House of Commons

Committee of Public Accounts

Spending reduction in the Foreign and Commonwealth Office

Forty-eighth Report of Session 2010–12

Report, together with formal minutes, oral and written evidence

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Committee of Public Accounts

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The following member was also a member of the committee during the parliament:
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Powers

The committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the internet via www.parliament.uk.

Publication

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the internet at www.parliament.uk/pac. A list of Reports of the Committee in the present Parliament is at the back of this volume.
Additional written evidence may be published on the internet only.

Committee staff

The current staff of the Committee is Philip Aylett (Clerk), Lori Verwaerde (Senior Committee Assistant), Ian Blair and Michelle Garratty (Committee Assistants) and Alex Paterson (Media Officer).

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Summary

Around half of the Foreign and Commonwealth Office's (the Department's) budget is spent in foreign currencies. As a result of a decline in the value of sterling, in September 2009 the Department faced an overspend of £91 million on its 2009-10 budget (£72 million centrally and £18.8 million overseas), out of its total budget of £1.6 billion.

We recognise that the Department did well to reduce spending so quickly, which enabled it to live within its budget. However, many of the spending cuts the Department made were short term in nature, and involved simply delaying or stopping some activities, rather than making lasting efficiency improvements. The Department did not do enough to monitor and measure the impact of its cuts and there is a risk that such short term cuts can lead to increased spending in the future.

In 2008, the Treasury removed the protection it had previously provided to the Department against exchange rate fluctuations. We are concerned that the Department did not have the expertise or experience to effectively manage the risk of a fall in exchange rates, and that the Treasury imposed poor value for money conditions on forward purchasing foreign currency which further limited the Department's ability to do so.

The Department told the Committee that it needs to achieve sustainable reductions in running costs of £100 million over the next four years. The Department regards its overseas estate as a potential source of these efficiencies and income, but in the past, high charges have had the unintended consequence of discouraging other government departments from sharing premises with the Foreign and Commonwealth Office overseas. We look forward to seeing whether the Department's new charging agreement with users of its premises abroad successfully encourages other government departments to share its premises. A cross-government approach is important if government as a whole is to achieve the savings required to reduce the deficit.

On the basis of a Report by the Comptroller and Auditor General,[1] we took evidence from the Foreign and Commonwealth Office on why it needed to make such drastic cuts to its budget, the action it took to reduce its spending, and the lessons for the Department and government more widely on balancing the need for short term spending reductions with longer term efficiency gains.

1 C&AG's Report, *Spending reduction in the Foreign and Commonwealth Office*, Session 2010-11, HC 826.

Conclusions and recommendations

1. **The Treasury withdrew the Department's protection against exchange rate movements from 2008, but limited the Department's freedom to manage the risk of a fall in the value of sterling.** While the Department tried to manage this risk by forward purchasing foreign currency, the Treasury imposed poor value for money conditions on the process which limited the Department's efforts. For example, the Department could only forward purchase currency on one single day every month regardless of what was happening in the currency markets. The Department did not co-ordinate its purchases with other departments, including the Ministry of Defence, which also forward purchased foreign currency. The Treasury should review whether the management of exchange rate risk could be better co-ordinated across government and whether relaxing the conditions it imposes on forward purchasing would enable departments to secure better value for money.

2. **Most of the cuts the Department made were short term and included delaying or stopping activities, which risked the Department spending more in the future**. The majority of the cuts were from doing less, rather than through efficiencies, and approximately 10% were through deferring expenditure. Furthermore, the Treasury agreed that the Department could move £33 million – over a third of the overall £91 million - from other budgets to help reduce the amount of cuts needed. In future cost reduction programmes, the Department must assess whether proposed cuts will lead to additional spending later on and take this into account when selecting areas to cut.

3. **Although the Department believed it was able to sustain those services which absorbed the greatest cuts, it did not do enough to monitor and measure the impact of the cuts made.** The Department has difficulty measuring the impact of its work more generally, for example the impact of its support to business. The Department should develop clearer metrics to select future financial cuts in a more rational way and concentrate efforts and resources where they are most valuable.

4. **There is insufficient integration in the management of government properties overseas.** The expense of co-locating with the Foreign and Commonwealth Office discourages other government organisations from sharing the Department's space overseas. Some departments have therefore moved out of the Foreign and Commonwealth Office's properties. As a result there is potential duplication of costs, with a risk of the taxpayer paying for multiple government buildings in one location. A new charging agreement aims to reduce the Foreign and Commonwealth Office's charges and encourage other government organisations to share its premises. The Foreign and Commonwealth Office should produce an analysis of the costs of all premises occupied by UK government organisations overseas. In light of this analysis, the Treasury should ensure that government organisations secure efficiencies through co-location where feasible, so that Government as a whole benefits, rather than one department benefitting at the expense of another.

5. **Recent events in the Middle East demonstrate that the Department needs to keep its finances flexible to deal with emerging global crises.** This is even more difficult when it must make cuts of 10% to its core budget over the four year spending review period. The Department should develop contingency saving measures to hold in reserve so that it can respond to unexpected worldwide events without affecting its ability to make necessary efficiencies and stay within its budget.

1 Making short term cuts

1. As part of the settlement for the Comprehensive Spending Review 2007, the Treasury removed the Department's protection from fluctuations in foreign currencies from April 2008.[2] More than half of the Department's budget is spent in foreign currency so removing the protection left the Department's budget at risk.[3] The Department tried to manage this risk by forward purchasing foreign currency. However, it lost out as it did not start purchasing until May 2008, by which time the value of sterling had fallen by 13% against the Euro, and by January 2009 had depreciated by almost 30% against the dollar and 25% against the Euro.[4] There had been stability in exchange rates before 2007 and the Department had not predicted the acute circumstances that it faced in 2008. The Department told the Committee that, with hindsight, it would have better if the protection had not been removed.[5]

2. The Department acknowledged that forward purchasing currency was not in its skill set and so it took advice from consultants HiFX.[6] Other departments forward purchased foreign currency, including the Ministry of Defence, but there was no co-ordination of efforts across government.[7] The Treasury imposed conditions on the process which were designed to prevent departments from speculating with taxpayers' money, but these conditions constrained the Foreign and Commonwealth Office's efforts to forward purchase and undermined efforts to secure the best value for money. For example, the Treasury restricted when the Department could forward purchase to one single day every month regardless of what was happening in the currency markets.[8]

3. As a result of the removal of its protection against currency movements, midway through 2009-10 the Department faced an overspend of £91 million: £72 million from centrally managed budgets and £18.8 million in its overseas Posts (Posts are the Department's presence overseas and consist of Embassies, High Commissions or Consular Offices).[9] The Department decided to take a number of short term measures to cut costs in order to try to live within its budget.[10]

4. The Department acted to reduce the £72 million gap between its centrally managed budget and forecast expenditure in 2009-10, mainly through a series of short-term measures.[11] Just under half the cuts in centrally managed budgets were intended to be permanent. However, the Department did not set up a process to ensure that spending was

2 Q 1, C&AG's Report, para 1.6

3 Q 12

4 Qq 1-10, C&AG's Report figure 2

5 Qq 7-8, 11

6 Qq 6-7, 13-14

7 Qq 27, 30

8 Qq 16-30

9 Q 118, C&AG's Report paras 1.3-1.4

10 Q 1, C&AG's Report paras 1.11, 2.4

11 C&AG's Report, paras 2.6-2.7

not simply stopped temporarily in 2010/11 and restored in the next financial year.[12] The majority of the reduction was from doing less, rather than through efficiencies, and around 10% of cuts were estimated to have simply deferred expenditure.[13] Furthermore, the Treasury agreed that the Department could transfer £33 million – over a third of the £91 million it needed to cut - from other areas including capital expenditure and contingency budgets, so much of the budget saving did not come from expenditure cuts.[14]

5. The Department also instructed its overseas Posts to cut spending in order to stay within their budgets for 2009-10. The National Audit Office conducted interviews with a small number of Posts and found that generally they managed the pressure on their budgets by taking short term decisions.[15] However, the Department acknowledged that the cuts have affected some Posts, particularly with declining hospitality and travel budgets impacting on the level of activity. Some Posts, such as Tehran, were more severely hit by exchange rate fluctuations than others. In these cases, the Department believed that its re-allocation of resources enabled it to maintain services in the Posts most affected by the exchange rate fluctuations.[16]

6. While all central business areas agreed to reduce their spending, their budgets were not cut at an equal or set rate. For example, the Middle East and North Africa geographical area proposed to cut 3.7% of its budget, whereas the Europe geographical area proposed budget cuts of 1.3%.[17] In absolute terms both these areas proposed to reduce expenditure by similar amounts – £2.7 million and £2 million respectively.[18] The Department told us that the Middle East and North Africa Directorate took a greater share of the cuts because it was a relatively well resourced business area. As such, it had coped well with the current crisis in the region, albeit with some support from crisis teams in London and consular staff. The Department believed the resource allocation to the region was at the right level.[19]

7. The Department acknowledged that it did not do enough to monitor and measure the impact of the cuts made in 2009-10 and that it could be better at evaluation.[20] In part this was due to the difficulties it faced in evaluating its activities and measuring its performance. Spending in overseas Posts varies and Posts have different priorities. Some have very high security costs and rather limited commercial activity, others are primarily commercial Posts. The Department told us that it worked with UK Trade and Investment (UKTI) and the Department for Business, Innovation and Skills to look at its priority markets and to work out where the resources can be most effectively deployed. UKTI has priority markets,

12 Q 118, C&AG's Report, para 2.6

13 Q 118, C&AG's Report, paras 2.6, 2.7

14 Q 118, C&AG's Report, para 1.12

15 Q 45, C&AG's Report, para 3.21

16 Qq 100-101, C&AG's Report, figure 3, p14

17 Qq 47-49,C&AG's Report, para 3.8, figure 8, p24

18 C&AG's Report, para 3.8

19 Qq 51-53

20 Qq 59, 118

and the Foreign and Commonwealth Office also has a presence in places where UKTI is not represented.[21]

8. While UKTI had specific criteria to measure its impact on markets, the Foreign and Commonwealth Office did not have a specific metric of its own for measuring the commercial impact of individual Posts overseas.[22] The Department considered that the support it provided, such as making contacts and providing political advice, was not always readily quantifiable, but accepted that it had progress to make on monitoring and evaluation.[23] It told us it was setting up a programme to implement, monitor and evaluate cost reduction activity, with the aim of being more efficient, strategic and evaluative.[24]

21 Q 57

22 Qq 57-59

23 Q 59

24 Q 118

2 Securing efficiencies from the overseas estate

9. The Department operates a network of some 260 Posts overseas.[25] In April 2010 the Committee reported on the Department's overseas estate. It found that there was potential duplication of costs to the taxpayer as the Department had unused space in its offices, including in locations where other UK government organisations were based in separate premises.[26] Other organisations were often deterred from co-locating with the Department because of different business needs as well as the higher charges they must pay to use the Department's buildings.[27]

10. Under an agreement with the Treasury, the Foreign and Commonwealth Office had to charge other government departments full economic costs for using its accommodation overseas. The FCO by its nature can face property costs not incurred by other departments, such as the costs of security. This had made it expensive for other departments to co-locate with the Foreign and Commonwealth Office, and they had also complained that the Foreign and Commonwealth Office's system of charging for using its estate was not transparent enough and did not give enough clarity or certainty about costs.[28] As a result, departments had moved out of Foreign and Commonwealth Office property, and the Foreign and Commonwealth Office had lost income.[29] The taxpayer had also lost out by incurring extra expenditure for office accommodation.

11. The Committee recommended that the Department should actively promote its spare space to other government departments and, with the Treasury, develop a new method of charging that would pass on to other UK government organisations a more appropriate cost.[30]

12. The Department had been working on this problem and had now reached a new multi-year agreement on how to charge other users of its premises abroad. The agreement would give users a clear trajectory of costs, diminishing over the four year spending review period, with a clear understanding of the overall cost to all concerned.[31]

13. In the past each government organisation had made its own decisions about where it would be located, and there had been no central collection of information on where government organisations were located. The Department has established a new body, the Network Board, to bring together director generals of all the partner organisations the

25 C&AG's Report, para 4

26 Committee of Public Accounts, Twenty Fifth Report of Session 2009–10, *Adapting the Foreign and Commonwealth's Office's global estate to the modern world*, April 2011, HC417

27 Q 36, Committee of Public Accounts, Twenty Fifth Report of Session 2009–10, *Adapting the Foreign and Commonwealth's Office's global estate to the modern world*, April 2011, HC417

28 Qq 35-36

29 Qq 35-36

30 Committee of Public Accounts, Twenty Fifth Report of Session 2009–10, *Adapting the Foreign and Commonwealth's Office's global estate to the modern world*, April 2011, HC417

31 Q 36

Department works with abroad. The Network Board was seeking to build collective decision-making and greater sharing of information, with the underlying impetus being co-location and reduction of overall costs to the whole of Government where possible.[32]

14. To help the Department stay within budget in 2010-11, the Treasury agreed that the Department could transfer £25 million of its projected asset sales into its budget.[33] It realised £20 million from these sales, including a £5 million property sale in Kuala Lumpur and a £1.7 million sale in Nairobi.[34] The FCO estate is worth some £2 billion and the Department intends to rationalise this estate and realise £240 million from sales. This will be achieved in part by restructuring the overseas workforce and employing more locally recruited staff who will not require Government funded residential accommodation. [35]

32 Qq 36-42

33 C&AG's Report, para 1.10

34 Qq 62-64, 69-75, 81

35 Q 114

3 Making efficiencies in the future

15. The 2010 Spending Review requires the Department to make cuts of 10% to its core budget over four years.[36] Other organisations funded by the Department also need to reduce spending over the same period. The Department believed it had learned from the budget difficulties caused by exchange rate fluctuations and that it was making sustainable and strategic approaches to reducing spending.[37] The Department needed to achieve sustainable reductions in running costs of £100 million over the next four years and planned to achieve this in three ways: [38]

- through its estate;
- through making efficiencies in its corporate services including through sharing with other government departments; and
- through structural changes in its workforce to make it more streamlined and sustainable.

16. The Department told the Committee that the Treasury and the Efficiency and Reform Group had played a crucial role in advising the Department on how to make the longer term savings needed for the 2010 Spending Review.[39] The Department was responsible for deciding how to implement cuts within the agreed budget but it had discussed these measures with the Treasury who had endorsed the Department's proposals.[40]

17. The Department had recently reconfigured and reprioritised its overseas network of Posts and taken resources out of subordinate Posts in Europe. It did not alter resources for the Middle East and North Africa during these changes. The current situation in Libya had meant the Department had opened a significant new Post in Benghazi but the Department said it had been able to cope with the crisis.[41] It had decided to delay decisions on whether to put more resources into the region as a result of the current situation and adopt a wait and see position.[42]

36 C&AG's Report, para 3.24

37 Q 118

38 Q 102

39 Q 132

40 Qq 132-139

41 Q 53

42 Qq 52-56

Formal Minutes

Wednesday 7 September 2011

Rt Hon Margaret Hodge, in the Chair

Mr Richard Bacon
Dr. Stella Creasy
Matthew Hancock
Jo Johnson
Austin Mitchell
Ian Swales

Draft Report (*Spending reduction in the Foreign and Commonwealth Office)* proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 17 read and agreed to.

Conclusions and recommendations 1 to 5 read and agreed to.

Summary read and agreed to.

Resolved, That the Report be the Forty-eighth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Written evidence was ordered to be reported to the House for placing in the Library and Parliamentary Archives.

