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Foreign and Commonwealth Office

Resource Accounts 2009-10

(For the year ended 31 March 2010)

Ordered by the House of Commons to be printed 30 June 2010

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HC 74

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Annual Report

Resource Accounts: Foreign and Commonwealth Office

These accounts have been prepared in accordance with directions given by HM Treasury in pursuance of the Government Resources and Accounts Act 2000.

In 2009-10, the first year of adopting International Financial Reporting Standards, the Financial Reporting Manual (FReM) required us to disclose information on assets and liabilities as at 1 April 2008, 31 March 2009 and 31 March 2010.

1. Management commentary

1.1 The role of the FCO

The staff of the FCO work in diplomatic posts abroad and in the UK. The FCO works for UK interests by delivering its Strategic Framework, made up of eight Departmental Strategic Objectives (DSOs) :

- A flexible global network serving the whole of the UK government
- Three essential services:
  - Supporting the British economy
  - Supporting British nationals abroad
  - Supporting managed migration for Britain
- Four policy goals:
  - Countering terrorism, weapons proliferation and their causes
  - Preventing and resolving conflict
  - Promoting a low carbon, high growth, global economy
  - Developing effective international institutions, above all the United Nations and the European Union

1.2 FCO priorities

The FCO's activity was focused on the high priority issues set out in the Strategic Framework.

The Strategic Framework explicitly recognised the role of the FCO's global network in delivering for the Government as a whole. This means that, in addition to delivering the FCO's own policy priorities and its public services, FCO posts continued to provide a platform for government partners to deliver their own international priorities.

1.3 Key relationships with stakeholders

Some of the more important stakeholder categories were:

- Foreign governments and international organisations - which we sought to influence, and work with in partnership, in order to promote UK interests.

- Other UK government departments - FCO posts overseas supported the international work of government partners, providing a platform for their staff overseas, gathering information and lobbying on their behalf.

- Customers of services provided by the FCO - these included British nationals travelling or living overseas, UK companies seeking to do business abroad and foreign nationals seeking to enter the UK.

- Partners in service delivery - key among these were UK Border Agency, UK Trade & Investment, public diplomacy partners (e.g. BBC World Service, British Council) and consular partners (travel industry, insurance industry, certain non governmental organisations (NGOs)).

- Broader stakeholders - these included Parliament, especially the Foreign Affairs Committee, the international NGO community, faith communities, the media and the wider public.

1.4 Report on meeting Public Service Agreement (PSA) targets

The FCO published progress reports on meeting its Public Service Agreement (PSA) targets as follows:

- The Departmental Report 2008-09 was published in June 2009 and contained final assessments for all PSA targets the FCO was working towards between April 2008 and March 2009. The report is available at www.fco.gov.uk.

- The FCO measures performance against PSA/DSO targets using scorecards developed from the PSA Delivery Agreement and DSO technical notes which detail the full text of the agreement between the FCO and the Treasury.

- Performance Reports are published twice yearly. The Autumn Performance Report 2009 contained a summary of progress between October 2008 and September 2009 and was published on 15 December 2009. The report is available at www.fco.gov.uk.

- Between April 2009 and March 2010, the FCO worked towards its eight DSOs and was the lead department on Conflict Reduction (PSA 30). The FCO also contributed towards PSAs on Migration (PSA 3), International Terrorism (PSA 26), Climate Change (PSA 27) and Poverty Reduction (PSA 29).

1.5 Financial review

In this Comprehensive Spending Review (CSR) period, adapting our network to more difficult, dangerous locations has increased the FCO's operational and security costs. The costs of peacekeeping and international organisations have risen, whilst the purchasing power of sterling has declined from the levels at which the FCO was funded in the 2007 CSR.

Sterling devalued against the Dollar from a CSR rate of $2.01 to $1.52 at 31st March 2010, and against the Euro from a CSR rate of €1.46 to €1.12 at 31st March 2010. In financial year 2009-10, the FCO has had to absorb £142 million of foreign exchange pressure as a result of Sterling devaluation. The FCO partially offset some of this loss of purchasing power through a strategy of forward purchasing Dollars, Euros and Yen making a gain of £33 million on forward contracts maturing in 2009-10 (2008-09: £43.6m).

Through the Five Star Finance programme, we reviewed the allocation of budgets and spending priorities during 2008-09. This identified £50 million of potential savings, which, due to foreign currency pressures we needed to realise in 2009-10 in order to stay within our HM Treasury allocation. It was necessary to rein back or delay delivery of planned programme spend including Counter Narcotics, Stabilisation Unit and Strategic and Bilateral Programmes and cut back on operational travel. In addition it was necessary to release staff early at home and make redundancies overseas e.g. in Argentina, Japan and across the United States. We achieved an additional £12 million of efficiencies over and above our target for 2009-10.

The Department launched a programme of localising work at overseas posts, reducing the extent of UK-based staff working overseas. Although staff numbers for the year increased slightly, this reflected the timings for change-over for localisation; the introduction from September 2009 of headcount caps agreed by the Board; and the departure programmes run in December 2009 and March 2010.

The financial challenges that the Department faced in 2009-10 required strategic management of spending against defined business priorities, and detailed scrutiny throughout the year of financial performance against revised financial plans.

A concerted drive in 2009-10 to further improve financial management resulted in all FCO overseas posts attaining a green rating on their Financial and Prism Performance Measures (FPPM) indicators. This improvement in financial management contributed to the FCO being able to meet its main financial targets despite adverse financial conditions. This outturn position is consistent with internal management forecasts of the expected outturn position.

Comparison of 2009-10 Outturn against Estimate (see Notes 2 to 4 to the accounts).

The Department is required to manage its financial outturn within the limits set by Parliament and by HM Treasury. Exceeding Parliamentary limits will lead to an Excess Vote, and a qualification on the accounts. The summary below identifies that outturn financial performance for 2009-10 was very close to, but within, the Department's financial limits. The FCO Board aims to manage outturn to within one per cent below the limits although not all financing aspects, such as foreign currency movements or impairments arising from revaluation (see Heading F), are within the Board's direct control.

The FCO is voted resources under two main headings, Request for Resources 1 (RfR1): Promoting internationally the interests of the UK and contributing to a strong world community, and Request for Resources 2 (RfR2): Conflict Prevention. The overall outturn against Estimate for the year is disclosed in the Statement of Parliamentary Supply.

Net total resources expended for both RfR 1 and RfR 2 was £2,345 million against the Estimate of £2,367 million, resulting in an overall underspend of resources of £22 million. The detailed figures are in Note 2 to the accounts.

Note 2 shows that RfR1 comprises seven main headings, A to G, and explanations of significant movements and all overspends and underspends exceeding 10% on individual headings are shown below.

- Heading A: Administration, programmes, international organisations and subscriptions - expenditure was £7.0 million below Estimate (0.52%).

- Headings B to E: BBC World Service and British Council - running cost and capital grant expenditure was £4.0 million below Estimate (0.85%).

- Heading F: Annually Managed Expenditure (AME) - this relates to impairments arising on the revaluation of worldwide properties. Revaluations are by their nature difficult to forecast. The outturn of £51.1 million represents an excess of £1.1 million above Estimate (2.29%). The impairments charge in 2009-10 reflects a variety of factors, including: the adoption of existing use as the valuation basis for non-specialised buildings (see 1.6); the continuing fluctuation of property values as expressed in local currencies when translated in Sterling; and recognition of impairments on bringing into service new Embassies where the actual costs of construction are higher than the calculated in-use value. The most notable impairment in 2009-10, at £12 million, arose on the Harare Embassy. The project control aspects for Harare were highlighted in the FCO Departmental Report for 2008-09.

- Heading G: Non-Budget Reimbursements - running cost and capital grant expenditure was £3.1 million above Estimate (17.26%). This reflected a small overspend on reimbursement of VAT on diplomatic missions hosted in the UK, and inclusion of Climate Change Levy fees.

Note 2 also shows that RfR2 comprises two main headings, which are both managed tri-departmentally between the FCO, DFID and MOD:

- Heading A: Conflict Prevention (DFID lead) - expenditure was £19.5 million below Estimate (15.1%).
- Heading B: Peacekeeping (FCO lead) - expenditure was £4.1 million above Estimate (1.17%).

The combined underspend of £15 million on RfR2 is in line with the figures agreed with HM Treasury at the Spring Supplementary Estimate stage, and will be allowed to roll forward under End Year Flexibility rules into 2010-11. Under Heading B, the over spend resulted from a rise in assessing peacekeeping costs to international institutions.

HM Treasury has agreed to the virement of the underspend in RfR1 Heading A: Grants to cover the overspend shown elsewhere in RfR1, and the underspend in RfR2 Heading A to cover the overspend in RfR2 Heading B.

The Statement of Parliamentary Supply shows that there was a net total saving on the net cash requirement of £24.8m. The details are provided in Note 4.

1.6 Movements in non-current assets

As disclosed in Note 9, the value of the Department's Plant, Property and Equipment (PPE) was re-stated as at 1 April 2008 and 31 March 2009 to reflect the requirements of International Financial Reporting Standards (IFRS). In following IFRS, PPE values moved to a fair value basis: for specialised properties, assessed on a Depreciated Replacement Cost (DRC) basis; for non-specialised properties, assessed on a market value basis.

In line with clarification from HM Treasury during 2009-10, fair values as at 31 March 2010 for non-specialised properties were assessed on an existing use value basis, rather than market value. Specialised property values continue to be assessed on a DRC basis. The impact of this change in 2009-10 was a net valuation reduction of £666m for Residential and Non-Residential Land and Buildings.

1.7 Resources available to the FCO

The FCO Estate - an FCO Estate Strategy was published in 2010. The strategy is in six parts:

- a description of how the global estate fits in with the aims and business functions of the FCO;
- the top-level strategic goals set out by the FCO Board;
- what we are going to do to meet these goals;
- the leadership and management of our estate;
- a summary of the priority actions we are taking to implement this strategy;
- facts and figures on the global estate.

Global estate assets

- The home estate is centred on: King Charles Street and Old Admiralty Buildings (central London), the Corporate Service Centre at Northgate House (Milton Keynes) and at Hanslope Park (near Milton Keynes). Smaller leased offices in central London and Milton Keynes provide a base for legalisation services to the public.

- The overseas estate consists of approximately 5,000 properties, ranging from Embassy and High Commission buildings to staff accommodation and other facilities. The overseas estate accommodates not only FCO staff but also government partners and wider public sector organisations. Approximately 55% of properties are leased and 45% are owned. We assess a property's worth in terms of value for money criteria, fitness for purpose, physical condition and size relative to our needs. Our portfolio is therefore not static. The estate mix responds to operational needs as well as the performance of properties.

1.8 Key contractual arrangements

Company	**Type of Contract**
3M SPSL	Biometric Passports
3M AIT	Biometric Passports
Cap Gemini	Prism (FCO's financial, HR, procurement and payroll system)
Control Risks Group	Security guarding services for certain overseas posts
Crown Relocations	Heavy baggage
DDAO (DHL)	Airfreight and logistics contract
DeLaRue	Emergency Travel Documents
FCO Services	Secure logistical, facilities, IT and environmental services
Fujitsu	FCO Intranet
G4S	Security services overseas/guarding services in UK
GardaWorld	Security in Iraq
Global Crossing UK	Provision of FTN (telecommunications network)
Hays	Specialist Recruitment Services
Healix	Healthcare Management
Hewlett Packard	Future Firecrest (ICT infrastructure)
Hogg Robinson	Travel
Interserve	Facilities management in the UK and Western Europe
Logica	FCO Web and Bridge Consular system
MACE	Strategic construction partner
World Reach	Software for Compass Next Generation and LOCATE consular systems

1.9 Sustainable Development Strategy

HMG's Sustainable Development (SD) Strategy requires sustainability to be embedded in all aspects of policy and operations. Our SD Action Plan Progress Report, published in January 2010, includes details of measures put in place to correct shortcomings identified in the Sustainable Development Commission's assessment of our 2008-09 SD Action Plan.

1.10 Personal data losses

Incidents, the disclosure of which would in itself create an unacceptable risk of harm, may be excluded in accordance with exemptions contained in the Freedom of Information Act 2000 or may be subject to the limitations of other UK information legislation.

No data losses were formally reported to the Information Commissioner in 2009-10.

Summary of other protected personal data related incidents in 2009-10.

Incidents deemed by the Data Controller not to fall within the criteria for reporting to the Information Commissioner but recorded centrally within the department are set out in the table below. Small, localised incidents are not recorded centrally and are not cited in these figures. Figures for 2008-09 are shown in brackets.

Category	Nature of incident	Total 2009-10	
I	Loss of inadequately protected electronic equipment, devices of paper documents from secured Government premises	-	(4)
II	Loss of inadequately protected electronic equipment, devices of paper documents from outside secured Government premises	5	(2)
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	1	(-)
IV	Unauthorised disclosure	9	(3)
V	Other	5	(-)

1.11 Risk

The FCO's Risk and Control Framework is described in the Statement on Internal Control.

2. Corporate Governance

2.1 The role of the FCO Board is to provide corporate leadership to the FCO in delivering the policies and services decided by Ministers. The Board fulfils that leadership role by:

- Ensuring the organisation delivered the Departmental Strategic Objectives (DSOs), PSA targets and service delivery targets set by Ministers;
- Taking strategic decisions on the FCO's corporate agenda, including change;
- Effectively allocating and managing resources, in line with the DSOs;
- Communicating the FCO's purpose, priorities and vision to staff and other stakeholders;
- Monitoring and improving performance and accountability;
- Protecting and enhancing the FCO's reputation for professionalism, effectiveness, integrity and efficiency.

2.2 The FCO Board was made up of twelve members: the Permanent Under-Secretary of State (PUS) who chairs, Directors-General for Finance, Political, Change and Delivery, Europe and Globalisation, and Defence and Intelligence, the Chief Information Officer, the Director of Human Resources, the Chief Executive of UK Trade & Investment, and three independent non-executive Directors. The FCO's Senior Appointments Board ("the No. 1 Board") appointed Board members and decisions were ratified by the Foreign Secretary.

2.3 Recruitment of independent non-executive Board members is done openly and transparently. They were appointed by the PUS, after the approval of the Foreign Secretary. The three non-executive Directors were involved in a range of FCO corporate activities: one chaired the Audit and Risk Committee and another sat on the Senior Appointments Board. They also visited a range of posts. Induction procedures are in place for new Board members, including non-executives, and for newly appointed members of FCO senior management.

2.4 The Board allocated budgets to Directorates-General prior to the beginning of the financial year, and reviewed those allocations quarterly. It monitored financial performance monthly through a Key Performance Report (including budgets, expenditure to date, resource accounting and position management).

2.5 FCO Ministers' portfolios and responsibilities were set out for all staff on the FCO internal website. The Foreign Secretary, joined by other Ministers as appropriate, holds regular meetings with the Board, to set strategic direction.

2.6 The Board agreed and published a schedule of reserved decisions. The Board also had six Sub-Committees: Human Resources; Finance; Change; Estates; Information & Communication Technology; and Audit and Risk. These acted as a filter for the Board and, with the exception of Audit and Risk, took executive decisions on issues that did not need to go to the Board, and advised on issues that did. All Board sub-committees were chaired by a full Board member and have terms of reference setting out their delegated authority. The Board received a monthly record of sub-committee decisions, and Board sub-committee chairs regularly briefed the full Board on the work of their sub-committees. There were also meetings for all Directors with the whole Board usually monthly but at least quarterly.

2.7 The Board reported on how it operated through an annual Board Assessment. It measured performance against its published objectives. The Board regularly considers the FCO's corporate governance structures as a whole.

2.8 A Senior Leadership Forum (SLF), made up of the Board, the most senior Heads of Mission, and representatives from small and medium posts, met every six months to discuss strategic and corporate policy issues. They also comment monthly in advance on Board papers. The purpose of the SLF is to promote more integrated corporate leadership across the FCO network.

2.9 **Audit & Risk Committee**

The Audit & Risk Committee (ARC) was created in 2002 to provide support to the FCO Board. It was chaired by an independent Non-Executive Board Member and the majority of its members were non-executive. Formal terms of reference for the ARC are available on the FCO web site (www.fco.gov.uk) together with details of the Committee's membership.

2.10 The ARC was responsible for reviewing the work of Internal Audit and the National Audit Office in providing advice on the adequacy of FCO risk management, governance and internal controls – both to the FCO Board and personally to the PUS as the FCO's Principal Accounting Officer. The ARC also keeps under review FCO counter-fraud measures (e.g. whistle-blowing) and the work of the FCO's counter-fraud team, the Financial Compliance Unit (FCU).

2.11 On risk, the ARC reviewed the FCO Operational Risk Register on a quarterly basis, prior to the top operational (and strategic) risks being escalated to the FCO Board. Regular reports from the FCO's Senior Information Risk Owner (SIRO) on information risk and assurance were also considered. The ARC encouraged an appropriate and proportionate approach to handling operational risks that balanced the extent of the controls with the magnitude of the risk they were designed to address. Certain internal assurance work (e.g. security and health & safety) fell outside of their scope and was instead reported directly to the FCO Board.

2.12 In September 2009, ARC members held a facilitated discussion with the NAO Director and Head of Internal Audit on the effectiveness of the Committee, using the NAO Audit Committee self-assessment toolkit. The vast majority of the areas considered were rated as positive by the NAO with a number of actions agreed for further improvement, all of which were followed through during the year.

2.13 The ARC continued to receive regular updates on the Five Star Finance Programme and reviewed in detail the current status of each of the eleven key projects comprising 4 Stars. Particular attention was given to the introduction of an improved planning and budgeting solution - Oracle Business Intelligence Suite Enterprise Edition Plus (OBIEE) and Hyperion - and simplification of the Prism organisation change request process.

2.14 In reviewing counter-fraud work, the ARC considered a number of proposals to enhance FCO whistle-blowing procedures, designed to help ensure that adequate publicity was given to the ways that staff could report any concerns without fear of retribution. In the interests of probity and good governance, Members also reviewed a report from the HR Director to provide assurance that FCO staff had clear rules to follow when submitting and approving expenses claims for payment.

2.15 Finally, whilst the Committee was pleased to note an improvement in the time taken for overseas Posts and home Departments to implement internal audit recommendations, further work was required to reduce the number of "open" audits. A new target of two months was also agreed with the PUS, save for those cases where Internal Audit confirmed that a longer timescale was justified. As at 31 March 2010, there are 15 open audits.

3. Senior Management

3.1 Ministers

Ministerial portfolios and responsibilities during the year, revised in October 2009, were as follows:

Secretary of State for Foreign and Commonwealth Affairs: Rt Hon David Miliband MP

Overall responsibility for the work of the FCO; Strategy and Policy Planning; Communications; Honours; Whitehall Liaison Department; FCO Finance.

Minister of State: Baroness Kinnock of Holyhead

(from 5 June 2009; Rt Hon Lord Malloch-Brown until 24 July 2009)

Africa; United Nations; Human Rights; Commonwealth; Caribbean and Central America; Climate change and energy; Ministerial Oversight for FCO Services; all FCO business in the Lords.

Minister of State: Ivan Lewis MP

(from 8 June 2009; Bill Rammell MP until 5 June 2009)

Counter Terrorism; Counter Proliferation; South East Asia and Far East; North America; Middle East and North Africa; South Asia and Afghanistan; Drugs and International Crime; Global and economic issues (excluding climate change); Migration; NATO.

Parliamentary Under-Secretary of State: Chris Bryant MP

(from 9 June 2009; Caroline Flint MP until 5 June 2009)

Minister of State for Trade, Investment and Business: Lord Davies of Abersoch CBE

Joint Minister with the Department for Business, Innovation and Skills.

