



HM TREASURY

Financial Reporting Advisory Board Paper

Annual Reports and Accounts 2015-16 – A post implementation review of the Simplification and Streamlining Project

Issue:	The Simplification and Streamlining Annual Reports and Accounts Project was implemented for the first time in 2015-16 and a post implementation review has been undertaken. Issues arising from the review have been taken into consideration when making changes to the FReM and other reporting guidance.
Impact on guidance:	In light of the review, some minor clarifications have been made to the FReM 2016-17 but any other potential changes, following the PACAC inquiry recommendations, will be considered for inclusion in later versions to allow sufficient notice to preparers.
IAS/IFRS adaptation?	N/A
Impact on WGA?	The Project is to be implemented for the first time in the WGA 2015-16 and findings from the review will be taken into consideration
IPSAS compliant?	No change
Interpretation for the public sector context?	In line with the original Simplification and streamlining project
Impact on budgetary regime and Estimates?	N/A
Alignment with National Accounts	No change
Recommendation:	That the Board note the findings of the high level review and offer feedback from their experiences from the private and public sector in respect of best practice of ARAs. The Board's recommendation of suggested next steps is also welcomed.
Timing:	2016-17 FReM– minor clarifications 2017-18 FReM –updates as required

DETAIL

Background

1. The Simplification and Streamlining Project (“the Project”) was first launched in 2013 with the primary objective of improving the presentation of annual reports and accounts (ARAs) to better meet the needs of users. The Project sought to gain a clear understanding of the purpose of the ARAs so as to simplify and streamline their presentation and by doing so, reduce the burden on preparers.
2. The early phase of the Project looked at current reporting practice and made comparisons between the private and public sectors as well as international best practice. It sought to understand the issues faced by preparers as well as user needs and by doing so applied a first principles approach to devise a new structure and format of ARAs which formed the basis of a consultation exercise in the summer of 2014. Agreement by Parliament followed and the new reporting format was introduced for central government ARAs from 2015-16.
3. To remind the Board, the new format shifts away from the “front half” annual report and “back half” financial statements to three integrated sections:
 - **The Performance Report** – tells the story of the entity in a way that addresses user criticisms that the ARAs lack an overall narrative and are difficult to understand. It provides information on the entity, its main objectives and strategies and the principal risks that it faces. The report includes two elements: an “Overview” to provide a short summary for the user to understand the organisation, its purpose and the key risks to meeting objectives and how it has performed during the year; and a “Performance analysis” to provide a detailed performance summary of how the entity measures its performance and more detailed integrated performance analysis.
 - **The Accountability Report** - meets the key requirements to Parliament and demonstrates compliance with norms and codes of good corporate governance. It brings together for the first time, the Governance Statement and information on strategic risks to the entity, the remuneration and staff report, and information on parliamentary accountability such as the Statement of Parliamentary Supply and Managing Public Money disclosures.
 - **The Financial Statements** – this section presents the entity’s financial position and performance in accordance with IFRS as adapted and interpreted for the public sector in accordance with the GRAA 2000.

Post implementation review

4. Following the introduction of the Project, HM Treasury has undertaken a post implementation review and sought feedback from preparers and stakeholders on its relative merits and success. Those canvassed for feedback include, representatives from departments and arms’ length bodies through the Resource Account Special

Interest Group (RASIG), Government Finance Academy Summer School and a Financial Reporting Community Event. Feedback from external stakeholders was also sought from the Parliamentary Scrutiny Unit and the National Audit Office.

5. Stakeholders were asked for views in three main areas:
 - (i) The impact of changes. Are ARAs - Easier to prepare? Easier to understand?
 - (ii) What are the biggest barriers to going further?
 - (iii) What lessons were learned and any good practice examples?
6. HM Treasury will also take into account the views of Parliament, as the main user of central government ARAs, and will seek to do so by way of the report from the Public Administration and Constitutional Affairs Committee following their inquiry into the format and utility of monthly management accounts and departmental ARAs. The House of Commons and its Committees have not expressed a view of the accounts submitted to them by the Government since 2009 and the results of the inquiry will take into consideration the Project's implementation. The Committee are currently accepting written submissions until 6th December. Treasury officials and the Chief Secretary to the Treasury are expected to appear before a hearing in December to give evidence in the inquiry.