[Adjourned till Monday 12 September at 3.30pm

Witnesses

List of printed written evidence

List of Reports from the Committee during the current Parliament

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

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Twenty-second Report	Excess Votes 2009-10	HC 801
Twenty-third Report	The Major Projects Report 2010	HC 687

Twenty-fourth Report	Delivering the Cancer Reform Strategy	HC 667
Twenty-fifth Report	Reducing errors in the benefit system	HC 668
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Twenty-seventh Report	HM Revenue and Customs: Managing civil tax investigations	HC 765
Twenty-eighth Report	Accountability for Public Money	HC 740
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Thirtieth Report	Management of the Typhoon project	HC 860
Thirty-first Report	HM Treasury: The Asset Protection Scheme	HC 785
Thirty-second Report	Maintaining financial stability of UK banks: update on the support schemes	HC 973
Thirty-third Report	National Health Service Landscape Review	HC 764
Thirty-fourth Report	Immigration: the Points Based System – Work Routes	HC 913
Thirty-fifth Report	The procurement of consumables by National Health Service acute and Foundation Trusts	HC 875
Thirty-seventh Report	Departmental Business Planning	HC 650
Thirty-eighth Report	The impact of the 2007-08 changes to public service pensions	HC 833
Thirty-ninth Report	Department for Transport: The InterCity East Coast Passenger Rail Franchise	HC 1035
Fortieth Report	Information and Communications Technology in government	HC 1050
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Forty-fifth Report	The National Programme for IT in the NHS: an update on the delivery of detailed care records	HC 1070
Forty-sixth report	Transforming NHS ambulance services	HC 1353
Forty-seventh Report	Reducing costs in the Department for Work and pensions	HC 1351
Forty-eighth Report	Spending reduction in the Foreign and Commonwealth Office	HC 1284
Fiftieth Report	The failure of the FiReControl project	HC 1397
Fifty-first Report	Independent Parliamentary Standards Authority	HC 1426

Oral evidence

Taken before the Committee of Public Accounts

on Wednesday 22 June 2011

Members present:

Rt Hon Margaret Hodge (Chair)

Mr Richard Bacon
Stephen Barclay
Stella Creasy
Chris Heaton-Harris
Joseph Johnson
Mrs Anne McGuire
Austin Mitchell
Nick Smith
James Wharton

Amyas Morse, Comptroller and Auditor General, and **Chris Shapcott**, Director, NAO, **Gabrielle Cohen**, Assistant Auditor General, and **Marius Gallaher**, **HM Treasury,** Alternate Treasury Officer of Accounts, were in attendance.

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL

Spending reduction in the Foreign and Commonwealth Office (HC 826)

Examination of Witnesses

Witnesses: **Simon Fraser**, Permanent Under-Secretary, FCO, **Matthew Rycroft**, Chief Operating Officer, FCO, and **Alison Currie**, Director of Finance, FCO, gave evidence.

Q1 Chair: Welcome, and apologies for keeping you waiting half an hour. This, on the whole, is a good Report—it is a positive Report—and I think it is pleasing to see that within a short space of time you have managed to deal with a projected overspend and come in within budget. All of our questioning is within a context of pleasure at seeing that occur, and perhaps maybe we can have some lessons to learn around what you did. But, clearly, our questions will be in the areas where we think maybe things could have been a little bit different. I want to start with how you got there in the first place, because it is so obvious to anybody that you are vulnerable to exchange rate fluctuations; who on earth ever judged it sensible that you ought to be managing those exchange rate fluctuations within your budget?
Simon Fraser: Thank you very much, Chair, and thank you for your positive comment about the Report overall. On the question that you ask, the decision to withdraw the overseas pricing mechanism, which the Foreign Office had enjoyed previously, was taken during the negotiation of the SR07 settlement for the Foreign Office—

Q2 Chair: Why did you agree to it?
Simon Fraser: and it was proposed by the Treasury. It was a proposal that the Foreign Office had reservations about, if I may say so, but it was agreed as part of the overall final package for the Office following negotiation with the Treasury.

Q3 Chair: Did you ever think you could manage it? It just seems potty to me, because so much of your spending is dependent on that. I cannot see FCO officials—with the best will—being good at speculating around exchange rates. How on earth did anyone ever think you could do it?
Simon Fraser: It was clearly a matter of concern to the Office, and we had discussions with the Treasury about that.

Q4 Chair: Basically you were bamboozled into it; you were forced to take it?
Simon Fraser: I think it was part of an overall agreed negotiation package at the end, although there were reservations.

Q5 Chair: A yes or no would be helpful, Mr Fraser.
Simon Fraser: It was an agreed package for the overall settlement, Chair.

Q6 Chair: But if it was an agreed package, you must have thought you could do it. Every diplomat I have met has had lots of skills, and I have no doubt that your permanent staff have an incredible range of experience and skills, but I do not think they are good at speculating around exchange rates.
Simon Fraser: We are certainly not allowed to speculate.

Q7 Chair: You have to, because that's the only way.
Simon Fraser: It is not our skill set particularly in our organisation to do hedging of currencies, and we did indeed have to take external expert advice and consult the Treasury and the Bank of England to do that. But if you look at the history prior to 2007, I think it is true to say there had been a lot of stability in the exchange rates, and in fact the history was that the Foreign Office had had to refund money to the Treasury in a number of previous years. I do not think anybody predicted the acute circumstances we found ourselves facing in 2008.

Q8 Chair: I will have a final attempt: do you regret having agreed to it?
Simon Fraser: With hindsight, clearly I think it is a decision which I would have preferred had not been taken.

Q9 Austin Mitchell: If the cost is on critical, it makes me suspicious in the first place. It is not too difficult for the Foreign Office to economise, because you always underspend your budgets anyway.
Simon Fraser: There was a history of underspending the budgets, that is true, but that is something, if I may say so, that is a slightly different problem that was the shortcomings in the Foreign Office's financial management and financial information over a number of years, which is one of the things we have taken great pains to try to improve in recent years; and indeed I think the Report suggests that we have made some progress in that. That is part of the history, I think, of Foreign Office financial management. I would recognise that.

Q10 Austin Mitchell: Yes, but most of the cuts were made necessary by the exchange rate fluctuations. This was agreed, you said, in 2007, agreed in the Comprehensive Spending Review in April 2007, and then in July 2008 the pound plummeted: it dropped 25%, on this table on page 12, against the euro and 30% against the dollar. The Treasury must have known something you did not, in the fact that it passed this buck on to you.
Simon Fraser: I cannot answer on behalf of the Treasury, Mr Mitchell.

Q11 Austin Mitchell: Did you anticipate it?
Simon Fraser: No, we did not anticipate that, but I do not think anyone anticipated that depreciation of sterling in that year. It clearly put the Foreign Office in a very difficult situation, and the Report is about how we responded to that. I think it put the Treasury in a difficult position as well, to be honest, because it led to some quite difficult discussions between us and the Treasury, and in the end led to the Treasury having to accommodate the Foreign Office in order to help us meet the problems we were facing.
Austin Mitchell: I get the impression that you responded to this by improvisation; most of the cuts you made were temporary.
Chair: We will come on to that. Let us try and deal, if we can, in order; try to deal with why we got there and then how they handled it.

Q12 Austin Mitchell: Can I just ask a further question arising from the exchange rate? How is it that since the exchange rate caused the problem most of the cuts were made at home rather than in embassies and consulates overseas?
Simon Fraser: To answer your first question, Mr Mitchell, it is true that we were forced to make short-term, tactical cuts in order to meet this in-year requirement. As the Report says, it was a reaction to specific circumstances in that year. The cuts were made in our budgets at home, most of which are spent overseas: more than 50% of our budget is overseas, as well as in our posts overseas.

Q13 Joseph Johnson: Mr Fraser, again, sorry for keeping you waiting outside. I just wanted to go to what you were saying about external advice you sought: who did you seek advice from, please?
Simon Fraser: We had discussions with the Treasury and the Bank of England about the methods by which we could forward purchase currencies, and we also took advice from professionals in that field, I believe it was called Hi—
Alison Currie: HiFX.
Simon Fraser: HiFX was the company.

Q14 Joseph Johnson: They were an external financial consultant.
Simon Fraser: It was an external financial consultant.

Q15 Joseph Johnson: What did you think of the quality of the advice they provided?
Simon Fraser: I was not involved in that myself, but I think that the quality of the advice that we received was good, and I think in the end we reached an arrangement that was satisfactory.

Q16 Chair: What does that mean? In what terms?
Simon Fraser: There were conditions placed on the arrangement that we had by the Treasury and the Bank of England that meant that there were certain restrictions on when we could purchase. We had to purchase on a certain date each month, the reason being it is deemed not appropriate for Government Departments to speculate in the markets, and therefore regularity was built into this.

Q17 Joseph Johnson: How often could you purchase forward? What were the windows in which you were able as a Department to purchase forward?
Simon Fraser: Can I ask Alison Currie, who is our Finance Director, to pick up the detail on that?
Alison Currie: We had a scheme where we were forward purchasing out for a year one twelfth each month, so to spread the load as much as possible. It was very restricted; that was all we could do.

Q18 Joseph Johnson: You were given a window every month?
Alison Currie: Yes, just one day.

Q19 Joseph Johnson: One day every month?
Alison Currie: Yes.

Q20 Chair: Whatever was happening to exchange rates?
Alison Currie: Absolutely; we cannot speculate.

Q21 Mr Bacon: They stuffed you up like a kipper by seeing these enormous problems coming in the world financial markets—partly caused by their own overspending and failure to regulate—and then they thought "We'll put the risk on the Foreign Office", and they stymied you. That is basically what you are saying: they limited your ability to control the risk by making a very narrow window.

Simon Fraser: They imposed some pretty rigid conditions, but I think that it is difficult for Government Departments to be in the markets trying to pick rates. It is public money, and therefore having some pretty clear rules is understandable. Whether it is ideal in terms of—

Q22 Chair: Can I ask the Treasury—the Treasury is here—is that how you run the show?
Marius Gallaher: I believe that we do set a particular date each month for Government Departments.
Chair: You are joking.
Marius Gallaher: It is to stop the public sector or the Government going into the markets and adversely affecting the markets.

Q23 Chair: But where it protects taxpayers' interest to buy wisely forward, or sell wisely forward, does the Treasury never do that?
Marius Gallaher: We discourage speculation, and that is what would be happening.

Q24 Mr Bacon: Is it public, what date it is?
Marius Gallaher: I am not sure what the dates are, but I know that—

Q25 Mr Bacon: Is the date public knowledge?
Alison Currie: The date for us is the 15th of each month.
Mrs McGuire: So every 15th of the month you have your suitcase of money and you have exchanged it?
Mr Bacon: Is it public knowledge that it is the 15th of every month?

Q26 Mrs McGuire: Dare I say it, does that not become an identifiable pattern, then, if you are doing it on the same day every month? You do not need to publicise it, but there is something happening.
Simon Fraser: I am not sure that the amount of money we would be dealing with would move markets, but it does restrict the—
Mrs McGuire: In that case, why is it the same day every month?

Q27 Chair: This is awful, because if we just think of our old friends the MOD, who are doing a lot of business in America, let us say, are they constrained in the same way? Can the Treasury answer me that?
Marius Gallaher: I am not certain what happens with the MOD, but I certainly could find out.

Q28 Chair: You said all Departments, did you not?
Marius Gallaher: We encourage Departments to do it on one day in the month without going into the market fully.

Q29 Chair: You encourage or instruct?
Marius Gallaher: I am not sure, but I think it is more of an instruction or strong advice.

Q30 Chair: It is an instruction; and maybe Alison Currie can answer, is that across Government? Is it MOD?
Alison Currie: The MOD are doing exactly the same. The MOD have a long history of doing the forward purchases, and where the MOD gained compared to the FCO was that obviously when the currency crashed they had been doing this for a long time, so they had a lot of protection. We lost out because we had not had time to build up the forward purchases and when we were buying them it was in the middle of the crash.

Q31 Chair: I would encourage the Comptroller and Auditor General that it might be an area that he would wish to explore and do a Report, and he should perhaps be kind enough to consider the matter.
Amyas Morse: Thank you for your encouragement, Chair.

Q32 Chris Heaton-Harris: You obviously did not see this coming so much, and maybe could not see the depth that sterling would fall, but did you have contingency plans for a reduction, or maybe an inflation, in the rate?
Simon Fraser: When, as a result of this agreement, the previous arrangement was removed, which had of course given us protection against the exchange rate movements, we then began to investigate the possibilities for forward purchasing, and indeed that was agreed with the Chief Secretary, who said that that was an appropriate way to go. We consulted and we took the external advice. We then talked to the Treasury, and by May of 2008 we had reached an agreement on the process by which we would forward purchase. During that period, it is true that between November 2007 and May 2008 we had lost about 2.5% on the exchange rate against the dollar, but in fact the bigger problem arose—as Mr Mitchell identified—when sterling depreciated very sharply over the summer months, and we were then already purchasing, but we were having to forward purchase at a much lower rate than the one our original budget had been fixed at in November 2007.

Q33 Chris Heaton-Harris: To clarify, which was the first month you started purchasing for yourself on the 15th?
Simon Fraser: Mid-July.
Alison Currie: I think the first ones were in May. May 2008.

Q34 Chair: Sorry?
Alison Currie: May.
Simon Fraser: We will clarify that point.

Q35 Chair: Okay. Can I just move on to another: why you got there in the first place, because the Report says on page 11, paragraph 1.3, that as well as weakening of the sterling you lost income? I know from one of my ministerial posts that people, when they were thinking about how to curtail expenditure, would remove their staff from embassies, so I am thinking of UKBA, Visit Britain, and no doubt other organisations, and when I was looking at this as a Minister, it was because the cost of taking office space in your embassies is much higher than the cost of taking office space elsewhere in the countries that either UKBA or Visit Britain were operating. There are two questions arising out of that for me. One is,

when these organisations cut their income to you by taking their people out, was there any cross-Government mechanism that would at least have taken a rational decision about transferring the loss? We are interested in that not just for you but for the future, because if Department A cuts and it transfers then to a cost to Department B, that ain't a very sensible way of planning cuts. The second question is what are you doing, because you are incredibly expensive—I remember looking at the figures, it can be double as much to take office space in a Foreign Office embassy than elsewhere in a state. What are you doing to bring those unacceptable costs under control? And then you could probably use your space more efficiently and with greater economy.
Simon Fraser: Thank you very much; this is an issue that we have been dealing with for some years, and I will ask Matthew Rycroft to come in, because he has been working on this particularly, but the problem has been, of course, that we have an agreement on the costs we have to charge. It has been agreed that we should charge what is called full economic costs to other Departments. That is another agreement we have with the Treasury.

Q36 Chair: But you should cut your costs; I can understand why you have to get full cost recovery.
Amyas Morse: It is full absorption cost, which means that it is very expensive.
Simon Fraser: It is quite expensive, and in addition to that we have overheads such as security costs, which are high. We offer the security, but there is a cost that goes with that security that other Government Departments might not take as an overhead in other offices. That is the sort of discussion we have been having. It is true that Departments have felt that co-locating with the Foreign Office has sometimes been expensive, and we have tried to work on that. Some of them have, as their budgets are under pressure, moved out. I think one of the good lessons learned in the spirit of your approach to this hearing, Chair, is that we have worked on this recently, and we have reached a new agreement, a multi-year agreement, for this spending round with other users of our premises abroad, so that they have a clear trajectory that is going down over the four years, but a clear understanding of their overall cost with us. Matthew Rycroft has been very closely involved in this; if you would like to perhaps give some more detail on that.
Matthew Rycroft: Thank you, Chair. Very briefly, to add to what the Permanent Secretary said, in 2009–10 the answer to your first question was yes: there was a system whereby we sought to recover the costs from other Government Departments on a case-by-case basis. That led to two complaints from all of those Departments. Firstly, the one that you identified, which is that we are too expensive, and secondly, that the system was not transparent enough, so they do not have the clarity or the certainty about what their costs would be for being on our platform. We have a very strong incentive, as I think the whole of the Government does, to make sure that all Government Departments are on the same platform overseas, so starting with the beginning of this financial year, in April, we moved to a new system that gives a set price, as Simon says diminishing over the four years of this spending round period, for each of the main Government Departments who are on our platform. That was a negotiation with them which I think is good for us because we have the certainty, and it is good for them because those numbers are coming down.

Q37 Stephen Barclay: Can I just pick up on that? Who collects the data if a particular foreign city has the embassy there; other agencies go to other offices? Who collects the data on what spend is being spent outside the FCO property?
Matthew Rycroft: We have the data on who is in which post overseas.

Q38 Stephen Barclay: Within your embassy, I assume; but if, say, the Scottish Parliament sets up an office, for the sake of argument, in the same city in a different building, from a UK point of view, who collects the data in terms of what other agencies are spending in the same area?
Matthew Rycroft: We are in the process of collecting that data. I do not think we have all of it now.