UK Trade & Investment

Parliamentary Under-Secretary of State: Baroness Taylor of Bolton

(from 5 June 2009; Gillian Merron MP until 5 June 2009)

Joint Minister with the Ministry of Defence

3.2 Members of the FCO Board

The composition of the Board at the reporting date was as follows:

Peter Ricketts
Chairman of the Board, Permanent Under-Secretary and Head of the Diplomatic Service

Nick Baird (from 25 June 2009; Simon Fraser until 1 May 2009)
Director General Europe and Globalisation

Robert Hannigan (from 29 March 2010; Mariot Leslie until 1 March 2010)
Director General Defence and Intelligence

Geoffrey Adams (from 30 October 2009; Mark Lyall Grant until 30 October 2009)
Director General Political

Tony Mather
Chief Information Officer

James Bevan
Director General Change and Delivery

Keith Luck
Director General Finance

Susan le Jeune (from 25 September 2009)
Director Human Resources

Andrew Cahn
Chief Executive, UK Trade & Investment

Alistair Johnston
Non-executive Director

Alison Platt
Non-executive Director

Rudy Markham (from 1 January 2010)
Non-executive Director

3.3 Senior Official Appointments

The Permanent Under-Secretary of State and Head of the Diplomatic Service is appointed by the Prime Minister or the Foreign Secretary, following an inter-departmental trawl and interview. Other members of the Board were appointed by the Foreign Secretary on the advice of the Permanent Under-Secretary and the Senior Appointments Board; Directors-General appointments are also agreed by the Prime Minister. The executive appointments are for an indefinite term: the rules for termination are set out in chapter 11 of the Civil Service Management Code. Non-executive Directors are appointed for two years, renewable.

4. Remuneration report

The Remuneration Report is subject to audit.

4.1 Remuneration policy

Ministers' remuneration is set by the Ministerial and Other Salaries Act 1975 and the Ministerial and Other Pensions and Salaries Act 1991.

The salary of the Permanent Under-Secretary was set by the Prime Minister on the recommendation of the Permanent Secretaries' Remuneration Committee. The Committee's membership and terms of reference were announced by the then Prime Minister on 9 February 1995.

The salary of the Chief Executive of UK Trade & Investment was set by the Department for Business, Innovation and Skills.

The salaries of the next thirty most senior Foreign and Commonwealth Office staff were set by the Foreign Secretary on the advice of the Senior Heads of Mission Remuneration Committee, which was chaired by Sir Michael Perry.

The salaries of members of the Board in Senior Management Structure Payband 2 followed a framework set centrally for the civil service in response to the recommendations of the Senior Salaries Review Board. Annual pay awards for these staff are determined by the Payband 2 Remuneration Committee, which was chaired by Director General for Change and Delivery.

4.2 Salary and pension entitlements of Ministers and members of the Board

The information given below relates to the Ministers and other senior managers of the FCO for the period in which they were in office or on the Board.

4.2.1 Remuneration

Ministers	2009-10 Salary	2008-9 Salary
	£	£
Rt Hon David Miliband MP	73,356	78,356
Baroness Kinnock of Holyhead (from 5 June)	67,588[1]	-
Rt Hon Lord Malloch-Brown (until 24 July 2009)	26,118[2]	83,043
Ivan Lewis MP (from 5 June 2009)	33,081[3]	-
Bill Rammell MP (until 4 June 2009)	10,162[4]	16,988[5]
Lord Davies of Abersoch CBE (from 14 January 2009)	-[6]	-
Chris Bryant MP (from 5 June 2009)	25,024[7]	-
Caroline Flint MP (until 4 June 2009)	7,339[8]	13,439[9]
Baroness Taylor of Bolton (from 5 June 2009)	-[10]	-
Gillian Merron MP (until 4 June 2009)	7,713[11]	12,855[12]

1 Figure quoted is for the period 8 June 2009 to 31 March 2010. The full year equivalent is £83,043.

2 Figure quoted is for the period 1 April 2009 to 31 July 2009. The full year equivalent is £83,043.

3 Figure quoted is for the period 8 June 2009 to 31 March 2010. The full year equivalent is £40,646.

4 Figure quoted is for the period 1 April 2009 to 30 June 2009. The full year equivalent is £40,646.

5 Figure quoted is for the period 5 October 2008 to 31 March 2009. The full year equivalent is £40,646.

6 Lord Davies of Abersoch was an unpaid Minister.

7 Figure quoted is for the period 9 June 2009 to 31 March 2010. The full year equivalent is £30,851.

8 Figure quoted is for the period 1 April 2009 to 5 June 2009. The full year equivalent is £40,646.

9 Figure quoted is for the period 4 October 2008 to 31 March 2009. The full year equivalent is £40,646.

10 Baroness Taylor of Bolton was remunerated by the Ministry of Defence.

11 Figure quoted is for the period 1 April 2009 to 30 June 2009. The full year equivalent is £30,851.

12 Figure quoted is for the period 5 October 2008 to 31 March 2009. The full year equivalent is £30,851.

In addition to the above, severance payments were made to Lord Malloch-Brown and Caroline Flint MP.

This report is based on payments made by the department and thus recorded in these accounts. In respect of ministers in the House of Commons, departments bear only the cost of the additional ministerial remuneration; the salary for their services as an MP (£64,766 from 1 April 2009, £63,291 from 1 April 2008, £61,820 from 1 November 2007) and various allowances to which they are entitled are borne centrally. However, the arrangement for ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the department and is therefore shown in full in the figures above.

Members of the FCO Board

In respect of the senior managers of the FCO, the information given below relates to **the period for which they served on the Board.** Where relevant, disclosures for 2008-09 reflect service throughout the year.

Board Member	**2009-10** Salary	**2008-9** Salary
	£000	£000
Peter Ricketts	175-180[1]	190-195
Nick Baird (from 25 June 2009)	120-125	-
Simon Fraser (until 1 May 2009)	10-15	115-120
Robert Hannigan (from 29 March 2010)	-	-
Mariot Leslie (until 1 March 2010)	125-130	135-140
Geoffrey Adams (from 30 October 2009)	55-60	-
Mark Lyall Grant (until 30 October 2009)	85-90	170-175
Tony Mather	145-150	145-150
James Bevan	145-150	140-145
Keith Luck	200-205	190-195
Susan le Jeune (from 25 September 2009)	60-65	-
Andrew Cahn	-[2]	-
Non-executive:		
Alistair Johnston	10-15	5-10
Alison Platt	5-10	5-10
Rudy Markham (from 1 January 2010)	-	-

1. Peter Ricketts waived his right to a pay bonus for 2009-10.

2. Andrew Cahn is remunerated by the Department for Business, Innovation and Skills and relevant disclosures can be found in the Resource Accounts of that department.

Salary

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the department and treated by HM Revenue and Customs as a taxable emolument. **There were no benefits in kind for the year.**

Equivalent information relating to Wilton Park Executive Agency is given in its own accounts.

4.2.2 Pension Benefits

Ministers

	Accrued pension at age 65	Real increase in pension at age 65	CETV at 31 March 2010	CETV at 31 March 2009*	Real increase in CETV
	£000	£000	£000	£000	£000
Rt Hon David Miliband MP	5-10	0-2.5	103	79	11
Baroness Kinnock of Holyhead (from 5 June)1	-	-	-	-	-
Rt Hon Lord Malloch-Brown (until 24 July 2009)2	-	-	-	-	-
Ivan Lewis MP (from 5 June 2009)	5-10	0-2.5	76	63	6
Bill Rammell MP (until 4 June 2009)	5-10	0-2.5	76	72	2
Lord Davies of Abersoch CBE (from 14 January 2009)3	-	-	-	-	-
Chris Bryant MP (from 5 June 2009)	0-5	0-2.5	8	-	5
Caroline Flint MP (until 4 June 2009)	5-10	0-2.5	60	57	1
Baroness Taylor of Bolton (from 5 June 2009)4	-	-	-	-	-
Gillian Merron MP (until 4 June 2009)	0-5	0-2.5	53	79	2

1. Baroness Kinnock of Holyhead opted out of the pension scheme.
2. Rt Hon Lord Malloch-Brown opted out of the pension scheme.
3. Lord Davies of Abersoch was an unpaid Minister.
4. Pension benefit disclosures for Baroness Taylor of Bolton are included in the Resource Accounts of the Ministry of Defence.

* The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008. The Cash Equivalent Transfer Value (CETV) is defined below.

Ministerial pensions

Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute (the regulations are set out in Statutory Instrument SI 1993 No 3253, as amended).

Those Ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this report). The arrangements for Ministers provide benefits on an 'average salary' basis, taking account of all service as a Minister. The accrual rate has been 1/40th since 15 July 2002 (or 5 July 2001 for those that chose to backdate the change) but Ministers, in common with all other members of the PCPF, can opt for a 1/50th accrual rate and a lower rate of employee contribution. An additional 1/60th accrual rate option (backdated to 1 April 2008) was introduced from 1 January 2010.

Benefits for Ministers are payable at the same time as MPs' benefits become payable under the PCPF or, for those who are not MPs, on retirement from ministerial office from age 65. Pensions are re-valued annually in line with changes in the Retail Prices Index. From 1 April 2009 members pay contributions of 5.9% of their ministerial salary if they have opted for the 1/60th accrual rate, 7.9% of salary if they have opted for the 1/50th accrual rate or 11.9% of salary if they have opted for the 1/40th accrual rate. There is also an employer contribution paid by the Exchequer representing the balance of cost as advised by the Government Actuary. This is currently 28.7% of the ministerial salary.

The accrued pension quoted is the pension the Minister is entitled to receive when they reach 65, or immediately on ceasing to be an active member of the scheme if they are already 65.

The Cash Equivalent Transfer Value (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total ministerial service, not just their current appointment as a Minister. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in the value of the CETV

This is the element of the increase in accrued pension funded by the Exchequer. It excludes increases due to inflation and contributions paid by the Minister. It is worked out using common market valuation factors for the start and end of the period.

Members of the FCO Board	Accrued pension at age 60 at 31 March	Related lump sum at 31 March	Real increase in pension at age 60	Real increase in lump sum at age 61	CETV at 31 March 2010	CETV at 31 March 2009*	Real increase in CETV
	£000	£000	£000	£000	£000	£000	£000
Peter Ricketts	80-85	240-245	2.5-5	10-12.5	1,812	1,642	81
Nick Baird (from 25 June 2009)	35-40	110-115	2.5-5	10-12.5	618	545	83
Simon Fraser (until 1 May 2009)	35-40	115-120	0-2.5	0-2.5	705	697	2
Robert Hannigan (from 29 March 2010)	-	-	-	-	-	-	-
Mariot Leslie (until 1 March 2010)	50-55	155-160	2.5-5	7.5-10	1,117	1,005	52
Geoffrey Adams (from 30 October 2009)	40-45	125-130	5-7.5	17.5-20	824	713	121
Mark Lyall Grant (until 30 October 2009)	50-55	155-160	0-2.5	5-7.5	1,072	959	41
Tony Mather	5-10	-	0-2.5	-	86	52	26
James Bevan	40-45	125-130	2.5-5	7.5-10	776	680	52
Keith Luck	5-10	-	2.5-5	-	145	96	36
Susan le Jeune (from 25 September 2009)	25-30	75-80	0-2.5	2.5-5	422	411	16
Andrew Cahn[1]	-	-	-	-	-	-	-
Non-Executive							
Alistair Johnston	-	-	-	-	-	-	-
Alison Platt	-	-	-	-	-	-	-
Rudy Markham (from 1 January 2010)	-	-	-	-	-	-	-

1 Andrew Cahn is remunerated by the Department for Business, Innovation and Skills and relevant disclosures can be found in the Resource Accounts of that department.

* The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008. The Cash Equivalent Transfer Value (CETV) is defined below.

4.3 Pension Schemes

Details of the FCO's pension and early departure cost policies are included in the Notes to the Accounts. Present and past UK-based employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). Liability for payment of future benefits is a charge to the PCSPS and there is a separate scheme statement for the PCSPS as a whole. Pension arrangements for locally engaged staff have been established at certain posts overseas and details of these schemes are included in the Notes to the accounts.

Civil Service Pension

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (**classic**, **premium** or **classic plus**); or a whole career scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with changes in the Retail Prices Index (RPI). Members who joined from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with a significant employer contribution (**partnership** pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium**, **classic plus** and **nuvos**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**.

Further details about the PCSPS arrangements can be found at the website www.civilservice-pensions.gov.uk

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

4.4 *Other information*

Pension benefits are provided through the Principal Civil Service Pension Scheme (PCSPS) which is an unfunded multi-employer defined benefit scheme but the FCO is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2007. Details can be found in the Resource Accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk). For 2009-10, contributions of £41,440,000 were paid to the PCSPS (2008-09: £43,862,000) at one of four rates in the range of 16.7% to 24.3% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions usually every four years following a full scheme valuation. From 2009-10, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2009-10 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

5. Public interest and other matters

5.1 Employment of people with a disability

The FCO follows the Civil Service Code of Practice on the employment of people with a disability, which aims to ensure that there is no unfair discrimination on the grounds of disability and that access to employment and career advancement is based solely on ability, qualifications and suitability for the work.

5.2 Equal opportunities

The FCO is an equal opportunities employer. Policies are in place to guard against unfair discrimination or barriers to employment and advancement. The FCO equal opportunities policy states that no staff should be exposed to unfair discrimination, including harassment, bullying or victimisation on any grounds, particularly age, gender, marital status, race, disability, religion or sexual orientation. The FCO aims to provide all staff with equality of opportunity in all aspects of their work. Employment and promotion are on merit. Staff whose working patterns are atypical are assessed on exactly the same basis as those working full time. Equal opportunity considerations are at the core of FCO personnel policies.

5.3 Sickness absence

The following table summarises sickness absence for UK civil servants employed by the FCO:

	2009-10	**2008-9**
Working days lost (short-term absence)	14,608	13,270
Working days lost (long-term absence)	413	1,494
Total working days lost	15,021	14,764
Average annual working days lost per employee	3.3	3.3

5.4 Payment of Suppliers

In 2009-10, the FCO signed up to the Prompt Payment Code, part of a series of structured initiatives devised by the government at that time with the Institute of Credit Management to tackle the crucial issue of late payment. The FCO is applying this policy to all suppliers of goods and services but will not be changing existing contractual terms and conditions. The FCO aims to reduce invoice payment times to 10 working days and all valid goods and services invoices are paid as soon as they have been authorised by the FCO officials responsible for the contract.

During 2009-10, payment within 30 days was achieved in 96.2% of cases (2008-09: 88.4%). Payment within 10 days was achieved in 91.9% of cases (84.8% of cases in the month of March 2009, when first introduced).

5.5 Disclosure of relevant audit information

There is no relevant audit information of which the auditors are unaware. As Accounting Officer I have taken all the steps appropriate to ensure that I am aware of relevant audit information and to establish that the entity's auditors are aware of the information.

6. Post balance sheet events

Following the formation of the new Government in May 2010, all Ministerial responsibilities have changed. The Rt Hon William Hague MP is Secretary of State for Foreign & Commonwealth Affairs. Information regarding the new Ministerial Team for the FCO can be found from www.fco.gov.uk.

7. Auditors

The Comptroller and Auditor General is the statutory auditor for the accounts of the Foreign and Commonwealth Office.

Martin Donnelly *24 June 2010*
Accounting Officer
Foreign and Commonwealth Office
King Charles Street
London
SW1A 2PA

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the FCO to prepare, for each financial year, resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the department during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the FCO and of its net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

HM Treasury has appointed the Acting Permanent Under-Secretary as Accounting Officer of the FCO. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the FCO's assets, are set out in the Accounting Officers' memorandum issued by HM Treasury and published in Managing Public Money.

Statement on internal control

1. Scope of responsibility

1.1 As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of FCO policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money. I discharge this responsibility in conjunction with Directors-General, Directors and Sub-Accounting Officers who head the FCO overseas missions. The Department's Trading Fund, Executive Agency, the BBC World Service and four Executive Non-Departmental Bodies are also headed by Accounting Officers and were overseen by FCO Directors or Directors-General this year as follows:

Sponsored Body	Accounting Officer	FCO Oversight
FCO Services	Chris Moxey	Keith Luck
Wilton Park Executive Agency	Richard Burge	Ian Hargreaves
BBC World Service	Peter Horrocks	Ian Hargreaves
British Council	Martin Davidson	Ian Hargreaves
Great Britain-China Centre	Katie Lee	Scott Wightman
Marshall Aid Commemoration Commission	Linda Duffield	Anwar Choudhury

1.2 My relationship with these Accounting Officers and Sub-Accounting Officers is set out in statements contained in the respective letters of delegation, Framework Documents, and Financial Memoranda. The Foreign Secretary chairs quarterly meetings, including one full Away Day, with the Board to set the strategic direction of the Department. These meetings have ad hoc agendas, but can be used for either Ministers or the Board to raise any risk management issues of concern. The Foreign Secretary receives a minute each quarter from Director-General Political outlining decisions made on key strategic risks to the FCO.

2. The purpose of the system of internal control

2.1 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of FCO policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the FCO for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

3. Capacity to handle risk

3.1 Strong leadership is a cornerstone of the FCO's Risk Management Framework. The Board plays a proactive role in managing risk and spreading good practice in a way that is tailored to the FCO, including setting out the FCO's risk appetite as part of the culture we want to achieve. Top risks are considered at monthly Board meetings with improvements to the Risk Management Framework overseen by the Audit and Risk Committee and Director-General Change and Delivery, who is the appointed Board Risk Champion.

3.2 In March 2010, the Board endorsed a programme of future activity to further embed good practice, drawing on lessons learnt from across Whitehall. This followed a report on risk appetite and maturity undertaken by Internal Audit. The work will build on the existing guidance and training provided to FCO staff to help them identify, assess, mitigate and review risks, an approach which is increasingly being embedded in everyday business.

3.3 The FCO adopts a risk management approach to security across our global network. The safety of our staff and the protection of our buildings and information assets remain a priority within the organisation as we operate in a range of threat environments. The FCO Board regularly assesses the risks we face. We have in place a comprehensive set of departmental security policies that either meet or exceed the minimum requirements set out in the Cabinet Office Security Policy Framework. The FCO Staff Survey made clear that the overwhelming majority of our staff feel safe at work; are aware of the rationale behind our security policies; and know who to turn to if they have any security concerns.

3.4 The FCO is committed to protecting and using its information securely and effectively, in compliance with its legal obligations and with the standards and requirements set out by the Cabinet Office. This includes protecting the personal data of members of the public that the FCO holds in its role as public service provider. The Board recognises its responsibility in providing leadership and promoting a culture of information security awareness throughout the FCO. The Senior Information Risk Owner (SIRO) is a Board member and Directors have been made accountable and responsible for their information assets. The FCO is compliant with, or on track to be compliant with, the mandatory requirements which are set out in the Cabinet Office Data Handling Review, and the mandatory information assurance measures set out in the Security Policy Framework.

3.5 The FCO is committed to managing financial risk. Working practices such as the segregation of duties, reconciliations, banking, budget delegations and foreign exchange controls all contribute to managing this risk. The Five Star Finance Programme and improvements to business planning are helping to drive the quality of management information which allows us to better manage our risks.

4. The risk and control framework

4.1 The system of internal control in the FCO comprises a framework of financial regulations, administrative procedures (including segregation of duties), regular management information and a system of delegation and accountability. In particular, it includes:

- a Board, which meets regularly to consider FCO strategic direction and operational requirements for meeting strategic objectives;
- reports from the Audit & Risk Committee advising me on a number of aspects of governance, risk management and internal control;
- regular reports from managers on key strategic performance targets and the management of risks to achieving them;
- comprehensive budgeting systems with efficiency savings targets; and
- clearly defined capital investment control guidelines.

4.2 Risk management is embedded in the business planning process with risks to FCO objectives identified in Geographic and Corporate Directorate and Country Business Plans for 2009-10. Risks are identified, assessed and appropriate mitigating actions agreed in consultation with stakeholders when business plans are drawn up and at the relevant stage of individual programme and project management. These risks are reviewed quarterly, on a timetable which is designed to coincide twice yearly with the mid and end year review of Business Plans. Risk owners are clearly identified in FCO Business Plans and Risk Registers. The Risk Management Framework has six main components designed to facilitate appropriate identification, assessment and mitigation of risks and to provide a system for reviewing, reporting and escalating them:

- Top Risks Register (TRR): captures the top risks to the FCO's strategy and operations. It is updated and considered quarterly by the Board, who decide whether sufficient mitigating action is being taken to reduce the likelihood and impact of the risk materialising. To facilitate this process the Board chooses two risks to interrogate each quarter and invites the relevant risk owner to outline their mitigation, though particular risks may be discussed at any Board meeting. Board decisions are logged in the register, which is then circulated to risk owners, Board members, Directors and the Senior Leadership Forum.