Findings

7. HM Treasury undertook a high level ARA review of the 17 main departments and concluded that most had adopted a red pen approach and reduced the number disclosures resulting in slimmed down publications. The use of infographics increased as information such as areas of spend, trends and performance were presented more diagrammatically allowing the user to easily and quickly see an overview of the entity. For example, the Foreign and Commonwealth Office 2015-16 ARAs¹ (Annex 2) shows objectives and performance for the year using infographics and narrative allowing the user to gain a high level understanding of the Department without the need to delve more deeply into the document.
8. Other general observations were that the Accountability Reports of most departments were well structured and departments improved narrative around risks being faced. However, some used technical language which could be simplified further to increase readability and there is scope to add clarity around the purpose of some sections of the Accountability Report and in particular the Statement of Parliamentary Supply.
9. Feedback from the different stakeholder groups is summarised in Annex 1 but in the main it aligns to HM Treasury's high level findings and is supportive of the Project. The main themes centre around agreement that the ARAs are now easier to prepare, albeit to a limited extent, and the new three section format signposts information

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https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/539413/FCO_Annual_Report_2016_ONLINE.pdf

more for users making it easier to understand. Preparers were keen to focus on material items only.

10. Some entities found it difficult not to replicate information within the Overview and Performance Analysis sections of the Performance Report and there is scope to reduce duplication. HM Treasury will seek to clarify the expectations of relevant disclosures of these sections within the FReM and annual PES guidance on the preparation of annual reports and accounts.
11. Similarly, the Accountability Report encapsulates all of the parliamentary reporting requirements in one place and overall this was welcomed. Some respondents commented that the Accountability Report is made up of unrelated parts and would benefit from greater clarity of purpose and more explanation of the Statement of Parliamentary Supply.
12. A number of stakeholder groups raised the difficulties in meeting the additional parliamentary disclosures contained within the PES guidance such as performance reporting linked to Single Departmental Plans, sustainable development, climate change adaptation, rural proofing, corporate governance, etc. and in particular ensuring that the ARA remained cohesive with a strategic focus. There is limited scope to reduce the PES reporting requirements but the guidance, currently in the process of being updated before circulation in December, will seek to encourage departments to engage early and make improvements in this area.
13. One area of confusion came to light regarding the disclosure of staff costs which have moved from the notes to the account to the Accountability Report. However, to comply with IAS1 departments must not cross reference the Accountability Report on the face of the primary statement and the Treasury agreed a form of words within the notes to the account to ensure compliance. The FReM in 2016-17 has been updated to remove confusion on this matter.
14. Preparers advised that early engagement with the audit team to agree the points of materiality was essential to successfully settling the extent to which disclosures could be removed. Some departments sought to go further with a red pen approach and the Treasury will continue to encourage them doing so in agreement with the NAO.

Next steps

15. The main focus of feedback to address from the post implementation review has centred on the Performance Report and Accountability Report. Users are keen to reduce duplication, improve links to strategy and risks and add clarity on the purpose of accountability disclosures. In addition, the key area of feedback from preparers is in relation to the financial statements and around agreeing the non-disclosure of non-material items with audit teams.
16. This exercise has been useful and the Treasury is looking to provide clarity in the FReM in two areas:

- The Performance Report – a line has been added requiring entities to explain the objectives of the overview section (FReM 5.2.8); and
 - The Accountability Report – addition of the need to include an overarching commentary bringing together these separate disclosures (FReM 5.3.6)
17. The PES paper will be updated to provide clarity around links to strategy and risk and encourage early engagement with line auditors. HM Treasury also plan to engage with the NAO to discuss potential changes to minimise the risk of uncertainty.
18. A key area of support requested by departments was access to good practice examples. These are currently being compiled and plans are to approach stakeholders such as the NAO, Scrutiny Unit and RASIG for suggested ARAs to include. Once identified, the bank of examples will be shared with preparers via RASIG and used to improve capability. Specific areas of good practice with ARAs will also be shared, such as exemplar Overview reports, Accountability Reports etc.
19. Further feedback from Parliament is expected as part of the PACAC inquiry and hearing next month. The outcome and any recommendations from the Committee will be taken on board and combined with feedback from other stakeholders before considering any other possible changes to the FReM, PES guidance and ARAs from 2017-18.

Whole of Government Accounts

20. The WGA team are currently preparing the 15-16 accounts for publication in early 2017. The Project will be implemented in the accounts for the first time and an exercise is underway to rethink the presentation and inclusion of disclosures with a red pen approach in mind. The team plan to engage with the audit team to discuss proposals early into the project timetable and agree in principle, high level plans for material items. The team is also seeking to refocus the link between performance narrative and financial data.

