



Foreign Affairs Committee

Foreign and Commonwealth Office performance and finances 2012-13 HC 696

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Members present: Richard Ottaway (Chair), John Baron, Sir Menzies Campbell, Ann Clwyd, Mike Gapes, Mark Hendrick, Sandra Osborne, Andrew Rosindell, Rory Stewart.

Questions 97 - 181

- Witnesses: **Sir Simon Fraser KCMG**, Permanent Under-Secretary, **Matthew Rycroft**, Chief Operating Officer, and **Iain Walker**, Director of Finance, Foreign and Commonwealth Office, gave evidence.

Q97 Chair: I welcome members of the public to this sitting of the Foreign Affairs Committee. This is the second evidence session of the Committee's inquiry into the FCO's performance and finances for the years 2012-13. We have three very important witnesses: Sir Simon Fraser, the permanent under-secretary at the Foreign Office; Matthew Rycroft, the chief operating officer; and Iain Walker, the director of finance. Gentlemen, we give you all a warm welcome. Sir Simon, is there anything you want to say as an opening comment?

Sir Simon Fraser: Not at length; just to say that we are pleased to be here. The year in question—2012-13—was a pretty good one for the Foreign Office, marked in particular by the Olympic games, to which our contribution was considerable, and, of course, the diamond jubilee. We faced a number of challenges around the world in foreign policy. We have done a number of things, such as launch our new consular strategy, and in many areas of policy around the world, the Foreign Office was very active. We continued to expand our global presence during that year at a time of continuing resource pressure. I will be happy to address any of those and other issues that the Committee may want to talk about.

Q98 Chair: Thank you very much. May I start with a general question about the finances? After the 2010 election, when the Chancellor set the tone for the coming years, we had a fairly tough Budget that the Foreign Secretary described, I think, as tough but fair. Has it turned out to be as tough as was originally envisaged?

Sir Simon Fraser: Yes, it has been tough for us. We had a clear savings requirement set for us. We had to make savings of £100 million in our operating budget over that period.

In fact, that figure has grown—the total amount we have to save is about £170 million over that period—so we have been putting in place a number of schemes and policies to meet those savings. I am pleased to say that we are on course to do that, but it has been a pretty demanding requirement and it continues to be one.

Q99 Chair: You have seen the budgets for 2015-16. How confident are you that you can hit those targets? Where is your optimism factor on a scale of nought to 10?

Sir Simon Fraser: I am confident that we can meet the 2015 targets. The most difficult year for us is the final year of the 2010 spending round, which is 2014-15—the year that we are now planning for—because we always knew that the trajectory of our savings was going to be steeper at the end of the spending round. That is going to be a challenge for us, and perhaps Iain Walker would like to comment on that.

In the next year of 2015-16, we will continue to have to make administrative savings of another 8%. On the other hand, during that year, we have been granted access to a further £100 million of ODA—overseas development-related—funding, which we can use in the Foreign Office on our network and in our programmes. This will help us to continue our activity and maintain the work of the network. I am therefore confident that while we will have to meet the administrative savings, we will be able to continue to be effective.

Iain Walker: I would add two comments to that. I guess the last year of this spending round is difficult, because it is not just the Foreign Office as the provider of the platform for other partners. The partners themselves are also reforming and it is about making sure that the whole change programme delivers to ensure that they also reduce their presence on our platform in the way that we are reducing our own running costs.

I echo Simon's comments about 2015-16 being a slightly better position for us than 2014-15, but I think we can live within our means in the way that we have done thus far.

Q100 Mike Gapes: Can I pick up the point you made about this £100 million from the international development budget? Is this rebadging of expenditure that was previously carried out by the FCO but that meets the international definition of overseas development, or is it work previously done by DFID that has now come into your Department?

Sir Simon Fraser: Matthew Rycroft is the great expert on this, but the answer is: a bit of both. We are able to classify some of the work that we do in our network as ODA expenditure under OECD rules, and we think that we can possibly classify more of that. However, in addition to that, it opens the opportunity for us to do additional work, for example in supporting the growth agenda overseas or the Prime Minister's G8 agenda overseas. So we are working that through.

Matthew Rycroft: Just to say that it is not the first £100 million of official development assistance that we will have received. By the end of this spending round, we will be spending £272 million of official development assistance. That will go up by £100

million to £372 million in 2015-16. We have a strong and growing track record of spending that in a way that works well for independent auditors of development assistance.

Q101 Mike Gapes: Does that mean, if I am looking at it from the point of view of a development campaign or somebody who is committed to the 0.7%, I might argue that we were not really doing the increase in development, but simply paying for things that were previously paid for by the FCO?

Matthew Rycroft: First, it is a very small part of the 0.7%. It is about 3% of the 0.7% target, so it is a very small proportion of the British Government's total official development assistance. It is provided in areas that the Foreign Office and our network of diplomatic posts can reach, which is different from and complementary to the work that the Department for International Development and others do in spending ODA.

Q102 Mr Baron: The Foreign Office is seen as a great store of expertise with regard to its particular field. At a time when soft power is seen to be increasingly important—in not just this country, but others as well—and various countries' foreign offices are seen as key proponents of that power, where does the UK sit with regard to comparisons as to the resources that it is committing? One hears that other countries are certainly increasing their resources for soft power and in their equivalent foreign offices. Where do we sit internationally? Are many other countries cutting their finances as strongly as we are?

Sir Simon Fraser: For their foreign ministries?

Mr Baron: Yes.

Sir Simon Fraser: I think they are. Most European countries are reducing their budgets quite considerably—in fact, I think more dramatically in many cases than we are. By comparison with them, however, perhaps because we are being more creative and managing ourselves, we are the only European diplomatic service that is expanding its global presence. We are opening more posts, as I think you know. During this spending round period, we will open or upgrade 20 posts, so we are trying to maintain and indeed increase our activity, both in terms of geographical scope and in terms of penetration of key countries, while managing these resource reductions. I think we are handling that pretty well.

On the specific issue of soft power, I very much agree that this is an area of international policy on which we need to focus. I think the Olympic games were a tremendous fillip for us in that area. We have been keen to build on that, working with other parts of Government, for example through the GREAT campaign and in other ways. I believe that is an area on which we should continue to focus, and indeed focus on even more strongly.

Q103 Chair: Sir Simon, you have twice mentioned the Olympic games and I agree with what you are saying. There may be a message you are wanting to send here. If you wanted to write a note to us on that, it is something we may address.

Sir Simon Fraser: I would be very happy to do that. I mention it because it was, in a sense, the biggest focal point and event during the financial year in question. Although the Foreign Office was not responsible for organising it, actually it was for us the biggest influx of foreign visitors at one time that I think there has ever been—120 Heads of State and Government. So in that sense it absorbed a lot of energy but, more than that, I feel it is a strong platform for us that we need to continue to use in projecting our influence. I would be very happy, if you like, to summarise what the FCO contribution was.

Chair: That would be great. There are more than a couple of us here who were quite closely involved at the time. Turning to property, Sandra.

Q104 Sandra Osborne: I have some questions about property strategy, but in regard to the Olympic games, could I just ask about the Commonwealth games? What sort of input are you going to have there?

Sir Simon Fraser: We are involved in preparation for the Commonwealth games next summer. Our protocol department is the department in Whitehall that is in charge of organising such major events. For example, it led for us on the Olympics and on the G8 summit, and it will do so on the Commonwealth games. The department talks to other parts of Government, such as DCMS and others that are involved, so we tend to be—we will be—closely involved. Of course it is an opportunity for us to conduct diplomatic business with visiting politicians and dignitaries.

Sandra Osborne: In Glasgow.

Sir Simon Fraser: In Glasgow, which will be great.