- Strategic Risks Register (SRR): captures the major, high-level strategic risks – risks associated with the delivery of the FCO's Departmental Strategic Objectives (DSOs) that have the potential to impact seriously on the FCO's reputation, resources and/or operations. It is updated quarterly, with input from DSO Owners and Directors, for consideration by the Directors-General Political, Defence and Intelligence, and Europe and Globalisation. Directors-General also have a quarterly opportunity to challenge risk owners on mitigation strategies. Risks which require Board attention are elevated to the Top Risks Register.

- Operational Risks Register (ORR): captures the major, high-level risks to FCO operations or service delivery. It is updated quarterly for consideration by the Audit and Risk Committee, with input from overseas posts through the Risk in the Network exercise outlined below. Those risks requiring Board attention are elevated to the Top Risks Register.

- Risk in the Network: a quarterly exercise, which enables operational risks from overseas posts to be reported and elevated, as appropriate, for attention / action at the right level. Posts identify key operational risks through their Country Business Plans and use the Risk in the Network exercise to report progress and developments to Regional Directors, who in turn flag up common themes and significant risks to the Director General Change & Delivery. The most serious, high-level risks from the network can then be included in the Operational Risks Register and brought to the attention of the Audit & Risk Committee. If appropriate, they may then be elevated to the Top Risks Register for consideration by the FCO Board.

- Self-Audit: FCO Internal Audit facilitates an annual programme of control risk self-assessments for all Directors-General, Directors, and Sub-Accounting Officers overseas. All Home Departments, Groups and Teams undertake detailed testing once every three years.

- Supply-Risk: The FCO is reviewing and augmenting its supplier risk assessment processes and has already incorporated financial risk measures for top suppliers to its monthly reports. In due course other measures of supply chain risk will be included within contract and supplier management processes.

4.3 In 2009-10 the operational risk priorities for the FCO were to manage the risks to the security of our staff, buildings and information, the overall risk to our resources and risks to the effective operation of our IT Systems and business continuity. The strategic risk priorities for this period were to manage the impact of global economic risks on the UK, risks of instability in regions of strategic importance to the UK, and threats to national security, which could have had an impact on British nationals overseas. Our work was supported by improvements to business continuity planning and crisis response capabilities. The FCO continues to face the risk of a lack of available resources preventing us from fulfilling our mandate.

5. Review of effectiveness

5.1 As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the FCO who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications for the result of my review of the effectiveness of the system of internal control by the Board and the Audit & Risk Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

5.2 FCO Internal Audit operates to Government Internal Audit Standards. Their work is informed by the Board's analysis of the risk to which the FCO is exposed, and the annual internal audit plans are endorsed by the FCO Audit and Risk Committee and approved by me. The Head of Internal Audit reports, at least annually, on internal audit activity in the FCO and provides me with an independent opinion on the adequacy and effectiveness of FCO systems of governance, risk management and internal control, together with recommendations for improvement. In addition to this, the Audit and Risk Committee Secretary maintains an Assurance Map of services, both internal and external to the FCO, which contribute to my review of the effectiveness of the system of internal control, but which are outside the committee's scope. These include overseas health and safety, and security inspections. Where appropriate, reports from these assurance providers are considered by the Board.

5.3 The FCO also has a Financial Compliance Unit whose main role is to investigate actual or suspected irregularity, fraud or corruption and to carry out proactive surprise visits to test counter-fraud controls. Various other functional departments perform a compliance-monitoring role with regard to their respective areas of responsibility.

5.4 In addition to their Management Letters and audit of the FCO resource accounts, the National Audit Office (NAO) also undertook a number of reviews on aspects of the FCO system of internal control. This work included visits to eight overseas Posts, and reports to the House of Commons Public Accounts Committee on FCO Financial Management and Adapting The Foreign and Commonwealth Office's Global Estate to the Modern World, and to the Foreign Affairs Committee on the Management of Exchange Rate Risk. In particular, the FCO was one of a number of departments subject to an NAO review of the key assurances and controls supporting the statements made in the Statement on Internal Control (SIC), which concluded that "there is a solid framework in place to oversee the production of the SIC within the Department".

5.5 The Five Star Finance Programme has passed further milestones, reaching the 4 Star point in December 2009. We have stretching targets in the 4.5 Star work phase, which will finish in July 2010. The 4.5 Star projects are designed to provide the FCO with more financial management capability in terms of governance and leadership; planning and decision-making; monitoring and forecasting; and financial and operational reporting. The NAO will assess our progress in autumn 2010.

5.6 The last SIC identified foreign currency risk as a significant area of exposure for the FCO. We managed this risk in 2009-10 through some gains we made on our forward purchases of foreign currency and by cutting and re-prioritising activity. However, the FCO has introduced measures to control this risk in 2010-11, including setting all post budgets in local currency and introducing a system to manage foreign exchange risk centrally.

5.7 One of the major challenges facing the FCO in 2009-10 was to provide and maintain effective physical security measures at our Missions and residential properties overseas during a period of tight budget constraints. To make the most effective use of these funds, the FCO re-prioritised all physical security projects in 2009-10 in line with its structured risk management approach. This ensured that funds were committed where they were needed most based on the threat, the vulnerabilities of the location, and the ability of the local authorities to provide protection. In addition, the FCO conducted regular reviews of security at posts overseas and worked closely with partners in the Government Secure Zone in the UK as part of its constant effort to mitigate security vulnerabilities in compliance with the Security Policy Framework.

5.8 Over the past year, the FCO has continued to improve its risk management and internal control environment, but there are a number of areas where we need to improve our compliance with established procedures, including further work on passport stock control and health and safety. To make our accounting systems for blank passports more robust, we carried out a full stock-take, reviewed our handling and audit processes, started a comprehensive review of guidance on the issue, and reinforced internal oversight. Consular Directorate continue to work closely with Internal Audit. The FCO has also initiated a programme of work to ensure compliance with our health and safety policy, statutory requirements and duty of care. We have a full time health and safety team and I have assumed the role of Health and Safety Board Champion. A health and safety action plan has been set and agreed by the Board. We are upgrading our policies and procedures and providing training to senior managers and line managers. The Board will receive regular updates and review performance.

5.9 Last year, the FCO reported significant problems with financial control experienced on the Harare Embassy Project. Moreover, further problems occurred in 2009-10 when the Damascus Embassy Project was halted leading to a loss of £10 million. The FCO recognised the weaknesses in estates project management and other aspects of estates expertise highlighted in the NAO's report of February 2010 Adapting the Foreign and Commonwealth Office's Global Estate to the Modern World. We have already changed governance arrangements in the FCO to address lessons learnt. In addition, we have strengthened our Major Projects team, introduced more rigorous controls via new working practices and are recruiting a specialist and experienced construction person to lead the team.

5.10 The FCO has improved its approach to managing IT related risks and has matured its controls in 2009-10. However, IT User Registration and De-Registration needs to be improved and overseas IT controls need to be strengthened, in particular standalone and locally procured assets. Further measures to tighten controls surrounding Satellite Phones were introduced in 2009-10, including active monitoring to detect excessive use or fraud. A disablement programme for phones not used or unaccounted for has been instigated and will be completed shortly. No new cases of misuse were identified in-year. In April 2010, the FCO put in place an IT Disaster Recovery system. The FCO continues to mature its Information Assurance so that we can identify and address weaknesses more effectively in the future.

Martin Donnelly *24 June 2010*

Accounting Officer
Foreign and Commonwealth Office
King Charles Street
London
SW1A 2PA

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of the Foreign and Commonwealth Office for the year ended 31 March 2010 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement, the Statement of Financial Position, the Statement of Changes in Taxpayers Equity, the Cash Flow Statement and the Statement of Net Operating Costs by Departmental Strategic Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and Auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Department's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Department; and the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on Regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on Financial Statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2010 and of its net cash requirement, net resource outturn, net operating cost, net operating costs applied to departmental strategic objectives, change in taxpayers' equity and cash flows for the year then ended; and

- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or

- the financial statements are not in agreement with the accounting records or returns;

- I have not received all of the information and explanations I require for my audit; or

- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse *24 June 2010*
Comptroller and Auditor General
National Audit Office
157 - 197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Statement of Parliamentary Supply

Summary of Resource Outturn 2009-10

Request for Resources	Note	Estimate Gross expenditure	Estimate A-in-A	Estimate Net Total	Outturn Gross expenditure	Outturn A-in-A	Outturn Net Total	12 months 2009-10 Net total outturn compared with Estimate: Saving/ (excess)	12 months 2008-09 Outturn Net Total
		£000	£000	£000	£000	£000	£000	£000	£000
RfR 1	2	2,266,083	(382,000)	1,884,083	2,201,346	(324,048)	1,877,298	6,785	1,671,222
RfR 2	2	483,204	-	483,204	467,809	-	467,809	15,395	453,548
Total resources		2,749,287	(382,000)	2,367,287	2,669,155	(324,048)	2,345,107	22,180	2,124,770
Non-operating cost Appropriations-in-Aid				(18,000)			(9,584)	(8,416)	(59,456)

Net cash requirement 2009-10

	Note	Estimate	Outturn	2009-10 £000 Net total outturn compared with Estimate: Saving/ (excess)	2008-09 £000 Outturn
Net cash requirement	4	2,262,243	2,237,413	24,830	2,072,002

Summary of income payable to the Consolidated Fund

In addition to Appropriations-in-Aid, the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics).

	Note	Forecast 2009-10 £000 Income	Forecast 2009-10 £000 Receipts	Outturn 2009-10 £000 Income	Outturn 2009-10 £000 Receipts
Total	17.1	9,000	*9,000*	11,131	*11,131*

The notes following these main schedules form part of these accounts.

Consolidated Operating Cost Statement
for the year ended 31 March 2010

	Note	£000	£000	2009-10 £000	2008-09 £000
					Restated
		Expenditure	Income	Total	Total
Administration					
Staff costs	5	461,893	-	461,893	441,246
Other administration costs	6	864,690	-	864,690	576,626
Operating income	8	-	(103,891)	(103,891)	(70,252)
Consular allocated to programme	6, 8	(145,111)	7,076	(138,035)	(122,719)
Other costs allocated to programme	6, 8	(656,216)	17,900	(638,316)	(428,440)
Total administration costs		525,256	(78,915)	446,341	396,461
Programme					
Request for Resources 1					
Staff costs	5, 7	-	-	-	41
Other programme costs	7	1,676,090	-	1,676,090	1,674,800
Income	8	-	(245,133)	(245,133)	(370,025)
Request for Resources 2					
Staff costs	5, 7	595	-	595	3,972
Other programme costs	7	467,214	-	467,214	449,576
Total programme costs	7	2,143,899	(245,133)	1,898,766	1,758,364
Totals		**2,669,155**	**(324,048)**		
Net operating cost				**2,345,107**	**2,154,825**

The notes following these main schedules form part of these accounts.

Consolidated Statement of Financial Position
as at 31 March 2010

	Note	31 March 2010 £000	31 March 2009 £000	1 April 2008 £000
Non-current assets				
Property, plant and equipment	9	2,255,184	2,833,760	2,232,363
Intangible assets	10	3,654	4,459	1,341
Financial assets	12	32,146	24,111	-
Other non-current assets	14	37,938	58,744	59,931
Total non-current assets		**2,328,922**	**2,921,074**	**2,293,635**
Current assets				
Assets classified as held for sale	11	10,967	-	-
Financial assets	12	18,261	83,238	-
Inventories	13	7,847	10,472	10,392
Trade and other receivables	14	135,580	210,874	258,872
Cash and cash equivalents	15	29,648	35,776	30,064
Total current assets		**202,303**	**340,360**	**299,328**
Total assets		**2,531,225**	**3,261,434**	**2,592,963**
Current liabilities				
Financial liabilities	12	(12,446)	(11)	-
Trade and other payables	16	(265,414)	(303,399)	(225,407)
Total current liabilities		**(277,860)**	**(303,410)**	**(225,407)**
Non-current assets plus net current assets less net current liabilities		**2,253,365**	**2,958,024**	**2,367,556**
Non-current liabilities				
Financial liabilities	12	(1,783)	-	-
Provisions	18	(84,174)	(70,548)	(67,392)
Other payables	16	(39,287)	(40,569)	(42,076)
Retirement benefit schemes liability	19	(3,147)	(12,550)	(663)
Total non-current liabilities		**(128,391)**	**(123,667)**	**(110,131)**
Assets less liabilities		**2,124,974**	**2,834,357**	**2,257,425**
Taxpayers' equity				
General fund		1,107,482	1,215,297	1,093,116
Revaluation reserve		915,668	1,502,854	1,051,554
Donated asset reserve		101,824	116,206	112,755
Total taxpayers' equity		**2,124,974**	**2,834,357**	**2,257,425**

The notes following these main schedules form part of these accounts.

Martin Donnelly
Accounting Officer
24 June 2010

Consolidated Statement of Cash Flows
for the year ended 31 March 2010

	12 months 2009-10 £000	12 months 2008-09 £000 Restated
Cash flows from operating activities		
Net Operating Cost	(2,345,107)	(2,154,825)
Adjustments for non-cash transactions	272,581	165,621
(Increase)/decrease in inventories	2,625	(80)
(Increase)/decrease in trade and other receivables	154,291	47,190
Less movements in receivables relating to items not passing through the OCS	(67,158)	6,712
Increase/(decrease) in trade payables	(45,960)	91,645
Less movements in payables relating to items not passing through the OCS	11,721	(36,139)
IFRS adjustment to property, plant and equipment	(30,560)	-
Machinery of Government change	-	3,158
Use of provisions	(20,853)	(23,049)
Retirement benefit schemes	(5,059)	-
Net cash outflow from operating activities	**(2,073,479)**	**(1,899,767)**
Cash flows from investing activities		
Purchase of property, plant and equipment	(248)	(269)
Additions to assets in the course of construction	(161,561)	(224,464)
Government Grant receipts	2,569	-
Proceeds from disposal of property, plant and equipment	9,584	59,456
Movement on long term loans to other bodies (note 12)	2,000	(8,000)
Net cash outflow from investing activities	**(147,656)**	**(173,277)**
Cash flows from financing activities		
From the Consolidated Fund (Supply) - current year	2,262,243	2,094,319
Payment to the Consolidated Fund in respect of unspent prior year Supply	-	(14,234)
Deemed Supply in respect of unspent prior year Supply	(36,551)	14,234
Deemed repayment to the Consolidated Fund of unspent prior year Supply	-	(2,863)
Advances from the Contingency Fund	90,000	-
Repayments to the Contingency Fund	(90,000)	-
Capital element of payments of finance leases and on-balance sheet PFI contracts	1,725	1,658
Net financing	**2,227,417**	**2,093,114**
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund	6,282	20,070
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund	6,282	20,070
Cash and cash equivalents at the beginning of the period	23,120	3,050
Cash and cash equivalents at the end of the period	**29,402**	**23,120**

The notes following these main schedules form part of these accounts.

Consolidated Statement of Changes in Taxpayers' Equity
for the year ended 31 March 2010

	General Fund	Revaluation Reserve	Donated Asset Reserve	Total Reserves
	£000	*£000*	*£000*	*£000*
Balance as at 31 March 2008	988,770	703,493	73,097	1,765,360
IFRS adjustment	104,346	348,061	39,658	492,065
Restated balance at 1 April 2008	**1,093,116**	**1,051,554**	**112,755**	**2,257,425**
Changes in taxpayers' equity for 2008-09				Restated
Net gain on revaluation of property, plant and equipment	-	483,260	17,797	501,057
Net gain/(loss) on revaluation of current assets	1,877	-	-	1,877
Unrealised gain on foreign exchange - forward contracts	89,377	-	-	89,377
Unrealised gain on foreign exchange - other	15,460	-	-	15,460
Release of reserves to the operating cost statement	-	-	(1,088)	(1,088)
Non-cash charges - cost of capital	74,508	-	-	74,508
Non-cash charges - auditors remuneration	288	-	-	288
Transfers between reserves	45,218	(31,960)	(13,258)	-
Consolidation and other in-year adjustments	(10,352)	-	-	(10,352)
Net operating cost for the year	(2,154,826)	-	-	(2,154,826)
Total recognised income and expense for 2008-09	**(1,938,450)**	**451,300**	**3,451**	**(1,483,699)**
Net Parliamentary Funding - drawn down	2,094,319	-	-	2,094,319
Supply receivable adjustment	(36,551)	-	-	(36,551)
Prior year Consolidated Fund creditor	2,863	-	-	2,863
Balance at 31 March 2009	**1,215,297**	**1,502,854**	**116,206**	**2,834,357**
Changes in taxpayers' equity for 2009-10				
Net gain/(loss) on revaluation of property, plant and equipment	-	(576,498)	(13,627)	(590,125)
Net gain/(loss) on revaluation of current assets	-	-	-	-
Unrealised loss on foreign exchange - forward contracts	(66,933)	-	-	(66,933)
Unrealised loss on foreign exchange - other	(23,926)	-	-	(23,926)
Government Grant receipts	2,569	-	-	2,569
Release of reserves to the operating cost statement	-	-	(755)	(755)
Non-cash charges - cost of capital	82,847	-	-	82,847
Non-cash charges - auditors remuneration	265	-	-	265
Transfers between reserves	10,688	(10,688)	-	-
Leasehold land prepayment adjustment	(17,490)	-	-	(17,490)
Consolidation and other in-year adjustments	7,693	-	-	7,693
Pension movement through Reserves	4,346	-	-	4,346
Net operating cost for the year	(2,345,107)	-	-	(2,345,107)
Total recognised income and expense for 2009-10	**(2,345,048)**	**(587,186)**	**(14,382)**	**(2,946,616)**
Net Parliamentary Funding - drawn down	2,225,692	-	-	2,225,692
Supply payable/(receivable) adjustment	(24,829)	-	-	(24,829)
Prior year Consolidated Fund creditor	36,551	-	-	36,551
Income not A in A paid to the Consolidated Fund	-	-	-	-
CFER adjustment relating to prior year	(181)	-	-	(181)
Balance at 31 March 2010	**1,107,482**	**915,668**	**101,824**	**2,124,974**

The notes following these main schedules form part of these accounts.

Consolidated Statement of Net Operating Costs by Departmental Strategic Objectives

for the year ended 31 March 2010

				2009-10			Restated 2008-09
		£000 Gross	£000 Income	£000 Net	£000 Gross	£000 Income	£000 Net
Departmental Strategic Objectives (DSO):							
DSO 1	A flexible global network serving the whole of the British Government	1,053,941	(220,561)	833,380	1,112,921	(337,249)	775,672
DSO 2	Supporting the British economy	209,352	(5,519)	203,833	190,287	(5,780)	184,507
DSO 3	Supporting British nationals abroad	145,111	(68,653)	76,458	126,395	(69,612)	56,783
DSO 4	Supporting managed migration for Britain	41,574	(1,412)	40,162	32,088	(1,446)	30,642
DSO 5	Countering terrorism and weapons proliferation and their causes	152,013	(8,207)	143,806	129,458	(6,547)	122,911
DSO 6	Preventing and resolving conflict	621,013	(7,670)	613,343	612,003	(5,505)	606,498
DSO 7	Promoting a low-carbon, high-growth, global economy	154,991	(5,467)	149,524	127,926	(3,837)	124,089
DSO 8	Developing effective international institutions, above all the UN and the EU	291,160	(6,559)	284,601	259,653	(5,930)	253,723
Net Operating Costs		**2,669,155**	**(324,048)**	**2,345,107**	**2,590,731**	**(435,906)**	**2,154,825**

Notes

1. Administration costs in respect of UK Trade & Investment in DSO 2 above are further analysed:

			2009-10			2008-09
	£000 Gross	£000 Income	£000 Net	£000 Gross	£000 Income	£000 Net
Staff costs	50,467	-	50,467	51,724	-	51,724
Other operating costs	146,311	(5,519)	140,792	122,594	(5,754)	116,840
Depreciation	5,153	-	5,153	7,122	-	7,122
Cost of capital	7,421	-	7,421	8,018	-	8,018
	209,352	**(5,519)**	**203,833**	**189,458**	**(5,754)**	**183,704**

2. See Note 20 for an analysis of programme costs by Departmental Strategic Objectives.

3. Income includes consular and other income. Other income (e.g. receipts from other departments) is administration income and is allocated across all DSOs based on weighted headcount.

