



Foreign Affairs Committee

Oral evidence: FCO Budget and Capacity, and Annual Report, HC 836

Tuesday 22 November 2016

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Members present: Crispin Blunt (Chair); Ann Clwyd; Mike Gapes; Stephen Gethins; Mr Mark Hendrick; Mr Adam Holloway; Daniel Kawczynski; Ian Murray; Andrew Rosindell; Nadhim Zahawi.

Questions 1-219

Witnesses

I: Sir Simon McDonald, KCMG KCVO, Permanent Under-Secretary, Foreign and Commonwealth Office, Karen Pierce, Chief Operating Officer, Foreign and Commonwealth Office, and Andrew Sanderson, Finance Director, Foreign and Commonwealth Office.

Examination of witnesses

Witnesses: Sir Simon McDonald, Karen Pierce and Andrew Sanderson.

Chair: Welcome to this afternoon's session of the Foreign Affairs Committee, taking evidence on the budget of the FCO, its capacity and the annual report. Sir Simon, welcome again. Perhaps you could introduce yourself and the team.

Sir Simon McDonald: Thank you, Mr Chairman. I am Simon McDonald, PUS at the Foreign Office. On my left is Karen Pierce, who is our chief operating officer, and on my right is Andrew Sanderson, who is our director of finance.

Q1 **Chair:** After the Prime Minister's Mansion House speech last week, Richard Whitman of the Economic and Social Research Council criticised the Government for having "a gaping hole where Britain's foreign policy should be". What do you understand Her Majesty's Government's foreign policy to be?

Sir Simon McDonald: To defend and promote British interests around the world, which is what we have been doing since 1782.

Q2 **Chair:** Can it be summed up as "global Britain"?



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Sir Simon McDonald: I think it can because that phrase encapsulates the idea that, no matter the wiring with institutions on our continent, the United Kingdom's ambition and reach is around the world. It is our intention to play a role around the world.

Q3 **Chair:** I note that in your letter to us of 21 July reporting on that quarter, your priority in the coming months was to have the "staff and capability to promote a global Britain post the referendum". I note that the Foreign Secretary appears to have first referenced global Britain in a speech four days before that. The term "global Britain" then appeared in the Prime Minister's speech to the Conservative party conference.

Sir Simon McDonald: Joined-up government, Mr Chairman.

Q4 **Chair:** I was going to say, do we take it from that the Foreign and Commonwealth Office has been restored to its place as the lead on foreign policy in our Government?

Sir Simon McDonald: I have always felt that the Foreign and Commonwealth Office had that lead, despite the fact that there are players—and indeed, in recent months, more players—in the international space. As the Committee knows, since 13 July there are two new Departments of State—the Department for Exiting the European Union and the Department for International Trade. We are working with those Departments to promote the national interest.

Q5 **Chair:** You have been shorn of the Prosperity Agenda to the Department for International Trade and of, obviously, the most important negotiation the United Kingdom has undertaken for a very long time—our Brexit negotiations—to the Department for Exiting the European Union. You have also lost people, as you reported to us in your latest letter, to both Departments in order to support them in that, so can it really be said that the Department is in the lead on foreign policy?

Sir Simon McDonald: I would dispute your characterisation, Mr Chairman. In the exit negotiation, the Foreign Office is playing an important role but clearly, the lead role is Mr Davis and the Department for Exiting the European Union—the clue is in the title of his Department of State—but the Foreign Office is helping in at least four distinct ways. First, there is the network.

Q6 **Chair:** We will come to Brexit-specific questions in a minute. My question is more generally about the capacity of the Office.

Sir Simon McDonald: My point is we are still there.

Q7 **Chair:** Yes. Do you have the resources you need to implement the Global Britain strategy with sufficient vigour? While you're answering, is it a strategy or a vision?

Sir Simon McDonald: The resources are always a challenge, but we have what we are given by the Government and we make the best use of the resource. We were grateful that, in the previous Chancellor's autumn statement last year, he chose to treat the Foreign Office as a protected Department like the other two main Departments in the overseas space:



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the Department for International Development and the Ministry of Defence. But all Departments face a challenge with resources, so my job, and my board's job, is to make the best use of them—to deploy them where they have the most effect—and that is what we try to do.

- Q8 **Chair:** Diplomacy 20:20 is presumably the means to support Global Britain. How much has Diplomacy 20:20 had to change in the light of Global Britain, if you like, becoming the vision post-23 June?

Sir Simon McDonald: Diplomacy 20:20 predated 23 June. I became PUS on 1 September 2015. It is not unusual for a new PUS to look at his organisation and think how to improve it, so I had a review—the “Future FCO” review—in the first three months of the year. The review's main conclusions fed into Diplomacy 20:20—Diplomacy 20:20 is the implementation plan—and the focus is on three areas: expertise, agility and platform. In my view, all three of those areas are even more important after 23 June, so the validity of the programme was reinforced by the referendum result, which is why we have stuck with that programme.

- Q9 **Chair:** When you wrote to us on 21 July you told us, in referring to Diplomacy 20:20, that you would “present more detail about the programme to staff in the FCO in October and to you in my next update.” In your next update, which we received last week, you said: “We will communicate the detail of Diplomacy 20:20 to staff in early December. We will also engage our Whitehall partners”—which I presume includes us; I hope it does—“drawing on their input where they can add value and where they have particular interest.” Why the delay?

Sir Simon McDonald: There has been some slippage, as you correctly identify, Mr Chairman. The Brexit vote was a major development, so I would pray that in aid.

Chair: It had happened on 21 July.

Sir Simon McDonald: The full consequences will take even longer than five months to work out. We are having a big board meeting on 29 November, so a lot of the programme will be rolled out to the FCO—to the service—in December. Of course, in parallel, I will set it out to yourself and your Committee.

- Q10 **Chair:** The concern, which we will explore this in greater detail this afternoon, is the resources. Could I now explore the resources available for Britain to deepen its contributions to the key multilateral institutions, such as the UN, G20 and NATO, in the wake of Brexit?

Sir Simon McDonald: We have identified, in this first phase—this first reaction—that we need to reinforce first of all in Europe itself, in the bilateral European Union countries and posts, and key multilateral organisations, especially the United Nations in Geneva and NATO. One thing that I will be setting out to the service next week is that we are doing some upgrading of jobs in Europe, and some reinforcement of our bilateral posts.



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We had a zero-based review a dozen years ago, which reduced in seniority 20 of the 27 ambassadorial posts we have around Europe. Seven of those posts went to D7, so beneath the senior management structure; all seven of those have been upgraded to SMS1. That change will take effect immediately and we are reinforcing the posts. Quite a few of those posts had become very small indeed. We have already posted 16 extra people, mostly on migration issues. We have identified another 34 slots, which we will post in the next period, focused on political and lobbying, and also on some corporate, in order to release the time of the ambassador and the DHM to do more political work. So, in Europe we will do more.

For the two key multilateral organisations in Geneva, we have bid with DIT for more resource in the autumn statement, so we shall find out tomorrow, but we hope to put more slots into our representation in Geneva.

Q11 **Chair:** How much have you bid for overall?

Karen Pierce: It was a £10 million joint bid with DIT.

Q12 **Chair:** For that programme? Or is that the only extra bid you sought?

Karen Pierce: It was for an initial wave of trade policy slots overseas. Until we have settled our continuing relationship on the trade side with the European Union, we do not know exactly what we will be doing overseas with things like FTAs and trade negotiations. This is an initial outlay to help us shape, and analyse, places overseas with which we might want to develop a trading relationship.

Q13 **Chair:** Is that it?

Karen Pierce: No, that was the first wave.

Q14 **Chair:** Is that all you have asked for?

Karen Pierce: At this stage, yes it is.

Q15 **Chair:** The opinion of this Committee is that we were going to need to double or treble the resources available to the Foreign Office. Obviously that is going to be swept up—in April, we could not have foreseen the creation of the Department for International Trade and DExEU. But is that is your bid to the Chancellor: £10 million?

Sir Simon McDonald: We work with the reality of resource constraint that affects all Government Departments. As you know, the Chancellor used to be the Foreign Secretary, so he is well aware of our need, but he has tutored us in the constraints.

Q16 **Chair:** But the truth is that the network, which we pride ourselves on—you pride yourselves on—and the breadth of it, is actually now far too thin, isn't it? Is there not an argument now for narrowing that?

Sir Simon McDonald: We recognise that. In this first reaction, we are showing some thickening in the places where we most need it in the next two or three years. The negotiation that is about to start is not only with



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Brussels, but with our 27 partner member states in the European Union, so our representation needs to be bigger there and we are doing something about that straight away.

Q17 **Chair:** Sorry, say that again?

Sir Simon McDonald: In the European Union—in the 27 other member states—

Q18 **Chair:** Bilaterally, with the member states?

Sir Simon McDonald: —in the bilateral posts. In Geneva, there is a bid for extra UK-based and LE resource. In UKDel NATO, the Director General for Defence and Intelligence has already, through good housekeeping, moved an extra three slots to UKDel NATO in Brussels.

Q19 **Chair:** Where are these people coming from?

Sir Simon McDonald: Elsewhere in her cone. Each director general has a certain quantum of resource. A certain amount can be done by that DG. Bigger movements are done by the board.

Q20 **Chair:** I will not disguise my anxiety about the scale of your bid to deal with the challenge you face. I am referring to presenting Global Britain—a new role for Britain in the world, which is obviously encapsulated by Global Britain.

Sir Simon McDonald: I am grateful for the Chairman and the Committee's support, but we work in a certain political environment and reality.

Q21 **Chair:** Well, we'll explore this. It is a service cut to the bone and now at crisis point. We will get into some of the issues about the quality of the people and the implications for them, and the fact that we do not have enough people in the missions overseas; we will get on to all of these in the course of the questions. I just want to finish, before asking my colleagues to join in, by asking this: Global Britain is the name of a campaigning organisation that for 20 years has campaigned for the United Kingdom to leave the European Union. We are now leaving the European Union. Is this identity overlap deliberate or an accident?

Sir Simon McDonald: I thank the Chairman for drawing my attention to this fact. I discovered it for myself last week. The fact it took so long to discover means, I suggest, it is not the highest-profile organisation. I have set it as a task for my director of communication that our Global Britain will take precedence on Google.

Q22 **Mr Holloway:** Sir Simon, one thing that struck me while talking to my friends in the Foreign Office was how almost to a man they are pro-remain. Is there a bit of a leadership issue for you in getting people behind what the British people have decided?

Sir Simon McDonald: Possibly yes, but my experience of my service is that we work for the Government of the United Kingdom energetically. There was a process of adjustment for sure, but I think my organisation is



making that adjustment and, under Boris Johnson's leadership, is now behind the programme, as you have a right to expect.

- Q23 **Daniel Kawczynski:** Coming from an exports background, I am very passionate about our export strategy. With regard to the trade envoys that the Prime Minister has appointed and is in the process of appointing, would you mind giving us your evaluation of what support and interest the Foreign Office has for that programme and how it will dovetail into some of your work across the world with your embassies?

Sir Simon McDonald: These envoys have played a valuable role. I am not familiar with the work of all of them, but two whose work I have seen personally have been very impressive, and they have been impressive because they have worked so closely with the missions on the spot. Mark Garnier, in south-east Asia, and Patricia Scotland, in South Africa, have done a lot of work to promote the United Kingdom—the United Kingdom economy and prosperity—in those regions. Clearly, the new Prime Minister appreciates what earlier envoys have done and so she is renewing that programme.

- Q24 **Ann Clwyd:** The Foreign Secretary recently told this Committee that the UK and the FCO were going to contribute to global stability and prosperity and promote the spread of values such as democracy and free speech. Can you tell me exactly where human rights and our values fit into our foreign policy?

Sir Simon McDonald: I think they run as a thread through all our foreign policy, Ms Clwyd. One thing I hope we are achieving in the Foreign Office is mainstreaming human rights as part of the work of everybody working in the organisation. Our values are part of what distinguishes us. The rule of law and the equalities and freedoms that define the United Kingdom are part of our global brand and part of why people are interested in us. As you know, we have some programmes that stress that. In the last year we launched the Magna Carta fund with £10 million a year, and that is one of the main vehicles for promoting individual human rights projects.

Karen Pierce: The Foreign Secretary has maintained an advisory group on human rights. He has refreshed some of the members, but it is full of distinguished practitioners.

- Q25 **Ann Clwyd:** It has not met very often, has it?

Karen Pierce: It has met as often as the Foreign Secretary's schedule allows. Obviously, he has had to do a lot of travelling since he took office. There was a meeting earlier this month.

