

Fifth Report  
from the  
Foreign Affairs Committee  
Session 1998-99  
Foreign and Commonwealth Office Resources

Response of the Secretary of State for  
Foreign and Commonwealth Affairs

Presented to Parliament  
by the Secretary of State for Foreign and Commonwealth Affairs  
by Command of Her Majesty  
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## **FIFTH REPORT FROM THE FOREIGN AFFAIRS COMMITTEE**

### **SESSION 1998-99**

#### **FOREIGN AND COMMONWEALTH OFFICE RESOURCES**

#### **RESPONSE OF THE SECRETARY OF STATE FOR FOREIGN AND COMMONWEALTH AFFAIRS**

1. The Secretary of State for Foreign and Commonwealth Affairs welcomes the Fifth Report from the Foreign Affairs Committee in Session 1998-99 on Foreign and Commonwealth Office resources, and its clear understanding of the FCO's work and support for its proper funding. This Command Paper sets out the Government's detailed observations on the Report, in particular the Committee's 19 specific recommendations and conclusions.

*Recommendation 1: We recommend that the FCO continue to review the implications of the balance between UK-based and locally engaged staff at its overseas posts.*

2. The FCO continually reviews the balance between UK-based and locally engaged staff in overseas posts in the light of the overriding requirement to ensure maximum value for money. Although decisions to localise jobs are monitored centrally, assessments of whether jobs should be filled by UK-based or locally engaged staff are carried out at Posts, typically when facing a new requirement, implementing a security inspection, undergoing a management review, or playing their part in the annual Resource Allocation Round process. This has led to a considerable switch, over time, to local staffing. Locally engaged staff bring us valuable linguistic skills and local knowledge, and at costs lower than those of UK-based staff with requirements for transport, accommodation etc. A major effort to improve local staff training and career development is now underway.

3. But clearly there are limits to the process, and UK-based staff will always form the core of our overseas missions because of their role as the link between HM Government and foreign governments in the various aspects of our international relationships, e.g. dealing with a political crisis (e.g. Kosovo) or a consular one (e.g. Yemen). As far as resources permit, we try to maintain flexibility to reinforce posts with UK-based staff in times of crisis (e.g. Tirana and Skopje in the Balkans).

*Recommendation 2: The Committee welcomes the FCO's efforts to reduce the number of layers in its management hierarchy, and the Foreign Secretary's willingness to allow for direct access from the bottom to the top.*

4. The FCO welcomes the Committee's conclusion, and its support for the continuing development of more informal working methods. We are continuing to pursue this as part of the FCO's modernisation programme, to which the Modernisation Group of young officials, and staff of all ranks across the world, have contributed suggestions.

*Recommendation 3: Women, ethnic minority groups and the disabled are under-represented in the FCO, compared both with other Government Departments and with the population as a whole, and the FCO appears to have more problems retaining women than men. The Committee welcomes the FCO's commitment to improve its performance in this area, and will continue to take a close interest in the FCO's progress.*

5. The FCO welcomes the Committee's continuing interest. Since 1997, there have been increases in the proportion of women in the FCO and Posts abroad, both overall and at senior levels. Our current Action Plan includes more flexible working; analysing resignations to try to identify why women leave; policies to improve retention; and recruiting a Gender Equality Adviser to identify ways to improve retention and progression among female staff. The PUS is assisted by a Gender Advisory Group drawn from all levels of staff.

6. The proportion of staff of minority ethnic origin has also risen since the appointment in 1997 of a Minority Ethnic Liaison Officer and the adoption in January 1998 of a strategy paper "Bridges Into The Future". Achievements include: an increase in applications from minority ethnic candidates (13.2% in 1997 to 15.9% this year); improved equal opportunities training; and a programme of community fora which have helped us to establish valuable links with minority ethnic communities around the UK.