Recommendation

21. HM Treasury recognise that improvements to departmental ARAs is an iterative process. Improvements to guidance will help and a further review in line with the recommendations from the PACAC inquiry as well as the second year of ARAs prepared under this basis will be undertaken. Feedback from stakeholders is welcomed and the outcome of the further review and recommendations arising from it will be presented to the Board.
22. In the meantime, HM Treasury would welcome the Board's feedback on the progress made so far, proposed next steps and to share members' professional experience from the private and public sector of good practice examples.

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Annex 1

Feedback from stakeholder groups

	RASIG	GFA Summer School attendees	Finance Community Event	Scrutiny Unit	NAO
<p>The impact of changes:</p> <p>- Easier to prepare?</p> <p>- Easier to understand?</p>	<ul style="list-style-type: none"> Overall positive response – found the ARAs much easier to understand but no significant difference in preparation time but due to first year of implementation and would expect it to become easier to understand. 	<ul style="list-style-type: none"> Agreed that ARAs are now easier to prepare and produce with fewer requirements although needed significant resource to rethink approach Recognise investment in the first year will bring dividends in subsequent years Support the 3 section format and that agree it makes the ARAs easier to understand Support the red pen approach and focus on inclusion of only material items 	<ul style="list-style-type: none"> Supportive of 3 part structure and found it easier to navigate Has led to fewer FOI requests due to improved presentation of information Better focus on key information pertinent to the user Improved ease of understanding for user No substantive change in ease of preparing particularly for small ALBs where disclosures are not proportional 	<ul style="list-style-type: none"> Departments that rethought their approach from scratch were better than those that restyled existing formats Support the introduction of the Accountability Report as disclosures are now in one place rather than scattered throughout the document Scope to go further with a red pen approach and be more concise e.g. in Performance Report particularly from duplication in overview, executive summary and main report 	<ul style="list-style-type: none"> Strongly support the Project to improve ARAs Supportive of bringing the parliamentary reporting requirements into one Accountability Report which provides greater visibility but would benefit from an overarching commentary bringing the separate disclosures together
<p>What are the biggest barriers to going further?</p>	<ul style="list-style-type: none"> Difficulties in agreeing materiality with audit team 	<ul style="list-style-type: none"> Additional disclosure requirements in the PES paper limited ability to go further 	<ul style="list-style-type: none"> Red pen approach could go further to reduce complexity but need audit agreement 	<ul style="list-style-type: none"> New format is not in itself the answer to improve the quality of ARAs but it does lend 	<ul style="list-style-type: none"> Additional disclosure requirements in the PES paper etc. are extensive and may

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	<ul style="list-style-type: none"> • Disclosure requirements of different guidance (FRM, PES, MPM, Sustainability etc.) and would like to see these combined and streamlined 	<ul style="list-style-type: none"> • Limited timetable created additional pressure • Lack of audit support to removal of non-material items • Accountability Report is “bitty” and would benefit from improved clarity of purpose • Staff cost note caused confusion around how to disclose – IAS1 v Accountability Report requirements (now addressed) 	<ul style="list-style-type: none"> • Lack of senior management support for use of data visualisation tools • Difficult to link different sections of ARAs together to improve document cohesiveness • Lack of support from audit committee • Lack of clarity over Accountability Report purpose and SoPS • Additional reporting requirements from other guidance (PES etc.) • Time pressures stopped entities from going further 	<p>itself to rethinking presentation to best meet the needs of users</p> <ul style="list-style-type: none"> • Would benefit from improved link with SDPs as found an inconsistency across departments 	<p>detract from making the annual report a strategic document.</p> <ul style="list-style-type: none"> • Some entities found the overview and performance analysis sections a challenge to limit areas of duplication and • Entities engaged with disclosures around long term expenditure trend disclosures relatively late and found them challenging so further guidance may be of help • Conflict between the requirements of IAS1 and moving the staff costs note to the Accountability Report (now addressed)
What lessons were learned and any good practice examples?	<ul style="list-style-type: none"> • Zero based approach found to be the most successful where departments rethought from scratch rather than adapting existing methodology • Early engagement with audit team to avoid lengthy and last minute discussion and disagreement 	<ul style="list-style-type: none"> • 3 sections improve presentation • Early engagement with audit team to agree material disclosures essential • Would like to see best practice examples and create a centre of excellence • Look to seek external feedback from users 	<ul style="list-style-type: none"> • Welcome sharing good practice examples • Look to seek feedback from Select Committees • Engage with colleagues (e.g. business partners) to improve narrative and cohesiveness of document 	<ul style="list-style-type: none"> • Reporting of risks is inconsistent between departments and found not be an accurate reflection of issues (particular concern of Parliament) • Welcomes the new style of ARAs particularly those that used colour and infographics to present information 	<ul style="list-style-type: none"> • Best examples were when departments thoroughly reviewed the content and overhauled the narrative • The best results were when entities dedicated time and resource including a robust red pen approach

