,071
Net Operating Cost	CSCNE	(1,829,382)	-	(1,829,382)	(1,829,503)	-	(1,829,503)
Net Gain/(loss) on Revaluation of PPE	5	-	52,164	52,164	-	52,164	52,164
Net Gain/(Loss) on Revaluation of Intangibles	6	-	3	3	-	3	3
Net Gain/(Loss) on Revaluation of Assets Held for Sale	5	-	(358)	(358)	-	(358)	(358)
Actuarial (Gain)/Loss on Defined Benefit Pension Schemes	16	(4,799)	-	(4,799)	(4,799)	-	(4,799)
<b>Total Comprehensive Expenditure for the year</b>		<b>(1,834,181)</b>	<b>51,809</b>	<b>(1,782,372)</b>	<b>(1,834,302)</b>	<b>51,809</b>	<b>(1,782,493)</b>
Net Parliamentary Funding - drawn down		1,901,535	-	1,901,535	1,901,535	-	1,901,535
Supply Receivable Adjustment		(66,805)	-	(66,805)	(66,805)	-	(66,805)
Net Parliamentary Funding deemed		33,244	-	33,244	33,244	-	33,244
CFERS Payable to the Consolidated Fund	SoPS 4.1	(3,026)	-	(3,026)	(3,026)	-	(3,026)
Non-Cash Charges - Auditors Remuneration	3	267	-	267	267	-	267
Transfers between Reserves		6,939	(6,939)	-	6,939	(6,939)	-
Consolidation and other In-year Adjustments		(8,426)	9	(8,417)	(8,444)	9	(8,435)
Balance at 31 March 2015	SoFP	984,550	1,260,522	2,245,072	985,836	1,260,522	2,246,358
Net Operating Cost	CSCNE	(2,035,272)	-	(2,035,272)	(2,035,043)	-	(2,035,043)
Net Gain/(loss) on Revaluation of PPE	5	-	224,289	224,289	-	224,289	224,289
Net Gain/(Loss) on Revaluation of Intangibles	6	-	22	22	-	22	22
Net Gain/(Loss) on Revaluation of Assets Held for Sale	5	-	(1,078)	(1,078)	-	(1,078)	(1,078)
Actuarial (Gain)/Loss on Defined Benefit Pension Schemes	16	1,871	-	1,871	1,871	-	1,871
<b>Total Comprehensive Expenditure for the year</b>		<b>(2,033,401)</b>	<b>223,233</b>	<b>(1,810,168)</b>	<b>(2,033,172)</b>	<b>223,233</b>	<b>(1,809,939)</b>
Net Parliamentary Funding - drawn down		1,893,437	-	1,893,437	1,893,437	-	1,893,437
Supply Receivable Adjustment		(74,761)	-	(74,761)	(74,761)	-	(74,761)
Net Parliamentary Funding deemed		66,805	-	66,805	66,805	-	66,805
CFERS Payable to the Consolidated Fund	SoPS 4.1	(3,660)	-	(3,660)	(3,660)	-	(3,660)
Non-Cash Charges - Auditors Remuneration	3	277	-	277	277	-	277
Transfers between Reserves		121,414	(121,414)	-	121,414	(121,414)	-
Consolidation and other In-year Adjustments		10,749	22	10,771	10,575	22	10,597
Balance at 31 March 2016	SoFP	965,410	1,362,363	2,327,773	966,751	1,362,363	2,329,114

The notes following these main schedules form part of these financial statements.

## Notes to the Departmental Resource Accounts

### 1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2015-16 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 Parliamentary Accountability and Audit Report.

#### 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 2015 No 2062 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 17 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 Change of accounting Policy

The Consolidated Statement of Comprehensive Net Expenditure (CSCNE) was previously analysed between administration and programme income and expenditure. Treasury budgetary controls, as reflected in Estimates, still require reporting of Administration Outturn against Estimate in the SOPs. However the previous reporting of the split between administration and programme is no longer required.

Administration expenditure reflects the costs of running the Department. Programme costs reflect non administration expenditure, and include payments of grants and other disbursements by the FCO, as well as staff costs where they relate directly to service delivery.

Operating income is income which relates directly to the operating activities of the FCO. It principally comprises fees and charges for services provided, on a full cost basis, to external customers as well as partners across government. Operating income is stated net of VAT. Where FCO incurs direct expenditure on behalf of other government departments the recharged income is treated as programme. Indirect expenditure incurred on behalf of other government departments is treated as administration income when recharged.

#### 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 balance sheet date; 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.

#### Specialised buildings

Specialised buildings are valued using Depreciated Replacement Cost methodology on a Modern Equivalent Replacement basis. Further detail on building valuations is given at 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. Short term 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 four 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. Asset lives have been set in the following ranges:

- » Freehold buildings - up to 60 years
- » Leasehold land and buildings - term of lease
- » Information technology and communications - up to 8 years
- » Transport equipment - 2 to 8 years
- » Plant and machinery - 3 to 25 years

Depreciation methods, estimated useful lives and residual values are reviewed at each reporting date.

#### 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 assets - investment in other public sector bodies

The FCO holds an investment in FCO Services, comprised of 100% of its Public Dividend Capital (PDC), and a Vesting Day Loan. 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.

#### 1.8 Inventories

Inventories are valued at cost or, where materially different, current replacement cost, and at net realisable value only when they either cannot or will not be used.

#### 1.9 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 note 4.2.

#### 1.10 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 National Audit Office. 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.

#### 1.11 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.

#### 1.12 Leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the FCO, the lease is classified as a finance lease and the asset is recorded as property, plant and equipment and a liability is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the CSCNE over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as operating leases and the rentals are charged to the CSCNE over the term of the lease.

#### 1.13 Service concessions (PFI)

Private Finance Initiative (PFI) transactions have been accounted for in accordance with HM Treasury 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.

#### 1.14 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. The contracts are accounted for as derivatives, initially at a nil cost, and classified as Held for Trading financial instruments. 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. Details of open and settled contracts are at Note 9.2.

### 1.15 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 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 Grant in Aid as financing. These transactions are eliminated on consolidation. Grants payable or receivable by the NDPBs 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. The FCO is moving to a new measurement basis from 2016-17 that will remove everything that is not directly a permanent transfer of funding for a specific purpose and used in accordance with a set of terms and conditions.

### 1.16 Provisions

The FCO provides for legal and constructive obligations which are of uncertain timing or amount at the balance sheet date 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 Treasury 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.

### 1.17 Bad Debt Provision

Where it is considered a risk exists that a debtor may default on payment of a specific receivable amount, the FCO provides for the amount in full. As the overall value of the provision is not material, it is not separately disclosed.

### 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 1.4.2011 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 1.37% (2014-15: 1.30%) 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 balance sheet date. 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 accounts for UK Visas and Immigration Agency (UKVI) income as cash, and recognises a sterling 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 pound sterling 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 (see note 1.3).
- » 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.

#### 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 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 9 Financial Instruments. This includes requirements for classification, recognition and measurement, impairment, derecognition and general hedge accounting. The version of IFRS 9 issued in July 2014 supersedes all previous versions and is effective for periods beginning on or after 1 January 2018 (subject to EU adoption). Restatement of comparative periods is (with limited exceptions) not required, however additional disclosures are required.
- » IFRS 15 Revenue from Contracts with Customers. IFRS 15 aims to provide a comprehensive standard for revenue recognition. For many contracts, the accounting will remain unchanged. For others, including long-term service contracts, there may be changes to the timing and amount of revenue recognised, depending on how these were previously accounted for. Any changes would have budgetary implications. IFRS 15 is effective from 1 January 2017
- » 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, with early adoption permitted if IFRS 15 is applied. The EU has not yet adopted this Standard, and work is ongoing to review any adaption for the FReM.

Changes to the FReM. There has been no EU adopted standards or amendments to standards applicable for 2016-17 which will be included in the FReM at present. The EU has decided not to launch the endorsement process of IFRS 14 Regulatory Deferral Accounts. There are a number of amendments to standards which are expected to receive endorsement in the fourth quarter of 2015.

## 2. Statement of Costs by Operating Segments\*

Foreign Policy Priorities	2015-16			2014-15		
	Gross	Income	Net	Gross	Income	Net
	£000	£000	£000	£000	£000	£000
<b>Our Purpose</b>						
International Institutions and Soft Power	814,349	(138,154)	676,196	636,565	(62,969)	573,596
British Council	161,678	-	161,678	154,880	-	154,880
Other**	121,313	(56,512)	64,801	87,119	(30,324)	56,796
	<b>1,097,340</b>	<b>(194,666)</b>	<b>902,675</b>	<b>878,564</b>	<b>(93,293)</b>	<b>785,272</b>
FPP1 - Britain's National Security	902,478	(35,138)	867,340	767,059	(29,382)	737,677
FPP2 - Britain's Prosperity	254,356	(51,020)	203,337	396,390	(139,746)	256,644
FPP3 - Support British Citizens	132,302	(70,610)	61,692	95,109	(45,198)	49,910
<b>Net Operating Costs* (CSCNE)</b>	<b>2,386,477</b>	<b>(351,434)</b>	<b>2,035,043</b>	<b>2,137,122</b>	<b>(307,619)</b>	<b>1,829,503</b>

\*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 included in these financial accounts.

\*\* "Other" comprises other front-line activity conducted on behalf of Other Government Departments.

The FCO considers the Foreign Policy Priorities (FPPs) as its segments for reporting purposes.

Our Purpose is to protect the security of the UK and its citizens, promote UK prosperity and project our values. We further divide this section to cover the following areas:

**International Institutions and Soft Power** - we aim to deliver more effective and modernised institutions to further our foreign policy priorities, and use a range of tools, of which the Chevening scholarships programme is a key strand, to promote British values.

**British Council** – this organisation promotes cultural relations with other countries.

For 2014-15 UKTI expenditure and income is recorded under the Prosperity segment; from 1 April 2015 UKTI is no longer consolidated into FCO accounts.