Q105 Sandra Osborne: Just to go on to the property strategy, the Committee called for greater flexibility and for a change in the Treasury rules to allow proceeds from sales to be carried forward from one year to the next, but that was rejected. I just wondered what brought about the decision by the Treasury to relax the requirement that proceeds from sales could be reinvested only within the same financial year. Were the difficulties in realising the benefits of the sale of the Kuala Lumpur compound a factor in that?

Sir Simon Fraser: There are two issues. There is the broader issue that the Treasury did relax the overall rules so that we were allowed to carry forward 20%, I think—a certain proportion—of the sales in one year. In addition, there is the specific issue relating to Kuala Lumpur, which we are very happy to discuss. That was a very important issue for us in this period. Perhaps I could ask Iain Walker to give the details on the KL sale.

Iain Walker: We had been working on the KL deal for some time and we recognised the proceeds of that sale in the period 2012-13, not in the current year as we had originally

envisaged. The reasons for that were principally around making sure that we could absolutely bank that money, and that it wasn't subject to any contract and any external risk. However, going through the year end with the auditors, it was concluded that due to the accounting treatments, it had to be recognised in 2012-13—the period you have in front of you. That created a bit of a challenge, but I am glad that in working with the Treasury we came to the really practical solution that we draw down £35 million of the proceeds in the current year and £27 million in the year after that. That gets us through to the end of this spending round. As you alluded to, for 2015-16, there are greater flexibilities in the capital arrangements. Frankly, this helps the planning of a pretty complex property portfolio across the world.

Sir Simon Fraser: Just to be clear, that is the 20% carry-over in 2015-16.

Q106 Sandra Osborne: Can you tell me what the motive was for the sales of residences in Brussels, Quito and Warsaw over the past 12 months? What replacement properties have been acquired in each case? Are they in comparable locations, and are they equally suited for entertaining purposes?

Sir Simon Fraser: In Brussels we are rationalising our diplomatic estate. We are focusing on one major residence—a central, high-level venue where we do all our diplomatic activity in Brussels. That has meant that we have been able to rationalise, which was the reason why we sold one of the properties there. In Quito, I think it was a question of security. There wasn't adequate security protection, so we had to change that.

In Warsaw, it was again a rationalisation of the estate. There was a building that was not really suitable for purpose, so we are consolidating there. In each case there is a specific reason why we have made a sale, and of course we sell only when we have an alternative proposal in mind or property to go to. Matthew, do you want to add anything on that?

Matthew Rycroft: No.

Q107 Sandra Osborne: It is not a question of you going to an inferior building, is it?

Sir Simon Fraser: No, it is not a question of buildings being inferior. Sometimes we sell buildings that are rather grand but not appropriate, or that are too large for us because the scale of our presence has changed. Indeed, that was the case in Kuala Lumpur, where we did not need the scale of presence of the office building that we had. In other cases, as I said, there are specific reasons why we have changed. When we find alternative premises, we always try to make sure that they are appropriate for what is required, including the representational activity.

Q108 Sandra Osborne: Can you summarise the new residential accommodation policy for us?

Sir Simon Fraser: I will ask Matthew Rycroft to do that because he is its author.

Matthew Rycroft: With others and after a lot of consultation. The new residential accommodation policy for UK-based members of staff—civil servants serving their country overseas—is now based on the operational requirement of that person plus their family circumstances, rather than their grade, seniority or age. As I say, the new policy was consulted on widely through our organisation and our partner organisations that have civil servants overseas. It applies to the whole of the British Government overseas. The changes were designed to modernise the policy, but also to save money. Part of the driver for it was to save 20% of that budget through the course of this spending round period.

Q109 Sandra Osborne: The FCO acquired no residential properties overseas in the last 12 months. Is this part of a deliberate policy towards renting?

Matthew Rycroft: Globally, we are neither moving out of rented and into owned, nor out of owned and into rented. We take that decision based on the market in each region—indeed in each country, and in fact in each city, because sometimes the market can be different between cities. We have to do the right thing for that city, in terms of our requirements in that city and the estate market in the city. In some places, we are indeed moving out of rental and are planning to buy some residential accommodation for our staff, whereas in others we are going the other way. We need to get the balance right in each place. In some places we are not allowed to own—for instance in China—so everywhere is rented; in most places, it's a mix.

Q110 Sandra Osborne: Is this a strategy to save money in the short term, or does it take into account longer-term value for the taxpayer?

Matthew Rycroft: It is a strategy that clearly needs to be value for money for the taxpayer, and at the same time it needs to be a platform from which our staff and all staff overseas can do their jobs.

Sitting suspended for Divisions in the House.

On resuming—

Chair: I apologise to our witnesses for the delay. That is what happens in Parliament.

Q111 Sir Menzies Campbell: I want to hark back briefly to Brussels and say I rather approve of what has been done there. I believe it was the residence of the Permanent Representative at NATO, which I always thought was rather inconveniently placed well outside the centre of the town. That was maybe for historical reasons from the days when that post was perhaps a little more under threat than it has been recently. In any event, unusually perhaps, I want to say that I think it has worked very successfully. That is a very obvious indication of where, with a bit of ingenuity, you can combine and achieve savings that can be used elsewhere.

Sir Simon Fraser: Thank you.

Q112 Ann Clwyd: I wanted to ask you about the embassy and the residency in Jakarta. That has not yet been put up for sale. Have you got an alternative?

Sir Simon Fraser: We have now opened a new embassy in Jakarta. We are proposing to sell the old embassy and, I believe, the old residence. That is in the pipeline; that will of course happen. We need to manage the sales—that goes back to the Kuala Lumpur point—so that we can get the best benefit from them. Iain may want to update on the precise situation in relation to Jakarta.

Iain Walker: I do not have much more to add, other than we do still intend to sell. That is very much in the pipeline. It is in what we call our global assets management plan, abbreviated as GLAMP. It is basically the way we pull together all of our plans for sales and acquisitions and it is still very much in that plan for next year.

Q113 Andrew Rosindell: Could I raise the issue of the One HMG programme and the importance of bringing together various different British bodies that exist in different capitals around the world? Could you update us with the progress on that or the obstacles that you are finding? Are heads of mission co-operating? Are they happy that this is happening? What financial benefits will the FCO receive at the end of all that?

Sir Simon Fraser: It is one of our biggest priorities to promote this closer co-operation between all the different parts of Government, and indeed bodies not in Government, such as Visit Britain, that are operating abroad. There are two reasons for that. First, we believe that we will have more effective international presence if we are working together, co-ordinating our work. Secondly, we believe we can achieve efficiencies and more effective use of resources. So we have been working in a systematic way with other Government Departments through an arrangement that Matthew Rycroft chairs, which we call our network board, to pursue a programme of co-location, closer co-operation, harmonisation of terms and conditions with other organisations. That is progressing quite well. For example, a number of DFID offices have moved into our buildings recently. Last week I was in Istanbul and saw the new British Council offices that have moved into our consulate general. Visit Britain has done that in a number of places. I believe that is a very important thing to do and we shall continue it.

Of course, there are challenges, because different Departments do have people employed on different terms and there can be local frictions that we have to resolve. It is also true that, while we save money for HMG through that, those savings do not always accrue to the Foreign Office. Sometimes they accrue to the other organisations, which save money by moving into our network. We have to negotiate a financial arrangement with them. If you will permit, I will ask Matthew to add to that, if there is anything he wants to say.

Matthew Rycroft: Briefly, there are five different strands to this programme and I will not go through all of them in detail. There is co-location, making sure that everyone who

represents the British Government or British Government family overseas is in the same compound or same building where possible. That is progressing well.

There is collaboration, which means making sure that all of the British civil servants and local staff who are working in a single mission are collaborating, so that the total output of the embassy, consulate or high commission is more than the sum of its parts, under the overall leadership of the single head of mission. There is a single-country business plan. There is consolidation, which in this context means consolidating all the corporate support functions so that you do not have duplication. That is where Simon's point comes in on cutting out that duplication for the benefit of the taxpayer, if not for the Foreign Office. There is regionalisation, which means regionalising some of the corporate support functions so that we do not do every single function in every single post: the transactional ones get done only once globally or once in each region. Then finally there is harmonisation of terms and conditions, which is controversial but the right thing to do to demonstrate that our staff overseas are all part of a single global work force.