- Q26 **Ann Clwyd:** Last time Sir Simon gave evidence to us, we talked about the priorities of the new foreign policy. I recall that he said trade was top of the list of priorities and that human rights were very near the bottom. Has there been any development?

Sir Simon McDonald: I remember the first part of that statement, Ms Clwyd, but not the second. I was talking about the raw resource that was principally dedicated to each of those areas. When we look through our



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management information, clearly more resource is devoted exclusively or principally to prosperity than to human rights, but it is fundamentally important to us in the Foreign Office that human rights are part of everybody's work. Even though it is not the top line, it is there in the mix. I regard all our network and everybody who is working for us—both UK-based and locally employed—as having this as part of their job description.

Q27 Ann Clwyd: To press you again on the number of times that this group has met, could it be only once a year if the Foreign Secretary is too busy to get involved in it?

Sir Simon McDonald: As you know, the Foreign Secretary was appointed on 13 July, and he met this refreshed group for the first time on 16 November.

Q28 Ann Clwyd: Are there any future dates in the calendar?

Sir Simon McDonald: I do not know, but we will let you know through the Committee Chair.

Q29 Mr Hendrick: Sir Simon, in response to the Chairman's first question about what you understand British foreign policy to be, it sounded very much to me like the global Britain from towards the end of the 18th century. Do you feel that the Foreign Office has not been carrying out a Global Britain strategy and has only needed to carry one out since the Brexit referendum?

Sir Simon McDonald: There are many constant themes in British foreign policy—I know there are several historians around the table. After the vote on 23 June, it is time to have another look and to re-emphasise. Over the last four decades, we had increasingly been seen on the wider world stage as part of the European Union. We did ever more work with the European Union, but it is not true that the rest of the world principally saw us as part of the European Union. Our further-afield colleagues in organisations such as the United Nations said that we were still principally seen as the United Kingdom, but in some places the idea took root, so we need to do something about that. In future we will not be seen as a player on the wider international stage through Brussels. We will be acting on our own behalf, so Global Britain is a re-emphasis of what was there before.

Q30 Mr Hendrick: Given that international trade, and trade generally, has been taken away from the Foreign Office, and obviously that is a loss in terms of personnel as well as resources, what do you think the Foreign Office will be doing after EU exit that it wasn't doing before?

Sir Simon McDonald: The Foreign Office is the principal player in 192 other members of the United Nations; we supervise the bilateral relationships between Governments; and we are, I think, the Ministry that knows best how to get things done overseas, especially officially. In embassies around the world, other parts of Governments nestle underneath the effort led by the ambassador or the high commissioner, as part of a "One HMG" team. The Foreign Office has a key convening and co-ordinating role for all parts of Government.



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Mr Hendrick: But it had before as well.

Sir Simon McDonald: You say that trade and prosperity have been taken away. Trade is now in the Department for International Trade but prosperity is still substantially with the Foreign Office. As you know, a new Prosperity Fund has been launched this financial year. In the first year it has £60 million, £50 million of which is in projects proposed by and being run by the Foreign Office.

Q31 **Mr Hendrick:** So that is a new, additional responsibility.

Sir Simon McDonald: It is something that has happened in financial year 2016-17.

Q32 **Andrew Rosindell:** Of course, Global Britain is an organisation already set up to focus Britain on the wider world—on economic prosperity beyond the bounds of Europe. It is a superb strategy, I have to say, but surely Global Britain should be based on our history, looking to our future, and that is the Commonwealth. What is the Foreign and Commonwealth Office doing to expand its Commonwealth operation? How many officials, for instance, work on the desk that deals with the Commonwealth compared with the European Union?

Sir Simon McDonald: The Commonwealth are key partners. As you know, there are now 52 member states. We have very smooth relations with most of them and do not require a huge bureaucracy to supervise those relations. Since 23 June, there has been a new emphasis on some of those relationships. We are even looking to those countries to help us in parts of the negotiation lying ahead. I expect officials from some of our close Commonwealth partners to work with us quite directly on what we are doing.

Q33 **Andrew Rosindell:** How many officials do you have working on the Commonwealth desk at the moment?

Sir Simon McDonald: The Commonwealth desk is part of our multilateral department. We have a directorate that covers a series of international organisations; the Commonwealth is one of those. I cannot give you an exact figure. I fear it would disappoint you, Mr Rosindell, by being relatively small, but it is effective. One key thing we are doing with the Commonwealth in the next 18 months is organising CHOGM—the Commonwealth Heads of Government meeting—which will be in the UK in spring 2018. It will be a big moment for the United Kingdom, a big moment for the UK in the Commonwealth, and it is a deliberate signal of our interest.

Q34 **Andrew Rosindell:** Did you know there were three Commonwealth Heads of Government in London last week who were not even shown the courtesy of a meeting with the Foreign Secretary or the Prime Minister? Is this the way we treat our Commonwealth friends at a time of need?

Sir Simon McDonald: I believe they met Her Majesty.

Q35 **Andrew Rosindell:** We are talking about members of the Government



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who are dealing with policy issues; the Queen, of course, does not do that.

Sir Simon McDonald: I did not know they had not seen either the Prime Minister or the Foreign Secretary.

Q36 **Andrew Rosindell:** Did you know they had no reception when they arrived in this country, no car to take them around and no security, even? Is that what we should be doing with our Commonwealth Prime Ministers when they are visiting the United Kingdom, Sir Simon?

Sir Simon McDonald: As you know, Mr Rosindell, security is something that is decided by need—

Q37 **Andrew Rosindell:** But courtesy is something that we should afford.

Sir Simon McDonald: I shall take your point on courtesy and look at that.

Q38 **Chair:** To follow up Mr Rosindell's point about the relationship with Commonwealth countries and the point you made that there might be some increase in its relative importance and the rest, it is quite difficult to see how that gets reinforced by people when we are having to invest extra people in the bilateral European relationships and when you are not getting any extra money.

Sir Simon McDonald: A lot of the relationship is run by relatively few senior people. There do not need to be huge numbers of people to make a relationship work. Since 23 June, I would say that the pace of contact between the Foreign Secretary and myself, and senior colleagues with Commonwealth opposite numbers, has increased. The work rate has increased. You will know that AUKMIN took place at Chelsea Hospital in September. The next meeting is scheduled for May next year in Australia. The Foreign Secretary and I plan then to go on to New Zealand. The work rate is increasing. What we are doing is more important than how many people are doing it.

Q39 **Chair:** Before I invite Mr Gethins to get stuck in on Brexit, there is this rather hard-hitting report by Tom Fletcher on the state of the Office. His lead on the five core propositions says that: "Our staff and those we work with require a clearer sense of what the FCO does and why." Will you be able to answer that question satisfactorily?

Sir Simon McDonald: It is my whole job to answer that question and to live the answer. We represent the United Kingdom overseas. We get things done for the United Kingdom overseas. We now have the most important negotiation of my career ahead of us, and my organisation will play a central part in that.

Chair: On that note, I call Stephen Gethins.

Q40 **Stephen Gethins:** In terms of preparing for the most important negotiations of your career—the negotiations on leaving the European Union, or on the plans to leave the European Union—has your Department been asked to consider its priorities and to present plans to



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the centre of Government? I believe that is the case. If so, how have you gone about that process? What progress have you made so far?

Sir Simon McDonald: Can you repeat the questions?

Stephen Gethins: Yes, of course. To prepare for leaving the European Union, we understand that each Department has been asked to consider its priorities and to present plans to the centre of Government. Is that something you are doing at the moment? Are you considering your plans and priorities?

Sir Simon McDonald: In the context—

Stephen Gethins: In the context of leaving the European Union and what that means in three years' time.

Sir Simon McDonald: I do not recognise a particular request, but it is what we are doing in any case. When we leave the European Union, the wiring of the United Kingdom in the international system will be different, so we are already thinking about that. As I have already said, the first response is quite close to home and is quite focused on key multilateral organisations. Looking further ahead, as the chief operating officer said, those countries with whom we want most quickly to develop a thicker trading relationship will also be in focus, and I would expect those relationships also to get more resource.

Q41 **Stephen Gethins:** Okay. Will you be publishing a plan for how that looks or for how the FCO will look in three years' time?

Sir Simon McDonald: Just by itself?

Stephen Gethins: If you are going to undertake the most important negotiations of your career on a fundamental change in the United Kingdom's relationship with other parts of Europe, will you be publishing anything on your plans or on how the FCO might look? Will there be anything that can be scrutinised by the House?

Sir Simon McDonald: All Departments, as you know, now have a single departmental plan. That will be the first vehicle for that, but I am happy to take away the idea that there should be a more public document in which we set out a wider ambition. You will understand that I need to discuss that with the Foreign Secretary.

Q42 **Stephen Gethins:** I understand that entirely, but given the importance that you have attached to these negotiations and that we all attach to these negotiations, I think there should be a plan in place for how you undertake those negotiations and for your future vision. As you did not plan for leaving the European Union prior to 23 June, I assume that you are quickly having to get up to speed on how things will look in the aftermath of that result. I therefore hope that at some point soon you will publish something that we can scrutinise.

Sir Simon McDonald: We will certainly publish something.



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Q43 **Stephen Gethins:** Have you ever been asked to input into a White Paper, or to prepare for a White Paper, in the aftermath of the High Court decision?

Sir Simon McDonald: The High Court decision on whether Parliament needs to be consulted before article 50 is triggered?

Stephen Gethins: Yes.

Sir Simon McDonald: Our lawyers in the Foreign Office are deeply involved in that process. I am not.

Q44 **Stephen Gethins:** Right, but no policy White Paper is being prepared at the moment for Parliament to scrutinise?

Sir Simon McDonald: At the moment, the Government Law Officers are in charge of this policy, with input from the specialists around Whitehall, including the legal adviser and his team in the Foreign Office.

Q45 **Stephen Gethins:** So there is no White Paper?

Sir Simon McDonald: To my knowledge, no.

Stephen Gethins: Thank you. I will pass over to my colleague, but I will have a couple more questions later.

Nadhim Zahawi: Briefly, David Davis told our Committee in September that his Department is responsible for UKRep in Brussels. You quite rightly confirmed that.

Chair: Aren't you shooting someone else's fox there? If it is on Brussels, I think Mr Gapes has that. If I am wrong, I apologise, but let me go to Mr Gapes.

Q46 **Mike Gapes:** In our September session, when the Secretary of State for Exiting the European Union came before us, he told me that he had full responsibility for UKRep. He said that, apart from what he called "pay and rations", there was no relationship with the Foreign and Commonwealth Office. More recently, when the Foreign Secretary came before us in October, I asked him whether UKRep reported to him. He said, "Yes, of course it does" and told us that he had "regular contact".

You wrote to us on 17 November that your view was that UKRep reports jointly to the FCO and the Department for Exiting the European Union. Can you confirm today that the turf war of personalities is over?

Sir Simon McDonald: My clear understanding is that this was debated when the Department for Exiting the European Union was set up in July. The decision was to copy the practice of a delegation elsewhere in Brussels, UKDel NATO, which reports to two Secretaries of State, the Foreign Secretary and the Defence Secretary. UKRep is going to have a similar arrangement but with the Foreign Secretary and the Secretary of State for Exiting the European Union, so there are two reporting lines from Brussels to London.

Q47 **Mike Gapes:** You wrote to us a few days ago that "we are developing a



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memorandum of understanding setting out how that will work in practice". Can you tell us when that memorandum of understanding will be made available to this Committee and to the public?

Sir Simon McDonald: It is already working in practice. The chief operating officer has negotiated with the new Department. Perhaps you could add some more detail, Ms Pierce.

Karen Pierce: On the whole, the MOU is on the pay and rations side—what happens if a member of UKRep is asked to do detached duty back in London or in Berlin, for the sake of argument. It is about terms and conditions, posting lengths and how the budget is used—for example, if they needed to strengthen a particular area, like lobbying.

Q48 **Mike Gapes:** So the memorandum of understanding already exists?

Karen Pierce: We are drawing it up now, but we have had an exchange of letters at official level to scope this out. It is all in line with the written ministerial statement that was given to the House.

Q49 **Mike Gapes:** When?

Karen Pierce: When the Prime Minister first announced the creation of the Department for Exiting the EU.

Q50 **Mike Gapes:** So what we have is a memorandum of understanding that is not yet complete, but is in line with the statement made by the Prime Minister prior to the two Ministers coming before our Committee and saying contradictory things. Is that true?

Karen Pierce: As the Permanent Under-Secretary set out, the Minister has appeared and he has just confirmed that UK Representation reports to two Secretaries of State. I expect that when the MOU is finally ready, we will repeat that, but the MOU itself is much less interesting: it is about how we operate the running of UK Representation.