4. 2008-09 included some costs for DSO 2 that were not directly attributable to UKTI.

The notes following these main schedules form part of these accounts.

Notes to the Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2009-10 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Department for the purpose of giving a true and fair view has been selected. The Department's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

In addition to the primary statements prepared under IFRS, the FReM also requires the Department to prepare two additional primary statements. The *Statement of Parliamentary Supply* and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement. The Consolidated *Statement of Net Operating Costs by Departmental Strategic Objectives* and supporting notes analyse the Department's income and expenditure by our objectives agreed with Ministers.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and inventories where material, at their value to the FCO by reference to their current costs or fair value as appropriate.

1.2 Basis of consolidation

These accounts comprise a consolidation of the FCO and Wilton Park Executive Agency, which falls within the Departmental accounting boundary as defined in the FReM. Transactions between the entities included in the consolidation are eliminated. A list of all those entities within the Departmental accounting boundary is given in the Notes to the Accounts.

On 1 April 2008 the UK Border Agency (UKBA) was created to integrate the work of the Home Office Border and Immigration Agency, elements of HM Revenue and Customs, and the activities of UKvisas within the FCO. For 2009-10 full recharging arrangements apply for those elements of UKBA overseas operations that remain embedded within the FCO network. Payables and Receivables balances between the FCO and UKBA are reflected in the FCO Statement of Financial Position. For 2008-09, full Machinery of Government entries are shown for UKBA that reflect the full costs of UK and overseas costs elements, and all associated income streams.

1.3 Property, plant and equipment

Buildings which are owned or held on long term leases, and perpetual leasehold land, are recorded within Property, Plant and Equipment (PPE) and stated at fair value using periodic professional valuations. The overseas estate is subject to a three-to-five-year rolling revaluation programme and interim annual review. Buildings and land held on short term leases are regarded as operating leases and rental payments are recorded in the operating cost statement. Short term leases are defined as those where the lease is less than seven years or marked to market at no more than five-yearly intervals.

In some instances the FCO enjoys the benefit of perpetual leases, which either continue at a peppercorn rent or are renewable at a de minimis premium indefinitely. These interests are non-revisionary and rest with the FCO for as along as the FCO requires. For valuation purposes these interests are regarded as akin to freehold interests, and valued accordingly.

On initial recognition property, plant and equipment are measured at cost including any costs such as installation directly attributable to bringing them into working condition. Assets are included in the accounts at the cost or valuation applicable as at the balance sheet date; any movements in valuation during the year are taken to the revaluation reserve or treated as impairments where appropriate.

Antiques and works of art are grouped and valued on a market value basis by professional valuers and are included where the valuations equate to or exceed £5,000. Plant and equipment are stated at current value using appropriate indices. The minimum level for capitalisation of a single tangible asset is £3,000, subject to grouping conventions where appropriate.

1.4 Non-perpetual leasehold land

The premium paid for the land element of a non-perpetual lease (see 1.3) is recognised within prepayments. Prepayments are amortised over the life of the lease.

1.5 Donated assets

Donated property, plant and equipment and intangible assets are capitalised at their current value on receipt, and this value is credited to the donated asset reserve. Subsequent revaluations are also taken to this reserve. Each year, an amount equal to the depreciation charge on the asset is released from the donated asset reserve to the Operating Cost Statement (OCS). Restricted right-to-use privileges over property granted to HM Government are treated as donated assets and capitalised at fair value, or value in use, if appropriate. Restrictions prevail over the use and rights of disposal.

Notes to the Accounts

1.6 Depreciation

Property, plant and equipment are depreciated or amortised at rates calculated to write them down to their estimated residual values on a straight-line basis over their estimated useful lives. Freehold land is not depreciated. Assets under construction are not depreciated until the asset is brought into use. Asset lives have been set in the following ranges :

Freehold buildings	-	up to 60 years
Leasehold land and buildings	-	term of lease
Information technology and communications	-	up to 8 years
Transport equipment	-	2 to 8 years
Plant and machinery	-	5 to 20 years

1.7 Intangible assets

Purchased computer software licences are capitalised as intangible assets where expenditure of £3,000 or more is incurred. Except where reliable evidence of current value cannot be readily ascertained, these are restated to current value each year through the use of indices. Software licences are amortised over the shorter of the term of the licence and the useful economic life.

1.8 Financial investments

The FCO holds an investment in FCO Services. The FCO Services Trading Fund Order 2009 (SI 2009 No. 1362) provides for Public Dividend Capital (PDC) of £4,981,000. A Vesting Day Loan amount of £4,754,000 represents the remaining balance of the assets less liabilities of FCO Services as at 1 April 2008. The Vesting Day Loan attracts interest of 4.03% per annum, and the amount is scheduled for repayment in equal annual instalments from October 2011 to October 2015.

In addition, a Working Capital Loan of £10,000,000 was made to FCO Services on 1 April 2008, scheduled for repayment in equal instalments from April 2009 to October 2012, and attracting interest of 4.01% per annum.

1.9 Inventories

Inventories are valued at cost or, where materially different, current replacement cost, and at net realisable value only when they either cannot or will not be used.

1.10 Operating income

Operating income is income which relates directly to the operating activities of the FCO. It principally comprises fees and charges for services provided, on a full cost basis, to external customers as well as partners across government. It includes both income appropriated-in-aid and income to the Consolidated Fund which HM Treasury has agreed should be treated as operating income. Operating income is stated net of VAT.

1.11 Administration and programme expenditure

The OCS is analysed into administration and programme income and expenditure. Administration costs reflect the costs of running the FCO. Programme costs reflect non-administration costs, including payments of grants and other disbursements by the FCO, as well as certain staff costs where they relate directly to service delivery. The OCS reflects the total amount reallocated from administration costs to programme costs in respect of frontline expenditure, including consular services. The classification of expenditure and income as administration or as programme follows the definition of administration costs set by HM Treasury.

1.12 Foreign exchange

Transactions which are denominated in foreign currency are translated into sterling at the exchange rate ruling on the date of each transaction, except where rates do not fluctuate significantly, in which case an average rate for the period is used. Monetary assets and liabilities denominated in foreign currency at the balance sheet date are translated at the rates ruling at that date. Differences on translation are dealt with in the OCS.

1.13 Leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the FCO, the asset is recorded as property, plant and equipment and a liability is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the Operating Cost Statement over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as operating leases and the rentals are charged to the Operating Cost Statement over the term of the lease.

1.14 Service concessions (PFI)

Private Finance Initiative (PFI) transactions have been accounted for in accordance with HM Treasury and FReM requirements. Where the terms of the PFI meet the definition of service concession arrangements in IFRIC 12 the infrastructure asset is recognised as a non-current asset. The service element and the interest charge are recognised in the OCS as incurred over the term of the concession arrangement.

Where the balance of risks and rewards of ownership of the PFI property is borne by the FCO, the property is recognised as a fixed asset and the liability to pay for it is accounted for as a finance lease. Contract payments are apportioned between a reduction in the capital obligation and charges to the OCS for service performance and finance cost.

Notes to the Accounts

1.15 Financial instruments
In order to gain greater budget certainty the FCO mitigates against potential falls in the value of sterling by taking out forward currency contracts with the Bank of England. The contracts are held in the statement of financial position at fair value. Gains or losses are recognised through the OCS on maturity of the contract.

1.16 Grants payable
Grants payable are recorded as expenditure in the period that the underlying event or activity giving entitlement to the grant occurs. Where the period for which peacekeeping payments are to be applied is clearly defined, the appropriate resource adjustments are made.

1.17 Capital charge
A charge, reflecting the cost of capital utilised by the FCO, is included in operating costs. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets and liabilities, except for donated assets and balances with the Government Banking Service, where the charge is nil.

1.18 Provisions
The FCO provides for legal and constructive obligations which are of uncertain timing or amount at the balance sheet date on the basis of best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury discount rate of 2.2% in real terms. Early departure costs (see below) are discounted at a different rate.

1.19 Bad Debt Provision
The FCO fully provides against specific receivables where it is considered a risk exists that the debtor may default on payment. The bad debt provision is not material to the FCO resource accounts.

1.20 Pensions
Past and present UK-based employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). PCSPS defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. The FCO recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the FCO recognises the contributions payable for the year.

1.21 Early departure costs
The FCO meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early retirement and normal retirement date. The FCO provides for this in full when the early retirement programme becomes binding on the Department by establishing a provision for the estimated payments discounted by the Treasury discount rate of 1.8% in real terms.

1.22 Terminal benefits for locally engaged staff
The FCO is required to observe local employment laws regarding the payment of pensions, gratuities and terminal benefits at its overseas posts. Where state or other trustee schemes exist, the FCO discharges its obligation in-year by the payment of accrued contributions. Where the final gratuity or terminal benefit has to be met by the FCO, the full cost has been provided for in the accounts. The FCO has adopted the requirements of International Accounting Standard 19: 'Employee Benefits' in respect of its overseas pension schemes.

1.23 Value Added Tax
Most of the activities of the FCO are outside the scope of VAT and, in general, output tax does not apply and input tax is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged, or input VAT is recoverable, the amounts are stated net of VAT.

1.24 Contingent liabilities
In addition to contingent liabilities disclosed in accordance with International Accounting Standard (IAS) 37, the department discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of *Managing Public Money* .

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

1.25 Third party assets
The FCO holds monies for disbursement on behalf of the United Nations Compensation Commission. Neither the Department nor the government more generally has a direct beneficial interest in these balances. As the values are immaterial these are not separately disclosed and are included under general Trade Payables balances.

1.26 Consolidated Fund Extra Receipts
Income which the Department receives, but which does not arise from the normal course of FCO business, is paid over to HM Treasury in the form of Consolidated Fund Extra Receipts (CFERs). With effect from 2009-10, CFERs are reflected through the Statement of Financial Position. Previously, CFERs were shown under Operating Income and then adjusted within the OCS. Balances for 2008-09 have been re-stated where appropriate to remove CFERs from income.

Notes to the accounts

2 Analysis of net resource outturn by section

	Admin	Other current	Grants	Gross resource expenditure	A-in-A	Outturn net total	Estimate net total	2009-10 Outturn compared with Estimate	2008-09 Outturn net total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
RfR 1: Promoting internationally the interests of the UK and contributing to a strong world community									
Spending in Departmental Expenditure Limits (DEL)									
Central Government spending									
A: Administration, programmes and international organisations subscriptions	525,257	927,594	207,437	1,660,289	(324,048)	1,336,241	1,343,277	7,036	1,217,016
B: BBC World Service broadcasting	-	239,543	-	239,543	-	239,543	241,043	1,500	234,043
C: British Council	-	192,963	-	192,963	-	192,963	192,963	-	194,863
D: BBC World Service - Capital grant	-	-	28,500	28,500	-	28,500	31,000	2,500	31,000
E: British Council - Capital grant	-	-	7,800	7,800	-	7,800	7,800	-	6,100
Spending in Annually Managed Expenditure (AME)									
Central Government spending									
F: Administration, programmes and international organisations subscriptions	-	51,144	-	51,144	-	51,144	50,000	(1,144)	(30,030)
Non-budget									
G: Reimbursement of certain duties, taxes and licence fees	-	-	21,107	21,107	-	21,107	18,000	(3,107)	18,230
Total	525,257	1,411,244	264,844	2,201,346	(324,048)	1,877,298	1,884,083	6,785	1,671,222
RfR 2: Conflict prevention									
Spending in Departmental Expenditure Limits (DEL)									
Central Government spending									
A: Conflict Prevention expenditure	-	-	110,237	110,237	-	110,237	129,774	19,537	86,861
B: Peacekeeping expenditure	-	-	357,572	357,572	-	357,572	353,430	(4,142)	366,687
Total	-	-	467,809	467,809	-	467,809	483,204	15,395	453,548
Resource outturn	525,257	1,411,244	732,653	2,669,155	(324,048)	2,345,107	2,367,287	22,180	2,124,770

Notes to the accounts

3 Reconciliation of outturn to net operating cost and against Administration Budget

3.1 Reconciliation of net resource outturn to net operating cost

	Note	Supply Estimate £000	2009-10 Outturn £000	Outturn compared with Estimate £000	2008-09 Outturn £000
Net Resource Outturn	2	2,367,287	2,345,107	22,180	2,124,770
Prior year IFRS adjustment	29	-	-	-	30,055
Net operating cost		**2,367,287**	**2,345,107**	**22,180**	**2,154,825**

3.2 **Outturn against final Administration Budget**

	Note	**Budget** *£000*	**2009-10 Outturn** *£000*	**Outturn compared with Budget** *£000*	**2008-09 Outturn** *£000*
Gross Administration Budget	2	536,289	525,257	11,032	486,730
Income allowable against the Administration Budget	8	(80,000)	(78,915)	(1,085)	(57,318)
Net outturn against final Administration Budget		456,289	446,342	9,947	429,412

4 Reconciliation of resources to cash requirement

	Note	**Estimate** *£000*	**2009-10 Outturn** *£000*	**Saving/ (excess)** *£000*	**2008-09 Outturn** *£000*
Resource Outturn	2	2,367,287	2,345,107	22,180	2,124,770
Capital					
Acquisition of non-current assets	9	162,010	161,809	201	224,733
FCO Services Trading Fund Loan Repayment	12.1	(2,000)	(2,000)	-	10,000
Government Grant Receipt	SCTE	-	(2,569)	2,569	-
Non-operating Appropriations-in-Aid					
Proceeds of non-current asset disposals	Cash Flow	(18,000)	(9,584)	(8,416)	(59,456)
Accruals adjustments					
Non-cash items	6	(260,054)	(272,582)	12,528	(135,400)
Changes in working capital other than cash	Cash Flow	-	(40,521)	40,521	(115,174)
Changes in payables falling due after more than one year		-	1,281	(1,281)	1,506
Use of provisions	18	13,000	20,853	(7,853)	21,023
Retirement benefit schemes		-	5,058	(5,058)	-
IFRS adjustment to property, plant and equipment		-	30,561	(30,561)	-
Net cash requirement		2,262,243	2,237,413	24,830	2,072,002

Notes to the accounts

5 Staff and related costs

5.1 Staff costs comprise:

	Permanent staff		Others	Ministers	Special advisers	2009-10 Total	2008-09 Total
	Local staff	**UK staff**					Restated
	£000	*£000*	*£000*	*£000*	*£000*	*£000*	£000
Salaries	142,006	246,776	6,703	286	241	396,012	375,548
Social Security costs	-	10,708	-	12	10	10,730	10,183
Other pension costs	25,700	32,297	61	-	52	58,110	58,618
Sub total	167,706	289,781	6,764	298	303	464,852	444,349
Recoveries in respect of outward secondments	-	(2,959)	-	-	-	(2,959)	(3,103)
Total net costs	**167,706**	**286,822**	**6,764**	**298**	**303**	**461,893**	**441,246**
Allocated to Programme *							
RfR1 Salaries	-	-	-	-	-	-	40
RfR1 Social Security costs	-	-	-	-	-	-	1
RfR2 Salaries	-	476	-	-	-	476	3,799
RfR2 Social Security costs	-	119	-	-	-	119	173
	-	**595**	-	-	-	**595**	**4,013**

* Note: From 2008-09, permitted staff costs are charged to specific programmes as shown under Note 7 - Programme costs.

5.2 The average number of whole-time equivalent persons employed:
(Including senior management and staff on secondment)

	Permanent staff		Others	2009-10 Total	2008-09 Total
	Local staff	**UK staff**			
DSO 1 Flexible global network (excluding UK Border Agency staff)*	2,921	1,745	275	4,941	5,280
DSO 2 Supporting the British economy	2,640	337	48	3,025	2,914
DSO 3 Supporting British nationals abroad	1,817	503	72	2,392	2,279
DSO 4 Supporting managed migration	87	109	15	211	270
DSO 5 Countering terrorism and weapons proliferation	132	653	93	878	771
DSO 6 Preventing and resolving conflict	239	611	87	937	852
DSO 7 Promoting a low-carbon, high-growth global economy	630	383	54	1,067	905
DSO 8 Developing effective international institutions	326	522	76	924	819
Total	**8,792**	**4,863**	**720**	**14,375**	**14,090**
Representing					
Core FCO	**8,792**	**4,795**	**720**	**14,307**	**14,021**
Wilton Park Executive Agency		**68**		**68**	**69**
Total	**8,792**	**4,863**	**720**	**14,375**	**14,090**

In addition to the above numbers there were 4 Ministers and 5 Special Advisers whose portfolios can cover all DSOs and therefore have not been allocated specifically in the table. Others includes contract and agency staff.

* UK Border Agency staff	1,786	182	-	1,968	2,034

Notes to the accounts

6 Other administration costs

	2009-10	2008-09
	£000	£000
Rentals under operating leases		
Hire of plant and machinery	5,565	5,049
Property rentals	90,281	73,791
	95,846	78,840
Interest charges		
Finance leases	34	55
On-balance sheet PFI contracts	3,115	3,305
	3,149	3,360
PFI service charges		
Off-balance sheet contracts	26,980	30,742
Service element of on-balance sheet contracts	1,845	1,259
	28,825	32,001
Non-cash items		
Depreciation: Tangible fixed assets	97,652	86,941
Amortisation: Intangible fixed assets	3,328	5,431
Loss/(gain) on disposal of fixed assets	(1,094)	2,277
Impairments - RfR 1: Line A (Delegated Expenditure Limit)	3,958	-
Impairments/(reversals) - RfR1: Line F (Annually Managed Expenditure)	51,144	(30,030)
Cost of capital charge at 3.5%	82,847	74,509
Auditors' remuneration and expenses	265	288
Provisions: Provided in year	33,888	25,729
Provisions: Unwinding of discount	593	476
	272,581	165,621
Other expenditure		Restated
(Gain)/loss on exchange	(31,093)	(40,774)
Training, medical, travel and other allowances	111,979	102,461
Estate, security and capital related costs	204,910	189,840
IT and communications	117,142	127,511
Consular	4,935	6,072
Information and commercial services	17,547	17,536
Other	38,869	21,615
FCO recharges to UK Border Agency *	-	(127,457)
	464,289	296,804
Other administration costs	**864,690**	**576,626**
Administration cost of Consular operations worldwide allocated to programme as frontline services	145,111	129,669
Administration cost of UK Border Agency operations worldwide allocated to programme as frontline services	152,731	-
Other net administration costs allocated to programme reflecting frontline service delivery **	503,485	434,426

* For 2009-10 onwards, costs relating to UK Border Agency are handled as follows: shared costs within the FCO overseas network (£160million per annum) are included in cost totals above; all other direct UK Border Agency costs are removed and transferred to UK Border Agency. For 2008-09, UKBA costs were fully embedded within FCO accounting systems.

** The programme costs transfer is agreed with HM Treasury for 2008-09 and subsequent years as part of the Comprehensive Spending Review, and is included in Estimates.

Notes to the accounts

7 Programme costs

Current grants and other current expenditure :

	2009-10	2008-09
		Restated
	£000	*£000*
Request for Resources 1:		
Subscriptions to international organisations	177,412	145,512
FCO programmes	183,688	177,580
Consular operations	145,111	129,669
UK Border Agency recharges *	176,481	303,377
Front line service delivery costs allocated from administration costs (Note 6)	503,485	434,426
Re-imbursements of duties etc to other governments	21,107	18,230
BBC World Service	268,043	265,043
British Council	200,763	200,963
	1,676,090	1,674,800
Staff costs allocated to FCO programmes	-	41
	1,676,090	1,674,841
Request for Resources 2:		
Staff costs	595	3,972
Programme costs	467,214	449,576
	467,809	453,548
	2,143,899	2,128,389
RfR1 Programme income	(245,133)	(370,025)
RfR2 Programme income	-	-
	(245,133)	(370,025)
Net programme costs (Note 20)	**1,898,766**	**1,758,364**
Subscriptions include the following over £1 million:		
UN Regular Budget	97,353	74,351
NATO	22,170	21,530
Council of Europe	26,383	23,947
OECD	14,987	15,169
Commonwealth Secretariat	5,045	5,821
OSCE	6,634	2,319
Western European Union	3,212	613
Others	1,628	1,762
	177,412	145,512

* UK Border Agency Programme costs for 2009-10 reflect operating costs embedded within the FCO overseas network. These costs are re-charged and included in Income from Fees and Charges to Other Departments (Note 8). UK-based UK Border Agency operations are no longer reflected in the FCO accounts. UK Border Agency costs, and income, for 2008-09 reflect both UK-based and overseas network UK Border Agency activities.

