

Foreign & Commonwealth Office
Annual Report and Accounts
2017–18

(For the year ended 31 March 2018)

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 &
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Office

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Foreword by the Foreign Secretary

The Rt Hon Boris Johnson MP



"I am delighted to report that we will advance the ambitions of a Global Britain and my own policy priorities by expanding the FCO network. Flags will be raised rather than lowered as we enlarge the UK's diplomatic presence."

This has been a remarkable year for British diplomacy. The capabilities of the Foreign and Commonwealth Office have been tested by a series of events, including the poisonings of Sergei and Yulia Skripal, the hurricanes that wrought such devastation upon the Caribbean, and the persistent threat of terrorism.

In every case, FCO staff rose to the challenge with calm professionalism, working around the clock and achieving some remarkable results.

The use of a banned nerve agent in Salisbury on 4 March 2018 triggered the biggest coordinated expulsion of Russian diplomats in history. A total of 28 countries and NATO demonstrated their solidarity with the UK by removing 130 undeclared Russian intelligence officers from their respective capitals. Her Majesty's Government evicted 23 officials from the Russian Embassy in London, bringing the total declared persona non grata worldwide to 153.

The Kremlin was clearly surprised by the severity of the international response and the failure of its customary blizzard of propaganda to serve its purpose.

Our friends across the world took this robust action because they correctly judged that the unlawful use of force against the UK amounted to a threat to their own security. Every country made its own decision, fully cognisant of the risks of the Kremlin's retaliation. I repeat my heartfelt thanks to all the nations on three continents who stood with Britain during this episode.

I am proud of the performance of FCO staff. Let me emphasise my gratitude to our people who were sent home from Moscow – and to those who have remained at their posts in a depleted embassy – for their dedication and forbearance.

A whiteboard in King Charles Street carried the list of countries that had chosen to expel Russian officials. In



the end, we ran out of space for all the names. I believe that our response to the Salisbury poisonings amounted to a superb demonstration of the skill, resolve and dogged tenacity of the entire FCO network.

Last September, Hurricanes Irma and Maria endangered more of our citizens than any other natural disaster in recent history with about 500,000 Britons caught in their path. The FCO crisis centre mobilised 400 staff in London and dispatched over 1,000 more HMG personnel to the Caribbean, coordinating the supply of emergency assistance to British Overseas Territories. Governors and their teams worked alongside the local authorities on relief efforts.

Only two weeks later, Monarch Airlines collapsed and the FCO helped to repatriate 85,000 Britons, the largest operation of its kind ever mounted.

Throughout 2017-18, the FCO played its part in marshalling the global campaign against Daesh, a task made all the more necessary by the terrorist attacks in London and Manchester. By early 2018, Daesh had been driven from almost all

of their territory in Syria and Iraq, freeing millions of people from their barbarous rule.

The FCO also helped to devise a new international approach towards cybercrime whereby the perpetrators are publicly identified. In May and June 2017 we helped to build the coalition that attributed the WannaCry attack to North Korea and NotPetya to Russia's GRU intelligence service.

Last July we were delighted to welcome King Felipe IV and Queen Letizia of Spain on the first official Spanish state visit to the UK in more than 30 years. We were also pleased to welcome President Macron of France

At every stage, the FCO supported the negotiations on the UK's departure from the European Union, with the aim of building a new deep and special partnership with our closest neighbours. Elsewhere, the FCO led the preparations for the Commonwealth Heads of Government Meeting and our mission in New York carried forward Britain's tradition of leadership at the United Nations.

In last year's Annual Report, I wrote that a global foreign policy was not an optional extra for the UK but an indispensable tool for safeguarding our interests and promoting our values. Even more importantly, this instinctively global outlook is part of who we are as a nation.

So I am delighted to report that we will advance the ambitions of a Global Britain and my own policy priorities by expanding the FCO network. Flags will be raised rather than lowered as we enlarge the UK's diplomatic presence in important areas of the world. There will be at least ten new missions - starting with nine new Posts in Africa, the Pacific and the Caribbean - and a further 250 UK-based diplomats deploying overseas.

The last 12 months have often been extremely challenging and we can be sure the demands upon the FCO will not relent in the year ahead. There is a significant risk that tensions in the Middle East may escalate further. But I believe the record of 2017-18 shows that this institution has every reason to face the future with confidence.

Executive Summary – Permanent Under-Secretary

Sir Simon McDonald KCMG KCVO



“We have made progress on all six of our priority outcomes, achieving one in full. We played an important role preparing for the UK leaving the EU and continued to demonstrate our ability to protect our people, project our influence, and promote our prosperity”

Over the past year, the FCO has continued to deliver our vision of a Global Britain. We protected our people overseas, supporting vulnerable citizens caught up in crises, and helping to dismantle Daesh’s territorial and propaganda power. We projected the UK’s influence, taking a robust position in the face of Russian provocation, and defended our values and interests at the United Nations. We promoted the UK’s prosperity, strengthening key relationships in Europe and using programme funds to build better business environments in key markets.

The FCO leads in four areas in the negotiation for the UK’s withdrawal from the EU: future external security and defence policy; sanctions policy; consular policy; the OTs, including Gibraltar. Our new Third Country Agreements Unit worked with DExEU to manage the transition of international agreements and secure the UK’s international trade frameworks. Our sanctions White Paper in April 2017 was followed by the Sanctions Act which passed through Parliament earlier this year. This key piece of legislation will ensure the UK has the powers necessary to be able to impose sanctions after we leave the EU, and maintain our position as a global leader on international sanctions.

We have worked to protect the interests of the Overseas Territories – in particular Gibraltar - after we exit the EU, securing guarantees of continued UK market access for key elements of the Gibraltar economy, such as financial services, until 2020.

FCO staff have continued to work across our network to support British nationals overseas, including the most vulnerable. In September, our Crisis Centre was in crisis mode for 28 days. We supported 500,000 British Nationals who were disrupted when Hurricanes Irma and Maria struck the Caribbean and Florida.



82 specially-trained FCO staff were deployed to the region, while over 400 FCO staff volunteered to work in our Crisis Centre 24/7 to coordinate the crisis response. Simultaneously, when Monarch Airlines collapsed, our staff helped repatriate 85,000 stranded holidaymakers around the world.

We have projected the UK's global influence. In March, FCO staff coordinated a large-scale international response to the events in Salisbury. We continued to play an active role in the Global Coalition against Daesh: the FCO-based Coalition Comms Cell contributed to the further disintegration of their propaganda machine. And we used the UN General Assembly in September 2017 to maintain the UK's reputation as a global leader on human rights, securing the support of 37 countries for the Prime Minister's Call to Action on modern slavery.

To deliver all of this, we secured extra resources: £6.7m of additional funding from HM Treasury over the year. We secured an additional £29.6m funding in December, which will be implemented next financial year to ensure we deliver the best possible deal for the UK.

To maintain our position as a world-class diplomatic service, the FCO has continued to implement our Diplomacy 20:20 agenda, creating a more expert and agile organisation, supported by a world-class platform.

When I took on this job in 2015 I said that one of my personal priorities was to attract and retain a talented and diverse workforce. I am proud that we have made progress on this, and the 2017-18 Fast Stream recruitment was our most diverse yet with 59% female, 24% Black, Asian and Minority Ethnic (BAME), and 12% disabled staff. Our student outreach programme will help to maintain this diversity, and increase the number of successful applicants to the Diplomatic Fast Stream from BAME and Low Socio-Economic backgrounds. Outreach events held up and down the UK last year promoted engagement with new audiences. We still have more to do on this: the FCO Board has agreed a Diversity and Inclusion 20:20 strategy which aims to ensure both a diverse talent pipeline and an inclusive working environment.

The FCO's overseas estate is a unique public asset, and last year we continued to modernise to make it more functional, sustainable and accessible in order to achieve our aspiration to provide a world-class platform. In January we completed the sale of our compound in Bangkok, for £426m. This will allow us to have a new, state of the art premises in Bangkok, confirming our long-term commitment to our relationship with Thailand, while releasing funds to upgrade our global estate.

In the year ahead, the UK will take the historic step of leaving the European Union. I was glad to announce in March the expansion of our overseas network with the creation of 250 new diplomatic roles overseas and the opening of at least 10 new overseas missions in the coming two years. We will increase our global influence, particularly across the Commonwealth, with new Posts in Lesotho, eSwatini (formally Swaziland), The Bahamas, Antigua and Barbuda, Grenada, St Vincent and the Grenadines, Samoa, Tonga and Vanuatu. This expansion of our diplomatic presence is the first step in delivering our vision of a truly Global Britain.

Performance Report Overview

Who we are and what we do



The FCO network in 2017-18: **274** posts in
169 countries & territories including
in **9** multilateral organisations

The FCO network represents the whole of the UK Government overseas, and 20+ UK Government partners share our global platform, including DfID, DIT and the British Council.

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

The FCO represents all parts of the UK, including representatives of Scotland, Wales and Northern Ireland overseas. Our global network ensures the international interests of the Devolved Nations are represented, delivered and advanced.

As we work towards the UK's exit from the EU, we will support UK Government partners in securing the UK's future relationship with EU Member States and the EU institutions, as we build a global Britain that is confident on the world stage.

Our Objectives in 2017-18

Protect our People

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

PO1 Security Threats

- > Reducing threats to the UK and its interests overseas from Daesh, extremism and terrorism.
- > Limiting impact of cyber threats to the UK and our interests overseas, including from hostile state activity.
- > Constraining weapons proliferation

PO2 Consular

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

Project our Global Influence

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

PO3 Euro-Atlantic Security

- > Ensuring a strengthened, more cohesive NATO through UK leadership based on a close transatlantic relationship and increased defence contributions from European Allies.
- > Shaping an effective Western response to Russian security challenges, based on deterrence and effective dialogue.
- > Building a more resilient European neighbourhood. Maintaining western support for a sovereign, stable Ukraine. Countering Russian interference in the Western Balkans.

PO4 Conflict and Stability

- > Promoting good governance and human rights; reducing conflict, modern slavery and irregular migration. Focusing UK diplomacy and programmes on NSC priority countries including Afghanistan, Syria, Iraq, Libya and Yemen. Hosting a conference on Somalia that contributes to regional stability and reduces threats to the UK.
- > Strengthening the rules based international system, including more credible UN action to resolve conflict, by working with the new UNSG and effective use of UN Security Council membership.
- > Reinvigorating the Commonwealth at CHOGM 2018.

Promote our Prosperity

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

PO5 EU

- > Bolstering bilateral relationships and people to people links with European partners.
- > Supporting DExEU to achieve negotiating objectives for exit. Making preparations for a future outside the EU.
- > Advancing British national interests on foreign, security and defence policy within the EU.

PO6 Economic Diplomacy

- > Showcasing global leadership of free trade. Developing and delivering the UK's trade policy. Increasing UK influence in the WTO. Deepening dialogues with future FTA partners.
- > Achieving, with DIT, UK government targets to support UK companies to export and to bring in Foreign Direct Investment (FDI).
- > Promoting economic development, sustainable growth and better business environments in key markets by utilising overseas posts and programme funds.

The FCO in 2017–18

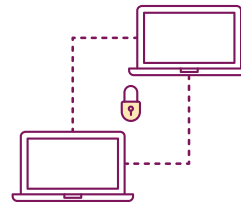
PO1 Security threats



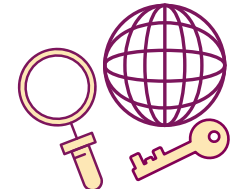
We used **£26.5m** of Counter-Terrorism Programme Fund funding to strengthen the counter-terrorism capabilities of key partners



Our mutual legal assistance in Kenya helped secure the UK **conviction** of Samata Ullah in May 2017 and Aweys Shikhey in February 2018 for terrorist offences



Over the course of the year, we delivered **43** projects across six continents under the National Cyber Security Programme



Over **50** Posts so far have delivered a new 'whole-of-government' approach to tackling serious and organised crime

PO2 Consular



22,000

British nationals provided with consular assistance overseas



84%

Customer satisfaction



Our crisis centre dealt with **13** significant critical events overseas



400

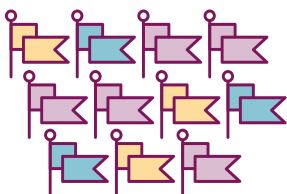
Staff mobilised for hurricanes, included 82 specially-trained FCO staff deployed



85,000

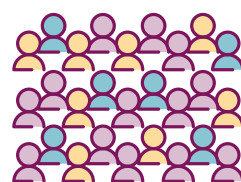
Number of people repatriated to the UK when Monarch Airlines collapsed

PO3 Euro-Atlantic security



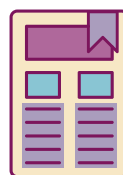
28

Countries demonstrated their solidarity with the UK by removing 130 undeclared Russian intelligence officers from their respective capitals



153

Total personae non gratae world wide (including UK)



Our coordinated campaign led to agreement on a **38-point** CT Action Plan at the 2017 NATO Leaders Meeting

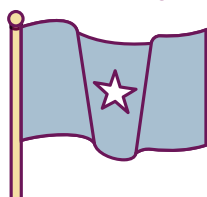


We increased our programme funding in the Western Balkans to support governance and the rule of law, tackling corruption and promoting economic reforms to **£27 million**



With UK support for its accession bid, Montenegro became the 29th NATO ally in June 2017.

PO4 Conflict & Stability



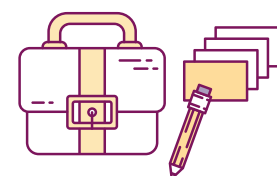
42 countries

Attended the UK hosted landmark conference on Somalia in London, May 2017. It galvanised international partners, international organisations and civil society representatives. The UK assigned approximately £384 million to address the ongoing challenges in Somalia.

PO5 Europe



UK team in Brussels supported agreement on Phase 1 of the Brexit negotiations and ensured practical and logistical support for **100+** negotiators to operate from Brussels during talks.



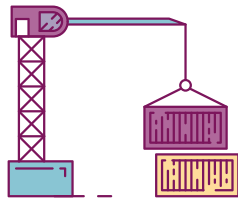
The **UK-France** Summit in January 2018 secured agreements on military, humanitarian and migration issues, and strengthened UK-France relations.

PO6 Economic Diplomacy



25:1

Latest calculations of return on Investment for GREAT. We've launched over 100 GREAT campaigns in more than 60 countries.



£6 billion

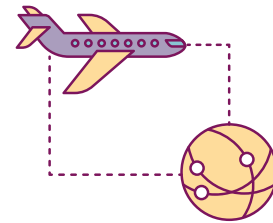
Collaboration with DIT and DFID resulted in £6bn infrastructure commercial opportunities in East Africa alone.



25x

The Global Britain Fund helped develop an app for customs officials in Mongolia that led to 25x increase in seizure of illegal grey wolf products.

Delivering for whole of UK

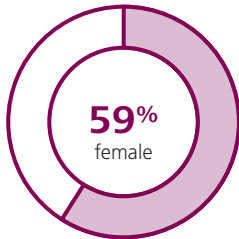


50

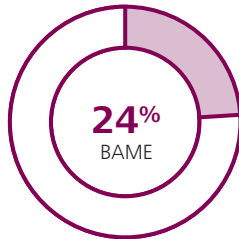
Number of overseas visits by ministers from Devolved Administrations assisted by our global network.

Investing in our People

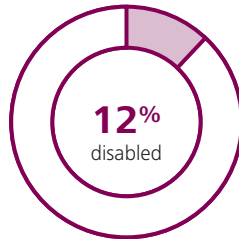
Fast stream recruitment last year:



59%
female



24%
BAME



12%
disabled

Staff Survey



8 out of 9

Number of themes in which we achieved a score above the Civil Service average.



70%

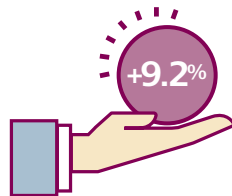
Our engagement index score, 9 points higher than the Civil Service average

Recruiting

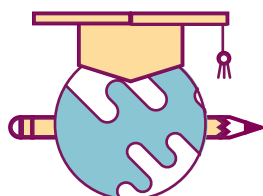


14

Number of University Roadshow events we held across the UK

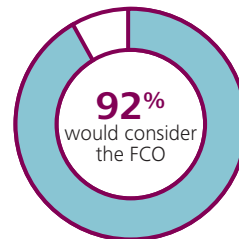


Increased engagement with BAME students outside London by **9.2%** compared to our 2015-16 Roadshow



Hosted around **200**

BAME and Widening Participation background students at our Insight Event for London Universities

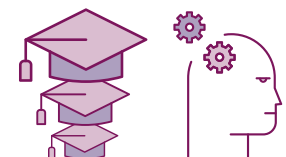


92%
would consider the FCO

92%

of students surveyed would consider applying to the FCO after attending a Roadshow event

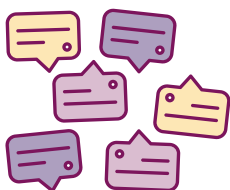
Diplomatic Academy



1200+ people

from 25 government departments completed Trade training in our Diplomatic Academy at Expert, Practitioner, and Foundation levels.

Languages



550+

Number of speaker slots around the world. 200+ staff trained each year to reach language level required.



600+

Staff take part-time language lessons to maintain and boost language skills.

Estates



10

Announcement of at least ten new Posts.

Technology



Deployed Windows 10 devices (primarily laptops) to staff across all major UK locations and **40%** of overseas network as part of a global roll out. All staff supported to Work Smarter.

Ministerial Visits in 2017-18

During 2017-18 the Foreign Secretary and FCO ministers visited **89** countries on **129** trips.



The Foreign Office Ministerial Team has visited 89 countries and territories last year. Their personal engagement helped deliver our international objectives, build relationships and secure agreements on key international and bilateral issues. From attending the UN General Assembly in New York, to visiting Rohingya refugees in camps in Bangladesh, the Foreign Secretary and his team of Ministers used their overseas visits to progress UK interests and demonstrate UK leadership on key international issues

United Nations Sustainable Development Goals

In 2017–18 the FCO's work contributed towards the UN Sustainable Goals (SDGs), with particular focus on achieving Quality Education, Gender Equality, Decent Work & Economic Growth, Climate Action, Life Below Water, and Peace, Justice & Strong Institutions.

4
QUALITY
EDUCATION



The Foreign Secretary considers girls' education as the critical building block for the achievement of all Sustainable Development Goals and his Special Envoy for Gender Equality, appointed in early 2017, worked throughout 2017–18 to deliver against SDG4. As part of a joint campaign with DfID and the Department for Education, the Foreign and Commonwealth Office leveraged its diplomatic network, multilateral weight and soft power to deliver a step-change in political will, and encourage partners to make national and international education commitments that would make a real impact on the lives of girls. In preparation for the Commonwealth Heads of Government Meeting in April 2018, we focused in early 2018 on building support across the Commonwealth for all girls to receive at least 12 years of quality education.

5
GENDER
EQUALITY



The FCO has maintained its commitment to overcoming barriers to global gender equality, and our Special Envoy for Gender Equality has worked to help deliver a more robust and coherent approach to promoting gender equality. In 2017-18 the Preventing Sexual Violence in Conflict Initiative (PSVI) marked its fifth anniversary with the launch of the second edition of the International Protocol on Documentation and Investigation of Sexual Violence in Conflict in spring 2017, and publication of the Principles for Global Action to tackle survivor stigma at UNGA in September 2017. We worked in coordination with other international actors to respond to the Rohingya refugee crisis and high levels of reported sexual violence as part of the wider UK humanitarian response.

8
DECENT WORK AND
ECONOMIC GROWTH



We continued to work very closely with partners across Government, towards eradicating forced labour, modern slavery, child labour and human trafficking (SDG 8.7). As a priority for the Prime Minister, reducing modern slavery was specifically referenced in the FCO's Single Departmental Plan (Priority Outcome 4). Our work last year focused on building political will and partnerships to drive down slavery globally, with a particular focus on those countries with the highest numbers of people in slavery and where we could make an impact. We continued to lobby countries to endorse the Call to Action to end forced labour, modern slavery and human trafficking, launched by the Prime Minister at the United Nations in September 2017, and which over 60 countries have now endorsed. We have earmarked £1.9 million for modern slavery work from the FCO's Magna Carta Fund for the FY 2018–19.

13
CLIMATE
ACTION



The FCO works actively across government and internationally on climate change. Our international engagement is spearheaded by our Climate Envoy, and our global network of climate leads at Posts. Our diplomatic engagement complements and amplifies UK aid, including the £5.8bn International Climate Fund. The ICF focuses on partnerships with developing countries to reduce carbon emissions, while boosting sustainable, resilient and inclusive growth.

Through Prosperity Fund programmes we are working to reduce the emissions from energy systems by sharing UK best practice in regulation with large emerging economies. In 2017-18 we worked with BEIS to create a broad alliance of countries committed to working together to phase out coal. We will continue to support efforts to accelerate the transition to global low carbon growth, including at the Low Carbon Vehicles Summit to be hosted by the UK in autumn 2018.

14
LIFE
BELOW WATER



The FCO made a strong contribution to SDG 14 throughout 2017-18. We continued implementing the Commonwealth Marine Economies and the Blue Belt programmes (combined funding of £43m over 4 years from 2016) to assist Small Island Developing States (SIDS) to develop sustainable marine economies in the Caribbean and in the Pacific, and to enhance marine protection around the UK's Overseas Territories. Through the Blue Belt initiative, the UK is on track to establish protection across 4 million km² by 2020.

In the lead-up to the Commonwealth Summit in April 2018 our global network mobilised Commonwealth countries to establish the Commonwealth Blue Charter to protect the marine environment and create a lasting legacy for future generations. In February 2018 we secured cross-government agreement to create an International Ocean Strategy.

16
PEACE, JUSTICE
AND STRONG
INSTITUTIONS



SDG16 is closely linked to much of the FCO's work across the world, notably our work in Libya. Last year we continued to focus diplomatic efforts on encouraging key Libyan actors to engage constructively with the UN-led political process with the aim of reaching a durable political settlement and a functional, transparent government.

We worked to empower women and encourage participation in Libya's political transition by developing female led civil society and strengthening its capacity to advocate at the national level. Political lobbying has driven efforts to establish Women's Empowerment Units in Libyan government ministries, boosting the role of women in the civil service and their voice in government decision making.

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

Priority Outcome 1: Security Threats (Partially Achieved)

Safeguard our national security by countering terrorism, extremism, weapons proliferation, and other state and non-state threats in co-operation with allies and partners

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

Overview

In 2017-18 the FCO remained at the centre of the UK’s security work as we coordinated with Whitehall partners to respond to several terrorist incidents both in the UK and overseas. The FCO managed our international response to the Skripal attack and led engagement with the Organisation for the Prohibition of Chemical Weapons (OPCW) in preparation for their independent verification process of UK analysis of the nerve agent used.

Throughout the year we worked with international partners to bring DPRK to the negotiating table, and engaged through the UN Security Council to denounce and investigate the use of chemical weapons in Syria. The FCO ensured the UK maintained its role as an international leader in cyber diplomacy, and brought about a step change in the formal attribution of cyber-attacks to those individuals, institutions and states responsible.

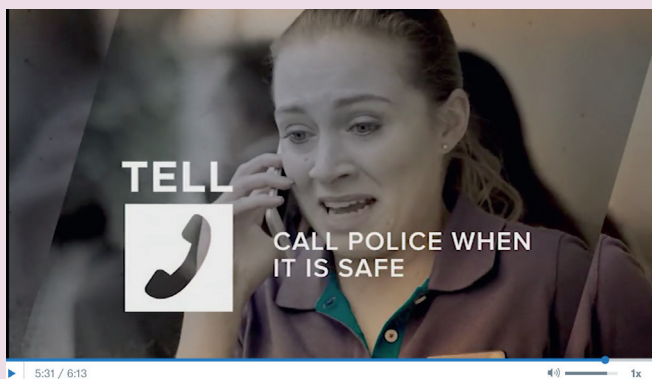
Progress in 2017-18

In May 2017 the FCO managed the UK’s international response to the Manchester attack. The British Embassy in Tripoli provided assistance to UK law enforcement in requesting the extradition of Hashem Abedi to face trial in the UK for his alleged role in the attack. Globally, last year saw two of the most destructive terrorist attacks since 9/11: almost 600 people were killed by Al Shabaab in Mogadishu in October, and more than 230 Muslims praying at a mosque in the

In Focus: Run, hide, tell

The FCO worked in partnership with the travel industry, CT policing and the Home Office to create a bespoke CT awareness package for the travel industry,

Based on UK best practice, including three short films now widely in use by the UK travel industry. In July 2017 we launched a public awareness campaign on how to react in the event of an attack (Run, Hide Tell). The short film produced by the FCO’s Creative Services team and CTN Embolden attracted over 8m viewings across the media in its first month. The film won three EVCOM industry awards and international category of the New York Television & Film Awards.



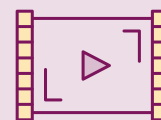
Run, Hide, Tell by the numbers



4
Number of media awards shortlisted for



4
Number of awards won



8 million
Number of views in first month

Sinai were killed by militants in November. In both cases the FCO offered its support to local authorities and CT partners.

The FCO continued to play a central role in the Joint International Counter-Terrorism Unit (JICTU), which is the strategic centre for the UK's overseas CT work and oversees the Counter-Terrorism Programme Fund (CTPF). Last year JICTU finalised a single strategy for our work, integrating all levers of government to lower the risk from terrorism to the UK and our interests overseas. Over the course of the year we used £26.5m of CTPF funding to strengthen the CT capabilities of key partners, including:

- » Bilaterally, our Mutual Legal Assistance in Kenya led to the effective sharing of evidence that secured the UK conviction of Samata Ullah in May 2017 and Aweys Shikhey in February 2018 for terrorist offences.
- » Our wide-ranging assistance to the Tunisian authorities helped develop their counter-terrorism capabilities that enabled the FCO to amend Travel Advice in July 2017, lifting our previous advice against all travel to most of the country.

We worked extensively through international organisations to counter the terrorist threat and Prevent Violent Extremism (PVE), with significant progress at the UN. We co-sponsored resolutions in the June 2017 UN Human Rights Council and the September 2017 General Assembly on the protection of human rights and fundamental freedoms while countering terrorism. In May 2017 we helped deliver a binding UNGA mandate for the creation of a new UN Office of Counter Terrorism, which will also help embed PVE within the UN system.

In September 2017 the FCO delivered a major event at the UN General Assembly co-hosted by the Prime Minister, the French President and the Italian Prime Minister. We secured commitments from key partners to take more action on removing terrorist content from the internet. This will help to drive more innovation and collaboration between industry, civil society and governments on this important agenda and galvanise further action through the G7 and G20.

Last year, through coordinated lobbying, the FCO's efforts in leading the global response against cybercrime led to a step-change in international assertiveness in exposing unacceptable behaviour in cyberspace, in particular delivering a coalition attributing responsibility for the WannaCry and NotPetya attacks of May and June 2017. We also secured G7 and EU agreements on a framework for stability in cyberspace based on the application of existing international law, norms of state behaviour and the development of confidence-building measures.

November's Global Conference on Cyberspace in New Delhi saw representatives of over 100 countries gathered in a continuation of the process we initiated in 2011 to promote a free, open, peaceful and secure cyberspace. We helped secure agreement of the world's first Global Agenda for cyber security capacity-building and over the course of 2017-18 we delivered 39 projects across six continents under Commonwealth and the National and Commonwealth Cyber Security Programmes.



In Focus: Defeating Daesh

The FCO leads the UK's diplomatic effort in the Counter-Daesh campaign. Last year, coordinated HMG efforts contributed to the continued collapse of Daesh territory and the further disintegration of their propaganda machine: Daesh lost control of urban centres, including Mosul and Raqqa. Daesh has now lost over 98% of the territory it once held.

Alongside our regular engagement throughout the year, the FCO led UK input to the Global Coalition foreign ministerial visit in October 2017 and the meeting of the Coalition in Kuwait in February 2018. Our engagement helped maintain commitment among allies across the five lines of the Coalition's effort: stabilisation, mitigating the threat from foreign terrorist fighters; strategic communications; the military campaign; and tackling Daesh's finances.

Recognising the need to address the root causes of Daesh's rise, and to stabilise areas liberated from Daesh, in Iraq we pressed Coalition members to continue to work bilaterally to support the Iraqi Government's efforts to deliver the genuine reform and meaningful reconciliation needed to deliver the security, jobs and basic services all Iraqis want and deserve.

Similarly in Syria, we used all diplomatic tools to work for a political solution to the conflict, supported the UN-mediated political process and the parts of the opposition who are committed to a political settlement. We played a leading role at the UN Security Council, pushing for a ceasefire, humanitarian access and a political settlement.

The FCO also led global efforts to bring Daesh to justice and ensure accountability for its crimes, in line with the Foreign Secretary's Bring Daesh to Justice Campaign launched in 2016. In September 2017 the UN Security Council unanimously adopted the UK-drafted Resolution 2379 on Daesh accountability. The FCO committed £1m to the Investigative Team, established by the Resolution, which will gather evidence of Daesh's crimes in Iraq, and will lay the foundations for justice.

As host to the Global Coalition's Communications Cell in London, we offered a platform for Coalition partners to work with the UK to lead the strategic communications response to Daesh. The quantity and quality of their propaganda fell dramatically again last year, from its peak in 2015, thus limiting their ability to recruit members and inspire attacks.

Throughout 2017-18 the FCO led a campaign, alongside P5, EU and G7 partners, to bring the DPRK to the negotiating table with the aim of achieving its complete, verifiable and irreversible denuclearisation. UK lobbying helped secure the unanimous adoption of four UN Security Council Resolutions on DPRK in 2017 and successful transposition of these Resolutions to the EU for implementation by Member States.

On Iran, the FCO led UK efforts to ensure Iranian compliance with its nuclear obligations under the Joint Comprehensive Plan of Action ((JCPOA) - the nuclear deal) and full implementation of the deal by all parties. The UK also remained an active member of the JCPOA and its working groups, including the Procurement Channel (the review mechanism under which proposals by states seeking to transfer nuclear or potentially dual use goods, technology or services to Iran are subjected to international scrutiny) which approved 21 of 30 applications.

After the Salisbury chemical weapons incident in March 2018, the FCO was at the core of coordinating the analysis, advice and expert technical input that was key to gaining support from NATO, G7 and EU partners and the wider international response. More than 150 Russian diplomats were expelled from 28 countries in the largest collective expulsion of undeclared intelligence operatives in history, and OPCW experts verified the UK's findings on the nerve agent that had been used.

Throughout the year, we highlighted the devastating impact of the use of chemical weapons in Syria at the UN Security Council and in the OPCW, and pressed for accountability. We supported the work of the OPCW to investigate and verify reports of chemical weapons use in Syria, and facilitated the sharing of UK information with the OPCW-UN Joint Investigative Mechanism, which in October 2017 attributed responsibility to the Syrian regime for the sarin attack on Khan Sheikhoun in April 2017.

As well as securing EU, G7 and NATO statements reinforcing the primacy of the nuclear Non-Proliferation Treaty (NPT), the FCO continued to make progress under Pillar I (Disarmaments) through its leading role in disarmament verification, including co-sponsoring the founding of a UN Group of Government Experts on Verification. To strengthen global capability to prevent and detect terrorist acquisition of nuclear weapons, the FCO supported the unanimous adoption of the Nuclear Security Resolution at the IAEA's General Conference in September 2017.

The UK, led by the FCO, was a leading player in global efforts to prevent the diversion of conventional arms, especially small arms and light weapons, to prevent them from fuelling terrorism, crime, instability and the illicit trade in wildlife. We provided weapons and ammunition management capacity-building training and equipment in Africa and the Western Balkans. The FCO pushed for greater engagement with industry in both the Arms Trade Treaty and, as 2018 Plenary Chair, the Wassenaar Arrangement and

In Focus: Tackling malicious cyber activity

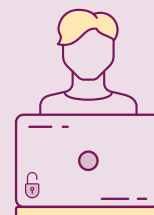
With an increase in scale and severity of cyber threats across the globe, last year the FCO committed to raise international awareness and increase pressure on states and their proxies who undertake malicious cyber acts contrary to international law. With a view to influencing perpetrators' behaviour while reinforcing international agreement over irresponsible acts, we engaged with international allies to raise awareness and build a coalition of support to counter such unacceptable behaviour.

The UK identified North Korean actors were behind the WannaCry ransomware attack that in May 2017 encrypted data across more than 100 countries and affected many NHS trusts in the UK. FCO Minister Lord Ahmad issued a public attribution statement in December 2017, with supporting activity by six countries.

In February 2018 the FCO publicly attributed the NotPetya ransomware attack to the Russian military, after it had caused widespread disruption to financial, energy and government sectors in Ukraine and beyond June 2017. Our attribution was supported through activity by 11 countries. This,

the largest-ever cyber attribution to date, represented a UK-led step-change in international assertiveness responding to malicious cyber acts and reinforcing the application of the rules-based international order in cyberspace.

In March 2018 the FCO publicly attributed a hacking campaign targeting universities around the world to the Mabna Institute based in Iran. The US indictment and sanctions against nine employees of the Mabna Institute serves as a demonstration that malicious cyber activity will not go unpunished.



100+ Countries affected by WannaCry ransomware



300+ Universities hacked by actors from the Mabna Institute based in Iran



11 Countries who supported UK-led attribution of NotPetya

drove outreach with South East Asian countries, including China, through a project with Saferworld to address priorities for more effective implementation of international export controls.

The FCO launched the Joint Serious and Organised Crime (JSOC) platform campaign through which Posts in key SOC threat countries devised, delivered and enabled a strategic and joined-up approach to tackling serious and organised crime (SOC). Over 60 Posts so far have delivered this 'whole-of-government' approach to tackling SOC, with some taking active roles in engaging local counterparts including the British Embassy in Warsaw, who held a JSOC reception to engage local policy and law enforcement leads in Poland.

Forward Look

In 2018-19, we will continue to work with the Global Coalition against Daesh to focus on the threat the group and its branches pose globally, ensuring UK leadership through diplomatic engagement in Ministerial and other meetings. We will work with foreign partners to strengthen their capacity to tackle extremism and terrorism whilst building a culture of human rights. Following US withdrawal from the Iran nuclear deal we will actively pursue options for maintaining it, with full Iranian compliance; and separately we will continue to address Iran's missile programmes and destabilising regional activity.

We will continue to collaborate with close allies on deterrence and response against hostile state actors and malicious cyber activity, promoting a common understanding of responsible state behaviour and the applicability of international law. We will build the cyber security capacity of less cyber-capable states, including key Commonwealth partners, with targeted capacity building efforts. We will continue our efforts to strengthen the existing global counter-proliferation and disarmament architecture, including pressing for full implementation of the Chemical Weapons Convention, strengthening nuclear disarmament verification, and encouraging states to join or adhere to key export control instruments.



In Focus: Russia

On Sunday 4 March 2018, Sergei Skripal and his daughter Yulia were poisoned in Salisbury with a military-grade nerve agent, of a type developed by Russia.

This incident marked the first offensive use of nerve agent in Europe since World War II, demonstrating Russia's continued appetite for malign behaviour and necessitating a major international response from the UK and partners. In parallel with a UK Police investigation, the FCO activated our recognised crisis response procedure, implementing a 'Gold/Silver/Bronze' command structure and an enhanced shift pattern to ensure adequate coverage from London. The FCO led on the diplomatic response – which saw 23 Russian intelligence officers expelled from Russia's Embassy in the UK – and successfully 'internationalised' our campaign, coordinating with 28 other countries and NATO on complementary measures: in total, 153 Russians were removed from the jurisdictions of the UK and our international partners, dramatically raising the cost of Russia's behaviour. The London end of this response involved 196 FCO staff, and was sustained until 27 March. A key focus of the operation was the prompt and safe return of British Embassy Moscow staff expelled from Russia, which was anticipated by the FCO as a likely retaliation against the UK's expulsion of 23 Russian personnel. Our crisis response also included a dedicated stratcomms campaign, attributing and rebutting the waves of disinformation deployed by Russia in its attempts to discredit the UK assessment of Salisbury and our coordination with partners and international institutions. Setting out our case and overcoming Russia's narrative, the UK secured solidarity and support from key allies, the G7, NATO, EU, OSCE, and a majority of the United Nations Security Council, harnessing a broad front of international pressure to deter future attacks and hold Russia to account.

Priority Outcome 2: Consular (Achieved)

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

High quality, accessible consular services provided globally, focused on those most in need.

Responding rapidly to all overseas crises, leading cross-government action. Reducing preventable incidents affecting British people overseas through collaboration with partners and governments.

Overview

In 2017-18 we took forward the delivery of our strategy, Helping British People Overseas: Consular Services 2016-2020. The aim is to reduce the number of preventable incidents and to help British people take responsibility for travelling, living and working safely overseas, while providing a high quality service focused on those who most need our help. We continued to invest in our network of professional consular staff, and we made significant progress in transforming our digital services to improve customer experience and make better use of resources.

We provided high quality support to over 22,000 British people across the world with continued high levels of customer satisfaction. We stepped up our prevention work, including a national social media campaign to encourage British people travelling overseas to take out adequate travel insurance, and launching a campaign to increase awareness among British travellers of local laws and customs in destination countries. We worked with partners, including NGOs, to improve our support to British people overseas, particularly the most vulnerable, such as children, those suffering mental illness and victims of sexual assault.

We led the Government's response to 13 different crises overseas. This included the emergency response to Hurricanes Irma & Maria which devastated parts of the Caribbean, including three British Overseas Territories. An estimated 500,000 British nationals were caught in the path of the hurricanes and the response involved some 500 staff from 14 different government departments working around the clock in the FCO's crisis centre over 28 days.

Following the triggering of Article 50, we continued to support UK nationals living across Europe, including providing information on the rights and status of UK nationals living and travelling in the European Union before and after the UK exits the EU.

Progress in 2017-18

84% of consular customers interviewed reported they were satisfied or highly satisfied with our service, exceeding our target of 80% and improving on our 2016-17 performance (81%).

Our staff responded to over 22,000 new consular cases, including assistance to 1,178 British people who were victims of crime, 3,586 who were hospitalised, and 5,287 who were arrested or detained. We supported the families of 3,947 British people who died overseas, and issued 30,132 emergency travel documents.

We received 3,573 compliments and 182 complaints - a ratio of almost 20:1. We built on feedback to improve our services and, as a result of feedback on our Forced Marriage work, we are changing the way we raise awareness of our Force Marriage services and how we address concerns around confidentiality.

In July 2017, our global network of Consular Contact Centres in Malaga, Ottawa and Hong Kong moved to 24/7 operations, answering all consular enquiries to the FCO and our overseas posts, including emergency calls out of hours. This means we are providing a consistent and professional service in response to calls from British people anywhere in the world, usually for the cost of a local or national phone call. The contact centres handled 350,000 calls last year and the average waiting time for callers was 17 seconds. They provide information and advice about the consular

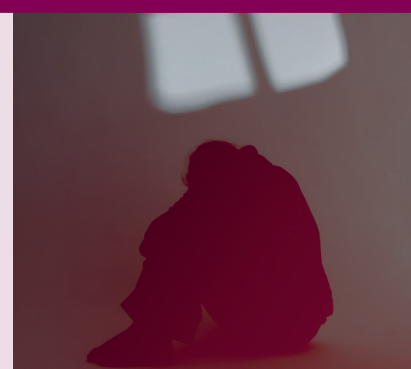
services available at our embassies and consulates; ensure that those in difficulty quickly get the help they need from a consular officer at their nearest embassy or consulate or our Global Response Centre if the embassy is closed; and help people find information about services provided by other parts of the British government. Contact Centre staff resolved 80% of queries received during working hours on first contact, and 70% of queries out of hours. Those in genuine difficulty were escalated to front-line consular staff or to our Global Response Centre to ensure they received the help they needed.

As part of our prevention work, we used Travel Advice and our TravelAware campaign to provide advice and tips to help British people to prepare for trouble-free overseas travel. We worked with partners such as ABTA, the Travel Association and tour operators to draw the attention of more holiday makers to our products. Our Travel Advice pages on gov.uk were viewed more than 47 million times in 2017-18, an increase of 6% from 2016-17. More than 1.5 million British people living, working or travelling overseas currently subscribe to receive country-specific updates to our Travel Advice.

Last year we ran several in-country initiatives to help reduce preventable incidents, and to ensure incidents can be dealt with more effectively when they do happen. For example, to help British people avoid falling victim to thefts from hire cars in San Francisco, we partnered with individual local government agencies, NGOs and foreign consulates to press for the introduction of new legislation. This is now in place and prohibits hire car companies from using identifying methods to mark out rental cars, meaning they are less likely to be targeted for theft.

In Focus: Supporting victims of sexual assault in Chile

We are committed to providing professional and tailored assistance to British people when they most need our help. Victims of rape and sexual assault overseas are a particularly vulnerable group and we have been working with partners to improve the support available to them. In Chile, even though the number of sexual violence cases involving British people is relatively low, the experience can leave victims - particularly minors - very vulnerable.



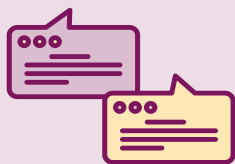
Feedback from British victims highlighted that victims were often subjected to repeated rounds of interviews as their criminal case progressed through the judicial system, making them re-live the trauma. Some victims reported that interviewers exhibited bias and did not take into account the age or vulnerability of the victim. This echoed the concerns raised by some Chilean local authorities that changes to the law were required to guarantee the right access to justice and to reduce the trauma experienced by victims of these crimes.

Police by a UK Police trainer. The British trainer worked with interviewers on both theory and practical interview techniques, and trained seven instructors to enable the Chilean authorities to roll out the training themselves.

The British Embassy in Santiago partnered with a well-established local NGO "Fundación Amparo y Justicia" (Protection and Justice Foundation), who were also actively lobbying the Chilean authorities to replace repeat face-to-face interviews with one video-recorded interview. The British Embassy in Santiago used £12,000 from the Consular Programme Fund to facilitate training of Public Prosecutors and

The "Videotaped Interview Law", was enacted in January 2018, and put in place the conditions to enable the use of videotaped interviews throughout the judicial process. As a result of the Embassy's lobbying - and its support to the "Fundación Amparo y Justicia" - victims of sexual assault in Chile, including British victims, will no longer have to undergo repeated intrusive interviews. Other projects to help rape and sexual assault victims have taken place in Turkey and Sri Lanka in recent years.

#nomepreguntenmas



59

Interviewers trained in effective techniques



7

Instructors trained to teach interview techniques within Chilean authorities



1

New legislation introduced to reduce trauma for sexual assault victims



£12,000

UK contribution to training the Chilean authorities

In 2017-18 we made significant progress transforming our digital services across our consular network. Improvements to online booking for consular services increased availability of appointment slots and bookable services, providing increased convenience for consular customers. Improvements to our online legalisation services led to an 86% customer satisfaction rate, exceeding our targets. Our document eligibility tracker ensured that over 1,500 ineligible applications per month were filtered out. This represented 10% of all online applications per month, and resulted in saved time and reduced delays for both customers and staff.

We supported British people and their families caught up in critical events overseas. In September to November 2017 alone, 243 FCO staff were deployed overseas to respond to the collapse of Monarch Airlines, the eruption of Mount Agung in Bali, and Hurricanes Irma & Maria. Over the year there were 13 significant critical events overseas in response to which we delivered a crisis response led from London, opening our crisis centre and coordinating with over a dozen government departments to deliver swift and tailored support for British people affected.

Last year we continued to professionalise our crisis response by developing our

training, including tailored sessions delivered in collaboration with external experts, such as the Red Cross. We ran monthly bespoke overseas semi-live crisis exercises, prioritising those countries and diplomatic posts where the crisis risks are greatest. We continued to promote a One HMG approach to crisis response, involving departments across Government in training and exercising, and we invited participation from industry partners such as ABTA, Shell, and the Football Association, to ensure realistic scenarios. New innovations in the design of training sessions and the exercise timeline enabled us to create more complex exercise scenarios, exercising teams in responding

to slowly-evolving crises and evacuations for the first time.

Across our Europe network of posts we carried out a programme of engagement with British nationals about the UK's withdrawal from the EU. Our communications campaign designed to inform British nationals in the EU about their rights and status has so far focused on updates about the negotiations and citizens' rights post EU exit. Between January and March 2018, nearly 10,000 British people living in the EU participated in over 40 engagement events across EU and EFTA countries. We carried out

significant digital engagement, including a message from the Prime Minister to UK nationals in December 2017 which reached over half a million people. We also streamlined our online "Living in" guides for European countries to make it easier for British people to find the latest country-specific information.

Looking ahead

In 2018-19, we will extend our digital services, improving the customer experience in accessing our services. We will continue to do more for vulnerable customers, complemented by our partners, providing tailored support based

on individual needs. We will evolve our crisis preparedness and training using the experience of crises this last year. We will deepen our customer insight to further improve the assistance we provide and use quantitative evaluation of our prevention activity to inform our campaigns, expanding our activity to prepare for additional work related to EU Exit. We will continue to ensure we are supporting British people living in the EU, including providing clear and up-to-date information on their rights after the UK exits the EU, and how to access them.



In Focus: Coordinated crisis response to Hurricanes Irma & Maria

In September 2017 two category 5 hurricanes struck the Caribbean and United States in less than a fortnight. The destructive force of Hurricanes Irma and Maria was unprecedented; an estimated 500,000 British nationals were caught in the path of the two hurricanes across the region, including in the Overseas Territories of Anguilla, British Virgin Islands (BVI) and the Turks & Caicos Islands (TCI).