The FCO's methodology for segmental reporting uses a costing model to allocate total FCO expenditure to the foreign policy priorities. The main determinant of this allocation is the data provided by all FCO staff on a quarterly basis showing the proportion of time spent supporting different objectives. Overheads and management and support costs are distributed according to staff numbers.

More information on our foreign policy priorities can be found in the Performance Report.

### 3. Operating Costs

	2015-16		2014-15	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
<b>Staff costs</b>				
Wages and salaries	345,780	347,259	417,249	418,405
Social security costs	11,488	11,597	11,679	11,778
Other pension costs	45,325	45,532	51,005	51,171
Recoveries outward secondments	(1,878)	(1,878)	(1,906)	(1,906)
	<b>400,714</b>	<b>402,510</b>	<b>478,027</b>	<b>479,449</b>
<b>Grants</b>				
FCO Programmes	177,411	185,583	154,532	162,521
British Council	161,650	161,650	154,880	154,880
Conflict, Stability and Security Fund	648,405	648,405	509,499	509,499
Peacekeeping foreign exchange rate loss	(15,243)	(15,243)	14,827	14,827
	<b>972,223</b>	<b>980,394</b>	<b>833,738</b>	<b>841,728</b>
<b>Subscriptions to International Organisations</b>				
United Nations	73,957	73,957	82,016	82,016
NATO	17,094	17,094	18,774	18,774
Council of Europe	22,853	22,853	24,624	24,624
Organisation for Economic Cooperation and Development	10,284	10,284	10,252	10,252
Commonwealth Secretariat	5,459	5,459	5,434	5,434
Organisation for Security and Cooperation in Europe	4,258	4,258	4,422	4,422
Residual payments to Western European Union	1,042	1,042	913	913
Others	2,172	2,172	2,261	2,261
	<b>137,119</b>	<b>137,119</b>	<b>148,697</b>	<b>148,697</b>
<b>Rentals under operating leases</b>				
Hire of plant and machinery	22,881	22,881	24,069	24,069
Property rentals	84,972	84,972	73,300	73,300
	<b>107,853</b>	<b>107,853</b>	<b>97,369</b>	<b>97,369</b>
<b>Interest charges</b>				
On-balance sheet PFI contracts	2,157	2,157	2,397	2,397
	<b>2,157</b>	<b>2,157</b>	<b>2,397</b>	<b>2,397</b>
<b>PFI and other service concession arrangements</b>				
Service element of on-balance sheet contracts	1,742	1,742	1,811	1,811
	<b>1,742</b>	<b>1,742</b>	<b>1,811</b>	<b>1,811</b>

### 3. Operating Costs (cont.)

	2015-16		2014-15	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
<b>Other expenditure</b>				
Reimbursements of duties to other Governments	34,577	34,577	32,550	32,550
Audit fees for Arms Length Bodies	-	23	-	22
(Gain)/loss on exchange - realised	4,544	4,544	(6,161)	(6,161)
(Gain)/loss on exchange - unrealised <sup>1</sup>	(14,412)	(14,454)	(11,020)	(11,020)
Business hospitality	7,412	7,412	6,907	6,907
Consular	3,544	3,544	2,874	2,874
Contractor, consultancy and fee based services	38,600	38,600	38,700	38,700
Estate, security and capital related costs	212,773	212,773	211,237	211,237
Information and commercial services	6,398	6,398	6,996	6,996
IT and communications	79,919	79,919	69,112	69,112
Medical	11,710	11,710	13,486	13,486
Recruitment	567	567	3,076	3,076
Representation	2,806	2,806	2,832	2,832
Transport equipment costs	5,176	5,176	4,979	4,979
Training	11,038	11,038	12,906	12,906
Travel	45,699	45,699	65,567	65,567
Other	12,563	12,563	32,530	32,530
	<b>462,916</b>	<b>462,896</b>	<b>486,570</b>	<b>486,592</b>
<b>Total Operating Expenditure</b>	<b>2,084,724</b>	<b>2,094,672</b>	<b>2,048,609</b>	<b>2,058,042</b>
Grant in Aid to other Arms Length Bodies	5,753	-	5,803	-
<b>Total Cash</b>	<b>2,090,477</b>	<b>2,094,672</b>	<b>2,054,412</b>	<b>2,058,042</b>
<b>Non-cash items</b>				
Depreciation: Property, plant and equipment	112,542	112,553	113,164	113,165
Amortisation: Intangible assets	312	319	169	176
Non-perpetual leasehold land prepayment release	417	417	385	385
Loss on disposal of property, plant and equipment	1,504	1,504	370	369
Capital Grant in Kind - Property	73,767	73,767	-	-
Impairments - Departmental Expenditure Limit	78,253	78,253	35,288	35,288
Impairments - Non-current assets	22,126	22,072	16,117	16,118
Reversal of Impairments - Annually Managed Expenditure	(10,369)	(10,369)	(4,688)	(4,688)
	<b>278,551</b>	<b>278,514</b>	<b>160,806</b>	<b>160,814</b>
Auditors' remuneration and expenses	277	277	267	267
Provisions: Provided in year	16,024	16,042	6,277	6,277
Provisions: Written back	(776)	(776)	(7,231)	(7,231)
Provisions: Unwinding of discount	229	229	670	670
Unrealised (gains)/losses on forward contracts	(2,482)	(2,482)	(81,716)	(81,716)
	<b>13,272</b>	<b>13,291</b>	<b>(81,733)</b>	<b>(81,733)</b>
<b>Total Non-Cash</b>	<b>291,824</b>	<b>291,805</b>	<b>79,073</b>	<b>79,081</b>
<b>Total Expenditure</b>	<b>2,382,301</b>	<b>2,386,476</b>	<b>2,133,485</b>	<b>2,137,123</b>

For further information on Staff Costs please see the Remuneration and Staff Report. A capital grant in kind of £73,767k representing the transfer of Old Admiralty Building to DfE is included in non-cash costs.

<sup>1</sup> This figure offsets the prior year exchange gain and is included here to prevent double counting of exchange gain recorded within prior operating costs.

## 4. Income

	2015-16		2014-15	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
<b>Operating income</b>				
Running cost receipts	29,367	29,367	21,126	21,126
Income from OGDs	137,765	137,765	132,519	132,519
Consular fees	22,788	22,788	23,005	23,005
UK Visas and Immigration recharges	98,473	98,473	118,300	118,300
Capital Grant in Kind - Receipts	40,425	40,425	-	-
	<b>328,818</b>	<b>328,818</b>	<b>294,950</b>	<b>294,950</b>
<b>Finance income</b>				
Dividends receivable - FCO Services	1,294	1,294	1,079	1,079
Interest on loans	133	133	172	172
Profit on disposal of property, plant and equipment	9,106	9,106	829	829
	<b>10,533</b>	<b>10,533</b>	<b>2,080</b>	<b>2,080</b>
<b>Income due to the Consolidated Fund</b>				
Consolidated Fund Extra Receipts	3,660	3,660	3,026	3,026
<b>Income of consolidated bodies</b>				
Agency: Wilton Park	4,018	4,018	4,045	4,045
Non-Departmental Public Bodies	-	4,405	-	3,517
	<b>4,018</b>	<b>8,423</b>	<b>4,045</b>	<b>7,562</b>
<b>Total Income</b>	<b>347,029</b>	<b>351,433</b>	<b>304,102</b>	<b>307,619</b>

The UK Visas and Immigration recharges includes: the fixed monthly charge as set out in the Memorandum of Understanding; the FCO Migration Directorate charge; and recharges to FCOS for UKVI related IT work.

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.

A capital grant in kind of £40,425k, representing the transfer to FCO of DFID's overseas assets is included in operating income. This is a non-cash transaction.

## 5. Property, Plant and Equipment

Consolidated 2015-16										
	Non-residential Land	Buildings Excluding Dwellings	Residential Land	Dwellings	Information Technology	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
<b>Cost or Valuation</b>										
At 1 April 2015	368,630	1,206,679	409,257	733,639	357,002	90,153	156,317	16,643	126,887	3,465,206
Additions	-	645	-	9	1,704	11,992	1,426	-	118,634	134,410
Disposals	-	(97)	-	-	(157)	(6,116)	(997)	-	-	(7,366)
Impairments	(1,704)	(19,990)	(3,762)	(10,711)	(79)	(11)	(2,737)	-	(64,867)	(103,862)
Reversals of Impairments	1,929	7,032	559	2,348	1,001	26	-	-	-	12,896
OGD Transfers	(21,685)	(57,249)	226	3,886	539	2,192	4,034	-	1,570	(66,487)
Reclassification <sup>1</sup>	(941)	7,561	(9,782)	398	22,517	2,979	23,503	-	(65,676)	(19,441)
Revaluation	7,858	215,057	20,700	104,436	4,904	152	646	409	-	354,161
At 31 March 2016	354,087	1,359,638	417,198	834,005	387,431	101,367	182,191	17,052	116,548	3,769,517
<b>Depreciation</b>										
At 1 April 2015	-	457,704	-	256,217	296,577	58,885	77,027	-	-	1,146,410
Charged in Year	-	40,123	-	18,758	24,908	10,249	18,514	-	-	112,553
Disposals	-	(97)	-	-	(151)	(5,965)	(985)	-	-	(7,197)
Impairments	-	(1,196)	-	(2,309)	-	-	-	-	-	(3,505)
Reversals of Impairments	-	1,048	-	573	900	5	-	-	-	2,527
OGD Transfers	-	(33,145)	-	-	-	-	-	-	-	(33,145)
Reclassification <sup>1</sup>	-	(303)	-	(3,029)	-	-	-	-	-	(3,332)
Revaluation	-	82,917	-	42,897	3,721	93	244	-	-	129,872
At 31 March 2016	-	547,052	-	313,107	325,956	63,268	94,801	-	-	1,344,183
Net Book Value at 1 April 2015	368,630	748,975	409,257	477,422	60,425	31,268	79,290	16,643	126,887	2,318,796
Net Book Value at 31 March 2016	354,087	812,586	417,198	520,898	61,476	38,099	87,391	17,052	116,548	2,425,334
<b>Asset Financing</b>										
Owned	302,537	603,137	319,289	357,683	61,476	38,099	87,391	17,052	116,548	1,903,211
Leased	40,789	197,310	97,909	163,215	-	-	-	-	-	499,223
On-Balance Sheet (SOFP) PFI Contracts	10,760	12,140	-	-	-	-	-	-	-	22,900
Net Book Value at 31 March 2016	354,087	812,586	417,198	520,898	61,476	38,099	87,391	17,052	116,548	2,425,334
<b>Of the Total</b>										
Department	354,087	812,342	417,198	520,898	61,327	38,097	86,992	17,052	116,519	2,424,511
Agencies	-	244	-	-	137	2	385	-	29	797
ALBs	-	-	-	-	12	-	14	-	-	26
Net Book Value at 31 March 2016	354,087	812,586	417,198	520,898	61,476	38,099	87,391	17,052	116,548	2,425,334

AUC includes Tangibles and Intangible assets.