Q39 Stephen Barclay: So no-one was collecting that?
Matthew Rycroft: I think no-one was collecting that centrally. I think within each capital city you would have expected the head of post to know who was representing which parts of the UK and its constituent parts within that capital city, but we did not hold that centrally.

Q40 Stephen Barclay: Sure, I do not expect you to know whether UKBA or another agency has taken office space, because I am sure they go to the similar parties. What I am saying is, who was making that assessment? It sounds like no-one was collating that data and then making an evaluation as to whether those agencies were spending more in other areas.
Simon Fraser: Each agency or Department has in the past made its own decisions about where it is located. We have always advocated collocation with the embassy. I think since this Government has taken office there has been a stronger push for this and we have been making progress on collocation. One of the things I am very pleased we have done—and this again is Matthew Rycroft's work—is to establish a new body called the Network Board, which he is chairing, which meets every three months, on which representatives at director general level of all the partner organisations we work with abroad come together.

Q41 Stephen Barclay: This is separate to Sir Bob Kerslake's working group that looks on decisions taken in one Department impacting another?
Simon Fraser: It would be—I am not familiar with Bob Kerslake—but it sounds like a very analogous thing.

Q42 Chair: So when you make a decision, do both Departments sign up to it?
Simon Fraser: We are seeking to build collective decision-making and greater transparency of information sharing, with the underlying impetus being co-location and reduction of costs where possible

Q43 Mrs McGuire: It was just on the same point. Just to pick up on the Scottish Parliament: if another constituent part of the UK wants to have a specialist office in one of the embassies or the posts, is a separate levy charged to that Department? It does not matter whether it is the Scottish Parliament or One North East, or whatever: is there a special rate for being in the premises?
Matthew Rycroft: I will have to check the detail, but I think for the sorts of organisations you have described the numbers involved globally are so small that there is not a global arrangement, so it is done case by case.

Q44 Mrs McGuire: Right, so it would be levied at the one individual rental?
Matthew Rycroft: Yes.

Q45 James Wharton: You had to save a significant sum of money from your budget. Have you been able to keep your overseas posts working effectively throughout this period? How has that worked?
Simon Fraser: Foreign Office budgets have been under pressure for quite some time. This was an acute spike of pressure in 2009–10, and of course there was a further acute spike last year because of our contribution to the £6 billion in-year savings, so this has had considerable impact. It is true, I think it has affected the operation of embassies in some ways. Travel budgets have been pushed down, entertainment budgets have been pushed down—state budgets, all the budgets have been managed down. There has been an impact on the level of activity. However, the NAO, who have conducted interviews with nine or 10 posts during this inquiry, have generally found the response that people have been able to manage in the short term with that pressure. I hope that, now we have clarity about our budget going forward for the next four years, we are going to be able to manage much more strategically to meet the pressures over a period of time. That is the lesson of the Report.

Q46 James Wharton: One of the things, in terms of the rhetoric coming out of the FCO, that I find quite encouraging is when they talk about focusing on economic imperatives. So embassies in countries that, for whatever reason, seem to be economically important to boosting British trade abroad have in some cases seen an increase in staffing and seem their budgets benefiting. How much of an additional negative impact, though, does that have on those countries that are not favoured because they are not, in the current mood music, the economic partners that we are concentrating on? Has there been an additional negative impact on that secondary tier of outposts?
Simon Fraser: I think the answer to that is no, because, in a sense, we have increased our activity on economic and commercial diplomacy. That does not necessarily have to be absolutely at the expense of other activities: it is about focus. I think we have been able to be more effective and focussed in that area. What we are doing in terms of our network over the next four years is shifting resource into what we consider to be major economic partners of the future: China, India, Brazil, Mexico, Turkey, and we are taking that resource out of other parts. So that is a resource neutral move, but we are doing that largely by shifting some of our resource out of subordinate posts in Europe—not embassies, but subordinate posts—and we hope we will be able to derive savings from the reduction of our presence, as well as the security costs, in Iraq and in Afghanistan as our policies succeed there. It is about looking to where we can move these resources for future investment.

Q47 Chair: But if you look at page 24, figure 8, you cut most there in the Middle East and North Africa. Was that wise?
Simon Fraser: Sorry, that is—

Q48 Chair: That was last year. It just seems to me—
Simon Fraser: This was in 2009–10?

Q49 Chair: Was that wise?
Simon Fraser: This was as a percentage of spending. It depends on the size of the spending, because, for example, Europe is identified as being a relatively small percentage, but it was in fact, I think, the second largest contribution, and there were already very major cuts taking place, as Matthew, who was the Europe Director, can say.

Q50 Chair: You mean you are spending very little out there, are you?
Matthew Rycroft: We had just done a zero-based review of the Europe network at this point, which took, I think 10%—

Q51 Chair: Can you come back to the question? As a percentage you took most out of the Middle East and North Africa. Was that wise?
Simon Fraser: I was not there to make that decision, but I am sure it was done on a rational basis.

Q52 Chair: You are evading again. Looking back on it, would you?
Simon Fraser: Yes, because our Middle East and North Africa network is still relatively one of the better resourced regions of our network.

Q53 Chair: In the current climate? Really?
Simon Fraser: We have had to open a significant new post in Benghazi, but we have been able to cope managing the crisis in that region, broadly speaking, within our resource. We have had to backfill, certainly with crisis teams in London and with consular teams, but I think the basic resource allocated to the region is at the right level.

Q54 Chair: You have not put money back in?
Matthew Rycroft: We took 10% out of the Europe network the year before figure 8.

Q55 Nick Smith: On that, just to say, the principles for the spending reductions were about spending related to safety and security, but most importantly departmental strategic objective priorities. Do you think therefore you are going to put more money into the Middle East and North Africa next year?
Simon Fraser: We have made our long-term provision for our network shift, and in that we have not taken money out of North Africa and the Middle East; nor, at the moment, have we added in. We have decided to delay, for the time being, to take stock of how this crisis plays out and then make a decision later about whether we need to put more resource in on a permanent basis. At the moment, we have put additional resource in, for example, to Benghazi on a short-term basis, but I think we need to wait and see. The prudent thing is to wait and see how it plays out.

Q56 Stella Creasy: Where are you taking resource out of, then?
Simon Fraser: We are shifting resource over time out of subordinate posts in Europe, and we believe over time we will be able to drive down the resource commitment in Afghanistan and Iraq, as our policies develop there.

Q57 James Wharton: Can I take us back to where I was going, as I see now we are veering off now into Afghanistan? What I want to understand is the possible impact on British overseas trade of decisions that are being made by the FCO, and so two relatively straightforward questions. Do you know what the bang for our buck is? What is the return on every pound we spend on an overseas post in terms of increasing trade in the UK? You are bound to have some kind of figure for that, I would assume. And also, is there a diminishing return? Once an office gets to a certain size, or its budget is at a certain low level, do we start to get a lower return on the amount of money we are spending? I ask that because I went to Jordan in September, and I thought our overseas presence there was doing an excellent job, but when you compared it to what the French were doing in Jordan, they have invested millions and millions of euros—they entertain and look after everybody—and they have done hundreds of millions worth of business off the back of that as a result. Everywhere we went, every Government Department we visited, the story was the same. Whatever big project they have, the French had good companies there advising them on it; they were there delivering it; and they were making a lot of money from their investment in their overseas posts. My concern is, whilst I understand why we focus on some areas, have we made a proper assessment of the cost of paring down some of these other, less favoured overseas posts and what that might mean for British business in those areas?
Simon Fraser: We have to operate the whole network within the resource that we have, and it is true that the French Foreign Service probably has a larger overall envelope of resource, but that is not the point. I think on your first question, it is not really possible to say in the case of an individual post exactly what the bang for the buck is in terms of commercial outcome, because our spending in post varies; different posts have different priorities. Some have very high security costs and rather limited commercial activity. Others are primarily commercial posts. The configuration would be different in each of them. But we do work with UKTI and BIS and the Foreign Office to look at our priority markets and to work out where the resource can be most effectively deployed. UKTI have their priority markets, and the Foreign Office tends also to fill in in places where UKTI are not represented. We are seeking to co-ordinate with them to make sure we have the most effective commercial support for British businesses that we can within the budgets and resources we have available in all markets. It is interesting: last week I myself was in East Africa, where there are quite significant commercial opportunities. Of course, they are not on the same scale as in China, so when you are looking at where you put your resource, you have to think about the potential for the different markets.

Q58 James Wharton: Very quickly, because I am now conscious that I am now taking up your time, for those that are focused on economic and trade—and I appreciate there are other purposes for which our overseas presences operate—do you measure the economic impact and benefit that they bring to UK plc in any way?
Simon Fraser: We primarily do that with UKTI, who have objective criteria by which they measure the impact in markets and we support them. But the Foreign Office itself does not have a specific metric for measuring the commercial impact of an individual post.

Q59 James Wharton: Is it not concerning, when the statements coming out at ministerial level in the Foreign Office are, "We want to focus on trade abroad", that the Foreign Office are now saying, "We do not have a metric to measure whether we are achieving that"?
Simon Fraser: I think it is partly to do with the nature of the support you give. UKTI focus very directly on specific support to different types of business, looking for specific contracts. The sort of support that the Foreign Office is supplying through its commercial diplomacy—which we have upgraded a lot—is more the political knowledge, the contact making, that sort of advice, which is not always readily quantifiable, but which is what, when we ask businesses, "What would you like from the Foreign Office and particularly the ambassador" in any post, that is what they nearly always come back and ask for. To some extent it comes back to one of the things raised in the Report: how do you evaluate Foreign Office activity? It is a bit difficult sometimes. I take the fundamental point, and I think to the extent that we can improve evaluation we should do it, and if I could make a general point, I think that the Foreign Office has become a lot better at allocating and measuring its resources. We still have progress to make on monitoring, and in particular evaluation. That, to that extent, is a fair point.

Q60 Mr Bacon: I wanted to ask a question about capital, but may I just pursue that for a second? Are you saying that the thing that businesses say they want from you is for the ambassador to get them through the door to the right person, having identified who the right person is in the administration and Government in that country?
Simon Fraser: It is that sort of political intelligence: first of all advice on the market, advice on the political situation in a country, the risks and the opportunities, and then identifying the ways in, often politically, and who the key players are. That is often the sort of advice that they appreciate.

Q61 Mr Bacon: One gets the impression in a lot of countries that the nexus between business and the way it is done and Government is much, much closer here: things do not get done without the approval of Government. I know that is a dreadful generalisation, but is it fair to say that is true for a significant chunk of the foreign overseas market?
Simon Fraser: In some cases that is clearly true, but a good ambassador will know not only who in the Government but also who in the business community are the key players, and in the finance community, and so forth, I think bringing all those things together.

Q62 Mr Bacon: Can I ask you a question about capital? On page 15, it says, "The Department sought permission from the Treasury to transfer additional funds totalling £33 million from other categories of spend, such as capital expenditure and contingency budgets, to increase the funds available to cover the forecast spending." It does not say that you got it. It says that you "sought permission." Did you get the permission from the Treasury, and did you then take that £33 million that had been allocated to capital and spend it on your current expenditure in that year?
Alison Currie: Yes.

Q63 Mr Bacon: Yes, you did. So what was the capital expenditure that was forgone?
Alison Currie: A variety of projects that were manageable, that we could defer. Some of it was deferred to next year's, etc.

Q64 Mr Bacon: What about asset sales? On the previous page, in paragraph 1.10, it says again that you got permission from the Treasury "to recycle £25 million from asset sales". What was sold?
Simon Fraser: First of all, on the general point, we are not allowed to transfer capital expenditure to current account, if you like, running cost expenditure unless the Treasury approves it. That is the relevance of the £33 million. We got that permission. On the other point about asset sales, we have an ongoing programme of asset sales, which is agreed with the Treasury, and indeed, in the next spending round we have to achieve a certain target.

Q65 Chair: What is the target this spending round?
Matthew Rycroft: £240 million over the four years.

Q66 Chair: £240 million over four years, against an asset base worth?
Matthew Rycroft: £2 billion.

Q67 Mr Bacon: That is a lot; it is more than 10%. You have not been selling any of the decent flagship embassies that we got as the spoils of war, are you?
Simon Fraser: We do not intend to, but we have an agreement that we report to the FAC on the sales that we have made, and if there is a question of selling what is called an "iconic asset", then we consult on that.

Q68 Mr Bacon: I just remember being in what purported to be an ambassadorial residence; it was actually an attic in Rome that was the residence of the ambassador to the Holy See. He had been living in what was considered a palazzo, which was actually cheaper than where the Foreign Office made him move to, but I was thinking more of the ones like the French embassy and so on that did not cost us anything, but which for accounting reasons might end up looking very expensive.
Simon Fraser: They are national assets, and that is taken into account.

Q69 Mr Bacon: But what was this £25 million?
Simon Fraser: We have an ongoing programme, and we have had a programme of asset sales.
Chair: What was sold, is what you are being asked.

Q70 Mr Bacon: What was sold? What was this £25 million?
Simon Fraser: I would have to—
Chair: Do any of you know?
Matthew Rycroft: We report quarterly to the Foreign Affairs Committee—
Chair: You must know; come on, you must know.

Q71 Mr Bacon: The question is not, "How often do you report to the Foreign Affairs Committee?" The question is, this £25 million in paragraph 1.10, what was it?
Simon Fraser: It was part of the ongoing programme of sales—

Q72 Mr Bacon: I can see that it was part of the ongoing programme; it is capital, I can see that, and you have secured agreement to recycle it back into your budget. Am I to take it that sometimes it is not automatic when you sell an asset that the Treasury lets you keep it?
Simon Fraser: Quite the contrary; when we sell our assets normally that has to be returned to the Treasury.

Q73 Mr Bacon: The Treasury takes it back?
Simon Fraser: We have an agreement—

Q74 Chair: Let's try to hone this down; was this UK assets or foreign assets?
Matthew Rycroft: These are the assets around the world, a mixture of—
Chair: Embassies?
Matthew Rycroft: residential accommodation for UK based staff, plus possibly in some cases embassy

buildings which are no longer needed or being replaced by a more modern—

Q75 Mr Bacon: Residential accommodation that we owned; and now we are putting our people into rented accommodation where we are paying rent.
Matthew Rycroft: We have a suite of residential accommodation around the world, which is a mixture of owned and rented, and that balance changes according to time and place, and we can get you the list.
Mr Bacon: Yes, could you send us the list, because here it is in black and white in this paragraph. I would like to know what was this £25 million; what does it consist of?

Q76 Nick Smith: A question: do you plan to spend another £200 million-worth over the next five years?
Simon Fraser: We are required to do that by the agreement that we have for the next spending round.

Q77 Joseph Johnson: Chair, I have two themes. Before I touch on the major theme I want us to go on I want to quickly go back to what Mr Fraser was saying about one of the functions of the FCO being to provide political risk advice to businesses. There are a lot of private sector firms that do this quite competitively: there are political risk consultancies all over the world. Why do we need civil servants to do this when there are a lot of private sector firms doing this very effectively?
Simon Fraser: It is a priority that the Government has set for the Foreign Office, that we should promote UK trade and investment. It has been one of the highest priorities that the Government has asked us to pursue. I think it is true that one would expect the British head of mission in a country to have a very sophisticated and in-depth understanding of the politics and economics of that country. That is a service that we are providing to the national economy.

Q78 Joseph Johnson: Do you include in that OMIS reports of the type that UKTI is producing?
Simon Fraser: Those are the UKTI metrics for their specific market introductions. I am talking more generally, if you like, about that sort of advice.

Q79 Joseph Johnson: Sure, but UKTI are obviously 50% funded by the FCO, and OMIS is a very big part of what UKTI does, and all I am saying is if you look at an OMIS report, the ones that I have seen—good though they are—are not very different from anything that you can buy off the shelf from any number of political risk consultancies.
Simon Fraser: That is a service that is provided by UKTI, which has its own ring-fenced budget and has its own mission, if you like, and purpose. I am talking in addition to that of the advice, guidance and steers that our political staff, our heads of mission, our staff in general can give to businesses.