Crisis response

As the lead Department for responding to crises overseas, and as the Department responsible for the Overseas Territories (OTs), the FCO led the cross-Whitehall relief response. The FCO in London went into crisis mode in advance of the hurricanes making landfall. The FCO Crisis Centre was up and running round the clock for 28 consecutive

days, leading a cross-government effort that brought 14 different departments from across Government into a single place. The FCO activated a crisis hotline and answered over 3,800 calls from members of the public concerned about family or friends affected by the hurricanes.

This overseas relief effort was swift and substantial. RFA Mounts Bay, a naval

support vessel specifically deployed to the Caribbean for disaster relief operations, was pre-positioned to respond. A major military operation was put in place in addition, working hand in glove with the FCO and involving over 2,000 military personnel. The Department for International Development were also heavily engaged

in the provision of humanitarian aid and expertise.

82 specially-trained FCO staff were deployed to provide additional support and resilience to 11 countries and Territories affected by the hurricanes, including members of the FCO's Rapid Deployment Team and a 7-strong Red Cross Psychosocial Support Team. The FCO's Travel Advice was kept up to date throughout, with over 130 substantive updates for the affected countries and Territories, ensuring members of the public had the most up to date information on which to base travel decisions.

Ministerial engagement

The Foreign Secretary visited Anguilla and British Virgin Islands on 12-13 September 2017, and Lord Ahmad visited Turks and Caicos Islands on 14 September. They saw the UK's huge relief effort first hand, met Governors and local officials leading the recovery work, and visited communities working to repair major damage. In November 2017 FCO staff helped arrange a visit to BVI by HRH the Prince of Wales, where he met families made homeless by the hurricanes, witnessing both the devastation caused, and progress made towards recovery.

In London the Foreign Secretary established an Inter-Ministerial Group of



Recovery to agree the UK government's approach to supporting the affected British Overseas Territories. In addition, the FCO supported DFID in responding to disaster in other Caribbean countries, most notably Dominica. At the Joint Ministerial Council in London on 28 November, the Prime Minister confirmed a new £70 million package of recovery and reconstruction support, supplemented by up to £300 million of UK loan guarantees for territories that need support to access finance. FCO Ministers committed to ongoing support for the affected OTs to Build Back Better.

International Coordination

FCO colleagues worked with their US, French and Dutch counterparts, whose

Territories in the region were also hit by the hurricanes. The Foreign Secretary chaired a high-level discussion on the effects of Hurricane Irma at the United Nations General Assembly on 18 September.

Long term Recovery

After a month in crisis mode, the FCO's focus moved to mid- and long-term recovery, creating new roles in London and the region to lead the ongoing recovery work.

Given the level of devastation caused by the hurricanes, recovery will be a long process, throughout which the FCO will be at the centre of the UK's recovery support to the Overseas Territories.



In Focus: Going Digital: Emergency Travel Documents

In 2017 our research and customer feedback showed that the application process for Emergency Travel Documents (ETDs) was leaving some customers confused and inconvenienced, in part because not all services were available online.

We partnered with HM Passport Office and key external delivery partners to improve the system, and from July 2017 we extended the online application system to include children's applications. This change allowed whole families to apply online at the same time. We saw rapid uptake of the new service, and by January 2018 almost 80% of children's applications were made online.

Not only did this simplify the process for customers but it also saved staff time, freeing up our frontline consular staff to focus on helping the most vulnerable customers and those in serious difficulty. We will continue to monitor the ETD online customer journey to identify where further improvements can be made.

Project our Global Influence

Priority Outcome 3: Euro Atlantic Security (Partially Achieved)

Strengthen Euro-Atlantic Security

Ensure strengthened, more cohesive NATO through UK leadership based on a close transatlantic relationship and increased defence contributions from European Allies. Shape an effective Western response to Russian security challenges, based on deterrence and effective dialogue. Build a more resilient European neighbourhood. Maintaining western support for a sovereign, stable Ukraine. Countering Russian interference in the Western Balkans.

Overview

In 2017-18 the FCO has worked to strengthen bilateral and multilateral relations with allies and partners, building resilience and affirming confidence in Euro-Atlantic cohesion. We succeeded in building sufficient cohesion for NATO to present a broad front to Russia in the 2017 October NATO/Russia Council meeting, with unanimous Alliance support for discussion of Russia’s malign interference activity at this meeting.

After the poisoning of the Skripals in March 2018, NATO allies supported the UK’s assessment of Russia’s responsibility and acted together against Russian intelligence operatives.

Progress in 2017-18

NATO remains the cornerstone of UK and Euro-Atlantic defence and security. The Joint Unit on Euro-Atlantic Security Policy, working closely with the UK Delegation to NATO, and supported by the extensive

network of posts, gives the FCO strategic and leadership in this important policy area. UK priorities for NATO include modernisation/adaptation, cyber, nuclear, Counter Terrorism (CT), and helping to highlight and reinforce our military contribution in areas such as enhanced Forward Presence (eFP).

In 2017-18 we made progress on the political, military, and institutional adaptation necessary to deliver a modern unified NATO. We had a pivotal role

In Focus: NATO Leaders Meeting

We used the 2017 Leaders Meeting to underscore the UK’s leading contribution to European security. Our priorities there included building on Allies’ commitments from the 2014 Wales Summit to share the defence investment burden more equitably and to expand NATO’s role in fighting international terrorism.

The FCO’s coordinated lobbying campaign in the run-up to the Leaders Meeting, ensured that the UK made good progress on our priority objectives. This included NATO Allies’ commitment to report annually on their progress to fulfil the Defence Investment Pledge, and agreement on a 38 point CT Action Plan and to NATO joining the counter-Daesh Coalition. Leaders also agreed to an uplift in NATO troop contribution to the Resolute Support Mission in Afghanistan. The UK contribution was increased to 650 personnel with a UK aid pledge of £750m to 2020.

We used our network of Posts in NATO Allies’ capitals to ensure follow-up on the commitments made at the Leaders Meeting, demonstrating the UK’s continued leadership in driving forward NATO activities in line with UK objectives.

Photo courtesy of NATO





In Focus: Macedonia

Macedonia had been in the throes of political crisis since 2015. Intelligence service illegal wiretaps released to the public revealed widespread government corruption and manipulation of state services for party gain. Given the delicate balance of the region, the UK was committed to supporting a return to political stability and helping reverse a decade of democratic backsliding.

Through the crisis, the UK worked, in collaboration with our European and other partners, to bring about a peaceful and lasting resolution. A visit by the Minister for Europe, Rt Hon Sir Alan Duncan MP, in February 2017 made an important contribution to our campaign of public and private engagement, including with parties from across the political spectrum, aimed at encouraging a resolution to the crisis based on the principles of democracy and transparency.

We were delighted to see stability return as a new and reformist government took office in July 2017. As a sign of the UK's ongoing commitment to support

democracy and security in Macedonia, the Minister for Europe hosted new Foreign Minister Nikola Dimitrov in London in September 2017. They signed a bilateral Joint Statement of Partnership and Cooperation, which set out UK support for the approach of the new Government's reform programme.

We also committed to support Macedonia's aspirations of greater international engagement. To support Macedonia's Euro-Atlantic aspirations we committed just over £2m in 2017-18 to help implement reforms that will ensure Macedonia's institutions of state are independent of party politics, in line with European Commission

recommendations. We will continue to support efforts by Athens and Skopje to resolve the Name Issue, which would bring many significant benefits for both Macedonia and Greece, and enhance security and stability in the Western Balkans. We are supporting the Macedonian Government in security sector reform, and have assisted the Macedonian Ministry of Defence with its strategic defence review. That review will steer the modernisation of the armed forces as the government increases defence spending towards the two percent minimum expected of NATO Allies and aspirants.

on Russia, shoring up Alliance unity on NATO's response to the evolving threat, manifested in the attack on the Skripals in Salisbury – the first offensive use of a nerve agent in Europe since the end of the Second World War.

The FCO actively encouraged Allies to meet the Defence Investment Pledge of spending at least 2% of GDP on defence. We raised the profile of the UK's leadership in this area with the largest defence budget in Europe and the second largest in NATO, committed to meet the 2% target. In the run up to the 2017 Leaders Meeting the FCO successfully lobbied Allies to enhance NATO's role on CT – resulting in a 38 point CT Action Plan - and to uplift their contribution to the Resolute Support Mission in Afghanistan.

NATO's enhanced Forward Presence (eFP) is a step change in NATO's Deterrence and Defence posture. It has four multinational battalions deployed to Estonia, Lithuania, Latvia, and Poland. The UK provides the Framework Battlegroup (around 800 UK personnel forming the core of the command HQ and battlegroup) in Estonia, and also contributes a Reconnaissance Squadron (around 150 personnel) to the US-led eFP battlegroup in Poland. The FCO continued to provide political support and guidance for eFP, including a high profile visit by the Foreign Secretary to meet UK military personnel in Estonia.

The FCO has an important role in furthering NATO-EU cooperation and last year we continued to support the 74 areas agreed for joint working. We worked to ensure Permanent Structured Cooperation and the European Defence Industrial Development Programme texts were coherent and complementary to NATO, and allowed for third-party access - a core HMG and UK defence industry aim. We took forward some important work

in support of EU, NATO and European Defence Agency activity on military mobility ahead of the NATO Summit in July 2018.

The FCO played a pivotal role in securing Alliance unity on NATO's response to the evolving threat from Russia, in particular to the attack on Sergei and Yulia Skripal in Salisbury in March 2018. The UK took a proactive approach and secured cohesion within the Alliance that had not been seen before. The FCO lobbied for strong messaging and actions from NATO members, raising the cost of Russia's actions via an early statement of support by the North Atlantic Council that endorsed the UK's assessment that Russia was responsible, and by securing the expulsion of Russian personnel deployed to NATO headquarters. This action complemented widespread expulsions of Russian diplomats at the national level by NATO and non-NATO partners, diminishing Russia's hostile intelligence capabilities against European and allied states.

Elsewhere, the UK leveraged likeminded partnerships across other multilateral fora, pushing back on continued Russian disregard for the rules-based international order. In the EU, the UK supported the renewal of tough sanctions and continues to coordinate with partners on strengthening existing EU regimes.

On cybercrime, the attribution of Russia's June 2017 NotPetya attack was a significant success, calling out careless and damaging Russian use of malware and cementing Alliance unity.

Last year the FCO continued its work to build a more resilient European neighbourhood, including strengthening democracy in the wider region. The Prime Minister has identified the Western Balkans as a region in which the UK

has played, and will continue to play, a leading role in promoting European prosperity, stability and security. The FCO has demonstrated our commitment through action and engagement. We increased our programme funding in the Western Balkans for the last Financial Year to £27 million to support key projects including improving governance and the rule of law, tackling corruption and promoting economic reforms.

The FCO has long been a champion of the region's Euro-Atlantic perspective. We will continue to support countries committed to the accession process in meeting the necessary requirements. Our commitment to the Euro-Atlantic future of the region can also be seen through our decision to host the Western Balkans Summit in July as part of the Berlin Process, which seeks to support the EU enlargement aspirations of the region.

Forward Look

In the year ahead we will sustain our response to the long-term threat posed by Russia's destabilising behaviour, working closely with international partners within and beyond NATO. We will focus on the 11-12 July NATO Summit in Brussels, with the aim of ensuring a modern, unified NATO, is fit to face new global challenges and deliver against its commitments.

Priority Outcome 4: Conflict and Stability (Partially Achieved)

Project our influence to reduce conflict and create stability

Promote human rights, good governance and the rule of law; reducing conflict, modern slavery and irregular migration. Strengthen the rules-based international system, including more credible UN action to resolve conflict, by working with the new UN Secretary General and effective use of UN Security Council membership.

Overview

In 2017-18, as part of Global Britain, we worked to protect the international rules-based system through our advocacy and programmatic support for UN reform initiatives led by the Secretary General. Bringing together our bilateral and multilateral diplomacy, we worked towards long-term political stability in countries such as South Sudan, Libya and Syria, and used our convening power to focus international efforts on increasing security and stability in Somalia. Our campaigning led to the appointment of a British expert as new UN Special Envoy for Yemen, and secured humanitarian access in Yemen.

Throughout the year the FCO ensured the UK remained a global leader promoting peace, security and universal human rights. The Foreign Secretary identified girls' education as one of his six priorities; with a Gender Equality Unit created to lead the development and implementation of his Leave No Girl Behind campaign. We worked closely with the UN Special Representative of the Secretary-General on Sexual Violence in Conflict to tackle sexual violence, including on the Rohingya refugee crisis and in a joint visit with Lord Ahmad to Mosul, Iraq.

The UK has continued to promote the Women, Peace and Security agenda on a global basis through diplomacy, engagement with international partners and stakeholders and through programmes in support of national policies in partner countries. We secured language referencing Women Peace and Security issues in relevant UK national strategies and exerted influence on the international stage, where we worked closely with the UN and other multi-lateral partners such as the EU, OSCE and NATO, to deliver our priorities.

Progress in 2017-18

Last year the FCO maintained and enhanced the UK's reputation as a global leader in the defence and promotion of universal human rights, as we mobilised our network of Posts in support of UK priorities. The Foreign Secretary committed to a foreign policy that

consciously and consistently delivers for women and girls. The FCO led the development of the UK's fourth National Action Plan (NAP) on Women, Peace and Security, in coordination with DFID, MOD and the Stabilisation Unit. In consultation with academics and civil society we adopted a new strategic approach to



In Focus: London Somalia Conference

After years of conflict, Somalia faces multiple serious challenges, including insecurity, terrorism, poverty, disease and drought.

The UK has long been committed to supporting Somalia tackle these challenges using a full spectrum approach that draws together the FCO, DfID, MOD and Home Office. In May 2017, the FCO delivered a landmark conference on Somalia hosted by the Prime Minister and Foreign Secretary in London and co-chaired with Somalia, the UN and the African Union. The conference succeeded in galvanising international partners to make commitments to increase efforts to improve Somalia's security, stability and economic recovery.

The conference was attended by 42 countries, international organisations and representatives of civil society, who committed to a coordinated approach

to supporting reforms. The Conference adopted a Security Pact and a strong New Partnership for Somalia founded on mutual accountability and with commitments to follow up on progress and results on a regular basis.

Follow-up meetings were held in Mogadishu in December 2017, which also set priorities for 2018. The UK assigned approximately £384 million in 2017-18 to security, development and humanitarian assistance to address the ongoing challenges as well as contributing UK forces to the UN mission. Given the potential for instability in Somalia to have an effect across the region, the outcomes of the Conference, and subsequent programme activity, will have an impact far beyond Somalia's borders



Newly selected and training media officers receive on-the-job training on how to set up a press office, taking calls from journalists to ensure the Government is open and accountable to the media

In Focus: Afghanistan: Connecting Government and Citizens

Political stability in Afghanistan is important to the UK as Afghanistan is a major ally in combating international terrorism, and FCO ministers have consistently stressed the need to focus on political solutions as the key to bringing a more peaceful and stable Afghanistan in the long term. Last year in conjunction with DFID and the National School of Government International (NSGI) we identified that weaknesses in the Afghan Government’s communications had led to a lack of public awareness of important reform and development plans.

Without public buy-in it was likely that these reforms had a severe chance of failure, with a significant impact on Afghanistan’s policy stability.

The FCO jointly worked with DFID and the Cabinet Office’s Government Communications Service International (GCSI) to design and implement a programme of support to help restructure the civil service Communications Department within the Afghan Presidential Palace, and ensure more transparent and effective public communications. The DFID-funded (£240,000) and FCO-managed programme helped establish a media office within the Palace to increase coordination across government and effectively respond to media enquiries. In October 2017, GCSI embarked upon a module based training programme

of the media officers, covering the writing of quotes, statements and written briefing to promote clarity and transparency and improve communications to the Afghan people. This led to an improvement of up to 23% in the quality of their writing in a single one-day training module alone.

The GCSI team also worked with senior comms professionals within the Afghan Government and civil service to improve future communications planning. The team worked with the President’s Deputy Chief of Staff for Strategic Communications to help develop a national guide for strategic communications, setting out how the Government intends to structure, plan and deliver communications in the future. This guide is being implemented across all the government ministries and the Presidential Palace.

Furthermore, working alongside the Palace and the Government Media and Information Centre, the GCSI team brought together all 70 Afghan Government spokespeople to develop a strategic communications plan for the Government. This ground-breaking and collaborative approach is delivered through monthly workshops to design key messages to explain government policy.

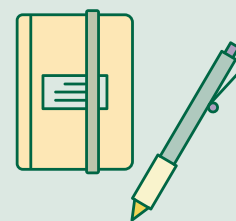
This programme will be further developed on a FCO CSSF baseline from June 2018, culminating in December with the delivery of four comprehensive communications plans for the sectors of justice, security, economy and social affairs.



7 Trained media officers



2 of those officers able to train others



up to 23% Improvement of writing by the Afghan Press officers following one module of GCSI training

achieving our objectives over the next five years. The NAP identifies 7 strategic outcomes: women's role in decision-making; and in peacekeeping; addressing gender-based violence; gender sensitivity integrated into humanitarian responses; and into security and justice; prevention and countering of violent extremism; and building UK national capacity to deliver WPS commitments. For example, we supported women's political participation in Syria, Somalia and Colombia. Another aspect has been our ongoing work during the year to protect vulnerable people, by improving peacekeeping and through ensuring that the UN Security Council took into account gender considerations in all its decisions, and incorporated language to protect women and children into UN peacekeeping and political missions' mandates and relevant UNSC Resolutions. We expanded our focus from Sexual Exploitation and Abuse committed only by peacekeepers, to include abuse committed by and within the development and humanitarian sectors, both in the UN's multilateral agencies and amongst civil society implementers.

As the Preventing Sexual Violence in Conflict Initiative (PSVI) marked its fifth anniversary, Lord Ahmad launched the Principles for Global Action to tackle survivor stigma at UNGA in September 2017. The UK developed the Principles, drawing on extensive consultation with survivors, academics, practitioners and other governments.

Our Annual Human Rights Report, published in July 2017, highlighted many examples of the FCO's work to promote human rights, particularly in our 30 Human Rights Priority Countries. The FCO prioritised work to fight modern slavery. We set up the Modern Slavery Unit in London and mobilised our entire network to engage with host governments across the world. We coordinated closely with the Home Office and DfID to ensure the Prime Minister's Call to Action on modern slavery was endorsed by 37 countries when it was launched at UNGA in September.



In Focus: Supporting Rohingya refugees in Burma and Bangladesh

The Government has been clear in its condemnation of the terrible atrocities that have occurred in Rakhine State, Burma, including ethnic cleansing that may amount to genocide. The violence in northern Rakhine is estimated to have resulted in at least 6,700 deaths (as reported by MSF in December 2017) and the fleeing of over 670,000 Rohingya to temporary camps in Cox's Bazaar, Bangladesh.

The UK Government responded swiftly to the violence in August 2017, committing £59 million to support refugees in Bangladesh. The FCO demonstrated policy leadership in international fora, generating the highest tempo of activity on Burma in a decade, while working with Burma's neighbours, many of whom share our concerns, to reinforce messaging to the Burmese authorities.

We used our position as a P5 Member of the UN Security Council to draw attention to the crisis, and led efforts to secure the 6 November Presidential Statement calling for the involvement of UNHCR in the refugee returns process that must be safe, voluntary and dignified. In addition, the FCO engaged the UN SRSG on Sexual Violence in Conflict to drive forward the response to the high levels of reported sexual violence. We supported gender-based violence services, including the provision of medical services, counselling and psychological support, delivered by international organisations.

Furthermore, we secured a General Assembly Resolution in November 2017 and co-sponsored Human Rights Council Resolutions in December 2017 and March 2018 that served as a powerful message to the Burmese authorities of the damage to its international reputation.

We also engaged with EU partners to press for a coordinated response. This has resulted in an agreement from all member states to not allow senior military visits and an agreement to begin the process of introducing targeted sanctions on individual senior military officers.

We engaged directly with Burmese officials to press for an immediate halt to the violence. The Foreign Secretary visited Burma and Bangladesh in February 2018 and Minister Field visited Burma and Bangladesh in September 2017. Both lobbied the Burmese authorities directly.

Through activities in London and at Embassies and High Commissions abroad, we marked several international human rights days during the year, including:

- » International Women's Day, 8 March 2018 – Using the #PressForProgress theme, posts across the network took part in a variety of events and social media activity to promote the social, economic, cultural and political achievements of women. In Bulgaria, our Ambassador ran a competition for young women in which the winner was invited to become an Ambassador for the day. The Special Envoy for Gender Equality, Joanna Roper, took part in a Canadian-hosted event, 'Women in International Public Life', celebrating the next generation of women leaders. In Hungary, the Embassy ran a speed mentoring event bringing together women and girls from business, science, diplomacy and communication to share experiences and support each other. The Foreign Secretary visited a school in Hastings to meet children partnered with a school in Sierra Leone as part of the Connecting Classrooms campaign and spoke to children about Gender Equality and girls' education.
- » International Human Rights Day, 10 December 2017, widely marked across the FCO network, including China, India, Indonesia & Taiwan. In London, the FCO commemorated Human Rights Day with an event hosted by Lord Ahmad in partnership with Christian Solidarity Worldwide, and attended by approximately 150 human rights NGOs and parliamentarians. The theme of the event was the role of faith actors in defending the rights of others. The panel was made up of Mervyn Thomas, Christian Solidarity Worldwide, Alissa Wahid, National Director of Gusdurian Network Indonesia and Tina Ramirez, Hardwired Inc.

Cross-Whitehall engagement on migration helped us secure text that reflected the UK's three core principles as set out by the Prime Minister at UNGA 2016 in the G7 communiqué language on human mobility in May 2017. As a Permanent Member of the UN Security Council

and the third biggest funder of the UN, the UK continued to invest heavily in the Rules-Based International System and the three pillars of the UN, and the FCO was at the forefront of the UK's work to strengthen the UN in Peace and Security, Development and Human Rights. In October 2017, we created the UN Reform Unit, which enabled us to increase our capacity to support the work of Secretary General Antonio Guterres to reform and refresh the UN. The FCO led UK Government planning for UNGA in September 2017, which we used to focus international attention on tackling modern slavery, preventing the use of the internet for terrorism purposes, and UN Reform.

Along with the Department of Peacekeeping Operations (DPKO), Peru and Romania, we hosted a session at UNGA on women in peacekeeping, which endorsed the value of both increasing the number of women peacekeepers and the importance of integrating gender perspectives into all military doctrine, training and operations.

We consolidated our new approach to UK peacekeeping policy through the UN Peacekeeping Joint Unit based in the FCO. The UK also fulfilled its commitment to double the number of UK peacekeeping troops and co-chaired the 2017 UN Peacekeeping Defence Ministerial in Vancouver, generating 49 pledges of troops and equipment. This complemented our long-term efforts to see reform of UN peacekeeping focussed on the '3Ps Agenda' which highlights the vital importance of planning, pledges and performance.

The FCO worked with the MOD to develop and launch the WPS Chiefs of Defence Network at the UN Peacekeeping Defence Ministerial, alongside Bangladesh and Canada. The network, chaired by the UK, promotes women in the armed forces and peacekeeping as well as the integration of gender perspectives. We work with the MOD and Stabilisation Unit to strengthen capacity on gender issues such as WPS and conflict-related sexual violence among UK armed forces and partner nations, including Troop Contributing Countries, and participate on the MOD's Senior Steering Group on WPS. The FCO contributed to the

design workshop for the Canada-led Elsie Initiative on Women in Peace Operations and became a member of its Contact Group.

The FCO led work on strengthening international sanctions regimes, helping secure new far-reaching UN sanctions measures on DPRK and maintaining robust EU sanctions against the Syrian regime and Russia. As part of our preparations for exiting the EU, the FCO commenced legislating for a new sovereign UK framework to implement sanctions. The Sanctions and Anti-Money-laundering Act received Royal Assent in May 2018.

The FCO led the UK's work towards resolving ongoing conflicts across the world, particularly in the Middle East and North and Sub-Saharan Africa, coordinating closely with DfID, MOD and other Whitehall partners. Central to this were our efforts to secure humanitarian access to civilians in need. In December 2017, we helped secure renewal of a UNSC Resolution authorising cross-border access to Syria, which allowed humanitarian aid to reach 3m people; in Yemen, we lobbied to secure the lifting of port access restrictions imposed by the Saudi-led Coalition, which led to ports reopening in December 2017.

We mobilised the international community to demand accountability for war crimes and humanitarian atrocities, drafting and securing adoption of three UN Security Council resolutions on Syria, and supporting a UN Human Rights Council resolution aimed at increasing accountability of those responsible for human rights abuses and violations in Libya.

To secure long-term peace and stability, and reduce threats to the UK, the FCO led efforts to support political processes in conflict and post-conflict areas. A successful campaign to secure the appointment of a new UN Special Envoy for Yemen led to the appointment of British national and international mediation expert Martin Griffiths. The Foreign Secretary has hosted several meetings bringing together his US, Saudi and Emirati counterparts in order to address the humanitarian crisis and make progress towards a political solution to

the conflict. We used our position as penholder at the UN Security Council to sponsor and coordinate a UNSC Presidential Statement, agreed in June, which called upon all parties to allow humanitarian access, respect International Humanitarian Law, and engage constructively with UN peace proposals. We also played a key role in securing consensus for a robust September Human Rights Council Resolution on Yemen, which established a panel of eminent international experts to investigate the human rights situation there. We led the delivery of a £4.6 million programme in FY 2017-18 aimed at conflict reduction and stabilisation, including support for a UN de-mining programme and the Office of the Special Envoy of the Secretary General.

To promote political stability in Libya we provided £10m of technical support to the Government of National Accord, economic reform and local level stabilisation, and in Iraq provided £15m to UN-led stabilisation activity, which enabled displaced people to return to their homes.

The FCO coordinated closely with Cabinet Office to ensure broad and deep engagement with Commonwealth countries on our priorities ahead of the Commonwealth Summit in April 2018. In London, FCO staff worked closely with their counterparts in the Cabinet Office Commonwealth Summit Unit to deliver the Summit, led by the FCO-based UK Commonwealth Envoy.

In addition, the FCO's network of Posts across Commonwealth countries took all opportunities, ministerial visits and local events, to promote the UK's objectives, including the Prime Minister's visit to Canada, the Foreign Secretary and Development Secretary's joint visit to Nigeria, and the Minister for the Commonwealth's attendance at the Pacific Island Forum in Samoa. Ministers also made a series of phone calls to Commonwealth Heads of Government and Foreign Ministers to build momentum and support for the Commonwealth. In the lead up to the summit, HRH the Prince of Wales travelled to India, Malaysia, Singapore, Brunei, Australia, Vanuatu and Antigua and Barbuda.

Looking ahead

In the coming year, we will focus on strengthening and supporting the rules-based international system, particularly the United Nations, which has embarked on an ambitious programme of reform. We will actively support the UN Secretary-General's emphasis on conflict prevention and conflict resolution, which he has articulated through his Sustaining Peace initiative. We will work across the UN system to strengthen its capability to address security, development and human rights challenges of today and tomorrow. In particular, we will continue to work through the UN and other multilateral fora to advance the political processes in Afghanistan, Syria, Yemen and Libya, which are priorities for the National Security Council.

We will continue to mobilise the entire FCO network to promote and defend the human rights enshrined in the Universal Declaration of Human Rights. We will do this through day-to-day diplomatic engagement, both at the multilateral and bilateral level, supported by judicious and targeted use of our programme funds. We will pay close attention to our thirty Human Rights Priority Countries, but our human rights diplomacy will continue to be global. There will be a special emphasis on promoting Girls' Education, tackling Modern Slavery and pressing forward with the Preventing Sexual Violence in Conflict Initiative. We will also prioritise defending the right to Freedom of Religion or Belief and the right to Freedom of Expression. We will maintain our strong, principled stance against the death penalty and will continue to work to combat the use of torture.

The cross Whitehall Commonwealth Unit, led by a senior FCO Envoy, will focus on three core areas during the two years that the UK is Chair in Office:

- i) ensuring that policy commitments made in London are actively pursued, developed and delivered;
- ii) continuing to support the reform of the Commonwealth Secretariat; and
- iii) continuing to work with Commonwealth member states, organisations and civil society to help the Commonwealth realise its potential as a unique global network.

In Focus: Girls' Education

Tackling gender inequality has long been at the heart of the FCO's work and last year the Foreign Secretary committed to robustly tackling the sexism that holds girls back and restricts their access to education.

With over 130 million girls out of school, clear evidence demonstrates that the single biggest thing we can do to reduce conflict, improve stability and increase prosperity in the world is to ensure that every girl gets 12 years of quality education. As Lord Ahmad underlined at the launch of the new UK National Action Plan on Women, Peace and Security in January 2018, educating girls is in the global interest: it boosts economic growth, curbs infant mortality rates, improves child nutrition and releases the pressure valve of growing population numbers – as well as being a right in itself. In short, female education creates smaller, more sustainable, healthier and better-educated families within healthier economies.

As such, fighting patriarchal attitudes that shut 130 million girls out of the classroom is a top priority for the Foreign Secretary and for the Government as a whole. The UK will continue to lead by example. The new Leave No Girl Behind campaign will see all FCO diplomats and the FCO's Special Envoy for Gender Equality, Joanna Roper, build on their bilateral and multilateral work last year, and engage globally with DFID and others to get more girls into education. We will provide one million vulnerable girls across the Commonwealth with 12 years of quality education by 2030 and we're committing £212 million to make this a reality. We will push to accelerate progress globally, asking governments to move beyond the provision of a basic education and meet their SDG commitments. We will commit the energy and resources needed to make this priority a reality next year and beyond.

Promote Our Prosperity

Priority Outcome 5: Europe (Partially Achieved)

Promote our partnership with Europe and deliver a deep and special partnership with a strong European Union that contributes to the prosperity, security and global power of our continent

Bolster bilateral relationships and people-to-people links with European partners. Support DExEU to achieve negotiating objectives for exit. Making preparations for a future outside the EU.

Advance British national interests on foreign, security and defence policy within the EU

Overview

Last year the FCO continued its work in support of DExEU on the UK's top foreign affairs priority of negotiating our withdrawal from the EU. Our network of Posts across Europe, including Brussels, sought to ensure the protection of UK interests and promote the UK's vision of a deep and special partnership.

In parallel, the Foreign Secretary continued to make clear that the UK remains strongly committed to our bilateral relationships across Europe. Throughout the year we led a series of coordinated campaigns to enhance our relationships with European partners, paving the way for closer bilateral ties following our exit from the EU.

We worked to deliver a step-change in our bilateral relations with key European partners through strategic engagement, including targeted Ministerial visits and existing and new high-level summits and fora. We concentrated on enhancing working relationships across Europe, including on migration, trade, and security; deepening people-to-people links; and broadening our engagement with civil society, academia, business and more.

Progress in 2017-18

Last year the FCO enhanced our high-level bilateral engagement with key partners across Europe, including:

- » The historic State Visit by the King

and Queen of Spain in July 2017, the successful delivery of which was a milestone in our bilateral relationship.

- » Intergovernmental Consultations with Poland in December 2017. The UK's contribution - coordinated by the FCO - greatly enhanced cooperation with Poland on defence & security, human rights and prosperity.
- » The UK-France Summit in January 2018, which demonstrated the strength and breadth of bilateral relations.

Posts across Europe successfully hosted an increased number of senior visitors including the Prime Minister, Foreign Secretary, Chancellor and Secretary of State for Exiting the EU. Ministerial and Senior Official visits to Germany alone have nearly quadrupled since 2009-10. The FCO's Ministerial team was actively engaged on building bilateral relations, maintaining consistent engagement with their counterparts throughout the year including in new formats, e.g. the Foreign Secretary hosted Nordic and Baltic Foreign Ministers on 4 September 2017 and Central European Foreign Ministers on 15 October 2017.

As well as engaging governments, we continued and expanded our regular dialogues with European civil society, including UK/Germany Königswinter, UK/Spain Tertulias, UK/Italy Pontignano, and the new Greek-British Symposium Conferences. This year, the Duke of

Cambridge launched the UK/France Young Leaders Programme in Paris, and we also launched Young Tertulian@s, extending the Tertulias concept to a new generation of leaders and opinion formers.

In January 2018 we hosted stakeholders from the worlds of business, politics and civil society across 24 European countries at a conference in Wilton Park, encouraging them to think about the future of our bilateral relations in a new way. Meanwhile our Posts worked to further enhance people-to-people links with local activities and events, for example in Slovenia, where our Embassy conducted visits to all 212 municipalities to celebrate 25 years of bilateral relations (the #212 challenge). Posts also collaborated with the British Council to promote shared values and interests, and showcase the UK's world-class universities.

Alongside enhancing our bilateral relationships, the FCO continued to support DExEU on EU Exit work, including on the future external security and defence relationship and working towards the transition of international agreements. We used communications creatively to improve understanding of our position and to project our vision of a truly Global Britain. Our citizens' rights communications campaign to UK nationals in the EU has provided information on EU Exit negotiations and their post EU Exit rights. Between January

and March 2018 alone, nearly 10,000 UK nationals participated in over 40 engagement events across the network, with 73% of respondents surveyed saying that they felt reassured afterwards.

The FCO led UK policy on several areas, including ensuring the interests of Gibraltar and the other Overseas Territories are taken into account in the negotiations. We set up an HM Government-Gibraltar Ministerial group on EU Exit and worked extensively across Whitehall to deliver concrete outcomes, including guarantees of continued UK market access for Gibraltar financial services and gaming firms (45% of their GDP) as now until 2020. The FCO, in conjunction with DExEU, has been engaging the Government of Gibraltar and our European partners, including Spain, on

the practical implications arising from the UK and Gibraltar's EU Exit. Ongoing contact has been positive and all are agreed on the need to address areas of mutual interest constructively, including the more than 8,000 Spanish citizens crossing into Gibraltar daily for work. The FCO also led work on the Common Foreign and Security Policy negotiations with the EU – securing agreement in the draft Withdrawal Agreement that arrangements on Common Foreign Security Policy and Common Security and Defence Policy could come into force during the implementation period. The FCO continues to work on negotiating end-state arrangements that give the UK an independent foreign policy and protect the UK and the EU's decision-making autonomy.

To support our EU Exit-related work, we committed to increasing resources, including:

- » Allocating additional resources to building our prosperity partnerships across Europe through the Prosperity Fund, focusing on supply chains, partnerships with regions and cities, services and procurement.
- » Creating a Third Country Agreements Unit with 30 staff to work with DExEU on managing the transition of international agreements, with additional funding provided by HM Treasury.
- » Increasing staffing across EU Posts, creating 50 new positions with additional funding provided by HM Treasury.



In Focus: UK-France Summit

In January 2018 the FCO played a central role in delivering the UK-France Summit that both re-energised and strengthened our bilateral relationship with France, and also reinforced the UK's status as a valued and critically important long-term partner.

Staff in London and Paris coordinated with Whitehall partners to curate a programme that reflected the depth, strength and breadth of the relationship. In our Summit delivery role, we organised the event with specific responsibility for coordinating the security and foreign policy elements of the Summit, and delivered a Guest of Government programme for President Macron.

The Summit at Sandhurst led to the first ever Foreign Policy and Development Compact, which underlined our shared values, tools and priorities, setting out a common vision for more structured cooperation on global challenges. We secured agreement to continue to work closely on shared priorities, including on Africa, and the UK committed a package of humanitarian and military support to Mali and neighbouring countries. On Migration, the new "Sandhurst Treaty" will reinforce juxtaposed border arrangements in Calais.

Our reception at the V&A Museum was attended by the Presidential delegation, along with 300 French and British guests representing civil society, arts, research and academia. It showcased the extensive cultural and people-to-people links between the UK and France across a broad spectrum, which will be strengthened with the loan of the Bayeux Tapestry, expected in 2022.



In Focus: UK Team in Brussels

The UK Permanent Representation to the European Union - "UKRep" - represents the UK interests in the EU. This means both supporting and delivering the negotiations on a successful exit and future relationship with the EU Member States and the EU Institutions; and on HMG priorities relating to ongoing business while we remain a member. The Permanent Representative and UKRep staff were particularly focused in 2017 on helping secure agreement from both the 27 EU Member States, Commission and the European Parliament on phase 1 of the Brexit negotiations.

The UKRep team worked with many Departments from across Whitehall as they negotiated the detail of phase 1 issues from June to December 2017. They used their extensive networks across the EU institutions and other Member States to inform and influence key stakeholders, to help secure support for a deal on citizens' rights, the financial settlement, and Northern Ireland. They worked with Whitehall teams on the Joint Report with the European Commission that demonstrated sufficient progress had been made in phase 1 of negotiations in order to move on to phase 2 and discussions on the UK's future relationship with the EU.

In addition to policy input, UKRep teams provided the practical and logistical support to ensure teams of 100+ negotiators could operate seamlessly from Brussels during talks with the European Commission, and

facilitated an extensive programme of visits for Ministers and senior officials to Brussels and Strasbourg to support our wider engagement as HMG.

Our staff also continued to represent the UK in working groups and support Ministers in Councils to deliver for HMG on the full range of European business where the UK has an interest, ensuring the UK remains an engaged and influential member of the EU right up until March 2019.

Over the course of the year, we consistently reinforced our commitment to remaining in Europe, including through our leading role in European security and stability. Our Posts have promoted security cooperation with European partners, including supporting cross-Whitehall efforts on illegal migration. We have helped embed a "whole of route" approach – intervening at all stages of the migrant's journey – as EU policy for reducing illegal migration flows. This contributed to an estimated 50% fall in numbers crossing the Mediterranean in 2017 compared to 2016.

Both the Foreign Secretary and Minister for Europe participated in the UN-convened Conference on Cyprus in Switzerland in the summer of 2017. Though the Conference ended without agreement, it made important progress towards addressing the outstanding issues. The UK continues to support all efforts towards a just and lasting Cyprus settlement. The FCO has maintained regular, targeted engagement with the Cypriot communities, Turkey and Greece to encourage them to work towards a resumption of talks.

During 2017-18 we also strengthened our relationship with Turkey as a key NATO ally and strategic partner. We have continued to raise concerns over rule of law and human rights regularly at the highest levels, notably in support of the release from pre-trial detention of members of the "Istanbul 10". BAE systems and Turkish Aerospace Industries commenced joint work on the TFX fighter jet programme, worth an initial £130m with the potential for further billion-pound contracts.

We continued to play an active role in promoting prosperity, stability and security in the Western Balkans, including through increasing our programme funding to £27 million. We worked with international partners to help end the political crisis in Macedonia, and through our diplomatic engagement, Montenegro became the 29th NATO ally in July 2017.

Forward Look

As we move towards exiting the EU, the FCO will continue to promote a deep and special partnership with the EU in security and economic areas so as to underpin the prosperity, security and global influence of the UK and the UK within Europe. We will strengthen bilateral and regional ties with European partners, whether governmental, local or people to people.

The FCO will continue working hand in hand with DExEU to pursue UK negotiating objectives for Exit, using our network of Posts to lobby and influence. We will prepare for a future outside the EU on FCO-led issues such as our future foreign policy relationship with the EU, providing consular services in EU and EFTA countries, the Kimberley Process and FCO-led Third Country Agreements. We will continue to ensure that negotiations reflect the priorities of the Overseas Territories, including Gibraltar.

The FCO will also continue to advance British interests on foreign, security and defence policy with the EU and other European partners.



In Focus: Post-Exit Preparation: Sanctions and Anti-Money Laundering Act

The UK's exit from the EU will have wide reaching impact. An important area of our work last year focused on ensuring a smooth transition, including protecting our international obligations to implement UN sanctions and enabling the UK to impose sanctions autonomously post-exit.

The FCO identified a gap in domestic legislation, as our current legal powers to implement sanctions flowed mainly from the European Communities Act 1972, which would be repealed by the European Union (Withdrawal) Act after March 2019. The FCO published a White Paper on the UK's future legal framework for imposing and implementing sanctions in April 2017 and launched a nine-week period of public consultation.

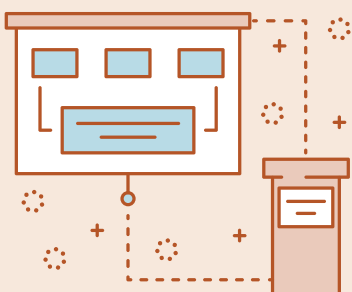
We engaged key stakeholders across various sectors including financial and legal, charities and NGOs, regulators, exporters and importers. Officials engaged international partners and colleagues across government to ensure new legislation would meet all requirements of effective sanctions implementation.

In June 2017 the Queen's Speech confirmed the Government would introduce a sanctions bill, and the Sanctions and Anti-Money Laundering Bill was introduced to Parliament in

October 2017. The legislation passed through the House of Lords in January 2018 and the House of Commons in May 2018. It received Royal Assent in May 2018.

As a result of the legislation, and once the Act is commenced, the UK will have the domestic powers necessary to be able to impose, amend and lift sanctions regimes after we leave the EU, thus meeting our international obligations and maintaining our position as a global leader on international sanctions.

During the Bill's passage, the Government committed to promoting and strengthening universal human rights and holding to account states and individuals responsible for the most serious violations. As a result of close and constructive work with Members from across the political parties, the Act gives the power to sanction individuals and entities who commit gross human rights violations.



100+ negotiators operated from Brussels with the support of the team at UKRep

Priority Outcome 6: Economic Diplomacy (Partially Achieved)

Work around the world to strengthen our prosperity

Showcase global leadership of free trade. Develop and deliver the UK's trade policy. Increase UK influence in the WTO. Deepen dialogues with future FTA partners. Achieve, with DIT, UK government targets to support UK companies to export and to bring in FDI. Promote economic development, sustainable growth and better business environments in key markets by utilising overseas posts and programme funds.

Overview

The FCO is a key Department in helping to establish the UK's independent international trade policy as we exit the EU, as set out in the Government's White Paper of October 2017 "Preparing for our Future UK Trade Policy". Throughout 2017-18 we worked in close coordination with the Department for International Trade (DIT), in London and across the globe, to leverage the UK's economic diplomacy and showcase our global leadership on free trade.

As we move towards the UK's departure from the EU, the FCO will continue to use all our tools to promote the UK's prosperity and our economic interests overseas. To ensure economic diplomacy remains a central element of our work, the Trade Faculty of our Diplomatic Academy trained over 650 staff from across 25 Whitehall Departments.

The FCO continues to lead ambitious global action to tackle climate change and drive prosperity through clean and sustainable growth.

Progress in 2017-18

Last year the FCO worked closely with DIT on preparations to establish the UK as an independent member of the World Trade Organisation (WTO) when we leave the EU. This will establish the UK's own tariff

and services schedule enabling the UK to negotiate new trade deals after our EU exit. Together we helped deliver a number of significant outcomes at the 11th WTO Ministerial Conference in Buenos Aires, December 2017, including on fisheries subsidies and ecommerce. In partnership with DIT, we also established a series of working groups and high-level dialogues with key trade partners, including the US, China, India and Japan, exploring how to further boost our trade and investment relationships.

With DIT, we fought against barriers to growth and trade, and continued to make the case for a liberal, rules-based global trading system, including through co-chairing the OECD's 2017 Ministerial Council Meeting to create a common position to support free trade and counter protectionism. The FCO network has also lobbied intensively to robustly defend the UK's interests in high profile trade disputes.

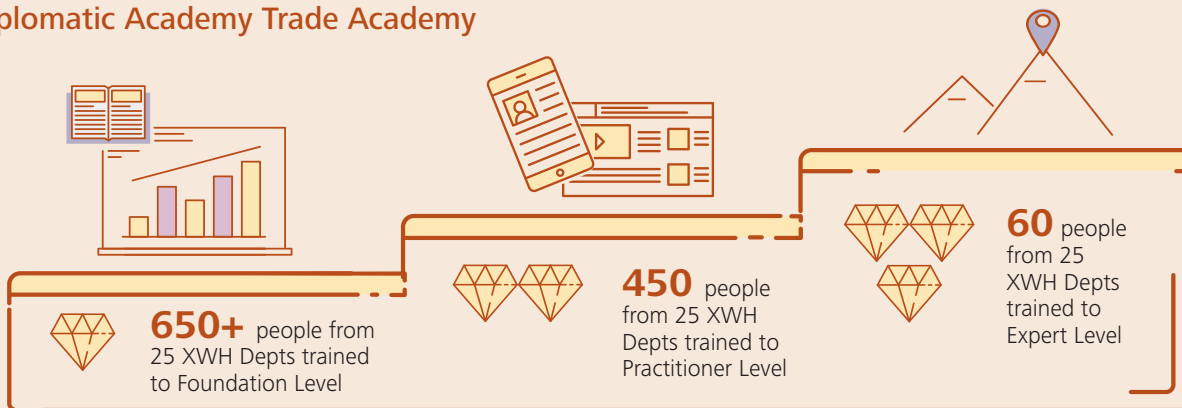
Shared prosperity is a key part of the UK Aid Strategy, and the FCO is delivering over £850m of programmes under the cross-Government Prosperity Fund, which aims to reduce poverty by promoting economic reform and sustainable development in ODA-eligible partner countries to support broad-based and inclusive growth. FCO-designed programmes are focused on areas

such as infrastructure, healthcare, and education. And are expected to deliver billions of pounds of economic benefits for both developing countries and the UK economy. Of 18 programmes being led by the FCO, 15 were in design phase and three had started delivery by the end of the financial year. Delivery of all programmes will conclude by March 2022. Last year alone we delivered £43m of programmes, including the launch of a Global Business Environment programme in October 2017 to help identify and tackle barriers to global growth by promoting a favourable business environment in middle-income countries. This programme will invest £30m over four years and work in partnership with the World Bank to support reform efforts, improving capacity in areas such as business regulation and practice, and greater market competition and transparency.

