FCO CORPORATE UPDATE FOR JANUARY TO MARCH 2019

I start with an update on our work in this period to prepare for EU Exit. This saw the FCO deliver additional staff into EU Exit roles, both long- and short-term, in London and the Europe network. The FCO coordinated cross-Government surge deployments, working closely with the Department for International Development, HM Treasury, HM Revenue and Customs, and the Department of Health and Social Care, to ensure an increase in staff resources at potential front-line pinch points. We also worked on behalf of Border Force, Home Office, and Ministry of Defence with EU Member States to agree local accreditation for their staff.

Our preparation included leading a cross-Whitehall response to minimise the risk of operational disruption to our overseas network in the event of a potential No Deal outcome. We trained over 550 staff in London in basic crisis skills, upgraded the FCO’s crisis centre, accelerated the rollout of Office 365 software for the teams involved, and put relevant staff in London and our EU Posts through crisis exercises.

We are now in the Year End process for Financial Year 2018-19. Our financial position will not be finalised until the National Audit Office has completed its audit, but provisional figures show that we have managed successfully within all our control totals. We are anticipating an underspend of £14.6m against our core Resource DEL budget of £2.25bn, within our 1% target. Reasons for the underspend include that foreign exchange pressure reduced by nearly £9.3m because sterling was stronger over the last quarter of the Financial Year than expected, and not all of the activity we planned for No Deal EU Exit mitigation was required. In addition, there will be a further underspend of around £10m against our Non Cash (Depreciation and Impairment of Assets) budget of £0.18bn, again because of lower than expected financial exchange volatility related to EU Exit.
We are expecting a core underspend of £8.7m on our £180m capital funding, plus a further £8.4m from the purchase of a replacement Residence in Bangkok – which was planned as a capital transaction but where the final negotiated arrangement will instead be accounted for as an operating lease with annual rental payments scoring against Resource DEL. We are discussing with HM Treasury whether there are options to draw down the unneeded £8.4m capital funding in future years.

I highlight other developments under each pillar of our Diplomacy 20:20 change programme: Expertise and Agility, supported by a world-class Platform:

**Expertise**

On languages, the percentage of Heads of Mission with a target level examination pass has moved up from 78% to 79%. The overall percentage of officers in speaker slots with a target level pass has however dipped from 60% to 58%. Following discussions in the Executive Committee in March, the Diplomatic Academy and Human Resources Directorate are developing proposals to meet our target of 80% by the end of 2020.

**Agility**

In my letter of 5 February, I described the extension of our network of Posts overseas and of the number of FCO staff deployed as part of Global Network Uplift. We have now filled over 80% of the Africa Strategy roles and are on schedule to add around 1000 new positions overall to the network by the end of 2020. Most of the fourteen new Posts created under the Global Britain and Africa uplifts will be open by the end of 2019, with the remaining opening in 2020. We expect the first of the new High Commissioners to receive accreditation in Lesotho in early summer.

We continue to reduce the number of long-term vacancies at junior grades through recruitment campaigns aimed at identifying talented and diverse candidates. In the first half of Financial Year 2018-19, the FCO was ranked first across Government in achieving the largest proportion of apprenticeships (39%) against its target. By 31 March, the FCO had exceeded its 2018-19 target by 2%. Our apprentices are achieving great things: in February, a cohort of 14 apprentices set a new internal record when all passed their assessments with a distinction rating.

When I last wrote, we were analysing the FCO’s results from a joint survey with the Department for International Trade on sexual harassment. I am deeply concerned that a proportion of colleagues told us they had experienced sexual harassment in the workplace. Our response rate was lower than we would have liked (17% of our global workforce), and we are asking further questions about this issue in focus groups so that we can build a fuller understanding of the issue. My Human Resources team is working closely with staff groups on action and communications plans in response, alongside Whitehall colleagues.
World Class Platform

We planned to complete our Tech Overhaul IT modernisation programme in March. In order to support EU Exit planning, however, we decided to prioritise rolling out the remaining Office 365 tools to colleagues working on EU Exit and EU Posts. As a result, we have extended Tech Overhaul by a few months, and now expect to finish in August, still on budget. Our Work Smarter campaign, helping to embed transformational use of the new tools, has been rolled out to 193 Posts. Rosa, the new cross Government Secret platform, is now substantially deployed across our network. We also decided in this quarter to halt our procurement of a new data connectivity service (Echo 2) after a legal challenge following a very close result in the competition. We are resetting the procurement with an updated technology and commercial strategy, and will re-run it. The related disaggregation of our video and voice services is progressing well, and is due for completion in June.

On Estates, we completed the purchases of new Residences in New York and Bangkok. The Bangkok Residence acquisition is part of re-provision following sale of the Bangkok compound last year. The New York purchase is of an apartment at 50 United Nations Plaza in Manhattan for £12m ($15.9m) to serve as the official Residence of the British Consul General in New York and Trade Commissioner for North America. We worked to secure the best possible deal and paid significantly less than the latest market price. This purchase is part of a wider strategy for our representational estate in New York, which will enhance the Government’s ability to promote the UK’s interests in the US and at the UN. Most of the capital cost will be recouped through the sale of properties we currently own. We will also incur lower future maintenance costs.

On 15 March our facilities management outsource partners in the UK and northern Europe, Interserve FM, entered pre-pack administration and carried out refinancing procedures. We had been aware of this possibility in advance and worked closely with the Cabinet Office throughout to ensure no disruption to FCO operations. We also sought and received Cabinet Office approval to extend until 31 March 2021 our contract with ISS for facilities management services to Posts in Asia-Pacific.

There have been a number of high-level security incidents since my last letter. Several weeks of disruption in Caracas led to closure of the US Embassy there. This affected our own Embassy and staff, but we remained open. Following demonstrations against the Sudanese Government, the Embassy in Khartoum has been working in crisis mode. As a precaution, we withdrew dependents and non-essential staff members. In response to the increased conflict in Libya, we have removed our personnel from Tripoli.

Finally, given the Committee’s previous interest in our protections against fraud, I should report the outcome of a case brought against a former officer, Ms Laura Perry, for misuse of the Corporate Credit Card and Government Procurement Card amounting to approximately £20,000. The Crown Prosecution Service authorised two charges, theft and fraud, against her. On 22 March Ms Perry was found not
guilty of fraud. Ms Perry pleaded guilty to theft and was sentenced to eight months imprisonment, suspended for two years. She will complete 100 hours of unpaid work over twelve months and 22 days of Rehabilitation Activity. There was no loss to the taxpayer. The debt was recovered fully via a Corporate Liability Waiver claim and from Ms Perry’s final pay.

Your end, Simon

Simon McDonald