Q51 **Mike Gapes:** Will that MOU be made available to Parliament?

Karen Pierce: We can certainly look at that, but we would not normally publish that sort of internal exchange of letters, emails, between ourselves and another Government Department, but I do not think that there would be any mystery in it, so we would be happy to show you.

Q52 **Mike Gapes:** So this Committee could see it?

Karen Pierce: If DExEU were happy—I am happy to ask them. But it is a joint minute.

Q53 **Mike Gapes:** I see. It is very unclear. Would they be making it available to the Committee to be chaired by Hilary Benn in that case, rather than to this Committee?

Karen Pierce: I do not think that at the moment they contemplate it needing to be available, because, I repeat, it is a very workmanlike document—but there is no secret in it, so if my colleagues are happy, I would be happy to show it to the Committee.



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Q54 Mike Gapes: Okay. We may come back to this. What mechanisms are there from the policy process? In your answer, Ms Pierce, you referred to the procedure with pay and the various procedural issues, but what mechanisms are in place to ensure that there is a coherent policy for these two Departments?

Sir Simon McDonald: One of the most important, Mr Gapes, is that many of the personnel working for the new Department are drawn from the Foreign and Commonwealth Office. Under our initial agreement, 35 policy officers, five lawyers, two researchers and two private secretaries went from the Foreign Office to the new Department, which is as you know is quite a small Department. In January, a DG from the Foreign Office will join DExEU and will be one of the three most senior officials in DExEU, so we are pulled together by personnel.

Karen Pierce: The two Departments also help each other with briefing. When the Foreign Secretary goes to the Foreign Affairs Council in Brussels, if the agenda items are those on which the EU Exit Department leads, it will provide the bulk of the briefing. Similarly, if Mr Davis visits Berlin and has wider talks, the Foreign Office would provide his briefing. The two Departments are working very well together.

Q55 Mike Gapes: While we remain within the European Union, what about the important work—the increasingly important work, given the American presidential election—of the common foreign and security policy of the European Union? Does that come under the FCO or the Brexit Department?

Sir Simon McDonald: It comes under the FCO.

Q56 Mike Gapes: Does that mean that Angus Lapsley, the ambassador on the Political and Security Committee, reports to the Foreign and Commonwealth Office, not to the Department for leaving the EU?

Sir Simon McDonald: Yes. He reports to the Foreign Office.

Q57 Stephen Gethins: On that, we understand that you lost a number of members of staff to the Department for Exiting the European Union—

Sir Simon McDonald: We loaned them.

Stephen Gethins: A better term. Are you filling those vacancies?

Sir Simon McDonald: No, because that work was transferred from the Foreign Office to DExEU, and part of the deal was that the transfer was of that work, so there is no need to backfill.

Q58 Stephen Gethins: Right. So there is no backfilling of those vacancies. In that case, has the loss of personnel been matched by a reduction in your responsibilities?

Sir Simon McDonald: Correct.

Q59 Stephen Gethins: What about longer term? Do you anticipate having to staff up at UKRep, for instance? Or are you already doing so?



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Sir Simon McDonald: UKRep is already a large mission for the FCO, for DExEU. A lot of the work that it is doing is driven by the contacts already made—so the people we have in UKRep Brussels are particularly valuable as individuals right now, because in our new situation the existing networks are going to be very important. I lay great emphasis on the shape and the personalities that we now have there.

Stephen Gethins: Do you think that UKRep will have to get bigger?

Sir Simon McDonald: That is something that I will discuss with my opposite number in DExEU. Right now, it is not decided.

Q60 **Stephen Gethins:** If it is to get bigger, or you anticipate that, will that be something you will report back to this Committee on?

Sir Simon McDonald: I expect us to be involved and yes, we will report back to the Committee.

Q61 **Stephen Gethins:** That would be very helpful. On the important issue of skills that you raised, will you talk us through what you are doing about recruitment, because obviously you need people with skills sets that you did not anticipate before 23 June? What is your recruitment process? Also, is there a concern about losing people with key skills to others who will need those skills as well?

Sir Simon McDonald: Recruitment and retention are strong in the diplomatic service. I met our batch of fast-stream recruits two weeks ago; they are as impressive and enthusiastic as ever. One of our emphases is on training, rather than recruiting for gaps. One response to the vote on 23 June is to set up for the first time a trade policy and negotiation faculty in the Diplomatic Academy. We are in the process of doing that, and we are doing it with DIT. We think that the best response is to train up people whom we already have, rather than recruiting expensively from outside.

Q62 **Stephen Gethins:** Okay. I have a final question, building on the Chair's earlier question on the bid to the Chancellor next week.

Sir Simon McDonald: Tomorrow.

Stephen Gethins: Tomorrow, sorry. Given that you are talking about a significant increase in the bilateral relationships with the 27 other member states, and given there is a possibility that you may need to staff up in Brussels too, when do you anticipate trying to go back for more cash?

Sir Simon McDonald: Life is a constant negotiation, Mr Gethins. What we will do in the first place is the best with what we have, and we will build a case over the next year and years for more, but what we have to demonstrate to you and to the Treasury is that we make best use of what we have, because our experience of the Treasury is that the first question they ask is, "What is the re-prioritisation?"

Q63 **Stephen Gethins:** Sure, but you certainly appreciate that the great irony of leaving the European Union is that you will need more bureaucrats, not fewer, in the aftermath.



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Sir Simon McDonald: I prefer not to call diplomats “bureaucrats”. The job of representing the United Kingdom on the wider international stage will be even more important when we are not in the European Union.

Q64 **Chair:** Sir Simon, before I ask Nadhim Zahawi to come in, can I ask whether the budget has gone with those people—the people who have gone to DExEU and the Department for International Trade? Does it come off your bottom line?

Andrew Sanderson: The formal transfer will be made in the supplementary estimates in January, but the money will follow the people.

Karen Pierce: It might be worth adding, though, that when the process of exiting is over and the negotiations are all done, our people who are on loan will come back, as Simon said. The expectation is that at that point the funding will transfer back with them.

Chair: We will come back to money. You can tell how impressed I am with the way this is going.

Q65 **Nadhim Zahawi:** Most of my questions have been covered, so I do not want to take up too much time. On the last point that you mentioned, Karen, ultimately this is a temporary thing, because it will be two and a bit years, presumably. Have you thought through how those people are going to come back? Are they all going to come back? Are some people being taken on on a temporary contract basis, where they do a job, get Brexit out, move on and do something else? Can you give us a bit more colour on how that will work?

Sir Simon McDonald: It is not just slots; it is individuals. These people joined the Foreign and Commonwealth Office, and it has been important, in talking to them as individuals, to say that there is a future planned. We have assured them that this is a temporary project. As I have already said, the clue is in the title of the Department of State. At the end of that project, we will bring them back. Because the world will be different, the work they come back to will not necessarily be the same, and they know that already. There will be plenty of other work to do when we are out of the European Union.

Q66 **Nadhim Zahawi:** On the US presidential elections, do you think there really is the potential for a quicker trade deal between the UK and the US now?

Sir Simon McDonald: I think that it is significant that the President-elect is interested in a trade deal with the United Kingdom. I suspect that it will be easier for the United States to negotiate an agreement—a quick agreement—with a country and an economy like the United Kingdom than with other potential partners. Yes, I think that both sides are interested, so yes, this is something that I would hope would happen sooner rather than later.

Q67 **Nadhim Zahawi:** So we are no longer at the back of the queue, as President Obama said to us.



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Sir Simon McDonald: There will be a new President in the White House from 20 January.

Q68 **Nadhim Zahawi:** And you don't think he will put us at the back of the queue. That is what you are saying; it is what I am hearing.

Sir Simon McDonald: I do not think we are at the back of the queue.

Q69 **Nadhim Zahawi:** Excellent. President-elect Trump advocated the proliferation of nuclear weapons during his campaign. If that came to pass, how would the FCO respond to countries such as Japan, Saudi Arabia and South Korea potentially having nuclear arms at their disposal?

Sir Simon McDonald: American campaigns are fascinating moments in political history. One of my previous jobs was for the secretary in the embassy in Washington. It was my job to follow the presidential campaign of 1996. I have to admit, Mr Zahawi, it was rather more boring than the campaign this year, but one thing I have learned is that what is said in the campaign is different from what happens when the winner is in the White House. I think it is very important for us to judge the new President by his actions in office. I think we have an opportunity to talk to him and his team before any of the subjects that he was asked about in theory become actual.

Q70 **Chair:** What about his actions in transition?

Sir Simon McDonald: The transition is under way, Mr Chairman.

Q71 **Nadhim Zahawi:** Let me push you a little harder on that, Sir Simon. President-elect Trump said yesterday that in his first 100 days he will deliver on coming out of the Asian trade agreement. If he were to decide that his foreign policy was to allow countries such as Saudi Arabia, South Korea and Japan to have nuclear weapons, what would be your position?

Sir Simon McDonald: There are already two conditionals in your sentence, so I'm afraid I'm going to hide behind them—

Q72 **Nadhim Zahawi:** Indeed there are; my job is to push you, on these things, to tell us what you will be recommending to the Foreign Secretary.

Sir Simon McDonald: I will recommend that we have a detailed conversation with the new Administration before any of these key subjects is decided.

Q73 **Chair:** What is your reaction to the extraordinary tweet yesterday?

Sir Simon McDonald: My reaction is that there is no vacancy in Massachusetts Avenue.

Q74 **Chair:** But it is fairly extraordinary, isn't it, that in transition, he has not got professional advisers around him to realise how gratuitously insulting it is to the United Kingdom to start selecting our ambassador to the United States?



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Sir Simon McDonald: Your words, Mr Chairman. I think that the United Kingdom will continue to select its own ambassadors, not only to the United States but to all countries.

Q75 **Chair:** I have assumed it was just a bit of harmless mischief. Do you think one should be any more substantive than that?

Sir Simon McDonald: All I will say is that we have an excellent ambassador in Washington, who today briefed the National Security Council on the US presidential election. There is no vacancy; I am not anticipating a vacancy.

Q76 **Nadhim Zahawi:** President-elect Trump has been critical of NATO. Can you clarify to our Committee the FCO's forward view on NATO and wider world security if the US substantially lessens its contributions, for example to NATO's budget, or adopts a set of policies whereby it might fail to fulfil its NATO obligations and come to the aid of an endangered member state?

Sir Simon McDonald: NATO is the cornerstone of our defence. I believe it is also the cornerstone of the defence of the United States. I think it is one of the top priority issues to discuss with the President-elect and his new team. But I note that, as a candidate, Mr Trump said various things that European allies need to pay attention to. One is about the disparity in effort between the United States and Europe on our common defence. Right now, 40-odd per cent of the European defence effort is American—for the continent of Europe. I think this is something that Europe collectively needs to consider: how much longer can the single biggest player be the United States?

Q77 **Nadhim Zahawi:** Is this yet another major strategic shock that will force you at the FCO to reorientate your policy approach?

Sir Simon McDonald: Possible, potential. It has not happened, Mr Zahawi.

Q78 **Nadhim Zahawi:** So it could be?

Sir Simon McDonald: If it were to happen, yes, it would be a strategic shock. However, I think that already Mr Trump, as President-elect, is saying different things about NATO and security.

Q79 **Ian Murray:** A quick follow-up to that questioning, Sir Simon. On a scale of one to 10, where would you put your level of concern with regards to the proposed new US foreign policy under President-elect Trump, as opposed to the current US foreign policy under President Obama?

Sir Simon McDonald: Mr Murray, I do not think that you can say there is a new American foreign policy, because there is not yet even a new Secretary of State designate. I think that we can wait some time before assigning any kind of mark, because there is nothing to mark.

Q80 **Ian Murray:** If this Committee asked you to produce a Foreign Office risk register between now and, say, 8 January, how high up would the US presidential election come on that risk register?



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Sir Simon McDonald: As you know, we do have a risk register, but part of the usefulness of that register is its confidential nature. I assure the Committee that we are looking at all factors.

Q81 **Chair:** There is a risk register that is published in association with the national security strategy and is the basis of the allocation of resources, or is meant to be—it is laughable when you consider the amount being spent on the deterrent.

Mike Gapes: We used to get it quarterly, in previous Parliaments; we used to get access to it.

Sir Simon McDonald: But the most interesting thing in this area, as you will understand, is necessarily confidential.