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	<ul style="list-style-type: none"> • Welcome good practice examples and updates to department yellow agreed with the NAO to minimise risk of disagreement. 	of accounts (e.g. Select Committee)			<ul style="list-style-type: none"> • Early engagement with both departmental colleagues and the audit team proved to lead to the best outcomes • Exercise judgement in considering how best to present all the requirements of the PES paper etc. and not as a tick box exercise • Best examples of management commentary were where entities clearly articulated risks and their impact and mitigations • Scope to provide clarification in respect of parliamentary disclosures e.g. SoPS
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Annex 2

Extract from the Foreign and Commonwealth Office Annual Report and Accounts 2015-16

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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 people¹**. 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 Score² 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 (B5Q-B5E) 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 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.
- » 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.

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
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Our Objectives in 2015-16

<p>Security</p> <p>Safeguard the UK's national security by countering terrorism and weapons proliferation, and by working to reduce conflict</p>	<p>Prosperity</p> <p>Build the UK's prosperity by increasing exports and investment, opening markets, ensuring access to resources and promoting sustainable global growth</p>	<p>Consular</p> <p>Support British nationals around the world through modern and efficient consular services</p>
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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)




15.7 million 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)




76,944

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)



£46.24m
2014 NOW 1802 scholars

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

30.1% female
4.1% BME
5.3% LGBT
9.9% declared a disability


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

Building capability




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.




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

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.

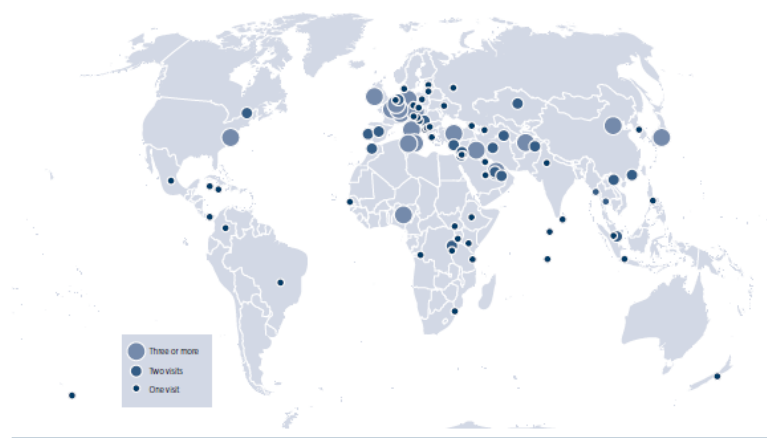


Approved strategy and budget for Tech Overhaul to ensure that the FCO has modern, fit-for-purpose IT enabling staff to work efficiently and effectively wherever they are.

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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
Total	40	39	1

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.

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Overview of our resource and expenditure by Foreign Policy Priority

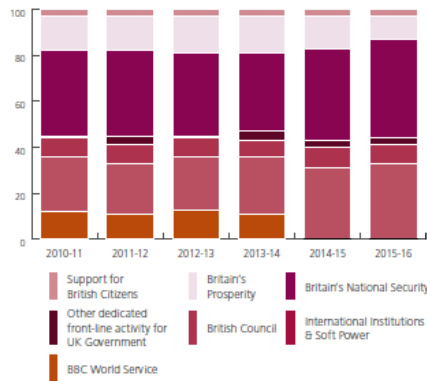
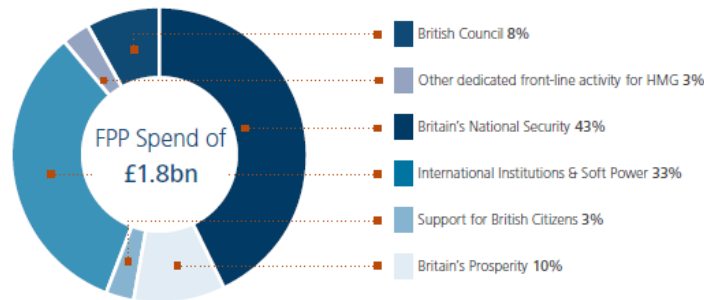
Spending Review 2015

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

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