Notes to the accounts

8 Income

Income recorded in the Operating Cost Statement is analysed as follows:

	2009-10	2008-09
		Restated
	£000	*£000*
Request for Resources 1:		
Administration income		
General	29,072	25,476
Fees and charges to external customers	11	108
Fees and charges to other departments	70,327	60,699
Dividend receivable - FCO Services	3,447	508
Interest on loans - FCO Services	755	602
Other external interest	279	758
	103,891	88,151
Less		
Allocated to UK Border Agency	(17,900)	(17,900)
Allocated to Consular fees as programme income	(7,076)	(6,950)
Allocated to programme income reflecting other frontline service delivery	-	(5,986)
	78,915	57,315
Programme income		
Consular fees (programme income and allocated from administration)	68,652	60,662
UK Border Agency recharges	176,481	303,377
Allocated from administration	-	5,986
	245,133	370,025
Total for Request for Resources 1	324,047	427,340
Request for Resources 2:		
Programme income	-	-
Total	**324,047**	**427,340**

An analysis of income and fee-bearing costs from services provided to external customers, provided for fees and charges purposes only, not for IFRS 8 purposes, is as follows. It excludes FCO migration income and consular income payable to the Consolidated Fund:

			2009-10			**2008-09**
	Income	**Full cost**	**Surplus/ (deficit)**	**Income**	**Full cost**	**Surplus/ (deficit)**
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Passport and consular income	68,653	(68,996)	(343)	69,612	(69,960)	(348)

Notes to the accounts

9 Property, plant and equipment

	Non-residential land and buildings £000	Residential land and buildings £000	Information technology £000	Transport equipment £000	Plant and machinery £000	Antiques and works of art £000	Assets under construction £000	Total tangible assets £000
Cost or valuation								
At 1 April 2009	1,500,063	980,006	133,928	74,192	48,476	20,237	250,862	3,007,764
Additions	70	-	60	-	118	-	161,562	161,810
Disposals	(10,018)	(21,616)	-	(2,236)	(58)	-	-	(33,928)
Impairments	(54,440)	(4,621)	15,110	24	61	-	(3,959)	(47,825)
Revaluation	(316,512)	35,509	24,243	2,321	1,336	-	-	(253,103)
Reclassification *	160,692	45,882	105,439	5,890	15,430	-	(333,408)	(75)
At 31 March 2010	**1,279,855**	**1,035,160**	**278,780**	**80,191**	**65,363**	**20,237**	**75,057**	**2,834,643**
Depreciation								
At 1 April 2009	56,887	5,723	50,778	40,768	19,848	-	-	174,004
Charge for the year	30,587	13,204	31,752	15,827	6,282	-	-	97,652
Charge for the year - donated assets	106	649	-	-	-	-	-	755
Disposals	(2,957)	(2,832)	-	(2,138)	(21)	-	-	(7,948)
Impairments	(1,613)	(1,717)	10,911	31	3	-	-	7,615
Revaluation	171,237	132,018	2,166	1,207	559	-	-	307,187
Reclassification *	-	194	-	-	-	-	-	194
At 31 March 2010	**254,247**	**147,239**	**95,607**	**55,695**	**26,671**	**-**	**-**	**579,459**
Net book value								
At 31 March 2010	**1,025,608**	**887,921**	**183,173**	**24,496**	**38,692**	**20,237**	**75,057**	**2,255,184**
at 1 April 2009	1,443,176	974,283	83,150	33,424	28,628	20,237	250,862	2,833,760
Asset financing:								
Owned	825,824	685,530	183,173	24,496	38,692	20,237	75,057	1,853,009
Leased	184,090	202,391	-	-	-	-	-	386,481
On-balance-sheet PFI contracts	15,694	-	-	-	-	-	-	15,694
Net book value								
At 31 March 2010	**1,025,608**	**887,921**	**183,173**	**24,496**	**38,692**	**20,237**	**75,057**	**2,255,184**

* Some Land assets have been reclassified to operating lease prepayments (note 14).

Notes to the accounts

9 Property, plant and equipment (continued)

	Non-residential land and buildings	Residential land and buildings	Information technology	Transport equipment	Plant and machinery	Antiques and works of art	Assets under construction	Total tangible assets
	£000	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
Cost or valuation								
At 1 April 2008	**1,172,712**	**767,089**	**70,251**	**60,145**	**39,354**	**20,281**	**248,836**	**2,378,668**
Additions	88	-	13	-	169		224,464	224,734
Disposals	(42,010)	(19,502)	(14,350)	(5,033)	(3,936)	-	-	(84,831)
Impairments	28,785	5,763	(6,408)	-	-	-	-	28,140
Revaluation	448,625	196,009	-	3,617	505	(51)	-	648,705
Reclassification *	(108,137)	30,647	84,422	15,463	12,384	7	(222,438)	(187,652)
At 31 March 2009	**1,500,063**	**980,006**	**133,928**	**74,192**	**48,476**	**20,237**	**250,862**	**3,007,764**
Depreciation								
At 1 April 2008	**42,631**	**1,432**	**49,222**	**34,001**	**19,019**	-	-	146,305
Charge for the year	32,367	25,913	18,268	9,797	4,464	-	-	90,809
Charge for the year - donated assets	97	991	-	-	-	-	-	1,088
Disposals	(440)	(138)	(14,335)	(4,331)	(3,853)	-	-	(23,097)
Impairments	-	-	(2,377)	-	-	-	-	(2,377)
Revaluation	(17,768)	(22,475)	-	1,301	218	-	-	(38,724)
At 31 March 2009	**56,887**	**5,723**	**50,778**	**40,768**	**19,848**	**-**	**-**	**174,004**
Net book value								
At 31 March 2009	**1,443,176**	**974,283**	**83,150**	**33,424**	**28,628**	**20,237**	**250,862**	**2,833,760**
At 31 March 2008	1,130,081	765,657	21,029	26,144	20,335	20,281	248,836	2,232,363
Asset financing:								
Owned	781,232	722,766	83,150	33,424	28,628	20,237	250,862	1,920,299
Leased	650,866	251,517	-	-	-	-	-	902,383
On-balance-sheet PFI contracts	11,078	-	-	-	-	-	-	11,078
Net book value								
At 31 March 2009	**1,443,176**	**974,283**	**83,150**	**33,424**	**28,628**	**20,237**	**250,862**	**2,833,760**

* Some Information technology assets have been reclassified to intangible assets (note 10).

Notes to the accounts

9 Property, plant and equipment (continued)

Notes to Property, plant and equipment

Non-Specialised Properties:

Valuations of non-specialised properties were carried out as follows:

Property Location	Valuer	Effective Valuation Date
European Union; Wider Europe and Russia; Caucasus; Central Asia	Colliers CRE	30 June 2008
Americas	Knight Frank	30 June 2009
Middle East; North Africa	Cluttons	30 June 2008
Sub-Saharan Africa	CB Richards Ellis	30 June 2006
South Asia; Asia Pacific	Knight Frank	30 June 2009

Desk reviews for revaluation purposes were carried out by in-house valuers for all non-specialised properties on 31 March 2010.

Specialised Properties:

These valuations are undertaken on a rolling basis with properties externally valued as at either 31 March 2008 or as at 31 March 2009, with an in-house desk review by FCO Estates and Security Directorate chartered surveyors as at 31 March 2010. Specialised properties have been valued using Depreciated Replacement Cost (DRC) methodology on a Modern Equivalent Replacement basis ignoring listed status (where relevant). It should be noted that DRC valuations are only relevant subject to the continuing prospect of the property in question remaining viable and occupied. In the event the property is no longer required for service delivery then the achievable Market Value of the asset may be significantly less than the value now reported on a DRC basis. In cases where DRC valuations have been applied, Market Values are also supplied for comparison purposes.

All the valuations have been prepared in accordance with both International Valuation Application 1, published by the International Valuation Standards Committee, and the Royal Institute of Chartered Surveyors Valuation Standards 6th Edition. All valuers are experienced and qualified Chartered Valuation Surveyors with relevant knowledge, skill and understanding.

The valuations have been undertaken by way of an internal desk review of the valuations previously supplied by external Chartered Valuation Surveyors. Where possible, in arriving at an opinion of Market Value and/or Fair Value, observable prices and market data relating to actual transactions involving comparable properties has been utilised. For a number of properties, however, it has been necessary to rely on information obtained from market indices and benchmarks, informal advice received from local estate professionals and valuer judgement. These valuations are valid as at the date reported, 31 March 2010, and due to current global market volatility should not be relied upon beyond that date without referring to the valuers.

Leased Properties:

The leased properties disclosed constitutes two elements: 1) Leasehold buildings held in perpetuity £237 million (2008-09 £294 million) treated as freehold properties; 2) Leases for ground rent held in perpetuity £149 million (2008-09 £226 million) treated as freehold land. Neither category is regarded as a finance lease.

Antiques and Works of Art:

Antiques and works of art are grouped and valued on a market value basis by professional valuers, and are included where valuations equate to, or exceed, £5,000.

Notes to the accounts

10 Intangible assets

	Software licences	Total
	£000	*£000*
Cost or valuation		
At 1 April 2009	8,257	8,257
Additions	-	-
Disposals	-	-
Impairments	1,114	1,114
Revaluation	837	837
Reclassification	-	-
At 31 March 2010	**10,208**	**10,208**
Amortisation		
At 1 April 2009	3,798	3,798
Charge for the year	1,942	1,942
Impairments	608	608
Revaluation	205	205
Reclassification	-	-
At 31 March 2010	**6,553**	**6,553**
Net book value		
At 31 March 2010	**3,654**	**3,654**
At 31 March 2009	*4,459*	*4,459*
Asset financing:		
Leased	3,654	3,654
Net book value		
At 31 March 2010	**3,654**	**3,654**

	Software licences	Total
	£000	*£000*
Cost or valuation		
At 1st April 2008	3,781	3,781
Additions		-
Impairments	(689)	(689)
Reclassification *	5,165	5,165
At 31 March 2009	**8,257**	**8,257**
Amortisation		
At 1st April 2008	2,440	2,440
Charge for the year	1,560	1,560
Impairments	(202)	(202)
At 31 March 2009	**3,798**	**3,798**
Net book value		
At 31 March 2009	**4,459**	**4,459**
At 1st April 2008	*1,341*	*1,341*
Asset financing:		
Leased	4,459	4,459
Net book value		
At 31 March 2009	**4,459**	**4,459**

* Some Information technology assets have been reclassified from Property, Plant and Equipment (note 9).

11 Assets held for sale

The FCO manages its property portfolio in line with its dynamic business needs, including investment in new properties and disposal of those no longer required. Capital disposal receipts are retained for further investment by the FCO as agreed with HM Treasury.

When the FCO makes the decision to sell a non current asset and it is actively marketed, the asset is revalued to market value and transferred to assets held for sale.

The following assets have been classified as held for sale:

	Post reclassification as held for sale	Pre reclassification at carrying value	Impairment on recognition
	31 March 2010	31 March 2010	31 March 2010
	£000	*£000*	*£000*
Overseas properties	**10,967**	**13,989**	**3,022**

Notes to the accounts

12 Financial instruments

International Financial Reporting Standard 7 (IFRS 7) requires disclosures in the financial statements that enable users to evaluate the significance of financial instruments to the financial position and performance, and the nature and extent of risks arising from financial instruments to which the FCO is exposed during the year and at the financial year end, and how those risks are being managed.

As the cash requirements of the department are principally met through the Estimates process, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts to buy non-financial items in line with the Department's expected purchase and usage requirements and the Department is therefore exposed to little credit, liquidity or market risk.

The FCO is, however, exposed to a degree of foreign currency risks which can be significant because of the nature of its business and geographical presence. In previous financial years an Overseas Price Movements (OPM) mechanism was operated by the FCO in conjunction with the Treasury to manage this risk, designed to maintain purchasing power at a level equivalent to that of home departments. However, with effect from 1 April 2008 the mechanism was withdrawn by the Treasury and the FCO has put in place a programme of forward purchase contracts for US dollars, euros and Japanese yen in order to give a measure of certainty over the cost of meeting its requirements for these currencies.

Summary of Financial Instruments:

	2009-10	2008-09	2007-08
	£000	*£000*	*£000*
Non-current financial assets			
Investment in other public sector bodies (note 12.1)	13,734	17,961	
Forward currency contracts (note 12.2)	18,412	6,150	-
	32,146	**24,111**	**-**
Current financial assets			
Forward currency contracts (note 12.2)	**18,261**	**83,238**	**-**
Current financial liabilities			
Forward currency contracts (note 12.2)	**(12,446)**	**(11)**	**-**
Non Current Financial Liabilities			
Forward currency contracts (note 12.2)	**(1,783)**	**-**	**-**
Total	**36,178**	**107,338**	**-**

12.1 Investment in other public sector bodies

	FCO Services Public Dividend Capital	**FCO Services** Vesting Day Loan	**FCO Services** Working Capital Loan	**Total**
	£000	*£000*	*£000*	*£000*
Balance at 1 April 2008	3,204	6,758	10,000	19,962
Variation of the Order	1,777	(1,777)	-	-
Loans repayable within 12 months transferred to receivables	-	-	(2,000)	(2,000)
Balance at 31 March 2009	4,981	4,981	8,000	17,961
Additions				-
Revaluations	-	(227)	-	(227)
Loans repayable within 12 months transferred to receivables	-	-	(4,000)	(4,000)
Balance at 31 March 2010	4,981	4,754	4,000	13,734

The current tranche of the working capital loan repayable on 1 April 2010 (£2,000,000) and 1 October 2010 (£2,000,000) is included in deposits and advances under Trade receivables and other current assets (note 14).

Notes to the accounts

12.2 **Forward Currency Contracts**

Forward purchases of US dollars, euros and Japanese yen

The FCO currently covers up to 90% of its forecast net exposure in US dollars, euros and (from 2009-10) Japanese yen by a programme of forward purchases.

During 2009-10 forward purchases of US$ 610 million (2008-09: US$ 559 million), Euro 103 million (2008-09: Euro 102 million) and Yen 1,115 million (2008-09: Yen nil) were secured and delivered at a cost of £454 million (2008-09: £367 million). Due to the weakening of sterling over the course of the year, these purchases resulted in a realised net gain of £44.8 million (2008-09: net gain of £43.6 million) over the potential cost had the purchases been made at the FCO central rate of exchange on the date of delivery.

Forecast unrealised gains and losses on forward purchases maturing in future periods, based on the actual rates of exchange at the reporting period date, are analysed as follows:

	Foreign currency value	Sterling value	Unrealised gains	Unrealised losses	Maturing in
Current assets and liabilities	*000*	*£000*	*£000*	*£000*	
Euro	199,000	177,725	1,363	(1,584)	2010-11
US Dollar	940,000	614,088	16,453	(10,857)	2010-11
Japanese Yen	1,387,200	9,347	445	(5)	2010-11
	2,526,200	801,160	**18,261**	**(12,446)**	
Non-current assets and liabilities					
Euro	118,000	106,187	376	(1,309)	2011-12
US Dollar	497,100	310,155	17,978	(426)	2011-12
Japanese Yen	569,600	4,008	58	(48)	2011-12
	1,184,700	420,350	**18,412**	**(1,783)**	
Total	**3,710,900**	**1,221,510**	**36,673**	**(14,229)**	

12.3 **Fair values**

A comparison by category of book values and fair values of the FCO's financial assets and liabilities as at the reporting period date is as follows:

Primary financial instruments:

	Book value 2010	Fair value 2010	Book value 2009	Fair value 2009
	£000	*£000*	*£000*	*£000*
Financial assets				
FCO Services Trading Fund	13,734	13,734	17,961	17,961
Forward currency contracts	36,673	36,673	89,388	89,388
Cash at bank and in hand (note 15)	29,648	29,648	35,776	35,776
	80,055	**80,055**	**143,125**	**143,125**
Financial liabilities				
Forward currency contracts	(14,229)	(14,229)	(11)	(11)
Bank overdrafts (note 15)	(246)	(246)	(12,656)	(12,656)
Provisions (note 18)	(84,174)	(84,174)	(70,548)	(70,548)
	(98,649)	**(98,649)**	**(83,215)**	**(83,215)**

Where relevant, cash flows in respect of Early Retirement provisions have been discounted at the HM Treasury discount rate of 1.8% (2009: 3.2%)

12.4 **Non-interest bearing financial assets/liabilities by currency**

An analysis of non-interest bearing financial assets/liabilities by currency is shown where the total held exceeds £1 million.

Currency	2010 Non-interest bearing financial assets	2010 Non-interest bearing financial liabilities	2009 Non-interest bearing financial assets	2009 Non-interest bearing financial liabilities
	£000	*£000*	*£000*	*£000*
Sterling	19,665	(47,601)	21,827	(41,891)
Bosnia and Herzegovinian Marka	9	-	1,808	-
South African Rand	723	-	1,077	-
Euro	3,867	(8,555)	24,102	(5,871)
Japanese Yen	697	(4,488)	21	(4,571)
US Dollar	40,563	(11,634)	76,788	(499)
Mexican Nuevo Peso	30	-	8	(1,938)
Hong Kong Dollar	5	(1,512)	-	(1,597)
Saudi Riyal	453	(1,409)	-	(1,772)
Turkish New Lira	51	(1,252)	53	(609)
South Korean Won	25	(1,317)	7	(994)
Egyptian Pound	31	(1,206)	111	(1,205)
Israeli Shekel	5	(1,116)	26	(1,018)
Thai Baht	432	(1,187)	27	(1,056)
Nigerian Naira	1,248	(582)	876	(861)
UAE Dirham	879	(901)	-	(1,218)
Sri Lankan Rupee	2,149	-	584	(91)
Other	9,224	(15,889)	15,812	(18,025)
Gross financial assets/(liabilities)	**80,055**	**(98,649)**	**143,125**	**(83,215)**

Notes to the accounts

13 Inventories

	2009-10 £000	2008-09 £000	2007-08 £000
Inventories	**7,847**	**10,472**	**10,392**

14 Trade receivables and other current assets

14.1 Analysis by type

	2009-10 £000	2008-09 £000	2007-08 £000
Amounts falling due within one year			
Trade receivables	63,287	92,360	49,727
Deposits and advances	7,247	9,595	7,973
Other receivables	4,570	2,911	10,459
Leasehold land (non-perpetual) prepayments	522	522	-
Other prepayments and accrued income	59,954	105,486	190,713
	135,580	**210,874**	**258,872**
Amounts falling due after more than one year			
Leasehold land (non-perpetual) prepayments	28,981	49,884	52,401
Other receivables	8,957	8,860	7,530
	37,938	**58,744**	**59,931**
Total	**173,518**	**269,618**	**318,803**

14.2 Intra-government balances

	Amounts falling due within one year			Amounts falling due after more than one year		
	2009-10 £000	2008-09 £000	2007-08 £000	2009-10 £000	2008-09 £000	2007-08 £000
Balances with other central government bodies	42,603	39,663	48,869	-	-	-
Balances with public corporations and trading funds	21,817	22,246	12,567	-	-	-
Total intra-government balances	**64,420**	**61,909**	**61,436**	**-**	**-**	**-**
Balances with bodies external to government	71,160	148,965	197,436	37,938	58,744	59,931
Total receivables	**135,580**	**210,874**	**258,872**	**37,938**	**58,744**	**59,931**

15 Cash and cash equivalents

	2009-10 £000	2008-09 £000
Balance at 1 April 2009	**23,120**	**3,050**
Net change in cash and cash equivalents balances	6,282	20,070
Balance at 31 March 2010	**29,402**	**23,120**

The following balances and overdrafts were held at:

Balances	2009-10 £000	2008-09 £000	2007-08 £000
Government Banking Service	437	-	-
Commercial banks and cash in hand UK and overseas	29,211	35,776	30,064
	29,648	**35,776**	**30,064**
Overdrafts (note 16)			
Government Banking Service	-	(11,898)	(25,792)
Commercial banks overseas	(246)	(758)	(1,222)
	29,402	**23,120**	**3,050**

Notes to the accounts

16 Trade payables and other current liabilities

16.1 Analysis by type

	2009-10 £000	2008-09 £000	2007-08 £000
Amounts falling due within one year			
Bank overdrafts (note 15)	245	12,656	27,014
Other taxation and social security	820	203	972
Payments on account	164	114	101
Trade payables	18,585	24,286	40,578
Other payables	24,583	36,596	18,509
Accruals and deferred income	190,687	190,548	133,653
Current part of finance leases (note 22.2)	25	804	792
Current part of imputed finance lease element of on-balance sheet PFI contracts (note 23.2)	903	838	737
Total excluding amounts due to the Consolidated Fund	236,012	266,045	222,356
Amounts issued from the Consolidated Fund for supply but not spent at year end	24,829	36,551	2,863
Consolidated Fund extra receipts due to be paid to the Consolidated Fund (note 17.2)	4,573	803	188
	265,414	**303,399**	**225,407**
Amounts falling due after more than one year			
Finance leases (note 22.2)	33	81	881
Imputed finance lease element of on-balance sheet PFI contracts (note 23)	39,254	40,488	41,195
	39,287	**40,569**	**42,076**
Total	**304,701**	**343,968**	**267,483**

16.2 Intra-government balances

	Amounts falling due within one year			Amounts falling due after more than one year		
	2009-10 £000	2008-09 £000	2007-08 £000	2009-10 £000	2008-09 £000	2007-08 £000
Balances with other central government bodies	58,889	46,466	12,447	-	-	-
Balances with public corporations and trading funds	16,777	14,394	1,973	-	-	-
Total intra-government balances	**75,666**	**60,860**	**14,420**	-	-	-
Balances with bodies external to government	189,748	242,539	210,987	39,287	40,569	42,076
Total payables	**265,414**	**303,399**	**225,407**	**39,287**	**40,569**	**42,076**

17 Consolidated Fund Income

17.1 Consolidated Fund income is made up of amounts collected by the FCO where it was acting as agent for the Consolidated Fund rather than as principal. The amounts collected as agent for the Consolidated Fund (which are otherwise excluded from these financial statements) are detailed below. 2009-10 is the first year the FCO's Consolidated Fund Receipts ceased to be taken through the OCS. 2008-09 has been restated. If the FCO were not to adopt this policy additional income of £11,131,000 (2008-09 8,566,000) would be recognised in the OCS.