Q114 Andrew Rosindell: How many co-locations were agreed in the last financial year?

Sir Simon Fraser: I know that, in the period that we are looking at, for example, DFID moved into our buildings in Pretoria, Dakar and they are planning to move in in Kathmandu and Delhi. I cannot give you the full list right now, but if you want we can come back to you with more detail on that. But it is an ongoing programme. So, just to give you a few more figures, there are now 3,500 staff from 25 other Government Departments or other organisations who work on our platform, as we describe it, in 165 of our posts, so it is quite an extensive and far-reaching thing. That is about 30% of the total staff in our diplomatic network around the world.

Q115 Andrew Rosindell: On a connected point, Sir Simon, we are, quite sensibly, bringing all these different British-branded organisations together, but there seems to be a muddle over the policy on the flags we fly at British embassies and high commissions. It is right that the Union flag should fly at every British high commission and embassy, but we appear to see in some places a European Union flag flown, which is, of course, something completely separate. Can we have some clarification on that? If we fly the EU flag, perhaps we should fly the Commonwealth flag or the NATO flag or the UN flag. We need clarification.

Sir Simon Fraser: The Foreign Secretary has made a determination on this and Matthew was involved.

Matthew Rycroft: We do have a policy on which flags need to be raised on which days on which buildings. Previously, there was some leeway for interpretation by heads of mission, but that was tightened up so that only certain flags get flown on certain days.

Q116 Chair: What is the policy? Would you like to write to us on that?

Matthew Rycroft: We can write to you on that. The Union flag clearly is flown on every British post on every day and then some other flags can get flown on some other days.

Q117 Andrew Rosindell: So the EU flag is not flown as a matter of course every day, only on certain days.

Matthew Rycroft: Correct.

Chair: Clarification would be appreciated.

Q118 Mr Baron: May I return us to the network shift, Sir Simon, which you briefly mentioned in answer to my previous question? Can you update the Committee as to progress with regards to the network shift, particularly how things are going in the opening of new posts in emerging markets and what problems you have been having, perhaps, in China and India? I appreciate that these are early days, but do you have any early evidence that it is working, with trade opportunities opening up and so on?

Sir Simon Fraser: We are continuing this network shift, which we started in 2010, which now we like to refer to more as network development. As I said earlier on, we will over this period have opened or upgraded 20 posts. And we have opened a number of new missions as well as putting more front-line diplomatic staff into what we call the emerging powers, where we believe politically and economically we need to invest in our relationship for the future. It is continuing; it is not yet complete. It involves, for example, training people—including language training and so forth—so that they can make the maximum impact and, in some cases, it involves recruiting people locally.

It is going ahead, and you are absolutely right that the next thing we need to do is to try to evaluate the impact it is having. There is much anecdotal evidence about visits that have been organised—trade visits and so forth—to places where previously we did not have a presence, but we need to be more systematic. At our supervisory board's last meeting just over a month ago, we agreed that we would do a deep dive into four of these missions. We would look at four of them—different types, so a new one or an expansion in a large network—to see whether we could begin a more systematic evaluation of the impact. Having said that, I want to underline that this is a long-term policy and a long-term investment in reshaping our network, so I think the evidence will come over time.

Q119 Mr Baron: Can I return us to the issue of comparisons? We are in the business of foreign policy and so on. When you answered my previous question, Sir Simon, you referred us to the fact that we compared quite well with European countries that were making cuts to their diplomatic service. I would suggest that not all European countries have our sort of global footprint and global interest. Can you give us an idea of what countries outside Europe are doing? What are similar-sized countries—even larger countries with smaller

economies such as Russia, for example—doing with regard to their equivalent of our network shift, or network development, and, just as importantly, investment in their diplomatic service?

Sir Simon Fraser: I cannot describe all of them.

Q120 Mr Baron: Generally speaking.

Sir Simon Fraser: Obviously, there are countries that have what we might call a global diplomatic service. Within Europe, France and Germany have that, and, of course, the United States, China and Russia. We do not have precise details on Russia's budgets and presence, but they have a global presence and they are maintaining it. Some countries are expanding their international diplomatic presence. Turkey is an example of that. I believe that Australia is also increasing its global reach. So there are other diplomatic services to whom we talk and with whom we compare notes. As part of our expansion in times of austerity, we are working more in co-operation and co-location with some of those partner services so that we can get further geographical reach, while reducing the costs of that.

Q121 Mr Baron: Does it concern you that some other countries are expanding their diplomatic footprint, or certainly not cutting back resources? Or do you still think that we can punch above our weight when it comes to our diplomatic service? I am linking the question again back to the so-called soft or smart power concept. Where do you think we sit in the scheme of things? I know you have to be careful, but you see some countries expanding both posts and resource, and not too many outside Europe contracting.

Sir Simon Fraser: I am not sure that there are many diplomatic services expanding resource, but I do not really feel I am in a position to comment authoritatively on that, other than with those countries with whom we co-operate, where most of them are trying to do what we are trying to do, which is to do more with less.

On the broader point, I think we have to accept the context in which we are working, which is one of fairly significant resource pressure on the Foreign Office, as on other Government Departments. Of course it would be nice to have more resource. I think that through better management, through clearer prioritisation, and, frankly, through high levels of activity, we are managing to represent the country effectively, working with other Government Departments, but we are stretched around the world. Increasingly, when I travel and visit posts, I find that there is a sense of quite high demands and a sense that there must be a limit to the additional demands that can be made on the network. That would be my answer to that question.

Q122 Mr Baron: Final question: breaking point would be an unfortunate term, but can you give the Committee an impression as to how close we are to the bone on this? You talked about visiting posts where there was an impression of being very stretched. Can you say a little more about that?

Sir Simon Fraser: I think we are a lean and efficient service. We have staff around the world who make a huge commitment and often go above and beyond what might normally be expected in terms of their working contract, but that has always been the case. They are hugely committed and very motivated. I believe that we can always improve the efficiency of our system and we continue to do that. Any organisation has to keep changing and striving for greater efficiency, but obviously if we want to have a global presence, we have to make sure that we resource that presence. At the moment I think we are okay, but it is not particularly comfortable.

Q123 Ann Clwyd: Like everybody, you are juggling with the spending review constraints, and I wondered just how you will achieve a 10% reduction in headcount in the period that you are required to do that?

Matthew Rycroft: This refers to our UK-based headcount. We have a target to reduce it by 10% over this spending round period. In fact, we temporarily increased the numbers of UK-based staff at some grades in 2012-13, in order to meet increased demand. We have given ourselves an extra year to get back on track to meet the 10% reduction from the start of the SR10 period, so we are giving ourselves until 2015-16 to do it and we are now back on track. The way we are doing it is through a combination of the recruitment freeze, plus the normal rate of resignations and retirements.

Q124 Ann Clwyd: Are you relying on a decrease in pay bill costs or shifting things around between those grades?

Matthew Rycroft: We are reducing the numbers and the pay bill follows the numbers. In other words, people get paid the salary which they are due, depending on the work that they do and the grade that they are at. Through our strategic work force planning we are adjusting the numbers of the different levels of the organisation and through that we are changing the shape of the organisation slightly. Broadly speaking, we are reducing the total number of staff that we need at the more junior grades and increasing the total number of staff that we need in the middle grades. So we are moving from a pyramid towards more of a diamond shape with a larger middle.

Q125 Ann Clwyd: Do you expect the shift towards more C and D band jobs to cancel out savings from reductions in A and B posts? Is that what is happening?