Working closely with DIT and DFID, the FCO tested new forms of cross-departmental collaboration on trade, aid, prosperity and diplomacy in fast-growing horizon markets so as to achieve greater commercial and development impact. In 2017-18 this resulted in:

- » identified viable commercial opportunities in East Africa's infrastructure development worth £6bn for which UK firms are qualified,

Diplomatic Academy Trade Academy



and shared these findings with Infrastructure Export: UK to take forward;

- » identified opportunities for the UK public and private sectors to engage in the development of Burma's nascent Capital Markets and Fintech sectors, in order to contribute to sustainable growth that can reduce poverty and support Burma's transition;
- » identified opportunities for the UK private sector in Ethiopia's manufacturing sector, and then matched these with UK businesses that may have an interest in them.

Our global network continued to deliver economic return for the UK through the GREAT Britain & Northern Ireland campaign, both enabling global activity led by other government agencies, and launching over 100 campaigns in more than 60 countries ourselves. We continued to work with partners across Whitehall last year, including DExEU, DIT, MOJ, Cabinet Office, DEFRA, British Council, Visit Britain and the Territorial Offices to facilitate and enhance their own GREAT messaging through the FCO global network.

Outputs from our campaigns have been strong, with examples of high quality and striking work in Thailand (rail), Mongolia (pollution masks and ice sculptures),

Slovenia (beer) and Italy (fashion). Economic return on investment (RoI) is measured in arrears, however we are confident of returning our 25:1 target from this activity. Our ROI from 2016-17 is currently being analysed and approved by external auditors and is expected to be on target for 25:1.

Next year, we will ringfence 40% of our GREAT campaign budget (£2m) to prioritise the cross-Whitehall 'GREAT Friends of Europe' campaign designed to help support the UK exit from the EU and amplify UK soft power to support exit negotiations.

Following the success of "Masala" bonds in 2016, the British High Commission in Delhi used a Prosperity Fund project and cross-government engagement to secure the launch of two further rupee-denominated bonds on the London Stock Exchange in May 2017, which together raised over \$776m.

In 2017-18 the FCO continued to press for clean and sustainable economic development that drives prosperity and tackles climate change and other environmental concerns. Despite the US announcement of its intention to pull out of the Paris Agreement, we worked to maintain international commitment to tackling climate change. We held successful Ministerial-led energy dialogues with China (December 2017) and India

(April 2017), which agreed areas of cooperation to support their transition to lower carbon energy, including sharing knowledge and expertise gained through the UK's low carbon energy transition. We worked with DfT to run a diplomatic campaign to encourage the International Maritime organisation to adopt an ambitious strategy to reduce greenhouse gas emissions from shipping. We also worked with BEIS to launch the UK-Canada Powering Past Coal Alliance of countries committed to phasing out unabated coal for energy generation – this is a priority because coal produces more greenhouse gases per unit of energy than any other fossil fuel.

Forward Look

In the coming year, the FCO will work with DIT around the world to deliver the UK government's strategic vision to support UK exports and inward and outward investment. We will strengthen the UK's prosperity by supporting clean and growth-friendly policies and trade openness in overseas markets, taking forward programmes which deliver reforms to support free trade and open new markets for British business. We will work to secure an ambitious Science and Innovation agreement as we leave the EU and develop new global science partnerships.



In Focus: Artificial Intelligence in Canada

Artificial Intelligence (AI) is an important element of the UK's industrial strategy. A 2016 report suggests that AI-based systems will have an impact on global markets of up to £3.1 trillion per year by 2025. The UK is a centre of international expertise in AI, and UK businesses are often pioneers in the sector.

In 2017 the UK's Science & Innovation Network (SIN) in Canada teamed up with Innovate UK, a non-departmental public body, to stimulate UK-Canada R&D connections, provoke investment and explore new commercial opportunities for British industry. The FCO and DIT teams in Montreal Consulate General reached out to influential scholars, businesses and government officials in the AI sector and arranged a series of events that enabled UK and Canadian firms to better understand each market and identify opportunities for collaboration and opening new markets.

As a direct result of the SIN's work, in January 2018 Canada's most successful AI start-up, Element AI, announced the opening of its first overseas office in the UK hiring 20 UK experts. DIT estimates that Element AI's investment in the UK is worth £1.75 million. Having grown in size from 7 staff in October 2016 to over 300 staff in early 2018, we expect Element AI to continue to grow in the UK.



In Focus: Tackling the Illegal Wildlife Trade in Mongolia and Laos

The Foreign Secretary has been outspoken in his determination to tackle the Illegal Wildlife Trade (IWT), and in October 2017 declared it “a serious organised crime and utter abomination which has no place in the twenty first century”. IWT is a lucrative transboundary crime worth up to £17 billion a year. Last year FCO staff in London and across the network delivered concrete outcomes to help towards our aim of ending IWT.

The UK will host the London Illegal Wildlife Trade Conference in October 2018, and the FCO will play a central role in ensuring its success.

Mongolia

Mongolia is home to a diverse and unique range of species, but poaching has led to a decline in numbers of around 70% of certain species, such as the Mongolian marmot and Saiga antelope. Having worked closely with the Mongolian Government to secure their attendance at the IWT Hanoi summit in 2016, the British Embassy in Ulaanbaatar stepped up their engagement in 2017-18 with outstanding results.

Embassy colleagues identified a lack of expertise among Mongolian customs and border officials that was severely limiting their ability to identify and seize

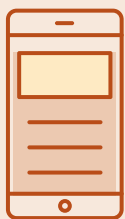
illegal items passing through Mongolia. They partnered with the Zoological Society of London (ZSL) and, with funding from the FCO’s Global Britain Fund, ZSL developed a mobile phone app specifically designed for Mongolian officials.

The app holds comprehensive information on all endangered species including images to help officials recognise individual body parts, as well as containing links to all relevant Mongolian legislation and CITES regulation that might be applicable in smuggling cases. The app is also linked to a centralised database – the first of its

kind in Mongolia, allowing all agencies to upload IWT data to the same system. The app was downloaded by 900 users within 30 days of its launch. The project ensured sustainability of the project by training over 100 frontline officers from Customs, Police and other enforcement agencies to manage and update the new database.

As a direct result of this project there was a step change in awareness among Mongolian enforcement agencies, as demonstrated by a significant increase in seizures of endangered grey wolf products, from 20 in the whole of 2017 to 128 seized in the first quarter of 2018.

Tackling the illegal wildlife trade in Mongolia



1 new app



900 downloads within month of launch



100 frontline officers trained



25 fold increase in seizure of illegal grey wolf products attributable to FCO-funded app, based on first quarter



Laos

Laos is both a transit zone and source country for IWT, with a particular problem of illegal ivory trading. Loss of momentum and failure of the Laotian authorities to progress on some areas led to a warning from the CITES Standing Committee 69 meeting in November 2017 that failure to implement their recommendations would result in a renewed “suspension of trade” by June 2018. Such an outcome would be damaging to Laos and run counter to the Foreign Secretary’s priorities, so the British Embassy engaged with other diplomatic missions, multilateral bodies, international NGOs and experts to help develop a far reaching, ambitious and focused strategy to deliver progress against key CITES objectives.

The Plan was accepted by the Lao Government in March 2018 and covered 4 priority areas:

- » Implementing a Prime Ministerial Order on wildlife management that will pave the way for a centralised crackdown on IWT and substantially reduce logging;
- » Agreeing a strategy to phase out tiger farms. A 2016 initiative by the British Embassy had resulted in the government pledge to shut down the farms, but resistance had stymied progress. The new strategy will include an independent audit of outstanding tiger farms and a carefully planned timeline for their closure
- » Ending the internal market in ivory and other wildlife parts through the enforcement of the National Ivory

Action Plan, training key Laotian enforcement agencies, and improved storage and audit facilities for confiscated items

- » Legislation to regulate the wildlife trade, including the establishment and development of an effective CITES Scientific Authority

Once delivered Laos will be compliant with CITES, will trade legally with a focussed and robust Management Authority and Scientific Authority, and can further develop its capacity to monitor and eradicate illegal cross-border trade with Cambodia, Thailand, Vietnam and China. The impact will highlight UK leadership on conservation issues by demonstrating our role in tackling the illegal wildlife trade, improving sustainable development and the rule of law in Laos and globally.

Global Britain's Soft Power



Scholarships

Our Chevening Scholarship has for 35 years offered a unique opportunity for the UK to build positive relations and with future leaders, influencers and decisions makers from all over the world. In September 2017 we welcomed 1,659 scholars to the UK from over 150 countries, with a budget of £57 million. We also stepped up our engagement with Chevening alumni, now approaching 48,000 alumni around the world, including Presidents, Prime Ministers and Business Leaders. We have hosted events with Alumni on topics ranging from girls education to conservation and climate change, and supported alumni groups to run mentoring, youth development and networking events around the world.

Our Marshall Scholarship, set up over 70 years ago in recognition of the Marshall Plan, supports the special relationship by bringing a diverse group of exceptional future leaders from the US to study in the UK. Last year we welcomed 40 Marshall scholars to study in the UK. Marshall alumni include Supreme Court Judge Neil Gorsuch and LinkedIn CEO Jeff Weiner.





Education programme with London Symphony Orchestra as part of UK/Korea season 2017

British Council

The British Council is the UK's international organisation for cultural relations and educational opportunities, strategically aligned with UK foreign policy objectives but operationally independent from government. FCO grant-in-aid has helped the British Council grow its people-to-people links on a yearly basis and in 2016-17 they engaged with over 65 million people directly and reached 731 million people overall including online, broadcasts and publications in over 100 countries and territories. In addition to the grant-in-aid, the British Council generates about 85% of its income through commercial and other sources, to support its strong, visible presence across the world. Surplus earned from this work is recycled to deliver more cultural relations work. The British Council supports UK soft power by building connections and trust between the people of the UK and other countries through its work in arts and culture, English language, education and civil society.

In the Republic of Korea last year the British Council supported artistic collaborations between artists and arts organisations from UK and Korea. It had

a strong focus on diversity, including for example a mini-festival of arts and disability to coincide with the 2018 PyeongChang Winter Paralympics, and an LGBT film festival in Seoul. Digital innovation was also highlighted through a project called 'Connected City'. One project involving Busan and Sheffield won an award in the PLAY category for the inaugural GREAT Innovation in Action Awards. A range of leading UK artists contributed to the programme including the Akram Khan company and Wayne McGregor's Random Dance. The season engaged an audience of 1.2 million directly and there was a media reach of 18.7 million. 820 UK and Korean artists and arts professionals and 134 UK and Korean arts organisations took part in the season and it is estimated that 57 new links have been formed between UK and Korean organisations and artists.

In 2017-2018 the British Council, in partnership with the UK's Department for Digital, Culture, Media and Sport, launched a sports and culture programme that delivered activities across Saudi Arabia in the areas of arts, education and society. Working with Youth Sport Trust International, in March 2018 it delivered a youth sports leadership programme in three cities in partnership with the

Ministry of Education. Nearly 300 young people took part in the programme and 60 female teachers and 58 male teachers were given bespoke training in youth sports leadership. This is the first time in Saudi Arabia that girls in state schools have had the opportunity to participate in sports.

BBC World Service

The BBC World Service provides accurate and independent news and analysis to some of the most remote places in the world, including countries where free speech is limited. The Government is investing £291m over 4 years (2016-2020) to support the BBC World Service through the World 2020 agreement, which will increase the supply of impartial news to an even greater number of people around the globe. The BBC World Service broadcasts news, documentaries and discussions in 42 languages, which includes the 12 new language services and other enhanced services which have been launched through the World 2020 Programme. The BBC World Service is editorially and operationally independent of Government. Decisions on the way services are delivered, and the content of programmes are a matter for the BBC.



Delivering for the whole of the United Kingdom

In 2017-18 the FCO continued to promote, protect and project the interests of the whole of the United Kingdom – including Northern Ireland, Scotland and Wales – by working closely with the Devolved Administrations and partners in all three Devolved Nations, to ensure their international interests are represented, delivered and advanced.

Both in the UK and overseas, FCO staff worked with colleagues from across Government to deliver prosperity, security, and people-to-people relationships that will benefit all parts of the UK. This work is all the more important as we seek to project our vision of a thriving and progressive Global Britain as the United Kingdom leaves the EU.

During the year, our network assisted over 50 overseas visits by ministers from the Devolved Administrations in support of their international interests, whilst ensuring the United Kingdom continued

to project a single unified voice overseas. We also worked with the Scottish Government and Welsh Government, assisting them to establish new hubs in France, Germany, and Canada, mostly dealing with trade and investment.

Working through the GREAT Britain and Northern Ireland campaign last year we increased partnership with local stakeholders, such as Edinburgh Festivals, and worked with the Scotch Whisky Association to celebrate the FCO's successful work on lowering barriers to trade, for example on whisky in Colombia.

In March 2018 as part of Wales Week events, the FCO and DIT hosted a Celebrating Welsh Trade Reception that brought together Welsh businesses and international investors.

Our network of 270 diplomatic posts have raised the profile of Northern Ireland, Scotland and Wales, maximising impact around their national days and other events, such as, Burns' Night, the Royal Highland Show, and World Fringe Day, to promote and celebrate the very best of what the different parts of the United Kingdom have to offer, from culture,



NATO Secretary-General visits HM Naval Base Clyde, Faslane in September 2017.



education and food & drink, to advanced manufacturing and expertise in climate and energy.

The FCO worked with the Ministry of Defence and the Scotland Office to help deliver a visit by the NATO Secretary-General and North Atlantic Council to HM Naval Base Clyde, Faslane in September 2017. This emphasised Scotland's role in keeping the UK and our NATO allies safe and showcased the contribution that the defence nuclear enterprise makes to jobs and skills in Scotland, with jobs increasing from 6,800 to 8,500 by 2030, as Faslane becomes home to the entire UK submarine fleet.

Last year the FCO's Consular Directorate strengthened coordination and information-sharing with Devolved Administrations on high-profile cases involving residents of the devolved nations. This included high-level visits by the Consular Director to each of the Devolved Administrations to brief on UK consular services, our Global Response Centre, and crisis management. Devolved Administrations were also kept updated during recent crises arising as a result of Hurricane Irma and the collapse of Monarch airlines.

The FCO ensured that all parts of the UK featured in high-level international visits where possible, including Chinese Vice-Premier Liu Yandong's visit to

Edinburgh as part of the fifth UK-China High Level People to People Dialogue (P2P) in December 2017. We also delivered outreach visits to the Devolved Nations for future international leaders and opinion formers as part of the International Leaders Programme. Working closely with the Wales Office and the School of Journalism, Media and Cultural Studies our Strategic Communications Team arranged a UK-Arab Commentators Forum visit to Cardiff for the first time in October 2017.

Over the course of 2017-18 we increased engagement with Devolved Administrations on multilateral policy work, including: consulting Scottish Government officials in April 2017 on their learning and development needs in connection with UN treaty reporting cycles; providing workshops for staff from the Devolved Administrations on Overseas Security and Justice Assistance in July 2017; and collaborating with the Department for Work and Pensions on engaging effectively with all the nations of the UK to prepare for the UN Convention on the Rights of People with Disabilities examination, also in July 2017.

As part of the Government's strategy for the Overseas Territories to provide and promote safe and secure communities, the FCO ensured devolved interests are reflected in Government's Arctic

Policy and in engagement with Arctic States. We did this through regular engagement with Scottish Government policy leads on revising both the Arctic Policy Framework and the Arctic Councils Social Development Working Group, and by working closely with the Scottish Government on their First Minister's attendance at the Arctic Circle meeting in Iceland in November.

In our mission to ensure that our staff understand the constitutional structure of the UK and are able to confidently communicate that to international stakeholders, we partnered with the Open University to launch, on St Andrew's Day 2017, a new Devolution and Foreign Policy course as part of our Diplomatic Academy practitioner offer for all FCO staff. As part of their pre-posting preparation, over 50 future Heads of Mission-designate (Ambassadors, High Commissioners or Consul Generals) visited at least one of the Devolved Nations during the course of the year.

Going forward, and in particular with preparations to leave the EU, the FCO will continue to work closely with the Devolved Administrations to ensure the interests of the whole of the UK are represented fully as we deliver our vision of a truly Global Britain.

Engaging with Parliament in 2017-18

The FCO is committed to ensuring its obligations to Parliament are met in full. All staff are supported to develop their understanding of Parliament, its processes and its importance to the FCO through workshops, training and specific modules provided by the Diplomatic Academy.

The FCO respects the vital role of Parliament to scrutinise our work and engages fully through formal proceedings in both the House of Commons and the House of Lords, Select Committees, the work of individual MPs, and the extensive range of country-specific all-party parliamentary groups.

The financial year 2017-18 covered two Parliamentary sessions: April-May 2017 before the general election, and June 2017-March 2018. Between the start of the current Parliamentary session on 21 June 2017 and 31 March 2018 the FCO was the lead Department for 14 inquiries by Committees of both Houses. These

covered a range of topics including the UK and the Balkans, Kurdish aspirations and the interests of the UK, and Sanctions Policy after the UK leaves the EU.

In the course of these inquiries, FCO Ministers gave evidence 12 times, sometimes accompanied by officials. Officials gave evidence on a further five occasions.

The Foreign Secretary appeared twice before the Commons' Foreign Affairs Committee to discuss the work of the FCO.

Over the same period, the FCO supported Committees on over 30 overseas visits

including a Foreign Affairs Committee visit to Paris and the International Trade Committee visit to Canada.

The FCO also hosted Members of the Commons' Foreign Affairs Committee, who in December 2017 visited the FCO's Diplomatic Academy, Language Centre and Crisis Centre as well as meeting with the Permanent Under-Secretary and other senior officials.

The FCO maintains a parliamentary hotline for general inquiries from MPs and a consular hotline giving direct access to consular staff to discuss constituent cases.

Activity	Progress in 2017-18
Written Answers (Commons and Lords)	<ul style="list-style-type: none"> » 3,183 Parliamentary Questions (PQs) for written answer were tabled to the FCO between the start of the session on 21 June 2017 and 31 March 2018. 92% were answered to deadline. Of these: » 2,107 questions were in the Commons, of which 1,991 were answered to deadline (94.5%). » 1,076 questions were in the Lords, of which 926 were answered to deadline (86%).
Parliamentary Correspondence	<ul style="list-style-type: none"> » Received 6,420 pieces of correspondence (including emails) from MPs and peers between 1 January and 31 December 2017. 87% received a response within our 20 day deadline.
Performance in responding to correspondence from the public	<ul style="list-style-type: none"> » Received 2,194 pieces of hard copy correspondence from members of the public between 1 January and 31 December 2017. » Received 8,021 emails in total from MPs, peers and members of the public. » High profile letter writing campaigns covered issues such inter-country adoption in Ethiopia and the blue belt, as well as the consular cases of Andargachew Tsege, the Chennai Six, and Nazanin Zaghari-Ratcliffe.
Parliamentary Scrutiny requirements for EU Documents	<ul style="list-style-type: none"> » Explanatory Memorandums (EMs) on 191 EU documents and proposals were submitted to Parliament for scrutiny between 1 January and 31 December 2017. » 102 resulted in overriding scrutiny of one or both of the Scrutiny Committees, over 90% of which concerned sanctions and restrictive measures. This is reflective of an increase in the number of sanctions related items being discussed at EU level. » Since the EU referendum, responsibility for broader oversight of scrutiny issues has rested with DExEU.

The Parliamentary Ombudsman

The Parliamentary Ombudsman's role is to investigate complaints that central government departments and/or agencies have acted improperly, unfairly or have provided a poor service.

In 2016-17 (the most recent year for which statistics are available) a total of 28 enquiries were received by the Ombudsman concerning the FCO. Eight of these were assessed and three accepted for investigation. Of these, two complaints were partly upheld, one was not upheld and two were discontinued (complaints accepted for investigation in previous years may be carried over to subsequent years).

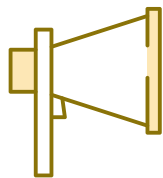
In 2017, the FCO initiated a further review of its complaints process linking it to our customer satisfaction surveys, thematic analysis and lessons learned as drawn from the network. We used this review to further strengthen our performance in dealing with complaints including through an improved two stage process which involves closer collaboration with all involved in the complaint handling. Ongoing analysis will allow us to identify any trends that emerge and act to address those. We are confident that our robust approach will further strengthen our performance whilst adhering to the Ombudsman's guide to government organisations on good complaints handling.

Key Parliamentary Activity in 2017-18

Legislation

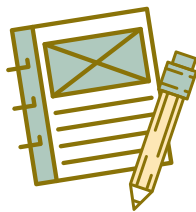
The Sanctions and Anti Money Laundering Bill was introduced in the House of Lords on 18 October 2017. The Bill enables the UK to continue to implement United Nations (UN) sanctions regimes; to use sanctions to meet national security and foreign policy objectives; and to ensure anti-money laundering and counter-terrorist financing measures are kept up-to-date after the UK leaves the EU. It completed all its stages and received Royal assent on 23 May 2018.

Key Parliamentary Activity in 2017-18



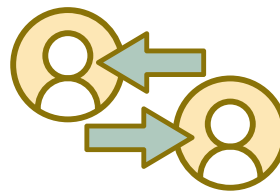
Oral Statements

Eight oral statements in the House of Commons, covering issues including the hurricanes in the UK Overseas Territories, North Korea, Syria, Burma and Yemen.



Written Ministerial Statements

53 Written Ministerial Statements on issues including the Hong Kong Sino-British Joint Declaration, the National Action plan on Women, Peace and Security, and the use of Chemical Weapons in Syria.



Debates

FCO Ministers led or responded to 35 debates in the House of Commons and 41 oral questions and 14 debates in the House of Lords.



Urgent Questions & Private Notice Questions

16 Urgent Questions and 4 Private Notice Questions allowed, covering a range of issues including the situation in Burma, the conflict in Syria, UK policy towards Russia, and the UK's relationship with Saudi Arabia.

Openness and Transparency

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

During the past year FCO has consistently released data in line with the cross government commitments and the UK's Open Government National Action Plan. Key milestones have included releasing

details of all our Official Development Assistance (ODA) funded projects and participation in the International Aid Transparency Index.

As part of our membership and support for the Open Government Partnership we have run projects in over 15 countries during the year. These have included supporting projects in Moldova, El Salvador, Brazil, Colombia, Serbia, South Africa, Tanzania, Nigeria and The Philippines as part of International Open Data Day to promote the use of open data and advocate civic participation and

government accountability as well as hosting visits from Uzbekistan, Bulgaria, India, the Seyelles and Saudi Arabia. In addition we have sent delegates to support events to promote international collaboration in this area in The Netherlands, Bratislava and Sweden.

Freedom of Information

FCO's freedom of Information statistics are published on a quarterly basis and are part of the wider government FOI statistics.

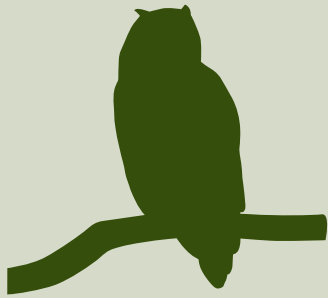
FCO in the year ahead

Local Knowledge, National Interest, Global Reach

To protect our country, our people and our interests; to project our influence and values; and to promote our prosperity overseas.

The FCO and our global diplomatic network advance British interests and act for the people of the UK around the world, supporting all UK Government activity overseas.

The Foreign and Commonwealth Office has a Single Departmental Plan (SDP) that sets out our objectives and how we will achieve them. It was refreshed for 2018-19 following wide consultation. At the centre of the SDP are eight priority outcomes, which fall under three strategic objectives: to protect our people, to project our global influence and to promote our prosperity.



Expertise

- > Strategy and policy leadership and delivery.
- > International negotiations.
- > Strategic communications on international priorities for HM Government.
- > Innovative programme delivery.
- > Deep country and regional expertise.
- > Professional Expertise: negotiating, influencing, crisis management, consular assistance, engagement.
- > Language skills.



Agility

- > Introducing and exploiting new technology, working smarter.
- > Corporate Capability Programme improving support services, freeing up time for front-line diplomacy.
- > Agile workforce and resource use, meeting needs of EU Exit and Global Britain.
- > Developing our Diplomatic Academy to keep our diplomatic skills and tradecraft best in class.



Platform

- > Investing in and improving the overseas estate.
- > FCO provides a home for 'One HMG' - delivering all government activity overseas, supporting 30 departments and the Devolved Administrations, through our diplomatic network of Embassies, High Commissions, Consulates and offices.
- > We operate globally, 24/7: UK HQ, 274 overseas Posts, 169 countries and territories, 9 international organisations, over 12,000 staff.

Protect our people

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

Project our global influence

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

Promote our prosperity

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

Our Department's Priority Outcomes. In 2018/19 we will succeed by

PO1 Security Threats

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

PO2 Consular and Crisis Response

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

PO3 Euro-Atlantic Security

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

PO4 Conflict and Stability

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

PO5 Promoting UK Interests and Values

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

PO6 Europe

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

PO7 Economic Diplomacy

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

PO8 Overseas Territories

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

Investing in Our People

We are committed to the Wellbeing, Health and Safety of our staff, both in the UK and across our global network. We seek to recruit from the widest possible pool of talent while promoting diversity of thought, skills and background. We continue to invest in the development of our staff, building expertise and agility through Diplomacy 20:20.

Investing in our people is an integral part of our Workforce Strategy 2020. We aim to:

- » Attract and recruit high-quality people to work for us
- » Retain and reward staff by recognising their contribution to the delivery of our priorities
- » Promote and enable excellent leadership
- » Ensure that our organisation is adaptable, flexible, responsive and innovative
- » Develop and support our staff to fulfil their potential and achieve their career aspirations
- » Keep the people we need and be honest with those we do not

The FCO Management Board reviews progress in achieving the Strategy and agrees key priorities annually. The priorities agreed in December 2017 for 2018 are: Workforce Planning; Leadership; and Wellbeing.

Diversity and Inclusion

For the FCO to be the best it can be, it needs the skills of a truly diverse workforce. It must make the most of its talent and ensure that every member of staff achieves their full potential.

The FCO's Management Board is committed to ensuring that everyone plays a role in embedding Diversity and Inclusion in every part of the FCO's work. This is essential if we are to deliver the best foreign policy and diplomacy in a diverse and changing world.

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

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

The Strategy sets out why diversity matters and how we plan to reach our ambition of an inclusive Foreign and Commonwealth Office where all staff are valued and contribute to the best of their abilities. We believe that we will be a stronger organisation when our workforce better reflects the diversity of the country we represent.

In Focus: Outreach

The overall aim of our student outreach continues to be to increase the number of successful applicants to the Diplomatic Fast Stream from Black, Asian and Minority Ethnic and Low Socio-Economic backgrounds and improve recruitment from all areas of the UK.

We seek to engage individuals who might not otherwise consider, or who could even self-select out of, an FCO career.

FCO Outreach began in 2013 in the form of a University Roadshow, and it has had an impact. Students who once attended FCO Outreach events are colleagues today, and 92% of those who attended our University Roadshow this year had a better perception of the FCO as a result.

We have increasingly worked with Universities who have a strong record in Widening Participation so that we target our efforts effectively.

Running from February through to March 2018, the FCO University Roadshow took us across the UK for a series of events that aimed to engage students from diverse backgrounds on the work of the FCO, and inspire them to consider an FCO career. Over the course of this period, we met with around 1,300 students at 14 events:

This year we piloted Schools Outreach, including ad hoc events in the Foreign and Commonwealth Office for Sixth Form students from diverse backgrounds and new relationships with organisations to engage with students.

Recruitment

The FCO at a glance

The FCO seeks to recruit talented British nationals from all backgrounds and from across the UK.

We want the modern FCO to reflect the best of 21st century Britain and seek to develop a diverse talent pipeline consisting of individuals with the skills and experiences required by the FCO now and in the future.

We ensure that recruitment processes are fair, objective and impartial, and in line with wider Civil Service practices

Progress in 2017-18

Fast Stream and other specialist recruitment

In 2017-18, the FCO recruited 31 specialists across the grades and 52 Fast Stream policy entrants (via the Diplomatic Service scheme and Diplomatic Service Economist scheme). Our 2017-18 Fast Stream recruitment was:

- » 59% female
- » 24% BME
- » 12% disabled

The FCO also recruited 9 executive officers through the Direct Appointment Scheme. These individuals applied for the

2017 Fast Stream but narrowly missed the minimum entry standard. They were deemed suitable for Executive Officer roles and recruited on that basis.

Internships

Our work experience schemes encourage undergraduates and graduates from all backgrounds to experience life at the heart of the UK Government, and consider the FCO as a future employer. In 2017-18, we gave 69 internships. 44 people undertook placements of up to nine months (Graduate Interns), with a further 25 through the Summer Diversity Internship programme (up to nine weeks). The Summer Diversity intern programme is directed towards individuals from under-represented groups, and is managed centrally by Civil Service Resourcing. The FCO's Graduate Internship programme is open to graduates from all backgrounds. In 2017-18 our interns were:

- » 52% female
- » 38% BME
- » 10% disabled

Apprenticeships

The FCO is committed to developing our Apprenticeship programme. Though we do not have our own apprenticeship target, we have a combined target with our Executive Agencies, FCO Services

and Wilton Park, which is 2.3% of our combined workforces in England, and in line with Civil Service targets for public departments. In 2017-18, the FCO contributed 21 apprentices to the combined target. Delays in recruitment processes prevented us from recruiting more.

We recruited apprentices via external recruitment, and the Civil Service Fast Track and Government Communication Service schemes. This was made up of 2 Business Administration apprentices; 2 Communications apprentices; 1 Finance; and 1 Commercial Procurement apprentice.

We also recruited 15 Customer Service Practitioner apprentices for the FCO's Corporate Services Centre. To build capability across the Department, and contribute to the Government's goal of three million apprenticeships by 2020, the FCO will continue to recruit further Business Administration and professional apprentices in 2018-19.

Our 2017-18 apprenticeship recruitment was:

- » 57% female
- » 19% BAME
- » 5% disabled



In Focus: Kyle Parks, Graduate Intern

"The Foreign Office University Recruitment Roadshow encouraged me to apply for the Graduate Internship. I wanted a job with a strong public service element, so working on the UK's international relations at this critical time in history gave that - and more!

The Internship was perfect for seeing if the FCO and I were a good fit before I fully committed to a career in diplomacy, and I'm delighted to have been offered a place on the Diplomatic Fast Stream, which I'll take up in November.

My first day in the role was shortly after Hurricanes Maria and Irma had wreaked havoc in the Caribbean, and it was all hands to the pump in the Crisis Centre - even me. Since then, among other great things, I've worked at the Commonwealth Summit in London, worked for the Permanent Secretary, travelled to Brussels and covered as a Desk Officer in South East Asia. Ordinarily I split my workweek between the FCO's EU Exit Unit and the Consular Strategy Department, where we work on continually improving our services for British Nationals overseas.

There's plenty to get involved in around my work too. I'm a member of the FCO's LGBT association (FLAGG) and am the 'Tech Ninja' for my Director (helping her get the most from our new IT). I've learned a lot on the Graduate Internship, on the job, and through the Diplomatic Academy - including German lessons. I'm excited for the opportunities and challenges to come as a Diplomatic Fast Streamer!"

Exceptions to Fair and Open Competition 2017-18

Some exceptions to the Civil Service Recruitment Principles are allowed. They are listed below, along with the number of appointments of each type made in 2017-18. These figures include only new contracts granted, or extensions which required the permission of the Civil Service Commission:

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	3
Extended Ministerial Offices	0
Re-appointment of former civil servants	2
Interchange with Northern Ireland Civil Service	0
Transfer of staff from other public bodies	0
Transfer of organisations into the Civil Service	0
Transfer of individuals into the Civil Service	0
Conversion to permanency: administrative & industrial grades	0

Health, Safety and Wellbeing of our staff

It has been a challenging yet productive year. We have carefully responded to Health, Safety and Wellbeing (HSW) incidents, such as Grenfell fire's wider impact on the FCO's estate, as well as continuing to reform our strategic approach.

The product of significant policy work in recent years, the Board agreed for a new cadre of senior officers to lead FCO's core eight organisational HSW risks as Senior Responsible Officers (SROs). These SROs will support Heads of Mission who for some time have led HSW locally. SROs will be well placed to engage staff and partners across Government.

This move has been well received. It has secured HSW's place as an important component of the organisation's business strategy, global presence and activities.

Property standards are a core risk. The new Property Compliance Audit (PCA) programme is designed to ensure centrally-allocated resources are directed to areas of greatest need – with safety often being the primary driver.

The programme is now in its second year out of a three year programme.

An additional £40m of funding has been secured to eliminate the global backlog of maintenance. 2018/19 will be the first year of delivery out of four.

Management of the 'Construction, Design and Management' regulations is now being role modelled by an SRO from Estates and Security Directorate whose role will involve issues such as demolition, refurbishment, extensions, conversions, repairs and maintenance.

In the wake of the Grenfell fire, we reassessed 5,565 properties for fire safety across our global and UK estate. Of these 98 properties required enhancements

to their fire safety controls to enable continued safe use. We are now developing permanent solutions.

We are also on track to complete a three-year £6.7m project to replace the fire safety systems of our King Charles Street office.

In Jakarta, colleagues at Post worked with teams in London to respond to an upper respiratory illness which affected a number of staff and families.

On road transport our SRO' transport team added further pre-trip safety checks and new driving practices. To improve informed choice for civil servants and staff seeking to apply for postings overseas we have more clearly described local road transport risks in Post reports and arrival briefings.

On Wellbeing, one of our newest priorities, we partner with Civil Service Employee Policy (CSEP) who have published the civil service's wellbeing framework.

As a result we appointed a senior officer as SRO to establish a wellbeing administration with Director Consular Services supporting as wellbeing champion. We started wellbeing training for senior officers and Mental Health first aider training for all staff. We also launched the FCO's internal wellbeing strategy and achieved a mental health silver benchmark from the charity Mind. We launched a guidance note for managers on visible and non-visible disabilities.

In Focus: King's College London K+ Scheme

The King's College London K+ Scheme is a Widening Participation programme for Sixth Form students studying at a non-selective state school in Greater London. In order to be eligible for the scheme, students must have parents who haven't previously attended university, and must meet academic requirements.

K+ is a two-year programme of events, activities and academic workshops created to help support your university application and provide the skills you need to reach your potential as an undergraduate student. Students who successfully complete the programme are eligible for the K+ variable offer to study at King's worth up to two A-level

grades lower than the standard offer

We hosted an employer Insight Day for around 40 students enrolled on the History and Politics Stream, which included a Careers Panel, Recruitment Talk, Careers Workshop run by KCL and tour of the Foreign & Commonwealth Office. We received a lot of questions

from students and the tour was especially popular. The integrated skills session added extra value. K+ is a great example of a High Touch Opportunity, and we hope that we will continue to work with them in the future. There is the potential to integrate the FCO further into the 2 year programme.



Sir Simon McDonald discusses Diplomacy 20:20 at the FCO Leadership Conference

2017 Staff Survey

The overall picture remains positive. This year, for eight of the nine themes, the FCO scored above the Civil Service Average (CSA).

Last year we achieved this in seven. Leadership and managing change was 12% above the CSA, and learning and development was 7% above. Pay and Benefits was now the only theme where we were not above the CSA. Our improvement by 3% now put us in line with the CSA, and not below it.

We continue to maintain a high Engagement Index score. At 70% our score was 9% ahead of the CSA and 6% above the CS High Performers.

There was no change in our bullying and harassment scores in the 2017 staff survey, which remained at 13% however, discrimination increased to 16% up 1% on 2016 score.

Building Expertise, Agility and a World Class Platform through Diplomacy 20:20

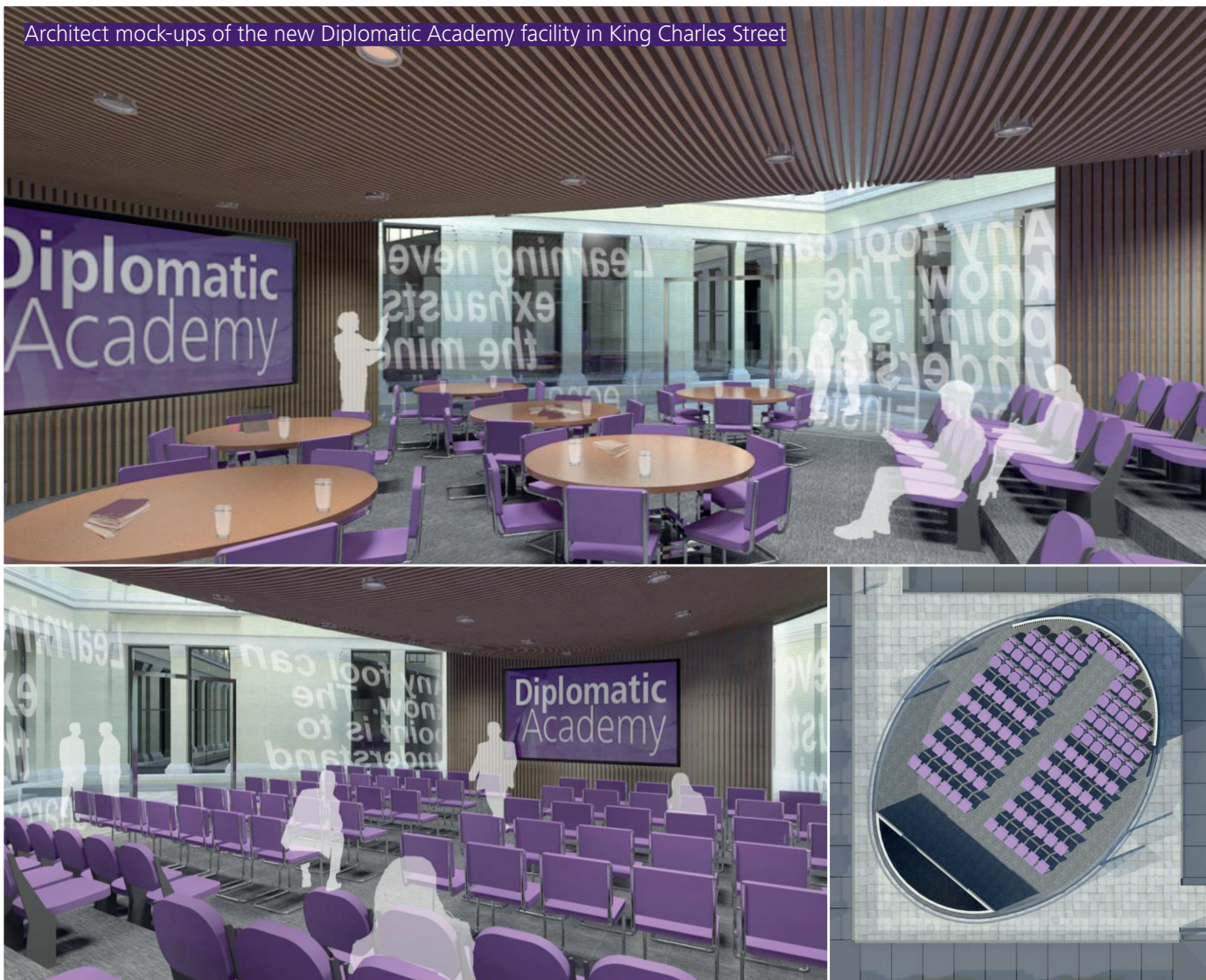
Diplomacy 20:20 is the FCO's transformational change programme to deliver a more expert and more agile organisation, supported by a world-class platform. The programme was launched in 2016 and will run until at least 2020. It is organised in three pillars – expertise, agility and platform.

Our Diplomacy 20:20 programme delivered significant organisational changes. On expertise, we created new central hubs to improve the way we handle parliamentary and briefing work, correspondence and Freedom of Information requests. We continued to encourage staff to gain external experience, including through ten new secondments to organisations outside government. We also continued to grow the learning and development offer for staff working on international issues across government through the Diplomatic Academy (see below).

We restructured policy directorates in

London as part of our work to ensure the wider size, structure and shape of the FCO and its network is best geared to meet our priority outcomes. We sought to offer staff greater flexibility in how they take up overseas postings, such as piloting a 'commuter posting' model in some overseas posts. We also introduced a Global Charter for Local Staff, recognising the crucial role played by our local staff and setting out what local staff can expect from the government as an employer, wherever they are located in the world.

Architect mock-ups of the new Diplomatic Academy facility in King Charles Street



The landmark sale of the British Embassy building in Bangkok in January 2018 was an important step in enabling us to deliver a world class platform. At over £420 million, it is the FCO's biggest ever sale and will allow us to move our staff in Bangkok into a new premises by 2019 and fund 30-40 estate modernisation projects around the world. We also continued to roll out upgraded technology across our diplomatic network to provide greater connectivity, functionality and flexibility.

Diplomatic Academy

The Diplomatic Academy is at the heart of the FCO's drive to give staff the skills they need to deliver our international objectives. To this end, the Academy now has twelve faculties, all of which have developed detailed curricula and frameworks defining the skills that officers should be developing.

The Academy is continuously working to improve and develop our Learning & Development offer. Examples of this last year include:

- » A refreshed Foundation Level curriculum to take account of changes including Brexit and add material on international development and migration. Foundation Level covers the core knowledge and skills relevant for everyone working on international issues on behalf of the UK. During the year, 64 staff obtained the Foundation Level City & Guilds accredited Diploma in UK Foreign Policy and Diplomacy, taking the overall number of passes to 77;
- » The launch of six online courses, developed with the Open University and a range of external providers (including several universities). The areas covered are international law,

human rights, conflict, the multilateral system and the international aspects of devolution in the UK. Successful completion of each course is rewarded with a digital "badge". These courses, hosted on the Open University platform and accessible on both internal IT systems and personal devices, bring Academy learning to the FCO's global workforce;

- » The launch of an International Negotiating Skills Programme, using a cohort-based approach, and aimed at staff with negotiating in an international context as part of their current or future role. 31 participants (including one third based at overseas Posts and one third from Partners Across Government) took part in the first iteration of this innovative blended programme, with "live" negotiations as case studies. Participants heard

directly from FCO practitioners, who shared their expertise in three full cohort meetings, and worked with mentors in six learning groups;

- » Skills attainment in foreign languages continues to improve. Currently 60% of officers in speaker roles at our overseas posts have a target level examination pass (up by 20% since 2015). Our Heads of Mission are doing even better, with 75% having a target level pass. To celebrate the importance of foreign languages skills and how officers use them operationally, we have recently launched for the first time a foreign languages impact award, named after two of the FCO's best linguists in recent times (Sir James Craig and Paul Bergne).

Languages

Language skills continue to be vitally important for the FCO. The ability to communicate with others in their own language is critical for us to deliver the Government's foreign policy priorities and enables diplomats to build privileged relationships and do business overseas. We maintain over 550 speaker slots around the world and train over 200 staff each year to reach the level required for their roles. We provided full time language training to 52 officers in Arabic, 24 in Mandarin and 46 in Russian. 80 Heads of Mission are fluent in the language of their host country. All full-time students preparing for a speaker slot overseas have access to high quality

language training sufficient to achieve UK objectives. This year we also provided part-time lessons to around 600 officers in the UK and over 100 overseas. The language training and examinations contracts were awarded for a three year period starting from April 2018. The aim is to drive quality up further and to make the offer more flexible taking more advantage of remote and online learning opportunities.

Overseas

The Foreign Secretary announced on 21 March 2018 that at least 250 new diplomatic roles will be created overseas and at least ten new missions opened in the next two years, as we invest in a major expansion of the UK's diplomatic service. In March 2018 the UK also opened a new diplomatic office in Chad's capital, N'Djamena, which is the first UK mission in the country. We will expand our presence in Commonwealth countries, opening posts in Lesotho, eSwatini (formerly Swaziland), The Bahamas, Antigua and Barbuda, Grenada, St Vincent and the Grenadines, Samoa, Tonga and Vanuatu in 2019. As part of the Government's Global Britain vision, this expansion of the UK's global footprint underscores the Government's international ambition and commitment to remain open and outward facing, strengthening relationships with old allies and forging new partnerships around the world as the UK leaves the EU.

The additional roles overseas build on

changes to the diplomatic service that we have already made to support the Government's preparations for leaving the EU. These have included rebalancing the overseas network immediately following the EU referendum to create an additional fifty roles in the European network and boosting staff numbers by 150 in London and overseas, to support Brexit work as a result of additional funding from HM Treasury of £14.5 million. The uplift of our overseas network will be funded through a further £15.1 million for EU Exit preparations in 2018-19 already announced by the Treasury at the 2018 Spring statement, and through a further £90 million additional funding agreed by HM Treasury to support the Government's Global Britain ambitions over the next two years.