Q80 Joseph Johnson: Thank you very much. Now to go to the main theme I wanted to go on, which was the bodies that receive grants from the Department, i.e. the British Council and the BBC World Service. To what extent do they make a contribution towards bridging the £91 million gap, if any?
Simon Fraser: In the period before? I do not have the precise figure, I am sorry—
Joseph Johnson: Were they involved in that process?

Q81 Chair: Can Alison Currie help us? We should have these; we should have lists of assets; our suspicions are raised. We really trust you enormously, but if we cannot get the detail you have raised suspicion.
Joseph Johnson: Specifically, the World Service: did it make a contribution towards filling the £91 million gap that was largely created by the currency movement?
Simon Fraser: I think the answer to that is no, that was not the case.
Alison Currie: Can I come back to the £25 million? We only ended up doing £20 million, and it was a variety of residential properties. The biggest were the deputy head of mission’s house in Kuala Lumpur which was £5 million, and a vacant residential property in Nairobi, which was £1.7 million. The rest were small residentials.
Mr Bacon: He must have had a very nice house.

Q82 Joseph Johnson: Can I just continue on the World Service for one minute, because obviously they had quite a big announcement today with respect to a change in the funding going forward for the World Service? I think one of my colleagues was asking earlier about the potential erosion of service quality and priority delivery areas. Do you feel, looking back at the funding decisions taken with respect to the World Service, which remains in the custody of the FCO, if I understand correctly, until 2014, looking back do you think that you got it right?
Simon Fraser: I think we have. Over the period of 2000 to 2008, the World Service was, on average, 13.5% of FCO spending and it is now 14.5% as a result of where we are now. Although there has been a debate about the level of cut that has been made to the World Service future budget in this spending round, I think as a proportion of the FCO over that period it has been held, and we have been able to make today an announcement that I think helps the World Service to manage the transitional period between now and when it is fully transferred to the licence fee funding.

Q83 Joseph Johnson: Looking back at some of the particular service areas that were to have been severely affected by the original funding decision, now adjusted, do you think, in retrospect, that they were sensible value for money, particularly with respect to the Hindi Service, or, for example, some of the Arabic services?
Simon Fraser: In a sense it is not really my position to comment on that, because those are management decisions for the BBC. Those were not Foreign Office decisions.

Q84 Joseph Johnson: No, but they did constitute programme changes, which the Foreign Office has a veto over.
Simon Fraser: The proposals came from the BBC, and I am pleased to say that, as a result of what we have been able to do to look at this, we have been able deal with the BBC's proposed cut to the Arabic Service and I believe now the Hindi Service as well.

Q85 Chair: Mr Fraser, I think Jo is a step ahead of us. Just tell us what you announced today? I have not picked it up yet?
Joseph Johnson: They have announced an extra £2.2 million for the World Service.
Chair: From where?
Joseph Johnson: Instead of having to cut £46 million, I think it only has to cut £42 million. Is that roughly right?
Simon Fraser: What we have announced today, Chair, is that, without reopening the settlement, we recognise that, given the circumstances in the Middle East, there are particular pressures in that area, and we are therefore making available a further £2.2 million per annum to enable the BBC World Service—

Q86 Chair: From your budget?
Simon Fraser: From the Foreign Office, so that the BBC World Service does not go forward with its proposed cut to the BBC Arabic Service.

Q87 Mr Bacon: Have you sold another house? How did you pay for it?
Simon Fraser: We have reallocated, prioritised money from within the Foreign Office.

Q88 Chair: What have you cut?
Mr Bacon: What has been hit to deal with that?
Simon Fraser: That money has been taken out of our overall running cost budget.

Q89 Chair: What does that mean?
Mr Bacon: Post-it notes.
Simon Fraser: We are re-prioritising in order to find the money for that.

Q90 Chair: This is very obtuse, and what we love in this Committee is just direct answers.
Mr Bacon: Opaque, I think you mean—not obtuse.
Chair: Okay, opaque. Sorry, you're right.
Simon Fraser: In addition to that, if I can say, we are considering bids from the BBC amounting to £1.6 million for projects to be run under our new Arab Partnership Fund, which is a programme fund, and we are entertaining those. I am pleased to say that the BBC itself, as a result of savings from reduced, lower than anticipated pension contributions, are, I think, able to find £9 million over three years, which they are going to direct to the Hindi Programme. Those are quite precise clarifications of where this additional funding is coming from.

Q91 Joseph Johnson: My last question on this: the Foreign Office website had a news item that said "massive U-turn on BBC World Service funding" on it. Is that a correct characterisation?
Simon Fraser: That was an inaccurate and inappropriate headline that was put on an otherwise accurate description.

Q92 Mr Bacon: Presumably, the person who wrote it on the website is now in Ulan Bator, is he?
Simon Fraser: It was withdrawn after 10 minutes, and we are—

Q93 Stella Creasy: The inaccuracy was "massive", or "U-turn"?
Simon Fraser: The inaccuracy was the headline, which was inappropriate. I have launched an internal investigation to clarify exactly what happened, and we will take the appropriate measures.

Q94 Austin Mitchell: I am delighted to say that the Foreign Office is doing something to stop the scale of cuts in the World Service, because the World Service makes a bigger contribution to Britain's prestige abroad than the Foreign Office itself. It is only fair that something should be done to stop those cuts, although it is fairly minimal, isn't it? This is peanuts, really, compared to the scale of the problem.
Simon Fraser: This is a very significant contribution to helping the World Service manage their share of the cuts to public expenditure that we are all facing.

Q95 Austin Mitchell: That does not stop lots of services being cut and lots of producers and presenters being fired, does it?
Simon Fraser: I am afraid, Mr Mitchell, that we are all facing similar circumstances in terms of pressure on our budgets. I think there are some important efficiency savings to be made in the World Service, which we are talking to them about as well in order to help them meet this pressure. I recognise that this is not a desirable situation to be in, but it reflects a broader picture of the pressures we are all facing.
Austin Mitchell: I have to say, I am pleased to hear it; any U-turn is welcome these days, and it is nice to see you doing a bit.

Q96 Stella Creasy: How many £5 million properties do we currently own as part of the estate? When we are looking at value for money and some of the tradeoffs, like the one you have defined for the World Service, and obviously you have quite a challenging budget cut there of 10%, how many other £5 million properties do we have?
Simon Fraser: I cannot give you the precise answer to that question—

Q97 Stella Creasy: Do you have an up to date list of the estate that you own?
Simon Fraser: We will be able to provide you with that information. Of course it goes back, in a sense, to the question that Mr Bacon was raising, because there are different ways of accommodating our staff overseas, and in fact often it is more effective to put them into rented accommodation than it is into owned accommodation, although the implication was that Mr Bacon was concerned we were selling owned accommodation.

Q98 Stella Creasy: Forgive me, Mr Fraser, I am afraid I am not very familiar with the property market in Kuala Lumpur. What sort of size property are we talking about for £5 million? Does that house many members of staff, or one member of staff? It does seem quite a substantial amount of money. In my corner of London, you could buy quite a bit of Walthamstow for £5 million.
Simon Fraser: Yes; and that is why we have a programme of asset disposal, so that we can make sure that our estate is modern, smaller, more appropriate and reflecting modern Britain, and that involves asset sales to get rid of uneconomic and often inappropriate residences.

Q99 Mr Bacon: What has happened to the deputy head of mission? Where has he gone? Have you put him in a little bungalow somewhere?
Simon Fraser: He has probably been re-housed in a rented—it may well be Mr Bacon that the deputy head of mission post may have been downgraded or reduced as part of our overall budget cuts.
Chair: Amyas is desperate to get in.
Amyas Morse: Just to remind the Committee that we took a Report last year on property management in the FCO.
Simon Fraser: And indeed, we are due to report back to you in September on that.

Q100 Austin Mitchell: I have a couple of other question. Figure 3 on page 14 shows that exchange rate pressure for cuts was greatest in Tehran, a trouble spot in itself, Addis Ababa, and then Honiara, which I gather is in the Solomon Islands and may explain the cancellation of my own visit to teach them about parliamentary democracy—which is a sad loss to the people of the Solomon Islands—and then South Africa. How was Foreign Office service and all the rest of it maintained in these places, and particularly in Tehran, at the pace of those exchange rate cuts, which were so disproportionately high in those centres?
Simon Fraser: The posts around the world were asked to make economies, and where posts were disproportionately hit we reallocated resource—

Q101 Austin Mitchell: So they were kept up.
Simon Fraser: So we were able to maintain the service in those parts of the world which were under most extreme pressure.

Q102 Joseph Johnson: Okay. We said earlier, I think, some of the cuts were temporary measures, like temporary reduced travel and hospitality budgets, deferred non-essential health, freezing on recruitments, and yet on page 28 the Report tells us that this had a serious effect on staff morale in the US and Berlin. It is quite clear that Berlin is now crucial; we need to know what they are thinking on the euro, because the crisis ain't over until Mrs Merkel sings. It makes it a very important post. Given that effect on morale, how do you expect to be able to maintain morale and efficiency in the face of these bigger cuts which are still to come when you have exhausted all the temporary measures?
Simon Fraser: That is a very good question. Of course, we all face questions in the current environment about how you maintain morale and how you make sure that you are getting the best value for money in the way that you are managing in a very tight resource environment. The answer to your question is that, looking forward, as I said, we now have greater clarity about our budgets in the next four years, and we have been able over the last nine months to make a number of strategic decisions about our policy priorities, about our geographic priorities, about how we are going to deploy our resources, about our programmes, which we are clearly aligning to our policy priorities, and about how we are going to achieve our savings. We need to make about £100 million a year of running cost savings by the end of four years, on a sustainable per annum basis. That is between 33% and 40% of our running cost budget, and that means some quite significant savings. We are going to do that in three ways. First of all, further pressure on our estate, I fear; secondly driving much more efficiency in our corporate services, including sharing corporate services with other Government Departments as part of the co-location agenda.

Q103 Austin Mitchell: At lower rents?
Simon Fraser: Indeed; and thirdly in structural changes to our workforce to make it more streamlined and more sustainable over time, which will in itself impact on staff morale. But I think the important thing is that we have been able to give people some clarity about what they can expect and how we are going to manage this, and I think communication and clarity means that is much easier to manage morale. The more difficult thing to do is when you have these short-term, unexpected hits on your budget that mean that out of the blue you have to launch things on people that they do not understand. I hope that clarity and a clear forward perspective will help us manage that.

Q104 Austin Mitchell: Or gesundheit.
Simon Fraser: Of course there will be pressures on morale, but can I just say on the other hand, I have been incredibly impressed by the commitment and morale of people in the Office dealing with the crises we have been managing since January, which have been a huge pressure on the Foreign Office, both in London and abroad, and brought out the best in people. Permit me to pay tribute to my colleagues and the organisation in that respect.

Q105 Stephen Barclay: On that specific point, would one of the factors in setting your strategic priorities be where there is a presence of the European Foreign Action Service. Will you be withdrawing in certain areas?
Simon Fraser: Our strategic priorities are geared to this period of the spending round, and we are certainly supportive of the External Action Service, and are working with them and seeking to make sure that members of our staff join them, but I think over that period it is unlikely that the External Action Service—which is still a fledgling organisation—is going to be well established in many places around the world. It

is also quite clearly the Foreign Secretary's policy that we should maintain our national diplomatic representation—we should not shrink it, we should expand it, and indeed we are opening five new embassies in the next few years—and that the External Action Service should be complementary to our national diplomacy, rather than replacing it.

Q106 Stephen Barclay: In essence, to sum that up, the fact that UK taxpayers are paying for the European Diplomatic Service will not be a factor, one of the criteria, in terms of your strategic priorities in terms of withdrawing certain parts of missions?
Simon Fraser: No, but it will indeed be one of our priorities in making sure that we get value for money out of that contribution through the performance of the European External Action Service, representing the European Union.

Q107 Stephen Barclay: Sorry, what do you mean by that? I just do not understand what you mean.
Simon Fraser: It means we want the European Action Service to be well run and effective.

Q108 Stephen Barclay: That is motherhood and apple pie; so does everyone. Of course, it is a statement of the obvious, surely, that we want it to be well run and effective. What I do not get a sense of is: we talking about setting your strategic priorities; there is clearly an element of duplication, or potential duplication. To what extent is that one of the factors in shaping your strategic priorities?
Simon Fraser: At the moment, the position of the Government is that we should shape our priorities to promote UK national interests and values, and that we should have a national diplomacy that has global reach. That is our No. 1 priority. We need then to look at the External Action Service to support its development, so that the European Union collectively is being effective alongside us around the world. There are some areas of policy where they have competence—for example, trade negotiation andsome areas of development policy, which we do not have under the treaties. We have to work—

Q109 Stephen Barclay: The may be areas of duplication, but perhaps I can approach it a different way with a different agency and come back to Mr Rycroft in terms of the document you are producing about different agencies and areas where the FCO has presence. Again, another area of potential duplication is with the DFID. I would just be interested firstly in when that document you are pulling together will be ready. Will you be sharing it with this Committee? Will it capture the spending of DFID and UKBA in areas of FCO presence?
Matthew Rycroft: Firstly, we are putting it together over the summer, and if it would be of interest to the Committee then we can send it to you in whatever format is most useful to you when it is ready. Yes, the aim is that it will capture the footprint of DFID and UKBA and others around the world, and that we will use the Network that Simon mentioned earlier as one of the ways of bringing Departments together, alongside other ways that we have.

Q110 Nick Smith: Can I just ask some more questions about the £200 million asset sales? The £200 million that you hope to get in, what is that as a percentage of the overall savings you have to make over the next five years?
Matthew Rycroft: It sounds like a straightforward question, but actually it is a difficult question to answer because the asset sales are capital, whereas the running cost savings, which Simon mentioned earlier, are from our admin spending, so they are separate pots, if you like. The £240 million asset sales target over the four years comes out of our—as I said earlier—approximately £2 billion capital, in terms of our estate, and the running costs, £100 million, comes out of our admin budget, which is separate.

Q111 Nick Smith: It must be a contribution to the savings you will be asked to make.
Matthew Rycroft: It is a separate target.

Q112 Nick Smith: So it is just different.
Matthew Rycroft: It is just different, but the two need to run alongside each other.

Q113 Stella Creasy: Surely, there is another way round that as well, because presumably the running costs are associated with the cost of the particular estate and the nature of the buildings, so have you done an assessment about the value for money of the various buildings and assets you have?
Matthew Rycroft: We are doing that; we have a pipeline of proposed asset sales over the four years, and essentially we are starting with the more obvious ones. It will get harder and harder to make those judgments as the four years go on.

Q114 Stella Creasy: Could you give us an example of what you mean? What is an obvious one; what is a harder one?
Nick Smith: Are you selling more in Europe now or elsewhere?
Simon Fraser: For example, and your point is very important, one of the things we are doing in our workforce is that we will unfortunately be able to post fewer of our junior UK based staff overseas in future, because it is relatively very expensive to post them overseas when we can often recruit people locally to fulfil those functions. As we change the structure of the workforce overseas, we will have to provide less accommodation, and that will therefore have a knock-on effect into our estate, and therefore obviously we would sell off any owned properties that had previously been used in that area. There is, as you identified, a linkage between different areas of our economies programme.

Q115 Stella Creasy: I was thinking more on a day to day basis about the running costs of some of the establishments that you have. You have presumably been looking at the cost of the head of mission's place, for example, in Kuala Lumpur, and how much it costs to run that on a daily basis and whether that is value for money or whether there might be, when you are looking at efficiency savings—

Simon Fraser: In Europe and Asia, we have launched very big facilities management contracts for a whole region. We have outsourced those, so that we have signed contracts with suppliers to make sure that we are harmonising and achieving economies of scale on facilities management, including our residences, our embassies and our accommodation. There are some quite big programmes designed to achieve quite big economies. They are multi-year programmes—I think six or seven year programmes—so we are going down that path.

Q116 Mr Bacon: Are you making cuts to language training?
Simon Fraser: There has been a cut in the overall training budget in the last few years as part of the overall cuts, but one of the things that we are prioritising in the next four years—under what we call our diplomatic excellence programme, which is our reform and aspirational programme to make sure that we are performing well as an organisation—is increasing the budgets for language training, and we are broadening availability to staff.