<sup>1</sup> Some assets have been reclassified to assets held for sale (note 5.1). In addition Reclassifications include an adjustment to correct an imbalance between the project register and the asset register concerning AUC, amounting to £2.9m

## 5. Property, Plant and Equipment (cont.)

	Consolidated 2014-15									
	Non-residential Land	Buildings Excluding Dwellings	Residential Land	Dwellings	Information Technology	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
Cost or Valuation										
At 1 April 2014	350,493	1,157,134	412,083	734,669	354,928	83,137	133,910	16,672	90,676	3,333,703
Additions	58	674	169	2,042	227	8,216	937	-	110,868	123,190
Disposals	-	(81)	-	-	(2,540)	(8,444)	(4,183)	-	-	(15,248)
Impairments	(3,506)	(27,795)	(5,322)	(3,499)	(1,629)	(131)	(324)	(36)	(14,270)	(56,513)
Reversals of Impairments	326	2,914	547	1,196	626	-	1	-	-	5,610
OGD Transfers	-	-	-	-	-	-	-	-	-	-
Reclassification <sup>1</sup>	476	15,970	(4,445)	(2,519)	3,422	7,654	24,570	-	(60,387)	(15,259)
Revaluation	20,783	57,863	6,225	1,750	1,969	(279)	1,406	7	-	89,724
At 31 March 2015	368,630	1,206,679	409,257	733,639	357,002	90,153	156,317	16,643	126,887	3,465,206
Depreciation										
At 1 April 2014	-	398,847	-	234,615	259,676	59,321	65,518	-	-	1,017,977
Charged in Year	-	34,263	-	16,020	39,047	8,087	15,749	-	-	113,165
Disposals	-	(81)	-	-	(2,490)	(8,246)	(3,990)	-	-	(14,806)
Impairments	-	(2,712)	-	(953)	(1,264)	(47)	(133)	-	-	(5,108)
Reversals of Impairments	-	273	-	156	493	-	-	-	-	922
OGD Transfers	-	-	-	-	-	-	-	-	-	-
Reclassification <sup>1</sup>	-	(452)	-	(2,186)	-	-	(661)	-	-	(3,299)
Revaluation	-	27,566	-	8,564	1,115	(230)	544	-	-	37,559
At 31 March 2015	-	457,704	-	256,217	296,577	58,885	77,027	-	-	1,146,411
Net Book Value at 1 April 2014	350,493	758,288	412,083	500,055	95,252	23,816	68,392	16,672	90,676	2,315,726
Net Book Value at 31 March 2015	368,630	748,975	409,257	477,422	60,425	31,268	79,290	16,643	126,887	2,318,796
Asset Financing										
Owned	320,304	611,880	315,334	328,066	60,426	31,268	79,290	16,643	126,887	1,890,097
Leased	38,979	123,913	93,924	149,355	-	-	-	-	-	406,171
On-Balance Sheet (SOFP) PFI Contracts	9,346	13,182	-	-	-	-	-	-	-	22,528
Net Book Value at 31 March 2015	368,630	748,974	409,257	477,422	60,426	31,268	79,290	16,643	126,887	2,318,796
Of the Total										
Department	368,630	748,759	409,257	477,422	60,236	31,251	79,008	16,643	126,887	2,318,091
Agencies	-	216	-	-	190	17	281	-	-	703
ALBs	-	-	-	-	-	-	2	-	-	2
Net Book Value at 31 March 2015	368,630	748,974	409,257	477,422	60,426	31,268	79,290	16,643	126,887	2,318,796

<sup>1</sup> Some assets have been reclassified to assets held for sale (note 5.1).

## 5. Property, Plant and Equipment (cont.)

### Notes to Property, Plant and Equipment

**Transfer of Old Admiralty Building (OAB):** The Foreign Secretary transferred all rights and obligations under the freehold and associated agreements for Old Admiralty Building London SW1A 2PA to the Secretary of State for Education (DfE). This inter-departmental transfer of civil estate property took place at fair value and for £nil consideration. The FCO has issued a capital grant in kind equal to the value of the asset as at the point of transfer. The property was transferred to DfE on 1 November 2015. The fair value of the property at the date of transfer was £73.8m (comprising £22.2m for the land and £51.6m for the building). The land and building have been removed from Note 5. This transfer is budget neutral.

**Transfer of DFID overseas assets:** During 2015-16 the Secretary of State for International Development transferred the overseas assets of DFID to the FCO. Ownership by FCO took effect as from 1 April 2015, with the final DFID values being adopted by FCO. The transfer was financed by a capital grant in kind. Subsequent joint work by FCO and DFID has resulted in a number of impairments being recognised in FCO's accounts during 2015-16. A budget transfer was made by DFID to cover the impairments and depreciation for 2015-16. Note 5 above reflects those DFID assets within the line "DFID transfers". No adjustment was made to the opening balances for cost or depreciation. A reconciliation is shown in the table below:

	£000
Assets transferred at DfID NBV as at 01/4/15	40,425
- Of which impaired on transfer	(9,126)
Note 5	
Assets included at DfID NBV	31,299
Assets transferred and impaired	9,126
Amount shown as reclassifications	40,425

### Property Valuations:

Physical inspections to inform valuations of properties were carried out as follows:

Property Location	Valuer	Effective Valuation Date
Sub-Saharan Africa	Colliers International	30 September 2015
Americas	Colliers International	30 September 2014
South Asia; Asia Pacific	Colliers International	30 September 2013
European Union; Wider Europe and Russia; Caucasus; Central Asia	Colliers International	30 September 2012
Middle East; North Africa	Knight Frank	30 September 2011

Desk reviews for revaluation purposes were carried out for all FCO properties as at 30th September 2015 where not physically inspected in year. These desk valuations were carried out for all other regions by Colliers International. 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.

Following the transfer of OAB out of the group, and the transfer in of assets from DFID, the 2015-16 Note above includes the net addition/(disposal) by category in the line "OGD Transfers".

### 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 the date reported, 30th September 2015, and due to current global market volatility should not be published or otherwise relied upon beyond that date, without referring to the valuers.

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.

### Leased Properties

The leased properties disclosed constitute two elements 1) Leasehold buildings £360.5m (2014-15 £273.3m); 2) Leases for ground rent held in perpetuity £138.7m (2013-2014 £132.9m) treated as freehold land. Neither category is regarded as a finance lease. The in-year increase in the value of leasehold

buildings is due to significant revaluation increases in the Africa region.

### Antiques and Works of Art

Valuation visits were carried out to Posts in Asia Pacific with higher value collections. These visits formed part of a new global valuation programme, which is rotating across regions over a four year period.

### 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 HM Treasury. Note 1.4 explains the accounting policy for Assets Held for Sale.

## 5.1 Assets Held for Sale

	2015-16	2014-15
	£000	£000
The following assets are classified as held for sale:		
<b>Overseas Properties</b>		
Balance as at 1 April	12,291	4,149
Reclassification to Assets Held For Sale at Carrying Value	18,427	11,524
Revaluation to Fair Value Less Costs to Sell	(1,078)	(358)
Disposals	(12,982)	(3,024)
Balance as at 31 March	16,658	12,291

## 6. Intangible Assets

Consolidated 2015-16				
	Software Licences	Website Design	Information Technology	Total
	£000	£000	£000	£000
<b>Cost or Valuation</b>				
At 1 April 2015	9,939	245	-	10,184
Additions	1	36	-	37
Disposals	(2)	-	-	(2)
Impairments	-	-	-	-
Reversals of Impairments	-	-	-	-
Revaluation	182	-	-	182
Reclassification	573	-	-	573
At 31 March 2016	10,693	281	-	10,974
<b>Amortisation</b>				
At 1 April 2015	9,766	38	-	9,803
Charged for the Year	270	49	-	319
Disposals	(2)	-	-	(2)
Impairments	-	-	-	-
Reversals of Impairments	-	-	-	-
Revaluation	160	-	-	160
Reclassification	-	-	-	-
At 31 March 2016	10,192	87	-	10,279
Net Book Value at 1 April 2015	174	207	-	381
Net Book Value at 31 March 2016	500	194	-	695
<b>Of the Total</b>				
Department	499	-	-	499
Agencies	-	194	-	194
ALBs	2	-	-	2
Net Book Value at 31 March 2016	500	194	-	695
<b>Asset Financing</b>				
Owned	500	194	-	695
Finance Leased	-	-	-	-
Net Book Value at 31 March 2016	500	194	-	695

Consolidated 2014-15				
	Software Licences	Website Design	Information Technology	Total
	£000	£000	£000	£000
<b>Cost or Valuation</b>				
At 1 April 2014	9,866	22	-	9,888
Additions	-	53	-	53
Disposals	-	-	-	-
Impairments	-	-	-	-
Reversals of Impairments	-	-	-	-
Revaluation	74	-	-	74
Reclassification	-	170	-	170
At 31 March 2015	9,939	245	-	10,184
<b>Amortisation</b>				
At 1 April 2014	9,553	5	-	9,557
Charged for the Year	143	33	-	176
Disposals	-	-	-	-
Impairments	-	-	-	-
Reversals of Impairments	-	-	-	-
Revaluation	70	-	-	70
Reclassification	-	-	-	-
At 31 March 2015	9,766	38	-	9,803
Net Book Value at 1 April 2014	313	17	-	331
Net Book Value at 31 March 2015	174	207	-	381
<b>Of the Total</b>				
Department	167	-	-	167
Agencies	-	207	-	207
ALBs	7	-	-	7
Net Book Value at 31 March 2015	174	207	-	381
<b>Asset Financing</b>				
Owned	174	207	-	381
Finance Leased	-	-	-	-
Net Book Value at 31 March 2015	174	207	-	381

The intangible assets are mainly licenses for software applications. The book value of these has been decreasing over recent years as the major licenses (Microsoft and Oracle) move towards the end of their asset lives. These licenses will be due for renewal or replacement, however the terms of the contracts will determine whether they are reported as non-current assets; there is therefore some uncertainty about the future book value of intangible assets.