The Year Ahead

In 2018-19 we will focus on delivering this uplift to ensure we are best equipped to deliver our national security objectives. We will also continue to build our learning and development offer; review our rules and policies to ensure that the FCO is able to better reflect the modern lifestyles of its staff; continue the rollout of new technology across the FCO network; and take forward work to transform the way we deliver corporate services, to help ensure that we are as efficient and effective as we can be.

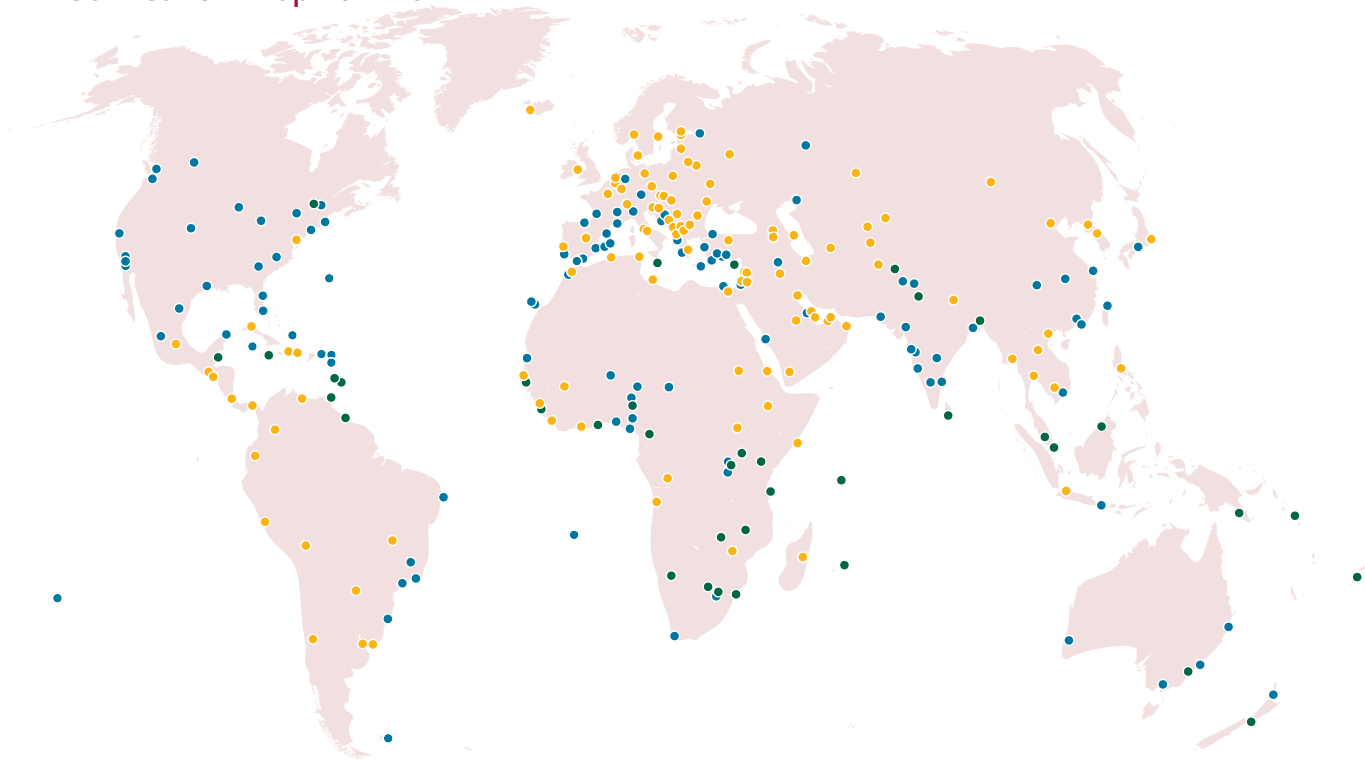
Our Global Network

Overseas Network

The Foreign & Commonwealth Office’s overseas network is essential for protecting our people, projecting our global influence and promoting our prosperity. Our Diplomacy 20:20 programme supports our plan for the FCO to be a more **expert** and more **agile** organisation, supported by a **world class platform**.

We continue to use our overseas estate to deliver for One HMG, providing a platform for 30 other Government Departments, and to co-locate with other countries and international organisations where appropriate.

Our network map 2017-18



Key: ● - Embassy ● - High Commission ● - Other Posts

One HMG Overseas and wider Estate

The FCO network has 274 Posts in 169 countries and territories, and 9 multilateral organisations. In 2017-18 we opened a British Embassy Office in N’Djamena (Chad).

The FCO’s overseas estate remains a unique and highly diverse public asset. We will retain and maintain our most iconic buildings but where possible aim for

buildings which are functional, sustainable and accessible. We continue to work towards smaller footprints and less floor space worldwide.

In January 2018, the completion of the sale of the current Bangkok Embassy compound in Thailand was the biggest land deal in Thai history and the Foreign and Commonwealth Office’s (FCO’s) biggest ever sale, raising at least £420 million. The funds released will allow us to work on 30

to 40 major long-planned Estates projects, and to continue to update and modernise our global estate in order to meet our aspiration to provide a world-class platform.

Our estate allows HMG to operate worldwide and provide the corporate services platform for 30 other Government departments. For example, in April 2017 we moved into a fully refurbished new Embassy in Budapest which accommodates our staff and One HMG partners. In August

2017 we opened a new High Commission building in Abuja. This consolidated hub brings together all of HMG operations in Abuja to one secure location. Other projects delivered last year include refurbishment of the Hague Embassy, new offices for Brussels NATO and completion of the 29th floor in UKMIS New York in time for the UN General Assembly (UNGA) in September 2017.

DfID residential estate overseas has now been fully consolidated onto the FCO platform, and work has begun to also consolidate the DfID offices.

By the end of 2017-18 we were co-located with 11 countries and the European External Action Service, NATO and the World Bank in 26 different locations. In addition to formal co-location arrangements, there are also a number of less formal and ad hoc sharing arrangements demonstrating the on-going range of cooperation with partners.

Projects due to be completed in 2018/19 include

- » New Diplomatic Academy Building in King Charles Street, London;
- » Conversion of Passport Office to Staff Residences in Washington;
- » New DfID office in Kathmandu.

Security of our Staff and Missions

The FCO provides physical, technical and personnel security for all government departments operating in our missions overseas as part of the One HMG platform. This includes a dedicated cadre of professional Overseas Security Managers across the network, and covers our security responsibilities towards both local staff and UK based staff and families. In 2017 the FCO provided security training for fragile environments to 1583 individuals and delivered mandatory/recommended security courses to 1626 individuals, from the FCO and other departments. In addition we provided bespoke fragile environment training at four Posts in response to changing threat levels.

Tech Overhaul

Tech Overhaul (TO) is an ambitious transformation programme to replace the FCO's IT and deliver a substantive change to the way staff work at home and

overseas. Putting users first, it supports the 'world-class platform' pillar of Diplomacy 20:20 and is approaching its final phase of delivery (in FY 2018/19). To support this move, our "Work Smarter" campaign is helping staff worldwide get the most out of our new technology. It focuses on mobility, collaboration and security; helping us maximise the benefits of our IT investment. The campaign was launched with 'Work where you need to', with laptops and smartphones giving staff much greater ability to choose the most convenient location to work from, as well as the choice to go paperless. As we move to Office 365 working on the Cloud, further support will be given to staff to work more collaboratively and make better use of the information available to them, as well as to maintain high standards of security.

2017-18 focused on:

- » Completing the roll-out of Wi-Fi to UK buildings and 50 overseas posts and upgrades to our main King Charles Street building, including the installation of Multifunctional devices (all-in-one printers, scanners, and photocopiers) and enhanced an Audio Visual capability in meeting rooms.
- » Completing the roll-out of improved network acceleration equipment to more than 220 Posts to help reduce network data traffic and free up much needed bandwidth.
- » Building on the successful roll-out of new Smartphones in 2016-17, a flagship project to deploy new Windows 10 devices (primarily laptops) to all staff across the UK and overseas network including One HMG partners on the FCO IT platform. By the end of March 2018, all major UK locations and 40% (90 posts) of the overseas network had been successfully deployed enabling far more flexibility and mobility for staff.

The Programme has engaged One HMG Partners to ensure we deliver improvements for all staff on the FCO's platform. Partners are able to access Wi-Fi in the UK and at overseas posts deployed to date; are benefiting from the higher numbers of laptops being deployed across the network; and are able to identify efficiencies to streamline their own IT operations overseas.

HMRC have been able to move users onto the FCO system; DIT are able to access their own email from FCO Smartphones; and from next FY, will be able to access a DIT virtual desktop on FCO laptops. DfID and FCO are also working up plans for a joint Office365 pilot with users across sites in a number of African Posts.

The final phase of the Programme, moving to the Cloud and the use of Microsoft Office 365 (O365) is well underway with extended pilots testing functionality before a full rollout next FY.

Looking Ahead

As announced in March 2018, the FCO will expand our overseas network with the creation of at least 250 new diplomatic roles overseas, as well as opening at least 10 new overseas sovereign missions in the coming two years. New Posts in Lesotho, eSwatini (formerly Swaziland), The Bahamas, Antigua and Barbuda, Grenada, St Vincent and the Grenadines, Samoa, Tonga and Vanuatu will expand our diplomatic presence, enhance our influence and help deliver our vision of a truly Global Britain.

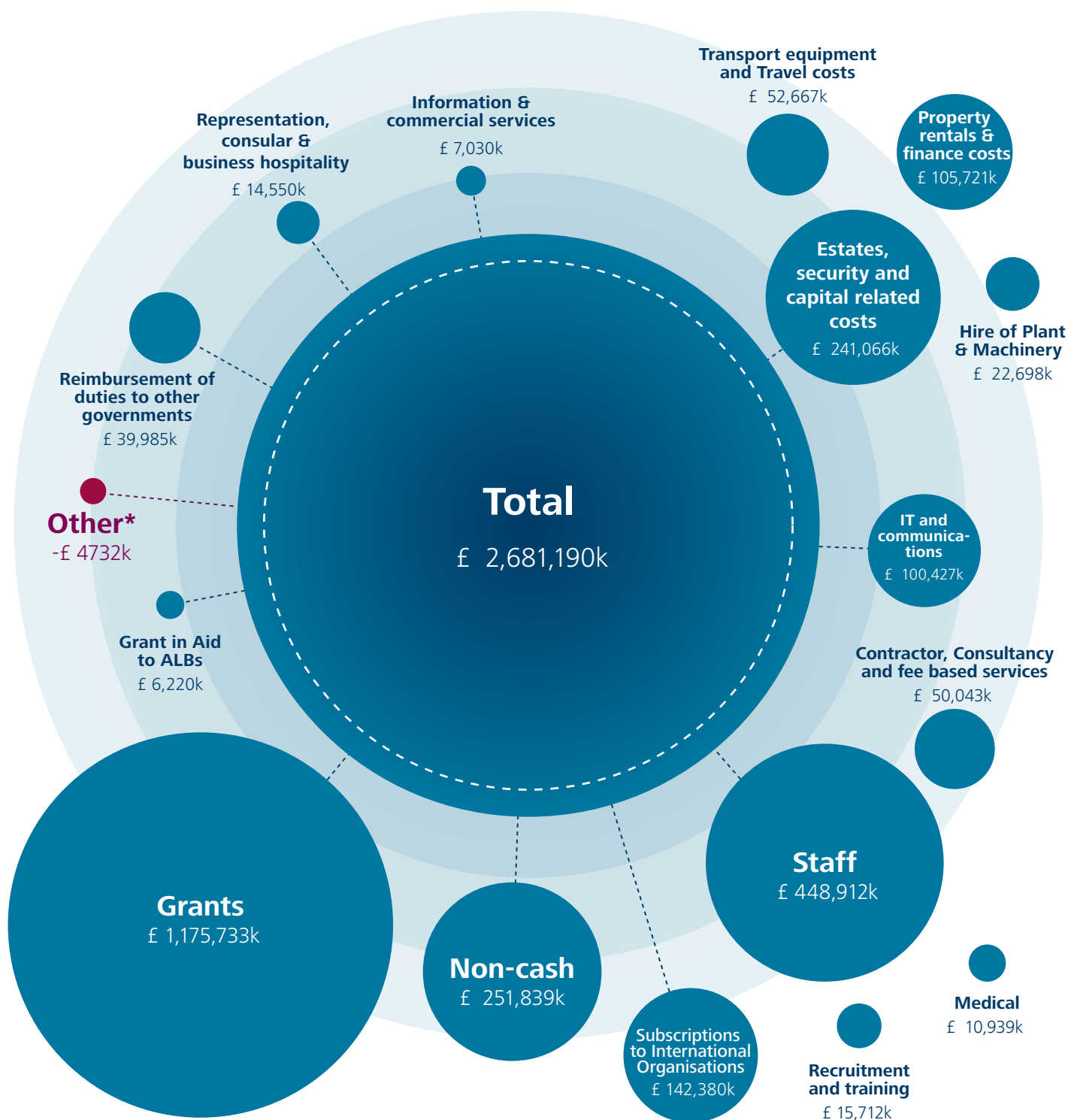
Simon McDonald

29 June 2018
Accounting Officer
Foreign and Commonwealth Office
King Charles Street
London
SW1A 2AH

Accountability Report

Spending flow

Breakdown of operating costs for Core Department and Agency



*includes both realised and unrealised gain on exchange

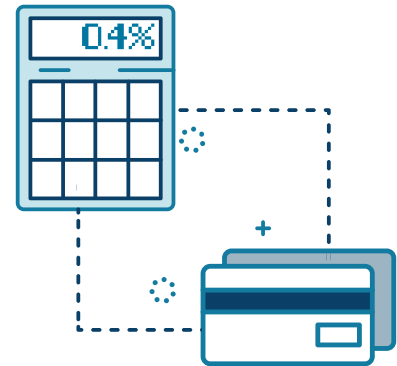
Finance facts for 2017-18



The online dashboards for Heads of Mission won a Government Finance award for Customer Service.

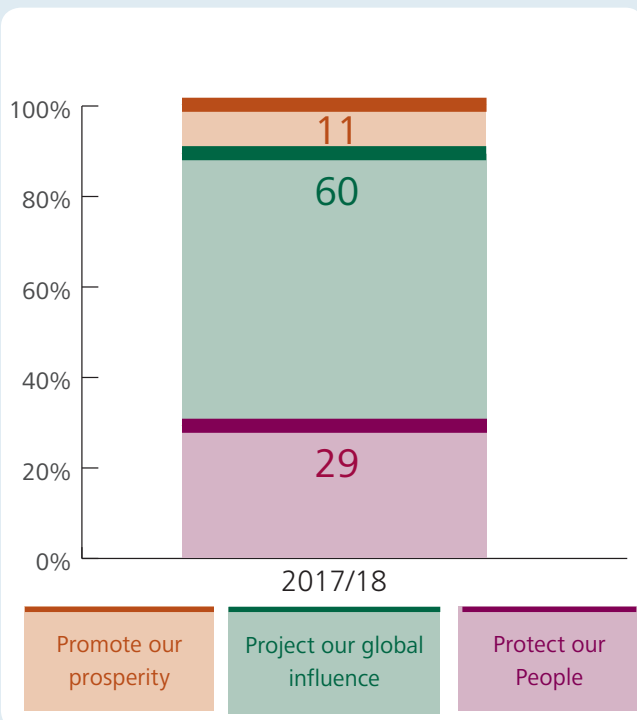


87% of FCO suppliers were paid within five working days.

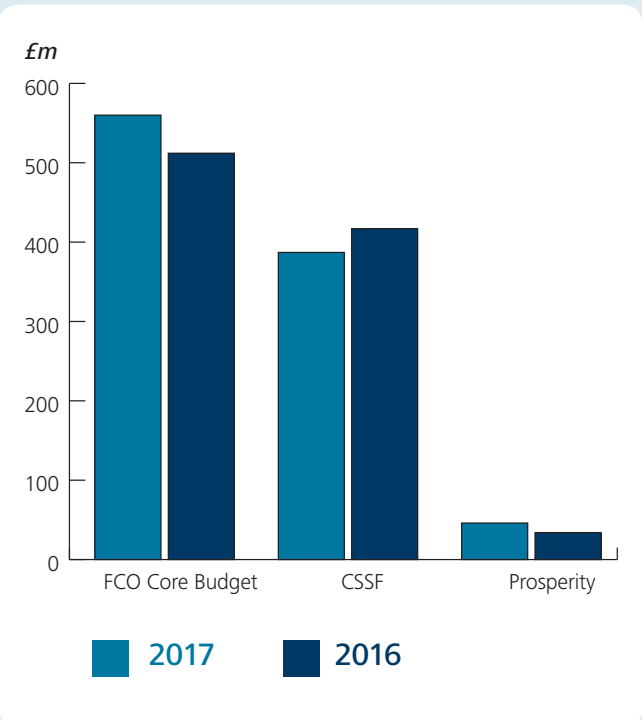


We achieved an underspend of **0.4%** (£9.7m), within HMT's target of 1%.

Percentage of FCO spending by objective



ODA spend



Corporate Governance Report

Senior Management: Ministers in 2017-18



Secretary of State for Foreign and Commonwealth Affairs: Rt Hon Boris Johnson MP

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



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

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



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

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



Minister of State: Rt Hon Alistair Burt MP Minister for the Middle East- Joint Minister with DFID

Minister of State: Rt Hon Alistair Burt MP Minister for the Middle East- Joint Minister with DFID



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

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



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

Responsible for Africa, Consular Policy and International Crime.

A full list of Minister that served in the FCO during 2017-18 can be found in the Remuneration report. A full list of Ministers Interests can be found on Gov.uk

Senior Management: Members of the FCO Management Board

A list of every serving member within the period 1 April 2017 and 31 March 2018 can be found in the Governance Statement.

Financial Review

We have managed within all of our Parliamentary and Treasury control totals. Our resource underspend of £9.7m constitutes 0.4% of a £2.2bn budget and is well within the 1% underspend target set by the Treasury. We are reporting a significant capital underspend due to the disposal of the Bangkok compound. Our underlying capital underspend was £3.2m.

Key developments during 2017-18 are shown below:

Improving senior financial management information: In 2017-18, the FCO introduced online dashboards for Heads of Mission, summarising key financial information in a single place. The objective was to provide core performance and compliance information to help monitor and support the resources managed at post. Teams in Finance Directorate won the Government Finance Function's Award for Customer Service and Delivery for this initiative.

Counter Fraud and Analysis : As the FCO increasingly uses credit and procurement cards for low value purchases to drive down transactional costs and to support more agile diplomacy, we have reinforced card guidance for officers and invested in dedicated analytical software to identify irregular activity and help minimise the risk of fraud. Using data mining techniques and algorithms (alongside existing analytics tools), the system is designed to spot sub-optimal procurement activity and identify misuse across the network. Although in its infancy, this approach will be embedded in financial reporting in future.

Banking Project: The FCO completed its Strategic Banking Project during 2017-18, providing centralised and fully automated payments direct to overseas suppliers' bank accounts. All seven global regions are now covered, covering 94% of suppliers across 106 countries. This has improved financial control and reduced administrative burdens on posts. We will continue to explore new technology and innovate.

Replacement ERP System: During the year, the FCO carried out preparatory work for the replacement of Prism, the FCO's Enterprise Resource Planning (ERP) system, which underpins our finance and HR. Moving to a new system will help modernise and streamline corporate services for FCO and our HMG partners, in a way that aligns with the Government's shared services strategy. The full business case was approved by the FCO Board in June 2018. Implementation is scheduled to start in the autumn.

EU Exit: In 2017-18, HM Treasury allocated £3.9m to the FCO through the Supplementary Estimate to fund additional diplomatic staff and embassies in Europe. Further funding has been made available for work on EU Exit preparations in 2018-19.

Bangkok Disposal: During 2017 the FCO completed a deal to sell the British Embassy compound in Thailand. This was the biggest land deal in Thai history and the FCO's biggest ever sale, raising £426 million for reinvestment in the FCO's estate. The funds released will allow us to begin work on 30 to 40 major long-planned estates projects, and enable us to continue to update and modernise our global estate.

The UK embassy in Bangkok will move to the AIA Sathorn Tower, which will provide a modern, dedicated base from which diplomats can work to promote UK interests in Thailand. We anticipate moving into the new offices in 2019. Until then we will lease back our existing embassy site to keep disruption to a minimum; this leaseback was included in the terms of the sale.

Departmental Expenditure Limit – Resource

Net total resource expended was £2,207.7m against an Estimate of £2,217.4m, resulting in an overall resource under-spend of £9.7m. The detailed figures are in the Statement of Parliamentary Supply (SoPS) Note 1.1 to the accounts. The SoPS note reports Administration costs of £176.5m against an Estimate of £183.6m.

SoPS Note 1.1 shows that Resource expenditure comprises of eight main headings, A to H. Explanations of all movements, overspends and under-spends greater than 10% or £0.5m are shown below:

Headings A and B: Administration and Programme and International Organisations Grants. Expenditure was £16.3m below estimate. The underspend was caused by a combination of forecast adjustments, unused contingencies, additional funding and income, and foreign exchange gain not covered by the Foreign Currency Mechanism.

Heading C: British Council. Expenditure was £5.5m above estimate. This additional expenditure was approved by the FCO.

Heading E and F: Conflict Prevention Programme Expenditure and Peacekeeping are non-discretionary elements of the FCO Resource DEL and collectively known as the Conflict, Stability and Security Fund (CSSF). The financial position was £1m above estimate. The additional expenditure was approved by the FCO.

Departmental Expenditure Limit – Capital

FCO's net expenditure was a negative £251.9m against a revised Capital DEL budget of £137.6m, an under-spend of £389.5m. The significant underspend is due to the disposal of Bangkok compound. The total receipt available to the FCO upon transfer to pound sterling was £426m; we have recognised £385m of proceeds in 17-18 and £41m has been deferred. The Treasury has agreed that the sale proceeds will be available for the FCO to draw down and reinvest in future years. The total Gross Capital expenditure (excluding Bangkok and other disposals) was £161.2m.

Statement of Financial Position

2016-17

Non-current assets		Other		
Property, plant and equipment and intangibles £ 2,768,249k		Taxpayers' equity and other reserves £ 2,666,610k		
		Current assets		Current liabilities
		Trade & other receivables £ 167,245k		Trade & other payables £ 362,781k
		£ 74,544k	£ 59,616k	
				NCLs
				£41,097k
				£31,030k
				£29,320k
Financial and other non-current assets £ 65,220k		Pension scheme assets £ 2,391k		Provisions £ 6,427k
		Inventories, cash and cash equivalents	Assets held for sale & current financial assets	Provisions £ 6,427k
				Other payables

2017-18

Non-current assets		Other		
Property, plant and equipment and intangibles £ 2,815,387k		Taxpayers' equity and other reserves £ 2,736,341k		
		Current assets		Current liabilities
		Inventories, cash and cash equivalents £ 257,368k		Trade & other payables £ 502,251k
		Trade & other receivables £ 247,933k		
				NCLs
				£ 43,663k
				£ 42,193k
				£ 28,417k
Financial and other non-current assets £ 35,223k		Pension scheme assets £ 2,276k		Current finance liabilities £ 10,744k
		Assets held for sale and current financial assets £ 12,107k		Provisions £ 6,684k
				Other payables £ 28,417k

Annually Managed Expenditure (AME)

Heading G: Annually Managed Expenditure (AME). This 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 £102.0m was £63m below Estimate. AME spend by its nature is volatile and demand led, and therefore difficult to forecast. In particular, it can be significantly affected by exchange rate movements on open forward contracts and revaluations or impairments of the FCO property portfolio. The most significant expenditure was an unrealised foreign exchange loss on peacekeeping contracts of £101.1m (Note 3). This consists of a reversal of gain from last year of £54.7m and a loss of £46.4m in the financial year.

Heading H: Annually Managed Expenditure (AME) Reimbursements. This is the cash element of our AME budget and mainly relates to reimbursements of certain duties and taxes on diplomatic missions and International Organisations hosted in the UK. The outturn was in line with the budget.

FCO Financial Performance Overview

Opposite is a visual outline of FCO Group's Financial Position as at 31 March 2018 (31 March 2017):

Official Development Assistance (ODA) Report

The following section focuses on ODA spend. The definition of ODA is set by the Organisation for Economic Co-operation and Development (OECD), Development Assistance Committee (DAC).

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

Provisional figures released as part of DfID's National Statistics publication show that in calendar year 2017 the FCO spent £560m of ODA from its core budget. In addition the FCO spent £387m of the cross-government CSSF Fund's total £557m ODA, and the majority of the cross-government Prosperity Fund's total £46m ODA (both allocated through a separate process led by the Cabinet Office).

FCO core budget

FCO ODA in calendar year 2017 included spend through the FCO's policy programmes and scholarships, international subscriptions to multilateral organisations, the British Council, the BBC World Service, and aid-related frontline diplomacy. Further details are set out below:

FCO policy programmes supported a wide range of UK foreign policy priorities in the majority of DAC-listed countries. Activity included small-scale interventions in support of more traditional diplomatic activity, and longer-term capacity building programmes. This work contributes to strengthening global peace, security, governance, and resilience, or promoting global

prosperity in support of the UK Aid Strategy. Further details are available online.

Significant policy programmes include:

- » **Human Rights, Democracy and the Rule of Law:** Evidence shows that countries where human rights are respected tend to be more prosperous, democratic and stable. We work to support this by tackling the root causes of human rights violations, strengthening institutions and governance, promoting and protecting human rights, and supporting democracy and the rule of law. The FCO's principal funding vehicle for human rights and democracy work is the Magna Carta Fund for Human Rights and Democracy.
- » **Strengthening the Rules-Based International System, Managing Conflict and Building Stability:** Our work focuses on strengthening global peace, security and governance to strengthen, adapt and extend the rules-based international order and institutions. This primarily benefits the citizens of developing countries who are often the first victims of conflict and instability.
- » **Women and Girls:** We work to promote global gender equality and tackle extreme poverty, conflict and instability by eliminating barriers. This includes ensuring that women and girls in developing countries have access to education; that they are empowered economically, politically and socially with a voice and choice; and that they are safe and secure from all forms of violence. Improving the lives of women and girls in developing countries advances those countries' development, helping lift all of their citizens out of poverty.

In 2017 our programmes achieved the following against the above FCO priorities:

- » We worked with the Indian garment sector to embed the UK Modern Slavery Act, promote workers' rights and tackle forced labour and sexual violence. 12,000 women in 11 factories have benefitted from this. British brands such as M&S, SuperDry and MotherCare collaborated with us on this project.
- » We provided technical advice to the Vietnamese Government, contributing to its more effective action on the Illegal Wildlife Trade, including an increase in seizures and a commitment to end bear farming by 2020.
- » We provided legal support for victims of sexual violence in the Democratic Republic of Congo through our partner, TRIAL International. We gave legal assistance to a total of 229 victims of sexual violence (including 42 minors). Our work with TRIAL helped secure landmark convictions, including justice for 37 young children in the Kavumu rapes case in December 2017.
- » We supported the creation of the Women's Taskforce in Sudan, a civil society organisation advocating for women's participation in national and regional peace-building processes. As well as domestic advocacy work, the Taskforce has also represented the views of Sudanese women internationally, including at the UN Human Rights Council and the Commission on the Status of Women.



Chevening Scholarships Programme: The programme offers a life changing opportunity to study in the UK to young people with talent and potential, a majority of whom come from developing countries. We build capacity through education and access to opportunity, the benefits of which are then amplified when the scholar returns to their home country. We have around 48,000 alumni around the world – leaders in their fields, opinion formers who are changing their countries for the better. They retain strong relationships with the institutions and people they met while in the UK. These relationships are important in spreading knowledge, understanding and good ideas and are beneficial to the Chevening alumni, their countries and the UK.

International Subscriptions to Multilateral Organisations: The FCO provides core contributions to ODA-eligible international organisations, including the United Nations, the Organisation for Security and Co-operation in Europe (OSCE) and the Office of the United Nations High Commissioner for Human Rights (UN OHCHR). The proportion of the contribution that we make to each institutions' core budget is set by the DAC.

British Council and BBC World Service: The FCO is also responsible for grants to the British Council and the BBC World Service to deliver ODA-eligible activities in DAC-listed countries.

Frontline Diplomatic Activity: The FCO reports the running costs it incurs in delivering development assistance as ODA. These are included as part of its Frontline Diplomatic Activity (FDA) costs, where these are not disclosed elsewhere.

The three main elements of the FCO's FDA are: staffing, estate maintenance costs, and other associated operational spend. Since the FCO provides the buildings, security and IT systems for all government departments delivering ODA in its diplomatic network, FDA also captures a proportion of these estates costs as ODA.

This treatment is compliant with the OECD Development Assistance Committee's (DAC) directives on ODA, which allow for the scoring of diplomatic staff time and administrative costs for officials delivering ODA.

Cross-government Prosperity Fund

In calendar year 2017 the FCO spent the majority of the cross-government Prosperity Fund's total £46m ODA. The FCO was the largest departmental spender of the Fund.

The Prosperity Fund aims to promote economic reform and sustainable development in ODA-eligible partner countries, supporting the broad-based and inclusive growth needed for poverty reduction. Most developing countries face considerable development challenges such as rapid urbanisation, high and persistent inequality and climate change. Access to world class expertise and private sector investment can help them transition successfully and become our trading partners of the future. Shared prosperity is a key part of the UK Aid Strategy.

Work in 2017 focused on developing Programmes that encourage growth, such as infrastructure, energy, finance and the business environment, laying the groundwork for multi-year programmes operating from 2017-18 onwards. Major programmes are being established across Asia, South America and Africa. Further information including illustrative examples can be found in the Prosperity Fund Annual Report for 2016-17.

Cross-government Conflict, Stability and Security Fund (CSSF)

In calendar year 2017 the FCO spent £387.4m of the cross-government CSSF total £556.5m allocated ODA. The FCO was the largest departmental spender of the Fund.

Conflict is one of the major challenges to development. When countries are more stable and secure, the lives of their people are improved, businesses are able to prosper, and poverty can be reduced. The CSSF supports activity in favour of peace-building, stabilisation and security overseas. It combines multi-year activity with short-term interventions and access to crisis reserves. By blending ODA and non-ODA funds, the CSSF delivers against HMG strategic objectives set out in the National Security Strategy and Strategic Defence and Security Review, and the UK Aid Strategy.

Among other achievements in 2017, the CSSF supported the peace process in Colombia, dismantled child trafficking rings in West Africa, and funded work supporting women's participation

in a range of countries, including Pakistan. Further illustrative case studies will be published in the CSSF annual report for 2017-18.

Non-Departmental Public Bodies (NDPBs)

The FCO has three NDPBs within its accounting boundary and one Executive Agency. The Executive Agency is Wilton Park. The three NDPBs are The Westminster Foundation for Democracy, Great Britain China Centre, and Marshall Aid Commemoration Commission.

Wilton Park

(www.wiltonpark.org.uk)

Wilton Park provides a global forum for strategic discussions. Wilton Park is governed by a Framework Document, which was updated in April 2017 and is reviewed every three years. The FCO Director of Communications is the Senior Departmental Officer for the FCO relationship, and sits on the Wilton Park Board, which aims to meet five times a year. Communications Directorate provide annual core funding to Wilton Park; other Directorates within the FCO may provide additional discretionary funding to support specific Wilton Park conferences. The Foreign Secretary appoints the Non-Executive Chair of the Wilton Park Board, for a period of five years (extendable) and the Permanent Under-Secretary appoints the Chief Executive for a fixed period of three years, with a possibility of extension under Civil Service appointment terms.

The Westminster Foundation for Democracy (WFD)

(www.wfd.org.uk)

The Westminster Foundation for Democracy (WFD) supports democratic practices in developing democracies. WFD is supported by both Grant-in-Aid from the FCO and via a grant from DFID. The relationship between the WFD and the FCO is governed by a 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, 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)

GBCC is an FCO-sponsored NDPB to which the FCO provides annual Grant-in-Aid. The Foreign Secretary signs off appointments of the Chair. China Department is the sponsoring team for FCO; the head of the FCO's China Department sits on the Board. GBCC's mission is to promote mutual trust and understanding between the UK and China by building long-term connections between decision-makers. GBCC also works to promote the rule of law, good governance and sustainable development. GBCC has one subsidiary that it consolidates (The UK China Forum).

Marshall Aid Commemoration Commission (MACC)

(www.marshallscholarship.org)

MACC was established under the 1953 Marshall Aid Commemoration Commission Act, awarding up to 40 postgraduate scholarships in the UK each year for students from the USA with the potential to excel in their chosen fields of study and future careers. The FCO provides MACC with Grant-in-Aid which is agreed as part of the overall annual allocation of FCO programme funding agreed by Ministers. The Head of the FCO Public Diplomacy Team within Communications Directorate represents the FCO at MACC Board meetings. The Foreign Secretary signs off the MACC annual report, and all appointments to the MACC Board, including the Chair.

Names of Public Sector Bodies outside the Boundary for which the Department has Lead

The FCO takes the lead for three public sector bodies which are outside the accounting boundary are:

British Council

The British Council is a charity, public corporation and NDPB governed by a Royal Charter which sets its Charitable Objects. It is the UK's international organisation for cultural relations and educational opportunities, building lasting relationships between the UK and other countries. The FCO provides the British Council with Grant-in-Aid, but the majority of the British Council's income and expenditure stems from its own earned income. The FCO's Director General Global Britain is a member of the British Council Board of Trustees. FCO Ministers and senior officials meet the British Council Chair and Chief Executive regularly. The British Council must seek the agreement of the FCO if it proposes opening or closing any of its representation overseas.

FCO Services (FCOS)

FCOS is an agency of FCO, and has been a trading fund since April 2008. As a trading fund it generates its own income to fund its activities. It provides a range of bespoke, secure services worldwide as a trusted partner to UK government. Ultimate responsibility for FCOS as an organisation rests with the Foreign Secretary, who delegates responsibility to an FCO Minister.

British Intergovernment Services Authority Ltd (BISA), Kuwait Delivery Authority Ltd (KDA)

BISA and KDA were set up in order to support British foreign policy objectives through overseeing delivery of the UK Government's obligations under Government to Government agreements. Both are companies limited by shares, incorporated on 27 August 2013 and 17 October 2013 respectively. The Foreign Secretary owns the entire issued share capital of BISA, which in turn owns the entire issued share capital of KDA. Neither company traded in the period from their formation to the date of signature of these accounts; therefore both are entitled to exemption from audit under section 480 of the Companies Act 2006 relating to dormant companies.

Consular Fees and Charges

Consular Directorate receives income from the Consular premium (£14.93 on each standard passport issued), fees charged for specific services provided to British nationals abroad (mainly the issue of Emergency Travel Documents), and legalisation services provided in the UK. This income is used to fund consular services provided by our consular officers and supported by our wider network overseas. In line with HM Treasury guidelines, the fees charged are reviewed annually to ensure the cost of providing our services is covered fully by our income over the Spending Review period. To date we have not deemed it necessary to change the fees set in April 2016. We will provide a fuller report in the 2018-19 Accounts.

Accrued and deferred income have been included for Consular's fees and charges balances where there is a surplus or deficit. These balances are only treated as deferred or accrued income where there is an expectation that they will be recovered over a reasonable period of time. The balances are considered when setting future years' fees and charges, to enable a break-even position to be achieved over the Spending Review period.

Publicity and Advertising

The FCO fulfils the Cabinet Office requirement to operate a Professional Assurance process for marketing, advertising and communications spending, with the goal of ensuring that our activity is value for money and reflects good practice advocated by the Government Communications Service.

In 2017-18 all spending proposals below £100,000 require the approval of the FCO Director of Communication. The FCO approved 42 assurance requests which came to a total of £224,371

Spending proposals above £100,000 require approval from the Minister for the Cabinet Office. One proposal was submitted to the Cabinet Office this year which was for a total of £500,000.

Incidents Involving the Loss / Compromise of Personal Data

Personal data incidents 2017-18 for the FCO (Figures for 2016-17 are shown in brackets).

Cat.	Nature of Incident	Total
1	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises.	1 (0)
2	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises.	0 (1)
3	Insecure disposal of inadequately protected electronic equipment, devices or paper documents.	0 (0)
4	Unauthorised disclosure.	13 (12)
5	Other.	0 (1)

The figures do not include incidents involving visa or passport section information, as these are handled and reported on by UK Visas and Immigration and HM Passport Office respectively.

No incidents were considered serious enough to be reported to the Information Commissioner's Office. Steps have been taken to improve staff awareness of the issues.

Payment of Suppliers

The FCO paid 87% (86%) of supplier invoices within 5 working days, exceeding the government target of 80%.

Procurement

The FCO worked with the Government Commercial Organisation (GCO) in the Cabinet Office to develop the first Commercial Blueprint for the FCO. This sets the baseline to help us develop a clear picture of our long-term commercial plans and staffing requirements.

Senior FCO commercial staff are now provided by the GCO ensuring we recruit the best specialist skills. Through the GCO, the FCO have recently appointed a new Commercial Director who brings several years' private sector experience to the role, which will help shape FCO commercial strategy.

The FCO have successfully concluded a new Prosperity Fund Framework covering nine thematic lots and thirty-nine suppliers. The first tenders will launch in May 2018.

Corporate Sponsorship

Please see Annex A for Sponsorship table 2017-18.

FCO Sustainability

Because of the Government's commitment to sustainable development and the FCO's specific role in promoting global action on climate change, the FCO attaches importance to leading by example through reducing the environmental impact of its own operations and procurement. Lower environmental impacts also generally mean lower costs, allowing resources to be redeployed to our front line diplomacy efforts.

In line with the FCO's Diplomacy 20:20 programme, FCO Sustainability is working to deliver a world-class platform by delivering a cost effective, environmentally efficient department.

At the beginning of 2018 the Foreign Secretary committed to removing avoidable single-use plastics from across the UK estate by the end of 2018 and globally by the end of 2020.

All government departments have set Greening Government Commitment (GGC) targets to 2019-20 compared to a 2009-10 baseline, for their UK operations. The FCO's performance against those targets is set out in the table and graph below:

Greenhouse Gases		
Current	2020 Target	Achieved 2020 target
9,799 tCO ₂ e - 49% Reduction	10,386tCO ₂ e -46% reduction	
Domestic Flights		
Current	2020 Target	Behind Target
842 flights - 15% Increase on baseline	515 flights - 30% reduction	
Office Water		
Current	Good Practice	On Track
6.5m ³ /FTE - 13,973m ³ reduction	6m ³ /FTE	
Waste		
Current	2020 Target	Close to 2020 target
541 tonnes - 56% Reduction	493 tonnes - 62% Reduction	
Recycling		
Current	2020 Target	Behind Target
53% recycled	75% recycled	
Paper Consumption		
Current	2020 Target	Achieved
18,371 reams A4e - 53% Reduction	19,464 reams A4e - 50% Reduction	
International Flights		
Current		
21,817 tCO ₂ e		

The FCO is on track to meet its waste, all estate water, and GGC targets by 2019-20. The FCO has achieved its greenhouse gases and office paper reduction target early. The FCO continues to work towards achieving sufficient diversion of waste to recycling to meet our 2019-20 target of 75% recycled, and domestic flights have increased this year over the baseline, putting the FCO further behind target than planned in these two areas.

Headline Performance

<p>Energy</p>	<p>The FCO's overall greenhouse gas emissions have fallen by 10% this year, which makes a total 49% reduction since the baseline year of 2009-10.</p> <p>Carbon emissions per staff member now stands at 1.9tCO₂e per FTE, down by 0.7t since 2016-17.</p>
<p>Travel</p>	<p>The FCO's overall number of domestic flights have increased by 15% this year over the baseline year.</p> <p>Following an increase in staff numbers over 2016-17 and increased cross-departmental working, we've seen an increase in domestic flights. Following a targeted approach with our travel provider to encourage all FCO staff to use the authorised travel provider to book travel, we have seen an increase in flights booked.</p>
<p>Waste</p>	<p>The FCO's overall waste tonnages have fallen by 25% this year, which makes a total 56% reduction since the baseline year of 2009-10.</p> <p>Waste per staff member now stands at 99kg per FTE, down by 62kg since 2016-17.</p> <p>This is in part due to the FCO's Tech Overhaul programme, rolling out new laptops & a pin-and-print printer system in the UK, tied in with a behaviour change programme to increase the use of digital note taking applications.</p> <p>Since the end of 2014-15, no FCO UK waste was being landfilled and we have continued to operate with zero waste to landfill in 2017-18.</p>
<p>Water Consumption</p>	<p>The FCO's overall water consumption has increased by 5% this year, which makes a total 23% reduction since the baseline year of 2009-10.</p> <p>Efficiency per FTE has improved, reducing to 6.5m³/FTE this year, as office was consumption continued to reduce at a time of increasing staff numbers in the office.</p> <p>This is due to a concerted effort to reduce consumption across our office estate through the installation of waterless urinals in Hanslope Park which has seen significant reductions, however the FCO's Tech Overhaul programme has led to temporary increases in our data centre use leading to an increase in cooling demand, which is provided through water cooling systems.</p>
<p>Paper</p>	<p>The FCO's overall paper consumption has decreased by 19% this year, which makes a total 53% reduction since the baseline year of 2009-10.</p> <p>The FCO consumed 3.9 reams of A4e per FTE, significantly below the best practice level of 7 reams per FTE.</p> <p>The Tech Overhaul programme has provided staff with laptops and electronic note taking apps, along with pin-and-print printer technology, changing staff behaviours and driving reductions in paper use.</p>

The full version of the **FCO's 2017-18 Sustainability Report**, is available on the gov.uk web-site. 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, including snapshots of our work overseas; and the FCO's sustainable procurement, biodiversity, and the environmental risks and opportunities.

Major Contractual Arrangements

Security services contract - Iraq

A single security services contract for FCO operations in Iraq was awarded in June 2017. The contract covers the British Embassy Baghdad and the British Consulate General in Erbil, and replaces previous separate contracts for each location.

The provision of a safe and secure operating environment is mission critical to the work of the FCO in Iraq, the wide range of HMG stakeholders and other co-sharers need a dedicated and reliable guard force, for both working and living environments.

The contract will run for an initial three years with the option of two further one-year extensions. The contract was awarded to GardaWorld (UK) Ltd, after a full competitive tender process.

The contract delivered savings of £1.8m across the initial three-year term, with a share of savings passed on to HMG Partners. The new contract also delivers benefit through a more efficient management structure.

Prosperity Fund

The Prosperity Fund Framework was awarded to 39 suppliers in February 2018 across nine thematic Lots. Contracts are now being signed with suppliers with the first tender due to launch at the start of May 2018.

The Prosperity Fund supports high impact, multi-year programmes across high opportunity countries, regions and sectors. The Fund focuses on ODA-eligible countries where the development challenges remain significant, and which at the same time are important for global and UK prosperity.

The Framework has put in place a cost-effective; legally compliant route to market, enabling providers with the right capabilities to meet the requirements of agreed intervention programmes and assist in the delivery of long-term programme goals.

Language Training and Examinations

New contracts for the delivery of FCO and cross-Whitehall language training and examinations were awarded in February 2018 after a full competitive tender process. The contracts provide high quality professional language training services, primarily to be delivered in the FCO's in-house language centre.

Language skills are essential to the work of the FCO's diplomatic staff, allowing officers to get under the skin of a country and build privileged relationships that will support Britain's interests overseas.

The contracts will run for three years, with the option of two one-year extensions. The prime contract for language tuition services was awarded to Professional Language Solutions (PLS). The Institut Francais will continue to provide training in French and the Institute of Linguists Educational Trust will continue to deliver examinations.

The contracts will deliver value for money and high quality services over the life of the initial three-year relationship, with a focus on innovative digital delivery of language training. The services offered by our suppliers are available for use by other HMG partners.



Miranda Curtis,
Lead Non-Executive
Board Member

Lead Non-Executive Director Report

This is my second report as FCO Lead Non-Executive Director in a year in which the normal workload of consular, diplomatic, prosperity and security responsibilities has been supplemented by the challenges and workstreams arising from supporting the continuing Brexit negotiations and in planning for the execution of the Global Britain strategy.

Whilst navigating an increasingly complex global geopolitical environment, the FCO also had to mobilise to respond to unexpected challenges during the year ranging from the Caribbean hurricanes in September through to the Skripal poisonings in March.

The FCO bid farewell, at the end of the financial year, to Julia Bond, whose exceptional Non-Executive contribution to the Management and Senior Appointments Boards over the past six years was warmly recognised by the PUS and FCO leadership team. After an open recruitment process attracting nearly 100 applicants we have appointed Gaenor Bagley to succeed her.

A key focus over the past year has been on reinforcing and stabilising the FCO's financial resources, and Sir Edward Lister played a key role in reviewing the FCO's global property and estates portfolio and in particular in supporting the successful sale of the Bangkok Embassy. The proceeds of that sale will go towards the backlog of FCO estates maintenance and some way towards funding new embassy projects in Beijing and Kabul, but additional investment will still be required to reinforce the UK's worldwide representation.

Warren Tucker continued to chair the Audit and Risk Assurance Committee, to participate in Management and Supervisory Boards, and to support continuing work on Corporate Capability, Diplomacy 20:20 and the Tech Overhaul programmes. He was also actively

engaged in the recent FCO bids to HM Treasury which secured essential additional resource for EU Exit and the Global Britain strategy.