Matthew Rycroft: Both those things are happening, but I would not see it in terms of one cancelling the other out, because they are different sorts of jobs in different places. The C and D band jobs, which is what I would classify as the middle of the organisation, are increasing both in the UK and overseas. The A and B band jobs remain, broadly speaking, the same in the UK in terms of their number and the value of the work done there. The changes have been overseas, where we are over half way through implementing the decision to cut back dramatically on the number of A and B band slots overseas.

Q126 Ann Clwyd: Last year, the Committee asked the FCO to provide a global figure for the proportion of locally-engaged staff who are engaged in diplomatic or policy work, rather than administrative work. Your reply did not really address the point.

Matthew Rycroft: The total proportion of local staff, as a proportion of the total work force, is in the high 60% and coming towards, but not beyond, 70%. Of those, the majority are employed in management and support, and some in the diplomatic front line. I have the figures somewhere, but not in front of me at the moment.

Sir Simon Fraser: I think we calculate that 15% are doing front-line policy or diplomatic work.

Q127 Ann Clwyd: Can you explain what those jobs are?

Sir Simon Fraser: They may be working in the political section or the economic section doing analysis and actual reporting, so actually working in the diplomatic function. Might I just add one point? The point about the restructuring of the work force so that we have more people in C and D is one of the answers to Mr Baron's point about how we adjust to have impact around the world—we have more diplomatic staff by adjusting the shape of the work force.

Q128 Ann Clwyd: Can the increased use of locally engaged staff in front-line and policy roles be accommodated without damaging the career prospects of UK-based staff or limiting the overseas experience of those who will fill the most senior posts in about 20 years' time?

Sir Simon Fraser: I think it can because of the way we have described the reshaping of the work force. We are increasing the use of locally engaged staff, although, as you have heard, not dramatically. We are involving them in diplomatic work, but we are also increasing the number of diplomatic positions overseas for UK-based staff in the policy grades, C and D. So I think we are creating opportunities for people. Indeed, in some cases there are more opportunities for people than existed in the past. For example, if you look now at China, India or Indonesia, you will find considerably more middle-grade UK-based diplomats active in those posts than was the case five years ago.

Matthew Rycroft: If I could add one thing to that answer, there is a proportion—a very small proportion—of our local staff who are doing jobs that used to be done by UK-based staff. The vast majority of our local staff are not; they are doing jobs that are complementary to the work of our UK-based staff. To give you an example, when I was ambassador in Bosnia, the local staff were those who had native language skills, for instance. That is very important—even very good Foreign Office linguists are not as good as native language speakers. They are people who are steeped in the history, culture, politics, and social and economic issues of the country, and they are therefore complementing the work of British diplomats, and doing so very effectively.

Q129 Mark Hendrick: To follow up on that, are the staff you employ in the political section, for example, exclusively of that type, or are they doing policy or diplomatic work at all?

Matthew Rycroft: Yes, 15% of them are doing policy or diplomatic work—for instance, lobbying the host Government on an issue of importance to the British Government, or reporting back to the Foreign Office and other parts of the British Government the perspectives of the host country. That is what diplomatic political work is about, in part.

Q130 Mark Hendrick: Okay. Are they doing that because we do not have sufficient British staff out there to do it, or are they doing it because you feel they are better at it because of their language skills or whatever?

Matthew Rycroft: They are doing it as part of a single, coherent, consistent team. They add value in the areas where you need absolute native language skills or real understanding of a country, born of many years of experience, complementary to the work of the UK diplomats who come from the UK for a posting that typically lasts three to four years.

Q131 Mark Hendrick: Do you not feel that in the longer term that will be to the detriment of British staff who may have been working there and picked up the experience, but find that the work is now being done by locally engaged staff?

Matthew Rycroft: No, because the proportion of the local staff doing that is tiny compared with the total proportion of local staff who are doing other sorts of jobs.

Q132 Mark Hendrick: How do you feel about this for the future? You mentioned 70% of the total global work force being locally engaged, and you mentioned, I think, a 10% cut in the headcount of just the UK-based staff. Have any cuts that have been applied overseas affected the headcount of either the locally engaged or the British staff there?

Sir Simon Fraser: Those headcount cuts for the UK-based staff will apply across the whole of our organisation, so in some places we will have reduced the UK-based people in one post.

Q133 Mark Hendrick: When you say UK-based, you do not mean they are in the UK.

Sir Simon Fraser: No. UK-based means diplomats who are British and who come from this country. We try to put them where they are most effective around the network, so in some places we may have reduced the number of UK-based staff in a post, but overall we are

increasing those in the network in many other places. There is a balancing process that goes on.

On the broader point about the number or proportion of local staff, we recognise the point the Committee made and the concern expressed that the process of localisation must have some limit. While we ourselves have not committed ourselves absolutely to a ceiling of 70%, we recognise that a British diplomatic service and a British post abroad has to have a critical mass of British diplomats leading and running it, and making the key judgments and representing the country in that place. We are conscious of that.

Q134 Mark Hendrick: Is this move towards locally based staff and having a high percentage of them, albeit limited at 70%, a financial measure brought about by the budgetary constraints that the Department is being given by the Government, or is it policy-driven, in the sense that you feel that you are getting more bang per buck using local staff than you would using British staff, who may not have the linguistic skills or the local experience that locals have?

Sir Simon Fraser: It is a combination of the two. To some extent, localisation has indeed been driven by the requirement to find savings and to make sure that our representation overseas is as cost-effective as possible; I do not deny that. On the other hand, as Matthew said, we have tried to make a virtue of that necessity, because we can access very valuable skills through the local staff that are not available in the UK-based work force.

That is why we are trying at the moment to rather elide that distinction a bit. We have a policy called One Global Workforce, to make sure that we get the best out of our local staff and that they are not treated as a separate and to some extent second-class part of our work force, because we really do not want that to be the case. The answer to your question is that it is a combination of the two things you described.

Q135 Mark Hendrick: Are any locally based staff doing the same job as UK-based staff but on different pay grades?

Sir Simon Fraser: Yes, because the terms on which we employ local staff in-country are different from the terms on which we employ and post UK-based diplomats abroad. For example, the overheads of posting diplomats abroad, in terms of accommodation and so forth, are very high. The pay scales for local staff salaries are also different.

Matthew Rycroft: If the same job could be done equally well by either a UK-based member or staff or a member of the local staff, then really it should be done by a member of the local staff, because on average the total cost is one third of that of the UK-based member of staff. In terms of the value for money for the taxpayer, if both are equally—

Q136 Mark Hendrick: You say “total cost”. I am looking at salary from the point of view of a worker, not necessarily what it is costing the FCO.

Sir Simon Fraser: When we employ people locally, they are employed by the mission, and it would be odd to pay them UK salaries in many countries where actually they would then be earning a salary totally out of proportion to local earnings.

Q137 Mark Hendrick: But the UK-based members of staff are spending their salary in that country; they are not spending it at home, necessarily.

Sir Simon Fraser: Yes, but if we paid UK-based members of staff local salaries they would probably choose to leave the Foreign Office and find other employment.

Q138 Mark Hendrick: I was looking at it the other way round, not that way round.

Q139 Sir Menzies Campbell: Can I ask a question about the access to information that locally based staff have if they are conducting diplomatic and policy work? Locally based staff will obviously be more sensitive to improper pressure from other elements within the country of their origin or nationality. How do you ensure that sensitive information is not more widely disseminated than it would be if you were working only through UK-based staff, who of course sign the Official Secrets Act and who are subject to, if you like, greater potential penalties—not necessarily criminal penalties—if they misbehave?

Sir Simon Fraser: That is a very good question, and it is an important consideration for us. As I think you know, Sir Menzies, we have levels of classification of information and therefore we are able to give locally engaged staff access to some levels of that information but not to others, and we manage it that way.