Analysis of income payable to the Consolidated Fund

In addition to Appropriations-in-Aid (A-in-A), the following income and cash receipts relate to the Department and are payable to the Consolidated Fund:

	Forecast 2009-10		Outturn 2009-10	
	Income £000	Receipts £000	*Income* £000	*Receipts* £000
Other operating income and receipts - not classified as A-in-A	9,000	9,000	11,131	11,131
Total income payable to the Consolidated Fund	**9,000**	**9,000**	**11,131**	**11,131**

17.2 Balance of income payable to the Consolidated Fund

	£000
Balance at 1 April 2008	(188)
Receipts	8,566
Payments	(7,575)
Balance at 31 March 2009	**803**
Receipts	11,131
Payments	(7,361)
Balance at 31 March 2010	**4,573**

Notes to the accounts

18 Provisions for liabilities and charges

The Notes to the Accounts set out the statement of accounting policy for early departure costs (note 1.21) and terminal benefits for locally engaged staff (note 1.22).

Other Staff Provisions relate to the estimated cost of performance bonuses to be paid in the following year. Other Provisions relate to possible back-rental demands and the de-mining of the Falkland Islands.

	Early departure costs	LE staff terminal gratuities	Other staff provisions	Other provisions	Total
	£000	*£000*	*£000*	*£000*	£000
Balance at 1 April 2008	24,738	32,501	3,478	6,675	67,392
Provided in year	14,325	5,455	2,949	3,000	25,729
Provisions utilised in the year	(13,646)	(301)	(3,527)	(5,575)	(23,049)
Unwinding of discount	476	-	-	-	476
Balance at 1 April 2009	**25,893**	**37,655**	**2,900**	**4,100**	**70,548**
Provided in year	20,374	5,922	3,778	8,240	38,314
Provisions not required written back	-	(3,881)	(547)	-	(4,428)
Provisions utilised in the year	(14,457)	(3,123)	(2,353)	(920)	(20,853)
Unwinding of discount	593	-	-	-	593
Balance at 31 March 2010	**32,403**	**36,573**	**3,778**	**11,420**	**84,174**

Analysis of expected timing of discounted cash flows

	Early departure costs	LE staff terminal gratuities	Other staff provisions	Other provisions	Total
	£000	*£000*	*£000*	*£000*	*£000*
To March 2011	14,165	3,325	2,900	10,320	30,710
Between 2012 and 2016	16,701	6,650	878	1,100	25,329
Between 2017 and 2026	1,537	16,624	-	-	18,161
Thereafter	-	9,974	-	-	9,974
Balance at 31 March 2010	**32,403**	**36,573**	**3,778**	**11,420**	**84,174**

Notes to the accounts

19 Retirement benefit schemes

UK-based employees are covered by the provisions of the Principal Civil Service Pension Scheme. For staff engaged overseas the FCO observes local employment laws regarding the payment of pensions and terminal gratuities. The FCO contributes to pension schemes in the following ways.

Principal Civil Service Pension Scheme

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. The FCO is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2007. Details can be found in the Resource Accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2009-10, employers' contributions of £41,440,000 were paid to the PCSPS (2008-09: £43,862,000) at one of four rates in the range of 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. From 2010-11, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2009-10 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £6.353 million were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Other defined contribution schemes

The FCO operates defined contribution schemes in: Barbados, Denmark, New Zealand, Portugal, Trinidad and Tobago and Zambia. Those in Portugal and Trinidad and Tobago have been converted from defined benefit and re-classified in the current year as defined contribution (DC) schemes. The schemes that operate in Belgium and Holland are defined benefit but multi-user, where the individual insurers' assets cannot be identified; these are treated as direct contribution schemes. The value of contributions in 2009-10 was £1,753,110 (2008-09: -£697,064).

Other defined benefit schemes

The FCO operates defined benefit schemes in: Canada, Ireland, Jamaica, Mauritius, South Africa and USA.

The plans are defined benefit arrangements, with benefits based on final salary. They provide for a pension at retirement and a benefit on death or disablement in service before retirement.

Following the amendment to IAS 19 in 2004, the FCO decided to recognise any actuarial gains/losses through the Consolidated Statement of Changes in Taxpayers' Equity (CSCTE) in accordance with paragraph 93A of IAS 19.

19 Retirement benefit schemes (continued)

	2009-10	2008-09 *£000*	2007-08 *£000*
Defined benefit schemes recognised in the Statement of Financial Position			
Present value of funded obligations			
Canada	(7,123)	(6,976)	(4,991)
Irish Republic	(2,233)	(1,529)	(1,594)
Jamaica	(807)	(541)	(430)
Mauritius	(185)	(164)	(173)
Portugal	-	-	(358)
South Africa	(4,741)	(4,012)	(2,951)
Trinidad and Tobago	-	-	(111)
USA	(34,431)	(30,875)	(24,080)
	(49,520)	**(44,097)**	**(34,688)**
Fair value of plan assets			
Canada	7,552	5,284	5,241
Irish Republic	1,985	1,283	1,625
Jamaica	899	705	570
Mauritius	162	133	164
Portugal	-	-	351
South Africa	5,133	4,193	3,549
Trinidad and Tobago	-	-	304
USA	30,642	19,949	22,221
	46,373	**31,547**	**34,025**
Total	**(3,147)**	**(12,550)**	**(663)**
Summary			
Liabilities	(4,063)	(12,895)	(1,875)
Assets	916	345	1,212
Net liability	**(3,147)**	**(12,550)**	**(663)**
Amounts recognised in operating costs			
Current service cost	966	1,478	1,349
Interest on obligation	3,015	2,871	2,209
Expected return on plan assets	(2,592)	(3,201)	(2,413)
Total included in employee benefits expense	**1,389**	**1,148**	**1,145**
Actual return on plan assets: gain/(loss)	**5,165**	**(16,834)**	**700**

	2009-10 *£000*	2008-09 *£000*	2007-08 *£000*
Changes in the present value of the defined benefit obligation			
Opening defined benefit obligation	(44,097)	(34,688)	(38,308)
Converted into a Defined Contribution Scheme during the year.	-	469	-
Pensioners in payment exactly matched by annuity contracts	(141)	-	-
Service cost	(966)	(1,478)	(1,349)
Interest cost	(3,016)	(2,870)	(2,209)
Contributions by participants	(724)	(670)	-
Actuarial (losses)/gains	(4,258)	1,405	5,006
Exchange differences on foreign plans	(343)	(10,132)	2,172
Benefits paid	3,178	3,867	-
Changes in assumptions underlying the present value of the scheme liabilities	847	-	-
Closing defined benefit obligation	**(49,520)**	**(44,097)**	**(34,688)**
Changes in the fair value of plan assets are as follows			
Opening fair value of plan assets	31,547	34,025	35,728
Converted into a Defined Contribution Scheme during the year.	-	(655)	-
Pensioners in payment exactly matched by annuity contracts	141	-	-
Expected return	2,592	3,201	2,413
Actuarial gains (losses)	7,757	(13,633)	(3,113)
Contributions by employer	6,096	1,629	1,168
Contributions by participants	724	670	-
Exchange differences on foreign plans	694	10,177	(2,171)
Benefits paid	(3,178)	(3,867)	-
Closing fair value of plan assets	**46,373**	**31,547**	**34,025**

The FCO expects to contribute an additional £2.1 million to its defined benefits plans in 2010-11

Notes to the accounts

19 Retirement benefit schemes (continued)

The major categories of plan assets as a percentage of total plan assets are as follows

	2009-10	2008-09	2007-08
Equities	56.11%	46.42%	46.61%
Bonds	31.28%	34.06%	32.98%
Other	12.61%	19.52%	20.41%

Principal actuarial assumptions as at 31 March (expressed as weighted averages)	2009-10	2008-09	2007-08
Discount rate	6.38%	7.16%	6.69%
Expected return on plan assets	7.40%	6.25%	7.56%
Future salary increases	4.22%	5.05%	4.30%
Future pension increases	3.40%	3.45%	3.02%

Amounts for the current and previous four years

	2009-10	2008-09	2007-08	2006-07	2005-06
Defined benefit obligation	(49,520)	(44,097)	(34,688)	(38,308)	(42,556)
Plan assets	46,373	31,547	34,025	35,728	38,083
Deficit	(3,147)	(12,550)	(663)	(2,580)	(4,473)
Experience adjustments on plan liabilities	(4,258)	1,405	5,006	754	(1,460)
Experience adjustments on plan assets	7,757	(13,633)	(3,113)	942	2,309

Analysis of movements in obligations and assets

	2008-09										2009-10
	Brought forward	DCS *	Matched by annuity contracts	Exchange	Service cost	Interest, Finance income	Changes in assumptions, Employer Contributions	Participants Contributions	Benefits paid	Actuarial gains/ (losses)	Carried forward
Present value of funded obligations											
Canada	(6,976)	-	-	(1,199)	(188)	(432)	1,397	(106)	381	-	(7,123)
Irish Republic	(1,529)	-	(141)	57	(45)	(92)	(550)	(23)	226	(136)	(2,233)
Jamaica	(541)	-	-	34	(29)	(70)	-	(38)	51	(214)	(807)
Mauritius	(164)	-	-	(6)	(7)	(18)	-	-	-	10	(185)
South Africa	(4,012)	-	-	(927)	(96)	(380)	-	-	321	353	(4,741)
USA	(30,875)	-	-	1,698	(601)	(2,024)	-	(557)	2,199	(4,271)	(34,431)
	(44,097)	**-**	**(141)**	**(343)**	**(966)**	**(3,016)**	**847**	**(724)**	**3,178**	**(4,258)**	**(49,520)**
Fair value of plan assets											
Canada	5,284	-	-	908	-	312	352	106	(381)	971	7,552
Irish Republic	1,283	-	141	(48)	-	78	218	23	(226)	516	1,985
Jamaica	705	-	-	(44)	-	95	54	38	(51)	102	899
Mauritius	133	-	-	5	(1)	15	15	-	-	(5)	162
South Africa	4,193	-	-	968	-	549	195	-	(321)	(451)	5,133
USA	19,949	-	-	(1,095)	-	1,544	5,262	557	(2,199)	6,624	30,642
	31,547	**-**	**141**	**694**	**(1)**	**2,593**	**6,096**	**724**	**(3,178)**	**7,757**	**46,373**
Total	**(12,550)**	**-**	**-**	**351**	**(967)**	**(423)**	**6,943**	**-**	**-**	**3,499**	**(3,147)**

Analysis of movements in obligations and assets

	2007-08										2008-09
	Brought forward	DCS *	Matched by annuity contracts	Exchange	Service cost	Interest, Finance income	Changes in assumptions, Employer Contributions	Participants Contributions	Benefits paid	Actuarial gains/ (losses)	Carried forward
Present value of funded obligations											
Canada	(4,991)	-	-	(789)	(149)	(352)	-	-	444	(1,139)	(6,976)
Irish Republic	(1,594)	-	-	(123)	(62)	(99)	-	(30)	64	315	(1,529)
Jamaica	(430)	-	-	6	(32)	(54)	-	-	14	(45)	(541)
Mauritius	(173)	-	-	20	(7)	(16)	-	-	31	(19)	(164)
Portugal	(358)	358	-	-	-	-	-	-	-	-	-
South Africa	(2,951)	-	-	(576)	(73)	(271)	-	-	471	(612)	(4,012)
Trinidad and Tobago	(111)	111	-	-	-	-	-	-	-	-	-
USA	(24,080)	-	-	(8,670)	(1,155)	(2,078)	-	(640)	2,843	2,905	(30,875)
	(34,688)	**469**	**-**	**(10,132)**	**(1,478)**	**(2,870)**	**-**	**(670)**	**3,867**	**1,405**	**(44,097)**
Fair value of plan assets											
Canada	5,241	-	-	822	-	303	583	-	(444)	(1,221)	5,284
Irish Republic	1,625	-	-	82	-	124	134	30	(64)	(648)	1,283
Jamaica	570	-	-	9	-	91	49	-	(14)	-	705
Mauritius	164	-	-	(21)	-	16	16	-	(31)	(11)	133
Portugal	351	(351)	-	-	-	-		-	-	-	-
South Africa	3,549	-	-	693	-	463	149	-	(471)	(190)	4,193
Trinidad and Tobago	304	(304)	-	-	-	-		-	-	-	-
USA	22,221	-	-	8,592	-	2,204	698	640	(2,843)	(11,563)	19,949
	34,025	**(655)**	**-**	**10,177**	**-**	**3,201**	**1,629**	**670**	**(3,867)**	**(13,633)**	**31,547**
Total	**(663)**	**(186)**	**-**	**45**	**(1,478)**	**331**	**1,629**	**-**	**-**	**(12,228)**	**(12,550)**

* Converted into a Defined Contribution Scheme during the year.

The FCO's defined benefit schemes have been subject to actuarial valuation or review as at 31 March 2010. The schemes in Portugal and Trinidad and Tobago were converted to defined contribution schemes in the prior year.

In addition to the above, net pension liabilities in Colombia have been crystallised and an annuity contract agreed with a major insurance company; the full liability against this contract was discharged in March 2006. Residual liabilities of some £559,775 for long-serving members of staff remain; these are fully covered by insurance investments pending final unwinding and settlement of the net overall FCO liability.

Notes to the accounts

20 Notes to the Statement of Net Operating Costs by Departmental Strategic Objectives

20.1 Programme grants and other current expenditures as shown in Note 7 have been allocated as follows :

	2009-10	2008-09
	£000	*£000*
Departmental Strategic Objectives (DSO)):		
DSO 1 Flexible global network	711,608	669,006
DSO 2 Supporting the British economy	109,254	85,270
DSO 3 Supporting British nationals abroad	76,458	61,459
DSO 4 Supporting managed migration	25,934	18,073
DSO 5 Countering terrorism and weapons proliferation	92,645	75,687
DSO 6 Preventing and resolving conflict	543,289	556,442
DSO 7 Promoting a low-carbon, high-growth global economy	99,261	79,922
DSO 8 Developing effective international institutions	240,317	212,505
	1,898,766	**1,758,364**

20.2 Capital employed by aim and objectives

The FCO's capital is employed in the administration of the Department, including Consular activity shown under programme expenditures. In practice, its distribution between Strategic Priorities is therefore not markedly different from the proportion of the related costs.

21 Capital commitments

Contracted capital commitments not otherwise included in these financial statements:

	31 March 2010	31 March 2009	31 March 2008
	£000	*£000*	*£000*
Estates projects	78,389	84,064	159,129
IT infrastructure	15,501	43,700	44,423
	93,890	**127,764**	**203,552**

22 Commitments under leases

22.1 Operating leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods:

	31 March 2010	31 March 2009	31 March 2008
	£000	*£000*	*£000*
Obligations under operating leases comprise			
Land and buildings:			
Not later than one year	75,447	62,581	92,832
Later than one year and not later than five years	214,035	118,898	172,882
Later than five years	10,783	15,394	19,548
	300,265	**196,873**	**285,262**
Other:			
Not later than one year	441	1,288	1,602
Later than one year and not later than five years	501	2,444	2,750
Later than five years	4	7	-
	946	**3,739**	**4,352**

22.2 Finance leases

Total future minimum lease payments under finance leases are given in the table below for each of the following periods:

	31 March 2010	31 March 2009	31 March 2008
	£000	*£000*	*£000*
Obligations under finance leases comprise			
Land and buildings: nil			
Other:			
Not later than one year	29	845	826
Later than one year and not later than five years	33	96	896
Later than five years	-	-	-
	62	941	1,722
Less: interest element	(4)	(56)	(49)
	58	**885**	**1,673**
The above liability is disclosed under Payables (Note 16) as follows:			
Amounts falling due within one year	25	804	792
Amounts falling due after more than one year	33	81	881
	58	**885**	**1,673**

Notes to the accounts

23 Commitments under PFI contracts

23.1 Off-balance sheet

Global Crossing

The contract is in respect of the provision of a worldwide telecommunications network for a term of ten years from 10 May 2000. The estimated capital value of the contract is £250million but it is considered by the Board that the equipment brought into use under the contract is not an asset of the Department. Payments under the contract charged to the Operating Cost Statement in 2009-10 amounted to £27.0million (2008-09: £30.7million). The Global Crossing contract has been extended for a period of 18 months from May 2010 to allow for transition to the replacement contract.

The proposed future contract structure, being run under project Echo and based on the Office of Government Commerce Gateway model, assumes that the majority of underlying technology assets will be part of a delivery infrastructure shared by potentially many customers using standard internet-based communication technologies in most overseas locations. Any technology assets specifically required by the FCO as part of the contract will be purchased by the department and included within Property, Plant and Equipment accordingly. As such, the future contract is unlikely to be regarded as a PFI contract, in line with the provisions of International Financial Reporting Interpretation Committee (IFRIC) 12. This approach is consistent with the Board's view of the structure of the current contract.

23.2 On-balance sheet

Berlin Embassy

The contract is in respect of the building, operation and maintenance of the British Embassy Berlin for a term of 30 years from 23 June 2000 with an option to extend for a further 30 years. Overall, the balance of the risks and rewards of ownership of the property are borne by the Department, and, therefore, the embassy is included in these accounts within Property, Plant and Equipment. The initial capitalisation of the contract was reflected in the accounts for 2002-03.

Contractual payments therefore comprise two elements: imputed finance lease charges and service charges. The liability to pay for the property is in substance a finance lease obligation. The imputed finance lease obligation is as follows:

	2010 £000	2009 £000	2008 £000
Imputed finance lease obligations under on-balance sheet PFI contracts comprises:			
Rentals due within 1 year	3,951	4,080	4,030
Rentals due within 2 to 5 years	15,803	16,319	16,120
Rentals due thereafter	60,250	65,277	68,688
	80,004	85,676	88,838
Less: interest element	(39,847)	(44,350)	(46,906)
	40,157	**41,326**	**41,932**
The above liability is disclosed under Payables (Note 16) as follows:			
Amounts falling due within one year	903	838	737
Amounts falling due after more than one year	39,254	40,488	41,195
	40,157	**41,326**	**41,932**

The service element of the contract remains an operating cost. In 2009-10 this amounted to £1,871,948 (2008-09: £1,259,000).