Q82 **Andrew Rosindell:** Sir Simon, on issues relating to British-American relations, will you use the opportunity of a new Administration—a new President who is clearly more likely to want to work with Britain and is more sympathetic to Britain—to change the American approach towards recognition of the Falkland Islands and Gibraltar as British, as the Canadians have done? Will our excellent ambassador in Washington also use the change of Administration to persuade them to allow Chagosian people to go back to British Indian Ocean Territory, so that we can uphold our human rights obligations?

Sir Simon McDonald: The ambassador will discuss the full range of foreign policy issues with the new Administration, for sure. That will include the matters you have outlined. However, as you know, Mr Rosindell, on the British Indian Ocean Territory, we have had a very careful look at the viability of returning islanders, and have decided that it is not viable. We are looking at other ways of maintaining their link with their ancestral homeland, which will be by visiting, rather than by returning to live.

Q83 **Andrew Rosindell:** But a change in Administration is surely an opportunity to bring the Americans in on this—

Sir Simon McDonald: But the basic facts of the difficulty of life on these tiny islands has not changed because of the election on 8 November.

Andrew Rosindell: We can beg to differ on that.

Q84 **Daniel Kawczynski:** My question has already been asked by the Chairman and some other members of the Committee, but there are two tangential issues that I wish to raise with you as the FCO recalibrates some of its responsibilities and priorities. I am interested to know what planning there is for a post-Brexit world where we still have 2 million of our citizens living in the European Union, and how you will ensure that their problems, so to speak, which they will inevitably continue to have, will be looked after. They will, I presume, lose some rights and securities, particularly those of our citizens living in Spain. Is there any work already starting to happen on what additional resources will be put into our embassies and areas to help our citizens out there?



Sir Simon McDonald: As you know, Mr Kawczynski, the status of UK citizens in the rest of the EU and EU citizens in the United Kingdom is one of the key planks of the negotiation, so that is still to be decided. It will happen in the context of the negotiation. For all the reasons you set out, it will be a very important part of the negotiation. The Government has made it clear that protecting the rights of our people elsewhere in the European Union is just as important to us as the ambition of other Governments to protect the rights of their citizens in the United Kingdom.

Q85 **Daniel Kawczynski:** Obviously, to go back to my earlier point, there will be even more enquiries at our embassies in a post-Brexit world in terms of the support and assistance that people will need. I remember the huge problems the Poles had when 900,000 came to live in this country. The consular services and the embassy were completely overstretched and were not able to deal with the huge diaspora that had built up in this country. I do not want us in a post-Brexit world suddenly not to have the capability and resources to help our numerous citizens.

Sir Simon McDonald: I take your point, Mr Kawczynski. As we look at our planning, we will bear it in mind.

Q86 **Daniel Kawczynski:** Secondly, I am very pleased to hear that the Prime Minister has now announced that there will be an annual Anglo-Polish summit. Obviously, a lot of resources will be required for implementing those summits. I don't know how many other Anglo summits there will be with European Union countries, but clearly we are selecting a number of countries with which we have strategic relations. Rather than just engaging with the European Union, we are going to go back to that sort of bilateral relationship, and all the conferences and summits that ensue.

I hope you will be given additional resources. I very much concur with the Chairman. The task ahead of you in the coming years is enormous. I am slightly concerned to hear that you are bidding for only £10 million. I really hope the Chancellor is listening to all the new responsibilities and requirements you will have.

Sir Simon McDonald: Thank you, Mr Kawczynski. As you say, the way we do business will look as it used to. There will be more bilateral summitry. We never stopped with some countries—as you know, there has always been a regular summit with France. There used to be one with Germany, but it fell away in about 1990. We will look again at how to reinforce these key relationships when we are not sitting round the Coreper I and Coreper II tables with those countries every week.

Q87 **Ian Murray:** I want to talk a bit about expertise in the Foreign Office. I am intrigued by the phrase “more foreign, less office”, particularly in relation to the report that was published on the future of the FCO, which says that too many of the 4,000 FCO staff are based in London. What balance would you put on where staff should be based in London and overseas?

Sir Simon McDonald: As you point out, the balance has shifted somewhat in recent years. As you know, Mr Murray, UK-based is very



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much more expensive than locally engaged, because of the package that accompanies an officer on a posting overseas. I do not have an ideal in mind to strive to. What I strive for is embassies that are able to do the job that the Government and the country needs. In doing that job, our local staff have played a vital part. They have been grateful for and responded very well to the extra challenge and responsibility given to them. I don't assume that the division that we have right now is not working.

Q88 Ian Murray: But are you happy with the balance?

Sir Simon McDonald: We have gone as far as I would wish to go in many countries where we have very small UK-based assets. All these posts, in the end, are the UK representation. It is important that they have not only UK leadership but, in key positions underneath the ambassador or high commissioner, there should also be a UK-based officer.

Q89 Ian Murray: That leads on to whether you, as the permanent secretary, feel there are any gaps overseas. I have just come back from the South Pacific. Many of the overseas territories there are very keen on having representation because of their profile and direct connection. Many felt the relationship was slightly diminished by not having a permanent representation. Are there any gaps that you feel we should be filling?

Sir Simon McDonald: We are represented in most of the world. We have 260 posts altogether around the world but, Mr Murray, you have been to a part of the world where our representation is relatively thinner, although we do have posts in Vanuatu, Fiji and Tonga.¹ We have to prioritise. I think the distribution of posts we have around the world is pretty robust and pretty well tracks where our main interests are.

Q90 Ian Murray: What, then, is the strategy for the Foreign and Commonwealth Office in trying to make it "more foreign, less office" if it is, in that sense, ultimately about resourcing?

Sir Simon McDonald: As you know, Mr Murray, that was a slogan. It encapsulates an idea; it is not the strategy of our Department. It reminds us that our focus should be overseas, which I think is fair enough. It reminds us that we are not there for bureaucracy's sake. To that extent, it is a useful slogan.

Q91 Ian Murray: I probably should say that your overseas officers in Vanuatu, Solomon Islands and Fiji are doing a tremendous job but it highlights that those are significant jobs. I think your high commissioner in Fiji covers a third of the world's landmass—or water mass.

Sir Simon McDonald: I was going to say the surface of the globe, perhaps, Mr Murray. A lot of it is water.

Q92 Ian Murray: Most of it is water, yes. Finally, with regard to the future FCO report, what is the reasoning behind re-badging desk officers as policy officers, and what kind of step change are you looking to make?

¹ The British High Commission in Nuku'alofa closed in 2006. Tonga is now covered from Fiji.



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Sir Simon McDonald: The motive is how people see themselves. Policy is what we are about as a Department of State. Sometimes there is uncertainty about where policy is initiated or rests. We want to be very clear. This is not something for directors and above; this is something that starts in the engine room of the Foreign Office. I think this is a signal to our co-workers of the importance of their role.

Q93 **Chair:** So are you going to empower people who are straight in off the street to promote policy?

Sir Simon McDonald: We do not take people straight in off the street, Mr Chairman; we empower them when they are recruited and trained and begin working.

Q94 **Stephen Gethins:** I have a quick question on the back of Mr Murray's questioning. There are obviously a number of UK citizens working in the European institutions with very significant skill sets. First, do you know what will happen to those UK citizens who work in European institutions and are there any plans to recruit them?

Sir Simon McDonald: I have a couple of points. One is that they have contracts with their employers in Brussels and they will continue even after the United Kingdom has left the European Union. It is significant that in the Commission there are still, in 2016, four Norwegians and one Icelander. That is a legacy of failed negotiations from the 1970s. The employer will abide by their contract. Personally, I would predict that promotion may become more difficult, but they are taken care of.

Q95 **Mike Gapes:** I have a quick follow up. Are you aware that there is quite a large number of people who have been living in Brussels for a considerable time who are now eligible for nationality of other EU states and are actively considering that at the moment as a result of the vote to leave the EU?

Sir Simon McDonald: I am aware; my brother is one of them.

Mr Holloway: Following up the point about posts from the hon. Member for Scotland—

Stephen Gethins: Which one?

Q96 **Mr Holloway:** I mean Mr Murray. Is there in some of these places a bit of an issue with DFID? I remember going to Kyrgyzstan, where there was a charming lady who was the DFID head. We did not have an embassy there, so she was basically treated like an ambassador. We went to Nepal, where there was a very able ambassador with three staff, yet he was very frustrated because DFID had 100 or 200 staff and he was the also-ran. Is there a problem out there in the world? Does there need to be a bit more of a realignment to make it clear that the Foreign Office is in charge?

Sir Simon McDonald: I visited Kathmandu myself earlier this year and saw some of what you sketch out. The key for me is that the ambassador or the high commissioner is the leader of the team on behalf of the whole of the Government—the whole of the official UK effort. That is our



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expectation as we send them. That is the relationship we expect them to have with other colleagues—working closely and collaborating as colleagues, but under the leadership of the top man or woman.

- Q97 **Mr Holloway:** Some elbows need to be blunted, then. Can you tell us a little more about the Diplomatic Academy, what it does and when you might go there? Is it like Sandhurst with its staff college? How does it work?

Sir Simon McDonald: You can visit it this afternoon, Mr Holloway—it has its main offices in Downing Street east, in our main building. It was set up two years ago in response to the need, which was identified by the Committee and others, for the diplomatic service to be more systematic about its training. It now has 12 different faculties. We have foundation level in all 12. We are rolling out practitioner level this year. I took part in the launch of the “Understanding the United Kingdom” practitioner level last week with Lord Hennessy. More and more people are engaging with the academy.

I draw your attention to two parts of its work, the first of which is languages and the relationship with our language centre. That is a vital skill for British diplomats. We are being more systematic about our training and our use of languages. As part of Diplomacy 20:20, we are reminding our colleagues that once we train them in a language, we as an organisation want to make repeated use of that skill over a career, because it is an expensive investment. The second area is programme management, which has become an increasingly important part of our work, and more people in the diplomatic service need to acquire and keep up to date that set of skills.

- Q98 **Mr Holloway:** On languages, I remember as a child going to the embassy in Tokyo and being amazed by how almost everyone on the embassy staff spoke Japanese. It was extraordinary. In 2007 or 2008, I asked a series of parliamentary questions, from which we gathered that there was not a single fluent Pashto speaker in Afghanistan, even though we had been engaged in that country for five or six years. About the only fluent Pashto speaker was a Gurkha officer called Ed Brandler, who was sent after a six-month tour to go and do a junior manning job in Glasgow. How have things improved now? Tell us a little bit about your TLA. I think that is the jargon.

Sir Simon McDonald: It means target language attainment. I can tell you that in Tokyo, the ambassador is so fluent that he tweets in Japanese and writes haiku in Japanese. I think that is a test. His successor, who arrives just after Christmas, has been retraining in Japanese for the whole of this year, so I expect that we will be led by fluent speakers in Japan in the future. As for Afghanistan, it happens that on my left is the most recent British ambassador to Afghanistan. I think Karen can update you.

- Q99 **Mr Holloway:** How many fluent Pashto speakers do you reckon we have now?



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Karen Pierce: I am afraid you will be disappointed. We do not have any UK staff who speak Pashto, because not being in Helmand, we have much less need for that.

Q100 **Mr Holloway:** How many speak Dari?

Karen Pierce: When I left, we had two fluent Dari speakers, but one of them was, sadly, medevacked, and I do not yet know whether he has been replaced by a speaker.

Q101 **Mr Holloway:** On the Afghan one—I know it was a while ago, but it is a systematic thing—how could we get to a stage across all these Government Departments where we were engaged in war, and had been for five or six years, and didn't have anyone speaking the local language? *[Interruption.]*

Sitting suspended for a Division in the House.

On resuming—

Q102 **Mr Holloway:** What I was asking was, notwithstanding Ms Pierce's comments about there being some people elsewhere who spoke Pashto, how could we have got to the point where we knew what we were doing and we had been there for a while, but we just did not have a pipeline of people speaking useful languages?

Sir Simon McDonald: The chief operating officer has personal experience and she will expand on that. One other point is that the ambassador, Dominic Jermey, is a Dari speaker. The ambassador speaks the main language of the part of Afghanistan where the embassy is.

Q103 **Mr Holloway:** But for future lessons, how could we have got to where we were 10 years ago?

Sir Simon McDonald: The pipeline was sufficiently robust that we have an ambassador who is a speaker. Karen, you have more to add.

Karen Pierce: I used to give speeches in Pashto and Dari. I used to memorise them and go through them with one of our instructors—an interpreter. A lot of colleagues in the embassy would learn Dari when they got to Afghanistan. Certainly some of the British staff dealing with bits of the Afghan system that would not generally speak English—a lot of the NDS and a lot of the NCA people—would learn Dari and use it in their everyday communication. A lot of them would spend most of each day with their Afghan counterparts.