Q117 Mr Bacon: I was told not that long ago that there has been a sea shift in the Foreign Office in the last few years, and it is now possible to get on and get up the ladder and get promoted without the serious language skills that used to be considered essential. Indeed, you can get appointed to head of mission without having competence in the language. Is that simply wrong?
Simon Fraser: It is not the case. I have not got the precise figures here—I could supply them to you—but if you look at the figures for our heads of mission and their language skills, there is a very high correlation. Between 80% and 90%, I believe, of heads of mission having the relevant language skills.

Q118 Chair: I want to draw us back to looking at the Report again. There was £91 million that you had to cut to come within budget. A third of that you can regard as contingence and capital, so it is not real money out of your budget: it is deferral. Out of the £46 million—it is less than 3% of your budget, so it is not massive—only half of that was permanent, and then if you look at the £14 million, as I understand the Report, that came out of posts, most of that was also one-off. You describe it for hospitality, travel, recruitment freeze. I can understand why you did it, because mid-year you had to do something fast, but it does not seem to me the best way of reducing expenditure, and it seems to me to reflect a pattern across Government in too many Departments, such as taking money out today, worrying about and adding in expenditure tomorrow. What have you got to say about that?
Simon Fraser: I think it is fair to say, and I would absolutely recognise that, given we were finding in-year savings where budget has already been allocated, it was difficult to make strategic long-term choices. We had to slam the brakes on and find the money within the financial year. Almost inevitably that meant deferring spending or pushing down running costs. I think it is also true the Report says—and I accept this criticism—that we perhaps did not do enough evaluation ex-post of the impact of those cuts, and I come back to my point about needing to strengthen our evaluation culture. On the other side, I would say that I do believe that we have learnt that lesson, and that as we are planning now for the next four years we are taking some really strategic and sustainable approaches to our cutting, and I think we have discussed with the Treasury, and they have given us that feedback, that they believe that the plans we have in place will stand us in good stead. Matthew Rycroft is now setting up a strategic programme to implement, monitor and evaluate all those programmes and cuts I have described to you, so that we are more efficient, strategic and evaluative in the future.

Q119 Chair: I am pleased to hear that, and I welcome that, but if we take an example, you delayed opening an embassy, I do not know which one.
Simon Fraser: We probably delayed a construction of an embassy. I cannot remember—

Q120 Chair: It says, “delayed opening”, page 17, paragraph 2.7. You delayed opening a new embassy.
Simon Fraser: Sorry, Chair, I will have to—
Chair: Perhaps you can let us have a note.
Chris Shapcott: It was the embassy in Mali.

Q121 Chair: You are not going to be able to answer my follow-on question then; you are going to have to send me a note. Presumably, you have opened it now, have you?
Simon Fraser: In Mali? I believe we have, but I will have to check; yes, I think we have.

Q122 Chair: And I want to know whether there were extra costs incurred in delaying? Could you let us have a note of that within a week, please?
Simon Fraser: I would say, if I may, Chair, that the cost of our embassy in Mali, I suspect, is relatively small; about £200,000 a year.

Q123 Chair: I know, but it is in the Report. I just picked it up from the Report, and it seemed to be an example of where a short-term decision or deferral might lead to costs. On page 23, paragraph 3.9, you say that you are praised for linking pay and career progression to budgetary management. Has anybody been fired?
Simon Fraser: I do not believe that anybody has been fired for poor budgetary management. It does slightly link to Mr Bacon’s point that we are seeking to ensure that our managers are better at financial management and that we drive this culture of better financial management, which the Report alludes to, into the organisation, whilst at the same time protecting our traditional diplomatic skills.

Q124 Chair: So you reward, but you do not—I hate the word—punish.
Simon Fraser: It is not necessarily that people do not get fired, but, for example, it is absolutely the case that in our senior appointments board, when we appoint a head of mission or when we recommend the

appointment of head of mission to Ministers we will always look at people's management credentials, and in a case where they do not have them they will often suffer and not be recommended for appointment. That is not the same as firing people, but it definitely has an impact on people's career progression.

Q125 Stephen Barclay: What percentage of staff are based in the UK? Is it around half of the FCO staff?
Simon Fraser: The total FCO staff is just under 15,000, but 70% of those are locally engaged staff, employed in-country.

Q126 Stephen Barclay: Okay, let me rephrase that: how many staff do you have based in the UK?
Simon Fraser: The total UK-based staff—our British diplomats—is 5,000, and of those 2,500 are in the UK. That is about 50% of our total UK—

Q127 Stephen Barclay: So 2,500 FCO staff in the UK. What percentage of those are based in London?
Simon Fraser: Most of them are based in London. We have offices in Hanslope Park, Milton Keynes, where we are moving some of our support, financial functions and HR functions, and in the next two years we will be accelerating that, because we will be moving out of one of our two main London buildings, the Old Admiralty Building, which is on Horse Guards Parade. We will be concentrating on one head office in London, with the consequence that we will be putting more people out to offices where we have some space available in Milton Keynes. Matthew is the expert.

Q128 Stephen Barclay: That is planned, that is welcome. Is it over 90% at the moment? Do we have any precise figures? What percentage of FCO staff are based in London at the moment?
Simon Fraser: I should think it is about 75%.
Stephen Barclay: If you could give us a note.

Q129 Mr Bacon: Of those 2,500 who are in the UK, most of whom are in London, how many are not support staff, ancillary staff in some capacity, financial or clerical? How many are diplomats?
Simon Fraser: I do not have that precise figure here.

Q130 Mr Bacon: Roughly; do not sign your name in blood, but roughly.
Simon Fraser: They are members of the diplomatic service, most of them. Some of them are home civil servants, but most of them are diplomatic staff. They will be at different grades, doing different functions. Of course, what we have done is we have brought as much as we can of our support functions back to the UK because it is cheaper to do it in the UK than in posts overseas, and with new technologies and so forth it is easier. We have brought as much of our administrative support as we can here. I cannot give you a precise figure right now of the division between what we might call support functions and front-line policy functions. Do you?
Matthew Rycroft: I have not got a record up my sleeve, I am afraid.

Q131 Mr Bacon: I am surprised. It was one of the things I would have thought you would have at your fingertips. There are 190 countries in the United Nations; I do not know how many people you have on your Mozambique desk, or your Brazil desk. It will obviously vary, depending on the importance of the country for a whole variety of different reasons. But presumably for each country in the world there is somebody in the Foreign Office in London who you could phone up who would know about it, and a series of equivalent people running a mission or missions over in post. So 2,500 people sounds a lot to have in London, out of 5,000 in total. It just sounds a lot.
Stephen Barclay: Could you let us have a note, with a breakdown.
Matthew Rycroft: I can let you have a note.

Q132 Chair: A very final question, because we have been in session for a long time. I just want to talk a little bit about the role of Treasury and ERG. What role do they play in supporting, monitoring and controlling your decisions?
Simon Fraser: The Treasury?
Chair: First Treasury; second ERG, or both.
Matthew Rycroft: From my first couple of months in post, I would say that both Treasury and ERG are crucial for us to work with, and they both provide advice to us on how to make the savings programmes that Simon has described—the £100 million a year—as well as other advice on how to run the financial aspects of the organisation. ERG lead, as you know, the Government's centralisation agenda in terms of procurement and so on, and our procurement function work extremely closely with them on all of that.

Q133 Chair: What does that mean? They are telling you what you have to procure centrally?
Matthew Rycroft: No, they are not telling us, but there are certain aspects of procurement across all Government Departments, which over these four years will be centralised.

Q134 Chair: On whose decision? Where is yours? Theirs?
Matthew Rycroft: To be worked—

Q135 Chair: Government across the board.
Simon Fraser: We join in where we can to achieve efficiencies, but if in the end there is some specific requirement that we believe cannot be met I believe we would not agree to it.
Chair: Okay, go on.
Matthew Rycroft: And a lot of our procurement of course is overseas, so it would not be part of that UK procurement.

Q136 Chair: You are working in partnership, it is all hunky-dory; when are they saying no, and what are they trying to control?
Matthew Rycroft: Alison might want to comment, but I think we have a close relationship with the Treasury; it does not feel like they are saying no to things. They have advice, just as the NAO do, for instance, on how to do structured cost reduction.

Q137 Chair: Have the cuts been your decision, or theirs, or both?
Simon Fraser: The way that we implement our cuts within the agreed budget has been our decision. We have then gone to the Treasury and explained to them how we intend to do it.

Q138 Chair: And did that conversation lead to changes?
Simon Fraser: It did not; on the contrary, actually, it led to endorsement, I believe, of our proposals, which was rather gratifying.

Q139 Chair: But it could have led to changes.
Simon Fraser: It is certainly useful for us to have the Treasury's support and endorsement and belief.

Q140 Chair: Did you need their tick?
Simon Fraser: No, we did not need it; we could have still said, "This is what we are going to do," but it is useful that they think it is a good thing.
Chair: Thank you very much indeed. Thanks for your attendance this afternoon. Thank you.

Written evidence from the BBC World Service

During the PAC hearing on FCO cost reduction on 22 June, witnesses were asked whether the World Service made a contribution to filling the £91 million gap in FCO funding largely created by currency movements. The FCO Permanent Under-Secretary replied that he did not think this was the case.

Please find below information available in the public domain which refers to the relevant agreement reached between BBC World Service and the FCO in February 2010.

Ministerial Statement:

Foreign and Commonwealth Office Finances
10 February 2010

The Secretary of State for Foreign and Commonwealth Affairs (David Miliband): The House has recently expressed interest in the financing of the Foreign and Commonwealth Office. The FCO is working to manage the impact on the purchasing power of its budget next year caused by changes in the value of sterling. That impact is over £100 million in the current financial year and an estimated £110 million in the year ahead.

The FCO has now agreed with Her Majesty's Treasury a range of measures to help manage these pressures in the next financial year:

- an additional £25 million from asset sales will be recycled into the FCO's budget;
- a further £35 million to the FCO will be made available from the reserve, of which £20 million would form a foreign exchange adjustment account to manage the impact of currency movement to be drawn on in agreement with Her Majesty's Treasury; and
- a further £15 million in end year flexibility will be made available, focused on restructuring and modernisation costs subject to a business case being made.

In addition I have agreed with other parts of the FCO family, including the British Council, BBC World Service and FCO Services Trading Fund, that they will make a contribution to help manage these pressures. A broad programme of streamlining and cost-savings will also be implemented within the FCO's own operating spending to reduce further back-office costs, implement more innovative working practices, and review staff allowances. This package of measures will substantially offset the foreign exchange pressures on the FCO budget.

In common with other Government Departments, the FCO is committed to delivering increased efficiency which will require further cost reductions and rigorous prioritisation, including in areas of programme spending. Good progress is being made. On this basis, I am confident that the FCO will continue to deliver a world-class and comprehensive diplomatic service for the UK, and that the Government's highest foreign policy priorities, including our counter-terrorism programme, will continue to be funded effectively.

http://www.publications.parliament.uk/pa/cm200910/cmhansrd/cm100210/wmstext/100210m0001.htm#10021062000005

Evidence Published by the Foreign Affairs Select Committee:

FAC Inquiry on Foreign and Commonwealth Office Annual Report 2008–09

FCO/BBC WORLD SERVICE: FUNDING AGREEMENT FOR 2010–11

In the light of the current challenging financial circumstances facing the FCO, the FCO and BBC World Service have examined how best they can make maximum use of the financial resources granted by Parliament. The following points have been agreed:

1. As is normal practice, BBC World Service's projected underspend of £4 million for the fiscal year

2009–10 will be offset against the FCO's projected overspend in 2009–10 resulting from the withdrawal of the Overseas Price Mechanism (OPM).

2. For the financial year 2010–11 only, the FCO and BBC World Service have also agreed that £3.7 million of the allocated World Service resource be made available to the FCO with the express understanding that this will not be a permanent reduction in the BBCWS baseline.
3. The additional assistance in 2010–11 is an exceptional measure arising from pressures on the FCO caused by the withdrawal of the OPM. The FCO recognises the valuable contribution of the BBC World Service and will make every effort in the forthcoming Spending Review to support BBCWS in negotiating satisfactory funding beyond 2010–11. This support will include priority backing for any BBCWS bid to access HMG modernisation funds in line with the scale of contribution made by BBCWS to help meet the FCO's OPM pressures in 2010–11. The FCO will also agree greater flexibility for BBCWS working capital.
4. This breach of the ring-fence arrangements is designed to protect BBCWS budgets within the FCO grant in aid and is regarded as exceptional to this year.

Peter Horrocks
Director

10 February 2010

http://www.publications.parliament.uk/pa/cm200910/cmselect/cmfaff/145/145we52.htm)

The same information was published as part of an FoI request to the FCO, accessible via this link:
http://www.whatdotheyknow.com/request/34833/response/97093/attach/html/5/
foi%200408%2010%20attach%20b.pdf.html

Written evidence from the Parliamentary Secretary, Foreign and Commonwealth Office

When I appeared before the Committee on 22 June, I offered to provide further material on the following:

- the date when the FCO began forward purchasing currency in 2008;
- what the FCO charges other departments to use its platform overseas;
- the language skills of our Heads of Missions;
- the value of the FCO estate, in particular properties worth over £5 million;
- FCO Staff numbers in the UK; and
- the cost implications of delaying the opening of our Post in Mali.

Forward Purchasing of Currency

I can confirm that the FCO began to forward purchase currency on the 15 May 2008. This followed the finalisation of the 2007 Comprehensive Spending Round in November of that year and a period of time in which the FCO agreed arrangements for how forward purchasing should occur with the Treasury.

Overseas charging

Our SR10 settlement set the FCO the task of developing a new system of recouping the costs incurred by other government departments (OGDs) sharing the FCO platform overseas.

The FCO has worked with OGDs and the Treasury to develop a new system that provides greater transparency, guarantees income for the FCO, and encourages a single HMG overseas agenda by making it more attractive for other departments to collocate with the FCO.

Under the new arrangements, other departments will make one annual payment covering the indirect costs of being on the FCO's platform. This amount will decline for each year of the four-year spending period. The total reduction will be approximately 25% by 2014–15. In parallel they will pay other direct costs (eg staff salaries) as they arise.

Departments with a sizeable presence on our platform such as UKBA and SOCA have agreed an annual flat fee, while smaller departments (those with indirect costs of less than £500k in 2010–11) will be charged on a per capita basis.

Total charges will be £185m in 2011–12, of which £1m is expected to come from smaller OGDs.

Language Skills of Heads of Mission

There are 142 bilateral Head of Mission (HoM) positions, of which 96 are currently identified as having a language requirement. Of these 96:

- 82 of our current HoM's speak the local language to a good level of proficiency;

— a further six have some command of the local language, but are yet to take FCO language examinations;
— two do not speak the local language, but speak another important relevant language fluently (eg Russian in Central Asia);
— four do not speak the local language; and
— two posts are vacant.

This data was correct as of March 2011, but may obviously change as HOMs rotate in and out of post.

For all of these positions our approach is to appoint people who already have the relevant language skills or to train them so they can operate effectively in the language before taking up the position. On occasion it may be the case that the person best qualified for the job in relation to other important skills does not speak the language and for operational reasons does not have time to learn the language to a high level before starting. We aim to keep these cases to a minimum and to provide language training in post for the officers concerned.

FCD Staff Numbers in the UK

The FCO currently has 2,568 staff in the UK from a global workforce of approximately 15,000. These are based in both London and the Milton Keynes area. Both locations include a mixture of Home Civil Servants and Members of the Diplomatic Service.

Under the FCO's plans to live within its SR10 Settlement, we intend to move out of the Old Admiralty Building in London. This change will result in a number of additional positions being moved to Milton Keynes.

The FCO has deliberately chosen to transfer many of the support functions that were previously done overseas at Posts back to the UK. This has enabled us to provide a more consistent and better service and one which is better value for money.

The roles of our staff within the UK can be broken down as follows:

Function	*Policy*	*Services**	*Support*	*Total*
London	1,231	219	854	2,304
Milton Keynes	3	30	231	264

* (staff working in Consular and UK Trade and Industry)

Mali

The decision to delay the opening of a British embassy in Bamako, Mali did not lead to any additional costs for the FCO. Prior to the British Embassy being opened in the summer of 2010, coverage in Bamako was provided by a local member of staff working from the British Liaison Office, which was based within the Canadian Embassy. Diplomatic relations were maintained by our Ambassador in Dakar.