23.3 Charge to the OCS and future commitments

The total amount charged in the operating cost statement in respect of off-balance sheet PFI transactions and the service element of on-balance sheet PFI transactions was £28,825,000 (2008-09: £32,001,000).

The payments to which the department is committed during 2009-10, analysed by the period during which the commitment expires, are as follows:

	2010 £000	2009 £000	2008 £000
Expiry within 1 year	-	30,000	-
Expiry within 2 to 5 years	30,000	-	30,000
Expiry within 6 to 10 years	-	-	-
Expiry within 11 to 15 years	-	-	-
Expiry within 16 to 20 years	-	-	-
Expiry within 21 to 25 years	1,872	1,259	1,386
Expiry within 26 to 30 years	-	-	-
	31,872	**31,259**	**31,386**

24 Other financial commitments

The Department has entered into non-cancellable contracts (which are not leases or PFI contracts) for facility management, logistics and computer services. The payments to which the FCO is committed, analysed by the period during which the commitment expires, are as follows:

	2010 £000	2009 £000	2008 £000
Not later than one year	27,204	31,250	39,599
Later than one year and not later than five years	4,513	8,127	15,628
Later than five years	4	8	-
	31,721	**39,385**	**55,227**

Notes to the accounts

25 Financial instruments: Indemnities

The FCO has entered into the following quantifiable contingent liabilities by offering indemnities. These relate to guarantees given on behalf of the British Council for art exhibitions overseas. These liabilities are reproduced in the table below.

None of these is a contingent liability within the meaning of IAS 37 since the likelihood of a transfer of economic benefit in settlement is too remote. They therefore fall to be measured following the requirements of IAS 39.

	31 March 2010	Obligation expired in year	1 April 2009
	£000	*£000*	*£000*
Indemnities	17,148	(558,364)	575,512

The significant decrease in indemnities during the year reflects the return of works loaned for the Turner exhibition in China. Of the contingent liabilities at 31 March 2010, the main component relates to works by Gilbert & George exhibited in six European countries between January 2010 and November 2011.

26 Contingent liabilities disclosed under IAS 37

The nature of the FCO's activities gives rise to certain contingent financial risks. The main ones at the balance sheet date were as follows:

	2010	**2009**	**2008**
	£000	*£000*	*£000*
Disputed claims for rents payable and other estate related matters	2,371	4,839	4,525
Potential overseas national insurance liabilities and various other related claims	4,345	3,921	1,252
	6,716	**8,760**	**5,777**

27 Losses and special payments

		2009-10		**2008-09**		**2007-08**
	Number	*£000*	*Number*	*£000*	*Number*	*£000*
Losses total	**162**	**11,761**	**55**	**1,180**	**100**	**3,639**
Cash losses/(gains)	35	4	17	11	39	66
Claims abandoned	1	2	6	73	5	2,260
Administrative write-offs	103	632	24	876	37	424
Fruitless payments and constructive losses	3	10,839	-	-	3	272
Stores losses	6	16	5	189	7	392
	148	**11,493**	**52**	**1,149**	**91**	**3,414**
Special payments total	**14**	**268**	**3**	**31**	**9**	**225**

Damascus Embassy building project - Write Off £10,383,455
This results from the cancellation of a project to convert leased premises in Damascus into new Embassy offices. It was decided to cancel the project for three reasons. First, serious security concerns arose about the building after construction had begun. Second, the Syrian authorities decided that the location would not, as they had originally planned, form part of a new diplomatic enclave. Third, following a change in Syrian land law, a new opportunity arose to build fit-for-purpose Embassy offices on a better site at lower net cost and better value for money. At the time of the decision to abandon the project, some £7.1million had been committed on the project, with provision for an additional £3.24million for further dilapidation and exit costs.

Sarajevo Embassy building project - Write Off £454,956
During the early stages of introducing a new Embassy building, a new Law on Expropriation was introduced in Bosnia & Herzegovina. As a result, a number of heirs to former owners gained new rights over the development site, which could not reasonably have been foreseen. The impact on the FCO was to potentially significantly increase the cost of acquiring the necessary land through the local development authority. This rendered full development uneconomic, being well above the £17.1m estimate cost of the new Embassy. Initial costs of designs for the development have needed to be written off. Alternative development options are being pursued in Sarajevo.

Costs on the above projects, charged in prior years to capital as Assets Under Construction, are written off in the current year within Impairments - RfR1: Line A (Delegated Expenditure Limits), as disclosed in Note 6.

28 Related party transactions and potential conflicts of interest

The FCO is the parent department of Wilton Park Executive Agency, and sponsors the BBC World Service and the British Council, as well as the Westminster Foundation for Democracy, Great Britain-China Centre and Marshall Aid Commemoration Commission. In addition, the FCO holds a financial and strategic investment in FCO Services Trading Fund (previously an executive agency of the FCO).

These bodies are regarded as related parties with which the FCO has had various material transactions during the year. In addition, the FCO has had regular transactions with other Government Departments and other Central Government bodies. None of the Ministers, Board members, key managerial staff or other related parties has undertaken any material transaction with the FCO during the year, other than:

Reed
Michelle Luck, wife of Keith Luck (Director General Finance) works at Elsevier, which is a subsidiary of Reed Elsevier. Other subsidiaries include Reed Business Information and Reed Exhibitions. These have provided various publications for FCO customers in the UK at a cost of £11,417 [2008-09: £69,321] and for FCO customers overseas at a cost of £22,940 [2008-09: £10,718] (sterling equivalent). Mr Luck had no role in the decision to purchase from any of the Reed Elsevier subsidiaries. Mrs Luck had no role in the group's provision of publications to the FCO.

KPMG
Alistair Johnston (non-executive Board member) is a Global Vice-Chairman of KPMG.
KPMG have provided advisory services on various projects for the FCO in the UK at a cost of £3,488,878 [2008-09: £1,778,680]. The majority of this expenditure was on the contractors working on the Ocean/Echo Programme, a communications network (see note 23.1) , at a cost of £2,767,164. Mr Johnston had no role in any decision to engage KPMG, nor any role in the firm's proposal for, or provision of services to the FCO.

Bupa
Alison Platt (non-executive Board member) is the Group Development Director at Bupa. Bupa have provided healthcare to staff in Al Khobar, Riyadh and Jeddah at a cost of £249,432 [2008-09: £51,036] (sterling equivalent) and medical insurance for UK-based staff amounting to £7,951 [2008-09: £13,579]. Ms Platt had no role in the decision to engage Bupa, nor any role in the firm's proposal or provision of services to the FCO.

Standard Chartered Bank
Rudy Markham (non-executive Board member) joined the FCO Board in January 2010. The FCO engages Standard Chartered Bank to provide banking services in a number of overseas countries, with these contracts in place prior to Mr Markham joining the FCO Board. Mr Markham had no role in the decision to engage Standard Chartered Bank, nor any role in the firm's proposal or provision of services to the FCO.

29 First-time adoption of IFRS	General Fund	Revaluation Reserve	Donated Asset Reserve
	£000	*£000*	*£000*
Taxpayers' equity at 31 March 2009 under UK GAAP	1,122,496	1,326,354	91,344
Adjustments for:			
IAS 16 Property, plant and equipment	-	176,500	24,862
IAS 17 Leases	113,784	-	-
IAS 36 Impairments	6,612	-	-
IAS 19 Employee benefits	(10,964)	-	-
Cost of capital	(16,631)	-	-
Taxpayers' equity at 1 April 2009 under IFRS	**1,215,297**	**1,502,854**	**116,206**

	Operating costs
	£000
Net operating costs for 2008-09 under UK GAAP	2,124,770
Adjustments for:	
IAS 19 Employee Benefits	2,735
IAS 16 Property, plant and equipment	10,687
Cost of Capital adjustment	16,633
Net operating costs for 2008-09 under IFRS	**2,154,825**

In line with HM Treasury advice, Prior Period Adjustments (PPAs) arising from the adoption of IFRS were not included in spring Supplementary Estimates for 2009-10 on the basis that the PPA numbers could have been misleading, particularly where transactions may well have pre-dated the 2001-02 cut off point for reporting PPAs, as only part of an obligation would have been included. PPAs arising from a change in accounting policy related to other than IFRS were included in the Estimates in line with conventional arrangements.

30 Entities within the Departmental accounting boundary

30.1 The entities within the boundary during 2009-10 were:

- Wilton Park Executive Agency - the annual report and accounts of Wilton Park are published separately (see www.wiltonpark.org.uk)

Income and expenditure for the FCO incorporates financing of the following Non Departmental Public Bodies (NDPBs):

- Diplomatic Service Appeals Board (Advisory NDPB)
- Foreign Compensation Commission (Tribunal NDPB)
- Government Hospitality Advisory Committee for the Purchase of Wine (Advisory NDPB)

30.2 Associated entities outside the Departmental accounting boundary

FCO programmes include payments to :

- BBC World Service (Public Corporation)
- British Council (Executive NDPB, charity established by Royal Charter, Public Corporation)
- The Great Britain-China Centre (Executive NDPB)
- The Marshall Aid Commemoration Commission (Executive NDPB)
- The Westminster Foundation for Democracy (Executive NDPB)

31 Third-party assets

	31 March 2010	31 March 2009	31 March 2008
	£000	*£000*	*£000*
Funds held by the FCO in designated bank accounts for disbursement to individual beneficiaries on behalf of the United Nations Compensation Commission	273	276	289
Overall UNCC liability	273	276	289

32 Authorised for issue

These accounts were authorised for issue on 24 June 2010.

Annexes to the Resource Accounts 2009-10: Data Tables
(Separate and Unaudited)

Annex A – Common Core Tables (Unaudited)

Unaudited

Table 1: Total public spending for the Foreign and Commonwealth Office (£m)	**2004-05 Outturn**	**2005-06 Outturn**	**2006-07 Outturn**	**2007-08 Outturn**	**2008-09 Outturn**	**2009-10 Outturn**	**2010-11 Plans**
Consumption of Resources							
Resource Budget							
Resource DEL[1,2,3]							
Promoting the interests of the UK internationally and contributing to a strong world community.	1,389	1,519	1,425	1,438	1,574	1,660	1,536
Conflict prevention	291	296	346	370	454	468	496
Total resource budget DEL	**1,680**	**1,815**	**1,771**	**1,808**	**2,027**	**2,127**	**2,032**
Resource AME[1,2,3]							
Promoting the interests of the UK internationally and contributing to a strong world community.	3	(4)	42	11	(28)	65	20
Total Resource budget AME	**3**	**(4)**	**42**	**11**	**(28)**	**65**	**20**
TOTAL RESOURCE BUDGET	**1,683**	**1,811**	**1,813**	**1,819**	**2,000**	**2,192**	**2,052**
of which:							
Depreciation	*70*	*86*	*109*	*69*	*52*	*156*	*119*
Capital budget:							
Capital DEL[1,2,3,4]							
Promoting the interests of the UK internationally and contributing to a strong world community.	113	133	161	228	227	201	194
Total capital budget	**113**	**133**	**161**	**228**	**227**	**201**	**194**
Total public spending[(5)]	**1,725**	**1,858**	**1,865**	**1,978**	**2,175**	**2,237**	**2,127**

[1] Around £400 million of costs associated with front-line staff were reclassified in CSR07 from Administration budgets into programme expenditure. The above figures reflect this reclassification across all years.
[2] The figures for 2010-11 show the amount of International Subscriptions that are expected to be met from the FCO's current budget. This is expected to be topped up at the Spring Supplementary under the cost sharing agreement reached between HMT and the FCO to share increases over and above the baseline of £102 million for international subscriptions.
[3] Figures across all years reflect the Clear Line of Sight (CLoS) budgeting changes in particular the removal of near-cash resource DEL and the cost of capital from the budgeting regime and the reclassification of movement in provisions from DEL into AME.
[4] Capital spending in 2007-08 peaks owing to take-up and spend of capital EYF, as part of our ongoing programme to increase the security and safety of our estate and the people using it. [5] Total public spending is calculated as the total of the resource budget and the capital budget, less depreciation.

Unaudited

Table 2: Resource budget for the Foreign and Commonwealth Office (£m)	**2004-05 Outturn**	**2005-06 Outturn**	**2006-07 Outturn**	**2007-08 Outturn**	**2008-09 Outturn**	**2009-10 Outturn**	**2010-11 Plans**
Resource DEL							
Promoting the interests of the UK internationally and contributing to a strong world community *of which:*	**1,389**	**1,519**	**1,425**	**1,438**	**1,574**	**1,660**	**1,536**
Delivering Foreign Policy[1]	710	753	716	776	702	806	796
FCO Programmes	207	253	171	131	295	260	173
International Subscriptions[2]	113	123	146	122	148	161	128
BBC World Service	194	208	209	222	234	240	229
British Council	164	181	183	186	195	193	178
Unallocated Provision							32
Conflict prevention *of which:*	**291**	**296**	**346**	**370**	**454**	**468**	**496**
Conflict Prevention[3]	291	296	346	370	454	468	496
Total resource budget (DEL)[1,2,3]	**1,680**	**1,815**	**1,771**	**1,808**	**2,027**	**2,127**	**2,032**
of which:							
Pay	365	386	385	393	415	462	
Procurement	622	642	552	583	648	680	650
Grants and subsidies	457	498	570	581	685	719	707
Depreciation	67	109	82	73	82	105	99
Resource AME							
Promoting the interests of the UK internationally and contributing to a strong world community *of which:*	3	(4)	42	11	(28)	65	20
Delivering Foreign Policy	3	(4)	42	11	(28)	65	20
Total resource budget (AME)	**3**	**(4)**	**42**	**11**	**(28)**	**65**	**20**
of which:							
Depreciation	3	(22)	27	(4)	(30)	51	20
Total Resource budget	**1,683**	**1,811**	**1,813**	**1,819**	**2,000**	**2,192**	**2,052**

[1] Figures across all years reflect the Clear Line of Sight (CLoS) budgeting changes in particular the removal of near-cash resource DEL and the cost of capital from the budgeting regime and the reclassification of movement in provisions from DEL into AME.

[2] The figures for 2010-11 show the amount of International Subscriptions which is expected to be met from the FCO's current budget. This is expected to be topped up at the Spring Supplementary under the cost sharing agreement reached between HMT and the FCO to share increases over and above the baseline of £102m for international subscriptions.

[3] Outturn figures show total FCO expenditure on conflict prevention. 2010-11 plans are underestimated because HMT will make further resources available for peacekeeping in the Winter and/or Spring Supplementary Estimates.

Unaudited

Table 3: Capital budget for the Foreign and Commonwealth Office (£m)	**2004-05 Outturn**	**2005-06 Outturn**	**2006-07 Outturn**	**2007-08 Outturn**	**2008-09 Outturn**	**2009-10 Outturn**	**2010-11 Plans**
Promoting the interests of the UK internationally and contributing to a strong world community *of which:*	**113**	**133**	**161**	**228**	**227**	**201**	**194**
Delivering Foreign Policy[1,2]	74	95	107	174	175	148	132
International Subscriptions	-	-	18	17	14	16	30
BBC World Service	31	31	31	33	31	29	27
British Council	8	8	5	3	6	8	5
Unallocated Provision	-	-	-	-	-	-	-
Total capital budget (DEL)	**113**	**133**	**161**	**228**	**227**	**201**	**194**
of which:							
Capital expenditure on fixed assets net of sales [3]	74	95	105	174	175	148	132
Capital grants to the private sector and abroad	-	-	18	17	14	16	30
Net lending to private sector	-	-	-	-	-	-	-
Capital support to public corporations	39	39	36	36	37	36	33
Capital support to local authorities	-	-	-	-	-	-	-
Total capital budget AME	-	-	-	-	-	-	-
Total capital budget	**113**	**133**	**161**	**228**	**227**	**201**	**194**
Of which:							
Capital expenditure on fixed assets net of sales[3]	74	95	105	174	175	148	132
Less Depreciation[4]	70	86	109	69	52	152	119
Net capital expenditure on tangible fixed assets	4	8	(4)	105	124	(5)	13

[1] Figures across all years reflect the Clear Line of Sight (CLoS) budgeting changes in particular the removal of near-cash resource DEL and the cost of capital from the budgeting regime.

[2] Capital spending 2007-08 peaks owing to take-up and spend of capital EYF, as part of our ongoing programme to increase the security and safety of our estate and the people using it.

[3] Expenditure by the department and NDPBs on land, buildings and equipments, net of sales. Excludes spending on financial assets and grants, and public corporations' capital expenditure.

[4] Included in Resource Budget.

Unaudited

Table 4: Capital employed by the Foreign and Commonwealth Office (£m)	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Outturn	2010-11 Plans
Assets on balance sheet at end of year [1]							
Non-Current Assets							
Intangible[2]	1	1	2	1	4	4	4
Property Plant and Equipment	1,254	1,479	1,529	2,232	2,834	2,255	2,255
of which:							
Non-residential land and Buildings	492	592	623	1,130	1,443	1,026	1,026
Residential land and Buildings	554	696	643	765	974	888	888
Information Technology[4]	40	40	40	21	83	183	183
Plant and machinery	14	16	26	20	29	39	39
Vehicles	21	18	21	26	34	24	24
Antiques and works of art	19	20	20	20	20	20	20
Furniture and fittings[5]	43	-	-	-	-	-	-
Assets under construction	71	97	156	249	251	75	75
Financial[3]	-	-	-	-	24	32	32
Receivables >1 year	-	-	-	60	59	38	38
Current Assets							
Inventories	9	8	12	10	10	8	8
Assets classified as held for sale	-	-	-	-	-	11	11
Receivables <1 year	226	232	220	259	294	154	154
Cash and cash equivalents	76	117	99	30	36	30	30
Liabilities							
Payables <1 year	(250)	(299)	(299)	(225)	(303)	(278)	(278)
Payables >1 year	(32)	(33)	(33)	(43)	(54)	(44)	(44)
Provisions[6]	(66)	(71)	(69)	(67)	(71)	(84)	(84)
Total Capital Employed	**1,217**	**1,434**	**1,461**	**2,257**	**2,833**	**2,126**	**2,126**

[1] Restated in line with International Financial Reporting Standards (IFRS) from 2007-08 onwards.

[2] From 2008-09 some IT assets (software licences) have been reclassified from tangible assets.

[3] Reflects investment in FCO Services Trading Fund from 1 April 008.

[4] Reflects roll-out of F3G from 2008-09.

[5] With effect from 1 April 2005 Furniture and Fittings have been reclassified as administration expenditure.

[6] Provisions are estimates of future liabilities.

Unaudited

Table 5: Administrative budget for the FCO (£m)[1]	2004-05 Outturn		2005-06 Outturn		2006-07 Outturn		2007-08 Outturn	2008-09 Outturn	2009-10 Outturn	2010-11 Plans
Administration Expenditure[2]										
Paybill[3]	252		289		301		297	247	279	
Other	225		196		147		108	200	232	
Total administration expenditure	**476**		**485**		**447**		**406**	**447**	**511**	**501**
Administrative Income	(74)		(97)		(65)		(49)	(63)	(79)	(81)
Total administration budget	**403**		**388**		**382**		**356**	**383**	**432**	**420**
Analysis by activity[4]				**SP1**	75					
				SP2	33					
Objective 1	188	**SP1**	96	**SP3**	133	**DS01**	141	249	296	
Objective 2	138	**SP2**	40	**SP4**	95	**DS02**	169	191	203	
Objective 3	142	**SP3**	143	**SP5**	224	**DS03**	55	75	76	
Objective 4	89	**SP4**	149	**SP6**	21	**DS04**	16	19	26	
Objective 5	174	**SP5**	236	**SP7**	131	**DS05**	81	69	102	
Objective 6	-	**SP6**	102	**SP8**	6	**DS06**	148	103	124	
Objective 7	14	**SP7**	15	**SP9**	43	**DS07**	111	80	102	
Impairments treated as exceptional items	-	**SP8**	34	**SP10**	18	**DS08**	125	83	95	
Total Administration Budget	**746**		**815**		**779**		**844**	**869**	**1,024**	

[1] Around £400 million of costs associated with front-line staff were reclassified in CSR07 from Administration budgets into programme

[2] Resource DEL figures reflect the reclassification of Impairments into Departmental AME across all years.