*Recommendation 4: We recommend that the FCO makes a full examination of the problems created for the spouses of FCO staff and reports further to the Committee on its findings and planned action.*

7. The FCO is very conscious of the particular problems faced by spouses of members of the Diplomatic Service, especially when they wish to pursue their own careers. Following a review of family policies in 1998, improvements introduced include: enhanced language training opportunities for spouses who wished to improve their employment prospects at posts overseas; a strong and detailed reaffirmation of policy on spouse employment (for example when a locally engaged vacancy arises in a mission, preference is given to spouses qualified equally with other candidates); a database in London of spouse employment opportunities abroad, and a spouse sponsorship scheme; payment of the full cost of compassionate and confinement journeys to their country of origin for foreign born spouses; and improved arrangements for children's journeys. In addition, the Spouse Compensation Scheme has been established in recognition of the difficulties faced by spouses of members of the Diplomatic Service over the long term in trying to pursue a career of choice, resulting in loss of income and pension rights. The FCO will continue to look for ways to improve the situation of spouses and will keep the Committee informed of progress.

*Recommendation 5: A Year 2000 information technology strategy which ensures compliance only in November 1999 is inadequate, particularly in the light of the FCO's track record with information technology. We recommend that the senior management of the FCO urgently review its Year 2000 compliance strategy to ensure that the Department's work will not be hindered by the "millennium bug".*

8. The effective deadline was in fact October, and the FCO is confident that its systems will function over the millennium period.

*Recommendation 6: The continuing failure to exploit the latest information technology is not simply a technical issue, but one which has prevented the FCO from properly using its resources to attain its primary objectives. It is difficult to avoid the conclusion that information technology remains a low priority. We recommend that the FCO examines, possibly by employing consultants, ways of making more effective use of information technology.*

9. In the last three years the FCO has made Information Technology its highest resource allocation priority (32% of capital budgets compared with 15% in 1996/97). IT and telecommunications systems are seen as central to the FCO's overall modernisation programme resulting from the Comprehensive Spending Review. The FCO makes considerable use of the private sector in both planning and implementing its IT investment programmes, and for guidance on best practice. Steps have been taken to improve retention of key in-house staff, through the payment of allowances where appropriate; and the new FCO pay and grading system, introduced this autumn, will provide additional flexibility. The FCO is also committed under its CSR efficiency plan to pursuing a value for money (VFM) Public Private Partnership (PPP) project for post-millennium IT support, maintenance and system replacement.

*Recommendation 7: We recommend that the FCO report to the Committee – in confidence if necessary – the measures it has taken since the Nairobi bombing, and those it has planned, to improve the security of British diplomatic posts overseas, and whether it considers it has adequate funds for this purpose.*

10. The FCO takes very seriously the threat of terrorist attack on our missions overseas, and the situation is kept under regular review. Since the Nairobi and Dar es Salaam attacks, our Overseas Security Advisers have visited all those posts perceived as potentially high risk, and decisions on measures to improve their defence, and the necessary reallocation of funds, were taken in March. Such measures typically include strengthening external barriers and access controls, improved physical and technical defences, additional security staff and increasing stand-off distances. Where necessary, certain posts have been temporarily closed at times of heightened threat.

*Recommendation 8: We believe that the reorganisation of the United Kingdom's export promotion efforts is of considerable importance. We have a shared responsibility in this area with our colleagues on the Trade and Industry Committee, but for our part we will take a keen interest in how British Trade International develops. We recommend that, after a reasonable period of operation, the National Audit Office consider carefully the possibility of conducting a new cost-benefit analysis of the work of British Trade International, extending the scope of the 1996 study which only covered four South East Asian countries.*

11. The Government shares the Committee's view that the establishment of British Trade International is a very important step forward, and believes that it will lead to a better service for British business. There might indeed be advantage in a further analysis by the National Audit Office on the lines proposed by the Committee once British Trade International has been operating

for a reasonable period. The Government notes that the indicative outline plan annexed to the Cabinet Secretary's review of Export Promotion suggested that two years would be required (from May 1999) for the full implementation of the Review's recommendations.

*Recommendation 9: We recommend that the FCO should make its travel advice available by telephone 24 hours a day, seven days a week. Travel advice leaflets should be distributed more widely, and should be available in travel agencies. The FCO should encourage travel web sites, which are increasingly used to book holidays and flights, to provide links to its travel advice site.*

12. Travel advice information is available 24 hours a day on the Internet and BBC2 CEEFAX, as well as via major multipliers such as ABTA, FTO and AITO, whose member travel agencies can access it 24 hours a day. The live telephone/fax service is limited to office hours but voice recordings relating to the 13 countries most requested are also available 24 hours a day. The FCO provides Travel Advice to journalists and other major multipliers such as the major travel industry associations.