From my perspective, if I was seeing Government Ministers, the vast majority of the Cabinet would speak English, and very good English. We also had very good interpreters, as did the MOD when they were down in Helmand. Although it is obviously good when dealing with parliamentarians and wider outreach if we have a pool of speakers who can get right in under the skin of the country, I always found there was a sufficient number of people who understood and spoke English such that I did not personally feel hampered in transacting business.



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Q104 **Mr Holloway:** But going back to 2006 or 2007, or whenever it is I am referring to, how did we get to the point—five or six years after basically going to war, and having a big task originally to help with reconstruction and whatever it morphed into—of having nobody speaking the main language of the insurgency that the Foreign Office was taking the lead on? Was that “less office, more foreign”? Is that what was going on then?

Karen Pierce: We had analysts back in the UK in a variety of locations who spoke both languages, and we were in close touch with people who were British but not Government servants, who travelled a lot to Afghanistan and spoke both languages. At the time, given the difficulties of deployment, our predecessors concluded that teaching Dari to staff who were not in the country for very long was not as important as finding these other contacts and ensuring that the analysts had the language.

Mr Holloway: That was another problem—length of tour.

Q105 **Chair:** While we are on languages, do you know how many speakers you have of each language? For example, if I asked you how many German speakers there are, would it be pretty straightforward to retrieve that information and would you know how quickly you could redeploy them to an urgent task?

Sir Simon McDonald: I can tell you that we have 660 language speaker slots in the network right now, and we monitor their target language attainment. The pool of speakers is held in our Prism—our management information system. Chief operating officer, can you help?

Karen Pierce: This year, we have trained 29 staff to speak Arabic, 28 to speak French, 16 to speak Mandarin, 28 in Russian and 17 in Spanish. I do not have the German figures, but it is easy enough to pull them off the system and let you have them. The ones I have given you are the languages you need in the United Nations—the official languages of the UN.

Q106 **Chair:** Right. Do you know how quickly you can deploy them from your central database?

Karen Pierce: Yes. If today there was a need for expeditionary diplomacy in a remote country where the languages that we speak were needed, we could pull that database off within minutes.

Q107 **Chair:** When you say there are 660 language posts—

Sir Simon McDonald: Speaker slots—jobs in the diplomatic network that require a UK-based officer who speaks the language of the country in order to do that job.

Q108 **Chair:** Isn't that rather a low number, given your service? How strong is the service?

Sir Simon McDonald: We have about 4,000 officers overseas. Many of those, as you know, are in English-speaking countries, including very big English-speaking countries.



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Q109 **Chair:** Will that 660 be a subset of that 4,000?

Sir Simon McDonald: Yes.

Q110 **Chair:** So you have then got additional locally recruited staff who have language skills?

Sir Simon McDonald: Yes. That figure does not capture local staff. All our local staff speak the language of the country in which they are working.

Q111 **Chair:** Do they? There are lots of English people who are based in your mission in Beijing. I was not completely certain that their Mandarin would be—

Sir Simon McDonald: A fair correction, Mr Chairman. In principle we look for speakers, but we cannot succeed in that objective in all countries, particularly Category A security countries.

Q112 **Chair:** I want to ask you about classified matters and local people. I was struck when going to Bratislava that we have two UK-based diplomats. The difficulty of them sustaining the workload that related to classified matters seemed rather obvious, quite apart from the fact that it seemed extraordinary that there is a European Union state in which we had two British-based diplomats.

Sir Simon McDonald: You will be glad to note that, for the Slovak presidency of the EU right now, we have increased the number of UK-based staff—we now have four or five in Bratislava, but that coincides with the presidency. This is part of the review I have already referred to: in a number of partner states, we made the ambassador more junior and reduced the number of UK-based, so it is those countries in particular at which the extra resource is directed.

Q113 **Chair:** Can we turn to the Diplomatic Academy? How much diplomacy does it teach?

Sir Simon McDonald: What do you mean?

Q114 **Chair:** Does it give courses in diplomacy?

Sir Simon McDonald: It gives courses in tradecraft. Negotiating is one such, and—

Q115 **Chair:** What—contact-making, networking skills, tough talking and all that stuff is done by the academy?

Sir Simon McDonald: How to be a diplomat, yes.

Karen Pierce: Supplemented by masterclasses given by people like us to more junior colleagues. We also invite alumni back to help with those masterclasses, so you get more than an academic approach.

Q116 **Chair:** Do you think “academy” is slightly stretching a point in the title when there is no permanent academic faculty, no journal and no professional qualification? It is just really a series of training courses—a lot of them e-training—that people sign up to.



Sir Simon McDonald: But it is in its early days, and it is an indication of our ambition. We plan to build on what we have started and we are already looking for external validation of the courses and qualifications we give. At foundation level we have City & Guilds, which as you know is a relatively easy validation, but as we look at the practitioner and expert level we are looking for heavyweight academic partners.

Q117 **Chair:** What is your ambition for this?

Sir Simon McDonald: My ambition is that if you get an expert-level qualification from the Diplomatic Academy, it will have been validated by a university so it will be the equivalent of a degree or a master's qualification—something like that.

Q118 **Chair:** Wouldn't it be nice to have a real academic institution—a proper college or university—hosting a diplomatic academy?

Sir Simon McDonald: I think it is a real one, but it is in its early days—

Q119 **Chair:** But is it your ambition to take it there?

Sir Simon McDonald: The ambition is to provide a centre of excellence where not only British diplomats but other people from across Government working in the overseas policy space can train and acquire qualifications that are validated and therefore worth something outside the Foreign Office. At the moment, our training is internal, so my board would be impressed if you had done a qualification through the Diplomatic Academy. Ideally, later it will have wider currency. I think that would help its prestige and it would help the organisation.

Q120 **Chair:** Mr Holloway and I were both soldiers. We came out of an institutional framework where training was incredibly important. You had officer training, junior staff courses, senior staff courses, and the Foreign Office always had a sense of the gifted amateur and brilliant people being recruited. Now they are going to be doing policy from the moment they descend on a desk.

Sir Simon McDonald: They would be contributing to policy.

Q121 **Chair:** In this era of professionalisation there is an opportunity to do something. Given the quality of people you have, their ongoing training would presumably be lined up with the best educational institutions in the UK.

Sir Simon McDonald: That is the objective. We are learning from what the military have done and we are conscious of not doing well enough, so we are addressing it. It will take time. The start has been good. The service has responded. We have just got our staff survey results for 2016. On learning development, it is up to 60%, which is much higher than most Departments in Whitehall.

Karen Pierce: May I add to that list, Chairman? We also participate in external learning courses. The Diplomatic Academy and our research analysts will run tie-ups with various academic institutions. I did a master's at LSE through the Foreign Office. Within Whitehall, some work is



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going on through the new learning and leadership board to take the best of the MOD courses and Shrivenham and the best of our Diplomatic Academy and make them more widely available across Whitehall. That is very much in its infancy, but we want to see what more can be done collectively.

Q122 **Chair:** Is there work to be done with any of the agencies in this area?

Sir Simon McDonald: We share some training, yes.

Q123 **Mr Holloway:** Obviously, you have the language skills, but for the other bit of it, what did you use to do in the past before you had this academy? What did you two do? You are very senior now. What training did you have?

Sir Simon McDonald: It feels like a confession, Mr Holloway. A lot of the training was on the job—the most valuable training. Most training models acknowledge that what you do by seeing it done is the majority of training. In my first two jobs overseas I worked very closely with the ambassador as a sort of private secretary. I learned the trade in Jeddah and Riyadh and Bonn. In addition, there was language training, so I was taught Arabic and German by the Foreign Office. Other training was done through the Civil Service College, which now has a virtual existence rather than a physical one. That change in the overall Whitehall environment caused us to rethink. We have more specific needs. The diplomatic service has different training needs from the home civil service, so we have got a hold of our own training. As I keep stressing, we have made a start. We think it's a good start, but we are not even halfway into this journey.

Q124 **Mr Holloway:** May I be slightly controversial, probably very unfair and certainly very unscientific? You continue to have extremely able people who can argue anything and think through anything. You still get the brightest and the best. Is there some sense in which, in recent years, the Foreign Office has been somewhat diminished? I can't speak for my colleagues, but in the last 12 years or so, I have been in embassies and consulates around the world. I have been blown away sometimes by the extraordinary people that you have, but I have also occasionally thought, "Wow. That is just terrible." I'm thinking of a few of the ambassadors we had in the early days in Kabul. It's a stupid thing, but I remember a consul in one of the Emirates being affronted when I kindly reminded him that his top button was undone and he was entertaining Emiratis. I don't know—is there anything in that?

Sir Simon McDonald: I feel that you have become very anecdotal in the point you are making.

Mr Holloway: I can only be anecdotal. I can't be scientific.

Sir Simon McDonald: I will grab hold of the key point you made at the beginning, which is that the diplomatic service continues to attract the brightest and the best. We have exceptional people. I accept that it is not everywhere—we know that—but the standard is very high, and our objective is to bring everybody to that high standard.



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Q125 **Ann Clwyd:** In April, the Committee said that the FCO's budget should be doubled or trebled in the event of a vote for Brexit. Given the other foreign policy challenges that have emerged since the referendum, we would expect the FCO to receive a significant increase in funding in tomorrow's autumn statement. What are you expecting?

Sir Simon McDonald: I expect the Chancellor to set out a difficult financial backdrop. As you know, Ms Clwyd, he has already spoken in public about eye-watering levels of debt. The task, given the backdrop for the country, is tough, and we will be affected by that. We got a decent settlement in the spending round last autumn. It is my task and the task of my board to make the best of it. We are, as I have already said, building a case for more. We are grateful for the support that the Committee and others give us in that task, but we are realistic.

Q126 **Ann Clwyd:** You don't want to hazard a guess, do you?

Sir Simon McDonald: I am hopeful that the joint bid with DIT will give us some more money for extra trade policy officers in the network.

Q127 **Chair:** How much has come off your bottom line because of the personnel changes?

Sir Simon McDonald: Because of the transfer to DExEU, in particular?

Andrew Sanderson: It will be about £2 million to £3 million, I think. It is a relatively small transfer. The details will be finalised with a supplementary estimate. The work will go with the people, so the net effect should be—

Sir Simon McDonald: It is mostly their salaries.

Q128 **Chair:** Do you anticipate all that capability returning when Brexit is over?

Sir Simon McDonald: Yes.

Q129 **Chair:** So there will be an uptick in the bottom line.

Sir Simon McDonald: Yes.

Q130 **Chair:** Have you got that in blood from the Treasury?

Sir Simon McDonald: It is part of the agreement with DExEU that those people are loaned. They do not necessarily return to the same job they left, because of course the world will be different, but they will return to the Foreign Office.

Q131 **Chair:** Let us now turn to how it is possible to run a proper policy when the ODA allocation for your core budget is £560 million by 2019-20. You can't spend that money in the European Union and the Middle East, which is where our priorities are. How are you going to manage that particular trick?

Sir Simon McDonald: As you know, Mr Chairman, the percentage of our budget that is ODA has increased since 2010, when it represented about 8% of our budget. Now it is over 30%, and by the end of the spending



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round, it will be about 40%. My point is that in increasing the amount we do with ODA, we have not stopped doing other things. It has been an addition to the efforts of the Foreign and Commonwealth Office.

Q132 **Chair:** But if you were given a free hand, you wouldn't be doing stuff in the ODA areas. You would be doing it in the European Union and the Gulf, probably—and, indeed, the Commonwealth.

Sir Simon McDonald: We are making the best use of that resource, Mr Chairman.

Q133 **Chair:** But that means Mr Sanderson is running the policy, because he controls the money. He is being told by the Treasury—there are also rules—that it's got to be spent in countries that are ODA-able.

Sir Simon McDonald: That portion of the budget undoubtedly does have to be spent in ODA-eligible countries, but that is only a part of the work of the FCO.

Q134 **Chair:** Is there the slightest prospect that we might get to an intelligent place about the use of defence, diplomatic, development and agency money? Can we do it across the board?

Sir Simon McDonald: The work of the big cross-departmental funds is encouraging in this respect. We have the Conflict, Stability and Security Fund. We have the Prosperity Fund. Many Departments can call on them, and they are, I think, working well, pursuing the Government's objectives. The CSSF is fully committed, is growing and is achieving its objectives. There are some good projects—from Syria to Lebanon, in Pakistan, in Africa—where the CSSF is having the effects intended. It is because the Departments are working together.

Q135 **Mike Gapes:** Can I ask you about the CSSF? About a quarter of your total funding comes from the CSSF. Is that correct?