The vast majority of the routine work that we do, including most of our routine political reporting, is not highly sensitive and therefore we think we can manage that, but we have to be conscious of these issues. In some countries it is not possible to give local staff the clearances that it is in others. That is why, in our policy of reducing the number of A and B band staff overseas for example, we have recognised that in some countries that is simply not possible and we have to continue to post UK-based people there. We constantly make those judgments and we need to be very conscious of the potential risk that you have identified.

Q140 Sir Menzies Campbell: Who makes that judgment? Is it the ambassador or those close to the ambassador? Is there some sort of process by which you say “Well, Mr Brown can go to a particular level, whereas Mrs Smith can go to a higher level”? How does that work?

Sir Simon Fraser: There is a central system.

Matthew Rycroft: Each job has a security clearance requirement that goes with it. If a certain job has a certain level of clearance, then you can get that job only if you have that level of clearance yourself.

Q141 Sir Menzies Campbell: How do you get that?

Matthew Rycroft: If you are a UK-based member of staff, you have it centrally. If you are a local member of staff, you apply for the level of clearance; that happens in tandem with the application process. The security clearance is a necessary part of that application process; if you do not get the clearance, you do not get the job.

Q142 Sir Menzies Campbell: Any examples of where the system has not necessarily worked?

Sir Simon Fraser: There are examples where people have misused information, but to be honest with you, that applies to UK-based staff as well as to local staff. It also applies to people working in our system who have come from other Government Departments as well as the Foreign Office. These risks exist and the Foreign Office, through its security department and procedures, has to try to police these things. I think that we do a pretty professional job of it, but of course I cannot guarantee that mistakes are not made.

Sir Menzies Campbell: Thank you. That is very helpful.

Q143 Rory Stewart: First, I congratulate you on saying on page 58 of the annual report that you are going to produce figures for us on the breakdown between LE staff and UK-based staff per post. It would be great to know when that might come forward.

Sir Simon Fraser: Well, that we have undertaken to do, but I do not know the precise date that the work is going forward. To be frank with you, we had a difficulty in the past because our management information on the locally engaged staff was not very good; because, as I said, they are recruited locally, we were not able to centralise that information. Over the last year or so, we have achieved progress on that, which will enable us to produce the information for you, and I am happy to do that.

Q144 Rory Stewart: It would be great to get a hint of what staff survey results you are getting in from 2013. You acknowledge that there has in the past been some dissatisfaction, particularly around remuneration packages. Will you give us a sense of those statistics?

Sir Simon Fraser: We have just got the results of the latest staff survey. This is 2013 so it does cover this period. Our overall engagement score, which is the headline figure, has gone up by 1% from 67% to 68% which is pleasing in the circumstances, although Matthew

and I had a secret aspiration that it might go up even further but we will keep working on that. I think that level of engagement means that among Government Departments we are in second place, after DFID, so that is good. There are also some quite pleasing, positive results on some of the headline things like leadership and management of change, which have nudged up, and on understanding of diplomatic excellence and its relevance, our reform programme for people's jobs.

Those things are good; on the other hand, there are some results in relation to people's perception of their line management which we need to look into. They are either flat or have gone down by a point. As you rightly point out, pay and remuneration is an issue and that has gone down; I think that is the lowest that it has ever been since the surveys have come in. That is perhaps not surprising given where we are now in the period of austerity. There are other issues such as people's perception of whether or not they have the tools to do the job, which has gone down a bit and probably reflects concerns about the IT systems around the world.

Those are a few of the headline results, but we need to work those through now in relation to each post and each directorate to try to get a clearer picture of what the issues are.

Q145 Rory Stewart: Strategically, many of the reforms that you are introducing and we are measuring are presumably about responding to the lessons of the past 10 or 15 years and your projection of the kind of skills that you need to go forward over the next 20 years. What lessons have you taken from Iraq and Afghanistan? What lessons have you taken from the ability of diplomats to challenge Government policy? Have we thought through seriously whether we are too consensual and whether we develop establishment wisdoms too easily?

What have you done in terms of institutional changes—pay, promotion structures and language slots—in order to change the culture in the Foreign Office beyond simply using things such as the diplomatic excellence initiative to encourage people? What have you done with the hard wiring of the institution to create a different culture?

Sir Simon Fraser: There is a number of questions in there. On the first point, I do not think that this is the occasion to talk about individual policy issues, but one thing we have focused on very much is strengthening the voice of the Foreign Office in Government, on which the Foreign Secretary has led us. It is important that the Foreign Office is influential in leading thinking about international policy across Whitehall. I hope that we have made progress in that area, partly through diplomatic excellence and the focus we have been putting on policy and diplomacy, which is, after all, what the Foreign Office exists to do.

We have also sought to address your point about groupthink, which I recognise and regard as an important issue. We are trying to promote challenge within the organisation, and in our staff survey that has gone up—people's sense that they can challenge and have a voice in decision making has gone up a little bit, which is good. Personally, I am committed to that, having always been someone who is inclined to challenge the orthodoxy, so I think that is good.

You are right also that we need to wire that soft culture change into the institution. We have been taking a number of steps to do that. We have been increasing the formal

external challenge that we have. We have been setting up expertise cadres within the Foreign Office. We recently opened a new language centre, which I think is a subject close to your own heart. I am pleased that we have done that. We are taking a number of specific steps.

Our next project is to establish something that we call the diplomatic curriculum, which is to ask, “If you want to be a diplomat, what are the basic skills that you need to have? Are we making sure that our people have them?” Part of that is languages, negotiating skills and an understanding of history and knowledge about Europe, or the history of different parts of the world. In that range of things, we are trying to establish a basic curriculum.

The Foreign Secretary has said that he wants to use that to establish a diplomatic academy, so that all our Foreign Office staff would have a chance to learn the core skills of diplomacy through that academy. That will not be, if you like, a big formal institution or a quasi-academic thing, but it will be a structure within which, primarily, serving diplomats will transmit their knowledge and understanding to junior diplomats, so that there is, if you like, pride in the organisation and in the skills of diplomacy, transmission of those skills, and upgrading and maintaining of the quality of our diplomatic cadre.

Q146 Rory Stewart: Thank you very much for that. That is all welcome, and we would love to ask more about that as it develops.

To take up your opening on language skills and language slots, we have had a slightly tricky time with the data that the Committee has received. There was a sort of cheerful moment when you came to see us and told us that you had about 800 speaker slots, and then you downgraded it to approximately 720. By 9 May, the figure had dropped to 587. It looked as though the number of speaker slots was dropping.

We were told in testimony that out of 101 heads of mission, well over 90 could speak the local language. We are now hearing that only 38% of heads of mission had passed an examination at the target level for the post. It seemed to me a strong argument for much, much clearer data and figures, so that the Committee is not told that over 90 heads of mission have the skills when it is only 38%, or that there are 800 speaker slots when there are only 570. Secondly, it is very difficult for anybody to hold you to account to measure whether you really are improving your language skills if there are no figures that we can look at and trust. I just wanted to throw that out.

Sir Simon Fraser: I agree. I think that the fact that we were not able to provide you with consistent figures on the number of speaker slots is regrettable. I apologise for it. It does not please me. I do not think, however, that it is a consequence of the reduction of the number of staff. It is a failure of our management of information. We have tried to cleanse that data and the figure came down to just over 570. That figure will change—I believe it is going up now. We need to commit to continue to provide you with information on that at regular intervals, and as our own systems get better we should have more confidence in that information.

Secondly, on the point about heads of mission, it is true that over 90% have a qualification in the language. The problem—again it is something that is not acceptable as a

long-term status quo—is that only 38% of heads of mission have attained the target level. We might want people to have a very, very extensive knowledge of the language, and in fact they have gone with an operational knowledge of the language.

Q147 Rory Stewart: Or, worse, you may want them to have an operational level and they do not even have that.