13. We are examining the feasibility of linking our travel website to other websites, as it already is with the World Wise site. We are also exploring options for improving the provision of Travel Advice by telephone, including the possibility of providing access to Travel Advice notices by telephone 24 hours a day. Travel Advice is also available at certain public libraries.

*Recommendation 10: The World Service's independence from the domestic BBC is as important as its editorial independence from the Government. Its work advances foreign policy goals and its budget must not cross-subsidise the domestic BBC. We recommend that the management of the World Service and the BBC should recognise that a World Service identity separate from that of the domestic BBC is welcome, given the different tasks which the two organisations perform, and should do their utmost to ensure that the World Service's independence is maintained. As the World Service's paymaster, the FCO should ensure both that the management of the World Service is aware of the importance of this issue, and that there is no subsidy for the domestic BBC from FCO funds.*

14. The FCO welcomes the Committee's strong support for the World Service. It shares the Committee's view of the importance of retaining a distinct World Service identity, in both management and funding. This is a key concern of the joint FCO/BBCWS Working Group.<sup>1</sup> The Government is confident that all concerned in the BBC agree, and that adequate systems are in place to ensure that no material cross subsidy can occur from Grant-in-Aid funded World Service operations to BBC domestic services.

*Recommendation 11: The World Service is an invaluable asset to the United Kingdom. The World Service is facing increasing competition and is required to keep pace with changing technology. On its present and projected budget it will fail to meet both. We recommend the FCO ensures that the World Service is adequately financed to respond to these challenges, with its funding being increased at least to the level in real terms that was achieved in the 1993-4 to 1995-6 period.*

15. The FCO notes the Committee's comments on the World Service budget. The outcome of the CSR for the World Service represented a reversal of the recent real-terms decline. The World

Service not only received an additional cash injection of £44.2 million over three years (a real increase of an average 3.9% per annum above the 1998-99 level, compared with the CSR increase of 2% per annum for the FCO), but now has the ability to plan ahead in the knowledge of secure funding. The World Service has accordingly prepared an energetic and imaginative development strategy for the years 1999-2002 to meet the competitive and technological challenges to which the Committee rightly draws attention. The Government recognises that the World Service faces significant challenges and opportunities in the digital age. The Government will be discussing with the World Service the level of funding needed to meet these challenges beyond the current CSR period. The Government welcomes the World Service's commitment to pursue alternative sources of revenue, to supplement the Grant-in-Aid. Some £7 million in revenue is already generated through various such activities.

*Recommendation 12: We recommend that, as the sponsoring Government Department, the FCO should ensure that the shift to subscription charges does not result in a decline in resources to BBC World Service Monitoring.*

16. The FCO notes the Committee's recommendation. A review of the arrangements introduced in 1997 is now in train.

*Recommendation 13: We recommend that the Government examine closely how best to compensate for the recent decline in cultural, educational and scientific exchanges caused by a shift in aid priorities. The United Kingdom's relationship with the Commonwealth in particular risks being diminished unless extra resources are devoted to these exchanges, and new policies developed to support connections across a range of institutions.*

17. The FCO shares the Committee's view that cultural, educational and scientific exchanges are an important part of a well-rounded relationship with developing countries, and a key part of the Commonwealth nexus. The FCO and British Council plan to maintain and where possible increase such exchanges. We are looking actively at a range of options for securing new money for expanded activities, including to strengthen and stimulate Commonwealth ties, particularly among young people.

*Recommendation 14: We recommend that the FCO carry out a study into the level of direct and indirect financial support being given by the French and German governments to organisations in those countries performing roles similar to those of the British Council, and report its findings to Parliament.*

18. The Government notes the Committee's wish for a comparative study of French and German expenditure on activities analogous to those of the British Council. But, as the Memorandum on Cultural Diplomacy submitted to the FAC in 1986 pointed out, it is difficult to make direct comparisons, given different traditions, aims and obligations. For example, one major difference between the United Kingdom and France and Germany is that the United Kingdom Government has never given significant support to overseas schools and institutions. Another is in language teaching: since English is the major world language, English language teaching takes place on a massive scale without government intervention. The FCO will nevertheless review the position in France and Germany, and report to the Committee.