The Supervisory Board met two times this year. In addition to reviewing regular agenda items such as management accounts, Bullying Harassment and Discrimination metrics and the performance of FCO Services, the Board discussed strategic planning for Brexit and the Global Britain policy review. The EU Exit and Global Britain resource uplifts will fund new posts and new people as well as a renewed cross-Whitehall Africa strategy.

Outside formal board and committee meetings the Non-Executive Directors have participated in directorate challenge sessions, year-end performance reviews, senior recruitment panels, and in progress meetings on issues such as the planning for EU Exit and the redrafting of the Single Departmental Plan. The Non-Executive Directors are also actively engaged in supporting strategic planning, in resource bids, in the FCO's developing communications strategy, and in encouraging improved cross-departmental working and collaboration across Whitehall.

We continue to be impressed by the wide-ranging expertise and commitment of the FCO's leadership and staff both in London and overseas, and in their ability to navigate an increasingly complex economic and geopolitical environment.

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury has directed the Foreign and Commonwealth Office 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 2017 no 310 (together known as the 'departmental group', consisting of the department and sponsored bodies listed at note 18 to the accounts). The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the department and the departmental group as well as the net resource outturn, application of resources, changes in taxpayers' equity and cash flow of the departmental group for the financial year.

In preparing the accounts, the Accounting Officer of the Department is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

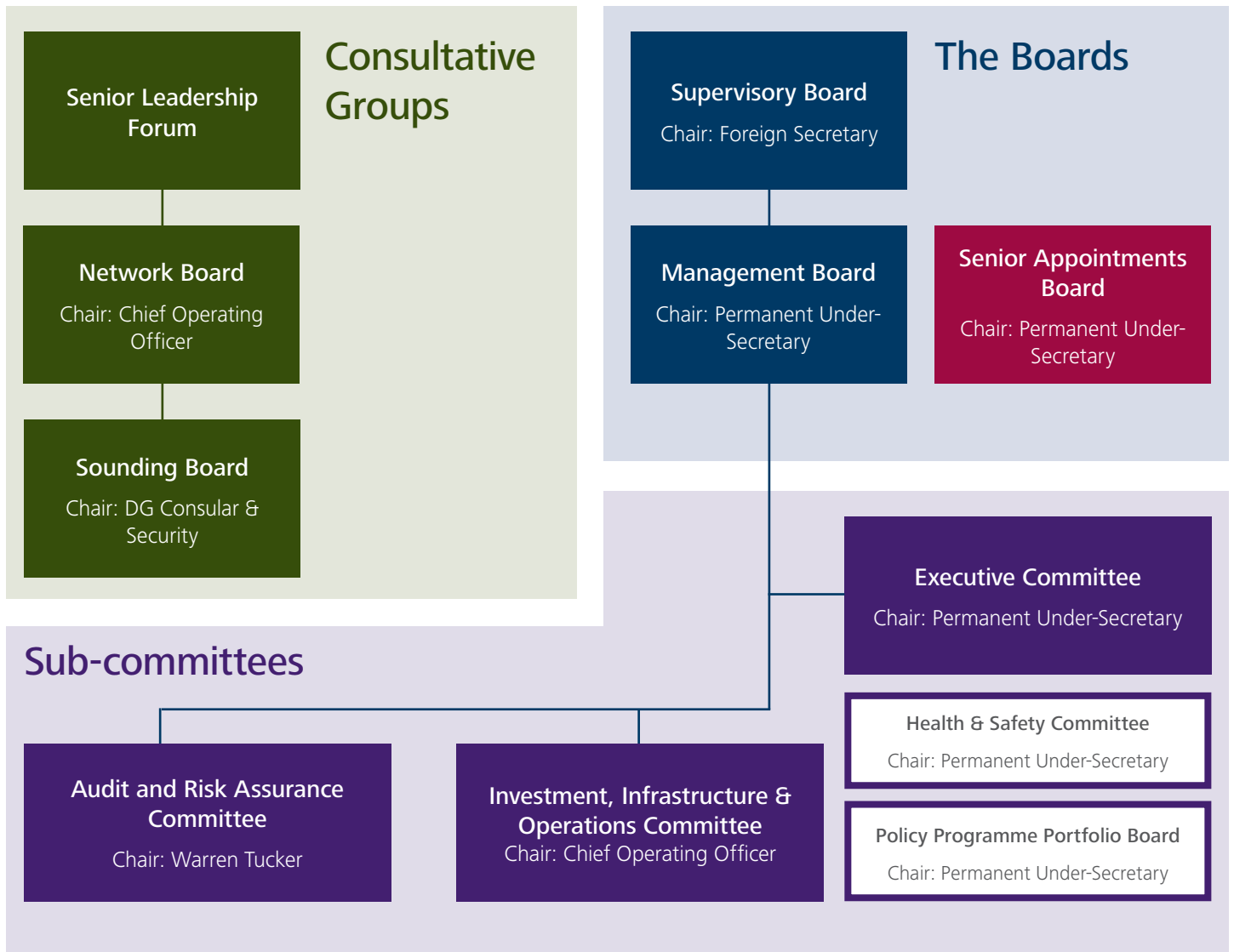
- » observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- » ensure that the department has in place appropriate and reliable systems and procedures to carry out the consolidation process;
- » make judgements and estimates on a reasonable basis, including those judgements involved in consolidating the accounting information provided by non-departmental [and other arm's length] public bodies;
- » state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts;
- » prepare the accounts on a going concern basis;
- » that the annual report and accounts as a whole is fair, balanced and understandable and that he takes personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable; and,
- » confirm that, as far as he is aware, there is no relevant audit information of which the entity's auditors are unaware, and that he has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the entity's auditors are aware of that information

HM Treasury has appointed the Permanent Head (Permanent Under-Secretary, PUS) of the department as Accounting Officer of the FCO.

The Accounting Officer of the department has appointed the Chief Executives or Chairperson of its sponsored non-departmental public bodies as Accounting Officers of those bodies. The Accounting Officer of the department is responsible for ensuring that appropriate systems and controls are in place to ensure that any grants that the department makes to its sponsored bodies are applied for the purposes intended and that such expenditure and the other income and expenditure of the sponsored bodies are properly accounted for, for the purposes of consolidation within the resource accounts. Under their terms of appointment, the Accounting Officers of the sponsored bodies are accountable for the use, including the regularity and propriety, of the grants received and the other income and expenditure of the sponsored bodies.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the department or non-departmental public body for which the Accounting Officer is responsible, are set out in Managing Public Money published by HM Treasury.

Governance Statement



Boards

The **Supervisory Board** forms the collective strategic leadership of the FCO, bringing together ministers, senior officials and non-executive board members. It advises on strategic and high level operational issues affecting the FCO. It is chaired by the Foreign Secretary. The Supervisory Board met twice during the financial year.

The **Management Board**, chaired by the PUS, provides the FCO’s top-level leadership and includes two non-executive directors. The Management Board generally meets monthly and met on ten occasions during the financial year. This year saw a number of membership changes. Lindsay Croisdale-Appleby (Acting Director General Global Britain) departed in July 2017 when Deborah Bronnert (Director General Global Britain) returned from adoption leave. Peter Jones took over from Karen Pierce as Chief Operating Officer in May 2017 when Karen became Political Director, replacing Christian Turner (Acting Political Director) following the departure of Tim Barrow in 2017. Liane Saunders joined the board as Director of Strategy in May 2017 replacing Peter Hill.

Sub-Committees

The Management Board oversees three sub-committees.

- » Executive members of the Management Board meet weekly as the **Executive Committee (ExCo)** which has delegated authority to make decisions on certain issues. This committee also monitors the implementation of agreed policies and agrees proposals not requiring Management Board attention. Twice per year, ExCo meets as the **Health and Safety Committee**, inviting a relevant broader membership. In September 2017 ExCo met for the first time as the **Policy Programme Portfolio Board**. The Board aims to meet quarterly to oversee the FCO's portfolio of programme investments. It will provide strategic direction on where (geographically) and on what (thematically) the FCO spends on programme funding. In particular, it will recommend to the Supervisory Board the optimum spread of risk across the FCO's policy programme portfolio. It will also consider the largest (£10m+) and highest risk individual business cases. On occasions, papers and decisions are taken out of committee.
- » **Audit and Risk Assurance Committee (ARAC)**, which supports the Management Board and Permanent Under-Secretary (PUS) as Accounting Officer, by advising on the effectiveness of arrangements for risk management and internal control. It reviews the comprehensiveness, reliability and integrity of assurances provided to the Management Board and PUS; challenges the executive and promotes best practice across the FCO. It has no executive responsibilities. The Committee is chaired by non-executive board member Warren Tucker and has two further independent members (Ann Cormack and Stephen Hawker). The Chief Operating Officer, NAO Director, Head of Internal Audit, Finance Director and other Executive Directors attend as required. The committee meets five times a year, with one meeting devoted to the review and external audit of the FCO accounts. A regular review of the committee's effectiveness is undertaken, using NAO guidance. The most recent review, conducted by a non-executive Board member, identified key strengths around the constructive challenge provided by the committee and inclusive chairmanship, but recommended greater engagement with, and attendance by, Management Board members and more deep dives into top risks.
- » **Investment, Infrastructure & Operations Committee**, which provides oversight and assurance of the FCO's Estates, IT, project, programme and other investments. It is chaired by the Chief Operating Officer and has delegated authority from the Management Board to take investment decisions between £2million and £15million (£1million and £5million for IT). If decisions are required above this threshold then the Committee makes a recommendation to the Management Board. The Committee ensures decisions offer value for money and meet the business needs of FCO and One HMG overseas. The Committee provides the same level of oversight on FCO programme spending with scrutiny focussed on capacity, delivery model, financial requirements and fiduciary risk.

Agendas

The Supervisory Board and the Management Board are duty-bound to consider certain issues on a regular basis. Both review management information through key performance reports. This includes Finance, Risk, Human Resources, Project and Programme Funds, Legal challenges and Major Projects. In-year financial control and future year resource management are highly important. The Management Board assesses the financial risk to the Department for the financial year on a monthly basis, allowing the Board to take any action required, including reprioritisation.

The Management Board and Supervisory Board consider a Top Risk Register, which captures strategic risk to the achievement of the FCO's objectives as set out in our Single Departmental Plan. It 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. Both Boards 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 focus of the Supervisory Board in 2017-18 has been on Global Britain and UK foreign policy following the UK exiting the European Union. In particular, the Board has looked at resourcing our network to achieve HMG's Global Britain objectives.

One area of focus for the Management Board during the financial year has been the Diplomacy 20:20 programme. The programme was set up in 2016 to enable the FCO to become more efficient, effective and able to meet the demands of the 21st century. The goal of Diplomacy 20:20 is to help the FCO evolve into an organisation that is more expert and more agile, supported by a world-class platform. The aim is to achieve these three objectives through greater expertise at home and overseas, accessing the FCO's deep local knowledge and global reach. As a more agile organisation, the FCO will be better able to deploy the right staff and target resources on the areas of work that matter most, while the world class platform will provide the infrastructure for this to happen. November 2017 marked the first year of the four-year programme and an opportunity for the Board to review the achievement so far under each pillar:

Expertise:

- » Higher quality briefing for Ministers delivered through a Central Correspondence, Briefing and Litigation Unit.
- » Enhanced opportunities for staff to develop expertise through 12 new Practitioner level Diplomatic Academy Faculties
- » A more strategic approach to secondments, including the creation of a new Secondments and Interchange Unit.

Agility

- » First wave of 50 new slots created in Europe and multilateral posts to support priority EU Exit work. Staff surged to EU exit work in London

- » London geographic and thematic Directorates re-shaped to respond to new priorities
- » A new, more agile system for boarding staff into priority positions.

Platform

- » Modern IT rolled out in the UK and underway overseas
- » WiFi available throughout the UK estate and at many posts overseas
- » A new online portal providing information to staff considering postings overseas

Priorities for Diplomacy 20:20 in 2018 include accelerating work on the Corporate Capability Programme, which will improve how the FCO provides corporate services globally; finalising the re-shaping of London Directorates; and an ambitious programme of work to improve the overseas estate.

A key issue for the Board during 2017-18 has been the EU Exit negotiations. The FCO contributes to the wider HMG negotiations but also leads on specific negotiation issues, including Gibraltar, Overseas Territories, Consular, Third Country Agreements, Sanctions, Common Foreign and Security Policy and Common Security and Defence Policy. The Board has monitored the FCO's work, particularly ensuring priority resource allocation. The Executive Committee discusses EU Exit regularly and has setup an EU Exit Task Force with a structure of assigned Senior Responsible Officers. The Management Board took stock of progress on 13 March.

Other items discussed by the Management Board regularly have included a monthly dashboard reporting on progress on delivering the major IT programme, Tech Overhaul. The Management Board also reviews the monthly estates and security dashboard, impact monitoring and the FCO's response to the annual staff survey. Following the staff survey results the Management Board undertook a deep dive into the FCO's Bullying, Harassment and Discrimination (BHD) Strategy in January, and the Diversity and Inclusion Strategy in March. Further data on the equality impact of the FCO's employment practices and activities can be found at Gov.UK/FCO.

The Management Board is required to approve and monitor major projects, as defined by the Major Projects Authority (MPA). It takes investment decisions at key stages in the MPA process and monitors progress. In 2017-18, the Board approved the Global Asset Management Plan (GLAMP), which set out our prioritised estates capital investment plan and how the proceeds of the Bangkok Embassy sale would be used to address seismic vulnerabilities and the maintenance backlog for the HMG estate overseas. The Board was kept regularly updated and has monitored the sale of our Embassy in Bangkok to ensure the best deal possible, as well as regular briefing and discussion on other major estates projects.

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

month of the Management Board.

The 2017-18 **Board Effectiveness Evaluation**, covering the reporting period 1 April 2017 to 31 March 2018, was carried out in April 2018. The Supervisory Board met twice during 2017-18. But we decided to launch a more detailed evaluation of the effectiveness of the Supervisory Board early during 2018-19. This will reflect the impact and outcome of the main Supervisory Board agenda focus during this period: the Global Britain Strategy and discussions with HM Treasury about increased resources for the diplomatic network to deliver on HMG's Global Britain objectives.

As a result, this year's effectiveness evaluation again focused on the FCO Management Board. This Board met more regularly and during the reporting period conducted a survey and strategy day looking at the Board's effectiveness.

Desk research was carried out to assess implementation of lessons from last year's Board Effectiveness Evaluation and further assess attendance, agendas, information flows between the Board and its subcommittees, format of management information and effectiveness of minutes and action logs. The findings showed continued improvement in effectiveness but with more to do, especially in focusing agenda setting. The findings also showed consistent improvement in the quality of the papers taken by the Board, helped by a new standard coversheet to ensure more consistent information on decisions, risks and next steps.

In addition in February 2018, the Management Board held an off-site strategy day. In advance of this Board members were surveyed about Board effectiveness against each element of the Board Terms of Reference. The Management Board strategy day then discussed findings and general Board effectiveness and impact. The Board agreed a series of measures to improve the Terms of Reference, including the frequency and focus of Board meetings, and to include more strategic discussions without observers. The Board also decided they needed to do more to assess the implications of decisions on people and culture. These changes would be implemented during the following quarter and be evaluated at future Board strategy sessions.

Non-Executive Board Members

The FCO continue to benefit from the advice of non-executive board members. Their scrutiny and challenge has contributed to improved management and oversight of discretionary programmes and major projects. They have brought challenge and external expertise to a range of our business activities. Miranda Curtis is the lead non-executive and works alongside our three non-executives Julia Bond, Warren Tucker and Sir Edward Lister.

Wider engagement

The Sounding Board

The Sounding Board first met in December 2016. Its aims are: to act as a consultative body formed of a representative group of staff; enable a staff voice; provide a sounding board for proposals; and to provide a quick feedback mechanism. It is

chaired by a Management Board member who provides the link between the Sounding Board and the Management Board. Meetings take place the week of the Management Board. Staff provide feedback to the Board on any staff related issues coming to the Management Board.

The Senior Leadership Forum (SLF)

The SLF comprises the FCO's senior global leadership, bringing together executive members and our most senior heads of post. The group meets in London three times a year to develop and inform corporate and policy initiatives.

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 HMG activity overseas so that we are operating as effectively and efficiently as possible. The Network Board has been essential in helping set the direction for how the FCO should be structured overseas and how together with other HMG partners we can better join up.

Ministerial Directions

There have been no Ministerial directions during the 2017-18 period.

Raising Concerns

The FCO is committed to ensuring a high standard of conduct in all that it does, including the effective use of taxpayers' money and mitigating the risk of fraud and error. An effective policy for raising concerns is one of the key ways of identifying fraud and error.

Staff can raise concerns about perceived wrongdoing through their line management chain or via an independent Nominated Officer who can provide a confidential source of advice on matters where the Civil Service Code may have been breached. Where concerns relate to financial management or fraud, we maintain a confidential whistleblowing hotline (phone/email/mail) accessible 24 hours a day, 7 days a week, 365 days a year. All reports under the raising concerns policy are taken seriously.

Identities of those raising a concern remain confidential and senior management and the Audit and Risk Assurance Committee take all concerns raised very seriously, ensuring full and adequate consideration and resolution. Heads of Mission and Department are required to ensure that their teams are aware of procedures and encourage them to report a concern. Our Internal Audit team also review both the raising concerns procedures, and awareness of the procedures.

During 2017-18, one concern was raised with a nominated officer. However, this did not fall within the remit of the whistleblowing policy and was handled through the management process. The department's Anti-Fraud and Corruption Unit received fifteen reported concerns outside of

normal line management reporting. To date, eleven have been investigated. Of these, one related to another Government Department and was forwarded appropriately and six had no evidence to support the allegation. Investigation of the four remaining cases is ongoing. In 2018-19, we will continue to ensure that staff are aware of the procedures, have confidence in their use and that all reports are investigated.

FY	No. of reports	Number investigated	Number of investigations completed	No. of cases proven	Amount lost
17-18	15*	11	11 (1 passed to another HMG Department)	0	0
16-17	9	9	9 (4 passed to other HMG department)	0	0
15-16	13	13	12	1 (fraud)	Less than £1000
14-15	16	16	16	1 (theft of fuel)	Less than £1000

*4 of these are still ongoing.

FCO Compliance with the Corporate Governance in Central Government Departments: Code of Good Practice 2017

The FCO has sound governance arrangements in place and is compliant with the Code of Good Practice in all but one aspect of the Board composition principles. The FCO has not formed a Nominations and Governance Committee. We continue to believe that the functions of this committee, as specified in the Code, are fulfilled by the Senior Appointments Board and the Senior Pay Committee. The presence of a Non-Executive Director as a member of our Supervisory and Management Boards, creates a reporting line to the Boards and ensures robust external challenge. The Senior Pay Committee is chaired by the PUS and, for setting the salaries of our most senior staff, consists of additional external members adding further assurance to the process of determining salaries and reward arrangements.

FCO Risk Management Framework

The FCO faces a range of risks because of its global footprint and activities. The complexity of the organisation is inherently challenging, and the world is increasingly complex. To mitigate these risks the FCO has multiple checks and balances.

The FCO manages risk at all levels of the organisation, including the Supervisory Board and Management Board, which considers the Top Risk Register on a quarterly basis. An officer, ranging from individual project managers up to Heads of Mission, owns each individual risk. Above these are 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. The Top Risk Register typically contains 25-30 major, urgent

risks, with upcoming risks held on a separate register beneath it; the 'Bubbling Under' register. Issues transfer between the two registers and are removed when the mitigations are sufficient to significantly reduce the likelihood or impact of the risk.

The Top Risk Register marshals risks into a 'heat map' in order to demonstrate those risks most urgently requiring the attention of the Management Board. The Risk Appetite Statement sets out our broad approach to risk appetite for foreign policy and operational risks and aids the management of risk.

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

To better understand the environment in which Posts operate and to manage the risks arising, a process of horizon scanning is undertaken. This brings together representatives from across relevant FCO departments and DIT to review individual Posts in each Directorate three times a year. Meetings consider external issues (political & security) and internal ones (Programme Management performance, Procurement, Estates, HR and Finance).

The process allows greater transparency and sharing of indicators, such as delayed account submissions, poor audit scores, budgetary management, and known and suspected fraud. This helps create a shared view of what is happening across the region, with Posts receiving a formal RAG rating according to where greatest potential risk/issues are identified. The performance of red-rated posts is tracked, and depending on the nature of the risk, a coordinated response is created to help manage or mitigate identified issues. Recent examples include designing a response to sharp increases in platform size to managing the impact of a fraud case.

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 (ARAC) and the Accounting Officer. Their overall opinion this year was that controls provide a moderate level of assurance that objectives will be achieved and have strengthened in the UK, with identified control weaknesses caused more by compliance issues than design. Particular attention is given to areas where internal audit published a limited or no assurance opinion (e.g. Consular Travel Advice IT Controls, the CSSF Russian Language Programme and Consular controls at the High Commission in Gaborone) and common internal control issues overseas (e.g. contract letting and management). Directors and Heads of Post submit an Annual Consolidated Certificate of Assurance (ACCA) each year to confirm that agreed remedial action has been taken.

The FCO divides risks into two categories: policy risks and operational risks. Policy risks relate to the delivery of the FCO's key policy objectives. These include our relationship with Russia, given the recent Salisbury incident and Russia's intervention in its neighbourhood; cyber-attacks on government operations; Daesh; issues arising out of the decision to leave the EU and instability in the Middle East and North Africa. Operational risks are threats to the FCO's own management processes and logistics.

These include capacity and capability of resources; commercial contracts including actions taken following the collapse of Carillion; information management and the integrity of our infrastructure. Policy and operational risks do interact. Following our recent response to hurricanes in the Caribbean there was a lessons learned exercise, a process undertaken on a regular basis. This led to embedding crisis response as a key capability for all FCO staff, allowing the FCO to meet such demands with the speed, capability and the embedded structures and practices required.

In 2017-18, the increasing number of policy risks faced by the FCO concerned the Board. The world faces increasing risk, from many sources: not least, climate change, degraded international relationships, continuing conflicts and cyber-crime. The hurricanes in the Caribbean stretched resources. The most recent incident at the end of this financial year relating to Salisbury and the impact on diplomatic relations with Russia is another example. Policy risks generally focus on the ability of the FCO to deliver on its policy objectives and included policy design, consideration of levers and implementation issues. Risks related to some areas – for instance, a fiscal crisis in the Eurozone – were removed from the register, while others – for instance, on the humanitarian situation in Yemen – were added. To mitigate these risks, the FCO undertakes regular policy refreshes, engages with key allies and multilateral organisations, runs cross-government working groups on specific issues, and develops focused communication efforts. The Board has also been concerned about a number of cross-cutting areas of risk, including the broader implications of leaving the European Union and the threat posed by terrorism and cyber-attacks.

We continue to keep security issues under review and look to learn lessons wherever possible - including through regular exchanges with friendly diplomatic services and other international organisations.

The Board also monitors the key improvement programmes such as the FCO's transformational change programme, Diplomacy 20:20 and Tech Overhaul, the process to improve our IT. Each of these regularly presents to the Board outside of the Top Risk process. The Board considers resourcing issues separately.

Operational risks were also high on the Board's agenda, as well as being discussed at the Investment, Infrastructure and Operations Committee. The Management Board regularly scrutinises major projects to ensure risks are being properly managed. Like many other organisations with a global presence, we face increasing threats to our people, premises and information, from civil disorder, conflict, crime, espionage and terrorism across the network.

Operational Risks

Below is a summary of the 2017-18 Key Operational Risks that have been addressed or remain under management.

General Data Protection Regulation (GDPR)

Throughout the year the FCO has been working towards compliance with the GDPR. In May, the Audit and Risk Committee agreed good progress had been made. We have created a register of personal data sets, noted where they contain special category data and have documented the legal bases for processing the data sets. We have published privacy notices on our .gov.uk page and have launched a staff training package. Updated internal guidance covers the new breach reporting Data Protection Impact Assessment processes. We have worked closely with our ALBs and FCO charities to clarify our role and responsibilities. Our focus is now on embedding further GDPR compliant processes, including responding to Rights requests.

People

The FCO's global presence, and the UK's global interests, create particular resourcing and staff requirements. The FCO lead or are heavily involved in a number of areas related to leaving the EU. The continuing volume of global crises, hurricanes in the Caribbean, world events relating to Yemen, Iran, South Sudan and Russia and additional demands emanating from the process of leaving the EU while sustaining a policy of 'Global Britain' exacerbate and stretch FCO capacity and capability gaps and risk delivery of FCO objectives. New monies recently allocated for 2018-19 will help to provide these additional resources as we go forward, though there will be a lead-in time for recruitment and vetting the staff required. Security clearances are taking longer across Whitehall as the Civil Service gears up for the UK's departure from the EU. The FCO employs locally-engaged staff across the overseas network to support our operations. New monies will help to rebalance, particularly in Europe, where the UK will support many more functions of government independently once outside the EU.

Capacity and capability gaps put the delivery of key objectives at risk.

Mitigating actions:

- » Diplomacy 20:20, the FCO's transformational change programme launched in 2016. It is designed around three pillars of Expertise, Agility and Platform. Agility and expertise need to be underpinned by a world-class platform: efficient services and systems that make the best of our buildings and our technology and support all partners on the platform. The programme is managed through a Programme Board that meets monthly and an Advisory Board that meets quarterly. The Chief Operating Officer is SRO for the Programme.
- » Workforce Strategy is published and Implementation Plan in place.
- » The FCO has secured an additional £120m funding from HMT to support EU exit and the Global Britain agenda. Part of this will fund 250 new UK-based staff and 10 new sovereign posts overseas to help deliver our objectives.

- » The FCO continues to increase the diversity of the workforce, including by reaching out through: various apprenticeship schemes, internships programmes and promoting the FCO as a great place to work at outreach events. Diversity includes visible diversity but also promoting diversity of thought, skills and background.

Despite these mitigations, risks associated with re-aligning resources to meet objectives continue to be classified as 'likely' and would have a significant impact on the FCO's outcomes.

Due to the FCO's prominent global profile and the nature of the FCO's work, there is a constant threat to the safety of the FCO's staff and estates. In the worst case, this could result in the death of or injury to staff, dependants and contractors, as well as the destruction of our buildings.

Mitigating actions:

- » Active threat monitoring
- » Staff awareness and training
- » Adjustments to staff numbers at affected Posts
- » Guarding and practical counter-measures
- » Continued review of baseline measures against new Management Board criteria

These mitigations reduce the impact and likelihood of this risk from 'severe' and 'highly likely' to 'major' and 'possible'.

Programme Management

With the growth of policy programme spending, it is increasingly important that staff are well trained in how to manage programmes. The steep increase created a risk that a **lack of proper programme management capability or capacity** and insufficient assurance or non-compliance with ODA criteria could reduce the impact and effectiveness of policy programme delivery and damage the FCO's reputation.

Mitigating actions:

- » FCO has adopted a portfolio approach to its policy programmes. The Policy Programme Portfolio Board chaired by the PUS oversees this.
- » Establishment of Portfolio Management Office to support implementation of the portfolio approach and to improve the FCO's overall programme management.
- » Refreshed governance and assurance framework implemented for all policy programmes.
- » New and improved operating framework for policy programmes in development.
- » Remote training offered to all Posts to support them through the transformation programme, as well as support and training for senior leaders overseeing large programmes. Further work on capability under way.

These mitigating actions have reduced the likelihood of this major risk from 'likely' to 'possible'.

Commercial Management

Inadequate contract management structures and lack of staff with the right capacity could present a risk to policy delivery. Cabinet Office set minimum Commercial operating standards:

Regular performance reviews to demonstrate conformance against agreed contracted outcomes.

Effective contract management is applied proportionately.

Appropriate level and number of contract managers, trained and competent assigned to each eligible contract.

Strong contract management is key to ensuring contracts deliver as intended.

Mitigating actions:

- » All procurements over £100k are required to appear in front of the Procurement Strategy and Advisory Board (PSAB). Commercial experts from across the FCO sit on the board; they challenge and review business cases to ensure value for money is being achieved.
- » PSAB has started to use a contracts segmentation tool to split contracts into three tiers according to risk. The risk is determined through analysing a mix of value, contract complexity and contract criticality. A contract manager is identified for each. The FCO has led workshops to develop this segmentation approach.
- » Preliminary development of a Commercial Standards Improvement Plan for the whole FCO.
- » Online Commercial Awareness training kept under review to ensure value.

These mitigating actions have reduced the likelihood of this major risk from 'likely' to 'possible'.

Major Policy Programmes

Delays to the delivery of major programmes, in particular Prosperity Fund Programmes could impact policy delivery or FCO reputation. These are captured in two risks on the Top Risk Register: Prosperity Fund Programme, and Policy Programme Delivery.

Mitigating actions:

- » Establishment of the Portfolio Board for policy programmes, chaired by the PUS;
- » Additional commercial expertise recruited;
- » The Policy Programme Transformation Unit has been upgraded to a Portfolio Management Office, strengthening assurance and oversight of FCO spend;
- » Internal assurance framework for policy programmes clarified, strengthened and communicated to staff;
- » Case made successfully to re-profile the Prosperity Fund to reflect realistic delivery timelines;
- » Training delivered to key staff, including programme SROs;
- » Work underway on a refreshed operating framework for policy programmes in the FCO.

These mitigating actions have reduced the likelihood of the Prosperity Fund Programme risk from 'highly likely' to 'likely' and the Policy Programme Delivery risk from 'likely' to 'possible'.

The nature of the projects and programmes undertaken by FCO means it operates in a wide range of countries, including some fragile environments e.g. war zones or areas of crisis. In such environments, there is limited recourse to a normal business infrastructure to manage or control financial transactions. This increases operational risk. Sometimes payments have to be managed with cash, which by its nature increases the risk of fraud or the diversion of funds. The FCO puts in place checks and control frameworks to manage and mitigate these risks; however, they cannot be eradicated and there will always be an element of residual risk when working in certain fragile environments. The FCO takes the decision to operate in such fragile environment with these risks in mind and deploys practical mitigations as far as possible. Programme managers are encouraged to regularly review their risks and monitor their controls.

Infrastructure

We are planning on an **increase in capital spend** across the estate with the proceeds of the Bangkok Compound sale in January which will address historic underinvestment. While this allows us to reduce overall risk (particularly as spend is focussing on health and safety rectification; overdue maintenance; and seismic strengthening), this scale-up in spend brings delivery risk.

Mitigating actions:

- » We are hiring in additional project managers in the Estates team, outsourcing delivery where necessary, and putting in place a new and more rigorous monitoring programme.

There is a major risk of **IT service failure**, until the rollout of Tech Overhaul is complete in 2018, due to the age of the IT estate. This could lead to a loss of capability to work, with reduced morale and efficiency, as well as reputational damage to the FCO. The global nature of the FCO's IT estate increases the potential for and impact of system failure.

Mitigating actions:

- » Work to upgrade legacy operating systems, including deployment of new smart phones to replace BlackBerry devices and network accelerators to individual Posts.
- » Accelerated delivery of new confidential systems.
- » Risk-based review of legacy components.

These mitigations have reduced the likelihood of the risk from 'highly likely' to 'likely'; its potential impact continues to be rated as 'major'. The likelihood and impact of this risk will decrease as the full Tech Overhaul programme is rolled out.

The **Tech Overhaul** will deliver significant improvements to the FCO's IT capability, bringing the organisation into line with the best practice across government. The programme will also increase overall output by allowing staff to perform their day-to-day tasks more efficiently. Delay in delivering the design and deployment of the Tech Overhaul programme will result in inefficiencies and increased costs.

Mitigating actions:

- » Strong governance structures and careful risk management, including regular reporting to Management Board.
- » Designated as a major project under the Infrastructure and Projects Authority definition.
- » Establishment of Tech Overhaul Representatives in Posts and departments to ensure staff engagement.

These mitigations have reduced the likelihood of the programme being delayed from 'likely' to 'possible'.

Information

Major information loss or loss of capability to work could result from a failure to keep the FCO's global infrastructure secure. A failure of information security would result in not only significant strategic threats to the FCO but could also incur significant reputational damage to the organisation, as well as the UK's reputation worldwide.

Mitigating actions:

- » Switch to a more secure data centre.
- » Encryption of all personal data within our networks.
- » Ongoing work across government to replace the Government Secure Intranet.
- » Large-scale counter-phishing campaign.
- » Tech Overhaul programme to deliver systems that are more rigorous.
- » Additional patches deployed to ensure all systems are appropriately up-to-date.

These mitigations have reduced the impact and likelihood of an information security breach from 'severe' and 'highly likely' to 'major' and 'likely' respectively.

Great Britain China Centre (GBCC) a Non Departmental Public Body that is part funded by the FCO experienced a largescale cyber-attack in December 2017, which resulted in the content of GBCC emails being downloaded. GBCC reported this to the FCO and National Cyber Security Centre (NCSC), who are investigating. GBCC worked closely with their IT supplier to implement improvements to security, allowing restoration of the service. They are continuing to work closely with their IT supplier and NCSC to learn as much as possible about the attack, so that further updates to the system can be made to ensure a future attack of the same nature is not possible.

Fraud

Parliament is concerned that Departments are not identifying all fraud that is taking place. Departments have been tasked to undertake more work to actively identify fraud and to professionalise counter fraud activities.

This was echoed at the PAC hearing in March 2017 where the FCO (along with DFID and the British Council) were tasked with actively looking for more fraud in the Programme area. The FCO fully supports the initiative to fully understand the true level of fraud and has introduced data analytics software, which amongst other benefits will help identify potential problems. Extra resource is being budgeted to the counter fraud team to actively look for fraud. The FCO agrees that a professional approach to counter-fraud activities is required and supports the introduction of standards.

The nature of the FCO's Programme work carries an inherently higher risk of fraud and error than the administrative spend. We have put in place procedures to mitigate these risks and where higher risk projects are undertaken, appropriate levels of management including Ministers are consulted.

Cyber fraud is an increasing risk for any organisation where vigilance is an important deterrent. Given the nature of this risk, mitigations have reduced the likelihood of fraud in these areas, but with the need to be constantly vigilant and identify circumstances where fraud can occur the likelihood remains as 'possible'.

FCO Corporate Governance Architecture, Membership and Attendance Record Supervisory Board

Frequency of meetings: The Board met twice during 2017-18

Member	Tenure	No. of Meetings Attended during 2017-18
The Rt Hon Boris Johnson MP Secretary of State for Foreign Affairs (Chair)	From July 2016	2/2
The Rt Hon Sir Alan Duncan MP	From July 2016	2/2
The Rt Hon Mark Field MP	From June 2017	2/2
The Rt Hon Tobias Ellwood MP	From July 2014 – June 2017	0/0*
The Rt Hon Alistair Burt MP	From June 2017	1/2
The Rt Hon Baroness Anelay of St Johns	From August 2014 – June 2017	0/0*
The Lord Ahmad of Wimbledon	From June 2017	1/2
Alok Sharma MP	From July 2016 – June 2017	0/0*
Rory Stewart MP	From June 2017 until Jan 2018	2/2
Harriett Baldwin MP	From January 2018	0/0*
Miranda Curtis, Lead Non-Executive Board Member	From March 2017	2/2
Warren Tucker, Non-Executive Board member and Chair of FCO Audit and Risk Committee	From November 2015	2/2
Julia Bond, Non-Executive Board Member	From April 2011	2/2
Sir Edward Lister, Non-Executive Board Member	From March 2017	1/2
Sir Simon McDonald, Permanent Under Secretary of State	From September 2015	2/2
Peter Jones, Chief Operating Officer	From May 2017	2/2
One of three policy DGs attending on rotating basis		2/2
Andrew Sanderson, Director Finance	From September 2016	2/2

*No Supervisory Boards held during tenure.

FCO Management Board

Frequency of meetings: The Board met ten times during 2017-18.

Sir Simon McDonald, Permanent Under Secretary of State (Chair)	From September 2015	10/10
Karen Pierce, Director General Political	From April 2017 until March 2018	7/10*
Dr Christian Turner, Deputy National Security Adviser	From April 2017	8/10*
Peter Jones, Chief Operating Officer	From May 2017	9/9
Philip Barton, Director General Consular & Security	From April 2017	9/10*
Lindsay Croisdale-Appleby, Director General Global Britain	From April 2017 until July 2017	3/3
Deborah Bronnert, Director General Global Britain	From July 2017	7/7
Jill Gallard, Director Human Resources	From October 2014	9/10*
Andrew Sanderson, Director Finance	From September 2016	10/10
Helen Bower-Easton, Director Communications	From March 2017	10/10
Dr Liane Saunders, Director Strategy & Strategic Programmes Coordinator	From May 2017	10/10
Sir Iain MacLeod, The Legal Adviser	From 2011	7/10*
Alison Blake, High Commissioner, Dhaka	From September 2016	7/10*
Warren Tucker, Non-Executive Board Member	From November 2015	7/10*
Julia Bond, Non-Executive Board Member	From April 2011	10/10

*Some of the meetings were scheduled at short notice; Where unable to attend Members provided written feedback.

Senior Appointments Board

Membership	PUS, Chief Operating Officer, DG Political, DG Consular and Security, DG Global Britain, DG EU Exit, Assistant Private Secretary to the Deputy National Security Adviser (Conflict, Stability and Defence), HR Director, Julia Bond (Non-Executive Board Member), with PPS/Foreign Secretary as an observer.
Summary of Discussions during 2017-18	The Senior Appointments Board considered appointments at SMS2 and above, weighing up candidates experience and expertise and their performance against SMS competences. The Board also considered issues affecting senior appointments such as the diversity of appointments and the grading of roles.
Frequency of meetings	Monthly (except August)

Audit & Risk Assurance Committee

Membership	Warren Tucker, Chairman (Non- Executive Member of Management Board); Ann Cormack, Independent Member; and Stephen Hawker, Independent Member.
Summary of Discussions during 2017-18	Evaluation of strategic processes for risk, control and governance, challenging the effectiveness of existing systems through the targeting of potential weaknesses. Review of risks through risk register reviews and mitigation plans surrounding Information Risk (including GDPR), Cyber Security, KTD Strategy, Health and Safety, Disaster Recovery and Business Continuity. Analysis of planned activity and results of both internal and external audit services, including assurance mapping and the outcome of fraud investigations. Consideration of FCO accounting policies and resource accounts prior to PUS signature. Regular effectiveness reviews of the Audit & Risk Assurance Committee are conducted, using the NAO checklist, and action is taken to address any matters arising.
Frequency of meetings	Five times during the financial year.

Investment, Infrastructure & Operations Committee

Membership	Chief Operating Officer (Chair), DG Ops Directors, Regional Directors, Consular Director, Heads of Mission, Overseas Staff.
Summary of Discussions during 2017-18	The FCO's Global Asset Management Plan, including addressing health and safety issues such as rewiring the Residence in Paris and other estate related investment decisions exceeding £5m in value. Oversight of the FCO's IT portfolio, with a focus on the £120m Tech Overhaul project, providing advice to the FCO Board, and other IT investment decisions exceeding £5m in value. The Committee signed off on physical security guarding contracts overseas and the procurement of armoured vehicles. CSSF and Prosperity Fund programme spending over £2m including projects in Syria, Iraq and in support of post-hurricane reconstruction in the Overseas Territories.
Frequency of meetings	Fortnightly.

Health & Safety Committee

Membership	ExCo members, Head of International HR Department/Human Resources Directorate, Director Consular Services, Director Estates and Security, Head of Security and DSO, Estates and Security Directorate, Head of Talent and Capability Department/Human Resources Directorate, Health and Safety Manager/Human Resources Directorate.
Summary of Discussions during 2017-18	The new FCO Health and Safety Commitment, Review of significant incidents including Grenfell, Civil Service Health and Wellbeing Framework, ACCA statements and Terms of Reference for HS Committee.
Frequency of meetings	Twice a year.

One HMG Overseas Network Board

Membership	FCO Chief Operating Officer (Chair) and representatives from the Department for International Development, Ministry of Defence, Department for International Trade, Her Majesty's Revenue & Customs, British Council, National Crime Agency, Home Office, Her Majesty's Treasury and Cabinet Office.
Summary of Discussions during 2017-18	Re-focused Board to play a more strategic role including collective Global Britain impact. Re-balanced relationship with the functional boards - International People, International Estates and Security, International Procurement, Chief Information Officers, Finance and the Steering Group - to set direction and hold them to account. Established close collaboration with the Expertise and Platform pillars of the Diplomacy 20:20 Programme in particular the Future Heads of Mission workstream and the Corporate Capability Programme.
Frequency of meetings	Quarterly.

Policy Programme Portfolio Board

Membership	ExCo members
Summary of Discussions during 2017-18	The Policy Programme Portfolio Board met for the first time in September 2017. It agreed terms of reference for its role to "provide strategic direction for the portfolio as a whole as well as scrutiny for the largest individual programmes and those which are novel and contentious". The Board also discussed concept bids for a fourth and final window of the cross Whitehall Prosperity Fund. During the year it has considered portfolio business, including a number of individual business cases, including by written procedure.
Frequency of meetings	Quarterly.

Remuneration & Staff Report

Remuneration Report

A number of sections in the Remuneration Report are subject to audit. Equivalent information relating to Wilton Park is given in its separate accounts. Other ALBs/ NDBPs 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

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 salaries of the 27 most senior Foreign and Commonwealth Office staff are agreed by the Foreign Secretary on the advice of the Senior Management Structure Payband 3 & 4 Performance Panel, which is chaired by Sir Simon McDonald.

The salaries of members 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 are subject to audit and provide details of the remuneration and pension interests of the Ministers and most senior management (i.e. Board members) of the department.

Remuneration (salary, benefits in kind and pensions)

During the year 2017-18 Harriett Baldwin MP and the Rt Hon Rory Stewart OBE MP served as Ministers for the FCO. This was a joint Ministerial role with DFID. Information on their remuneration can be found in DFID's Annual report and Accounts.

Ministers (subject to audit)

Ministers	Salary (£)		Benefits in Kind (to nearest £100)		Pension Benefits (to nearest £1000) ¹		Total (to nearest £1000)	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
Rt Hon Boris Johnson MP (from July 2016)	67,505	48,269 ²	-	-	18,000	13,000	86,000	61,000
Rt Hon Sir Alan Duncan KCMG MP (from July 2016)	31,680	22,568 ³	-	-	7,000	-	39,000	23,000
Rt Hon Baroness Anelay of St Johns DBE (until 11 June 2017)	28,814 ⁴	105,652 ⁵	-	-	10,000	42,000	39,000	148,000
Rt Hon Tobias Ellwood MP (until 13 June 2017)	5,594 ⁶	22,375	-	-	2,000	6,000	8,000	28,000
Alok Sharma MP (from July 2016 until 12 June 2017)	5,594 ⁷	15,879 ⁸	-	-	2,000	4,000	8,000	20,000
Lord Ahmad of Wimbledon (from 13 June 2017)	62,545 ⁹	-	-	-	17,000	-	80,000	-
Rt Hon Alistair Burt MP (from 13 June 2017)	25,344 ¹⁰	-	-	-	5,000	-	30,000	-
Rt Hon Mark Field MP (from 13 June 2017) ¹¹	-	-	-	-	-	-	-	-
Rt Hon Philip Hammond MP (until July 2016)	-	22,502 ¹²	-	-	-	5,000	-	28,000
Rt Hon David Lidington MP (until 15 July 2016)	-	10,560 ¹³	-	-	-	3,000	-	13,000
Rt Hon Hugo Swire MP (until 14 July 2016)	-	9,112 ¹⁴	-	-	-	3,000	-	12,000
James Duddridge MP (until 15 July 2016)	-	4,631 ¹⁵	-	-	-	6,000	-	11,000

- 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.
- Rt Hon Boris Johnson MP full year equivalent salary was £67,505 in 2016-17.
- Rt Hon Sir Alan Duncan KCMG MP full year equivalent salary was £31,680 in 2016-17.
- Rt Hon Baroness Anelay of St Johns DBE full year equivalent salary was £115,257 in 2017-18.
- Rt Hon Baroness Anelay of St Johns DBE full year equivalent salary was £115,257 in 2016-17. Baroness Anelay was transferred to DIT for one month.
- Rt Hon Tobias Ellwood MP full year equivalent salary was £22,375 in 2017-18.
- Alok Sharma MP full year equivalent salary was £22,375 in 2017-18.
- Alok Sharma MP full year equivalent salary was £22,375 in 2016-17.
- Lord Ahmad of Wimbledon full year equivalent salary was £82,711 in 2017-18.
- Rt Hon Alistair Burt MP full year equivalent salary was £31,680 in 2017-18.
- Rt Hon Mark Field MP did not claim a salary or pension in 2017-18.
- Rt Hon Philip Hammond MP full year equivalent salary was £67,505 in 2016-17.
- Rt Hon David Lidington MP full year equivalent salary was £31,680 in 2016-17.
- Rt Hon Hugo Swire MP full year equivalent salary was £31,680 in 2016-17.
- James Duddridge MP full year equivalent salary was £22,375 in 2016-17.