Sir Simon Fraser: Exactly. Indeed, that applies at other levels of staffing. What I propose to do, having opened the language centre, is to monitor its functioning over the next few months. Because it is in our building and everybody is together, it will help us to understand the nature of what is happening, the quality of the training and the learning. I propose after a few months to try to draw some lessons from this and to issue some guidance to staff about what we expect them to do and what we expect them to achieve during their language training so that we can try to drive up that percentage and make sure that people are absolutely taking seriously their responsibility to attain the correct level. I am with you on that.

Q148 Rory Stewart: In addition to the stick presumably it would be great to have a carrot.

Sir Simon Fraser: Yes.

Q149 Rory Stewart: In that regard it would seem consistent with the general direction of your policy to increase language allowances. They are historically lower than they have been in the past.

Sir Simon Fraser: I think the opportunity to learn a language is a carrot as well as a stick. People should understand that they are being given a huge opportunity by the Foreign Office to learn these languages and therefore we should drive for the highest possible standards. On your point about allowances, we have just completed a review of the language allowance system which will be looked at in our human resources committee next month and then come to the management board.

We are looking at incentives and we have done a lot of consultation with staff on this. It is true that one of those incentives is a financial incentive, but what we discover from the returns from staff is that they are also interested in a range of other things, such as the ability to support the continuation of their language skills and the creation of cadres of language speakers. We will try to bring together a broader package of measures which will help us to incentivise people to learn languages and to make them feel it is worth their while to maintain their expertise in languages. We will report back to you on that.

Q150 Rory Stewart: We have had comments from former language teachers who are anxious because their hourly rates are considerably lower than they have been. Their anxiety, to put it very bluntly, is that you have set up a language school and it looks singing and dancing because it has a building but that you are not paying any more for the preparation time. Some of your very good language teachers are now vanishing because you put out a new contract to a company that is paying much less than, for example, SOAS would pay a language teacher.

Sir Simon Fraser: When we opened the new language centre we had an open, competitive process for the supply of the training. But one thing we wanted to do was to consolidate that, because previously, we had 11 different suppliers and now we have one, which is called Language Services Direct. They won the contract based on fair tendering, and I myself was involved in the selection process. That process was based both on cost and on quality, and of course, there is always a compromise to be reached. But so far, I have to say that we are satisfied and that the feedback from the students is good about the quality of provision. Of course, we will continue to monitor it. They are responsible for recruiting the teachers and setting the salaries. All I can say is that there is no shortage, apparently, of people seeking employment with them, which suggests they are seen as attractive employers and that working in our language centre is seen as an attractive option. But I fully accept that we need to monitor certainly the quality of provision of the training.

Q151 Chair: On the new language centre and its very welcome opening, am I right in saying that you offer language services to other Departments?

Sir Simon Fraser: Well, we certainly want to do so. It only opened in September, so we are assessing its capacity. At the moment, we have about 76 full-time students there, and about 300 people using it on part-time courses. We have more capacity, and we will have more as we get a more efficient shift system. We have talked to other Departments and we already have some students from the National Crime Agency and the MOD. We are talking to DFID and the Home Office, so we do see this very much as a whole-of-Government asset. Since, as I described previously, we have many people from other Departments working with us abroad, it is good if we can offer them language training. Of course, we would charge those Departments for that, but we have invested in this asset and we should see it as an asset for the whole of Government.

Q152 Chair: Yet the Ministry of Defence has its own language school at Shrivenham.

Sir Simon Fraser: Yes.

Chair: Is that a duplication of effort?

Sir Simon Fraser: I don't think it is, because clearly, we could not in our language centre cater for the numbers of people that the Ministry of Defence needs to teach. But in some cases it may be that for those who want to go to a higher level, or for the defence

attachés who are going to be working in our embassies, it would be more appropriate for them to take our courses. But clearly, we need to avoid duplication.

Q153 Chair: Is there a long-term strategy to bring the whole lot together, or would it not result in a saving?

Sir Simon Fraser: I don't think we have the capacity to bring that all together, but there is a long-term strategy for making sure we have discussions with each other and co-ordinate effectively, so that we are avoiding duplication.

Q154 Ann Clwyd: May I go back to the staff survey? I found it extraordinary that only 44% of respondents agreed or strongly agreed with the statement that promotion within the FCO/Post is based on merit. What is the problem there?

Sir Simon Fraser: Is that in last year's—

Ann Clwyd: It's 2012.

Sir Simon Fraser: It's a question of perception but actually, if I'm right, I think that's higher than most of the rest of the civil service, but I can verify that. It's something we have to focus on. We do actually have a very merit-based system for promotion in the Foreign Office, and one may think that figure is low now, but I think it is higher than it has ever been before. When these surveys started, I think it was down in the thirties. I can check that and get back to you, but it is something we take very seriously because people need to believe in the objectivity of the promotion system. All our promotions within the UK-based work force, almost universally, are done by interview. So people are invited to apply for jobs and then they are interviewed by an interview panel and the job is awarded, and we try to make that as objective as possible. There are always perceptions, of course, that individuals may be favoured, but at least there is much more transparency now than there used to be, when those appointment and promotion processes were much more opaque.

Q155 Ann Clwyd: So what are these perceptions of bullying, harassment and discrimination?

Matthew Rycroft: This has been a long-standing concern for us this year, last year and for several years before that. We have done a huge amount of work to assess what is going on. There is a wide range of scores and answers in different parts of the world. There are undoubtedly some cultural aspects at play, and in some instances someone has perceived something to be bullying or discrimination when the person doing that was trying to do performance management, so a lot of training and development opportunities have been provided so that people understand what good performance management is, and the difference between that on one hand and bullying, harassment or discrimination on the other.

We have put in place a series of trained first response officers who are outside the chain of management and to whom someone who feels that they are being bullied, discriminated against or harassed can go to for advice. But clearly everything we have done is not enough because the scores for the current year are very similar to those for the previous year, and they are too high. Some 13% of staff believe they have personal experience of discrimination over the last year, and 12% say that they have personal experience of bullying or harassment at work. Any number over zero is too high.

Q156 Ann Clwyd: Do you encourage whistleblowers in the FCO?

Matthew Rycroft: Absolutely. We now have a well-signposted route for them to raise their concerns.

Q157 Ann Clwyd: Are they protected?

Matthew Rycroft: Absolutely.

Q158 Ann Clwyd: They are not discriminated against in any way.

Matthew Rycroft: Absolutely.

Q159 Sir Menzies Campbell: I want to ask about sexual harassment. Have any complaints been recorded about that?

Matthew Rycroft: It is not recorded separately. There may be instances of that, as in any organisation, and we take it seriously.

Q160 Sir Menzies Campbell: Is it perhaps something that should be recorded separately?

Matthew Rycroft: Those who answer yes to the question of whether they have experienced discrimination, harassment or bullying are then given options, such as what was the basis of the perceived discrimination. Gender is one. It is a proportion. I can tell you the numbers, and they are relatively—

Q161 Sir Menzies Campbell: That is not quite the same. Gender and sexual harassment are not quite the same.

Matthew Rycroft: No, exactly.

Q162 Sir Menzies Campbell: Perhaps you would like to think about that as a way of allowing people the opportunity to express themselves if they feel they have been subject to that. It is of course a much more powerful issue in private life and in the public service elsewhere.

Sir Simon Fraser: That is an important point. In our system, we do not use the term “whistleblower”. We have a system that encourages people to report incidents. I am aware that there have been some cases of alleged sexual harassment, so we do pick them up, but it is important that we focus on that.

I want to underline that this is an area where the Foreign Office performs less well than the home civil service in the categories of alleged or perceived bullying and harassment. We need to focus on it a lot. It may be connected with the fact that we are a global organisation with many different cultures and people with different expectations or experience working in our system. That is not an excuse, but we must understand it and work locally in all our posts to deal with it.