Andrew Sanderson: Yes. It is just over £700 million out of our budget, so it is about a third of our budget.

Q136 **Mike Gapes:** Right. You are the largest beneficiary of that among the Government Departments.

Andrew Sanderson: Correct.

Q137 **Mike Gapes:** But other Departments can also bid for it.

Sir Simon McDonald: Correct.

Q138 **Mike Gapes:** So you haven't got a long-term guarantee of that funding. It could potentially go to other Departments.

Sir Simon McDonald: Correct, but the FCO has a good track record in proposing viable and agreed projects. It is also the source of some automatic money, such as the peacekeeping.

Q139 **Mike Gapes:** There seems to be a considerable lack of transparency about CSSF funding allocated to your Department. We don't have the



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information in a detailed breakdown. You have only given two lines on peacekeeping and conflict prevention programming, whereas the Department for International Development gives a breakdown by region in its annual report of the funding that comes out of the CSSF. Why is there that difference? Why are you less transparent than the other Department?

Andrew Sanderson: There is separate reporting on ODA spending as a whole; for example, some statistics published this week give a breakdown in more detail. That includes the CSSF alongside other Departments.

Q140 **Mike Gapes:** Is that separate reporting by you? I am not clear from your answer what you mean.

Andrew Sanderson: That is a cross-Government publication.

Q141 **Mike Gapes:** So the FCO doesn't provide the breakdown. Who is it provided by?

Andrew Sanderson: In that case, that is part of a cross-Government, statistical publication on cross-Government ODA spending as a whole.

Q142 **Mike Gapes:** Which is public?

Andrew Sanderson: Which is public.

Q143 **Mike Gapes:** But you don't include it within your own submissions and evidence to us, or other publications.

Sir Simon McDonald: So you are asking us to consider, Mr Gapes, putting more detail about CSSF spend in the annual report.

Q144 **Mike Gapes:** I cannot see why you don't, if you are spending CSSF funding, it is a considerable part of your expenditure, and another Government Department—DFID—provides such a breakdown.

Sir Simon McDonald: We will take that away.

Q145 **Mike Gapes:** How much of the CSSF allocation that you spend is actually ODA-badged?

Andrew Sanderson: Of the amount that we spend, we think it is about £58 million of the peacekeeping budget, and about £230 million or so of the remaining bit of the budget. So just under £300 million is the estimate for this financial year.

Q146 **Mike Gapes:** Would it be accurate to say that in the past we used to put our contributions towards the United Nations as a payment that came out of the FCO, but now we have rebadged our contributions to UN peacekeeping as coming from FCO but ODA-badged? So in fact, although there has been a cut in the FCO's overall allocations, you have scooped up money that is then rebadged as part of the 0.7% international development budget, and that is then paying for the UN peacekeeping contributions, whereas previously that used to be paid by the FCO. Is that true?

Andrew Sanderson: I think it is certainly true, as the PUS mentioned,



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that five years ago less than 10% of the budget was ODA-able. As part of what has changed over that period, some of it has been legitimately classifying as ODA things that can be legitimately classified as ODA.

Q147 **Mike Gapes:** So it could have been classified as ODA all those years ago, but you never did?

Andrew Sanderson: That is true, yes.

Q148 **Mike Gapes:** So, of what we now call overseas international development spending—the 0.7%—if we had actually counted it in a different way in previous years, we would have had a higher amount than 0.7%? To meet the criteria, we are still strictly meeting the 0.7% target, but we have rebadged what used to be contributions to UN peacekeeping through the FCO.

Sir Simon McDonald: I do not think it would have been higher than 0.7%, but it would have been higher than was declared for those years. More spend that was taking place in those years, when ODA was on the journey up to 0.7%, could have been so badged.

Karen Pierce: On the other hand, if I may, some of the DAC rules have evolved, particularly in the last couple of years. It is now possible to put score more security spend as ODA, if it has a stabilisation effect. That was not possible two to three years ago. It is not quite like for like.

Q149 **Mike Gapes:** Is it possible for you to send us a note to explain what those changes are and what the implications of those changes are, in terms of your budget and what is ODA-able?

Sir Simon McDonald: Yes.

Q150 **Mike Gapes:** It is not exactly clear at the moment. Evidence to the Joint Committee on the National Security Strategy from the CSSF framework suppliers said that the FCO is weak, in terms of programme management and commercial procurement, compared with other Departments. Do you accept that criticism? Do you agree with that?

Sir Simon McDonald: As I have already said in answer to a question from Mr Holloway, we see that programme management is an important new skill for the FCO to acquire, and that is a focus of our training this year.

Q151 **Mike Gapes:** Are you getting training from other Government Departments?

Sir Simon McDonald: Yes, we are drawing on best practice, particularly from DFID. Indeed, we have seconded staff from DFID to key jobs in this area to help us.

Q152 **Mike Gapes:** The CSSF has been in existence for about three years; it was announced in 2013, anyway.

Karen Pierce: It evolved, yes.

Mike Gapes: It evolved. Why was this lack of programme management



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not foreseen at the time?

Sir Simon McDonald: We have had and we are now having more, so it has become more important for us. That is why we have this response.

Q153 **Chair:** Tell me it's more important for you. If one of these bids that is done on a cross-departmental basis blows out, your whole budget is in deep trouble, is it not? Because of the amount of money that is involved in the share of the FCO overall expenditure that is now part of CSSF, how on earth do you do long-term planning in the Department? If the CSSF falls over for some reason, or if it is decided that the money is going to be spent with the MOD, you will have to sack about half of the Department.

Sir Simon McDonald: I do not accept that contention. I think that that happens in the CSSF policy space, but the core budgets of the Foreign Office are separate from that. We would still be able to pay for our network, even if we did less well in the CSSF round.

Q154 **Mike Gapes:** But within that funding there are areas, like the contributions to UN peacekeeping, that are not really discretionary, are they?

Sir Simon McDonald: And are not treated as discretionary in the governance around CSSF, so I do not expect that the CSSF will stop paying for our peacekeeping contribution.

Mr Hendrick: There is a commitment to the 0.7%. That's what's important, and that's why you haven't got the worry about what the Chairman expressed.

Q155 **Chair:** Except that if it is then decided that the money within the CSSF should be spent with other Departments. How many career diplomats are engaged in the FCO-CSSF expenditure? Are you saying it is not employing anybody?

Andrew Sanderson: We think there are about 170 FCO staff who are paid through the CSSF programme as a whole, but a lot of those are secondees from other Government Departments. Probably the answer in terms of core diplomats would be very low.

Karen Pierce: In posts abroad, Mr Chairman, the ambassador will chair a cross-embassy programme board. Back in London, the policy director in the Foreign Office will chair a cross-Whitehall programme board. That is not so much a mechanical thing as to ensure that programmes absolutely follow policy and are there to deliver policy.

To that extent, diplomats are involved in programme allocation but it is from a strategic point of view rather than a technical one. However, programme delivery skills are quite important within Whitehall as a whole, so some of our staff who would eventually like to go for a job elsewhere in Whitehall will take advantage of the programme training. That is not losing a person; that would be someone going out and then we would fill that slot by someone coming in.



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Q156 **Chair:** Before coming on to the use of the CSSF funding, I have a couple of quick questions on the detail of finance. The recent fall in the value of sterling: what has that done for cost pressures in the budget?

Andrew Sanderson: We have a foreign currency mechanism agreed with the Treasury that protects our running costs and core programmes spent in overseas currencies, so we have broad protection.

Q157 **Chair:** Right. How long do you have that for?

Andrew Sanderson: That is a recurrent deal that we have. It works every year. It is agreed that that will extend for the duration of this spending review period.

Chair: The whole spending review period. Okay.

Sir Simon McDonald: It would be fair to add that it does not cover our complete exposure. It covers up to a ceiling. At the moment, we might have £15 million that is not covered.

Andrew Sanderson: That is for the related protection we have on overseas inflation, which has a cap at the moment. We have a parallel scheme that the Treasury agreed and started recently that protects against the costs of overseas inflation being higher than UK inflation. At the moment, that has a cap of £10 million this year. There is no cap on the foreign currency mechanism. There are limitations and it has some restrictions of scope, so it does not completely protect us against exchange rate fluctuations, but broadly it provides a reasonable protection.

Q158 **Chair:** I realise that this might be a career-limiting question. Do you agree with the permanent under-secretary that £15 million is the figure that you have got to cover—that you are not covered for by the Treasury mechanism?

Sir Simon McDonald: I think the cap relates to the separate mechanism, which is for differential inflation. I think that there is a legitimate question there: is £10 million the right level to cap that when we think our genuine costs of overseas inflation being higher than in the UK are considerably higher than £10 million? There is certainly a legitimate concern about that.

Q159 **Mike Gapes:** Your contributions to the United Nations are paid in dollars and your contributions to the European Union and other related things are presumably priced in euros. Given the level of uncertainty that is current around Brexit, have you gone to the Treasury to try to get some possible contingency plan if the American dollar suddenly strengthens significantly against the pound over the next two or three years?

Andrew Sanderson: There are two elements to that. Our contribution to the UN peacekeeping budget, which, as we discussed, is part of the CSSF—£366 million—has a separate arrangement where we forward-purchase dollars mostly, and some euros, to give hedging against changes in the exchange rate.



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That falls outside of the scope of our agreement with the Treasury. Our other international contributions or subscriptions are covered by the foreign currency mechanism that we have with the Treasury, which provides broad protection against fluctuations in a range of different currencies, including the dollar and the euro.

Q160 **Mike Gapes:** But haven't you thought that, given the uncertainties following the presidential election in the US and what is now happening in Europe, you might perhaps need to rethink and have a more guaranteed level of income for the future in real terms?

Andrew Sanderson: Well, in effect that is what the foreign-currency mechanism does. It essentially provides a mechanism whereby our budget is adjusted in January in the supplementary estimates, in the light of the actual exchange rates over the course of the year. If we need more money, there is an agreement that the Treasury would top us up. If sterling—

Q161 **Chair:** Up to a point.

Andrew Sanderson: No, there is no cap on the exchange-rate protection.

Q162 **Chair:** But there is a cap on foreign inflation.

Andrew Sanderson: That is right.

Q163 **Chair:** And your total exposure is what? Are you through the cap now?

Andrew Sanderson: We think our total exposure this year is of the order of £20 million to £25 million, of which £10 million—

Q164 **Chair:** So that's where the £15 million figure comes from.

Andrew Sanderson: That's right: £15 million would be uncovered by the agreement.

Q165 **Chair:** What we gather from this is that you have bid for £10 million and hope you are going to get that tomorrow, and you are going to lose £15 million on foreign inflation, so you are definitely going to be down by something tomorrow, and you are going to acquire some extra responsibilities, because presumably they expect you to do something if you get the £10 million bid.

Andrew Sanderson: I suppose the context is that in the past overseas inflation has always been higher on average, certainly in lots of parts of the world, than in the UK. Last year was the first time we have had an explicit scheme that provides some protection. It is not complete protection, but it provides a contribution. To that extent, it is an improvement on what went before.

Chair: How terribly reassuring for a Department that is on its financial uppers.

Q166 **Daniel Kawczynski:** Is CSSF funding going to be made available for the stabilisation of Mosul, once the city has been liberated?



Sir Simon McDonald: Mosul is a continuing project for the international community. As you know, the military operation to retake the city has been under way for some weeks; the military tell us that they expect it to continue for quite some time to come. That operation is led by the Iraqi Government, and in the international community the US are in the lead, but yes, we have plans to help in the rebuilding and rehabilitation of Mosul, once it is liberated.

Q167 **Daniel Kawczynski:** When you say you have plans, what does that equate to in terms of budgetary figures or the resources available to you?

Sir Simon McDonald: I do not have a precise figure, but that is one of the things we want to do. I can write to the Committee with further details, but it is a moving target right now. What is required is not clear because the Iraqi Government are not running the city. Once it is cleared of Daesh, there will have to be an assessment of what its detailed requirements are. I believe that the Iraqi Government will remain in the lead and the international community, including the United Kingdom, will support them.

Q168 **Daniel Kawczynski:** If you could kindly write to us with the figures, I would be very interested in looking at them.

You have mentioned the Iraqis taking the lead, along with some of our international partners. What sort of work is happening with the Americans, the French and others to ensure that there is an international approach on this and that an adequate amount of money and resources are pooled to help the city? Mosul has clearly been completely devastated. It will take a huge amount of resources, expertise and know-how to help the Iraqi Government to get it off its knees when it is fully liberated.