## 7. Impairments

	2015-16		2014-15	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
<b>Impairment and Reversals charged to CSCNE</b>				
Land	2,978	2,978	7,955	7,955
Buildings and Dwellings	19,437	19,437	23,949	23,949
Information Technology	(21)	(21)	232	232
Transport Equipment	(10)	(10)	85	85
Plant and Machinery	2,737	2,737	190	191
Antiques and Works of Art	-	-	36	36
Payments on Accounts & Assets Under Construction	64,867	64,867	14,270	14,270
Intangible Assets	-	-	-	-
Assets held for sale	14	14	-	-
Other	-	-	-	-
Transferred from Revaluation Reserve				
	90,001	90,001	46,717	46,718

The total impairment for the year was charged directly to the Consolidated Statement of Comprehensive Net Expenditure. There was an impairment reversal of £101k for IT during 2015-16, along with an impairment reversal of £21k for Transport Equipment. These impairment reversals reflect the impact of the application of indices to low value assets, and resulted in an overall negative impairment for these asset categories. In addition there was a £2.9m impairment reversal in AUC relating to historic differences. The £61m impairment in AUC includes the write-down of work on the UK Estate Reform project.

## 8. Capital and Other Commitments

### 8.1 Capital Commitments

Contracted Capital Commitments at 31 March not otherwise included in these Financial Statements:

	2015-16		2014-15	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Estates Projects	27,906	27,906	65,116	65,116
IT Infrastructure	9,101	9,101	341	341
Vehicles	-	-	69	69
	37,007	37,007	65,525	65,525

### 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:

	2015-16		2014-15	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
<b>Land and Buildings</b>				
Not later than 1 year	75,983	76,041	61,867	61,972
Later than 1 year but not later than 5 years	104,124	104,124	84,562	84,846
Later than 5 years	70,538	70,538	59,994	59,994
	250,644	250,703	206,423	206,812
<b>Other</b>				
Not later than 1 year	217	217	181	181
Later than 1 year but not later than 5 years	221	221	268	268
Later than 5 years	-	-	-	-
	438	438	449	449
<b>Total</b>	<b>251,082</b>	<b>251,141</b>	<b>206,872</b>	<b>207,261</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. As professional valuations are carried out in September each year (see Note 5) the exchange rate used is the internal Estates rate at 31 September.

## 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)

	2015-16	2014-15
	£000	£000
Not later than 1 year	3,205	3,205
Later than 1 year but not later than 5 years	12,818	12,818
Later than 5 years	29,642	32,846
	<b>45,664</b>	<b>48,869</b>
Less Interest element	(18,456)	(20,588)
<b>Present Value of obligations</b>	<b>27,208</b>	<b>28,281</b>
The above liability is disclosed under Payables (Note 13) as follows:		
Amounts falling due within 1 year	1,158	1,073
Amounts falling due after	26,050	27,208
	<b>27,208</b>	<b>28,281</b>

Private Finance Initiative (PFI) transactions have been accounted for in accordance with HM Treasury 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

	2015-16		2014-15	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Not later than 1 year	1,702	1,702	1,814	1,814
Later than 1 year but not later than 5 years	6,810	6,810	7,255	7,255
Later than 5 years	17,024	17,024	19,952	19,952
	<b>25,536</b>	<b>25,536</b>	<b>29,022</b>	<b>29,022</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:

	2015-16		2014-15	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Not later than 1 year	49,762	49,762	9,567	9,567
Later than 1 year but not later than 5 years	52,845	52,845	1,143	1,143
Later than 5 years	-	-	-	-
	<b>102,606</b>	<b>102,606</b>	<b>10,710</b>	<b>10,710</b>

## 9. Financial Instruments

International Financial Reporting Standard 7 (IFRS 7 Financial instrument: 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.

The FCO is exposed to foreign currency risks which can be significant because of the nature of its business and geographical presence.

A Foreign Currency Mechanism (FCM) was agreed with HM Treasury in the 2010 Spending Review, and took effect in financial year 2011-12. The Treasury will increase or decrease the FCO's budget each year in the Supplementary Estimate to take account of movements in the top 20 currencies where the department spent most money in 2010-11. The FCM only applies to the FCO's core budget so does not cover expenditure on British Council, or peacekeeping.

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.

### Summary of Financial Instruments

	Note	2015-16 £000	2014-15 £000
<b>Non-Current Financial Assets</b>			
Investment in Other Public Sector Bodies	9.1	4,981	4,981
Forward Currency Contracts	9.2	19,158	24,291
		<b>24,139</b>	<b>29,272</b>
<b>Current Financial Assets</b>			
Forward Currency Contracts	9.2	28,305	23,116
<b>Current Financial Liabilities</b>			
Forward Currency Contracts	9.2	(460 )	(2,155)
<b>Non-Current Financial Liabilities</b>			
Forward Currency Contracts	9.2	(787)	(1,517)
		<b>51,197</b>	<b>48,715</b>

### 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. A Vesting Day Loan was repaid in 2014-15. 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.

	Public Dividend Capital £000	Vesting Day Loan £000	Total £000
Balance at 31 March 2014	4,981	949	5,930
Additions	-	-	-
Disposals	-	-	-
Loan Repayments	-	-	-
Revaluations	-	-	-
Loans repayable within 12 months transferred to receivables	-	(949)	(949)
Balance at 31 March 2015	<b>4,981</b>	-	<b>4,981</b>
Additions	-	-	-
Disposals	-	-	-
Loan Repayments	-	-	-
Revaluations	-	-	-
Loans repayable within 12 months transferred to receivables	-	-	-
Balance at 31 March 2016	<b>4,981</b>	-	<b>4,981</b>

## 9. Financial Instruments (cont.)

### 9.2 Forward Currency Contracts

As detailed in note 9, forward purchases have been used to hedge certain forecast net exposures in the significant currencies in which the department operates.

Forward purchases contracts matured as follows:

	2015-16			2014-15		
	Foreign Currency	Sterling Cost	Exchange Rate	Foreign Currency	Sterling Cost	Exchange Rate
	000	£000		000	£000	
Euro	18,630	15,736	1.18	20,000	16,993	1.18
US Dollar	505,800	319,994	1.58	534,000	341,402	1.56
		335,729			358,395	

	2015-16				
	Foreign Currency	Currency Value	Sterling Value	Unrealised Gains	Unrealised Losses
		000	£000	£000	£000
<b>Current Assets and Liabilities</b>					
Maturing in 2016-17	Euro	24,830	19,242	941	(460)
	US Dollar	478,980	305,711	27,364	-
			324,953	28,305	(460)
<b>Non-current Assets and Liabilities</b>					
Maturing in 2017-18	Euro	16,015	12,389	595	(117)
	US Dollar	280,840	179,880	14,080	(196)
			192,269	14,675	(312)
Maturing in 2018-19	Euro	8,790	6,694	466	-
	US Dollar	136,163	90,609	3,907	(475)
			97,303	4,372	(475)
Maturing in 2019-20	Euro	-	-	-	-
	US Dollar	3,121	2,033	111	-
			2,033	111	-
Total			616,559	47,463	(1,247)

	2014-15				
	Foreign Currency	Currency Value	Sterling Value	Unrealised Gains	Unrealised Losses
		000	£000	£000	£000
<b>Current Assets and Liabilities</b>					
Maturing in 2015-16	Euro	18,630	15,736	-	(2,155)
	US Dollar	505,800	319,994	23,116	-
			335,729	23,116	(2,155)
<b>Non-current Assets and Liabilities</b>					
Maturing in 2016-17	Euro	12,162	10,064	-	(1,114)
	US Dollar	313,250	196,477	16,054	-
			206,541	16,054	(1,114)
Maturing in 2017-18	Euro	5,970	4,856	-	(404)
	US Dollar	156,900	97,841	8,238	-
			102,697	8,238	(404)
Total			644,967	47,407	(3,673)

## 10. Inventories

	2015-16		2014-15	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Total physical stock	1,073	1,073	1,193	1,193
	1,073	1,073	1,193	1,193

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

	2015-16		2014-15	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Balance at 1 April	68,394	69,949	33,590	35,266
Net change in cash balances	15,744	16,330	34,805	34,683
Balance at 31 March	84,139	86,279	68,394	69,949

The following balances and overdrafts were held at 31 March:

Government Banking Service	3,106	3,106	12,897	12,897
Commercial banks and cash in hand UK and overseas	81,033	83,173	55,497	57,051
Balance at 31 March	84,139	86,279	68,394	69,948