When the Liaison office was upgraded to a full Post, we continued to use the same office space. A property for use as a Residence was only found after the Embassy became fully operational. The overall annual budget for the British Embassy in Bamako amounts to approximately £215,000, and includes providing political coverage of Niger.

6 July 2011

The FCO continues to value foreign language skills and is offering additional support for initial language training and for the retention of language skills. This includes: increasing both the number and level of overseas speaker slots; lengthening training programmes in certain key languages such as Arabic and Mandarin, providing additional lunchtime and after-work classes in Mandarin, Arabic, Russian and French for staff in the UK; and more e-Iearning opportunities for all staff.

We also intend to accept the recommendation in the recent report by the Foreign Affairs Committee on the 'Role of the FCO in Government' that we publish annual data on the language skills of our bilateral Heads of Mission.

Value of the FCO Estate

The FCO estate is valued annually by professional chartered surveyors, and is subject to normal market movements and exchange rate fluctuations. The recent fall in the value of sterling had the effect of increasing the sterling value of many FCO properties overseas at the last valuation date of 30th September 2010.

The FCO currently owns 38 compounds with a market value in excess of £5 million. A total of 40 individual properties located on these compounds have also been valued at a figure in excess of £5m and are included in the value attributed to the compounds. Globally, a further 29 properties located off-compound have also been valued at a figure in excess of £5m. A table of the properties valued at more than £5 million is attached.

The FCO does not publish the current Market Values of individual buildings since this information is commercially sensitive and could prejudice the FCO's ability to extract best value for the UK taxpayer in negotiations with third parties.

We also recognise that the sensitivity of such valuations diminishes over time, and the department contributes to the centrally published asset values produced by HM Government. The latest published figures can be found in the 2007 National Asset Register Chapter 10, pages 417–421, where a list of all FCO owned properties valued in excess of £1 million was last published. This can be found at http://www.official-documents.gov.uk/document/cm70/7022/7022.pdf

The Committee also asked what assets the department sold in 2010–11 following agreement with HMT to allow the FCO to recycle up to £25 million from asset sales back into its budget. This target was managed downwards internally in-year and we achieved disposals of £19.4 million. The biggest of these were sales of a property in Kuala Lumpur (£5.1 million) and a vacant residential property in Nairobi (£1.7 million). I attach a list detailing the full list of disposals during 2010–11. The FCO regularly supplies the Foreign Affairs Committee with a list of all properties sold each quarter.

PROPERTY SALES-APRIL 2010 TO MARCH 2011

Sale Date	*Post*	*Property type*	*Sales Value (£m)*
15/04/2010	THE HAGUE	Residential	0.306
01/07/2010	STOCKHOLM	Residential	0.557
02/07/2010	DAR ES SALAAM	Residential	0.533
08/07/2010	COPENHAGEN	Residential	0.807
13/08/2010	CANBERRA	Residential	0.957
27/08/2010	OTTOWA	Residential	0.543
10/09/2010	THE HAGUE	Residential	0.299
13/09/2010	KUALA LUMPUR	Residential	5.122
30/09/2010	WASHINGTON	Residential	0.752
13/10/1010	BRUSSELS	Residential	0.385
19/10/2010	OTTOWA	Residential	0.231
03/11/2010	CANBERRA	Residential	0.727
05/11/2010	IBADAN	Amenity	0.811
15/11/1010	NAIROBI	Residential	1.706
19/11/2010	CANBERRA	Residential	0.41
19/11/2010	WASHINGTON	Residential	0.856
17/12/2010	WASHINGTON	Residential	0.983
17/12/2010	WASHINGTON	Residential	0.342
04/02/2011	CANBERRA	Residential	1.36
22/02/2011	DAR ES SALAAM	Residential	1.074
27/03/2011	KAMPALA	Residential	0.492
29/03/2011	WASHINGTON	Residential	0.211
		Gross Total	**£19.464m**

Further written evidence from the Permanent Secretary, Foreign and Commonwealth Office

CO-LOCATION OF GOVERNMENT DEPARTMENTS

At my appearance before the Committee on 22 June, I undertook to report back to you in September with an update on other Government Departments co-located on the FCO estate.

Definition of Co-Location

We currently use four definitions to describe the presence of other Government Departments (OGD) within our global network. They are:

— Fully Co-located: Sharing office space in an FCO building.

— Partially Co-located: Sole occupancy of an FCO property for office purposes.

— Partially Independent: OGD's own building within the FCO compound.

— Fully Independent: OGD's own office building elsewhere (or in third party building).

In this letter and annex I use the term co-location to include Fully Co-located, Partially Co-located, and Partially Independent.

The data includes figures detailing the presence of UKTI staff across the global network. Whilst UKTI is part of the FCO, and therefore not considered an OGD, I have included the figures as a matter of interest. Staff numbers for UKTI are included as full time equivalents, as many members of staff split their responsibilities between FCO and UKTI work.

Co-Location in the FCO Global Network

The FCO currently has 25 other Government Departments or other organisations co-located in at least one post across the global network. In total, there are 494 co locations, across 199 posts, and comprising almost 5,000 members of staff. Out of the 25 OGDs, five account for over 82% of all co-locations. They are: UKTI (1225 staff, 152 posts), UKBA (1,763 staff, 120 posts), MOD Defence attaches; (425 staff, 70 posts), SOCA (129 staff, 39 posts), and DFID (671 staff, 26 posts). A full breakdown of co-location by OGD can be found in Annex 1.

The three largest posts in terms of co-location are; Washington (nine OGDs, 184 staff), New Delhi (nine OGDs, 156 staff), and Dubai (nine OGDs, 39 staff). A full breakdown of co-location by post can be found in Annex 2.

Benefits of Co-location

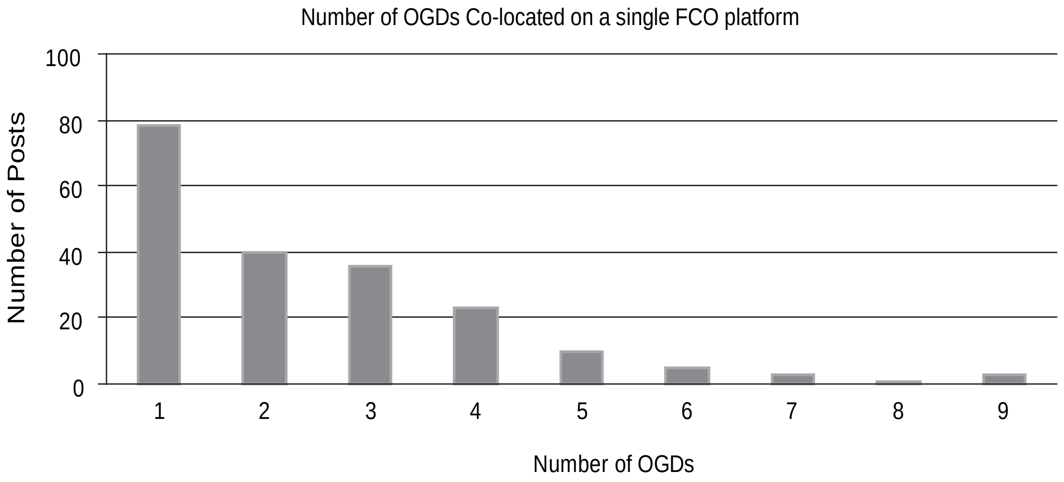
By supporting a One HMG Team overseas approach, co-location plays an important role in the delivery of HMG's international objectives, and encourages HMG departments to pool associated management and running costs. Co-location commits all participants to working together further to rationalise the corporate services that are provided overseas and to reduce associated costs, representing a real drive in efficiency, savings, and benefit to the UK Tax payer.

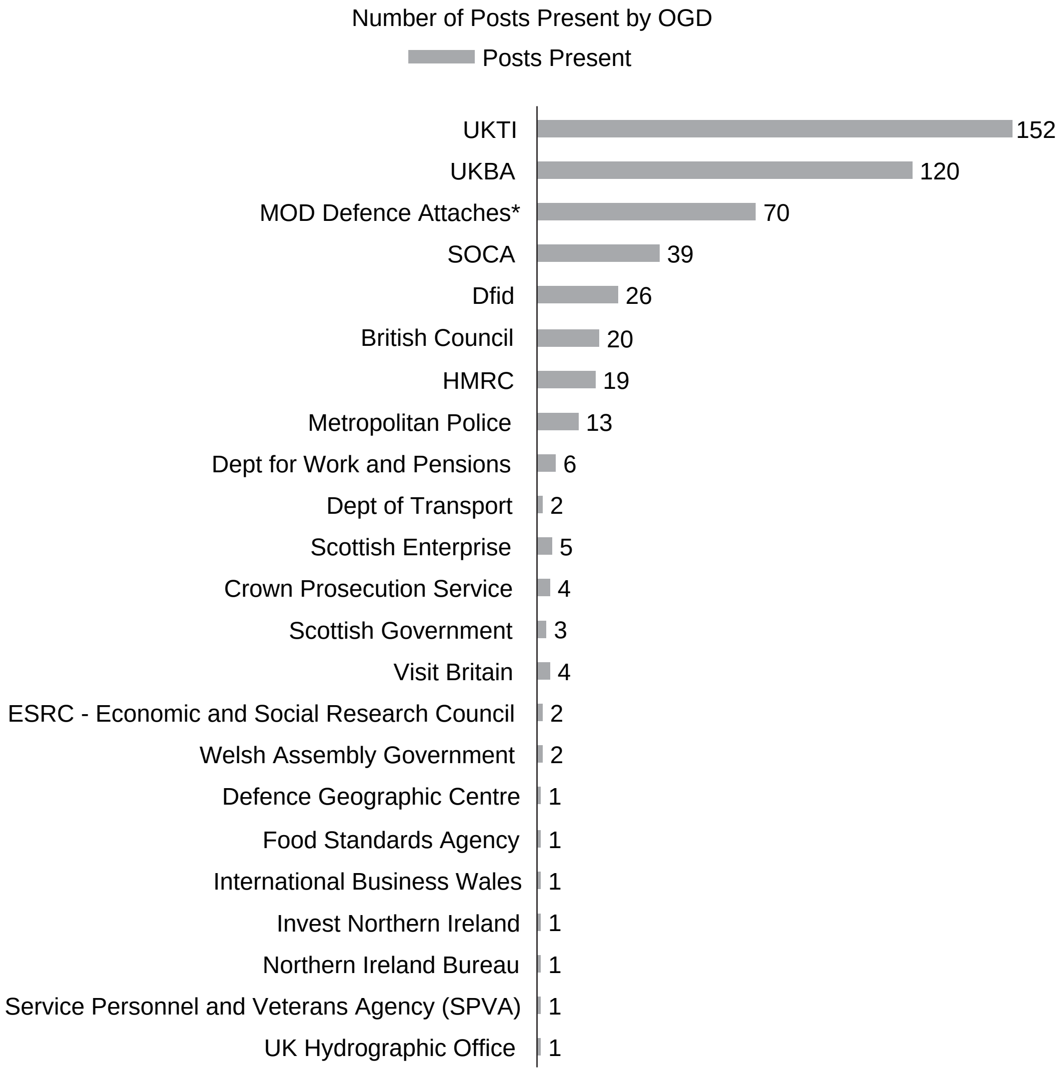
We recently agreed and implemented a simplified charging mechanism, which will run for the next four financial years (2011/12–2014/15). It has successfully removed the perverse incentives generated by the previous cost recovery system that prevented co-location. As a result, we have now seen a great deal of interest to move on to the FCO platform overseas. Both the British Council and DFID are actively considering several co-locations (12 and seven respectively), with the plans in some already well advanced (eg DFID in New Delhi). Visit Britain in particular is actively pursuing plans to move some 72 of their staff into 21 of our missions abroad. Some of these moves have taken place already, or will do so imminently: eg Madrid, Milan and New York. There have also several expressions of interest, from other Government Departments with much smaller footprints abroad, to co-locate with us.

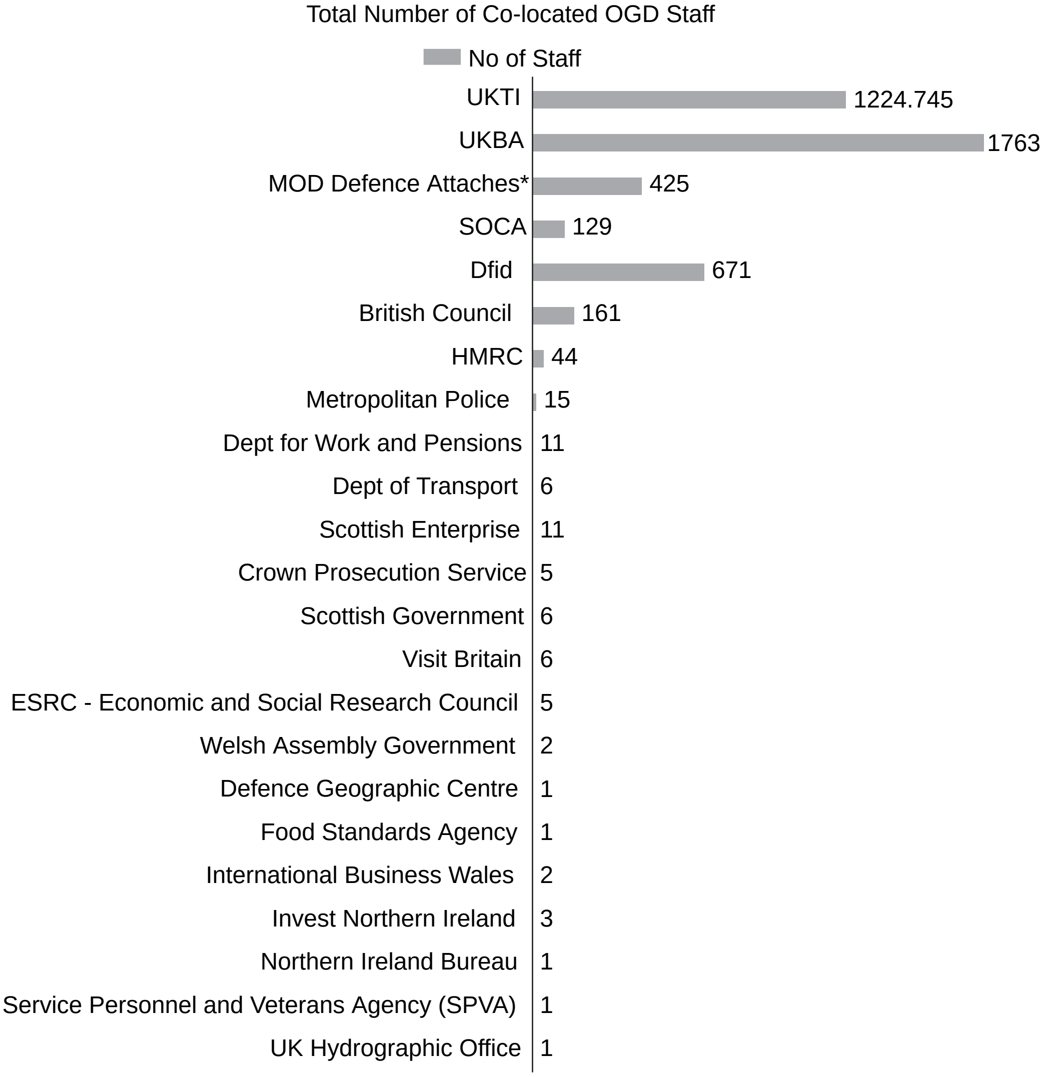
I hope this letter helps illustrate to the committee our current co-location footprint, and our commitment as an organisation to creating a successful One HMG Team overseas approach. I am sending a copy of this letter to the Chairman of the Foreign Affairs Committee and to the Comptroller and Auditor-General.