Q163 Mark Hendrick: Moving on to the digital demands on the organisation, we obviously heard about the way in which the FCO used social media during the Arab spring to listen to and identify voices during the Libyan crisis. That will come much more to the fore in future. Have you a particular strategy for getting staff up to speed on digital developments so that we can take advantage of these new communication methods in future?

Sir Simon Fraser: We do have a digital strategy, which has been introduced and approved to make sure the Foreign Office is making use of digital media effectively. We have a digital transformation unit in the Foreign Office which is trying to help the transformation of service provision to digital means. Increasingly, our consular services and travel advice services are being transmitted through digital means as well as other means, and we are seeing considerable growth in the uptake of the digital provision of those services, so I think it is very important. We also use digital means in support of some of our diplomatic campaigning and activity. An example of that would be the Foreign Secretary’s campaign against sexual violence in conflict; we have been using digital media to promote that campaign. Another example is our work on Somalia, on which we have engaged digital media.

We now have a total of about 80 ambassadors who are active on Twitter. Personally, I believe that is a good thing, because I think it is important for diplomats to be transparent and it is useful to explain the sort of things we do around the world, as people probably find those rather remote, so I think it is good to engage. Of course, it entails some risk, which we have to accept, in terms of people’s proper use of these media, but actually, I consider it very much to be a net positive in relation to our diplomatic impact.

Q164 Mark Hendrick: You said it was a net positive and you mentioned risks. Obviously, somebody putting themselves into the digital domain using Twitter can get information out that otherwise they would find difficult, but they make themselves far more available than they normally would be in the line of work that they are doing. As a personal example, when I was with the Committee in Mali and Algeria, I was tweeting about some of the issues that we were looking into and fairly soon afterwards, I had picked up a collection of followers who were in other parts of Africa, with organisations that we would abhor, linked with terrorism and the issues we were looking at. It never for a moment struck me that terrorists in the middle of Africa would necessarily be using such modern media themselves. Have you made any assessment of the risks that might be faced by high-profile people, such as the Foreign Secretary or ambassadors, who are there in the field themselves, as a result of using such methods?

Sir Simon Fraser: It is a very important point and we are very conscious of that. Ambassadors are public figures in the country that they work in—indeed, I would like our ambassadors to be public figures. I think it is important that they reach out and represent our country, and social media is one way of doing that, but as you say, you cannot control who is listening to you and reading your material. We are very cautious and careful in advising ambassadors about that. We have training sessions for them before they go on to these media. For example, there are rules to be observed about giving out personal information or information about your movements, which people have to be careful about.

I think most diplomats are very much trained to think about that, because that is part of the condition of the security context in which we operate. However, we have to be very conscious of the extension of that in these new domains.

Q165 Mark Hendrick: To give you an example, what would the FCO hope to gain from Ministers making themselves available via Twitter? For example, do you know roughly how many questions were received via Twitter for Hugo Swire on the Commonwealth earlier this month, and was it worth his time?

Sir Simon Fraser: I think it was worth his while making himself available for that. I do not have the number of questions on that. I know that when Alistair Burt was a Minister, he did a Twitter session and got over 50 questions. He answered the questions, and of course, those answers get retweeted, so you can have a considerable impact with that. The Foreign Secretary has a very large number of followers and he uses Twitter as one of his main channels for communicating, certainly short-term, immediate reactions to things. I think that diplomatically, that is useful, and of course, the media often follow public figures on Twitter now and get their information by that channel. I think that the Foreign Office and our Ministers should be active in that area. I personally believe that there is a value—if you like, a democratic value—in them being available for people to ask questions and interact with them directly.

Q166 Mark Hendrick: Have any of our Ministers or ambassadors been followed by trolls or people trying to make their lives a misery, as has happened with other people in public life?

Sir Simon Fraser: No case has come to my attention.

Iain Walker: In response to your question about Mr Swire, I don't know the exact number of questions he was asked but I do know that it seemed quite a good opportunity pre-CHOGM to set out the Foreign Office's position on Sri Lanka. "Channel 4 News" picked up on that kind of interaction as being the sort of news story that took forward the discussion. So I think there is good evidence, albeit not in a desperately well-put-together narrative, of where it has been a powerful and useful tool.

Q167 Mark Hendrick: I don't think there is any doubt about its power. I think it is far more effective than a press release. A press release in the old days arrived on a fax and when it was looked at, it had three seconds before it either went in the bin or was a story. With e-mail, there is even less of a chance of getting looked at. I do think Twitter is very very powerful—what I am trying to get at are the risks and whether you have properly assessed those risks.

Sir Simon Fraser: I agree there are risks. We do assess them. Our news department and our press office are very conscious of them. As I have said, we train people to think about those risks. On your point about whether it is worthwhile, when I do a Twitter Q&A or a Minister does, we usually will give about 45 minutes to doing it. It doesn't take a huge amount of time. We invite people to submit questions and then we respond rather rapidly. You can engage with quite a lot of people in quite an efficient way, I believe, in a short period of time.

Q168 Chair: Moving on to discretionary expenditure by posts. The Foreign Secretary wrote to me in April this year setting out in great detail how that was managed. Nonetheless it seems there is little audit of spend below £100,000 per annum. Say a head of mission spent £60,000 on a project, how would we verify whether or not it had actually achieved anything?

Iain Walker: I think you are referring to our programme funding particularly. If I could start with the big figures first and come to the smaller ones second. In terms of our big spend, we have put in place a programme evaluation board which brings an external view to look at how well we are delivering the major programmes that we are delivering across this spending period.

On the smaller amounts to which you refer, much would depend on the specific funding streams that are being referred to. I would pick a bilateral programme, which I suspect is the one where we would effectively devolve funding to ambassadors to deliver their own business plans. The way that we manage that is not just by giving them the money. It is through the business planning exercise, so at each mid year and at each year end, ambassadors report to regional directors in London, regional directors then to DGs and DGs

up to the Executive committee. That exercise of challenge is specifically to address that question of not just how much have you spent but specifically what have you spent it on and for what outcome. I think the focus of improving the evaluation of how we deliver our programme activities is something that we are getting better at, but definitely there is more to do. The challenge is, again, the geographical spread of our work, in making sure that we target our interventions in the best way possible.

Q169 Chair: So the example I gave you may slip through the net and not be properly scrutinised?

Iain Walker: I am sorry?

Chair: The example I gave you—an ambassador has spent £60,000 on a particular project; it may slip through the net and not be properly scrutinised?

Iain Walker: No. We look at all spend that comes across our network. So in terms of policy aims, it is the explanation I gave a moment ago in terms of reviewing from a policy perspective. The regional director in London would be challenging posts and DGs thereafter. From a compliance perspective, every single transaction is monitored and looked at through our existing internal processes.

Q170 Chair: Fine. The Foreign Secretary in his letter said to me that all projects over £500,000 must be evaluated, projects in excess of £100,000 should be evaluated, those below that we do not therefore normally evaluate formally. You are saying that the informal arrangements will suffice.

Iain Walker: I think I would say that it is perhaps the definition of evaluation. For our major programmes we undertake a formal evaluation exercise. As the programmes become smaller, we deliver it through our business-as-usual activity, and our business plans are the means through which we deliver our business-as-usual activity. No part of that expenditure is not scrutinised. Every single part of our admin spending, as well as our programme spending, is looked at as part of our month-end reporting and half-year and year-end reviews. If we talk about evaluation, the major focus is on our big spending strategic programmes, of which the examples you gave would not be one.

Sir Simon Fraser: All the spend by the head of mission on his or her bilateral country spending would be monitored by the regional director through the business plan monitoring process, which happens twice a year. What we call the resource management unit looks at the spend in different parts of the network. In addition to that, we have an internal audit function, which conducts inspections of different posts—of course, not all posts, but it has a programme of inspections, so that is another, if not comprehensive, but useful way of monitoring expenditure.

Chair: I will leave it there for now.