## 12. Trade Receivables, Financial and Other Assets

	2015-16		2014-15	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
<b>Amounts Falling Due Within 1 Year</b>				
Trade receivables	30,305	29,389	34,600	35,043
Deposits and Advances	6,738	6,829	6,872	6,926
Other receivables	12,851	12,851	10,538	10,538
Leasehold land (non-perpetual) prepayments	417	417	385	385
Other prepayments and accrued income	93,722	94,329	77,177	77,284
	144,033	143,815	129,572	130,176
<b>Amounts Falling Due After 1 Year</b>				
Leasehold land (non-perpetual) prepayments	26,829	26,829	27,280	27,280
Other receivables	3,824	3,824	4,332	4,332
	30,653	30,653	31,612	31,612
<b>Total</b>	<b>174,686</b>	<b>174,467</b>	<b>161,184</b>	<b>161,788</b>

### 13. Trade Payables and Other Liabilities

	2015-16		2014-15	
	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	422	441	1,205	1,216
Payments on account	285	285	390	390
Trade payables	70,780	70,863	32,071	32,330
Other payables	56,190	55,699	26,854	26,866
Accruals and deferred income	112,896	113,880	142,162	142,769
Current part of finance leases	-	-	-	-
Current part of imputed finance lease element of on-SoFP PFI contracts	1,158	1,158	1,073	1,073
Total excluding amounts due to the Consolidated Fund	<b>241,732</b>	<b>242,326</b>	<b>203,754</b>	<b>204,644</b>
<b>Amounts issued from the Consolidated Fund for supply but not spent</b>				
At year end	74,761	74,761	66,805	66,805
Income due to be paid to the Consolidated Fund	9,378	9,378	1,590	1,590
	<b>325,871</b>	<b>326,465</b>	<b>272,148</b>	<b>273,039</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	26,050	26,050	27,208	27,208
	<b>26,050</b>	<b>26,050</b>	<b>27,208</b>	<b>27,208</b>
<b>Total</b>	<b>351,920</b>	<b>352,515</b>	<b>299,356</b>	<b>300,247</b>

## 14. Provisions for Liabilities and Charges

The Notes to the Accounts set out the statement of accounting policy for early departure costs (note 1.20) and terminal benefits for local staff (note 1.21).

Other staff provisions relate to the costs of compensation claims. Other provisions relate to possible back-rental demands and other estate commitments.

	2015-16		2014-15	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Balance at 1 April	41,641	41,638	52,243	52,240
Provided in year (bal)	16,024	16,042	6,277	6,277
Provisions not required written back	(776)	(776)	(7,231)	(7,231)
Provisions utilised in the year	(7,979)	(7,979)	(10,318)	(10,318)
Unwinding of discount	229	229	670	670
Balance at 31 March	49,139	49,154	41,641	41,638

### 14.1 Analysis of Expected Timing of Discounted Cash Flows

	2015-16		2014-15	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Not later than 1 year	4,999	5,014	5,777	5,774
Later than 1 year but not later than 5 years	23,430	23,430	15,490	15,490
Later than 5 years	20,710	20,710	20,375	20,375
Balance at 31 March	49,139	49,154	41,641	41,638

### 14.2 Analysis of Provision by Type

	2015-16				
	Early Departure Costs	LE Staff Terminal Gratuities	Other Staff Provisions	Other Provisions	Total
	£000	£000	£000	£000	£000
Not later than 1 year	424	2,258	467	1,865	5,014
Later than 1 year but not later than 5 years	3,746	7,490	762	11,432	23,430
Later than 5 years	-	20,281	-	429	20,710
Balance at 31 March	4,170	30,029	1,229	13,726	49,154

## 15. Contingent Liabilities disclosed under IAS 37

	2015-16	2014-15
	£000	£000
Potential Obligations	50,000	63,000

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. These can be found in the Parliamentary Accountability and Audit Report of the Annual Report and Accounts.

The above contingent liability number for 2015-16 does not include any liability assessed in respect of compensation claims brought as part of the Kenyan Emergency Group Litigation. This litigation comprises claims from just over 40,000 Kenyan people dating back to the state of emergency in Kenya between 1952 and 1961. The full trial is not expected to conclude before July 2017. The information usually required by IAS 37 Provisions, Contingent Liabilities and Contingent Assets is not disclosed on the grounds that it can be expected to seriously prejudice the outcome of the litigation. The FCO believes it can successfully defend the claims.

## 16. Retirement Benefit Schemes

UK-based employees are covered by the provisions of the Principal Civil Service Pension Scheme. 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.

### Principal Civil Service Pension Scheme:

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. The FCO is unable to identify its share of the underlying liabilities. A full actuarial valuation was carried out as at 31 March 2012. This valuation is being conducted in line with directions made by HM Treasury, made under the Public Service Pensions Act 2013. There was an increase of 2.2 percentage points in the average employer contribution rate paid to the scheme from 1 April 2015, with the average employer contribution rising from 18.9% to 21.1%. Details can be found in the Resource Accounts of the Cabinet Office: Civil Superannuation ([www.civilservice.gov.uk/pensions](http://www.civilservice.gov.uk/pensions)).

For 2015-16, employers' contributions of £36,651,915 were paid to the PCSPS (2014-15: £39,811,502) at one of four rates in the range of 20% to 24.5% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2015-16 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, a stakeholder pension with an employer contribution. Employers' contributions of £209,522 (2014-15: £176,320) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay between April and September 2015; from October 2015 employer contributions ranged from 8% to 14.75% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay.

In addition, employer contributions of £7,939, 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

### Other defined contribution schemes

The FCO operates defined contribution schemes independent of local government in some posts. The value of contributions in 2015-16 was £4,394,522 (2014-15: £5,644,084).

### Other defined benefit schemes

The FCO operates defined benefit schemes in the countries as shown below which are based on final salary and provide for pensions at retirement and for benefits on death or disablement in service.

With effect from 1 April 2012 the FCO took on the obligations of the British East Mediterranean Relay Service Pension Scheme in Cyprus in respect of former staff of the BBC World Service operating on the island and these are included below. The scheme is unfunded and benefits are being paid out of current resources. During 2012/13 the US Network pension scheme was bought out by a commercial pension provider, and the obligations and assets of the scheme were transferred out in full, for a consideration of £42,010,000. This amount is included in the table below under Matched by annuity contracts. All of the defined benefit schemes are closed to new members, other than for a scheme in The Netherlands which is not listed 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.

Many of the BBC World Service employees are members of the BBC Group's pension schemes which comprise the BBC Pension Scheme (a defined benefit scheme which is now closed to new members), a small unfunded plan (the unfunded scheme, which is closed to new members) and defined contribution schemes (LifePlan and the Group Personal Pension Scheme). Details of these schemes are contained in the published accounts of the BBC World Service.

## 16. Retirement Benefit Schemes (cont.)

Defined Benefit Schemes Recognised in the Statement of Financial Position	2015-16 £000	2014-15 £000
<b>Present Value of Unfunded Obligations</b>		
Cyprus	(24,394)	(24,299)
<b>Present Value of Funded Obligations</b>		
Canada	(8,768)	(9,221)
Republic of Ireland	(4,503)	(4,338)
Jamaica	(1,581)	(1,442)
Mauritius	(184)	(178)
South Africa	(1,431)	(1,835)
Columbia	(436)	(461)
Belgium	(1,151)	(1,174)
	<b>(18,054)</b>	<b>(18,649)</b>
<b>Fair Value of Plan Assets</b>		
Canada	9,327	10,280
Republic of Ireland	3,587	3,364
Jamaica	1,835	1,566
Mauritius	171	151
South Africa	1,636	1,781
Columbia	320	348
Belgium	652	590
	<b>17,527</b>	<b>18,080</b>
<b>Total</b>	<b>(24,922)</b>	<b>(24,869)</b>
<b>Summary</b>		
Liabilities	(25,939)	(26,052)
Assets	1,018	1,183
Net Asset/(Liability)	<b>(24,922)</b>	<b>(24,869)</b>
<b>Amounts Recognised in Operating Costs</b>		
Total service costs <sup>1</sup>	415	416
Net Interest <sup>2</sup>	820	923
Exchange differences on foreign plans	2,306	(3,518)
Total Included in Employee Benefits Expense	<b>3,541</b>	<b>(2,179)</b>
Remeasurements	(1,871)	4,799

<sup>1</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>2</sup> Net Interest combines interest on obligations and expected return on plan assets

## 16. Retirement Benefit Schemes (cont.)

	2015-16	2014-15
	£000	£000
<b>Changes in the Present Value of the Defined Benefit Obligation</b>		
Opening defined benefit obligation	(42,948)	(40,446)
Pensioners in payment exactly matched by annuity contracts	(14)	(48)
Service cost	(415)	(416)
Curtailment / settlement cost	-	-
Interest cost	(1,527)	(1,742)
Contributions by participants	(121)	(140)
Actuarial (losses)/gains	1,284	(3,800)
Exchange differences on foreign plans	(2,358)	4,263
Benefits paid	2,588	2,237
Changes in assumptions underlying the present value of the scheme liabilities	1,064	(2,855)
<b>Closing Defined Benefit Obligation</b>	<b>(42,448)</b>	<b>(42,948)</b>
<b>Changes in the Fair Value of Plan Assets</b>		
Opening fair value of plan assets	18,080	16,272
Pensioners in payment exactly matched by annuity contracts	14	48
Expected return	707	819
Actuarial gains (losses)	(477)	1,857
Contributions by employer	278	489
Contributions by participants	121	140
Exchange differences on foreign plans	53	(744)
Benefits paid	(1,250)	(801)
Changes in assumptions underlying the present value of the scheme assets	-	-
<b>Closing Fair Value of Plan Assets</b>	<b>17,527</b>	<b>18,080</b>

The major categories of plan assets as a percentage of total plan assets are as follows