Sir Simon McDonald: I am sure you are right, Mr Kawczynski, but I repeat: we do not know the full extent, and that assessment will be made after the liberation. The UK will play a role, but I do not think I would characterise our role as the lead role in the international community. It would be an American lead with UK support.

Q169 **Daniel Kawczynski:** Any additional information that you can share with us when you write to us about what discussions, if any, are taking place with the French and the Americans on this would be very helpful.

Sir Simon McDonald: I understand, and of course by the expected time of liberation we will have a new Government in Washington, DC, and that, too, will be relevant.

Q170 **Daniel Kawczynski:** In the Committee's report on the Libya intervention in 2011, we recommended that the FCO should critically review the UN's ability to lead stabilisation efforts. However, the FCO has rejected this recommendation. Does the current situation in Mosul suggest that the FCO should think again?

Sir Simon McDonald: We work closely with the United Nations on stabilisation. I was recently in Somalia, where the stabilisation programme is called CRESTA, and the UN is in the lead in stabilisation efforts, with the



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UK and other parts of the international community in support. My experience is that we work closely with the United Nations on stabilisation.

Q171 **Daniel Kawczynski:** One of the reasons I am asking this question is that others have said we do not want Mosul to go the way of Libya. This lack of international co-ordination and assistance in an area that has been recently liberated is obviously extremely important bearing in mind what has happened as a result of inaction in Libya—that is a classic case in point.

Sir Simon McDonald: I take your point, Mr Kawczynski.

Daniel Kawczynski: Thank you.

Q172 **Ann Clwyd:** I have a number of questions that I want to ask you about this. Obviously, the UK has a significant stake in the successful liberation and stabilisation of Mosul. I wonder if you have been asked by the Iraqi Government to look at its plans for this. Have you got any input at all into its proposals?

Sir Simon McDonald: As you know, Ms Clwyd, Frank Baker our ambassador is well dug into the Iraqi Government in Baghdad. As you also know, he and his embassy discuss a wide range of issues with the Iraqi authorities, and Mosul is one of those issues, yes.

Q173 **Ann Clwyd:** There is going to be an Iraqi delegation of MPs here next week, under the IPU programme. Will you be meeting any of them?

Sir Simon McDonald: I have to report, Ms Clwyd, that they have not asked to see me. If they had, I would be happy to see them if I am in the UK.

Ann Clwyd: May I pass that on to the delegation?

Sir Simon McDonald: Of course.

Q174 **Ann Clwyd:** The Chair was told in an informal conversation with someone from the LSE that the Iraqi Government was being told that the US Administration insists that the Iraqi Government has sole responsibility for creating and implementing a political plan for the city's stabilisation. We all know that its capacity to do so is in doubt.

Sir Simon McDonald: I would repeat that the Iraqi Government needs to be in the lead, Ms Clwyd. This needs to be an Iraqi-owned operation, but I also agree with your implication that the international community has to be alongside the Iraqi Government, and that is our intention. The US is the biggest external player, but the UK will also be there.

Q175 **Chair:** So there is no political plan for post-liberation Mosul.

Sir Simon McDonald: I am not, as I sit here, aware of the detail of the—

Chair: The Foreign Secretary wasn't aware of it either at Commons Question Time yesterday.



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Sir Simon McDonald: But I have already undertaken to write. Now that I have a better sense of what the Committee is asking for—

Q176 **Chair:** The anxiety is that there needs to be a plan for how Mosul will be administered once it is captured. We are taking part in the capture; we are training people; we are flying air missions in support of the operations along with our partners; we are standing by with, obviously, a substantial contribution from the stabilization fund, to do some of the aid and assistance work; but there is no political plan.

Sir Simon McDonald: But this plan, Mr Chairman, must be owned by the Iraqi Government. This is not a British operation and not a British—

Chair: So the United Kingdom and the United States—

Sir Simon McDonald: I will, as I say—I have a clear idea of what you and your Members would like us to write about; it is where we fit in, how much money we plan to devote to what sort of project, after the liberation of Mosul. So there is a clear request.

Q177 **Chair:** I just want to be clear, here. We have embarked on an operation with our allies, led by the Iraqis, to liberate Mosul, and we have bought in to an op; we have been prepared to buy into that—supply the training, fly the aircraft—with no apparent plan for how the city is administered.

Sir Simon McDonald: To achieve the short-term agreed objective of liberating Iraq's second city from Daesh, which was an urgent objective.

Q178 **Chair:** But all the lessons of not just Libya but Basra, Helmand and almost everywhere else we have been would suggest that it might have been an idea to get this sorted out before the military exercise to get Daesh out of there was started.

Sir Simon McDonald: All the lessons are that the Iraqis, under Prime Minister Abadi, have to be in the lead.

Q179 **Mike Gapes:** It is reported today that the Iranian-backed Badr brigade militias from the Shi'a community in Iraq, having cut the connection between Mosul and Raqqa, are intending to help the Assad regime to retake areas in Aleppo and elsewhere. Given that that is happening, and that the Turkish Government has today issued an arrest warrant for the leader of the PYD, Salih Muslim, whose organisation is apparently being armed by the Americans and fought with the Kurdish Peshmerga in liberating the Yazidis, and is seen, at least by the Americans, as an ally—but not by the Turks—don't we have any plan in any discussion; or are we waiting on the inauguration of the new President of the United States before we do anything?

Sir Simon McDonald: I do not think, in that part of the world, with all our experience of that part of the world, that it is correct to think of what is the British plan. I do not think it is our responsibility—still less our capability—to be the decisive player in Iraq or Syria.

Q180 **Mike Gapes:** I am not saying decisive; but don't we have any discussions



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on what happens?

Sir Simon McDonald: We do have, of course, Mr Gapes. As you know, the objectives of different players prove violently different, and as you are explaining, the Turkish priority is a fixation on the Kurds. That is different from the Americans.

Q181 **Mike Gapes:** I heard President Erdoğan yesterday berating the NATO Parliamentary Assembly, the Americans and the European Union for failing to agree with his assessment of the situation in Syria.

Sir Simon McDonald: Indeed.

Q182 **Ann Clwyd:** The UN's efforts to lead the stabilisation programme are inadequate; we know that from reports already. So don't we have a greater responsibility, given our involvement with Iraq, and our continuing involvement, to make a greater effort—and I am not saying you haven't done this—to assist the Iraqis? We met the Inter-Parliamentary Union Iraqi delegation two weeks ago in Geneva. They are very concerned about the lack of planning overall. We know that, so surely we have got a greater responsibility.

Sir Simon McDonald: We have a responsibility for what we have done in Iraq over the decades, particularly in 2003 and the years that followed; but we were always the junior partner in the international effort. I do not think we have the resources to assume the leadership role. We have a duty to have a thorough conversation with the new American Administration about the overall effort, about the shape of that effort and about where we fit in, but I do not think we can take the leadership role—I do not think we are resourced.

Q183 **Nadhim Zahawi:** As we saw on our last visit to Baghdad, Frank Baker works very closely with the US envoy, Brett McGurk, and of course his advice has been instrumental to the Iraqi Prime Minister. Some work is already taking place in the liberated parts of the Sunni region of Iraq around Fallujah and Anbar, and the Italian carabinieri, for example—obviously, policing is devolved in that country—are having great success in rebuilding the local police forces and have delivered stability and security in those parts. Presumably the plan would be led by the Iraqis in a similar structure—in other words, allowing more Sunnis to create the police force that will ultimately secure the residents of Mosul.

Sir Simon McDonald: You are absolutely right. The Sunni have to feel that the Government of Iraq is on their side, and much of the trouble since 2003 is that the Sunni, who are used to ruling the country, suddenly discovered the disadvantages of their minority status and feel that Iraq is being run for the exclusive benefit of the Shi'a population. This change in approach is understood by Prime Minister Abadi. His Sunni citizens need to feel that his Government is also their Government. That is the project.

Q184 **Ann Clwyd:** In my view, from 2003 onwards we should have played a much more assertive role in Iraq than we did, so this is an opportunity to do so now.



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Sir Simon McDonald: I will describe what we are doing.

Q185 **Chair:** Sir Jeremy Greenstock's recently released book makes exactly the point about just what influence he had over the Americans back in 2003. Our Committee has communicated its anxiety about the fact that there does not appear to be a political plan.

Sir Simon McDonald: I went to a presentation by Sir Jeremy last week, and it is not that we had no influence but that we had to husband our influence and use it where it was going to have most effect.

Q186 **Daniel Kawczynski:** I have one plea. I met the Iraqi ambassador last week when he came to visit, and he was talking a great deal about bilateral trade. Clearly, we are talking about stabilisation of Mosul but, ultimately, the long-term solution is for a massive ramping up of trade between the United Kingdom and Iraq. I think Baroness Nicholson has an official position as some sort of envoy to Iraq, but my plea to you is the message that I said to the Iraqi ambassador: we must have a very high-profile commercial trade envoy to Iraq who understands the language, who lives and breathes the place and who is at the forefront of spearheading a renaissance in Anglo-Iraqi trade, which is so vital for the country going forward.

Sir Simon McDonald: As you acknowledge, the relationship is already close. Our oil companies have been deeply involved for decades, so there is something to build on, but I take your point.

Q187 **Ann Clwyd:** I just want to say in response to Mr Kawczynski that I chair the all-party parliamentary group on Iraq, and I can tell you that the Iraqis are interested in much more than trade. They are interested in healing the sectarian divisions in their country, and they want the UK to assist them.

Sir Simon McDonald: I agree.

Q188 **Chair:** Turning to corporate capabilities and modernisation within the Office. The "Future FCO" report paints a picture of an analogue organisation in a digital age. How is that gap going to be bridged?

Sir Simon McDonald: Again, that is a good slogan, but one part of our response is our tech overhaul programme. Our technology and our means of communicating with ourselves have been behind the curve.

My predecessor and the previous board set up the previous programme, which is now coming to fruition. Between now and the end of the year, 4,000 new smart phones will be rolled out to the FCO at home and overseas. In 2017, there will be laptops and desktops to match. We will have cutting-edge technology, which we have been lacking.

Q189 **Chair:** I think the board approved £105 million for the technology overhaul programme.

Sir Simon McDonald: Correct.

Q190 **Chair:** Where are its anticipated costs now?



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Sir Simon McDonald: At the most recent board briefing, the project leader said that there was a possible overrun—he sensitised the board, as any sensible project manager will—of £14 million, but that was just flagging up if things went wrong.

Q191 **Chair:** On what IT programme have things not gone wrong?

Sir Simon McDonald: Indeed. Most of the board members were impressed that the amount was so small. It is a disciplined program. I think we have learned the lessons of the past, not only in budgeting, but in the type of technology that we are taking. We are taking commercial, off-the-shelf, proven technologies, rather than having something bespoke to the FCO. For the past month I have had an iPad, which is a pilot in this project. It is the first time I have been able to have my inbox, the internet, email and news services all on one small device. It makes a big difference.

Q192 **Chair:** It certainly does. Where is this £14 million coming from?

Sir Simon McDonald: That is flagged up as a contingency for the COO.

Q193 **Chair:** It would be marvellous if it was only £14 million, but I rather share the scepticism of the board on whether the damage will be limited to that.

Karen Pierce: You will be really pleased to hear, Chairman, that we had already written into the forecasting a possible £10 million overspend, so this would in fact be a £4 million overspend. In answer to the question on where the overspend is coming from, it is because some of the devices are at risk of coming in more expensive than when we first did the forecasting for them. I stress, however, that it is only potential overspend at the moment.

Q194 **Chair:** Everything is potential until it happens. I think experience would suggest that that is where it is going. Turning to the “One HMG Overseas” agenda, that is flagged as increasing the corporate burden of posts. It is suggested in the “Future FCO” report that you might get somebody else to look after the platform, as it were, and free up the diplomats to get on with diplomacy. What is happening with that?

Sir Simon McDonald: The platform is part of what we offer. I think the platform is important to us as a service, but how we run that platform is indeed part of what we are looking at under “Diplomacy 2020”. We are considering various models. At the moment we have FCO Services and we also have the operations cone under the COO. There is certain possible overlap in their functions, so we are looking at rationalisation between FCO Services and the operations cone. There are various business models that we are looking at in order to increase efficiency and save money.

Q195 **Chair:** What does that mean?

Sir Simon McDonald: The COO may want to add to that.

Karen Pierce: At the moment we are just looking through the possible scenarios. FCO Services is a trading fund. We are looking at how best to



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get more value money out of it while streamlining. We are also looking at how best to bring those Government Departments in Whitehall that have a significant presence overseas, particularly DFID, the MOD and the NCA, into the running of the platform, so that they get a proper share of services and we can use their expertise where it occurs. Through that, the Government can create more efficiencies in the overseas operation.