Members of the FCO Management Board (Subject to audit)

Officials	Salary (£000) ¹		Bonus Payments (£000)		Benefits in Kind (to nearest £100)		Pension Benefits (£'000 to nearest £1,000) ²		Total (£000)	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
Simon McDonald	185-190	185-190	-	-	-	-	3	234	185-190	420-425
Karen Pierce (from April 2017 until March 2018)	135-140 ³	135-140	-	-	-	-	- ⁴	89	135-140	225-230
Peter Jones (from May 2017)	115-120 ⁵	-	-	-	-	-	272	-	385-390	-
Tim Barrow (from March 2016 until January 2017)	-	120-125 ⁶	-	10-15	-	-	-	17	-	150-155
Christian Turner (from April 2016 until April 2017) ⁷	5-10 ⁸	115-120	10-15	-	-	-	4	195	25-30	310-315
Sarah Macintosh (until November 2016)	-	85-90 ⁹	-	10-15	-	-	-	30	-	130-135
Jonathan Allen (from December 2016 until April 2017)	-	35-40 ¹⁰	-	-	-	-	-	46	-	80-85
Deborah Bronnert (Until 31st December 2016) (from July 2017)	95-100 ¹¹	95-100 ¹²	-	-	-	-	14	33	125-130	130-135
Jill Gallard	100-105	100-105	10-15	10-15	-	-	27	30	135-140	140-145
Iain Walker (until August 2016)	-	45-50 ¹³	-	10-15	-	-	-	16	-	70-75
Liane Saunders (from May 2017)	90-95 ¹⁴	-	-	-	-	-	22	-	115-100	-
Andrew Sanderson (from September 2016)	100-105	55-60 ¹⁵	-	-	-	-	23	24	120-125	80-85
Iain MacLeod	135-140	130-135	-	-	-	-	8	30	140-145	160-165
Caroline Wilson (until July 2016)	-	30-35 ¹⁶	-	10-15	-	-	-	5	-	35-40
Alison Blake (from September 2016)	85-90	50-55 ¹⁷	-	-	-	-	17	7	100-105	60-65
Philip Barton (from April 2017)	130-135 ¹⁸	-	-	-	-	-	80	-	210-215	-
Helen Bower-Easton	105-110	-	-	-	-	-	29	-	130-135	-
Lindsay Croisdale-Appleby (until July 2017)	35-40 ¹⁹	-	-	-	-	-	42	-	75-80	-

- The figures shown for salary are total gross salary including all taxable allowances before any applicable tax or other deductions are taken
- The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights. The pension benefits shown are before tax or any other applicable deductions have been taken
- Karen Pierce full year equivalent salary was 140-145k in 2017-18.
- Karen Pierce chose not to be covered by the Civil Service pension arrangements during the reporting year
- Peter Jones full year equivalent salary was 125-130k in 2017-18.
- Tim Barrow full year equivalent salary was £130-135k in 2016-17.
- Christian Turner left the FCO in April 2017 to take up role at Cabinet Office. As part of this new role he remains a member of the FCO board, but is paid by Cabinet Office.
- Christian Turner full year equivalent salary was 140-145k in 2017-18.
- Sarah Macintosh full year equivalent salary was £130-135k in 2016-17.
- Jonathan Allen full year equivalent salary was £110-115k in 2016-17.
- Deborah Bronnert full year equivalent salary was 130-135k in 2017-18
- Deborah Bronnert full year equivalent salary was £130-135k in 2016-17
- Iain Walker full year equivalent salary was £110-115k in 2016-17
- Liane Saunders full year equivalent salary was £100-105k in 2017-18
- Andrew Sanderson full year equivalent salary was £95-100k in 2016-17
- Caroline Wilson full year equivalent salary was £95-100k in 2016-17
- Alison Blake full year equivalent salary was £85-90k in 2016-17
- Philip Barton full year equivalent salary was £130-135 in 2017-18
- Lindsay Croisdale-Appleby full year equivalent fees were £110-115k.

Non-executive Directors (Subject to audit)

Officials	Salary (£000)		Bonus Payments (£000)		Benefits in Kind (to nearest £100)		Pension Benefits (to nearest £1000)		Total (£000)	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
Julia Bond	10-15	10-15	-	-	-	-	-	-	10-15	10-15
Warren Tucker	15-20	15-20	-	-	-	-	-	-	15-20	15-20
Richard Lambert (until March 2017)	-	5-10 ¹	-	-	-	-	-	-	-	5-10
Stephen Hawker ²	15-20	15-20	-	-	-	-	-	-	15-20	15-20
Ann Cormack ³	0-5	0-5	-	-	-	-	-	-	0-5	0-5
Miranda Curtis (from March 2017)	20-25 ⁴	-	-	-	-	-	-	-	20-25	-
Edward Lister (from March 2017)	10-15	-	-	-	-	-	-	-	10-15	-

1. Richard Lambert full year equivalent fees were £15-20k in 2016-17
2. Stephen Hawker's fees include work as a NED on FCO Services Board. For the FCO, Stephen Hawker is an independent member of ARAC and not a NED.
3. Ann Cormack is an independent member of ARAC and not a NED
4. Miranda Curtis donated all her salary to Camfed international. Her salary includes payment in arrears from March 2017; her full year equivalent salary was 15-20 in 2017-18.

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 (£74,962 from 1 April 2016, £76,011 from 1 April 2017) and various allowances to which they are entitled are borne centrally. However, the arrangement for Ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their Ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the Department and is therefore shown in full in the figures above.

Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the department and treated by HM Revenue and Customs as a taxable emolument.

Salary increases and bonuses

For base salary increases, SMS/SCS staff performance is validated across 3 ratings with the following forced distribution (with 1 being the highest): 1-25%; 2-65%; 3-10%. The criteria for assessment are:

- » 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;

- » Ability to learn and develop – taking account of competence growth through improved skills rather than volume of development activity;
- » Corporate contribution;
- » We created the Senior Pay Committee in May 2017 to strengthen the governance of decision making on SMS/SCS pay.

Bonuses are based on performance levels attained and are made as part of the performance appraisal moderation process. Due to timings of the appraisal process, bonuses paid in 2017-18 relate to performance in 2016-17, and bonuses paid in 2016-17 relate to performance in 2015-16. SMS/SCS staff appraisals are validated for both base pay and bonuses. They are subject to validation in line with Cabinet Office guidance. 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 validation, 25% of SMS staff can be paid performance related payments (PRP). In 2017-18, the values of bonuses awarded were £11,400 irrespective of grade.

Permanent Secretaries are assessed against objectives which include business delivery; corporate delivery and capability building. Bonuses 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 nonconsolidated payments to be awarded to Permanent Secretaries.

Pay Multiples (subject to audit)

	2017-18	2016-17	% change
Band of highest paid director's total remuneration	£185-190k	£185-190k	0.0% ¹
Median remuneration of all UK Based staff	£34,193	£33,108	3.3% ²
Ratio	5.5	5.7	-3.5% ³

1. The percentage change in the midpoints of the salary ranges
2. The percentage change in median salary
3. 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 2017-18 was £185k-190k (2016-17, £185k-190k). As disclosed in the Remuneration report table on page 77. This was 5.5 times (2016-17, 5.7) the median remuneration of the workforce, which was £34,193 (2016-17, £33,108).

The change in median remuneration for all UK Based staff is affected by a number of factors – salary increases, awards of PRP and the grade mix of the workforce. The median salary is the pay received by the 'middle' person in the organisation. For 2017-18 this person was earning more than last year due mainly to changes in grade structure and mix. In 2017-18, no employee received remuneration in excess of the highest-paid director (1 employee did in 2016-17). Remuneration ranged from £19,041 to £190,000 (2016-17, £18,779 to £190,000). Total remuneration includes salary, non-consolidated PRP and benefits-in-kind and is subject to statutory deductions for income tax and employee national insurance contributions where applicable. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Pension Benefits (subject to audit)

Minister	Accrued pension at age 65 as at 31/3/18	Real increase in pension at age 65	CETV at 31/3/18	CETV at 31/3/17	Real increase in CETV
	£000	£000	£000	£000	£000
Rt Hon Boris Johnson MP	0-5	0-2.5	28	11	9
Rt Hon Sir Alan Duncan KCMG MP	5-10	0-2.5	92	81	5
Alok Sharma MP (till June 2017)	0-5	0-2.5	5	3	1
Rt Hon Mark Field MP (from June 2017)	-	-	-	-	-
Rt Hon Tobias Ellwood MP (till June 2017)	0-5	0-2.5	17	15	1
Rt Hon Alistair Burt MP (from June 2017)	5-10	0-2.5	142	133	3
Rt Hon Baroness Anelay of St Johns DBE (till June 2017)	20-25	0-2.5	354	341	8
Lord Ahmad of Wimbledon (from June 2017)	5-10	0-2.5	89	73	7

This does not include Ministers Harriett Baldwin MP (January 2018) and Rory Stewart OBE MP (June 2017-January 2018) as they are joint Ministers for the FCO and DFID. They are on DFID's payroll, details of their remuneration can be found in DFID annual report and accounts.

Ministerial pensions

Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute and the rules are set out in the Ministers' etc. Pension Scheme 2015, available at <http://qna.files.parliament.uk/ws-attachments/170890/original/PCPF%20MINISTERIAL%20SCHEME%20FINAL%20RULES.doc>.

Those Ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this report). A new MP's pension scheme was introduced from May 2015, although members who were MPs and aged 55 or older on 1 April 2013 have transitional protection to remain in the previous MP's final salary pension scheme.

Benefits for Ministers are payable from State Pension age under the 2015 scheme. Pensions are re-valued annually in line with Pensions Increase legislation both before and after retirement. The contribution rate from May 2015 is 11.1% and the accrual rate is 1.775% of pensionable earnings.

The figure shown for pension value includes the total pension payable to the member under both the pre- and post-2015 Ministerial pension schemes.

The Cash Equivalent Transfer Value (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total Ministerial service, not just their current appointment as a Minister. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in the value of the CETV

This is the element of the increase in accrued pension funded by the Exchequer. It excludes increases due to inflation and contributions paid by the Minister. It is worked out using common market valuation factors for the start and end of the period.

Officials' pensions (subject to audit)

Officials	Accrued pension at pension age as at 31/3/18 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/18	CETV at 31/3/17	Real increase in CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	Nearest £100
Simon McDonald	80-85 plus a lump sum of 250-255	0-2.5 plus a lump sum of 2.5-5	1,858	1,739	2	-
Karen Pierce (From April 2017 until March 2018)	- ¹	-	-	-	-	-
Peter Jones (From May 2017)	55-60 plus a lump sum of 75-80	12.5-15 plus a lump sum of 15-17.5	1122	818	250	-
Christian Turner (from April 2016 until April 2017)	30-35 plus a lump sum of 80-85	0-2.5 plus a lump sum of 0-2.5	484	481	1	-
Deborah Bronnert (Until 31st December 2016) (from 10 July 2017)	50-55 plus a lump sum of 125-130	0-2.5 plus a lump sum of 0	887	837	-1	-
Jill Gallard	30-35 plus a lump sum of 75-80	0-2.5 plus a lump sum of 0	533	489	10	-
Liane Saunders (from May 2017)	40-45 plus a lump sum of 35-40	0-2.5 plus a lump sum of 0	623	577	6	-
Iain Macleod	50-55 plus a lump sum of 150-155	0-2.5 plus a lump sum of 0-2.5	1078	1004	7	-
Alison Blake	40-45 plus a lump sum of 45-50	0-2.5 plus a lump sum of 0	821	752	15	-
Philip Barton (April 2017)	55-60 plus a lump sum of 175-180	2.5-5 plus a lump sum of 10-12.5	1197	1059	69	-
Helen Bower Easton	25-30	0-2.5	284	258	5	-
Lindsay Croisdale-Appleby (until July 2017)	25-30 plus a lump sum of 65-70	0-2.5 plus a lump sum of 2.5-5	387	347	24	-
Andrew Sanderson	25-30 plus a lump sum of 60-65	0-2.5 plus a lump sum of 0	380	349	5	-

1. Karen Pierce chose not to be covered by the Civil Service pension arrangements during the reporting year

Non-executive pensions

None of the non-executive directors are members 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 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is 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 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

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 (subject to audit)

The FCO made two payments for compensation for loss of office in 2017-18. Benjamin Gascoigne, Special Advisor, received a severance payment of £8,317 due to a break for the general election. Liam Parker, Special Advisor, also received a severance payment of £8,679 due to the break for the general election.

Staff Report

The total FCO workforce as at 31 March 2018 was 12,537 comprising 4,591 FCO UK based staff and 7,946 FCO local staff.

FCO Staff Headcount (subject to audit)

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

	2017-18	2016-17
UK Based ¹	4591	4499
Local Staff	7946	8366
Ministers ²	4	6
Special Advisors	3	3
Other	146	128

- These figures exclude all staff working for UK Visa and Immigration (UKVI), UK Trade & Industry (now Department for International Trade), Wilton Park, FCO Services, other Whitehall Partners on the FCO platform overseas. But they do include FCO staff working in cross-Whitehall Programme Funded roles.
- In June 2017 two joint FCO-DFID private offices were created. These numbers exclude joint Ministers.

FCO UK based staff Headcount

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

	2013-14	2014-15	2015-16	2016-17 ¹	Actual 2017-18 ¹	Forecast 2017-18
Headcount ¹	4609	4469	4295	4499	4591	4063
Full Time Equivalent	4523	4380	4201	4420	4523	4003
Casual	16	13	11	-	-	-
Total FTE	4539	4393	4212	4420	4523	4003
Overtime	42	59	42	36	36	

- These figures exclude all staff working for UK Visa and Immigration (UKVI), UK Trade & Industry (now Department for International Trade), Wilton Park, FCO Services, other Whitehall Partners on the FCO platform. But they do include FCO staff working in cross-Whitehall Programme Funded roles.

Total UK Staff (by Grade)

As at 31 March 2018, 62% of UK staff were working in the UK and 38% were based in overseas posts. Approximately 12% of the UK based workforce were on loan from other Government Departments. The grade breakdown is as follows:

Staff by Grade	2013-14	2014-15	2015-16	2016-17 ¹	2017-18 ¹
A1 (AA) ²	18	19	19	45	56
A2 (AO)	653	555	491	451	400
B3 (EO)	734	715	689	670	614
C4 (HEO)	1165	1133	1102	1180	1283
C5 (SE0)	446	443	461	482	503
D6 (Grade 7)	782	792	744	830	866
D7 (Grade 6)	407	430	424	428	447
SMS (SCS)	404	382	365	413	422
	4609	4469	4295	4499	4591

- These figures exclude all staff working for UK Visa and Immigration (UKVI), UK Trade & Industry (now Department for International Trade), Wilton Park, FCO Services, other Whitehall Partners on the FCO platform overseas. But they do include staff working in cross-Whitehall Programme Funded roles.
- The increase in A1 (AA) numbers in 2016-17 and 2017-18 reflects that our internship programme now runs from September to May. Interns' employment now spans financial years and as such, they are within our headcount on 31st March.

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	2017-18	2016-17
SMS4	3	3
SMS3	28	28
SMS2	105	103
SMS1	286	279
TOTAL	422	413

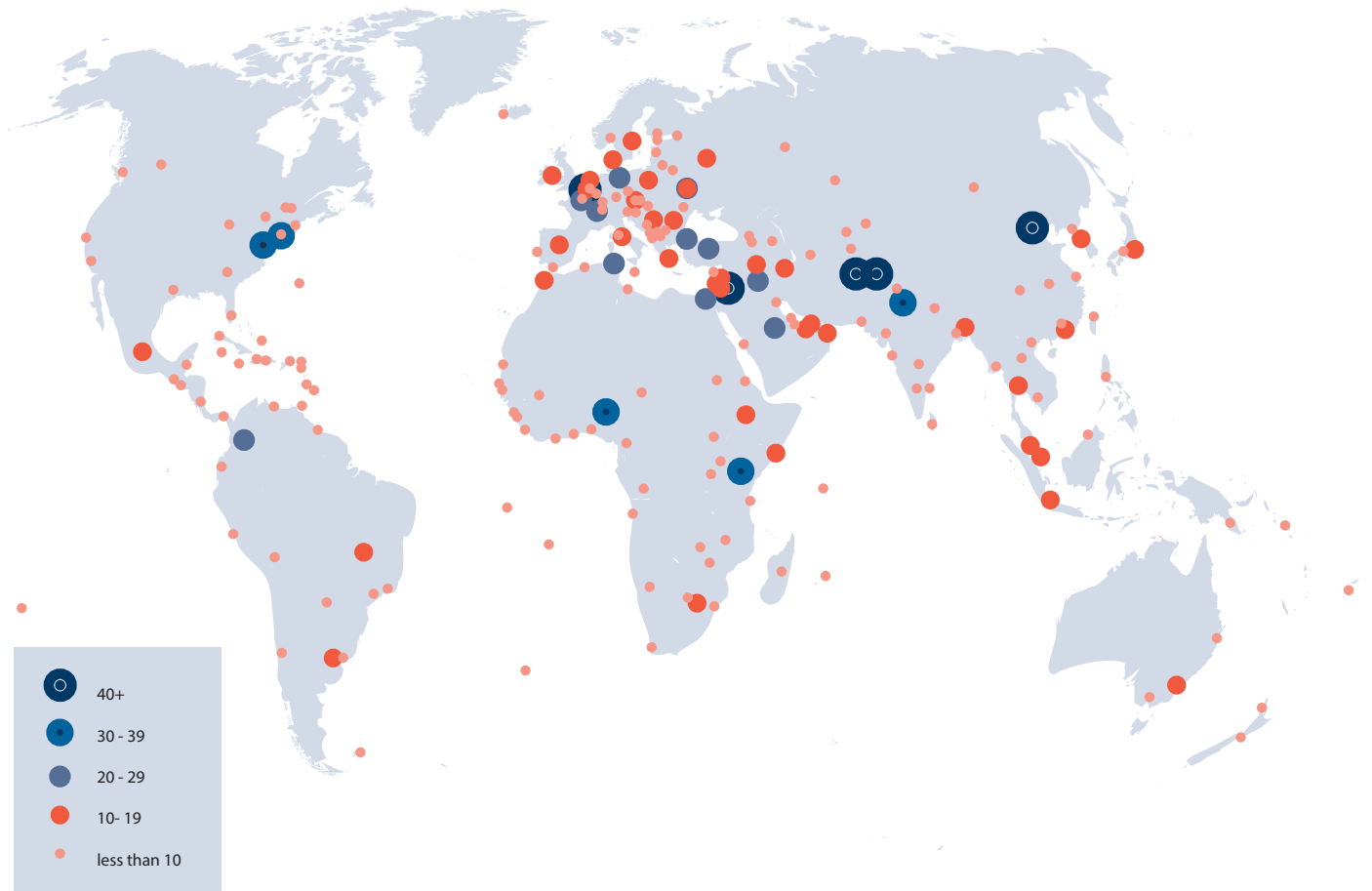
These figures exclude all staff working for UK Visa and Immigration (UKVI), UK Trade & Industry (now Department for International Trade), Wilton Park, FCO Services, other Whitehall Partners on the FCO platform. But they do include FCO staff working in cross-Whitehall Programme Funded roles.

Staff Costs (subject to audit)

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

	2017-18					2016-17	
	Permanent Staff		Others	Ministers	Special Advisers	Total	Total
	Local Staff	UK Staff					
	£000	£000	£000	£000	£000	£000	£000
Wages and Salaries	146,380	239,013	1,703	202	274	387,572	377,629
Social Security Costs	-	15,707	3	21	19	15,750	15,242
Other Pension Costs	15,111	35,279	7	27	50	50,474	49,930
	161,491	289,999	1,713	250	343	453,796	442,801
Less Recoveries from Outward Secondments	-	(2,236)	-	-	-	(2,236)	(4,125)
Total Net Costs	161,491	287,763	1,713	250	343	451,561	438,676

UK Staff at Diplomatic offices overseas



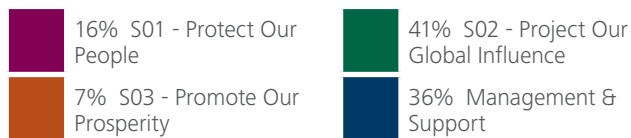
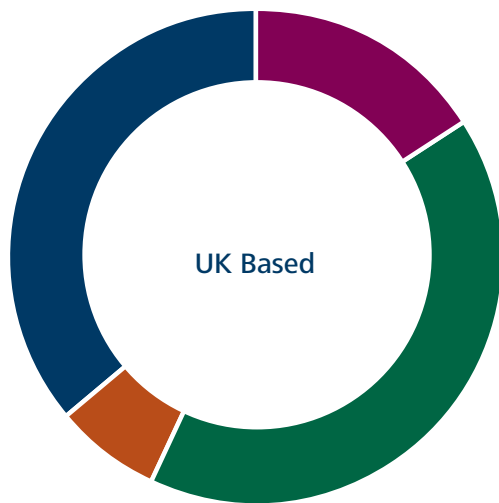
Departmental Activity

These figures in the table below are calculated using average staff numbers throughout the financial year, as opposed to staffing levels at the year end. The figures include front line activity only. A management and support element has been proportionately distributed across these activities.

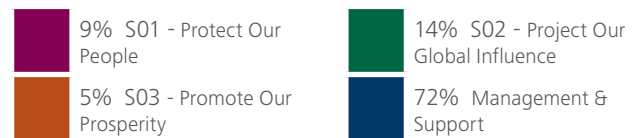
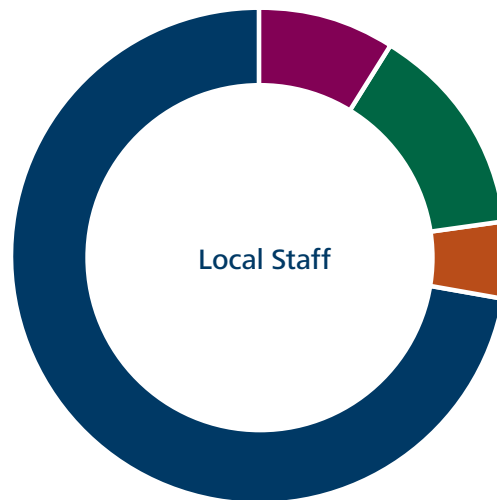
	2017-18			2016-17	
	Permanent Staff		Others	Total	Total
	Local Staff	UK Staff			
SO1 – Protect Our People	2,349	1,106	17	3,472	3,680
SO2 – Project Our Global Influence	3,993	2,927	52	6,972	6,461
SO3 – Promote Our Prosperity	1,475	521	8	2,004	2,087
	7,817	4,554	77	12,448	12,228
Of which:					
Core Department	7,817	4,432	71	12,320	12,114
Wilton Park	-	72	6	78	75
Other Designated Bodies	-	50	-	50	40
	7,817	4,554	77	12,448	12,228

In addition to the above numbers there were 6 Minister and 3 Special Advisors whose portfolios can cover all Foreign policy priorities and therefore have not been allocated specifically in the table.

Percentage of **UK** staff spent on priorities (as at March 2018)



Percentage of **Local** staff spent on priorities (as at March 2018)



Local Staff

Our Local Staff make up 63% of the total FCO workforce and are an integral part of our global network overseas. They are based in our diplomatic offices around the network and deliver front-line foreign policy objectives, consular services, corporate and management and support functions.

Our seven Regional Corporate Service Hubs provide HR services to all our overseas Posts and are exclusively staffed by local HR professionals. Their value in providing greater consistency, compliance and streamlining of HR policy and processes continues to grow. The Regional Operating Model is more established, and to ensure we maintain a resilient and efficient platform where service continues to improve, a HR Hub review is underway as part of the Corporate Capability Programme.

During 2017 we continued to use recruitment software for Local Staff vacancies at all seven HR Hubs. The Hubs received 201,730 completed applications for 2,550 vacancies in 2017/2018. This online platform provides candidates with a more efficient and modern

experience. The external facing web pages are being refreshed to better reflect Local Staff job opportunities, including the One HMG partners on our platform.

As part of Diplomacy 20:20, the Local Staff Charter was designed, implemented and rolled out globally during 2017. Posts continue to work on their specific Post Charters, clearly setting out their employment offer to 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 HR policies and practices. 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.

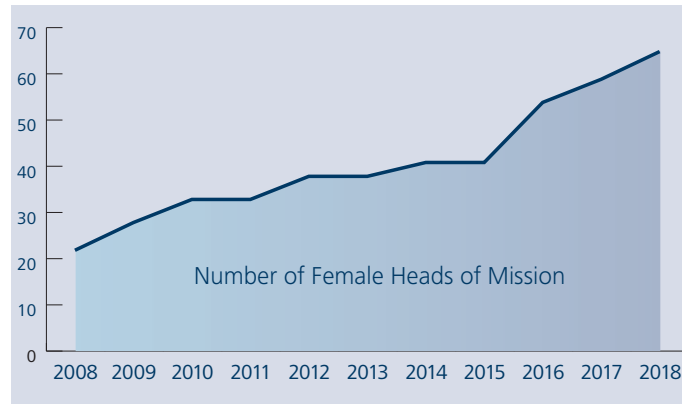
Our Diversity and Inclusion 20:20 strategy covers three priorities (a diverse talent pipeline; tackling bullying harassment and discrimination; and creating an inclusive environment). It sets out why diversity matters and how we plan to reach our ambition of an inclusive Foreign Office where all staff are valued and contribute to the best of their abilities. We believe that we will be a stronger organisation when our workforce better reflects the diversity of the country we represent.

	SMS	D7	D6	C5	C4	B3	A2	A1
Female	33%	43%	41%	40%	44%	55%	63%	48%
Disabled	8%	10%	10%	12%	9%	12%	18%	17%
BAME	6%	7%	7%	9%	15%	24%	31%	23%
LGBT	4%	5%	7%	6%	5%	4%	4%	12%

These figures exclude all staff working for other Whitehall Partners on the FCO platform overseas, including Wilton Park and FCO Services. But they do include FCO staff working in cross-Whitehall Programme Funded roles.

Number of female Heads of Mission

The FCO now has 51 female Heads of Mission (31%) and 14 female Heads of Post (29%).



Employment of people with a disability

The FCO is a member of the Business Disability Forum (BDF), a not-for-profit member organisation that makes it easier and more rewarding to do business with and employ disabled people in the UK. The FCO is currently ranked Silver under the BDF Disability Standard Benchmarking scheme. The FCO was also awarded Disability Confident Leader status by the Department of Work and Pensions in March 2017. In April 2018 the FCO achieved a Silver award (up from Bronze in 2017) in the Workplace Wellbeing Index run by the mental health charity, MIND.

Disability support for UK based staff is provided by the Disability Policy & Support Team (DPST) in the Human Resources Directorate. In line with wider Civil Service practice all staff who require them have a Workplace Adjustment Passport (WAP). When required the DPST seek advice from the Civil Service Workplace Adjustment Team (CSWAT) and use the services of expert disability providers for advice and assessments. Terms and conditions for Local Staff working at FCO Posts abroad are governed by local law but advice and support on disability policy issues is also available from the DPST.

Disabilities disclosed by UK-based staff cover a broad range of conditions, including neuro-diverse conditions (e.g. dyslexia, dyspraxia & Asperger’s), mobility issues and hearing or visual impairments. The provision of workplace adjustments for disabled staff can include an expert disability assessment; the supply of specialised office equipment and/or provision of IT software and hardware and appropriate training.

More general awareness training and support is also available to disabled staff, their managers and (where appropriate) team colleagues. Staff who are profoundly deaf or with a significant hearing impairment can additionally request the support of qualified British Sign Language (BSL) interpreters & Lip speakers.

Staff Composition

Total Number of Employees (by gender)

	2017-18		2016-17	
	UK based	Local Staff	UK based	Local Staff
Female	2070 45.1%	3275 41.2%	1984 44.1%	3515 42.0%
Male	2521 54.9%	4671 58.8%	2515 55.9%	4851 58.0%
Total	4591	7946	4499	8366

These figures exclude all staff working for UK Visas and Immigration (UKVI), UK Trade & Industry (now Department for International Trade), Wilton Park, FCO Services, other Whitehall Partners on the FCO platform. But they do include staff working in cross-Whitehall Programme Funded roles.

Total Number of Senior Civil Servants (by Gender)

Grade	2017-18			2016-17		
	Total	% Female	% male	Total	% Female	% male
SMS1	286	38%	62%	279	34%	66%
SMS2	105	23%	77%	103	22%	78%
SMS3	28	25%	75%	28	26%	74%
SMS4	3	0%	100%	3	0%	100%
Total	422	33%	55%	413	30%	70%

These figures exclude all staff working for UK Visas and Immigration (UKVI), UK Trade & Industry (now Department for International Trade), Wilton Park, FCO Services, other Whitehall Partners on the FCO platform overseas. But they do include staff working in cross-Whitehall Programme Funded roles.

Expenditure on Consultancy

The 2017-18 spend figure on Consultancy is £1,261,979 (16-17, £814,467). Consultancy expenditure in 2017-18 reflects aggregated spend across our global network. This increase results from requirements to support Tech Overhaul and Corporate Capability. Spend includes Consultancy in our overseas network on ad-hoc legal matters, where specialist local advice is needed, as well as management consultancy in the UK to support the Diplomacy 20:20 programme. All new proposals for Consultancy projects are subject to business case clearance procedures in line with Cabinet Office guidelines. Spend on other UK Temporary Staff was £3.55m (16-17 £5.37m).

Sick Absence Rates

The average number of working days lost (for FCO Civil Servants/UK Based staff) is 3.4. Respiratory issues e.g. colds/flu are the primary reason for short term absence. Mental health disorders are the main reason for long-term absence. Please refer to the Health and Safety and Wellbeing of Our Staff section of this report on activity to reduce sick absence rates. This mirrors the statistics across the Civil Service. Overall our sick absence figures are well below the Civil Service average and 72% of FCO staff have taken no sick absence at all in the last year.

Sickness Absence in the FCO	2017 ¹
Working Days Lost (Short Term)	6772
Working Days Lost (Long Term)	8445
Total Working Days Lost	15,167
Average Annual Working Days lost per staff year	3.4
Percentage of staff with no sick leave	72%

1. FCO Civil Servant/UK Based Staff. The annual sick absence rates no longer include figures for staff working for Wilton Park and FCO Services.

Off Payroll Engagements

Table 1 for all off-payroll engagements as of 31 March 2018 for more than £245 per day and that last longer than six months

	FCO	Agency	NDPBs
No. of existing engagements as of 31st March 2018	16	0	0
Of which :			
No. that have existed for less than one year at time of reporting	12	0	0
No. that have existed for between one and two years at time of reporting	2	0	0
No. that have existed for between two and three years at time of reporting	1	0	0
No. that have existed for between three and four years at time of reporting	0	0	0
No. that have existed for four or more years at time of reporting	1	0	0

Table 2 For all new off-payroll engagements, or those that reached six months in duration between 1 April 2017 and 31 March 2018, for more than £245 per day and that lasts longer than six months.

	FCO	Agency	NDPBs
No. of new engagements, or those that reached six months in duration, between 1 April 2017 and 31 March 2018	17	1	0
Of which:			
No. assessed as caught by IR35	17	1	0
No. assessed as not caught by IR35	0	0	0
Of which:			
No. engaged directly (via PSC contracted to department) and are on the department payroll	17	1	0
No. of engagements reassessed for consistency/ assurance purposed during the year	0	0	0
No. of engagements that saw a change to IR35 status following the consistency review	0	0	0

Table 3 For any off-payroll engagements of board members, and/or senior officials with significant financial responsibility between 1 April 2017 and 31 March 2018

	FCO	Agency	NDPBs
No of off-payroll engagements of board members and/or senior officials with significant financial responsibility during the financial year	0	1	0
No of officials that have been deemed "board members and/or senior officials with significant financial responsibility" during the financial year including off-payroll and on-payroll engagements	14	2	5

Reporting of Civil Service and other compensation schemes – exit packages (subject to audit)

The FCO has made no compensated early exits in 2017-18 or 2016-17. Redundancy and other departure costs would 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.

Facility Time Publication Requirements

Table 1: Relevant Union Officials

Number of employees who were relevant union officials during 1 April 2017 – 31 March 2018	Full-time equivalent employee number
10	4.5

Table 2: Percentage of time spent on facility time

Number of employees who were relevant union officials employed during 1 April 2017 – 31 March 2018 that spent a) 0%, b) 1%-50%, c) 51%-99% or d) 100% of their working hours on facility time?

Percentage of time	Number of Employees
0%	1
1-50%	9
51-99%	0
100%	0

Table 3: Percentage of pay bill spent on facility time

	Figures
The total cost of facility time	£107,809
The total pay bill	£341,113,539
The percentage of the total pay bill spent on facility time	0.03%

Table 4: Paid trade union activities

Percentage of time spent on paid trade union activities as a percentage of total paid facility time hours	0.26%
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This data includes FCO, FCO Services and Wilton Park. The TU officials represent all 3 entities.

Parliamentary Accountability and Audit Report

Statement of Parliamentary Supply (Audited)

Summary of Resource and Capital Outturn

							2017-18	2016-17	
			Estimate				Outturn	Outturn	
Note	Voted	Non-Voted	Total	Voted	Non-Voted	Total	Saving / (Excess)	Total	
			£000	£000	£000	£000	£000	£000	
Departmental Expenditure Limit									
Resource	SoPS 1.1	2,217,378	-	2,217,378	2,207,708	-	2,207,708	9,670	2,057,508
Capital	SoPS 1.2	137,645	-	137,645	(251,901)	-	(251,901)	389,546	59,567
Annually Managed Expenditure									
Resource	SoPS 1.1	205,000	-	205,000	142,033	-	142,033	62,967	(52,706)
Capital		-	-	-	-	-	-	-	-
Total Budget		2,560,023	-	2,560,023	2,097,840	-	2,097,840	462,183	2,064,369
Non-Budget									
Resource		-	-	-	-	-	-	-	-
Total		2,560,023	-	2,560,023	2,097,840	-	2,097,840	462,183	2,064,369
Total Resource	SoPS 1.1	2,422,378	-	2,422,378	2,349,741	-	2,349,741	72,637	2,004,802
Total Capital	SoPS 1.2	137,645	-	137,645	(251,901)	-	(251,901)	389,546	59,567
Total		2,560,023	-	2,560,023	2,097,840	-	2,097,840	462,183	2,064,369
							2017-18	2016-17	
			Note	Estimate	Outturn	Saving / (Excess)	Outturn		
				£000	£000	£000	£000		
Net Cash Requirement	SoPS 3			2,256,040	1,920,653	335,387	1,988,210		
Administration Costs				183,563	176,451		116,077		

The outturn for Annually Managed Expenditure (AME) covers demand-led and volatile spending, which falls into four main areas: Impairments and Provisions, Unrealised Gains/Losses on Foreign Exchange, Tax Reimbursements and Other (e.g. actuarial gains/losses on Pension schemes, depreciation on donated assets).

Parliamentary control of FCO spending applies to:

- » The net resource DEL requirement;
- » The net capital DEL requirement;
- » The net resource AME requirement; and,
- » The net cash requirement for the Estimate as a whole

In addition, although not a separate voted limit, any breach of the administration budget will also result in an excess vote. Explanations of variances between estimate and outturn are given in the Financial Review contained within the Accountability Report.

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

Notes to the Statement of Parliamentary Supply (Audited)

SoPS 1 Net Outturn

SoPS 1.1 Analysis of Departmental Group Net Resource Outturn by Section

	2017-18							2016-17			
	Administration			Programme			Outturn		Estimate	Outturn	
	Gross	Income	Net	Gross	Income	Net	Total	Net Total	Net Total compared to Estimate adjusted for Virements	Total	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Departmental Expenditure Limits											
A: Administration and programme expenditure	382,047	(205,596)	176,451	850,226	(87,778)	762,448	938,899	956,934	18,035	9,670	903,589
B: Programme and international organisations grants	-	-	-	376,740	-	376,740	376,740	375,000	(1,740)	-	330,933
C: British Council	-	-	-	171,000	-	171,000	171,000	165,500	(5,500)	-	162,001
D: Net Funding for NDPBs	-	-	-	6,166	-	6,166	6,166	5,993	(173)	-	4,048
E: Conflict Prevention Programme Expenditure	-	-	-	422,707	(18,787)	403,920	403,920	375,719	(28,201)	-	339,343
F: Peacekeeping	-	-	-	310,983	-	310,983	310,983	338,232	27,249	-	317,594
	382,047	(205,596)	176,451	2,137,822	(106,566)	2,031,257	2,207,708	2,217,378	9,670	9,670	2,057,508
Annually Managed Expenditure											
G: AME Programme	-	-	-	102,048	-	102,048	102,048	165,000	62,952	62,952	(87,715)
H: Reimbursement of certain duties, taxes and licence fees	-	-	-	39,985	-	39,985	39,985	40,000	15	15	35,009
	-	-	-	142,033	-	142,033	142,033	205,000	62,967	62,967	(52,706)
Total	382,047	(205,596)	176,451	2,279,856	(106,566)	2,173,290	2,349,741	2,422,378	72,637	72,637	2,004,802

SoPS 1.2 Analysis of Departmental Group Net Capital Outturn by Section

	2017-18						2016-17
	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
Departmental Expenditure Limits							
A: Administration and programme expenditure	142,260	(413,132)	(270,872)	116,649	387,521	387,506	46,636
B: Programme and international organisations grants	9,959	-	9,959	12,000	2,041	2,041	10,425
C: British Council - Capital grant	-	-	-	-	-	-	-
E: Conflict Prevention Programme Expenditure	9,012	-	9,012	8,996	(16)	-	2,506
F: Peacekeeping	-	-	-	-	-	-	-
	161,231	(413,132)	(251,901)	137,645	389,546	389,546	59,567

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	2017-18	2016-17
			£000	£000
Total resource outturn in Statement of Parliamentary Supply				
	Budget	1.1	2,349,741	2,004,802
	Non-Budget	1.1	-	-
Add:	Capital Grants and Capital Grants in Kind	1.2	7,345	10,425
	Research and Development	1.2	6,056	3,928
	Other		9,012	2,506
Less:	Income payable to the Consolidated Fund	4.1	(2,096)	(1,932)
	Net Profit/Loss on Disposal		(382,770)	(36,129)
	Net Operating Expenditure in CSCNE	CSCNE	1,987,288	1,983,600

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

	Note	Estimate	Outturn	2017-18 Saving/ (Excess)	2016-17 Outturn
		£000	£000	£000	£000
Resource Outturn	SoPS 1.1	2,422,378	2,349,741	72,637	2,004,802
Capital Outturn	SoPS 1.2	137,645	(251,901)	389,546	59,567
Accruals to Cash Adjustments					
Adjustments to remove non-cash items:					
Depreciation / Amortisation	3	(188,960)	(124,093)	(64,867)	(116,390)
New provisions and adjustments to previous provisions	3	(15,000)	(10,965)	(4,035)	(1,711)
New impairments and adjustments to previous impairments	3	-	(14,943)	14,943	28,997
Other non-cash items (except profit on disposal of PPE)	3	(115,000)	(75,582)	(39,418)	37,616
Capital Grant In Kind		-	(2,614)	2,614	-
Adjustments for designated ALBs:					
Remove voted resource and capital		(5,993)	(6,166)	173	(4,048)
Add cash grant-in-aid	CSCNE	5,970	6,220	(250)	5,953
Adjustments to reflect movements in working balances:					
Increase/(decrease) in inventory	CSCF	-	(178)	178	105
Increase/(decrease) in receivables	CSCF	-	(1,748)	1,748	21,495
(Increase)/decrease in payables	CSCF, 13	-	46,663	(46,663)	(53,231)
Use of provisions	14	15,000	5,958	9,042	6,651
Adjustments re pension schemes	16	-	552	(552)	(1,079)
Other Adjustments		-	(291)	291	(517)
		2,256,040	1,920,653	335,387	1,988,210
Removal of Non-Voted Budget Items					
Consolidated Fund Standing Services		-	-	-	-
Other Adjustments		-	-	-	-
Net Cash Requirement		2,256,040	1,920,653	335,387	1,988,210

SoPS 4 Income Payable to the Consolidated Fund

SoPS 4.1 Analysis of Income Payable to the Consolidated Fund

In addition to income retained by the FCO, the following income relates to the FCO and is payable to the Consolidated Fund

	2017-18		2016-17	
	Income	Receipts	Income	Receipts
	£000	£000	£000	£000
Operating income outside the ambit of the Estimate	2,096	2,096	1,932	1,932
Excess cash surrenderable to the Consolidated Fund	-	-	-	-
Total income payable to the Consolidated Fund	2,096	2,096	1,932	1,932

Consolidated Fund income shown in note 4.1 above does not include any amounts collected by the FCO where it was acting as agent for the Consolidated Fund rather than as principal.

The amounts collected as agent for the Consolidated Fund (which are excluded from the FCO's income) were:

SoPS 4.2 Consolidated Fund Income

	2017-18	2016-17
	£000	£000
Consular fees	1,780	1,983
Miscellaneous income	27	9
Amount payable to the Consolidated Fund	1,807	1,992
Balance held at the start of the year	394	9,378
	2,201	11,370
Payments into Consolidated Fund	(1,695)	(10,976)
Balance held on trust/due from Consolidated Fund at the end of the year	506	394

Parliamentary Accountability Disclosures *(The following sections are subject to audit)*

Losses and Special Payments

Losses	2017-18			2016-17		
	Core Department & Agencies	Departmental Group	Number of Cases	Core Department & Agencies	Departmental Group	Number of Cases
	£000	£000		£000	£000	
Cash losses	110	110	4	3	3	2
Administrative write-offs	491	491	17	416	416	15
Stores losses	230	230	3	306	306	2
Fruitless payments and constructive losses	-	-	-	1	1	1
Losses for fraud, theft, arson or sabotage	-	-	-	-	-	-
Claims waived and abandoned	11	11	3	-	-	-
Total	842	842	27	726	726	20

All Frauds, whether resulting in a loss to the FCO or not, are published in the FCO's contribution to the Cabinet Office's quarterly fraud report and on gov.uk: <https://www.gov.uk/government/publications/fco-counter-fraud-losses-april-2017-to-february-2018>

Special Payments	2017-18		2016-17	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
Total number of special payments	4	4	8	8
Total value of special payments (£000)	31	31	76	76

These include compensation and ex-gratia payments in respect of personal injury and severance payments. Severance payments are paid under certain circumstances to employees, contractors and others outside of normal statutory or contractual requirements, when leaving employment in the public service, whether they resign, are dismissed, or reach an agreed termination of contract.

Gifts

Additional HM Treasury guidance on capital donations has revised the approval process the FCO has with HM Treasury. Full details of this clarification can be found in Note 1.15 of the Accounts. The impact is that where donations of assets have the nature of a grant, rather than a gift, the FCO follows the Treasury guidance on handling grants-in-kind. The FCO recognises Parliament's scrutiny role and will continue to inform Parliament of these by Written Ministerial Statement, along with all future gifts.

Fees and Charges

Consular Directorate receives income from the Consular premium (£14.93 on each standard passport issued), fees charged for specific services provided to British nationals abroad (mainly the issue of Emergency Travel Documents), and legalisation services provided in the UK. This income is used to fund consular services provided by our consular officers and supported by our wider network overseas. In line with HM Treasury guidelines, the fees charged are reviewed annually to ensure the cost of providing our services is covered fully by our income over the Spending Review period. To date we have not deemed it necessary to change the fees set in April 2016. We will provide a fuller report in the 2018-19 Accounts.

Accrued and deferred income have been included for Consular's fees and charges balances where there is a surplus or deficit. These balances are only treated as deferred or accrued income where there is an expectation that they will be recovered over a reasonable period of time. The balances are considered when setting future years' fees and charges, to enable a break even position to be achieved over the Spending Review period.

Financial Guarantees and Indemnities

The FCO has entered into the following quantifiable contingent liabilities by offering indemnities. These are given on behalf of the British Council for art exhibitions overseas which are not commercial activities that fall outside the FCO's core activities. Any decision to offer an indemnity is only given on the basis of a cost-benefit analysis. As part of the agreement between FCO, British Council and HM Treasury, the British Council will meet the first £3m of any claim. These liabilities at 31 March 2018 remain unchanged from last year at £1,100k. None of these is a contingent liability within the meaning of IAS 37 since the likelihood of a transfer of economic benefit in settlement is too remote. They are disclosed here under parliamentary reporting requirements, and are measured following the requirements of IAS 39.

Indemnities

1 April 2017 (£000)	Increase in year (£000)	Liabilities crystallised in year (£000)	Obligations expired in year (£000)	31 March 2018 (£000)	Amount reported to Parliament by Departmental Minute (£000)
1,100	300	-	(300)	1,100	-

Remote Contingent Liabilities

The FCO has no liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of a contingent liability. Contingent liabilities within the meaning of IAS37 can be found in Note 15 in the Annual Accounts.

Audit Fees

The Accounts have been audited by the Comptroller and Auditor General (C&AG). The audit fee for the Core Department is £280,000 (2016-17: £265,000) in total. The non-cash audit fee for Wilton Park was £25,500 (2016-17: £23,000). The total cost of audit for all the bodies across the Departmental Group is £342,000 of which £36,000 is a cash charge and £306,000 is a notional charge (2016-17: total £318,000 comprising £30,000 cash costs and £288,000 notional charge). The audit of the designated bodies was carried out by the NAO under various statutes, and the costs are included in the figures disclosed above. Further details are given in the accounts of the bodies concerned.

In addition, FCO directly paid the NAO cash fees of £39,842 during 2017–18 for carrying out international technical co-operation advisory services. The NAO also received fees for similar purposes indirectly from FCO and WFD via other organisations managing FCO and WFD programmes. Indirect fees totalled £79,375 in 2017–18, of which £1,200 came indirectly from WFD. For comparison, in 2016-17 the FCO directly paid the NAO £33,750. In 2016-17 indirect fees totalled £34,239, of which £2,158 came indirectly from WFD.