	2015-16	2014-15
Equities	51.56%	46.42%
Bonds	35.21%	31.38%
Other	13.23%	22.21%

Principal actuarial assumptions as at 31 March (expressed as weighted averages)

Discount rate	2.55%
Expected return on plan assets	4.39%
Future salary increases	1.40%
Future pension increases	1.51%

	2015-16	2014-15	2013-14	2012-13	2011-12
	£000	£000	£000	£000	£000
<b>Amounts for the current and previous four years</b>					
Defined benefit obligation	(42,448)	(42,948)	(40,446)	(43,525)	(53,608)
Plan assets	17,527	18,080	16,272	17,538	45,226
Surplus/(Deficit)	(24,921)	(24,868)	(24,174)	(25,987)	(8,382)
Experience adjustments on plan liabilities	(1,064)	2,855	1,859	(601)	(17,889)
Experience adjustments on plan assets	278	489	889	147	(1,899)

## 16. Retirement Benefit Schemes (cont.)

### Analysis of Movements in Obligations and Assets

2015-16

	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
Cyprus	(24,299)	-	(2,164)	-	(852)	712	-	1,339	870	(24,394)
	(24,299)	-	(2,164)	-	(852)	712	-	1,339	870	(24,394)
<b>Present Value of Funded Obligations</b>										
Canada	(9,221)	-	(73)	(138)	(322)	-	(39)	852	174	(8,768)
Republic of Ireland	(4,338)	-	(397)	(109)	(65)	325	(15)	97	(1)	(4,503)
Jamaica	(1,442)	(14)	32	(69)	(129)	(50)	(30)	78	44	(1,581)
Mauritius	(178)	-	(11)	(5)	(12)	-	-	6	17	(184)
South Africa	(1,835)	-	311	(56)	(132)	76	(36)	192	49	(1,431)
Colombia	(461)	-	48	(38)	-	-	-	-	15	(437)
Belgium	(1,174)	-	(104)	-	(15)	-	-	24	117	(1,151)
	(18,649)	(14)	(194)	(415)	(675)	351	(121)	1,249	414	(18,055)
<b>Fair Value of Plan Assets</b>										
Canada	10,280	-	57	-	355	111	39	(852)	(663)	9,327
Republic of Ireland	3,364	-	314	-	46	68	15	(97)	(123)	3,587
Jamaica	1,566	14	(35)	-	143	43	30	(78)	151	1,835
Mauritius	151	-	10	-	10	7	-	(6)	(1)	171
South Africa	1,781	-	(315)	-	131	44	36	(192)	152	1,636
Colombia	348	-	(36)	-	16	-	-	-	(7)	321
Belgium	590	-	57	-	7	5	-	(24)	16	652
	18,080	14	53	-	707	278	121	(1,249)	(477)	17,527
<b>Total</b>	<b>(24,869)</b>	<b>-</b>	<b>(2,306)</b>	<b>(415)</b>	<b>(820)</b>	<b>1,341</b>	<b>-</b>	<b>1,339</b>	<b>808</b>	<b>(24,921)</b>

## 16. Retirement Benefit Schemes (cont.)

2014-15

	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
Cyprus	(24,521)	-	3,334	-	(980)	(1,318)	-	1,437	(2,252)	(24,299)
	(24,521)	-	3,334	-	(980)	(1,318)	-	1,437	(2,252)	(24,299)

### Present Value of Funded Obligations

Canada	(7,970)	-	206	(120)	(380)	-	(43)	371	(1,285)	(9,221)
Republic of Ireland	(3,347)	-	536	(91)	(98)	(1,562)	(18)	208	34	(4,338)
Jamaica	(1,300)	(48)	(93)	(69)	(102)	-	(39)	107	102	(1,442)
Mauritius	(160)	-	13	(5)	(12)	(9)	-	-	(5)	(178)
South Africa	(1,581)	-	32	(54)	(140)	34	(40)	111	(197)	(1,835)
Colombia	(482)	-	79	(77)	-	-	-	1	17	(461)
Belgium	(1,085)	-	154	-	(31)	-	-	4	(216)	(1,174)
	(15,925)	(48)	928	(416)	(763)	(1,537)	(140)	801	(1,550)	(18,649)

### Fair Value of Plan Assets

Canada	9,351	-	(228)	-	428	177	43	(371)	879	10,280
Republic of Ireland	2,900	-	(431)	-	79	183	18	(208)	823	3,364
Jamaica	1,333	48	101	-	107	54	39	(107)	(9)	1,566
Mauritius	141	-	(11)	-	11	14	-	-	(4)	151
South Africa	1,499	-	(31)	-	135	58	40	(111)	190	1,781
Colombia	398	-	(61)	-	40	-	-	(1)	(27)	348
Belgium	648	-	(83)	-	18	4	-	(4)	7	590
	16,272	48	(744)	-	819	489	140	(801)	1,857	18,080
Total	(24,174)	-	3,518	(415)	(923)	(2,366)	-	1,437	(1,944)	(24,868)

## 16. Retirement Benefit Schemes (cont.)

The FCO's defined benefit schemes have been subject to actuarial valuation or review as at 31 March 2016. The estimated amount of contributions expected to be paid to the schemes during the current financial year is £278,000

The key risks to the FCO with regards to both funded and unfunded defined benefit pension schemes are set out below:

- » Rate of return risk – the risk of a significant difference between the long term real rate of return on plan assets achieved and that assumed in the calculations. If the real rate of return achieved is less than that assumed the recommended contributions will also need to increase.
- » Market risk – the risk that the market yields on long term fixed interest and index linked bonds reduce, resulting in a deterioration of the funding position.
- » Interest rate risk – the risk that interest rates reduce such that the expected costs of future pensions are more expensive than those allowed for in the post retirement assumptions, this will tend to increase the funding requirement in future and will lead to the deterioration in the solvency position of the scheme.

» Remuneration risk – the risk that an unexpected change in the general remuneration level of scheme members, above that assumed, will result in deterioration in the funding level and require increased contributions.

» Inflation risk – the risk that future inflation is higher than assumed, thereby leading to higher pension payments.

» Mortality risk – the risk that current pensioners live longer than assumed and therefore receive pensions for longer than expected.

Sensitivity analysis for the Cyprus unfunded scheme and the 2 largest funded schemes are set out below. The tables show the indicative effects on the scheme total liability as at 31 March 2016 due to changes in the stated assumptions.

### Cyprus - Unfunded

Change in assumption	Approximate effect on total liability	
	%	Currency (000's)
Rate of return in excess of pensions: ½% a year lower	6%	€ 1,800
Pensioners living (on average) 2 years longer	8%	€ 2,400

### Ireland - Funded

Change in assumption	Approximate effect on pension liability	
	%	Currency (000's)
1% reduction in discount rate	28.88%	(1,640)
1% reduction in inflation rate	(9.45%)	537
Pensioners living on average 2 years longer	5.37%	(305)

### Canada - Funded

Change in assumption	Approximate effect on pension liability	
	%	Currency (000's)
1% reduction in discount rate	19%	(3,167)
1% reduction in inflation rate	(14%)	2,290
Pensioners living on average 2 years longer	8%	(1,225)

## 17. Related parties and Entities within and outside the Departmental accounting boundary

### 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 below. 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.

No minister, board member, key manager or other related parties has undertaken any material transaction with the FCO during the year. There are no potential conflicts of interest to report.

### Associated entities inside the Departmental accounting boundary

The entities within the boundary during 2015-16 were:

Wilton Park Executive Agency - the Annual Report and Accounts of Wilton Park is published separately. See [www.wiltonpark.org.uk](http://www.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 Directors 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).

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.

British Intergovernment Services Authority Ltd (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 Directors Report.

## 18. DFID - Consolidation of overseas assets

As part of the One HMG Agenda, the FCO has consolidated DFID Overseas Corporate Services into the FCO's overseas operations.

On 1 April 2015, consolidated corporate services teams started operating in 22 posts; a further 10 posts were consolidated in July 2015. One further post is due to consolidate in February 2016, with another post likely to not be moved over until 2016-17.

Budget transfers were made by DFID to FCO to cover capital and non-cash costs for 2015-16. Future indirect costs arising from the expanded shared platform will be the responsibility of the FCO. DFID remains accountable for the direct costs of its overseas operations and programme related costs, and these are covered by FCO invoicing DFID directly.

## 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. Apart from the following there are none to report:

On 23 June, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement

and apply EU legislation. It will be for the Government, under the new Prime Minister to begin negotiations to exit the EU. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation and funding in future once the UK has left the EU. This is therefore a non-adjusting event. The FCO holds some bank accounts denominated in foreign currencies as well as a considerable number of overseas operational properties, all of which are likely to be impacted by the fall in the value of Sterling since the Referendum result. A reasonable estimate of the financial effect of this event cannot be made.