*Recommendation 15: We believe that the British Council is seriously underfunded and that the promotion of Britain's language, education and culture, in which the British Council has a key role to play, is of enormous benefit to the UK. The British Council's target of £160 million in real terms by 2002-03 represents only a 10 per cent increase in real terms on the level achieved in the early to mid 1990s. We consider that an increase of such a magnitude is both affordable and fully justified, and we recommend it to the FCO.*

19. The Government shares the Committee's view of the value of the British Council's role in promoting Britain's language, education and culture abroad. That is why the FCO ensured that the Council obtained the same percentage uplift in the CSR settlement as the FCO did. The FCO agrees that a further increase in funding for the Council would certainly be beneficial, resources permitting.

*Recommendation 16: While it is important that there is a clear statement of the FCO's objectives, we recommend that there should only be two sets of objectives for the FCO: one annual, one for three years.*

20. The FCO fully endorses the importance the Committee attaches to the need for a clear statement of its objectives. The FCO's eight objectives are set out in the 1998 Departmental Report and in the FCO's Public Service Agreement (PSA). The PSA sets a number of high-level targets for the FCO to achieve during the three years of the CSR settlement (1999-2002). The Output and Performance Analysis (OPA) provides more detailed, lower-level measures of performance for 1999-2000, including numerical measures and policy milestones, and will form a key part of the FCO's Departmental Report.

*Recommendation 17: We recommend that the FCO take more positive and more specific steps to set out to Parliament, to other Government Departments and to the public at large the benefits achieved by the FCO in relation to its cost. Whilst we agree with the Foreign Secretary that any cost-benefit analysis will require some subjective judgements, we consider that this perspective is so important to a proper understanding and assessment of the FCO's performance and value that a cost-benefit section should be included in the FCO's Departmental Report each year.*

21. The FCO agrees with the Committee on the importance of the cost-benefit perspective in assessing performance, and will include an analysis of costs and benefits in its Departmental Report. The introduction of Resource Accounting and Budgeting across Whitehall, especially Schedule 5 of the Resource Accounts (which costs each objective) and the Output and Performance Analysis, will make costs and benefits much more transparent.

*Recommendation 18: As a permanent member of the Security Council, we conclude that Britain should be investing at least as much in its overseas representations as France and Germany.*

22. While the increases resulting from the CSR do not bring FCO spending up to the level of our French and German analogues, they are financing a significant enhancement programme. For example, an additional 13 UK-based staff are being posted to the Caspian region (taking our total

representation to 34 UK-based staff) in order to respond better to the opportunities opening up through the development of oil and gas exploration.

23. In terms of output we contrive to match our analogues, delivering consistently on a wide range of global political challenges (e.g. our prominent role in crises such as Kosovo and East Timor) and international negotiations (e.g. our current role in EU enlargement, the European Security and Defence Initiative, and NATO modernisation). Much of the work of the Security Council focusses on texts initiated and brokered by the UK. But high productivity cannot mask the taut staffing of our network of posts compared to those of the French and Germans in e.g. Eastern Europe and Latin America, and compared to the French, in Africa.

*Recommendation 19: The United Kingdom is the only country which combines a permanent seat on the UN Security Council with membership of NATO, the EU, the G8 and the Commonwealth. Our economy is highly dependent upon international trade (45.3 per cent of GDP in 1997). The United Kingdom needs a well managed, focussed and adequately resourced FCO to defend its interests in the next century. Both compared to the past and to France and Germany, the United Kingdom spends little on the FCO. We continue to be generally impressed by what the FCO achieves, but as we have identified in this Report, there are a number of areas where the FCO could improve its performance, and where limited resources have begun to affect its capacity to meet its objectives. We conclude that FCO resources need, in the national interest, to be increased materially.*

24. We strongly endorse the Committee's conclusion that to defend its interests in the next century the UK "needs a well managed, focussed and adequately resourced FCO". The CSR settlement provided a good basis on which to build a modern, dynamic and flexible FCO, exploiting to the full its resources, personnel and capital, and the opportunities offered by new technology. The FCO welcomes the Committee's generous words about its achievements, and its support for increased resources.