Simon McDonald

29 June 2018
Accounting Officer
Foreign and Commonwealth Office
King Charles Street
London
SW1A 2AH

The Certificate of the Comptroller and Auditor General to the House of Commons

Opinion on financial statements

I certify that I have audited the financial statements of the Foreign and Commonwealth Office and of its Departmental Group for the year ended 31 March 2018 under the Government Resources and Accounts Act 2000. The Department comprises the core Department and its agencies. The Departmental Group consists of the Department and the bodies designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2018. The financial statements comprise: the Department's and Departmental Group's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- » the financial statements give a true and fair view of the state of the Department's and the Departmental Group's affairs as at 31 March 2018 and of the Department's total comprehensive net expenditure and Departmental Group's total net comprehensive net expenditure for the year then ended; and
- » the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects:

- » the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2018 and shows that those totals have not been exceeded; and
- » the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting

Council's Revised Ethical Standard 2016. I am independent of the Foreign and Commonwealth Office in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- » identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- » obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the Foreign and Commonwealth Office's internal control.

- » evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- » conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the Foreign and Commonwealth Office's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- » evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- » obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the group financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the Annual Report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the

other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- » the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- » in the light of the knowledge and understanding of the group and the parent and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- » the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- » adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- » the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- » I have not received all of the information and explanations I require for my audit; or
- » the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

5 July 2018

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

Accounts

Consolidated Statement of Comprehensive Net Expenditure

This account shows key areas of expenditure and income as detailed in the associated notes. Other comprehensive net expenditure directly impacts the general fund and therefore is not reclassified in net operating costs.

	Note	2017-18		2016-17	
		Core Department & Agencies £000	Departmental Group £000	Core Department & Agencies £000	Departmental Group £000
Operating Income	4	(301,837)	(301,837)	(285,995)	(285,995)
Operating Expenditure					
Staff costs	3	448,912	451,561	436,477	438,676
Grants	3	1,175,733	1,185,029	1,082,597	1,092,530
Subscriptions to international organisations	3	142,380	142,380	129,133	129,133
Rentals under operating leases	3	123,835	123,835	120,802	120,802
Other costs	3	532,271	532,307	490,030	490,057
Non-cash costs	3	251,839	251,871	51,038	51,073
		2,674,970	2,686,983	2,310,077	2,322,271
Net Operating Expenditure		2,373,133	2,385,146	2,024,082	2,036,276
Other Income					
Finance income	4	(385,742)	(385,741)	(37,748)	(37,748)
Consolidated Fund Extra Receipts	4	(2,096)	(2,096)	(1,932)	(1,932)
Income of consolidated bodies	4	(4,174)	(10,021)	(4,862)	(12,996)
		(392,012)	(397,858)	(44,542)	(52,676)
Other Expenditure					
Grant in Aid to designated Arms Length Bodies	3	6,220	-	5,953	-
Net Other Expenditure		(385,792)	(397,858)	(38,589)	(52,676)
Net Expenditure for the Year		1,987,341	1,987,288	1,985,493	1,983,600
Total Expenditure		2,681,190	2,686,983	2,316,030	2,322,271
Total Income		(693,849)	(699,695)	(330,537)	(338,671)
Net Expenditure for the Year		1,987,341	1,987,288	1,985,493	1,983,600
Other Comprehensive Net Expenditure					
Items that will not be reclassified to net operating costs:					
Net (gain)/loss on:					
Revaluation of property, plant and equipment	5	(76,559)	(76,559)	(341,075)	(341,075)
Revaluation of intangibles	6	(10)	(10)	(33)	(33)
Items that may be reclassified to net operating costs:					
Revaluation of assets held for sale	5	11	11	2,065	2,065
Actuarial (gain)/loss on defined benefit pension schemes	16	(1,320)	(1,320)	2,364	2,364
		(77,878)	(77,878)	(336,679)	(336,679)
Total Comprehensive Net Expenditure		1,909,463	1,909,410	1,648,814	1,646,921

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 2018.

		2017-18		2016-17	
	Note	Core Department & Agencies £000	Departmental Group £000	Core Department & Agencies £000	Departmental Group £000
Non-Current Assets					
Property, Plant and Equipment	5	2,814,800	2,814,827	2,767,668	2,767,720
Intangible Assets	6	559	560	528	529
Financial Assets	9	6,073	6,073	35,492	35,492
Retirement benefit schemes asset	16	2,276	2,276	2,391	2,391
Other Non-Current Assets	12	29,150	29,150	29,728	29,728
Total Non-Current Assets		2,852,858	2,852,886	2,835,807	2,835,860
Current Assets					
Assets classified as held for sale	5	3,733	3,733	4,920	4,920
Inventories	10	1,000	1,000	1,178	1,178
Trade and other receivables	12	246,572	247,933	166,453	167,245
Financial Assets	9	8,374	8,374	54,696	54,696
Cash and cash equivalents	11	254,221	256,368	70,659	73,366
Total Current Assets		513,900	517,408	297,906	301,405
Total Assets		3,366,758	3,370,294	3,133,713	3,137,265
Current Liabilities					
Trade and Other Payables	13	(500,153)	(502,251)	(362,351)	(362,781)
Financial Liabilities	9	(10,744)	(10,744)	-	-
Provisions	14	(6,666)	(6,684)	(6,427)	(6,427)
Total Current Liabilities		(517,563)	(519,679)	(368,778)	(369,208)
Non-Current Assets plus / Net Current Assets / Liabilities		2,849,195	2,850,615	2,764,935	2,768,057
Non-Current Liabilities					
Provisions	14	(42,193)	(42,193)	(41,079)	(41,097)
Other Payables	13	(28,417)	(28,417)	(29,320)	(29,320)
Financial Liabilities	9	(14,855)	(14,855)	(235)	(235)
Retirement Benefit Schemes Liability	16	(28,808)	(28,808)	(30,795)	(30,795)
Total Non-Current Liabilities		(114,273)	(114,273)	(101,429)	(101,447)
Total Assets less Liabilities		2,734,922	2,736,342	2,663,506	2,666,610
Tax-payers Equity and Other Reserves					
General Fund	CSCTE	1,114,184	1,115,604	1,023,808	1,026,912
Revaluation Reserve	CSCTE	1,620,738	1,620,738	1,639,698	1,639,698
Total Equity		2,734,922	2,736,342	2,663,506	2,666,610

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

Simon McDonald

29 June 2018

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.

	Note	2017-18		2016-17	
		Core Department & Agencies £000	Departmental Group £000	Core Department & Agencies £000	Departmental Group £000
Cash Flows from Operating Activities					
Net Expenditure for the Year	CSCNE	(1,987,341)	(1,987,288)	(1,985,493)	(1,983,600)
Adjustments for non-Cash Transactions	3	(156,194)	(156,887)	21,131	21,219
(Increase)/Decrease in Trade and Other Receivables	12	1,748	1,816	(21,495)	(22,318)
Less Movements in Receivables relating to items not passing through the CSCNE		(1,329)	(1,329)	(2,435)	(2,435)
(Increase)/Decrease in Inventories	10	178	178	(105)	(105)
Increase/(Decrease) in Trade Payables	13	(46,710)	(46,691)	39,751	39,195
Less Movements in Payables relating to items not passing through the CSCNE		(4,637)	(4,637)	13,359	13,359
Use of Provisions	14	(5,958)	(5,958)	(6,651)	(6,651)
Adjustment to replace Defined Benefit Pension Scheme CSCNE charge with cash payments	16	(552)	(552)	1,079	1,079
Net Cash Outflow from Operating Activities		(2,200,795)	(2,201,348)	(1,940,859)	(1,940,257)
Cash Flows from Investing Activities					
Purchase of Property, Plant and Equipment	5	(128,046)	(128,053)	(103,682)	(103,728)
Purchase of Intangible Assets	6	(46)	(46)	(17)	(17)
Proceeds from Disposal of Property, Plant and Equipment	5	411,850	411,850	59,624	59,635
Loan Repayments from Other Bodies	9	-	-	-	-
Net Cash Outflow from Investing Activities		283,758	283,751	(44,075)	(44,110)
Cash Flows from Financing Activities					
From the Consolidated Fund (Supply) - current year	CSCTE	2,104,103	2,104,103	1,983,714	1,983,714
From the Consolidated Fund - settlement of prior year receivable		-	-	-	-
Capital Element of Payments of Finance Leases and On-Balance Sheet (SoFP) PFI Contracts		(1,520)	(1,520)	(1,345)	(1,345)
Net Financing		2,102,583	2,102,583	1,982,369	1,982,369
Net Increase/(Decrease) in Cash and Cash Equivalents in the period before Adjustment for Receipts and Payments to the Consolidated Fund		185,546	184,986	(2,565)	(1,998)
Receipts of Amounts as agent of the Consolidated Fund	SoPS 4.2	1,807	1,807	1,992	1,992
Payments of Amounts Due to the Consolidated Fund	SoPS 4.1, 4.2	(3,791)	(3,791)	(12,907)	(12,907)
Net Increase/(Decrease) in Cash and Cash Equivalents in the period after Adjustment for Receipts and Payments to the Consolidated Fund		183,562	183,002	(13,480)	(12,913)
Cash and Cash Equivalents at the beginning of the period	11	70,659	73,366	84,139	86,279
Cash and Cash Equivalents at the end of the period	11	254,221	256,368	70,659	73,366

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.

	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 2016	CSoFP	965,410	1,362,363	2,327,773	966,751	1,362,363	2,329,114
Net Operating Cost	CSCNE	(1,985,493)	-	(1,985,493)	(1,983,600)	-	(1,983,600)
Net Gain/(loss) on Revaluation of PPE	5	-	341,075	341,075	-	341,075	341,075
Net Gain/(Loss) on Revaluation of Intangibles	6	-	33	33	-	33	33
Net Gain/(Loss) on Revaluation of Assets Held for Sale	5	-	(2,065)	(2,065)	-	(2,065)	(2,065)
Net Gain/(Loss) on Foreign Exchange		-	-	-	-	-	-
Actuarial (Gain)/Loss on Defined Benefit Pension Schemes	16	(2,364)	-	(2,364)	(2,364)	-	(2,364)
Total Comprehensive Expenditure for the year		(1,987,857)	339,043	(1,648,814)	(1,985,964)	339,043	(1,646,921)
Net Parliamentary Funding - drawn down		1,983,714	-	1,983,714	1,983,714	-	1,983,714
Supply Receivable Adjustment		(70,265)	-	(70,265)	(70,265)	-	(70,265)
Net Parliamentary Funding deemed		74,761	-	74,761	74,761	-	74,761
Parliamentary Funding - Supply receivable		-	-	-	-	-	-
CFERS Payable to the Consolidated Fund	SoPS 4.1	(1,932)	-	(1,932)	(1,932)	-	(1,932)
Non-Cash Charges - Auditors Remuneration	3	288	-	288	288	-	288
Transfers between Reserves		61,708	(61,708)	-	61,708	(61,708)	-
Consolidation and other In-year Adjustments		(2,019)	-	(2,019)	(2,149)	-	(2,149)
Balance at 31 March 2017	CSoFP	1,023,808	1,639,698	2,663,506	1,026,912	1,639,698	2,666,610
Net Operating Cost	CSCNE	(1,987,341)	-	(1,987,341)	(1,987,288)	-	(1,987,288)
Net Gain/(loss) on Revaluation of PPE	5	-	76,559	76,559	-	76,559	76,559
Net Gain/(Loss) on Revaluation of Intangibles	6	-	10	10	-	10	10
Net Gain/(Loss) on Revaluation of Assets Held for Sale	5	-	(11)	(11)	-	(11)	(11)
Net Gain/(Loss) on Foreign Exchange		(19,939)	-	(19,939)	(19,939)	-	(19,939)
Actuarial (Gain)/Loss on Defined Benefit Pension Schemes	16	1,320	-	1,320	1,320	-	1,320
Total Comprehensive Expenditure for the year		(2,005,960)	76,558	(1,929,402)	(2,005,907)	76,558	(1,929,349)
Net Parliamentary Funding - drawn down		2,104,103	-	2,104,103	2,104,103	-	2,104,103
Supply Receivable Adjustment		(253,715)	-	(253,715)	(253,715)	-	(253,715)
Net Parliamentary Funding deemed		70,265	-	70,265	70,265	-	70,265
Parliamentary Funding - Supply receivable		81,672	-	81,672	81,672	-	81,672
CFERS Payable to the Consolidated Fund	SoPS 4.1	(2,096)	-	(2,096)	(2,096)	-	(2,096)
Non-Cash Charges - Auditors Remuneration	3	306	-	306	306	-	306
Transfers between Reserves		95,669	(95,669)	-	95,669	(95,669)	-
Consolidation and other In-year Adjustments		132	151	283	(1,605)	151	(1,454)
Balance at 31 March 2018	CSoFP	1,114,184	1,620,738	2,734,922	1,115,604	1,620,738	2,736,342

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 2017-18 Government Financial Reporting Manual (FRoM) issued by HM Treasury. The accounting policies contained in the FRoM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FRoM 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 FRoM also requires the Department to prepare an additional primary statement. The Statement of Parliamentary Supply (SoPS) and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement. The SoPS and supporting notes can be found in the Accountability section of the Accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention as modified to account for the revaluation of property, plant and equipment, intangible assets and inventories where material, and certain financial assets and liabilities.

1.2 Basis of consolidation

These accounts comprise a consolidation of the core department, its departmental agency and those other arm's length bodies which fall within the departmental boundary as defined in the statutory instrument SI 2017 No 310 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 18 to the Accounts.

In the preparation of the group accounts, the Department is required to adopt consistent and uniform accounting policies across all entities with appropriate adjustments made where any differences have a material impact on the Accounts.

1.3 Operating Income and Revenue Recognition

Operating income is income which relates to the operating activities of the FCO. It principally comprises 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, and is recognised in accordance with the FRoM and IAS 18 on revenue recognition. Revenue is consequently measured at the fair value of consideration received or receivable.

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 statement of financial position (SoFP) 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.

The overseas estate (non-specialised buildings, specialised buildings and perpetual leases) 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.

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.

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 and Amortisation

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 10 years
- » Transport equipment—2 to 8 years
- » Plant and machinery—3 to 25 years, within plant and machinery there are 3 main subcategories:
- » Office Equipment 5 years
- » Technical Equipment 8 years and
- » Heavy Machinery 20 years.

Depreciation methods, estimated useful lives and residual values are reviewed at each reporting date. Freehold buildings have their remaining life adjusted annually based on expert valuation, and the depreciation is adjusted over the remaining life of the building (which is a maximum of 60 years). Non-property assets whose historic cost is greater than £150k are reviewed as part of the asset verification exercise, and re-lifed where appropriate.

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). 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 the lower of cost or net realisable value. Inventories of finished goods and goods for resale are valued at cost, or where materially different, current replacement cost. A net realisable valuation is used only when inventories 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. Foreign currency forward contracts were not in hedging relationships in accordance with IAS 39. 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 (GIA) payments from the Department to ALBs are paid only when the need for cash has been demonstrated by the body concerned. ALBs treat receipts of GIA as financing. These transactions are eliminated on consolidation. Where grants rather than GIA are given to ALBs any payables or receivables by the ALBs are accounted for on an accruals basis.

Programme grants reflect non-administrative costs, including payments of grants and other disbursements by the Department and certain staff costs where they relate directly to service delivery.

When the Department purchases goods which are to be provided for a project, rather

than providing cash funding, the transfer of the goods is considered a grant-in-kind. A grant-in-kind differs from a capital grant where the Department provides funding to the recipient to be used to buy capital assets. When the Department donates surplus goods with no preconditions and without the expectation of any return (or delivery of policy objectives) the donation is treated as a gift, which would require parliamentary approval.

1.16 Provisions

The FCO provides for legal and constructive obligations which are of uncertain timing or amount at the SoFP 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 FR&M.

1.19 Pensions—UK employees

From 1 April 2015 a new Pension Scheme was introduced by My Civil Service Pension (MyCSP) known as the Alpha Pension Scheme, 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 0.10% (2016-17: 0.24%) 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 SoCNE. 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 SoFP 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 as a receivable.

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 SOPS 1.1).
- » 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.
- » accruals have been made on the basis of the known value of the transaction wherever possible. Where estimates have been required to be made, they are based on appropriate and consistently applied methods. Manual accruals are not made where the value is less than £1,000. The majority of accruals are system generated, where there is no minimum threshold.

1.26 Rounding

The numbers presented in the accounts are consistent with the underlying data, the figures being taken either from the FCO's management information system, Prism, or offline input entered to the nearest pound wherever available. Please note that totals shown in the Notes may not sum 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 from 2018-19. Restatement of comparative periods is (with limited exceptions) not required, however additional disclosures are required. The Treasury has mandated that balances with core central government departments (including their executive agencies) are excluded from recognising stage-1 and stage-2 impairments, with the liabilities being assessed as having zero 'own credit risk' by the entities holding these liabilities. As FCO receivables are primarily with other central government departments we expect there to be minimal implications in terms of impairing debt. The FCO does not operate hedge accounting, so the specific requirements of IFRS 9 for hedging instruments will not apply. The impact of the standard is not expected to be material.
- » **IFRS 15 *Revenue from Contracts with Customers***. IFRS 15 aims to provide a comprehensive standard for revenue recognition. The FCO has a standard contract with our partners across government to recover the cost of using our platform overseas. Recognition of income under this recharge agreement will not change. Similarly donor income from overseas partner countries are contributions to FCO projects and in most cases will not change. 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. For certain fees and charges not classed as tax revenue the recognition point may change. Any changes would have budgetary implications. In addition work is ongoing to simplify the definition of grants and contracts, which may impact on their respective timing and recognition. IFRS 15 is effective from 2018-19. The impact of the standard is not expected to be material.
- » **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. Changes to the FReM are still under discussion at HM Treasury regarding how this standard will be implemented in the public sector, there is currently a misalignment between IFRS 16 accounting and ESA10 budgets to be resolved. The FCO considers that the minimum impact will be to include those operating leases disclosed in Note 8.2 within the Statement of Financial Position. IFRS 16 is effective from 2019-20.

- » **Changes to the FReM**. There has been no EU adopted standards or amendments to standards applicable for 2017-18 which will be included in the FReM at present.

2. Statement of Costs by Operating Segments

	2017-18			2016-17		
	Gross	Income	Net	Gross	Income	Net
	£000	£000	£000	£000	£000	£000
Strategic Objectives						
SO1 - Protect Our People	799,418	(90,732)	708,686	843,068	(88,075)	754,994
SO2 - Project Our Global Influence	1,607,127	(575,998)	1,031,130	1,256,700	(211,346)	1,045,354
SO3 - Promote Our Prosperity	280,438	(32,965)	247,473	222,503	(39,250)	183,253
Net Operating Costs (CSCNE)	2,686,983	(699,695)	1,987,288	2,322,271	(338,671)	1,983,600

SO2 - Project Our Global Influence consists of:

International Institutions and Soft Power	1,048,665	(100,492)	948,173	746,841	(81,686)	665,155
British Council	171,000	-	171,000	162,001	-	162,001
Conflict Resolution and Stability	280,751	(13,947)	266,804	222,815	(10,955)	211,860
Migration Policy	23,167	(2,821)	20,346	19,301	(3,299)	16,003
Other*	83,544	(458,737)	(375,193)	105,742	(115,407)	(9,665)
	1,607,127	(575,998)	1,031,130	1,256,700	(211,346)	1,045,354

The department reports its expenditure by operating segment in accordance with IFRS 8 Operating Segments. The FCO Management Board has been identified as the Chief Operating Decision Maker (CODM). The CODM is responsible for allocating resources and assessing performance. Segmental information is reported to the Management Board at regular intervals during the year.

The segmental analysis presents the financial information based on the structure reported to the FCO Management Board as part of its role in meeting performance targets set for FCO by Parliament within the current Spending Round. The segments reflect this performance reporting structure, and are measured using activity recording. Activity Recording collects staff time spent on each of the strategic objectives. Cost drivers are then associated with this time.

FCO income and costs are disclosed per segment. It is not possible to accurately allocate assets and liabilities to operating segments and thus such information is not reported to the FCO Management Board or included in the segmental reporting in these financial accounts.

More details of the FCO's performance reporting can be found in the Performance Analysis within the Annual Report.

On 1 April 2017 some of the Priority Outcomes (POs) that sit underneath the three Strategic Objectives (SOs) were updated.

SO1 includes PO 1: Security Threats and PO2: Consular

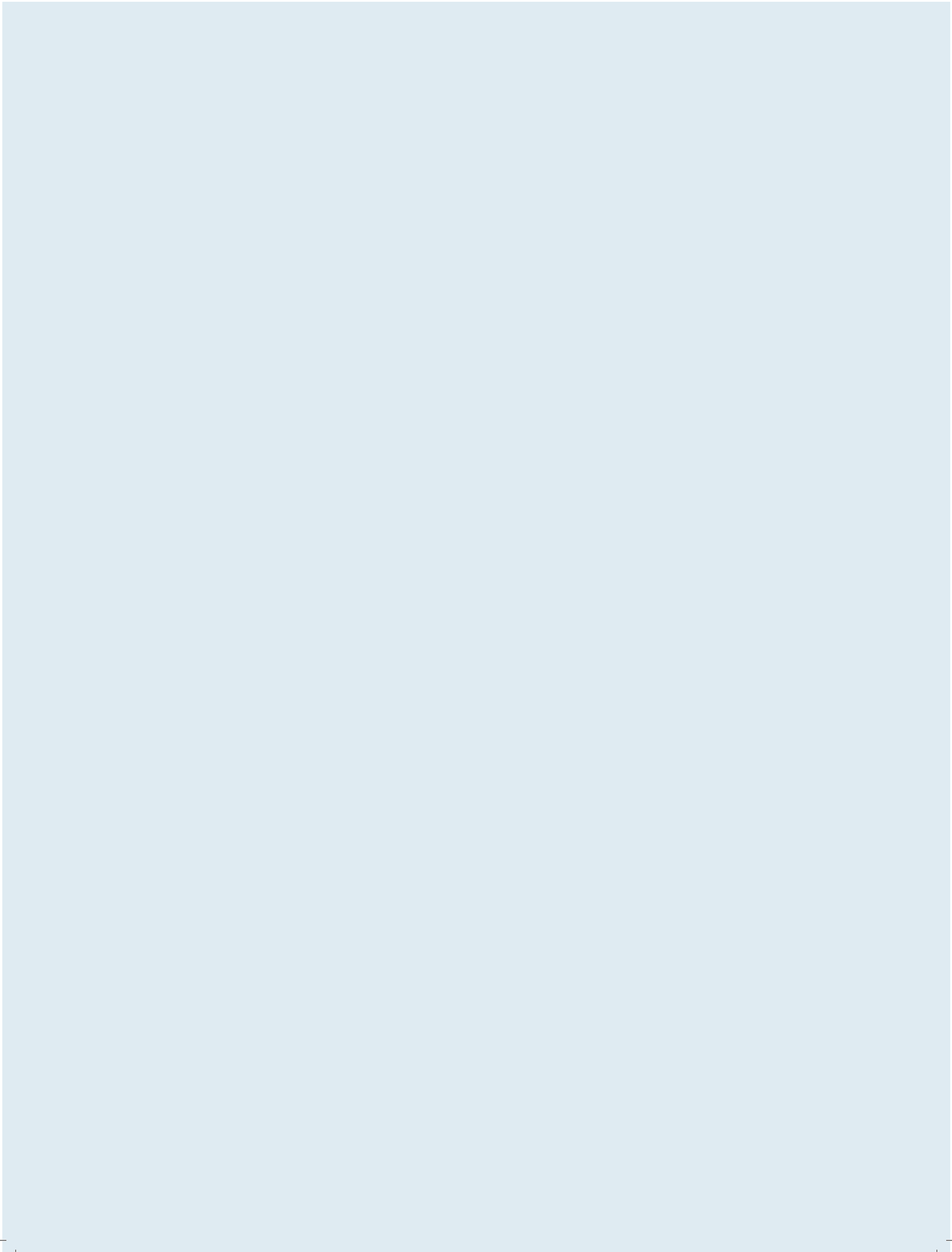
SO2 includes PO 3: Euro-Atlantic Security and PO 4: Conflict and Stability

SO3 includes PO 5: Europe and PO 6: Economic Diplomacy

The elements of our work in the Middle East and North Africa that relate to conflict and stability have moved from PO1 to PO4. Consequently some activities previously classified as SO1 are now in SO2.

The effect of the movement in foreign exchange (prior year benefiting from a large gain to reduce net costs) has led to an increase in spend on "International Institutions and Soft Power" in 2017-18 compared to 2016-17. The reduction in net spend on "Other" reflects additional income from the sale of the Bangkok compound (see Notes 4 and 5).

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



3. Operating Costs

	2017-18		2016-17	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Staff costs				
Wages and salaries	385,434	387,572	375,825	377,629
Social security costs	15,542	15,750	15,085	15,242
Other pension costs	50,172	50,474	49,692	49,930
Recoveries outward secondments	(2,236)	(2,236)	(4,125)	(4,125)
	448,912	451,561	436,477	438,676
Grants				
FCO Programmes	271,248	280,544	250,140	260,072
British Council	171,000	171,000	162,001	162,001
Conflict, Stability and Security Fund programmes	776,802	776,802	719,107	719,107
Peacekeeping foreign exchange rate loss / (gain)	(43,317)	(43,317)	(48,650)	(48,650)
	1,175,733	1,185,029	1,082,597	1,092,530
Subscriptions to International Organisations				
United Nations	65,595	65,595	61,025	61,025
NATO	19,926	19,926	17,662	17,662
Council of Europe	27,610	27,610	25,467	25,467
Organisation for Economic Cooperation and Development	12,916	12,916	11,581	11,581
Commonwealth Secretariat	5,457	5,457	5,462	5,462
Organisation for Security and Cooperation in Europe	5,074	5,074	4,657	4,657
Residual payments to Western European Union	1,064	1,064	1,020	1,020
Office of the High Commissioner for Human Rights	2,500	2,500	-	-
Others	2,238	2,238	2,259	2,259
	142,380	142,380	129,133	129,133
Rentals under operating leases				
Hire of plant and machinery	22,698	22,698	22,653	22,653
Property rentals	101,137	101,137	98,150	98,150
	123,835	123,835	120,802	120,802
Interest charges				
On-balance sheet PFI contracts	2,377	2,377	2,376	2,376
	2,377	2,377	2,376	2,376
PFI and other service concession arrangements				
Service element of on-balance sheet contracts	2,206	2,206	2,229	2,229
	2,206	2,206	2,229	2,229

3. Operating Costs (cont.)

	2017-18		2016-17	
	Core Department & Agencies £000	Departmental Group £000	Core Department & Agencies £000	Departmental Group £000
Other expenditure				
Reimbursements of duties to other Governments	39,985	39,985	35,009	35,009
Audit fees for Arms Length Bodies	-	36	-	30
(Gain)/loss on exchange - realised	(6,227)	(6,227)	1,971	1,971
(Gain)/loss on exchange - unrealised	2,467	2,467	(9,915)	(9,918)
Business hospitality	11,034	11,034	8,907	8,907
Consular	1,951	1,951	2,276	2,276
Contractor, consultancy and fee based services	50,043	50,043	46,193	46,193
Estate, security and capital related costs	241,066	241,066	226,186	226,186
Information and commercial services	7,030	7,030	7,271	7,271
IT and communications	100,427	100,427	86,090	86,090
Medical	10,939	10,939	12,607	12,607
Recruitment	1,222	1,222	935	935
Representation	1,565	1,565	3,025	3,025
Transport equipment costs	6,046	6,046	5,790	5,790
Training	14,490	14,490	12,564	12,564
Travel	46,621	46,621	45,250	45,250
Other	(972)	(972)	1,265	1,265
	527,688	527,724	485,424	485,451
Total Operating Expenditure	2,423,131	2,435,112	2,259,039	2,271,197
Grant in Aid to other Arms Length Bodies	6,220	-	5,953	-
Total Cash	2,429,351	2,435,112	2,264,992	2,271,197
Non-cash items				
Depreciation: Property, plant and equipment	123,720	123,751	116,174	116,195
Amortisation: Intangible assets	373	373	215	217
Non-perpetual leasehold land prepayment release	380	380	380	380
Loss on disposal of property, plant and equipment	49	49	21	32
Capital Grant in Kind - Property	-	-	-	-
Impairments - Departmental Expenditure Limit	22,571	22,571	6,873	6,873
Impairments - Non-current assets	9,057	9,057	9,992	9,992
Reversal of Impairments - Annually Managed Expenditure	(16,685)	(16,685)	(45,862)	(45,862)
	139,464	139,495	87,793	87,826
Auditors' remuneration and expenses	306	306	288	288
Provisions: Provided in year	13,632	13,632	14,015	14,015
Provisions: Written back	(2,685)	(2,685)	(12,295)	(12,295)
Provisions: Unwinding of discount	18	18	(9)	(6)
Unrealised (gains)/losses on forward contracts	101,105	101,105	(38,755)	(38,755)
	112,375	112,375	(36,756)	(36,753)
Total Non-Cash	251,839	251,871	51,038	51,073
Total Expenditure	2,681,190	2,686,982	2,316,030	2,322,271

Included within Social security costs is a payment of £751k in respect of the Apprenticeship Levy. The FCO contracts directly with a training provider and pays their invoices. The amounts paid to these training providers are reclaimed from the Education and Skills Funding Agency (ESFA). In 2017-18 £21k was paid to training providers.

For further information on Staff Costs please see the Remuneration and Staff Report.

4. Income

	2017-18		2016-17	
	Core Department & Agencies £000	Departmental Group £000	Core Department & Agencies £000	Departmental Group £000
Operating income				
Running cost receipts	28,396	28,396	23,826	23,826
Income from OGDs ¹	227,463	227,463	215,247	215,247
Income from other organisations ²	18,787	18,787	22,592	22,592
Consular fees	24,576	24,576	24,331	24,331
Capital Grant-in-Kind - Receipts ³	2,614	2,614	-	-
	301,837	301,837	285,995	285,995
Finance income				
Dividends receivable - FCO Services	2,258	2,258	1,500	1,500
Interest on loans	661	661	83	83
Profit on disposal of property, plant and equipment ⁴	382,823	382,822	36,165	36,165
	385,742	385,741	37,748	37,748
Income due to the Consolidated Fund				
Consolidated Fund Extra Receipts	2,096	2,096	1,932	1,932
Income of consolidated bodies				
Agency: Wilton Park	4,174	4,174	4,862	4,862
Non-Departmental Public Bodies	-	5,846	-	8,134
	4,174	10,021	4,862	12,996
Total Income	693,849	699,695	330,537	338,672

¹ This includes the income from partner Departments that use our overseas platform.

² This includes income from partner countries to help fund FCO managed projects overseas.

³ A capital grant-in-kind of £2,614k, representing the transfer to FCO of DFID's Nigerian based assets is included in operating income. This is a non-cash transaction. 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.

⁴ The profit on disposal of property, plant and equipment primarily relates to the disposal of the Bangkok compound, further details are disclosed in note 5.

5. Property, Plant and Equipment

	Consolidated 2017-18									
	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 2017	417,883	1,524,175	502,191	1,002,197	421,032	103,493	190,396	17,042	175,760	4,354,168
Additions	-	405	2,978	6,980	1,155	6,192	499	-	115,334	133,543
Disposals	-	(32,859)	-	(22,685)	(102,551)	(13,340)	(3,115)	-	-	(174,550)
Impairments	(2,866)	(24,012)	(2,843)	(12,735)	(298)	(359)	(1,518)	(24)	(106)	(44,762)
Reversals of Impairments	2,082	16,668	685	1,245	416	2	-	-	-	21,096
OGD Transfers	-	207	-	368	25	248	766	-	1,000	2,614
Reclassification ¹	(10,000)	53,451	(10,807)	(355)	70,001	9,179	23,891	-	(163,260)	(27,900)
Revaluation	3,581	18,019	(18,942)	118,705	5,591	4,176	(4,725)	-	-	126,403
At 31 March 2018	410,679	1,556,053	473,261	1,093,720	395,371	109,590	206,193	17,018	128,729	4,390,613
Depreciation										
At 1 April 2017	-	646,919	-	394,931	365,007	67,608	111,982	-	-	1,586,448
Charged in Year	-	42,553	-	23,083	27,608	11,873	18,635	-	-	123,751
Disposals	-	(32,856)	-	(22,685)	(102,550)	(12,760)	(3,071)	-	-	(173,921)
Impairments	-	(10,286)	-	(2,345)	-	(236)	(267)	-	-	(13,133)
Reversals of Impairments	-	3,565	-	430	416	1	-	-	-	4,411
OGD Transfers	-	-	-	-	-	-	-	-	-	-
Reclassification ¹	-	-	-	(1,614)	-	-	-	-	-	(1,614)
Revaluation	-	(12,773)	-	58,547	4,881	2,135	(2,946)	-	-	49,845
At 31 March 2018	-	637,123	-	450,346	295,361	68,621	124,334	-	-	1,575,786
Net Book Value at 1 April 2017	417,883	877,256	502,191	607,265	56,025	35,885	78,413	17,042	175,760	2,767,720
Net Book Value at 31 March 2018	410,679	918,929	473,261	643,374	100,009	40,969	81,859	17,018	128,729	2,814,827
Asset Financing										
Owned	347,754	689,385	359,498	433,020	100,009	40,969	81,859	17,018	128,729	2,198,241
Leased	48,398	212,683	113,763	210,354	-	-	-	-	-	585,198
On-Balance Sheet (SOFP) PFI Contracts	14,527	16,861	-	-	-	-	-	-	-	31,388
Net Book Value at 31 March 2018	410,679	918,929	473,261	643,374	100,009	40,969	81,859	17,018	128,729	2,814,827
Of the Total										
Department	410,679	918,685	473,261	643,374	99,784	40,969	81,717	17,018	128,729	2,814,215
Agencies	-	244	-	-	200	-	141	-	-	585
ALBs	-	-	-	-	25	-	2	-	-	27
Net Book Value at 31 March 2018	410,679	918,929	473,261	643,374	100,009	40,969	81,859	17,018	128,729	2,814,827

AUC includes Tangibles and Intangible assets.

¹ Some assets have been reclassified to assets held for sale (note 5.1).

Consolidated 2016–17

	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 2016	354,087	1,359,638	417,198	834,005	387,431	101,367	182,191	17,052	116,548	3,769,517
Additions	3	493	1	17	514	6,840	2,409	-	89,604	99,880
Disposals	-	(3,420)	-	(3,293)	(308)	(8,620)	(4,933)	-	-	(20,573)
Impairments	(444)	(16,039)	(539)	(3,266)	(19)	(292)	(928)	-	(2,067)	(23,595)
Reversals of Impairments	8,852	22,850	12,957	6,428	1,925	22	4	-	-	53,038
OGD Transfers	-	-	-	-	-	-	-	-	-	-
Reclassification ¹	(2,998)	5,508	(2,486)	(1,687)	10,460	1,656	4,442	-	(28,324)	(13,430)
Revaluation	58,384	155,145	75,061	169,993	21,028	2,521	7,210	(10)	-	489,331
At 31 March 2017	417,883	1,524,175	502,191	1,002,197	421,032	103,493	190,396	17,042	175,760	4,354,168
Depreciation										
At 1 April 2016	-	547,052	-	313,107	325,956	63,268	94,801	-	-	1,344,183
Charged in Year	-	43,913	-	21,815	20,111	11,513	18,842	-	-	116,195
Disposals	-	(3,420)	-	(3,293)	(305)	(8,286)	(4,666)	-	-	(19,970)
Impairments	-	(5,289)	-	(750)	(4)	(241)	(482)	-	-	(6,766)
Reversals of Impairments	-	4,116	-	1,126	1,925	6	3	-	-	7,176
OGD Transfers	-	-	-	-	-	-	-	-	-	-
Reclassification ¹	-	(1,749)	-	(877)	-	-	-	-	-	(2,626)
Revaluation	-	62,295	-	63,804	17,323	1,349	3,484	-	-	148,255
At 31 March 2017	-	646,919	-	394,931	365,007	67,608	111,982	-	-	1,586,448
Net Book Value at 1 April 2016	354,087	812,586	417,198	520,898	61,476	38,099	87,391	17,052	116,548	2,425,334
Net Book Value at 31 March 2017	417,883	877,256	502,191	607,265	56,025	35,885	78,413	17,042	175,760	2,767,720
Asset Financing										
Owned	354,669	640,635	385,134	426,005	56,025	35,885	78,413	17,042	175,760	2,169,568
Leased	48,844	220,394	117,057	181,260	-	-	-	-	-	567,555
On-Balance Sheet (SOFP) PFI Contracts	14,371	16,226	-	-	-	-	-	-	-	30,597
Net Book Value at 31 March 2017	417,883	877,256	502,191	607,265	56,025	35,885	78,413	17,042	175,760	2,767,720
Of the Total										
Department	417,883	876,998	502,191	607,265	55,778	35,884	78,091	17,042	175,760	2,766,892
Agencies	-	258	-	-	210	1	308	-	-	777
ALBs	-	-	-	-	37	-	15	-	-	52
Net Book Value at 31 March 2017	417,883	877,256	502,191	607,265	56,025	35,885	78,413	17,042	175,760	2,767,720

AUC includes Tangibles and Intangible assets.

¹ Some assets have been reclassified to assets held for sale (note 5.1).

5. Property, Plant and Equipment (cont.)

Property Valuations:

Physical inspections to inform valuations of properties were carried out as follows:

Property Location	Valuer	Effective Valuation Date
Middle East & North Africa	Colliers International	30 September 2016
Sub-Saharan Africa		30 September 2015
Americas		30 September 2014
South Asia; Asia Pacific		30 September 2013
European Union; Wider Europe and Russia; Caucasus; Central Asia		30 September 2017

Desk reviews for revaluation purposes were carried out for all FCO properties as at 30th September 2017 where not physically inspected in year. These desk valuations were carried out for all other regions by Colliers International. End of Financial Year impairments were assessed by Colliers International in conjunction with in-house FCO chartered surveyors, to determine whether there had been any material change. The total fees payable to the valuers in all cases represent less than 5% of the total fee income of the valuing firm/body.

Transfer of DFID assets in Nigeria

During 2017-18 the Secretary of State for International Development transferred the Nigerian based assets of DFID to the FCO. Ownership by FCO took effect as from 1 April 2017, with the final DFID values being adopted by FCO. The transfer was financed by a capital grant in kind. Following assessment of these assets a number were impaired in FCO's accounts in 2017-18. Note 5 above reflects these assets within the line "OGD Transfers". No adjustment was made to the opening balances for cost or depreciation.

Assets included at DFID NBV	1,995
Assets transferred and impaired	619
Amount shown as OGD transfer	2,614

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 30th September 2017, and reviewed at the reporting date for any material impact from global market volatility. Unless there are material changes the valuation is not changed from that at 30th September.

The FCO also holds a number of cemeteries across the world which are classified as non-operational assets, and as such, have de minimis carrying values. The cemeteries were purchased from public subscriptions. The cemeteries are held in the Embassy name for the local British Community.

Leased Properties

The leased properties disclosed constitute two elements 1) Leasehold buildings £423 million (2016-17 £401.6 million); 2) Leases for ground rent held in perpetuity £162.2 million (2016-17 £165.9 million), which are treated as akin to freehold tenure and disclosed within land. Neither category is regarded as a finance lease.

Antiques and Works of Art

Valuation visits have not been carried out to Posts in 2017-18. A review of these visits is underway. The number of locations may expand as part of a revised quinquennial revaluation process.

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.

Sale of Bangkok Compound

In January 2018 the FCO completed the sale of the compound in Bangkok, Thailand and received £426.3m after sale costs of £1.3m. There was an FX loss of £1.4m based on the movement in rates between the date the contract was signed and the date of completion. The net income was therefore £425m once adjusted for these costs. The sale was accompanied by a lease for two years being granted to FCO by the purchaser. The two year lease is an operating lease

The sale price was in excess of the independently assessed open market valuation (OMV). Following IAS 16, the excess of the net sales proceeds over the OMV of £41m will be deferred and released over the life of the lease. FCO anticipates moving into new offices in Bangkok in 2019, until which point FCO will remain at the existing embassy site under the terms of the lease.

Our Spending Review settlement allows the FCO to recycle all proceeds from the sale of assets as CDEL, showing as capital receipts (see Note 4). The funds released will allow FCO to begin a number of major long-planned rebuilding projects, and enable the updating and modernising of the global estate.

5.1 Assets Held for Sale

The following assets are classified as held for sale:	2017-18	2016-17
	£000	£000
Overseas Properties		
Balance as at 1 April	4,920	16,658
Reclassification to Assets Held For Sale at Carrying Value	25,938	10,804
Revaluation to Fair Value Less Costs to Sell	(11)	(2,065)
(Impairments) / Reversals	-	(36)
Disposals	(27,113)	(20,442)
Balance as at 31 March	3,733	4,920

6. Intangible Assets

	Consolidated 2017-18		
	Software Licences	Website Design	Total
	£000	£000	£000
Cost or Valuation			
At 1 April 2017	11,373	293	11,666
Additions	-	46	46
Disposals	(13)	(21)	(35)
Impairments	-	-	-
Reversals of Impairments	-	-	-
Revaluation	161	-	161
Reclassification	348	-	348
Net Book Value at 31 March 2018	11,868	318	12,187
Amortisation			
At 1 April 2017	10,994	144	11,137
Charged for the Year	307	66	373
Disposals	(13)	(21)	(35)
Impairments	-	-	-
Reversals of Impairments	-	-	-
Revaluation	151	-	151
Reclassification	-	-	-
Net Book Value at 31 March 2018	11,437	189	11,627
Net Book Value at 1 April 2017	379	149	529
Net Book Value at 31 March 2018	431	129	560
Of the Total			
Department	431	-	431
Agencies	-	129	129
ALBs	-	-	-
Net Book Value at 31 March 2018	431	129	560
Asset Financing			
Owned	431	129	560
Finance Leased	-	-	-
Net Book Value at 31 March 2018	431	129	560

	Consolidated 2016-17		
	Software Licences	Website Design	Total
	£000	£000	£000
Cost or Valuation			
At 1 April 2016	10,693	281	10,974
Additions	5	12	17
Disposals	-	-	-
Impairments	-	-	-
Reversals of Impairments	-	-	-
Revaluation	675	-	675
Reclassification	-	-	-
Net Book Value at 31 March 2017	11,373	293	11,666
Amortisation			
At 1 April 2016	10,192	87	10,279
Charged for the Year	160	57	217
Disposals	-	-	-
Impairments	-	-	-
Reversals of Impairments	-	-	-
Revaluation	642	-	642
Reclassification	-	-	-
Net Book Value at 31 March 2017	10,994	144	11,137
Net Book Value at 1 April 2016	500	194	695
Net Book Value at 31 March 2017	379	149	529
Of the Total			
Department	379	-	379
Agencies	-	149	149
ALBs	1	-	1
Net Book Value at 31 March 2017	379	149	529
Asset Financing			
Owned	379	149	529
Finance Leased	-	-	-
Net Book Value at 31 March 2017	379	149	529

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. Some licenses were reclassified from AUC during the year, these have a two year life.

7. Impairments

	2017-18		2016-17	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Impairment and Reversals charged to CSCNE				
Land	2,942	2,942	(20,825)	(20,825)
Buildings and Dwellings	10,198	10,198	(10,769)	(10,769)
Information Technology	298	298	15	15
Transport Equipment	123	123	35	35
Plant and Machinery	1,252	1,252	444	444
Antiques and Works of Art	24	24	-	-
Payments on Accounts & Assets Under Construction	106	106	2,067	2,067
Intangible Assets	-	-	-	-
Assets held for sale	-	-	36	36
Other	-	-	-	-
Transferred from Revaluation Reserve	-	-	-	-
	14,943	14,943	(28,997)	(28,997)

The total impairment for the year was charged directly to the Consolidated Statement of Comprehensive Net Expenditure. The £10.2m impairment of Buildings and Dwellings in 2017-18 primarily relates to the sale of the Bangkok Compound (see Note 5), and to various enhancement projects that came into use. For the prior year the impairment reversals were much higher as a result of exchange rate movements on the value of the overseas estate.

8. Capital and Other Commitments

8.1 Capital Commitments

Contracted Capital Commitments at 31 March not otherwise included in these Financial Statements:

	2017-18		2016-17	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Estates Projects	28,003	28,003	10,705	10,705
IT Infrastructure	16,384	16,384	34,924	34,924
Vehicles	39	39	250	250
	44,426	44,426	45,879	45,879

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:

	2017-18		2016-17	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Land and Buildings				
Not later than 1 year	76,080	76,080	78,410	78,410
Later than 1 year but not later than 5 years	106,028	106,028	112,150	112,150
Later than 5 years	60,861	60,861	64,154	64,154
	242,969	242,969	254,714	254,714
Other				
Not later than 1 year	186	232	228	266
Later than 1 year but not later than 5 years	162	162	194	194
Later than 5 years	18	18	19	19
	367	412	441	479
Total	243,336	243,382	255,156	255,193

At present the FCO does not have any finance leases. The majority of the Operating Lease payments represent rentals for buildings within the FCO's overseas estate. Lease terms and rentals vary depending on local circumstances.