## Annex A: Corporate Sponsorship (unaudited)

Total Forecast		Name of Sponsor(s)	Cash (LC)	In-Kind (LC)	Cash (£)	In-Kind (£)	
Description of project	Project Costs (£)						
Abu Dhabi							
Queen's Birthday Party	33,161.49	Molton Brown	50,000.00		9,819.52		
		BP	50,000.00		9,819.52		
		Atkins	45,000.00		8,837.57		
Rugby World Cup	7,834.62	Jaguar Land Rover	37,300.00		7,325.36		
Algiers							
Queen's Birthday Party	17,469.73	British Petroleum	901,020.00		6,023.40		
		Anadarko	1,051,190.00		7,027.30		
Amman							
Queen's Birthday Party	17,789.98	Eastern Holdings	8,750.00		8,894.99		
		Standard Chartered	8,750.00		8,894.99		
Bahrain							
Queen's Birthday Party	18173.39	Euro Motors	3,000.00		5,740.53		
		National Express	3,000.00		5,740.53		
		BAE Systems	3,000.00		5,740.53		
Beijing							
Queen's Birthday Party	59,083.97	HQG Limited	94,595.00		10,438.18		
		Birmingham Airport	48,443.50		5,345.55		
Beirut							
Queen's Birthday Party	71,550.89	MANA Automotive	25,000.00		18,033.61		
		Ghaddar Machinery	20,000.00		14,426.89		
		DJ Jones	10,000.00		7,213.45		
		HSBC	10,000.00		7,213.45		
		Tech Hub	13,191.00		9,515.26		
		BCTC Port	7,500.00		5,410.08		
		Fattal Group		7,500.00		5,410.08	
		Phylips		53,000.00		38,231.26	
Cairo							
Queen's Birthday Party	27,177.38	Future University	117,442.00		10,820.96		
		Barclays Bank	58,721.00		5,410.48		
		Vodafone	58,721.00		5,410.48		
		British Petroleum (BP)	58,691.65		5,407.77		
Caracas							
Queen's Birthday Party	5,500.00	Diageo		48,035.33		5,500.00	
Dubai							
Queen's Birthday Party	28,476.60	Barclays	29,975.00		5,886.80		
		Aston Martin	120,000.00		23,566.84		
Gulf Tour to the UK	7,478.54	HSBC	38,080.00		7,478.54		

Total Forecast						
Description of project	Project Costs (£)	Name of Sponsor(s)	Cash (LC)	In-Kind (LC)	Cash (£)	In-Kind (£)
Dublin						
Queen's Birthday Party	52,017.65	AIB Bank	10,000.00		7,881.46	
		William Fry	7,500.00		5,991.10	
Hong Kong						
Magna Carta Exhibition	31,416.19	Hogan Lovells	58,653.00		5,443.59	
		Linklaters	58,653.00		5,443.59	
Kingston						
Queen's Birthday Party	17,583.37	Grace Kennedy & Co. Ltd.	670,000.00	330,000.00	3,987.11	1,963.80
		J. Wray & Nephew Ltd.		600,000.00		3,570.55
		Ranger Protection	500,000.00		2,975.46	
		Jamaica National	500,000.00		2,975.46	
		Tullow Oil	4,300.00		3,101.78	
		ATL Automotive	3,000.00		2,164.03	
		Jamaica Broilers Group	150,000.00		892.64	
		Kier Construction	100,000.00		595.09	
Kuala Lumpur						
Prime Minister Reception	25,227.29	Petronas		90,842.00		15,559.40
Kyiv						
Support for the Regulatory Reform of the Energy Sector in Ukraine	12,542.47	Shell	471,641.92		12,542.47	
Lusaka						
Queen's Birthday Party	7,189.64	Alliance Motors (Jaguar Land Rover)	9,967.00		7,189.64	
Mexico City						
Lovis Event	5,480.39	Lovis	137,791.66		5,480.39	
Port Louis						
Shakespeare Project	7,045.15	Mauritius English Union		350,000.00		7,026.69
Rabat						
Queen's Birthday Party	11,679.94	Vivo Energy	160,000.00		11,679.94	
Riyadh						
Queen's Birthday Party	55,413.20	Haji Husein Alireza	27,986.00		5,382.65	
		Thales Inc	29,969.00		5,764.05	
		Atkins	65,000.00		12,501.69	
		Al Ghassan Motors	30,000.00		5,770.01	
		Chalhoub Group Molton Brown	30,000.00		5,770.01	
100 Years Commemerative Book	25,003.37	NY Naghi	130,000.00		25,003.37	
Rome						
Queen's Birthday Party	38,619.17	Barclays	10,000.00		7,881.46	
		Lloyds Register	10,000.00		7,881.46	
		Jaguar Land Rover	9,000.00		7,093.32	
		Michael Page	10,000.00		7,881.46	
		Vodafone	10,000.00		7,881.46	

Total Forecast		Name of Sponsor(s)	Cash (LC)	In-Kind (LC)	Cash (£)	In-Kind (£)
Description of project	Project Costs (£)					
Shanghai						
Queen's Birthday Party	27,084.96	Linklaters LLP	113,786.40		12,555.88	
Singapore						
Great Week	10,256.94	NU International	20,000.00		10,256.94	
Prime Minister Reception	10,987.58	Prudential	21,424.69		10,987.58	
Magna Carta Exhibition	17,090.70	Clifford Chance	16,662.58		8,545.35	
		Cavenagh Law	16,662.58		8,545.35	
Tel Aviv						
Israel Tech Hub	162,096.24	Goldman Sachs - Texchange Sponsors	31,835.66		5,873.52	
		Hub Shop Direct Bespoke	58,292.00		10,754.58	
		DLA Piper	303,282.78		55,954.17	
		VISA Europe Services	41,164.64		7,594.67	
		RBS Sponsors (work agreement)	143,375.00		26,451.98	
Queen's Birthday Party	44,968.37	Rolls-Royce	43,012.50		7,935.59	
		HSBC	28,675.00		5,290.40	
		Canacord Genuity	28,675.00		5,290.40	
		Teva Pharmaceuticals	28,675.00		5,290.40	
		Auto Art	28,675.00		5,290.40	
		Taylor Wessing	43,012.50		7,935.59	
		Visa	43,012.50		7,935.59	
UKTI Events	10,692.11	Clarks	29,883.36		5,513.33	
		London & Partners	28,070.00		5,178.78	
Tokyo						
RWC Investors event	25,784.20	PWC	1,539,580.00		9,748.18	
		Linklaters	1,555,902.00		9,851.52	
Innovation is Great-Electric Vehicle Roadshow	31,658.55	Nissan	1,000,000.00		6,331.71	
Washington						
Association of United States Army (AUSA) Event	18,033.61	Airbus Inc	14,000.00		10,098.82	
		Thales Inc	11,000.00		7,934.79	
Wellington						
Queens Birthday Party	16,032.29	OCS	10,000.00		4,819.28	
		Vodafone	10,000.00		4,819.28	
WW1 Memorial Project	385,542.17	Westpac Bank New Zealand	50,000.00		24,096.39	
Royal Edinburgh Military Tattoo	64,578.31	Rolls Royce	24,500.00		11,807.23	
		Scottish Development International	10,799.14		5,204.40	

Total Forecast Project Costs (£)		Name of Sponsor(s)	Cash (LC)	In-Kind (LC)	Cash (£)	In-Kind (£)
UK - Chevening Scholarship Programme						
45,740,000.00	Egypt	87,880.72			87,880.72	
	Ministry of Education and Science of Mongolia	40,519.00			40,519.00	
	Prudence - Laos	12,000.00			12,000.00	
	Prudence - Indonesia	12,000.00			12,000.00	
	Education & Training China Development Bank	18,012.18			18,012.18	
	Ministry of Strategy and Finance-MOSF	47,458.00			47,458.00	
	Diageo Korea	13,988.00			13,988.00	
	FSS- Financial Supervisory Service	24,638.00			24,638.00	
	PINHEIRO NETO	10,000.00			10,000.00	
	Queen Mary, University of London			206,986.00		206,986.00
	Queen's University Belfast			5,372.00		5,372.00
	University of Glasgow			150,866.00		150,866.00
	University of Portsmouth			16,540.00		16,540.00
	University of Stirling			11,100.00		11,100.00
	University of Strathclyde			22,886.00		22,886.00
	Durham University			89,510.00		89,510.00
	Imperial College London			123,160.00		123,160.00
	Keele University			5,400.00		5,400.00
	Newcastle University			36,916.00		36,916.00
	SOAS			203,382.00		203,382.00
	Birmingham City University			10,380.00		10,380.00
	Nottingham Trent University			7,280.00		7,280.00
	Royal Agricultural College			12,500.00		12,500.00
	University of Birmingham			156,880.50		156,880.50
	University of Nottingham			56,382.38		56,382.38
	University of Sheffield			54,550.00		54,550.00
	University of the Arts London			6,380.00		6,380.00
	Royal Holloway, University of London			14,690.00		14,690.00
	School of Advanced Study			5,260.00		5,260.00
	University of Brighton			24,354.00		24,354.00
	University of East Anglia			34,209.00		34,209.00
	University of Kent			40,862.00		40,862.00
	University of Southampton			83,776.00		83,776.00
	University of Westminster			132,500.00		132,500.00
	Heriot-Watt University			17,844.00		17,844.00
	London Business School			27,195.75		27,195.75
	London Metropolitan University			16,500.00		16,500.00
	Robert Gordon University			14,220.00		14,220.00
	University of Aberdeen			71,380.00		71,380.00
	University of Dundee			51,550.00		51,550.00
	University of Edinburgh			159,675.00		159,675.00
	University of Greenwich			9,480.00		9,480.00

Total Forecast					
Project Costs (£)	Name of Sponsor(s)	Cash (LC)	In-Kind (LC)	Cash (£)	In-Kind (£)
UK - Chevening Scholarship Programme, continued					
	University of St Andrews		20,562.00		20,562.00
	Bangor University		35,700.00		35,700.00
	Birkbeck, University of London		33,195.00		33,195.00
	Cardiff University		109,276.60		109,276.60
	University of Bath		18,500.00		18,500.00
	University of Bristol		63,980.00		63,980.00
	University of Exeter		63,475.00		63,475.00
	University of South Wales		9,840.00		9,840.00
	University of West of England		5,340.00		5,340.00
	Lancaster University		22,082.00		22,082.00
	Leeds Beckett University		6,400.00		6,400.00
	LSHTM		127,497.20		127,497.20
	Ravensbourne		5,160.00		5,160.00
	University of Bradford		71,148.00		71,148.00
	University of Huddersfield		10,200.00		10,200.00
	University of Hull		5,710.00		5,710.00
	University of Leeds		128,800.00		128,800.00
	University of York		58,376.00		58,376.00
	University of Cambridge		126,208.45		126,208.45
	University of Sussex		160,770.00		160,770.00
	Institute of Education		35,207.25		35,207.25
	University College London		527,571.00		527,571.00
	Cranfield University		47,400.00		47,400.00
	Oxford Brookes University		26,312.00		26,312.00
	University of Buckingham		5,656.00		5,656.00
	University of Essex		49,270.00		49,270.00
	University of Hertfordshire		12,200.00		12,200.00
	University of Oxford		278,125.25		278,125.25
	University of Reading		78,394.00		78,394.00
	University of Surrey		16,150.00		16,150.00
	Brunel University		42,800.00		42,800.00
	City University		90,000.00		90,000.00
	Goldsmiths, University of London		79,632.00		79,632.00
	Liverpool School of Tropical Medicine		10,800.00		10,800.00
	Manchester Metropolitan University		7,500.00		7,500.00
	Met Film School		6,750.00		6,750.00
	University of Manchester		167,690.00		167,690.00
	University of Salford		8,113.00		8,113.00
	Coventry University		32,790.60		32,790.60
	King's College London		262,581.00		262,581.00
	Loughborough University		17,020.00		17,020.00
	University of Leicester		32,085.00		32,085.00