I just have one more comment, Chair, if I may. I think you said in your introduction that One HMG had led to a greater burden overseas. You are quite right that the aim of what we are doing to streamline and weed out duplication is precisely to free up diplomats to be diplomats. In fact, One HMG has proved to be a very good programme for driving efficiencies across Whitehall Departments overseas, but also for introducing predictability and for putting the head of mission firmly in charge of what happens in his or her embassy. We see that as a big plus for efficiency and value for money.

Q196 **Chair:** How happy are the rest of the Government with the services they get from the FCO? They have to pay for them, don't they?

Sir Simon McDonald: They do have to pay. The last big Department that had not signed, the Department for International Trade, signed today. It now has a One HMG MOU with the FCO.

Q197 **Chair:** That wasn't my question. My question was "How happy are they?"

Sir Simon McDonald: No, but this is an indication that word has got round and that it is a good thing to do.

Chair: It is presumably a compulsory thing to do, isn't it?

Karen Pierce: They are happier than they used to be. One of the problems with the old system pre-MOU was that it was very hard to predict what a certain set of charging would be for a certain presence overseas. We now have much more predictability in the system, so other Government Departments can plan. We have service standards actually written out, so they get an assurance that they will get the same standard of service that the Foreign Office does overseas.

Q198 **Chair:** Most organisations manage to make sure that the IT in their different departments cannot talk to each other. How true is that of the One HMG Overseas platform?

Sir Simon McDonald: It is one of the issues that the tech overhaul is addressing.

Q199 **Chair:** Does your IT talk to the rest of Government?

Sir Simon McDonald: It is our objective for it to talk to the rest of Government. That is part of the rubric for tech overhaul that is now being undertaken. The proof of the pudding will be in the eating.

Q200 **Chair:** But you cannot eat yet.



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Karen Pierce: We can in some places and with most Government Departments. MOD remains a challenge.

Q201 **Mr Hendrick:** I was just coming to that. You say that the MOD remains a challenge, but there are probably good reasons for that. You mentioned that you were not necessarily going for bespoke equipment and software. Clearly buying off the shelf, as you are doing, means that the stuff is much more common. There are therefore security implications: susceptibility to hackers and to others who may wish to interfere with the systems is probably that much higher. I know you cannot go into great detail, but can you give an indication of the degree to which you have assessed the resilience and the security aspects of this network once it is set up? There will obviously be hostile Governments out there who may want to mess it up at some opportune moment.

Sir Simon McDonald: You are right on a couple of points. First of all, there is pretty good security available off the shelf these days, as I think Apple has proven in some of its dealings with the US Government. Secondly, it is only communications up to official-sensitive that we are putting through this network; more classified information will be handled by a separate programme. You are right that a certain amount of material needs greater protection. It will get that protection, but in our overall business it is a minority of what we communicate. We are happy with the security we have in our new system.

Karen Pierce: We have had colleagues in Whitehall come in to review our arrangements. We worked with the agencies and with MOD's technical people as well as with the IPO.

Q202 **Ann Clwyd:** There seems to be a largely positive story about consular services in 2015-16, but among the ongoing challenges facing consular services and the FCO more generally are the cases of UK nationals or dual nationals being held in prisons abroad following legal processes that fall very short of international standards. There is the Tsege case in Ethiopia and the Foroughi and Ratcliffe cases in Iran. What more can the FCO do to help individuals and better protect UK nationals and dual nationals who are being held illegally in foreign prisons?

Sir Simon McDonald: There is an important distinction between UK nationals and dual nationals who are in the country of their other nationality. Under international law it is more difficult for us to help them, but we try. I was in Ethiopia earlier this year. The Tsege case is a top priority for the ambassador, who is trying to ensure that he gets fair process by imagination and persistence. This is something that is raised regularly by the ambassador and senior visitors to Addis Ababa.

The challenge is, if anything, even greater in Tehran, but, using diplomatic channels including back channels—unpublicised channels—we are not only aware but trying to help. As you say, these cases are desperately sad as well as desperately difficult.

Q203 **Ann Clwyd:** But the view among the public who take an interest in these cases is that the Americans are much more successful in protecting their



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own people and getting them out of these difficulties.

Sir Simon McDonald: I know in Iran the Americans have had some success—how they achieve that success is debated—but we have only so many levers in Iran right now. As you know, we now have full diplomatic relations, so we have a full ambassador and this is one of his priority objectives.

Q204 **Ann Clwyd:** Can you give us some idea of how well the consular service coped with incidents such as the violence against British nationals at the European football championship in June?

Sir Simon McDonald: We had a detailed plan developed by our consular directorate with the embassy and posts in France. We reinforced the network in advance, so we were on the spot when there was trouble. I think our network did very well—it received many plaudits for the efforts through Euro 2016.

Q205 **Ann Clwyd:** What are your plans for keeping UK citizens safe at the Eurovision song contest in Kiev next May and responding to any problems at the World Cup in Russia in 2018?

Sir Simon McDonald: The World Cup in 2018 is the bigger event. We are already planning for that. We have a system whereby other parts of the regional network can reinforce the country that is under particular stress. That was part of how we coped in France this summer, and that will apply in Russia in 2018. I will take a personal interest in what we are doing in Kiev next spring.

Q206 **Ian Murray:** Can I follow up some of the consular services questions? A constituency case highlights part of the problem that the FCO might have. A British national has lost her two children in Libya—they have been taken by her former partner and are in the south of Libya. All the rule of law in Libya has indicated that the children should be returned, but the FCO is slightly hamstrung by there being no infrastructure in southern Libya at all to be able to say to the Libyan authorities, “These are British children who should be back in Britain.” How does the FCO deal with those really difficult issues? What support can you give to local law enforcement to allow these kinds of British national consular issues to be resolved?

Sir Simon McDonald: In this particular situation it is especially difficult because of the situation in Libya and the thinness of our diplomatic representation in Tripoli right now. As you know, our embassy is basically in Tunis; our ambassador goes into Tripoli on a visiting basis. I saw him last week. He is able to spend ever longer in Tripoli but it is early days. That being the case, we have to work through partners. In this case, the United Nations or the International Committee of the Red Cross are partners that we can work with. I think in this case that that is the only way we could help to make early progress.

Q207 **Chair:** Not too long to go now; just a few more final questions on money. If you turn to page 78 of your annual report and accounts, under heading “B: Programme and international organisations grants”, it shows a



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significant overspend of about 21%. What is the explanation for that?

Sir Simon McDonald: The director of finance has the answer.

Andrew Sanderson: This is not really about overspending; it is about the classification of spending between lines A and B, which between them cover the FCO's running costs and our core programme spend. If we spend programme money in the form of a grant, it goes into line B. If it is spent in some other way, for instance through a commercial contract or by providing service in-house, it is covered in line A. The total amount spent across the two lines is exactly the same—this is just a question of how much is classified as grant.

The issue in this case is that our internal systems were not set up to capture grant spending accurately where it was done through a programme, so historically line B only captured grants that were provided through international subscriptions and not those provided through our wider programmes. There was a lot of work over the last year to improve the recording of it and it revealed that we are spending more of our programme budgets in the form of grants than had previously been realised. That is why you see a big apparent increase in the grant spending. In fact, that is unlikely to be a real change; it is just that we are capturing it for the first time.

That extra work was done too late to be able to update the estimate for last year and the main estimate for this year, but we are planning to use the supplementary estimate this coming January to update the figures for this financial year. I hope that, when you are looking at the accounts this time next year, you would not see a discrepancy on that scale.

Q208 **Chair:** There is a discrepancy of more than 50%, in a 100% increase in the "Programme and international organisations grants" line from 2014-15 to 2015-16—£149 million to £301 million. That is the explanation that you have just given me.

Andrew Sanderson: That's right. The £148 million is literally just the figure for international subscriptions. It is covered later in the report. That covers nothing else—no other grants. What has happened to take it up to £300 million is that we have started capturing the amount of our other programme spend, which is actually grant and was probably grant all along but was not recorded as that. This is really a classification question. What has happened is that there has been an increase in line B, but a corresponding decrease in line A. If you take the two lines together, there is only a small underspend of £7 million across the two lines in total.

Q209 **Chair:** There is an 8% underspend on "Administration and programme expenditure".

Andrew Sanderson: That's right.

Q210 **Chair:** So what didn't happen that was planned to happen?

Andrew Sanderson: Which line are you referring to there?



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Q211 **Chair:** There is an 8% underspend on "Administration and programme expenditure".

Andrew Sanderson: That is line A. What has happened here is largely two things. First, there has been this reclassification. We have identified that some funding should have been in line B, not in line A. In that sense, it is not an underspend on line A expenditure—it is simply a reclassification. The second, much smaller issue is that there is then a remaining small underspend that emerged at the end of the year, but that is a much smaller element of it.

Q212 **Chair:** But some of that in the report is attributed to the general election and the fall in activity around the general election.

Andrew Sanderson: That is what was flagged up as one of the reasons. At the margin, a small amount of planned activity was held back in the run-up—

Q213 **Chair:** What was held back?

Andrew Sanderson: I am afraid I don't have the details of that. It might be possible to establish that.

Q214 **Chair:** General elections are now rather predictable, given the Fixed-term Parliaments Act. It would seem that one might be able to plan, if Ministers are going to be campaigning in the United Kingdom rather than travelling overseas, or whatever the expenditure was attributed to. Without Ministers driving expenditure because their attention was elsewhere, it would presumably be predictable.

Sir Simon McDonald: We note your point for 2020, Mr Chairman, but it is a feature that big events have a response of some bureaucratic recoil, so things are kept until afterwards.

Q215 **Chair:** I enjoy that: "bureaucratic recoil". Turning to estates, you have had to seek reserve funding from the Treasury in 2015-16. I do not want to go into the details of properties because I realise that is commercially confidential. I will not take us into private session to deal with that, unless colleagues are desperate to do so.

Essentially, it appears that the fact that you had to seek reserve funding from the Treasury demonstrates uncertainty and a hand-to-mouth strategy around your capital investment. How are you going to hedge against that in future?

Sir Simon McDonald: There were two big projects that for different reasons were delayed into this financial year. One of those has now come to fruition quite satisfactorily. Because of the uncertainty in the property market in south-east Asia, as the economy there turned down, planned sales were delayed. Our response was to cut back, at some expense, to transfer from admin into capital for some and to get £10 million from the Treasury. The sale that we have now completed means that that has been repaid.

Q216 **Chair:** This is an old chestnut, but some of our presence comes from



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having had great buildings in the centre of great cities that make a statement about the United Kingdom and our role in the world. The Treasury then runs the rule over your capital holdings, decide there is a vast value on this and then we are driven into sales of iconic buildings and end up with some rather less iconic buildings, which end up costing just as much as the building we have replaced.

Sir Simon McDonald: I do not know if the second point is necessarily true but I agree with your main point that our buildings are part of our brand and of making the impact that we need and want. We protect our iconic buildings but, in an estate as large and varied as ours, there is property that is surplus to requirements or is no longer fit for use. There is legitimate churn and selling of some of the estate and the recycling of assets.

Q217 **Chair:** I identify that as symptomatic of Treasury penny-pinching at one level. The diplomatic budget is at the very margins of overall Government expenditure, yet we are now entering a very uncertain world where there is a key requirement to raise our game diplomatically.

Do you despair of the way our country approaches the profession? When I say "our country", it is really games being played by the Treasury with their intellectual rivals across the road, isn't it? None of this makes a blind bit of difference to the Chancellor's figures and yet the Department has been under the cosh now certainly ever since my time as a special adviser there. It has not had the priority it should have in representing the UK.

Sir Simon McDonald: But I think my experience and, I hope, yours Mr Chairman, as you travel around the world, is that the iconic properties are not only protected but they are very well used.

Q218 **Chair:** It is not just properties. Along with Mr Holloway, I detect a decline in the quality of representation, properties and people overall. The consequences of the pressure that you have been under for a long time now, I believe are now clear.

Sir Simon McDonald: I hope that your general experience is the same as Mr Holloway's—that the general standard is high. I accept that that is not the case everywhere. It is our objective that it should be the case everywhere, that your experience as a Committee of Her Majesty's diplomatic service overseas is of a quality, purposeful, well-tasked and well-delivering organisation.

Q219 **Chair:** But under enormous pressure.

Sir Simon McDonald: We are under pressure but it is part of our task to cope with that, to respond imaginatively and to do the core of the job. I believe we do that.

Chair: On that note, Sir Simon, thank you, Karen and Andrew, for your evidence. I am sorry that it has taken so long but there was an awful amount to get through.