8. Capital and Other Commitments (cont.)

8.3 Commitments under PFI Contracts and other service concession arrangements

8.3.1 On-Balance Sheet (included within Consolidated Statement of Financial Position)

	2017-18	2016-17
	£000	£000
Not later than 1 year	3,883	3,789
Later than 1 year but not later than 5 years	15,533	15,154
Later than 5 years	28,154	31,256
	47,570	50,199
Less Interest element	(17,517)	(19,401)
Present Value of obligations	30,053	30,798
The above liability is disclosed under Payables (Note 13) as follows:		
Amounts falling due within 1 year	1,635	1,478
Amounts falling due after	28,417	29,320
	30,053	30,798

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 is 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 capitalisation 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

	2017-18		2016-17	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Not later than 1 year	2,185	2,185	2,019	2,019
Later than 1 year but not later than 5 years	8,739	8,739	8,077	8,077
Later than 5 years	17,478	17,478	20,194	20,194
	28,402	28,402	30,290	30,290

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:

	2017-18		2016-17	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Not later than 1 year	104,995	104,995	61,325	61,325
Later than 1 year but not later than 5 years	17,921	17,921	31,320	31,320
Later than 5 years	-	-	-	-
	122,915	122,915	92,646	92,646

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. The following describe the mechanisms by which FCO deals with the exposure:

The Foreign Currency Mechanism (FCM) originally agreed with HM Treasury in the 2010 Spending Review was updated

in the 2015 Spending Review. The FCM increases or decreases the FCO's budget each year in the Supplementary Estimate to take account of movements in the top 100 currencies where the department spent most money in 2015-16. The FCM uses exchange rate movements covering the period February to January, and applies it to the FCO's baseline spend to calculate the adjustment to the FCO's budget. However, significant currency movements between February and March each year would only be reflected in a budget adjustment to the following financial year. Consequently there remains a foreign exchange risk related to movements in February and March in the current year. The FCM includes an element to take account of the differential inflation rates between

countries. The FCM only applies to the FCO's core budget so does not cover expenditure on British Council, or peacekeeping.

As described above the FCO is exposed in the current year to exchange rate movements in February and March. FCO uses the spot rate for foreign currency transactions in that period. A budget adjustment is requested in the following year.

As the peacekeeping budget is not included in the FCM, the FCO continues to use forward purchase currency contracts for peacekeeping expenditure only, to minimise budget uncertainty. The Ministry of Defence (MoD) arranges the purchase of foreign currency on behalf of the FCO.

Summary of Financial Instruments

	Note	2017-18 £000	2016-17 £000
Non-Current Financial Assets			
Investment in Other Public Sector Bodies	9.1	4,981	4,981
Forward Currency Contracts	9.2	1,092	30,511
		6,073	35,492
Current Financial Assets			
Forward Currency Contracts	9.2	8,374	54,696
Current Financial Liabilities			
Forward Currency Contracts	9.2	(10,744)	-
Non-Current Financial Liabilities			
Forward Currency Contracts	9.2	(14,855)	(235)
		(11,153)	89,952

9.1 Investment in other public sector bodies

The FCO holds an investment in FCO Services, comprised of 100% of its Public Dividend Capital (PDC) of £4,981,000. As a trading fund FCO Services is not included within the FCO departmental boundary, and the Department's investment is reported in these accounts at historical cost.

There have been no movements since 31 March 2017 and the value remains at £4,981,000.

9. Financial Instruments (cont.)

9.2 Forward Currency Contracts

As detailed in note 9, forward purchases have been used to reduce budget uncertainty in respect of foreign exchange in the significant currencies in which the FCO operates.

Forward purchases contracts matured as follows:

	2017-18			2016-17		
	Foreign Currency	Sterling Cost	Average Exchange Rate	Foreign Currency	Sterling Cost	Average Exchange Rate
	000	£000		000	£000	
Euro	29,600	23,587	1.25	24,830	19,242	1.29
US Dollar	393,930	262,974	1.5	478,980	305,711	1.57
		286,561			324,953	

Forecast unrealised gains and losses on forward purchases maturing in future periods, based on the actual rates of exchange at the reporting period date, are analysed as follows:

	2017-18				
	Foreign Currency	Currency Value	Sterling Value	Unrealised Gains	Unrealised Losses
		000	£000	£000	£000
Current Assets and Liabilities					
Maturing in 2018-19	Euro	40,810	35,062	1,411	(628)
	US Dollar	346,000	249,055	6,963	(10,116)
			284,117	8,374	(10,744)
Non-current Assets and Liabilities					
Maturing in 2019-20	Euro	26,633	23,697	396	(346)
	US Dollar	237,205	175,283	695	(9,959)
			198,980	1,092	(10,304)
Maturing in 2020-21	Euro	14,433	13,345	-	(270)
	US Dollar	115,233	83,733	-	(4,281)
			97,078	-	(4,551)
Total			580,175	9,465	(25,599)

	2016-17				
	Foreign Currency	Currency Value	Sterling Value	Unrealised Gains	Unrealised Losses
		000	£000	£000	£000
Current Assets and Liabilities					
Maturing in 2017-18	Euro	29,600	23,587	1,892	-
	US Dollar	393,930	262,974	52,803	-
			286,561	54,696	-
Non-current Assets and Liabilities					
Maturing in 2018-19	Euro	19,245	15,489	1,235	-
	US Dollar	264,327	186,456	23,236	(131)
			201,945	24,471	(131)
Maturing in 2019-20	Euro	10,167	8,666	260	-
	US Dollar	132,510	97,896	5,780	(104)
			106,562	6,040	(104)
Maturing in 2020-21	Euro	-	-	-	-
	US Dollar	-	-	-	-
			-	-	-
Total			595,067	85,206	(235)

10. Inventories

	2017-18		2016-17	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Total physical stock	1,000	1,000	1,178	1,178
	1,000	1,000	1,178	1,178

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

	2017-18		2016-17	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Balance at 1 April	70,659	73,366	84,139	86,279
Net change in cash balances	183,562	183,002	(13,480)	(12,913)
Balance at 31 March	254,221	256,368	70,659	73,366

The following balances and overdrafts were held at 31 March:

	2017-18	2016-17
	Core Department & Agencies	Departmental Group
	£000	£000
Government Banking Service	140,134	140,134
Commercial banks and cash in hand UK and overseas	114,087	116,234
Balance at 31 March	254,221	256,368

12. Trade Receivables, Financial and Other Assets

	2017-18		2016-17	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Amounts Falling Due Within 1 Year				
Trade receivables	27,397	27,772	24,120	24,359
Deposits and Advances	942	1,016	1,911	1,941
Other receivables	14,124	14,124	18,251	18,251
Leasehold land (non-perpetual) prepayments	380	380	380	380
Other prepayments and accrued income	122,057	122,969	121,792	122,315
Under issue of Supply from the Consolidation Fund	81,672	81,672	-	-
	246,572	247,933	166,453	167,245
Amounts Falling Due After 1 Year				
Leasehold land (non-perpetual) prepayments	26,103	26,103	26,485	26,485
Other receivables	3,047	3,047	3,243	3,243
	29,150	29,150	29,728	29,728
Total	275,721	277,082	196,181	196,973

13. Trade Payables and Other Liabilities

	2017-18		2016-17	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Amounts Falling Due Within 1 Year				
Bank overdrafts	-	-	-	-
Other taxation and social security	311	376	7,561	7,592
Payments on account	252	252	275	275
Trade payables	30,317	31,166	37,866	38,045
Other payables	26,375	26,375	132,655	132,655
Accruals and deferred income	187,041	188,226	111,857	112,077
Current part of finance leases	-	-	-	-
Current part of imputed finance lease element of on-SoFP PFI contracts	1,635	1,635	1,478	1,478
Total excluding amounts due to the Consolidated Fund	245,932	248,030	291,692	292,123
Amounts issued from the Consolidated Fund for supply but not spent				
At year end	253,715	253,715	70,265	70,265
Income due to be paid to the Consolidated Fund	506	506	393	393
	500,153	502,251	362,351	362,781
Amounts Falling Due After 1 Year				
Payables, accruals and deferred income	-	-	-	-
Finance leases	-	-	-	-
Imputed finance lease element of on-SoFP PFI contracts	28,417	28,417	29,320	29,320
	28,417	28,417	29,320	29,320
Total	528,570	530,668	391,671	392,101

14. Provisions for Liabilities and Charges

Note 1 to the Accounts sets out the statement of accounting policy and details about the calculation for early departure costs (note 1.20) and terminal benefits for local staff (note 1.21).

Early departure provisions

The Department and its Agency meets the additional costs of benefits beyond the normal Principal Civil Service Pension Scheme benefit for employees who retire early. An amount is paid annually to the Principal Civil Service Pension Scheme for the period between early departure and the normal retirement date. The Department and Agency provides for this in full when the early retirement becomes a binding liability.

LE Staff Terminal Gratuities

Depending upon local employment law and custom, the FCO at Post may set up a Terminal Gratuity Provision for locally engaged

staff. This is not a formal pension fund, but does allow the FCO to create a liability for payments to employees. These get paid out upon their retirement or when they leave service. As the employee works through each year they gradually increase the value of their own specific Terminal Gratuity Provision.

Other Staff provisions

These relate to provisions by the core Department for claims made by staff against the Department. The provision is calculated based on general experience of what the maximum for each type of claim is worth.

Other provisions

These relate to provisions by the core Department for possible back-rental demands and other estate commitments, as well as claims made by third parties against the Department.

	2017-18		2016-17	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Balance at 1 April	47,506	47,525	49,139	49,155
Provided in year (bal)	13,632	13,632	14,015	14,015
Provisions not required written back	(2,685)	(2,685)	(12,295)	(12,295)
Provisions utilised in the year	(5,958)	(5,958)	(6,651)	(6,651)
Unwinding of discount	18	18	(9)	(6)
Terminal gratuities exchange unrealised (gain)/loss	(3,655)	(3,655)	3,307	3,307
Balance at 31 March	48,858	48,877	47,506	47,525

14.1 Analysis of Expected Timing of Discounted Cash Flows

	2017-18		2016-17	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Not later than 1 year	6,666	6,684	6,427	6,427
Later than 1 year but not later than 5 years	16,957	16,957	14,394	14,412
Later than 5 years	25,236	25,236	26,686	26,686
Balance at 31 March	48,858	48,877	47,506	47,525

14.2 Analysis of Provision by Type

	2017-18				Total
	Early Departure Costs	LE Staff Terminal Gratuities	Other Staff Provisions	Other Provisions	
	£000	£000	£000	£000	£000
Not later than 1 year	257	2,734	601	3,092	6,684
Later than 1 year but not later than 5 years	611	9,939	1,575	4,831	16,957
Later than 5 years	-	25,215	20	-	25,236
Balance at 31 March	868	37,888	2,197	7,924	48,877

15. Contingent Liabilities disclosed under IAS 37

	2017-18	2016-17
	£000	£000
Potential Obligations	55,297	55,794

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 2017-18 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. Nor does the number include any liability in respect of personal injuries allegedly caused by British security forces during the Cyprus Emergency (1955-1959), where there are 35 claimants. In both cases 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. In any event, the FCO believes it can successfully defend the claims.

16. Retirement Benefit Schemes

Retirement benefits for UK-based employees are provided through the Civil Service pension arrangements. For staff engaged overseas the FCO observes local employment laws and provides for the payment of pensions and other terminal benefits. The FCO contributes to pension schemes in the following ways.

Civil Service pension scheme

In respect of UK-based staff, from 1 April 2015 all those newly appointed, and the majority of those already in service, joined the new Civil Servants and Others Pension Scheme or alpha. Prior to that date, UK-based employees participated in the Principal Civil Service Pension Scheme. These are unfunded multi-employer defined benefit schemes and the FCO does not separately identify its share of the underlying liabilities.

For 2017-18, employer contributions of £37,903,088 were paid to the Civil Service pension schemes (2016-17: £36,884,232). The contribution rates are based on salary bands and are set to meet the cost of the benefits accruing during 2017-18 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, which is a 'money purchase' stakeholder pension with an employer contribution. Employer contributions of £289,100 (2016-17: £231,033) were paid to one or more of the appointed stakeholder pension providers.

In addition, employer contributions of £6,725, 0.5% of pensionable pay (2016-17: £8,630), were paid to the Civil Service pension scheme to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Further details are given in the Remuneration and Staff Report.

Other defined contribution schemes

The FCO operates defined contribution schemes independent of local government in some Posts. The value of contributions in 2017-18 was £4,847,395 (2016-17: £4,918,149).

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.

The schemes were subject to actuarial valuation or review as at 31 March 2018 and are closed to new members, other than a scheme in the Netherlands which is not included below because, as an insurance-based scheme operated by a life company, there are no assets and obligations to report and it is therefore treated as a defined contribution scheme. The schemes are funded other than the Cyprus scheme (the British East Mediterranean Relay Service Pension Scheme in respect of former BBC World Service staff operating on the island) which is unfunded with the benefits being paid out of current resources. The estimated amount of contributions expected to be paid to the schemes during the current financial year is £966,414.

16. Retirement Benefit Schemes (cont.)

Defined Benefit Schemes Recognised in the Statement of Financial Position

	2017-18	2016-17
	£000	£000
Present Value of Funded Obligations		
Canada	(9,510)	(9,932)
Republic of Ireland	(5,649)	(5,200)
Jamaica	(2,112)	(1,999)
Mauritius	(313)	(259)
South Africa	(1,650)	(1,828)
Columbia	(566)	(547)
Belgium	(1,096)	(1,196)
	(20,896)	(20,960)
Fair Value of Plan Assets		
Canada	10,976	11,607
Republic of Ireland	5,449	4,207
Jamaica	2,672	2,420
Mauritius	215	205
South Africa	1,900	2,124
Columbia	125	508
Belgium	644	660
	21,980	21,731
Net Asset/(Liability) of Funded Schemes	1,084	770
Present Value of Unfunded Obligations		
Cyprus	(27,616)	(29,174)
Total	(26,532)	(28,404)
Summary		
Liabilities	2,276	2,391
Assets	(28,808)	(30,795)
Net Asset/(Liability)	(26,532)	(28,404)
Amounts Recognised in Operating Costs		
Total service costs ¹	795	406
Net Interest ²	663	784
Exchange differences on foreign plans	879	1,782
Total Included in Employee Benefits Expense	2,337	2,972
Remeasurements	(1,320)	2,364

¹ 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.

² Net Interest combines interest on obligations and expected return on plan assets

16. Retirement Benefit Schemes (cont.)

	2017-18	2016-17
Changes in the Present Value of the Defined Benefit Obligation	£000	£000
Opening defined benefit obligation	(50,134)	(42,448)
Pensioners in payment exactly matched by annuity contracts	(6)	-
Service cost	(795)	(406)
Curtailement / settlement cost	-	-
Interest cost	(1,631)	(1,669)
Contributions by participants	(139)	(124)
Actuarial (losses)/gains	818	448
Exchange differences	166	(4,183)
Benefits paid	2,903	2,038
Changes in assumptions underlying the present value of the scheme liabilities	307	(3,791)
Closing Defined Benefit Obligation	(48,511)	(50,134)
Changes in the Fair Value of Plan Assets		
Opening fair value of plan assets	21,731	17,527
Pensioners in payment exactly matched by annuity contracts	6	-
Expected return	968	885
Actuarial gains (losses)	195	979
Contributions by employer	1,409	457
Contributions by participants	139	128
Exchange differences	(1,044)	2,401
Benefits paid	(1,424)	(646)
Changes in assumptions underlying the present value of the scheme assets	-	-
Closing Fair Value of Plan Assets	21,980	21,731
The major categories of plan assets as a percentage of total plan assets are as follows		
	2017-18	2016-17
Equities	34.72%	37.18%
Bonds	26.66%	24.84%
Other	38.63%	37.98%
Principal actuarial assumptions as at 31 March (expressed as weighted averages)		
Discount rate	1.76%	1.97%
Expected return on plan assets	4.00%	5.28%
Future salary increases	2.53%	2.89%
Future pension increases	2.43%	2.67%

16. Retirement Benefit Schemes (cont.)

Amounts for the current and previous four years	2017-18	2016-17	2015-16	2014-15	2013-14
Funded Schemes	£000	£000	£000	£000	£000
Defined benefit obligation	(20,896)	(20,960)	(18,054)	(18,649)	(15,925)
Plan assets	21,980	21,731	17,527	18,080	16,272
Surplus/(Deficit)	1,084	770	(528)	(569)	347
Unfunded Scheme					
Defined Benefit Obligation	(27,616)	(29,174)	(24,394)	(24,299)	(24,520)
Experience adjustments on plan liabilities	307	(3,791)	1,064	(2,855)	1,873
Experience adjustments on plan assets	-	-	-	-	-
Experience adjustments on plan assets					

Analysis of Movements in Obligations and Assets

	2017-18									
	Brought forward	Matched by annuity contracts	Exchange	Service cost, Curtailment / settlement costs	Interest, Finance income	Changes in assumptions, Employer contributions	Participants contributions	Benefits paid	Actuarial gains / (losses)	Carried forward
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Present Value of Funded Obligations										
Canada	(9,932)	-	789	(132)	(372)	(171)	(41)	392	(43)	(9,510)
Republic of Ireland	(5,200)	-	(134)	(133)	(90)	-	(18)	18	(92)	(5,649)
Jamaica	(1,999)	(6)	212	(88)	(179)	(377)	(41)	35	332	(2,112)
Mauritius	(259)	-	14	(10)	(16)	-	-	-	(42)	(313)
South Africa	(1,828)	-	(29)	(79)	(148)	(8)	(39)	602	(123)	(1,650)
Colombia	(547)	-	44	(354)	-	-	-	272	19	(566)
Belgium	(1,196)	-	(28)	-	(20)	-	-	104	44	(1,096)
	(20,960)	(6)	867	(795)	(825)	(557)	(139)	1,424	95	(20,896)
Fair Value of Plan Assets										
Canada	11,607	-	(916)	-	430	113	41	(392)	93	10,976
Republic of Ireland	4,207	-	119	-	73	1,098	18	(18)	(47)	5,449
Jamaica	2,420	6	(262)	-	222	56	41	(35)	224	2,672
Mauritius	205	-	(10)	-	13	8	-	-	(1)	215
South Africa	2,124	-	33	-	180	86	39	(602)	41	1,900
Colombia	508	-	(25)	-	39	-	-	(272)	(126)	125
Belgium	660	-	16	-	11	49	-	(104)	12	644
	21,731	6	(1,044)	-	968	1,409	139	(1,424)	195	21,980
Net Asset/(Liability) of Funded Schemes	770	-	(177)	(795)	143	853	-	-	290	1,084
Present Value of Unfunded Obligations										
Cyprus	(29,174)	-	(702)	-	(806)	863	-	1,479	723	(27,616)
Total	(28,404)	-	(879)	(795)	(663)	1,716	-	1,479	1,013	(26,532)

16. Retirement Benefit Schemes (cont.)

	2016-17									
	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
Present Value of Funded Obligations										
Canada	(8,768)	-	(1,014)	(109)	(360)	-	(34)	353	-	(9,932)
Republic of Ireland	(4,503)	-	(368)	(116)	(74)	(1)	(17)	29	(150)	(5,200)
Jamaica	(1,581)	-	(165)	(77)	(148)	54	(38)	29	(73)	(1,999)
Mauritius	(184)	-	(28)	(6)	(13)	-	-	-	(28)	(259)
South Africa	(1,431)	-	(404)	(55)	(166)	37	(36)	119	108	(1,828)
Colombia	(436)	-	(86)	(43)	-	-	-	1	17	(547)
Belgium	(1,151)	-	(89)	-	(20)	-	-	72	(7)	(1,196)
	(18,054)	-	(2,155)	(406)	(781)	91	(124)	603	(134)	(20,960)
Fair Value of Plan Assets										
Canada	9,327	-	1,297	-	442	107	38	(398)	794	11,607
Republic of Ireland	3,587	-	295	-	57	139	17	(29)	142	4,207
Jamaica	1,835	-	197	-	176	55	38	(29)	148	2,420
Mauritius	171	-	24	-	13	-	-	-	(3)	205
South Africa	1,636	-	466	-	164	52	36	(119)	(111)	2,124
Colombia	320	-	72	-	22	97	-	1	(4)	508
Belgium	652	-	50	-	11	6	-	(72)	13	660
	17,527	-	2,401	-	885	457	128	(646)	979	21,731
Net Asset/(Liability) of Funded Schemes	(528)	-	246	(406)	104	548	4	(44)	845	770
Present Value of Unfunded Obligations										
Cyprus	(24,394)	-	(2,028)	-	(888)	(3,881)	-	1,436	582	(29,174)
Total	(24,922)	-	(1,782)	(405)	(784)	(3,334)	4	1,392	1,427	(28,403)

16. Retirement Benefit Schemes (cont.)

Each of the schemes typically expose the FCO to key actuarial risks as outlined below which could result in an increase in recommended contributions to maintain their funding positions:

- » **Investment risk** - the long term real rate of return achieved on scheme assets and the market yields on long term fixed interest and index linked bonds reduce, creating a significant difference between the returns achieved and that assumed in the calculations.
- » **Interest rate risk** – a reduction in rates such that the expected costs of future pensions are greater than allowed for in the actuarial assumptions.
- » **Remuneration risk** - an unexpected increase in the general remuneration level of scheme members above that assumed in the calculations.
- » **Inflation risk** - future inflation higher than assumed will lead to higher pension payments.
- » **Mortality risk** - an increase in life expectancy of the schemes' participants will increase the schemes' liabilities.

Sensitivity analysis

Sensitivity analysis for the Cyprus unfunded scheme and the two largest funded schemes are set out below. The tables show the indicative effects on the scheme total liability as at 31 March 2018 as a result of a change in the stated assumptions.

Cyprus - Unfunded

Change in assumption	Approximate effect on total liability	
	%	Euros (000)
1% reduction in discount rate	14%	4,500
1% reduction in inflation rate	-12%	-3,600
Pensioners living on average 2 years longer	10%	3,100

Ireland - Funded

Change in assumption	Approximate effect on pension liability	
	%	Euros (000)
1% reduction in discount rate	27%	1,723
1% reduction in inflation rate	-8%	-533
Pensioners living on average 2 years longer	5%	342

Canada - Funded

Change in assumption	Approximate effect on pension liability	
	%	CAD (000)
1% reduction in discount rate	17%	2,977
1% reduction in inflation rate	-12%	-2,094
Pensioners living on average 2 years longer	8%	1,347

17. Related parties

The Foreign and Commonwealth Office is the parent department of Wilton Park Executive Agency, sponsors FCO Services (a trading fund) and a number of non-departmental and other arms length public bodies as listed in Note 18. These bodies are regarded as related parties with which the Department has had various material transactions during the year. In addition, the FCO has had regular transactions with Partners across Government.

Iain Macleod, a member of the FCO Management Board, was during the year a Trustee of the British Institute of International and Comparative Law (a not-for-profit charity). The FCO paid the British Institute of International and Comparative Law £1,445 for courses for legal advisers during 2017-18. The FCO also made a £5,000 contribution to the Arthur Watts Fellowship, which was established by the British Institute of International and Comparative Law.

No minister, board member, key manager or other related parties other than as mentioned above have undertaken any material transaction with the FCO during the year. There are no potential conflicts of interest to report.

18. Entities within and outside the Departmental accounting boundary

The entities within the boundary during 2017-18 were:

- » Wilton Park Executive Agency—the Annual Report and Accounts of Wilton Park is published separately. See www.wiltonpark.org.uk
- » The Great Britain-China Centre (Executive NDPB) and its subsidiary The UK China Forum. See www.gbcc.org.uk
- » The Marshall Aid Commemoration Commission (Executive NDPB). See www.marshallscholarships.org
- » The Westminster Foundation for Democracy Limited (Executive NDPB). See www.wfd.org

More information on these entities can be found in the Accountability Report.

Income and expenditure for the FCO incorporated financing of the following Non Departmental Public Bodies (NDPBs), in full or in part, in the current financial year:

- » UK India Round Table (Advisory NDPB).

Associated entities outside the Departmental accounting boundary

- » FCO programmes include payments to British Council (Executive NDPB, charity established by Royal Charter, Public Corporation).
- » 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 (BISA) which was set up to oversee delivery of the UK Government's obligations under Government to Government agreements, although to date it has not started trading.

More information on these entities can be found in the Accountability Report.

19. Events after the reporting date

In accordance with the requirements of IAS 10, events after the reporting period are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

A court case has been settled after year end and the provision has been adjusted to reflect the full costs to be incurred in 2018-19.

The Accounting Officer authorised these financial statements for issue on the same date as the Comptroller & Auditor General's Audit Certificate. The accounts do not reflect events after this date.

Annex A: Corporate Sponsorship (unaudited)

Description of project	Total Forecast Project Costs (£)	Name of Sponsor(s)	Cash (LC)	In-Kind (LC)	Cash (£)	In-Kind (£)
Abu Dhabi						
Queen's Birthday Party	40,426	Al Habtoor Motors LLC	208,296		40,426	
Amman						
Queen's Birthday Party	87,893	Jaguar Land Rover	14,580		14,649	
		Standard Chartered Bank	14,580		14,649	
		Iris Guard Co	14,580		14,649	
		Hertz	14,580		14,649	
		Dnata	14,580		14,649	
		Eastern Holding	14,580		14,649	
Athens						
Queen's Birthday Party	18,236	Vodafone	20,800		18,236	
Bahrain						
Queen's Birthday Party	52,644	Euro Motors	9,281		17,548	
		BAE Systems	9,281		17,548	
		National Express	9,281		17,548	
Bangalore						
Queen's Birthday Party	93,182	Dynamics	2,681,889		31,061	
		Infosys	2,681,889		31,061	
		Lodha Group	2,681,889		31,061	
Beijing						
CSR Conference	105,099	Country Garden	308,826		35,033	
		Norwegian Consulate	308,826		35,033	
		Huawei	308,826		35,033	
Beirut						
Queen's Birthday Party	312,389	MANA Automotive	87,644		62,478	
		BCTC	87,644		62,478	
		Risk Advisory Group	87,644		62,478	
		DG Jones	87,644		62,478	
		UK Tech Hub	87,644		62,478	
Buenos Aires						
Sgt. Peppers Event	5,595	Andes Energia Argentina s.a	158,000		5,595	
Queen's Birthday Party	28,682	Andes Energia and Andina PLC Premium	300,000		10,623	
		Shell & HSBC	210,000		7,436	
		Pan American Energy	150,000		5,311	
		AGGREKO	150,000		5,311	
Bogota						
Queen's Birthday Party	7,657	AECOM	30,000,000		7,657	
Chennai						
Queen's Birthday Party	49,940	Bently	2,156,000		24,970	
		Westminster Healthcare	2,156,000		24,970	

Description of project	Total Forecast Project Costs (£)	Name of Sponsor(s)	Cash (LC)	In-Kind (LC)	Cash (£)	In-Kind (£)
Doha						
Queen's Birthday Party	234,880	BAE Systems	300,000		58,720	
		SERCO	300,000		58,720	
		Shell	300,000		58,720	
		Cobham	300,000		58,720	
Red Arrows	54,066	Qatar Airways	138,112		27,033	
		Rolls Royce	138,112		27,033	
British Festival	10,461	British Council	53,447		10,461	
Dubai						
Queen's Birthday Party	72,198	Al Futtaim	186,000		36,099	
		Barclays	186,000		36,099	
Gulf Tour 2017- Dubai	6,355	Links Group Ltd	32,742		6,355	
Food is GREAT Event	5,303	DEFRA UK	27,326		5,303	
Dublin						
Summer Event	320,601	Greencore	73,135		64,120	
		KPMG	73,135		64,120	
		MERC	73,135		64,120	
		AIB	73,135		64,120	
		Matheson	73,135		64,120	
Geneva						
Queen's Birthday Party	18,611	Barclays	25,000		18,611	
Kinshasa						
Queen's Birthday Party	9,624	SOCIMEX	13,500		9,624	
Lusaka						
Queen's Birthday Party	7,129	Alliance Motors Zambia	10,000		7,129	
Hong Kong						
Queen's Birthday Party	194,630	St James' Place Wealth Mgt	514,549		48,658	
		HSBC	514,549		48,658	
		CK Hutchinson	514,549		48,658	
		Jardine Matheson	514,549		48,658	
Kingston						
Jamica Fair -Gold Package	15,924	National Baking Company	1,000,000		5,667	
		JN Group	1,000,000	810,000	5,667	4,590
Lima						
Queen's Birthday Party	7,129	Maquinaria Nacional SA	10,000		7,129	
Luxembourg						
When the Fox meets the Rooster	31,945	Banque Havilland	36,437		31,945	
New Delhi						
Queen's Birthday Party	33,170	Hindustan lever Limited	2,864,017		33,170	
Annual Networking Event	14,971	British Council Division	1,292,637		14,971	
Paris						
Queen's Birthday Party	61,113	JLR France	69,705		61,113	

Description of project	Total Forecast Project Costs (£)	Name of Sponsor(s)	Cash (LC)	In-Kind (LC)	Cash (£)	In-Kind (£)
Rome						
Queen's Birthday Party	112,222	Sanpaolo Bank	64,000		56,111	
		Babcock International	64,000		56,111	
Riyadh						
Queen's Birthday Party	584,278	Frank Knight	439,085		83,468	
		SERCO	439,085		83,468	
		Berkeley Group	439,085		83,468	
		Shell	439,085		83,468	
		Alfanar	439,085		83,468	
		Manchester University	439,085		83,468	
		Mohd Yusuf Naghi	439,085		83,468	
Shanghai						
Queen's Birthday Party	10,141	Dulwich School Shanghai	89,400		10,141	
Tel Aviv						
Israel Tech Hub	189,321	DLA Piper	115,758		23,504	
		RBS	29,715		21,182	
		Yad Hanadiv	114,604		23,270	
		Goldman Sachs - Partnership	59,560		12,093	
		RBS - Fees per statement of work	14,117		10,063	
		Dept. of Digital, Culture, Media & Sport	488,600		99,208	
Queen's Birthday Party	172,304	Fibonatix	282,865		57,435	
		Delek Group	282,865		57,435	
		Rolls Royce	282,865		57,435	
Charity Spring Fair	6,929	Eitan Wertheimer	34,124		6,929	
Israel Youth Award	5,654	Israel Youth	27,848		5,654	
Battery Mission & Innovate	5,279	GWE Business West	25,998		5,279	
BIRAX Event	4,431	BIRAX	21,822		4,431	
MAN Group-Residence event	3,858	MAN Group	19,000		3,858	
Warsaw						
Belvedere Forum	51,970	TESCO	33,493		6,970	
		Provident	144,150		30,000	
		BP International Ltd	72,075		15,000	
Queen's Birthday Party	13,528	AVIVA Sp. z o.o.	25,000		5,203	
		Astra Zeneca Pharma	40,000		8,325	
Washington						
Annual Washington DC Open House Event	10,693	Visit Britain	15,000		10,693	

Total Forecast					
Project Costs (£)	Name of Sponsor(s)	Cash (LC)	In-Kind (LC)	Cash (£)	In-Kind (£)
UK-Chevening Scholarship Programme					
6,794	Prudential	216,924,181		6,794	
250,000	Shell	250,000		250,000	
75,000	GSK	75,000		75,000	
15,833	Rio Tinto	15,833		15,833	
	Said Foundation		143,549		143,549
	International Students House		8,526		8,526
604,000	CK Hutchison	604,000		604,000	
45,893	BP Angola	45,893		45,893	
7,500	Belarusky Narodny Bank Belarus	7,500		7,500	
10,000	Pinheiro Neto Brazil	10,000		10,000	
32,000	Parque Tecnológico Itaipu (PTI) Brazil	32,000		32,000	
16,440	Prudence Foundation Burma	16,440		16,440	
30,000	Marga Landmark Burma	30,000		30,000	
12,880	Allen & Overy Burma	12,880		12,880	
30,000	Prudence Foundation (Cambodia)	30,000		30,000	
280,000	Amerisur Resources plc Colombia	280,000		280,000	
121,440	Ministry of Education, Superior Science & Technology (MESCYT) Dominican Republic	121,440		121,440	
28,000	BP Egypt	28,000		28,000	
7,500	Mansion House Georgia	7,500		7,500	
98,336	Tree of Life Foundation (Bank of Georgia)	98,336		98,336	
60,000	The Ministry of Communication & Technology of the Republic of Indonesia (MCIT)	60,000		60,000	
30,000	PT Prudential Life Assurance Indonesia	30,000		30,000	
26,000	The King Abdullah II Fund for Development Jordan	26,000		26,000	
37,572	Queen Rania Foundation Jordan	37,572		37,572	
11,920	Prudence Foundation Scholarships Laos	11,920		11,920	
28,850	Prudence Foundation Scholarships Malaysia	28,850		28,850	
177,204	Yayasan Khazanah Malaysia	177,204		177,204	
110,000	BAE systems (Malaysia)	110,000		110,000	
140,000	CIMB Group Malaysia	140,000		140,000	
75,000	CONACYT Mexico	75,000		75,000	
26,125	BP Mexico	26,125		26,125	
25,000	The Anglo Mexican Foundation (TAMF)	25,000		25,000	
116,588	Secretariat of Public Education (SEP) Mexico	116,588		116,588	

Total Forecast					
Project Costs (£)	Name of Sponsor(s)	Cash (LC)	In-Kind (LC)	Cash (£)	In-Kind (£)
UK - Chevening Scholarship Programme continued					
109,215	The Ministry of Education, Culture & Science (MECS) Mongolia	109,215		109,215	
9,392	Petrofund Namibia	9,392		9,392	
15,209	Ladol Intergrated Logistics Free Zone Enterprise Nigeria	15,209		15,209	
132,000	IFAHRU Panama	132,000		132,000	
57,000	Amerisur Resources Paraguay	57,000		57,000	
240,000	BECAL Paraguay	240,000		240,000	
25,000	Megaworld Foundation Philippines	25,000		25,000	
25,100	Bank of the Philippines Islands	25,100		25,100	
13,000	GlaxoSmithKline Philippines Inc	13,000		13,000	
15,000	Unilever Philippines	15,000		15,000	
7,500	Mansion House South Africa	7,500		7,500	
25,000	Cofftea Trading Sudan	25,000		25,000	
50,000	Kenana Sugar Comp Sudan	50,000		50,000	
32,515	King Power Thailand	32,515		32,515	
206,666	ANII Uruguay	206,666		206,666	
9,000	Allen & Overy (Vietnam) LLC	9,000		9,000	
14,000	Prudential Vietnam Assurance Private Ltd	14,000		14,000	
10,000	Icelandair Group	10,000		10,000	
60,000	BAE Systems Oman LLC	60,000		60,000	
18,644	Singapore Alumnus Donor	18,644		18,644	
8,000	The British Chamber of Commerce Korea (BCCK)	8,000		8,000	
59,072	Ministry of Strategy and Finance (MOSF) Korea	59,072		59,072	
468,073	Ministry of Science, ICT and Future Planning (MSIT) Korea	468,073		468,073	
26,156	Bank of Korea	26,156		26,156	
14,000	Diageo Korea	14,000		14,000	
16,446	Financial Supervisory Service (FSS) Korea	16,446		16,446	
14,000	Korea Britain Society	14,000		14,000	
10,000	Mansion House Korea	10,000		10,000	
8,500	Professor Winston Wong Taiwan	8,500		8,500	
12,000	Delta Taiwan	12,000		12,000	
21,000	BP Trinidad and Tobago LLC	21,000		21,000	
11,000	Chevening-UCL Israel Alumni-Chaim Herzog	11,000		11,000	
185,176	China Scholarships Council	185,176		185,176	
100,000	Standard Chartered Bank	100,000		100,000	
128,859	Rolls Royce CRISP	128,859		128,859	
	Aberystwyth University		8,650		8,650
	Anglia Ruskin University		7,540		7,540
	Architectural Association		19,942		19,942
	Bangor University		47,740		47,740
	Birkbeck, University of London		83,210		83,210

Total Forecast					
Project Costs (£)	Name of Sponsor(s)	Cash (LC)	In-Kind (LC)	Cash (£)	In-Kind (£)
UK - Chevening Scholarship Programme continued					
	Birmingham City University		9,600		9,600
	Bournemouth University		16,900		16,900
	Brunel University		91,450		91,450
	Cardiff University		167,318		167,318
	City, University of London		53,900		53,900
	Coventry University		11,449		11,449
	Cranfield University		39,500		39,500
	Durham University		137,130		137,130
	Goldsmiths, University of London		94,564		94,564
	Heriot-Watt University		23,944		23,944
	Imperial College London		151,980		151,980
	King's College London		272,876		272,876
	Kingston University		28,780		28,780
	Lancaster University		49,360		49,360
	Liverpool School of Tropical Medicine		14,960		14,960
	London Business School		25,860		25,860
	London Metropolitan University		10,450		10,450
	London School of Economics and Political Science		567,157		567,157
	London School of Hygiene and Tropical Medicine		129,275		129,275
	Loughborough University		22,440		22,440
	Loughborough University, London		33,440		33,440
	Manchester Metropolitan University		11,250		11,250
	Newcastle University		46,574		46,574
	Northumbria University		10,500		10,500
	Nottingham Trent University		13,600		13,600
	Oxford Brookes University		19,080		19,080
	Queen Mary, University of London		457,680		457,680
	Queen's University Belfast		9,120		9,120
	Robert Gordon University		7,260		7,260
	Royal Holloway, University of London		18,920		18,920
	SOAS, University of London		180,889		180,889
	Swansea University		32,140		32,140
	UCL Institute of Education		34,380		34,380
	University College London		668,058		668,058
	University of Aberdeen		128,020		128,020
	University of Bath		21,200		21,200
	University of Birmingham		391,928		391,928
	University of Bradford		72,120		72,120
	University of Brighton		20,386		20,386
	University of Bristol		65,140		65,140
	University of Buckingham		5,941		5,941
	University of Cambridge		240,508		240,508
	University of Dundee		38,300		38,300
	University of East Anglia		119,363		119,363

Total Forecast					
Project Costs (£)	Name of Sponsor(s)	Cash (LC)	In-Kind (LC)	Cash (£)	In-Kind (£)
UK - Chevening Scholarship Programme continued					
	University of East London		9,984		9,984
	University of Edinburgh		261,540		261,540
	University of Essex		59,010		59,010
	University of Exeter		118,560		118,560
	University of Glasgow		310,550		310,550
	University of Greenwich		21,160		21,160
	University of Hull		5,620		5,620
	University of Kent		30,363		30,363
	University of Leeds		328,500		328,500
	University of Leicester		18,125		18,125
	University of Liverpool		28,640		28,640
	University of Manchester		144,800		144,800
	University of Nottingham		150,874		150,874
	University of Oxford		325,101		325,101
	University of Portsmouth		5,540		5,540
	University of Reading		112,554		112,554
	University of Salford		34,540		34,540
	University of Sheffield		64,326		64,326
	University of South Wales		45,420		45,420
	University of Southampton		96,352		96,352
	University of St Andrews		15,640		15,640
	University of Stirling		21,150		21,150
	University of Strathclyde		38,100		38,100
	University of Surrey		37,820		37,820
	University of Sussex		291,090		291,090
	University of Warwick		192,497		192,497
	University of Westminster		79,600		79,600
	University of York		93,480		93,480

Total Forecast					
Project Costs (£)	Name of Sponsor(s)	Cash (LC)	In-Kind (LC)	Cash (£)	In-Kind (£)
UK - Marshall Aid Commemoration Commission (Scholarship)					
17,822	British Schools and Universities Fund USA	25,000		17,822	
17,822	Association of Marshall Scholars	25,000		17,822	
	University of Cambridge		148,312		148,312
	Durham University		16,500		16,500
	Imperial Collage London		59,000		59,000
	King's College London		38,070		38,070
	London School of Economics and Political Science		45,942		45,942
	Oxford University		133,201		133,201
	Queen Mary, University of London		16,400		16,400
	Queen's University Belfast		15,200		15,200
	School of Oriental and African Studies (SOAS)		18,075		18,075
	University College London		40,990		40,990
	University of Birmingham		15,660		15,660
	University of Bristol		18,100		18,100
	University of East Anglia		16,700		16,700
	University of Edinburgh		54,800		54,800
	University of Glasgow		40,500		40,500
	University of Leeds		17,000		17,000
	University of Reading		23,500		23,500
	University of Surrey		16,500		16,500
	University of Sussex		18,295		18,295
Total forecast project costs for all countries (£)				Subtotal Cash (£)	Subtotal In-Kind (£)
7,798,500				7,793,910	8,582,117
				Total Sponsorship (£)	
				16,376,027	

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

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans
	£M	£M	£M	£M	£M	£M	£M
Resource DEL							
Section A: Administration and programme expenditure ¹	1,112	1,031	853	904	939	870	808
Section B: Programme and international organisation grants ²	156	149	301	331	377	383	357
Section C: British Council	157	150	157	162	171	164	167
Section D: Net Funding for NDPBs	6	6	6	4	6	7	6
Prosperity Fund Programme expenditure	-	-	-	-	-	57	-
Section E: Conflict Prevention Programme expenditure ²	145	144	281	339	404	497	-
Section F: Peacekeeping ²	329	382	356	318	311	373	-
<i>Departmental Unallocated Provision</i>	-	-	-	-	-	-	-
<i>BBC World Service³</i>	248	-	-	-	-	-	-
Total Resource DEL	2,153	1,862	1,953	2,058	2,208	2,351	1,338
<i>Of which:</i>							
-Pay ³	578	475	403	439	448	-	-
-Net Current Procurement ³	607	413	265	346	351	-	-
-Current grants and subsidies to the private sector and abroad	630	675	938	988	1,092	1,262	357
-Depreciation ⁴	181	149	191	123	146	111	111
-Other ⁵	157	150	157	162	171	178	181
Resource AME							
Section G: AME Programme	29	(103)	4	(88)	102	65	65
Section H: Reimbursement of certain duties taxes and licence fees	41	33	35	35	40	35	35
<i>BBC World Service³</i>	(5)	-	-	-	-	-	-
Total Resource AME⁶	66	(70)	39	(53)	142	100	100
<i>Of which:</i>							
-Current grants and subsidies to the private sector and abroad	41	33	35	35	40	35	35
-Take up of provisions	1	-	15	2	11	15	15
-Release of provisions	(34)	(10)	(8)	(7)	(6)	15	15
-Depreciation ⁴	(1)	11	12	(36)	(8)	50	50
-Other	58	(104)	(15)	(47)	105	(15)	(15)
Total Resource Budget	2,219	1,792	1,992	2,005	2,350	2,451	1,438

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans
	£M	£M	£M	£M	£M	£M	£M

Of which:

-Depreciation ⁴	180	160	203	87	139	161	161
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Capital DEL

Section A: Administration and programme expenditure	80	118	113	47	(271)	90	86
Section B: Programme and international organisation grants	18	25	14	10	10	12	12
Section C: British Council - Capital Grant	5	5	5	-	-	-	-
Section E: Conflict Prevention Programme expenditure	-	-	-	3	9	-	-
Section F: Peacekeeping	-	10	-	-	-	-	-
BBC World Service ³	17	-	-	-	-	-	-
Total Capital DEL	120	158	131	60	(252)	102	98

Of which:

-Purchase of assets ³	137	123	249	104	142	104	96
-Income from sales of assets	(40)	(5)	(136)	(57)	(413)	(14)	(10)
-Capital grants to the private sector and abroad	18	35	14	13	19	12	12
-Capital support for public corporations	5	5	5	-	-	-	-
Total Capital Budget	120	158	131	60	(252)	102	98

Total Departmental Spending ⁷	2,159	1,790	1,921	1,977	1,959	2,392	1,375
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Of which:

-Total DEL	2,092	1,871	1,894	1,994	1,809	2,342	1,325
-Total AME	67	(81)	27	(17)	150	50	50

¹ All years reflect the Machinery of Government transfer of £2.797m Resource DEL to the Department for Exiting the European Union.

² Plans from 2019-20 exclude conflict and prosperity funding which is provided annually. Plans also reflect savings arising from pay restraint and the BBC World Service move to Licence Fee funding from 2014-15. Prior to 2018-19 Prosperity Fund expenditure was included in Sections A and B.

³ The BBC World Service expenditure is included in 2013-14. The published accounts for 2014-15 have applied merger accounting rules to remove BBC World Service from the published numbers.

⁴ Includes impairments.

⁵ Includes grants to public corporations.

⁶ Includes gain on forward contracts for foreign exchange of £93m in 2014-15.

⁷ 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

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans
	£M	£M	£M	£M	£M	£M	£M

Section A: Administration and programme expenditure	167	178	111	116	176	184	183
Departmental Unallocated Provision	-	-	-	-	-	-	-
Total Administration Budget ¹	167	178	111	116	176	184	183

Of which:

-Paybill	194	172	147	166	163	-	-
-Expenditure	15	103	69	146	219	284	283
-Income	(42)	(97)	(104)	(196)	(206)	(100)	(100)

¹ £114m for the costs of security staff overseas and UK located staff with representative roles was reclassified to front line programme expenditure at Spending Review 2010. Around £400m of costs associated with front-line staff was reclassified to programme in CSR07. Plans also reflect savings arising from pay restraint.

