12 July 2017

Dear Tom,

FCO CORPORATE UPDATE FOR APRIL TO JUNE 2018

When I last wrote in April, I highlighted two new funding streams approved by HM Treasury, to deliver our priority EU Exit work in 2018/19 and for Global Britain. We are now working up detailed plans to deploy these resources. Additionally we are, with other relevant Whitehall Departments, developing a new Africa Strategy.

The FCO's Annual Report and Accounts for 2017-18 are complete and were laid before Parliament on 5 July. As before, the accounts have been signed off by the National Audit Office without qualification and advance copies were sent to you and all FAC members. The FCO ended the financial year with a resource underspend of £9.7m (0.4%), well within our 1% target. On capital, the £426m receipt from the Bangkok Embassy sale meant we under-spent our budget by £389.5m (the Bangkok proceeds were a credit that will be drawn down in future years). Without that sale, the capital underspend would have been £3.2m.

As with my previous letter, I highlight developments under each pillar of our Diplomacy 20:20 change programme: Expertise, Agility, supported by a world-class Platform:

Expertise

During our Leadership Conference in May, I made clear that Learning and Development should be a core part of our work, and launched a 30-day learning challenge to embed the principles of continuous development and expertise sharing. In June, we relaunched the Overseas Leadership Development Programme, which
prepares Heads and Deputy Heads of Mission for their new postings. This includes a blend of leadership training and in-house briefings. By mid-June 114 staff had completed the City & Guilds Foundation Level Diploma in UK Foreign Policy, up from 77 at the end of March.

**Languages** remain an essential part of the diplomatic skill-set. Attainment has improved from 39% of officers in speaker slots having a target level examination pass in 2015 to 55% now. But we still need to do better. I have instructed FCO Directors to work with their Posts to ensure that officers in language positions pass their target level.

To underline the importance of foreign language skills, I launched a new Bergne/Craig Foreign Languages Impact Award at the Leadership Conference. The winners were a team from Embassies in East Asia who boosted our understanding of North Korea (DPRK), refining our analysis and expanding our engagement on DPRK issues through excellent use of some of the hardest languages for native English speakers.

**Agility**

To meet our EU Exit and Global Britain commitments, we have launched external recruitment campaigns, including apprenticeships, and expect to have over 300 staff joining the FCO by autumn 2018. We are making good use of central Civil Service schemes. We have also increased our annual intake of interns and offered some a contract, reappointed former employees and recruited permanently interchange staff who have the right skills and competencies. We have refined our internal appointments scheme to ensure that we deploy staff in a way that makes best use of their skills. We are taking the opportunity that recruiting on this scale gives to try to increase diversity in all its forms, using a mixed-media advertising campaign to reach different groups.

In my letter of 23 January, I flagged concerns around pay and the impact on FCO staff of falling behind Whitehall Department comparators. We submitted a Business Case for Pay Flexibility to HM Treasury in June, and are now discussing it with Treasury colleagues. The case seeks to reallocate funds from within our 2015 Spending Review settlement to staff pay. If agreed, it would facilitate greater convergence with other international Departments and ensure that we can retain the capable and skilled staff we need to deliver HMG’s foreign policy objectives.

**Platform**

The **Technology Overhaul** programme remains on track with 18,500 new laptops and desktops deployed to staff in the UK and more than 150 Posts in our global network, now reaching over 85% of staff. The main deployment should be complete by August. We have also begun to move some systems to the Cloud and our “Work Smarter” campaign is helping staff worldwide get the most out of the new technology.
In June, the Management Board approved the business case for the successor to Prism for our payroll, finance and HR systems. The new system, known as Atlas, will use Oracle Cloud. This will help modernise and streamline our corporate services and improve management information. The programme is aligned with the cross-government strategy to standardise back-office processes, and draws on lessons from the Home Office, who are already implementing the same system. We have procured the licences and will shortly contract an external partner to help manage the change. Implementation will start this autumn. We are planning for the first phase of the new system to go live in autumn 2019.

Within government, the FCO is a leader in removing avoidable single-use plastics. Across our UK sites we have already reduced catering plastic waste by 64%, and we are on track to remove 1.3m items in the UK and overseas on an annualised basis. Our Posts are working with host authorities to raise public awareness and reduce plastic use.

Our estates investment programme is proceeding, with three priority areas:

i. **Strategic Investments:** We will open nine new missions in Commonwealth countries and expect further expansion on our platform in line with the Global Britain, EU and Africa strategies. We are discussing with Whitehall partners the approach to projected new Embassy builds in Beijing and Kabul, including funding.

ii. **Health and Safety:** Given the age of much of the overseas estate, many of the major capital projects we have planned, including Washington, Paris and New Delhi, are driven by Health and Safety concerns. Our seismic-strengthening programme, following a fatal wall-collapse in the Nepalese earthquake, is ahead of schedule. We are aiming to nearly double spend on it this year, from £4.5m to £8m. We are also mid-way through the £6.7m upgrade of the outdated King Charles Street fire safety system.

iii. **Maintenance:** Years of under-investment has created a £40m maintenance backlog. We are using the proceeds of the Bangkok sale to rectify this, doubling annual spend to £15m, with a view to eliminating the backlog by 2021-22.

The Committee has previously expressed interest in FCO controls on fraud. Internal Audit have uncovered two new frauds. In Kabul stipend payments were made to too many official police guards, representing a loss of £157,078 from 2009 to July 2017. It is unlikely that any money can be recovered, but there is no risk of further loss as better controls are now in place. In Gaborone there was a fraud resulting in the loss of around £52,000: Consular receipts had been stolen rather than deposited. The member of staff responsible was dismissed and reported to the police. We are encouraging greater use of credit/debit card for consular payments to reduce the risk of reoccurrence.
Two internal audit investigations have now gone to trial at Southwark Crown Court. In the first, a former member of staff was charged with theft and fraud, accused of misuse of the FCO’s Corporate Credit Card and Government Procurement Card, with a loss of approximately £22,000. We recouped the loss in full through insurance and the officer’s final salary following dismissal. In the second, another former staff member was charged with fraud by abuse of position when responsible for the British Indian Ocean Territory Administration's (BIOTA) bank account. BIOTA has since made changes to its processes to strengthen its control regime.

Last, but not least, security. We continue to track incidents involving and threats against our staff. Despite the heightened alert state since the Westminster Bridge attacks, our data shows that overall since 2016 there has been a reduction in the numbers of crimes, incidents of terrorism, and civil/political unrest affecting our staff. However, there have continued to be serious incidents in high risk locations including Mogadishu and Kabul. We remain vigilant.

Your sincerely,

Simon McDonald