Annex 1.A

GRAPH ANALYSIS OF OGD CO-LOCATION




Number of Posts Present by OGD
Posts Present
UKTI 152
UKBA 120
MOD Defence Attaches* 70
SOCA 39
Dfid 26
British Council 20
HMRC 19
Metropolitan Police 13
Dept for Work and Pensions 6
Dept of Transport 2
Scottish Enterprise 5
Crown Prosecution Service 4
Scottish Government 3
Visit Britain 4
ESRC - Economic and Social Research Council 2
Welsh Assembly Government 2
Defence Geographic Centre 1
Food Standards Agency 1
International Business Wales 1
Invest Northern Ireland 1
Northern Ireland Bureau 1
Service Personnel and Veterans Agency (SPVA) 1
UK Hydrographic Office 1



Annex 1.B

LIST OF OGD CO-LOCATIONS BY DEPARTMENT

British Council	*No. Of staff*
Baghdad	16
Bandar Seri Begawan	1
Beijing	1
Erbil	3
Gaborone	7
Havana	4
Ho Chi Minh City	46
Kampala	18
KHARTOUM	2
Kingston	4
Los Angeles	6
Lusaka	1
Lyon	1
New York—CG	2
New York—UKMis	6
Ottawa	4
Seoul	1
Tbilisi	14
Washington	20
Windhoek	4

Crown Prosecution Service	*No. Of staff*
Dubai	1
Paris	1
Port of Spain	2
Washington	1

Defence Geographics Centre	*No. Of staff*
Singapore	1

Dept for International Development	*No. Of staff*
Accra	35
Addis Ababa	62
Baghdad	3
Bangkok	1
Brasilia	2
Bridgetown	11
Dar Es Saleem	35
Dushanbe	9
Georgetown	2
Harare	30
Islamabad	85
Jakarta	8
Kabul	78
Kampala	40
Khartoum	24
Kigali	30
Kingston	5
Kinshasa	54
Lilongwe	39
Lusaka	33
Nairobi	64
OECD Paris	4
Plymouth	2
Rangoon	9
Rome	5
Tripoli	1

Dept for Work and Pensions	*No. Of staff*
Alicante	2
Brussels—UKRep	1
Dhaka	3
Madrid	2
Malaga	2
Sana'a	1

Dept of Transport Reg Aviation Sec Liaison Officers	*No. Of staff*
Dubai	2
Nairobi	2
New Dehli	3
Rabat	2
Singapore	2
Washington	1

ESRC—Economic and Social Research Council	*No. Of staff*
NEW DELHI	4
Washington	1

Food Standards Agency	*No. Of staff*
Brussels—UKRep	1

Her Majesty's Revenue and Customs	*No. Of staff*
Beijing	2
Berlin	2
Brussels	1
Bucharest	2
Dubai	5
Dublin	2
Dusseldorf	1
Hong Kong	2
Kuala Lumper	3
Lisbon	2
Madrid	4
Nicosia	2
Paris	2
Rome	2
Sofia	2
The Hague	3
UK Rep—Brussels	1
Vienna	2
Vilnius	1
Warsaw	2

International Business Wales	*No. Of staff*
Dubai	2

Invest Northern Ireland	*No. Of staff*
Mumbai	3

Metropolitan Police	*No. Of staff*
Abu Dhabi	1
Accra	1
Algiers	1
Ankara	2
Cairo	1
Dubai	1
Jakarta	1
Nairobi	1
New Delhi	2
Paris	1
Pretoria	1
Rabat	1
Riyadh	1

Ministry of Defence—Defence Attaches	*No. Of staff*
Abu Dhabi	5
Abuja	3
Accra	3
Addis Ababa	4
Algiers	2
Amman	5
Ankara	5
Astana	4
Athens	4
Baghdad	4
Bahrain	2
Bandar Seri Begawan	2
Beijing	9
Beirut	3
Belgrade	4
Berlin	5

Ministry of Defence—Defence Attaches	*No. Of staff*
Bogota	5
Brasilia	3
Bucharest	5
Buenos Aires	3
Cairo	6
Canberra	7
Copenhagen	3
Damascus	3
Dhaka	3
Doha	2
Freetown	3
Harare	3
Islamabad	7
Jakarta	3
Kabul	2
Kampala	3
Kathmandu	4
Khartoum	3
Kingston	3
Kinshasa	3
Kuala Lumper	5
Kuwait	3
Kyiv	3
Madrid	3
Moscow	11
Muscat	6
Nairobi	5
New Dehli	8
Nicosia	2
Oslo	4
Ottawa	8
Paris	6
Prague	2
Pretoria	4
Rabat	3
Riyadh	7
Rome	6
Sana'a	2
Santiago	3
Sarajevo	3
Seoul	3
Singapore	4
Stockholm	3
Tallinn	4
Tashkent	1
Tblisi	6
Tel Aviv	4
The Hague	4
Tokyo	5
UK Mis—New York	2
Vienna	10
Warsaw	5
Washington	8
Wellington	3

Northern Ireland Bureau	*No. Of staff*
New York—CG	1

Scottish Enterprise	*No. Of staff*
Dubai	3
Hong Kong	1
Mumbai	3
New Delhi	3
Toronto	1

Scottish Government	*No. Of staff*
Beijing	2
Toronto	1
Washington	3

Serious Organised Crime Agency	*No. Of staff*
Abu Dhabi	2
Accra	3
Ankara	4
Athens	2
Beijing	3
Belgrade	3
Bogota	2
Brasilia	6
Bridgetown	4
Brussels Embassy	1
Bucharest	3
Caracas	5
Castries	1
Dakar	2
Dubai	5
Hanoi	1
Islamabad	5
Istanbul	6
Kabul	10
Karachi	5
Kingston	5
Kyiv	2
Lagos	2
Lisbon	2
Madrid	5
Malaga	2
Miami	5
Nairobi	3
New Dehli	4
Nicosia	4
Panama City	3
Paris	2
PRETORIA	2
Rome	3
Sao Paulo	2
Sofia	2
Tirana	2
Warsaw	2
Washington	4

Service Personnel and Veterans Agency (SPVA)	*No. Of staff*
Dusseldorf	1

UKBA	*No. Of staff*
Abu Dhabi	171
Abuja	98
Accra	35
Addis Ababa	8
Algiers	5
Almaty	7
Amman	14
Ankara	2
Ashgabat	1
Asmara	1
Athens	2
Baku	4
Bandar Seri Begawan	2

UKBA	*No. Of staff*
Bangkok	37
Banjul	7
Beijing	55
Beirut	5
Belgrade	10
Bogota	12
Bridgetown	1
Bucharest	2
Buenos Aires	1
Cairo	15
Canberra	25
Caracas	2
Chennai	58
Chisinau	3
Chongquing	1
Colombo	11
Copenhagen	2
Dakar	1
Damascus	1
Dar Es Saleem	3
Dhaka	45
Doha	5
Dublin	8
Dusseldorf	12
Freetown	4
Gaberone	1
Georgetown	1
Guangzhou	29
Hanoi	4
Havana	2
Helsinki	2
Ho Chi Minh City	1
Hong Kong	15
Islamabad	100
Istanbul	43
Jakarta	8
Jerusalem	2
Kampala	2
Khartoum	3
Kingston	9
Kinshasa	2
Kuala Lumper	12
Kuwait	12
Kyiv	13
La Paz	1
Lagos	36
Lilongwe	1
Lima	2
Lisbon	2
Los Angeles	11
Luanda	3
Lusaka	2
Madrid	9
Manila	49
Melbourne	2
Mexico city	2
Miami	2
Minsk	5
Moscow	43
Mumbai	70
Muscat	3
Nairobi	32
New Dehli	98
New York	39
Nicosia	9
Oslo	2

UKBA	*No. Of staff*
Ottawa	11
Paris	22
Podgorica	1
Port Lpuis	3
Port Of Spain	1
Prague	3
Pretoria	61
Pristina	2
Rabat	8
Rangoon	2
Riga	2
Rio De Janeiro	5
Riyadh	15
Rome	18
Sana'a	1
Santo Domingo	1
Sarajevo	2
Seoul	2
Shanghai	28
Singapore	1
Skopje	7
Sofia	1
Stockholm	7
Suva	1
Taipei	1
Tallinn	1
Tashkent	4
Tblisi	2
Tehran	20
Tirana	8
Tokyo	2
Tripoli	8
Tunis	3
Ulaanbaatar	1
Vienna	2
Warsaw	11
Washington	4
Wellington	1
Yaounde	2
Yerevan	1
Zagreb	1

UK Hydrographic Office	*No. Of staff*
Singapore	1

UKTI	*No. Of staff*
Abu Dhabi	10.3
Abuja	0.1
Accra	4.1
Addis Ababa	2.1
Ahmedabad	2
Al Khobar	6.9
Alexandria	2
Algiers	4.1
Amman	5.05
Ankara	7
Astana	5.12
Athens	7.2
Atlanta	2
Auckland	6.38
Baghdad	4
Bahrain	4.2
Baku	2.07
Bandar Seri Begawan	1

UKTI	*No. Of staff*
Bangalore	11.3
Bangkok	12.67
Barcelona	7.1
Beijing	35.87
Beirut	3.1
Belgrade	3.45
Berlin	5.825
Berne	10.5
Bilbao	1.9
Bogota	5.1
Bordeaux	1.75
Brasilia	2.4
Bratislava	4.1
Bridgetown	3.2
Brisband	2.01
Brussels	8.65
Brussels—UK Rep	4.55
Bucharest	9.48
Buenos Aires	10.2
Cairo	9.1
Calgary	4.4
Canberra	2.48
Cape Town	3.9
Caracas	5.3
Chandigarh	1
Chennai	10.1
Chicago	14.2
Chongquing	12.16
Colombo	2.7
Copenhagen	10.32
Damascus	5.1
Dar Es Saleem	2.1
Dhaka	3.9
Doha	9
Dubai	14
Dublin	8.5
Durban	1.65
Dusseldorf	24.15
Ekaterinburg	4.06
Erbil	1.15
Guadalajara	2
Guangzhou	19.75
Hanoi	6.8
Havana	2.1
Helsinki	7.81
Ho Chi Minh City	7.4
Hong Kong	23.85
Houston	13.2
Hyderabad	4
Islamabad	1.22
Istanbul	11.9
Jakarta	10.1
Jeddah	6.2
Johannesburg	15.8
Kampala	2.1
Karachi	4.35
Khartoum	1.1
Kingston	2.08
Kolkata	7.5
Kuala Lumper	17.4
Kuwait	6.9
Kyiv	3.4
Lagos	11
Lahore	1
Lille	3.28
Lima	4.1

UKTI	*No. Of staff*
Lisbon	10.2
Ljubljana	2.05
Los Angeles	16.2
Luanda	3.2
Luxembourg	3.33
Lyon	4.82
Madrid	17.3
Manila	7.37
Melbourne	7.97
Mexico City	23.6
Miami	6.1
Milan	18.2
Monterrey	4
Montreal	2.5
Moscow	21.2
Mumbai	22.75
Munich	9.55
Muscat	7.2
Nairobi	4.1
Naples	3.1
New Dehli	26.3
New York	35.6
Nicosia	3.05
Osaka	14.1
Oslo	10.27
Ottawa	2.2
Panama City	2.15
Paris	27.7
Perth	1.7
Port Alegre	2
Port Of Spain	2.98
Prague	9.45
Pune	3
Quito	1.7
Rabat	4.9
Recife	2
Reykjavik	2.07
Riga	3.1
Rio De Janeiro	9.8
Riyadh	12
Rome	1.25
San Francisco	15.1
San Jose	2
Santiago	22.23
Santo Domingo	2.05
Sarajevo	2.05
Seoul	20.35
Seville	1.9
Shanghai	25.71
Singapore	18.47
Sofia	5.1
St Petersberg	6.05
Stockholm	12.81
Sydney	15.92
Taipei	17.5
Tallinn	5.3
Tel Aviv	7.58
The Hague	8.9
Tijuana	2
Tokyo	33.5
Toronto	15.55
Tunis	2.7
Vancouver	6.4
Vienna	6.2
Vilnius	3.15
Warsaw	15.68

UKTI	*No. Of staff*
Washington	11
Zagreb	3.1

Visit Britain	*No. Of staff*
Bangalore	1
Copenhagen	1
Moscow	3
Oslo	1

Welsh Assembly Government	*No. Of staff*
Brussels—UKRep	1
New Dehli	1

Annex 2

LIST OF OGD CO-LOCATIONS BY POST

Alicante	*No. of Staff*
Dept for Work and Pensions	2

Abu Dhabi	*No. of Staff*
Metropolitan Police	1
Ministry of Defence—Defence Attaches	5
Serious Organised Crime Agency	2
UKBA	171
UKTI	10.3

Abuja	*No. of Staff*
Ministry of Defence—Defence Attaches	3
UKBA	98
UKTI	0.1

Accra	*No. of Staff*
Dept for International Development	35
Metropolitan Police	1
Ministry of Defence—Defence Attaches	3
Serious Organised Crime Agency	3
UKBA	35
UKTI	4.1

Addis Ababa	*No. of Staff*
Dept for International Development	62
Ministry of Defence—Defence Attaches	4
UKBA	8
UKTI	2.1

Ahmedabad	*No. of Staff*
UKTI	2

Al Khobar	*No. of Staff*
UKTI	6.9

Alexandria	*No. of Staff*
UKTI	2

Algiers	*No. of Staff*
Metropolitan Police	1
Ministry of Defence—Defence Attaches	2
UKBA	5
UKTI	4.1

Almaty	*No. of Staff*
UKBA	7

Amman	*No. of Staff*
Ministry of Defence—Defence Attaches	5
UKBA	14
UKTI	5.05

Ankara	*No. of Staff*
Metropolitan Police	2
Ministry of Defence—Defence Attaches	5
Serious Organised Crime Agency	4
UKBA	2
UKTI	7

Ashgabat	*No. of Staff*
UKBA	1

Asmara	*No. of Staff*
UKBA	1

Astana	*No. of Staff*
Ministry of Defence—Defence Attaches	4
UKTI	5.12

Athens	*No. of Staff*
Ministry of Defence—Defence Attaches	4
Serious Organised Crime Agency	2
UKBA	2
UKTI	7.2

Atlanta	*No. of Staff*
UKTI	2

Auckland	*No. of Staff*
UKTI	6.38

Baghdad	*No. of Staff*
British Council	16
Dept for International Development	3
Ministry of Defence—Defence Attaches	4
UKTI	4

Bahrain	*No. of Staff*
Ministry of Defence—Defence Attaches	2
UKTI	4.2

Baku	*No. of Staff*
UKBA	4
UKTI	2.07

Bandar Seri Begawan	*No. of Staff*
British Council	1
Ministry of Defence—Defence Attaches	2
UKBA	2
UKTI	1

Bangalore	*No. of Staff*
Visit Britain	1
UKTI	11.3

Bangkok	*No. of Staff*
Dept for International Development	1
UKBA	37
UKTI	12.67

Banjul	*No. of Staff*
UKBA	7

Barcelona	*No. of Staff*
UKTI	7.1

Beijing	*No. of Staff*
British Council	1
Her Majesty's Revenue and Customs	2
Ministry of Defence—Defence Attaches	9
Scottish Government	2
Serious Organised Crime Agency	3
UKBA	55
UKTI	35.87

Beirut	*No. of Staff*
Ministry of Defence—Defence Attaches	3
UKBA	5
UKTI	3.1

Belgrade	*No. of Staff*
Ministry of Defence—Defence Attaches	4
Serious Organised Crime Agency	3
UKBA	10
UKTI	3.45

Berlin	*No. of Staff*
Her Majesty's Revenue and Customs	2
Ministry of Defence—Defence Attaches	5
UKTI	5.825

Berne	*No. of Staff*
UKTI	10.5

Bilbao	*No. of Staff*
UKTI	1.9

Bogota	*No. of Staff*
Ministry of Defence—Defence Attaches	5
Serious Organised Crime Agency	2
UKBA	12
UKTI	5.1

Bordeux	*No. of Staff*
UKTI	1.75

Brasilia	*No. of Staff*
Dept for International Development	2
Ministry of Defence—Defence Attaches	3
Serious Organised Crime Agency	6
UKTI	2.4

Bratislava	*No. of Staff*
UKTI	4.1

Bridgetown	*No. of Staff*
Dept for International Development	11
Serious Organised Crime Agency	4
UKBA	1
UKTI	3.2

Brisbane	*No. of Staff*
UKTI	2.01

Brussels	*No. of Staff*
Her Majesty's Revenue and Customs	1
Serious Organised Crime Agency	1
UKTI	8.65