Q171 Mike Gapes: Can I take you to security issues? Obviously, you are not able to speak publicly about many of these things and I appreciate that. I have visited a number of posts in the last year, including Bamako, in Mali, and Abuja, in Nigeria. Clearly the conditions under which many of our diplomats, other staff and locally engaged staff operate are difficult in many countries. Would it be fair to say that because of the activities of some terrorist organisations and the general lack of rule of law outside cities, it is becoming more difficult for diplomats in many parts of the world to travel outside safe areas and main cities?

Sir Simon Fraser: Could I first take the opportunity—as I always do each year—to pay tribute to the staff who operate in these conditions? As you say, UK-based, local staff and people from other Government Departments working with us are, in many places, exposed to considerable risk. Last week I was with the Foreign Secretary in Istanbul to mark the 10th anniversary of that terrible attack on our consulate general.

Mike Gapes: I've been there. I saw it.

Sir Simon Fraser: That was the worst single incident, in which 12 people were killed. It is very important for us. The threats are various. There is the threat of terrorism, of civil unrest which people can get caught up in—as, for example, the case in parts of the Middle East recently—and the threat of crime. If I am frank with you, that is one of the great concerns that we have, the increase of criminal incidents which affect our staff, for example in parts of Africa or Latin America. There are also the traditional espionage threats, so in all those ways staff are exposed.

We do our best to evaluate and manage those risks, recognising that if diplomats are going to function, they have to be active and able to move. If we were to put all our diplomats behind barbed wire and tell them that they cannot move, then one would have to ask what was the purpose of having them there. In most cases we are able to manage a security regime which allows them to be active and be out and about, but thinking very carefully about the local security environment and managing it. In some cases, clearly in posts such as in Afghanistan, the new embassy that we are opening in Mogadishu, and in Baghdad and Sana'a, there are significant constraints which people have to operate within and we just have to accept that. But that is a minority of posts and in most places our diplomats are active and out and about.

Q172 Mike Gapes: So you would not say that these increased security concerns are now much more serious, and prevent us getting a full understanding of the countries in which we operate or making contacts outside the capital? It is not as bad as that?

Sir Simon Fraser: I think, overall, the security environment is deteriorating in many parts of the world. We now monitor that formally in our management board every month, when we have a report from our security department on the number of incidents, where they have taken place and the nature of those incidents, so that we have a clear understanding. As I said, I think, overall, the picture is one of deterioration, but I do not think yet that, in most parts of the world, the situation is such that it is inhibiting us from being able to engage and to understand those countries. Clearly, in the period under consideration, in Tehran and in

Damascus, the situation deteriorated to the point where we had to withdraw our diplomatic staff, but that is still a minority of cases.

Q173 Mike Gapes: The US undertook a major review after the murder of its ambassador in Benghazi. Are there any lessons that you have drawn from that?

Sir Simon Fraser: There are, and indeed I wrote to the Chairman about that. We conducted a fairly formal review of the lessons from that, and we participated in the Pickering report, which was the US Administration's report on the issue. On the whole, we concluded that the lessons we learned from that validated the overall security approach we take. But there are one or two specific things that we have taken from it, and indeed from the guidance we have had from this Committee—particularly on providing smoke hoods for staff in certain posts. We have introduced smoke hoods; I think we have bought 2,500 smoke hoods, which we have made available in 22 posts. We have also looked at the redesign of some of what we call our secure keeps in some of our most sensitive posts, to make sure they are smoke-resistant. That was one of the lessons from Benghazi, but also something this Committee raised, which we have, I hope, responded to.

Q174 Mike Gapes: Thank you. May I move on to information management and knowledge? A 2011 capability review, which was carried out independently of the FCO, said that not enough “priority and energy” was “applied to building culture, processes and systems in which information, knowledge and institutional learning are retained and accessible in support of business objectives.” That is quite a strong criticism, isn't it? What have you done about that? In particular, I understand that your improvement plan this year, which was published in June, said that 89% of staff were not using the FCO's electronic registry system and that 55% were unaware of the need to register corporate records. Clearly, a large cultural change is required, isn't it?

Sir Simon Fraser: It is a strong criticism and, I think, largely a fair criticism, but could I ask Matthew, who has been leading our work on this, to respond?

Matthew Rycroft: Yes, we absolutely accept the criticism and the challenge set in 2011. We ourselves put it in our departmental improvement plan this year, as one of the central things that we wanted to improve over time. There are four main things that we are aiming for as a result of this work: first, higher quality analysis and improved evidence-based advice for Ministers and others; secondly, improved access for staff from around the FCO to the knowledge that their colleagues have; thirdly, more robust and authoritative record keeping, including for the public record; and fourthly, a better ability to respond quickly and efficiently to inquiries such as freedom of information requests. That is the aim, and we have a programme of activity, including new IT, new training and new structures, to deliver it. It is a significant problem, and the long-term solutions will certainly require all the things I have said, and definitely different IT that makes registering and storing information automatic, rather than that being something that people have to do themselves.

Q175 Mike Gapes: I did notice that your record keeping was “likely to attract criticism in the Chilcot Inquiry report”—that phrase appears in your June documentation. That would imply that there is a major historical problem with record keeping in the Department.

Matthew Rycroft: What we have found in the run-up to our departmental improvement plan—in fact, I can think of one or two examples since, as well—is that the record that should have been complete has not been, or it has been remarkably difficult to find the documents that we know exist, never mind the ones that we do not know whether or not they exist. That is what we have to correct.

Q176 Mike Gapes: May I raise one other issue, which I said I would? There is a press report today, and it is on Sky News this afternoon, that Spanish Guardia Civil have intercepted and opened a diplomatic bag being taken to Gibraltar. Perhaps you can confirm whether this is the case, but I understand that this is the first time any EU or NATO partner has ever interfered with a diplomatic bag that is clearly marked as such. According to the press report, it is the first such incident since 2000, when Zimbabwe did something similar. Can you respond to that today? Is something happening that the Committee should be aware of?

Sir Simon Fraser: I can confirm that there has been an incident and that our diplomatic bags were opened. We consider that to be a serious infringement of the principles underlying the Vienna convention and an interference with our official correspondence. We have made representations and sought explanations from the Government in Madrid and we are awaiting their formal response. I cannot answer the historical question as to whether it has happened before and in which circumstances, but it has happened and we deplore it, and we are waiting for an explanation.

Mike Gapes: Thank you. I am sure that all Members of the House will deplore it as well. It is outrageous.

Q177 Chair: If correct, would you agree that it marks a deterioration in the relationship between the two countries?

Sir Simon Fraser: Well, as you know, Chairman, there have been a number of incidents recently between us concerning different aspects of policy towards Gibraltar. I think that if this is—well, it is confirmed. The fact is that the bags have been opened. It is very regrettable. I hope that we will have an explanation that will help us to find a satisfactory way forward, but it is not acceptable behaviour.

Q178 Sir Menzies Campbell: You are being very measured in your language, which perhaps I should expect, but these things are often put in context by considering what the response might have been in Madrid had something similar happened in this country. Is it

possible to say for how long the bags were opened and the contents might have been subject to access? Or is that an unknown because of the way in which it was carried out?

Sir Simon Fraser: First of all, I can assure you that the vice versa case would not have happened. We would not have interfered with the diplomatic bags of another country.

Q179 Sir Menzies Campbell: Of course not! It was just a test. I was really applauding your measured approach.

Sir Simon Fraser: I cannot answer your question—I do not have the detail. But I am happy to make inquiries when I go back to the office.

Q180 Chair: Could you ensure that the Committee is kept informed on this fairly promptly?

Sir Simon Fraser: Yes.

Q181 Chair: If you get something overnight, could you let us know the position tomorrow morning?

Sir Simon Fraser: We will undertake to inform you of that.

Chair: Thank you all very much indeed. It is a very necessary session for us. We cover a lot of important topics, and your focus is much appreciated. On behalf of the Committee, thank you.