Total Forecast					
Project Costs (£)	Name of Sponsor(s)	Cash (LC)	In-Kind (LC)	Cash (£)	In-Kind (£)
UK - Chevening Scholarship Programme, continued					
	University of Warwick		105,512.00		105,512.00
	Architectural Association		18,981.60		18,981.60
	LSE		577,002.45		577,002.45
	University of Liverpool		28,180.00		28,180.00
	Kingston University		41,280.00		41,280.00
UK - GREAT Thank You Reception					
71,121.00	Barclays		71,121.00		71,121.00
UK - Marshall Aid Commemoration Commission (Scholarship)					
2,042,822.00	Environmental Protection Agency (USA)	1,273,000.00		885,688.44	
	Annenberg Foundation Endowment	16,130.00		16,130.00	
	Adam Mortara	70,000.00		48,702.43	
	Marshall Sherfield Fellowship Foundation	20,000.00	26,172.00	13,914.98	26,172.00
	Cambridge Gonville and Caius		6,204.00		6,204.00
	Cambridge King's		21,693.00		21,693.00
	Imperial College London		108,650.00		108,650.00
	King's College London		34,100.00		34,100.00
	London School of Economics and Political Science		24,456.00		24,456.00
	London School of Hygiene and Tropical Medicine		19,450.00		19,450.00
	Oxford Corpus Christi		21,068.00		21,068.00
	Oxford New College		21,068.00		21,068.00
	Oxford Nuffield		16,570.00		16,570.00
	Oxford Oriel		21,068.00		21,068.00
	Oxford Somerville		63,204.00		63,204.00
	Queen's University Belfast		13,280.00		13,280.00
	University College London		23,690.00		23,690.00
	University of Birmingham		14,140.00		14,140.00
	University of Bristol		64,900.00		64,900.00
	University of East Anglia		16,700.00		16,700.00
	University of Edinburgh		30,300.00		30,300.00
	University of Glasgow		14,500.00		14,500.00
	University of Oxford		42,136.00		42,136.00
	University of Sheffield		16,500.00		16,500.00
	University of Southampton		18,640.00		18,640.00
Total forecast project costs for all countries (£)				Subtotal Cash (£)	Subtotal In-Kind (£)
49,261,663.45				1,941,421.08	6,354,061.80
				Total Sponsorship (£)	
				8,295,482.89	

## Annex B: Core Tables (unaudited)

The common core tables below reflect total departmental budgets including the core Foreign and Commonwealth Office (FCO), bodies sponsored by the FCO and expenditure on conflict prevention and peacekeeping. Conflict funds are controlled on a multidepartmental basis and are not included in budgets shown in the department's business plan. The tables also reflect the movement of the BBC World Service to Licence Fee funding from 2014-15. See footnotes for further details.

### Total Departmental Spending

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans	Plans	Plans
	£M	£M	£M	£M	£M	£M	£M	£M	£M
<b>Resource DEL</b>									
Section A: Administration and programme expenditure	1,049	1,067	1,114	1,034	855	950	961	974	988
Section B: Programme and international organisation grants <sup>1</sup>	174	163	156	149	301	196	198	198	198
Section C: British Council	179	165	157	150	157	158	158	161	164
Section E: Net Funding for NDPBs	5	6	6	6	6	6	6	6	6
Section F: Conflict Prevention Programme expenditure <sup>1</sup>	132	123	145	144	281	348	-	-	-
Section G: Peacekeeping <sup>1</sup>	402	361	329	382	356	366	-	-	-
Departmental Unallocated Provision	-	-	-	-	-	-	-	-	-
BBC World Service <sup>2</sup>	233	267	248	-	-	-	-	-	-
<b>Total Resource DEL</b>	<b>2,175</b>	<b>2,153</b>	<b>2,156</b>	<b>1,864</b>	<b>1,956</b>	<b>2,024</b>	<b>1,323</b>	<b>1,339</b>	<b>1,356</b>
<i>Of which:</i>									
-Pay <sup>2</sup>	450	479	578	475	403				
-Net Current Procurement <sup>2</sup>	640	699	610	415	268				
-Current grants and subsidies to the private sector and abroad	708	647	630	675	938	942	188	188	188
-Depreciation <sup>3</sup>	124	163	181	149	191	106	111	111	111
-Other <sup>4</sup>	253	165	157	150	157	186	228	231	234
<b>Resource AME</b>									
Section H: AME Programme	35	47	29	(103)	4	65	65	65	65
Section I: Reimbursement of certain duties taxes and licence fees	26	33	41	33	35	35	35	35	35
BBC World Service <sup>2</sup>	-	8	(5)	-	-	-	-	-	-
<b>Total Resource AME <sup>5</sup></b>	<b>61</b>	<b>88</b>	<b>66</b>	<b>(70)</b>	<b>39</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<i>Of which:</i>									
-Current grants and subsidies to the private sector and abroad	26	33	41	33	35	35	35	35	35
-Take up of provisions	20	43	1	-	16	15	15	15	15
-Release of provisions	(18)	(25)	(34)	(10)	(8)	(15)	(15)	(15)	(15)
-Depreciation <sup>3</sup>	18	37	(1)	11	12	50	50	50	50
-Other	15	-	58	(104)	(15)	15	15	15	15
<b>Total Resource Budget</b>	<b>2,236</b>	<b>2,241</b>	<b>2,222</b>	<b>1,794</b>	<b>1,995</b>	<b>2,124</b>	<b>1,423</b>	<b>1,439</b>	<b>1,456</b>
<i>Of which:</i>									
-Depreciation <sup>3</sup>	142	200	180	160	203	156	161	161	161

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans	Plans	Plans
	£M	£M	£M	£M	£M	£M	£M	£M	£M

### Capital DEL

Section A: Administration and programme expenditure	72	8	80	118	113	86	86	86	86
Section B: Programme and international organisation grants	20	12	18	25	14	12	12	12	12
Section D: British Council - Capital Grant	1	6	5	5	5	-	-	-	-
Section G: Peacekeeping	-	-	-	10	-	-	-	-	-
BBC World Service <sup>2</sup>	22	11	17	-	-	-	-	-	-
<b>Total Capital DEL</b>	<b>115</b>	<b>37</b>	<b>120</b>	<b>158</b>	<b>131</b>	<b>98</b>	<b>98</b>	<b>98</b>	<b>98</b>

Of which:

-Purchase of assets <sup>2</sup>	99	106	137	123	249	96	96	96	96
-Income from sales of assets	(27)	(87)	(40)	(5)	(136)	(10)	(10)	(10)	(10)
-Capital grants to the private sector and abroad	20	12	18	35	14	12	12	12	12
-Capital support for public corporations	23	6	5	5	5	-	-	-	-
<b>Total Capital Budget</b>	<b>115</b>	<b>37</b>	<b>120</b>	<b>158</b>	<b>131</b>	<b>98</b>	<b>98</b>	<b>98</b>	<b>98</b>

<b>Total Departmental Spending <sup>6</sup></b>	<b>2,209</b>	<b>2,078</b>	<b>2,161</b>	<b>1,792</b>	<b>1,924</b>	<b>2,066</b>	<b>1,360</b>	<b>1,376</b>	<b>1,393</b>
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Of which:

-Total DEL	2,166	2,027	2,095	1,874	1,896	2,016	1,310	1,326	1,343
-Total AME	43	51	67	(81)	28	50	50	50	50

<sup>1</sup> Plans from 2017-18 exclude conflict and prosperity funding which is provided annually. Plans also reflect savings arising from pay restraint and the BBC World Service reclassification to a central government body from 2012-13 and move to Licence Fee funding from 2014-15.

<sup>2</sup> The BBC World Service expenditure is included until 2013-14. The published accounts for 2014-15 have applied merger accounting rules to remove BBC WS from the published numbers.

<sup>3</sup> Includes impairments.

<sup>4</sup> Includes grants to public corporations and to the BBC from 2016-17.

<sup>5</sup> Includes gain on forward contracts for foreign exchange of £93m in 2014-15.

<sup>6</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

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans	Plans	Plans
	£M	£M	£M	£M	£M	£M	£M	£M	£M
Section A: Administration and programme expenditure	168	124	170	181	114	184	184	184	184
Departmental Unallocated Provision	-	-	-	-	-	-	-	-	-
<b>Total Administration Budget <sup>1</sup></b>	<b>168</b>	<b>124</b>	<b>170</b>	<b>181</b>	<b>114</b>	<b>184</b>	<b>184</b>	<b>184</b>	<b>184</b>

Of which:

-Paybill	214	180	194	172	147				
-Expenditure	17	2	18	106	72	284	284	284	284
-Income	(63)	(58)	(42)	(97)	(104)	(100)	(100)	(100)	(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.

Note: A back series for spend by Foreign Policy Priorities after front-line reclassification is not available.