Brussels—UKRep	*No. of Staff*
Dept for Work and Pensions	1
Food Standards Agency	1
Her Majesty's Revenue and Customs	2
UKTI	4.55
Welsh Assembly Government	1

Bucharest	*No. of Staff*
Her Majesty's Revenue and Customs	5
Ministry of Defence—Defence Attaches	5
Serious Organised Crime Agency	3
UKBA	2
UKTI	9.48

Buenos Aires	*No. of Staff*
Ministry of Defence—Defence Attaches	3
UKBA	1
UKTI	10.2

Cairo	*No. of Staff*
Metropolitan Police	1
Ministry of Defence—Defence Attaches	6
UKBA	15
UKTI	9.1

Calgary	*No. of Staff*
UKTI	4.4

Canberra	*No. of Staff*
Ministry of Defence—Defence Attaches	7
UKBA	25
UKTI	2.48

Cape Town	*No. of Staff*
UKTI	3.9

Caracas	*No. of Staff*
Serious Organised Crime Agency	5
UKBA	2
UKTI	5.3

Castries	*No. of Staff*
Serious Organised Crime Agency	1

Chandigrah	*No. of Staff*
UKTI	1

Chennai	*No. of Staff*
UKBA	58
UKTI	10.1

Chicago	*No. of Staff*
UKTI	14.2

Chisinau	*No. of Staff*
UKBA	3

Chongquing	*No. of Staff*
UKBA	1
UKTI	12.16

Colombo	*No. of Staff*
UKBA	11
UKTI	2.7

Copenhagen	*No. of Staff*
Ministry of Defence—Defence Attaches	3
UKBA	2
Visit Britain	1
UKTI	10.32

Dakar	*No. of Staff*
Serious Organised Crime Agency	2
UKBA	1

Damascus	*No. of Staff*
Ministry of Defence—Defence Attaches	3
UKBA	1
UKTI	5.1

Dar Es Saleem	*No. of Staff*
Dept for International Development	35
UKBA	3
UKTI	2.1

Dhaka	*No. of Staff*
Dept for Work and Pensions	3
Ministry of Defence—Defence Attaches	3
UKBA	45
UKTI	3.9

Doha	*No. of Staff*
Ministry of Defence—Defence Attaches	2
UKBA	5
UKTI	9

Dubai	*No. of Staff*
Crown Prosecution Service	1
Dept of Transport	2
Her Majesty's Revenue and Customs	2
International Business Wales	2
Metropolitan Police	1
Scottish Enterprise	3
Serious Organised Crime Agency	5
UKTI	14

Dublin	*No. of Staff*
Her Majesty's Revenue and Customs	1
UKBA	8
UKTI	8.5

Durban	*No. of Staff*
UKTI	1.65

Dushanbe	*No. of Staff*
Dept for International Development	9

Dusseldorf	*No. of Staff*
Her Majesty's Revenue and Customs	2
Service Personnel and Veterans Agency (SPVA)	1
UKBA	12
UKTI	24.15

Ekaterinburg	*No.of Staff*
UKTI	4.06

Erbil	*No. of Staff*
British Council	3
UKTI	1.15

Freetown	*No. of Staff*
Ministry of Defence—Defence Attaches	3
UKBA	4

Gaborone	*No. of Staff*
British Council	7
UKBA	1

Georgetown	*No. of Staff*
Dept for International Development	2
UKBA	1

Guadalajara	*No. of Staff*
UKTI	2

Guangzhou	*No. of Staff*
UKBA	29
UKTI	19.75

Hanoi	*No. of Staff*
Serious Organised Crime Agency	1
UKBA	4
UKTI	6.8

Harare	*No. of Staff*
Dept for International Development	30
Ministry of Defence—Defence Attaches	3

Havana	*No. of Staff*
British Council	4
UKBA	2
UKTI	2.1

Helsinki	*No. of Staff*
UKBA	2
UKTI	7.81

Ho Chi Minh City	*No. of Staff*
British Council	46
UKBA	1
UKTI	7.4

Hong Kong	*No. of Staff*
Her Majesty's Revenue and Customs	3
Scottish Enterprise	1
UKBA	15
UKTI	23.85

Houston	*No. of Staff*
UKTI	13.2

Hyderabad	*No. of Staff*
UKTI	4

Islamabad	*No. of Staff*
Dept for International Development	85
Ministry of Defence—Defence Attaches	7
Serious Organised Crime Agency	5
UKBA	100
UKTI	1.22

Istanbul	*No. of Staff*
Serious Organised Crime Agency	6
UKBA	43
UKTI	11.9

Jakarta	*No. of Staff*
Dept for International Development	8
Metropolitan Police	1
Ministry of Defence—Defence Attaches	3
UKBA	8
UKTI	10.1

Jeddah	*No. of Staff*
UKTI	6.2

Jerusalem	*No. of Staff*
UKBA	2

Johannesburg	*No. of Staff*
UKTI	15.8

Kabul	*No. of Staff*
Dept for International Development	78
Ministry of Defence—Defence Attaches	2
Serious Organised Crime Agency	10

Karachi	*No. of Staff*
Serious Organised Crime Agency	5
UKTI	2.1

Kampala	*No. of Staff*
British Council	18
Dept for International Development	40
Ministry of Defence—Defence Attaches	3
UKBA	2
UKTI	4.35

Kathmandu	*No. of Staff*
Ministry of Defence—Defence Attaches	4

Khartoum	*No. of Staff*
British Council	2
Dept for International Development	24
Ministry of Defence—Defence Attaches	3
UKBA	3
UKTI	1.1

Kigali	*No. of Staff*
Dept for International Development	30

Kingston	*No. of Staff*
British Council	4
Dept for International Development	5
Ministry of Defence—Defence Attaches	3
Serious Organised Crime Agency	5
UKBA	9
UKTI	2.08

Kolkata	*No. of Staff*
UKTI	7.5

Kinshasa	*No. of Staff*
Dept for International Development	54
Ministry of Defence—Defence Attaches	3
UKBA	2

Kuala Lumper	*No. of Staff*
Her Majesty's Revenue and Customs	2
Ministry of Defence—Defence Attaches	5
UKBA	12
UKTI	17.4

Kuwait	*No. of Staff*
Ministry of Defence—Defence Attaches	3
UKBA	12
UKTI	6.9

Kyiv	*No. of Staff*
Ministry of Defence—Defence Attaches	3
Serious Organised Crime Agency	2
UKBA	13
UKTI	3.4

La Paz	*No. of Staff*
UKBA	1

Lagos	*No. of Staff*
Serious Organised Crime Agency	2
UKBA	36
UKTI	11

Lahore	*No. of Staff*
UKTI	1

Lille	*No.of Staff*
UKTI	3.28

Lilongwe	*No. of Staff*
Dept for International Development	39
UKBA	1

Lima	*No. of Staff*
UKBA	2
UKTI	4.1

Lisbon	*No. of Staff*
Her Majesty's Revenue and Customs	4
Serious Organised Crime Agency	2
UKBA	2
UKTI	10.2

Ljubljana	*No. of Staff*
UKTI	2.05

Los Angeles	*No. of Staff*
British Council	6
UKBA	11
UKTI	16.2

Luanda	*No. of Staff*
UKBA	3
UKTI	3.2

Lusaka	*No. of Staff*
British Council	1
Dept for International Development	33
UKBA	2

Luxembourg	*No. of Staff*
UKTI	3.33

Lyon	*No. of Staff*
British Council	1
UKTI	4.82

Madrid	*No. of Staff*
Dept for Work and Pensions	2
Her Majesty's Revenue and Customs	2
Ministry of Defence—Defence Attaches	3
Serious Organised Crime Agency	5
UKBA	9
UKTI	17.3

Manila	*No. of Staff*
UKBA	49
UKTI	7.37

Melbourne	*No. of Staff*
UKBA	2
UKTI	7.97

Mexico City	*No. of Staff*
UKBA	2
UKTI	23.6

Malaga	*No. of Staff*
Dept for Work and Pensions	2
Serious Organised Crime Agency	2

Miami	*No. of Staff*
Serious Organised Crime Agency	5
UKBA	2
UKTI	6.1

Milan	*No. of Staff*
UKTI	18.2

Minsk	*No. of Staff*
UKBA	5

Monterray	*No. of Staff*
UKTI	4

Montreal	*No. of Staff*
UKTI	2.5

Moscow	*No. of Staff*
Ministry of Defence—Defence Attaches	11
UKBA	43
Visit Britain	3
UKTI	21.2

Mumbai	*No. of Staff*
Invest Northern Ireland	3
Scottish Enterprise	3
UKBA	70
UKTI	22.75

Munich	*No. of Staff*
UKTI	9.55

Muscat	*No. of Staff*
Ministry of Defence—Defence Attaches	6
UKBA	3
UKTI	7.2

Nairobi	*No. of Staff*
Dept for International Development	64
Dept of Transport	2
Metropolitan Police	1
Ministry of Defence—Defence Attaches	5
Serious Organised Crime Agency	3
UKBA	32
UKTI	4.1

Naples	*No. of Staff*
UKTI	3.1

New Dehli	*No. of Staff*
Dept of Transport	3
Economic and Social Research Council	4
Metropolitan Police	2
Ministry of Defence—Defence Attaches	8
Scottish Enterprise	3
Serious Organised Crime Agency	4
UKBA	98
UKTI	26.3
Welsh Assembly Government	1

New York—CG	*No. of Staff*
British Council	2
Economic and Social Research Council	1
Northern Ireland Bureau	1
UKBA	39
UKTI	35.6

New York—UKMis	*No. of Staff*
British Council	6
Ministry of Defence—Defence Attaches	2

Nicosia	*No. of Staff*
Her Majesty's Revenue and Customs	2
Ministry of Defence—Defence Attaches	4
Serious Organised Crime Agency	4
UKBA	9
UKTI	3.05

OECD Paris	*No. of Staff*
Dept for International Development	4

Osaka	*No. of Staff*
UKTI	14.1

Oslo	*No. of Staff*
Ministry of Defence—Defence Attaches	8
UKBA	2
Visit Britain	1
UKTI	10.27

Ottawa	*No. of Staff*
British Council	4
Ministry of Defence—Defence Attaches	6
UKBA	11
UKTI	2.2

Panama City	*No. of Staff*
Serious Organised Crime Agency	3
UKTI	2.15

Paris	*No. of Staff*
Crown Prosecution Service	1
Her Majesty's Revenue and Customs	2
Metropolitan Police	1
Ministry of Defence—Defence Attaches	2
Serious Organised Crime Agency	2
UKBA	22
UKTI	27.7

Perth	*No. of Staff*
UKTI	1.7

Plymouth	*No. of Staff*
Dept for International Development	2

Podgorica	*No. of Staff*
UKBA	1

Port Alegre	*No. of Staff*
UKTI	2

Port Louis	*No. of Staff*
UKBA	3

Port of Spain	*No. of Staff*
Crown Prosecution Service	2
UKBA	1
UKTI	2.98

Prague	*No. of Staff*
Ministry of Defence—Defence Attaches	2
UKBA	3
UKTI	9.45

Pretoria	*No. of Staff*
Metropolitan Police	1
Ministry of Defence—Defence Attaches	4
Serious Organised Crime Agency	2
UKBA	61

Pristina	*No. of Staff*
UKBA	2

Pune	*No. of Staff*
UKTI	3

Quito	*No. of Staff*
UKTI	1.7

Rabat	*No. of Staff*
Dept of Transport	2
Metropolitan Police	1
Ministry of Defence—Defence Attaches	3
UKBA	8
UKTI	4.9

Rangoon	*No. of Staff*
Dept for International Development	9
UKBA	2

Recife	*No. of Staff*
UKTI	2

Reykjavik	*No. of Staff*
UKTI	2.07

Riga	*No. of Staff*
UKBA	2
UKTI	3.1

Rio De Janeiro	*No. of Staff*
UKBA	5
UKTI	9.8

Riyadh	*No. of Staff*
Metropolitan Police	1
Ministry of Defence—Defence Attaches	7
UKBA	15
UKTI	12

Rome	*No. of Staff*
Dept for International Development	5
Her Majesty’s Revenue and Customs	2
Ministry of Defence—Defence Attaches	6
Serious Organised Crime Agency	3
UKBA	18
UKTI	1.25

San Francisco	*No. of Staff*
UKTI	15.1

San Jose	*No. of Staff*
UKTI	2

Sana'a	*No. of Staff*
Dept for Work and Pensions	1
Ministry of Defence—Defence Attaches	2
UKBA	1

Sao Paulo	*No. of Staff*
Serious Organised Crime Agency	2

Santiago	*No. of Staff*
Ministry of Defence—Defence Attaches	3
UKTI	22.23

Santo Domingo	*No. of Staff*
UKBA	1
UKTI	2.05

Sarajevo	*No. of Staff*
Ministry of Defence—Defence Attaches	3
UKBA	2
UKTI	2.05

Seoul	*No. of Staff*
British Council	1
Ministry of Defence—Defence Attaches	3
UKBA	2
UKTI	20.35

Seville	*No. of Staff*
UKTI	1.9

Shanghai	*No. of Staff*
UKBA	28
UKTI	25.71

Singapore	*No. of Staff*
Defence Geographics Centre	1
Dept of Transport	2
Ministry of Defence—Defence Attaches	4
UKBA	1
UK Hydrographic Office	1
UKTI	18.47

Skopje	*No. of Staff*
UKBA	7

Sofia	*No. of Staff*
Her Majesty's Revenue and Customs	3
Serious Organised Crime Agency	2
UKBA	1
UKTI	5.1

St Petersberg	*No. of Staff*
UKTI	6.05

Stockholm	*No. of Staff*
Ministry of Defence—Defence Attaches	3
UKBA	7
UKTI	12.81

Suva	*No. of Staff*
UKBA	1

Sydney	*No. of Staff*
UKTI	15.92

Taipei	*No. of Staff*
UKBA	1
UKTI	17.5

Tallinn	*No. of Staff*
Ministry of Defence—Defence Attaches	4
UKBA	1
UKTI	5.3

Tashkent	*No. of Staff*
Ministry of Defence—Defence Attaches	1
UKBA	4

Tbilisi	*No. of Staff*
British Council	14
Ministry of Defence—Defence Attaches	6
UKBA	2

Tehran	*No. of Staff*
UKBA	20

Tel Aviv	*No. of Staff*
Ministry of Defence—Defence Attaches	4
UKTI	7.58

Tirana	*No. of Staff*
Serious Organised Crime Agency	2
UKBA	8

The Hague	*No. of Staff*
Her Majesty's Revenue and Customs	1
Ministry of Defence—Defence Attaches	4
UKTI	8.9

Tijuana	*No. of Staff*
UKTI	2

Tokyo	*No. of Staff*
Ministry of Defence—Defence Attaches	5
UKBA	2
UKTI	33.5

Toronto	*No. of Staff*
Scottish Enterprise	1
Scottish Government	1
UKTI	15.55

Tripoli	*No. of Staff*
Dept for International Development	1
UKBA	8

Tunis	*No. of Staff*
UKBA	3
UKTI	2.7

Ulaanbaatar	*No. of Staff*
UKBA	1

Vancouver	*No. of Staff*
UKTI	6.4

Vienna	*No. of Staff*
Her Majesty's Revenue and Customs	2
Ministry of Defence—Defence Attaches	10
UKBA	2
UKTI	6.2

Vilnius	*No. of Staff*
Her Majesty's Revenue and Customs	1
UKTI	3.15

Warsaw	*No. of Staff*
Her Majesty's Revenue and Customs	2
Ministry of Defence—Defence Attaches	5
Serious Organised Crime Agency	2
UKBA	11
UKTI	15.68

Washington	*No. of Staff*
British Council	20
Crown Prosecution Service	1
Dept of Transport	1
Ministry of Defence—Defence Attaches	8
Scottish Government	3
Serious Organised Crime Agency	4
UKBA	4
UKTI	11

Wellington	*No. of Staff*
Ministry of Defence—Defence Attaches	3
UKBA	1

Windhoek	*No. of Staff*
British Council	4

Yaounde	*No. of Staff*
UKBA	2

Yerevan	*No. of Staff*
UKBA	1

Zagreb	*No. of Staff*
UKBA	1
UKTI	3.1

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