[3] Paybill figures include the salaries and related costs of locally employed staff overseas.

[4] Activities have been costed by objective in the Resource Accounts to 2004-05. From 2005-06, activities are costed by Strategic Priority (SP), and from 2008-09 are costed by Departmental Strategic Objectives (DSOs). A back series of front-line reclassification is not available. See the Key below.

To 2004-05	2005-06	2006-07	2007-08 onwards
Objective 1: A secure United Kingdom within a safer and more peaceful world. **Objective 2**: Enhanced competitiveness of companies in the UK through overseas sales and investments; and a continuing high level of quality foreign direct investment. (Through UK Trade & Investment, formerly BTI, shared with DTI) **Objective 3**: Increased prosperity and a better quality of life in the UK and worldwide, through effective economic and political governance globally. **Objective 4**: A strong role for the UK in a strong Europe, responsive to people's needs. **Objective 5**: International decisions and actions which advance UK objectives and interests. Authoratitive advice and support to the whole of Government on international issues. Positive foreign perceptions of the UK and the Government's policies. **Objective 6**: High quality consular services to British nationals abroad. Effective regulation of entry to, and settlement in, the UK in the interests of sustainable growth and social inclusion (through UKVisas, shared with the Home Office). **Objective 7**: Secure and well governed United Kingdom Overseas Territories enjoying sustainable development and growing prosperity.	**SP 1**: Making the world safer from global terrorism and weapons of mass destruction **SP 2**: Protection of the UK from illegal immigration, drug trafficking and other international crime. **SP 3**: An international system based on the rule of law, which is better able to resolve disputes and prevent conflicts. **SP 4**: An effective EU in a secure neighbourhood. **SP 5**: Promotion of UK economic interests in an open and expanding global economy **SP 6**: Sustainable development, underpinned by democracy, good governance and human rights. **SP 7**: Security of UK and global energy supplies. **SP 8**: Security and good governance of the UK's Overseas Territories.	**SP1** - Making the world safer from global terrorism and weapons of mass destruction. **SP2** - Reducing the harm to the UK from international crime, including drug trafficking, people smuggling and money laundering. **SP3** - Preventing and resolving conflict through a strong international neighbourhood. **SP4** - Building an effective and globally competitive EU in a secure neighbourhood. **SP5** - Supporting the UK economy and business through an open and expanding global economy, science and innovation and secure energy supplies. **SP6** - Achieving climate security by promoting a faster transition to a sustainable, low carbon global economy. **SP7** - Promoting sustainable development and poverty reduction underpinned by human rights, democracy, good governance and protection of the environment. **SP8** - Managing migration and combating illegal immigration. **SP9** - Delivering high-quality support for British nationals abroad, in normal times and in crises. **SP10** - Ensuring the security and good governance of the UK's overseas territories.	**DSO 1** - A flexible Global Network serving the whole of the British Government. **DSO 2** - Supporting the British economy **DSO 3** - Supporting British nationals abroad **DSO 4** - Supporting managed migration for Britain **DSO 5** - Countering terrorism, weapons proliferation and their causes **DSO 6** - Preventing and resolving conflict **DSO 7** - Promoting a low carbon, high growth, global economy **DSO 8** - Developing effective international institutions, above all the UN and EU

Unaudited

Table 6: Staff Numbers for the Foreign and Commonwealth Office	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Plans
CS FTEs[1]	6,117	6,044	6,072	5,083	4,330	4,384	4,344
Overtime [2]	150	170	103	83	-	-	-
Casuals [3]	8	19	22	20	19	1	1
Total	**6,275**	**6,233**	**6,197**	**5,186**	**4,349**	**4,385**	**4,345**

[1] Civil Service Full Time Equivalents (CSFTE). Actual totals reflect staff in post at the end of each financial year. Figures in Resources Accounts are an annual average. In accordance with Treasury guidance these figures show UK based staff only. At 1st April 2010 there were a further 9,000 (approximately) locally engaged staff overseas.

[2] Overtime figure is based on average equivalent number of staff working overtime over year.

[3] Casual staff defined as staff employed full-time or part-time for a short period only, normally not exceeding 12 months.

Annex B - Public Service Agreement and Departmental Strategic Objectives Performance Data Tables (Unaudited)

A factual description of outturns is listed against each of the eight Departmental Strategic Objectives (DSOs) and Public Service Agreement (PSA) 30 indicators.

PSA 30 – Global Conflict: Reduce the impact of conflict through enhanced UK and international efforts

Indicator	Indicator belongs to:	Statement on data
1. A downward trend in the number of conflicts globally, in particular in sub-Saharan Africa, Europe, Central and South Asia, and the Middle East and North Africa[1].	**PSA 30 – Global Conflict: Reduce the impact of conflict through enhanced UK and international effort**	At the start of PSA 30 (1 April 2008) the baseline for the number of global conflicts was 54. (This data was taken from the Human Security Report Project (HSRP), Simon Fraser University, Canada, for which the most recently published data was for 2006). Our analysis of proxy data (including *CrisisWatch* publications) suggested that the number of conflicts in the world in 2009 was 52 (the same as our estimate for 2008). *Note: HSRP and CrisisWatch differ slightly in their assessment of conflict.*
2. Reduced impact of conflict in specific countries and regions (Afghanistan, Iraq, Balkans, Middle East, Sierra Leone, Democratic Republic of Congo and the Great Lakes region, Horn of Africa, Nigeria and Sudan)[2].	**PSA 30 – Global Conflict: Reduce the impact of conflict through enhanced UK and international effort**	There was an easing of the impact of conflict in some regions but this was offset by deterioration elsewhere. The overall situation improved in Sierra Leone; there were modest improvements in state effectiveness in Iraq; and there were improvements in child mortality rates and economic growth in Afghanistan. The situation in Somalia remained fragile and the number of refugees and internally displaced persons in the Democratic Republic of Congo increased.
3. More effective international institutions, better able to prevent, manage and resolve conflict and build peace[3].	**PSA 30 – Global Conflict: Reduce the impact of conflict through enhanced UK and international effort**	The UN achieved a broad consensus for clearer strategic direction in mission mandates and some progress on implementation of the UN Secretary General's Peacebuilding Report. At NATO, an improved defence planning process was endorsed, and the appointment of a new Secretary General and EU High Representative gave momentum to greater EU-NATO coordination. In the EU, the framework for rapidly deployable civilian response teams was revised and the African Union Continental Early Warning System started to function.
4. More effective UK capability to prevent, manage and resolve conflict and build peace[4].	**PSA 30 – Global Conflict: Reduce the impact of conflict through enhanced UK and international effort**	The Civilian Stabilisation Group, a 1000-strong cadre of qualified and deployable experts, was launched in February 2010. Cross--Whitehall training for conflict prevention, resolution and peacebuilding was strengthened through training developed jointly by FCO, DFID, MOD and Stabilisation Unit. There was also a greater focus on early warning. Multi-stakeholder engagement of NGOs was undertaken to consider how to implement a possible domestic code of conduct for Private Military and Security Companies operating abroad.

[1] International Crisis Group "CrisisWatch" monthly bulletins; Uppsala Conflict Data Program/PRIO/Human Security Report Project.
[2] Uppsala Conflict Data Program/PRIO/Human Security Report Project; World Bank; UNHCR; UNICEF: UN Statistics Division; United Nations Relief and Works Agency for Palestinian Refugees in the Near East (UNRWA); UN Office for the Co-ordination of Humanitarian Affairs (OCHA); Centre for Strategic and International Studies; Iraq Coalition Casualty Count; International Institute for Strategic Studies; International Organisation for Migration (IOM); Reporting by HM Diplomatic Posts; FCO; DFID.
[3] Reporting by HM Diplomatic Posts; FCO; DFID.
[4] FCO; DFID; MOD; Stabilisation Unit; Cabinet Office.

DSO 1 – A flexible global network serving the whole of the British government

Indicator	Indicator belongs to:	Statement on data
1. The network delivers the key priorities of Whitehall partners[5]	**DSO1 – A flexible global network serving the whole of the British government**	Whitehall partners (May 2009 survey) showed high satisfaction with the FCO and the network and most (79%) felt that their needs and expectations were met.
2. The network is realigned by March 2009 as agreed by FCO Ministers/Board; and regularly reviewed and retuned as necessary.	**DSO1 – A flexible global network serving the whole of the British government**	This objective was achieved in 2009.
3. The network remains flexible[6].	**DSO1 – A flexible global network serving the whole of the British government**	Whitehall partners and FCO customers said the network had adjusted its focus as necessary to meet most of their needs. 82% of our Whitehall partners were confident the FCO could adjust to meet their needs in the future. Regional Directorates experimented with more flexible forms of representation such as co-location with Whitehall Partners or other Embassies, remote and mobile working. The FCO's new (March 2010) Estates Strategy stipulated that our buildings around the world must have the flexibility to respond to changing needs and circumstances.
4. The network remains global[7].	**DSO1 – A flexible global network serving the whole of the British government**	Despite the rising costs of operating abroad and declining resources, the FCO maintained a global network of 268 posts in more than 170 countries.
5. The network delivers change and manages its resources well[8].	**DSO1 – A flexible global network serving the whole of the British government**	Key elements of our modernisation programme, such as the introduction of a new global ICT system (F3G) and corporate services modernisation, were achieved. The November 2009 FCO staff survey showed that 70% of FCO staff (UK & overseas) understood why the FCO was changing. The FCO reached its Four Star Finance goal.

[5] FCO Survey of Whitehall Partners 2009 – Ipsos MORI, DSO1 end year review 2009.
[6] FCO Survey of Whitehall Partners 2009 – Ipsos MORI, DSO1 end year review 2009, Change Unit Innovative Representation Table, FCO Estates Strategy.
[7] Post statistics, DSO1 end year review 2009, Change Unit Innovative Representation Table, FCO Estates Strategy.
[8] High Level Change Plan version 9 (April 2010), FCO Staff engagement survey 2009, Change Committee minute March 2010.

DSO 2 – Supporting the British economy

Indicator	Indicator belongs to:	Statement on data
1. Attract high value foreign direct investment to the UK[9].	**DSO2 – Supporting the British economy**	Figures will be available at the end of July 2010 and will be published in UKTI's 2009-10 Resource Accounts and online at www.ukti.gov.uk. At the time of publication, UKTI figures were expected to exceed the target for 2009-10.
2. Improve the performance of UK business by helping them internationalise[10].	**DSO2 – Supporting the British economy**	The most recent Performance and Impact Monitoring Survey (PIMS) estimated that in the past year, the total number of businesses helped was 23,600 (target 20,000; previous year performance 20,700) and of these, 19,600 were innovative businesses (target 12,000; previous year performance 17,300). For the improved business performance element of this target, the outturn was 53% overall (previous year performance 51%), and 51 % (previous year performance 51%) in High Growth Markets (target 50% for both).
3. Increase the quantity of R&D activity in the UK through business internationalization[11].	**DSO2 – Supporting the British economy**	In the past year, 2,130 (1,860 last year) businesses increased Research & Development activity as a result of UKTI trade support (against the target of 1000).
4. Improve the UK's reputation as the international business partner of choice[12].	**DSO2 – Supporting the British economy**	This involves an annual reputation survey to measure UK reputation in the US, China and India, in the financial services, ICT, life sciences and energy sectors. The first and second annual surveys were completed. These did not show progress against the benchmarking survey as it will take time for UK reputation to be affected. Performance against this target will only be fully assessed in the final year of the survey.
5. Improve UKTI's operational performance[13]	**DSO2 – Supporting the British economy**	This is an operational target. Performance was 76% (previous year performance 76%) and 74% (previous year performance 75%) respectively for quality and satisfaction against a target of 80% for both. Charging - revenues to end of financial year were £6.0m (previous year performance £4.57m), which was significantly above our CSR target (£3m).

[9] Data obtained from UK Trade & Investment's CRM (Customer Relationship Management).
[10] Data Obtained from UK Trade & Investment's CRM (Customer Relationship Management)/ Performance and Impacts Monitoring Survey (PIMS).
[11] Data Obtained from UK Trade & Investment's CRM (Customer Relationship Management)/ Performance and Impacts Monitoring Survey (PIMS).
[12] The UK Reputation Measurement Survey.
[13] Data Obtained from UK Trade & Investment's CRM (Customer Relationship Management)/ Performance and Impacts Monitoring Survey (PIMS). Revenue figure obtained from MENTOR system (UKTI's financial system). The National Audit Office (NAO) has reviewed all of our data sources. It considers the UKTI evaluation to be robust and that all of its systems are considered 'fit for purpose'. At the end of December 2009 UKTI Defence and Security Organisation (UKTI DSO) received its first PIMS results. These are posted on the UKTI website in the summary PIMS results for all UKTI trade services, at www.ukti.gov.uk. The feedback from the defence and security industry on the quality and impact of UKTI DSO advisory services was very good. The headline statistics were that UKTI DSO "Significant Assists" achieved a quality rating of 93% (UKTI target 80%) and also achieved a business performance improvement rating of 72% (UKTI target 50%). For UKTI DSO events, impact was 43%, which is in line with other UK based events and inward missions, although satisfaction was disappointing.

DSO 3 – Supporting British nationals abroad

Indicator[14]	Indicator belongs to:	Statement on data
1. Quality of Service – with a focus on responsiveness to customers	**DSO 3 Support for British Nationals abroad**	The baseline position for this indicator across all metrics was 92% in April 2009 and in March 2010. The percentage of hospital cases contacted within 24 hours was 91% in April 2009 and 95% in March 2010. The percentage of detainees contacted within 24 hours was 96% in April 2009 and 99% in March 2010. The percentage of passports issued within 10 days was 77% in April 2009 and 88% in March 2010
2. Professionalism of our staff – trained and well managed staff	**DSO 3 Support for British Nationals abroad**	The baseline position for this indicator across all metrics was 89% in April 2009 and 92% in March 2010. The percentage of all overseas Posts with an annually reviewed Emergency Plan to be implemented in the event of a crisis was 97% in April 2009 and March 2010.
3. Consistent service delivery – compliant with internal procedures and prepared for the unexpected	**DSO 3 Support for British Nationals abroad**	The baseline position for this indicator across all metrics was 89% in April 2009 and 92% in March 2010. The percentage of Honorary Consuls trained was 79% in April 2009 and 80% in March 2010. The percentage of Heads of Post attending Crisis Leadership training was 90% in April 2009 and 95% in March 2010.
4. Efficient working – optimised fee income, reliable systems and efficient use of resources	**DSO 3 Support for British Nationals abroad**	The baseline position for this indicator across all metrics was 81% in April 2009 and 89% in March 2010. The percentage of daily Activity Recording by Consular staff was 54% in April 2009 and 77% in March 2010. The percentage of overseas Posts which submitted Consular Balanced Scorecards was 90% in April 2009 and March 2010.

[14] Daily Activity Recording by Consular staff, monthly Consular Balanced Scorecard, monthly Project Progress reports, monthly Consular Management Board reports, Office of Government Commerce Gateway Review of Consular Strategy Programme of March 2010, NAO review of August 2009.

DSO 4 – Supporting managed migration for Britain

Indicator	Indicator belongs to:	Statement on data
1. The FCO will establish and develop sustainable arrangements with foreign governments for the return of immigration offenders, including Foreign National Prisoners (FNPs) and Failed Asylum Seekers (FAS), concentrating on the top returns countries, to meet the PSA Indicator of increasing the number of removals year on year and the number of "harm" cases removed as a proportion of total by 2011[15].	**DSO 4 – Support Managed Migration for Britain**	Figures for removals and voluntary departures by "harm" assessment were higher in 2009/10 (37,745) than 2008/09 (34,435). 5,535 foreign national prisoners (FNPs) were removed in 2009, 3% higher than in 2008 (5,395). Based on provisional management information, 5,360 FNPs were removed in financial year 2009/10. Including dependents, 10,815 asylum seekers were removed or departed voluntarily from the UK in 2009, 16% lower than in 2008 (12,875). In Quarter 1 of 2010, the figure was 2,870; 2% higher than in Q1 2009 (2,805).
2. Through the cross departmental (FCO, DFID, MoJ, UKBA) Returns and Reintegration Fund (RRF), the FCO will significantly increase the number of Foreign National Prisoners (FNPs) and Failed Asylum Seekers (FAS) returned to countries of origin, and tackle intake including by building capacity of partner governments, reintegrating returnees and overcoming obstacles to return[16].	**DSO 4 – Support Managed Migration for Britain**	The Returns and Reintegration Fund (RRF) contributed to increasing returns cooperation. In Afghanistan, the FCO and UK Border Agency (UKBA) returned more Failed Asylum Seekers (FAS) and Foreign National Prisoners (FNPs) than any other non-adjacent country (enforced returns increased by more than 300% on last year, with intake numbers down by 25%). Notable impact was made on returns to Jamaica and Iraq. With the backing of the RRF, joint working by FCO Migration Delivery Officers, UKBA and Ministry of Justice resulted in the signature of a prisoner transfer agreement (PTA) with Uganda; and progress on other African PTAs.

[15] Home Office Control of Immigration: Quarterly Statistical Summary, United Kingdom (October- December 2009; January-March 2010, January-March 2009); internal FCO and post reports, FCO Departmental Report 2008/09.

[16] Internal FCO reporting, meeting records, FCO Departmental Report 2008/09.

3. The FCO will support the PSA Indicators on strengthening UK borders and boosting Britain's economy and will help to deliver a successful merger of UKvisas into UKBA, and launch of the new Agency, ensuring that stakeholders and staff see an improvement in our overall management of migration. The FCO will help to ensure successful implementation of the outcomes of the Visa Waiver Test and reform of the visitor visa routes, whilst managing the risk to our wider relationships. The FCO will act as UKBA's strategic partner in the development of HMG's migration and visa policy, working to keep the UK a globally attractive destination to work, study and visit, and will help complement and communicate the Points Based System for work and study in the UK. The FCO will work with bilateral partners, especially France and Belgium, to strengthen borders (juxtaposed controls)[17].	**DSO 4 – Support Managed Migration for Britain**	The FCO worked closely with UK Border Agency to communicate UK migration policy changes overseas. Visa Waiver Test mitigation in East Caribbean was underway. The FCO with UKBA communicated changes to the Points Based System to London missions and was active in reaching cross-Whitehall agreement on visa fee levels for 2010-11. FCO cooperation with the French led to an innovative joint returns operation to Afghanistan.

[17] FCO internal reporting; business planning documents; Service Level Agreements.

4. Through FCO country and multilateral expertise we will provide timely and informed contributions to Country of Origin Information Reports (used by asylum case owners, to improve fast-track decision making and protection for genuine refugees), and to country assessments for designation of countries for Non-Suspensive Appeals contributing to overall achievement of the PSA Indicator on asylum. We will contribute to policy on Unaccompanied Asylum Seeking Children (UASCs)[18].	**DSO 4 – Support Managed Migration for Britain**	Latest available figures from April to December 2009 showed that the FCO responded to 291 standard Country of Information (COI) requests, and 90% rated the FCO response as helpful. The FCO fact-finding report on Kurdistan Regional Government was commended. In 2009-10 Migration Delivery Officers contributed to investigating in-country opportunities to enable returns of Foreign Asylum Seekers under the age of 18 in Afghanistan, India, Bangladesh and Pakistan. Work was carried out in collaboration with the UK Border Agency who led on Unaccompanied Asylum Seeking Children policy.
5. The FCO will ensure that international and EU cooperation, including the Global Forum on Migration and Development, cooperation with Italy/Malta/Libya and others on Mediterranean transit routes, and Commission plans and Council Decisions, is consistent with UK interests[19].	**DSO 4 – Support Managed Migration for Britain**	The FCO continued to build cooperation on the migration agenda with EU partners and strengthened ties with France on migration matters, including juxtaposed controls. We focused on tackling illegal migration through the Mediterranean through capacity building with Southern EU Member States, particularly Malta. Examples included FCO engagement with Department for International Development (DFID) and UK Border Agency which led to a successful Global Forum on Migration and Development in Athens in November 2009. Migration relations with Spain were also strengthened in advance of their EU Presidency at the start of 2010.

[18] COIS statistics and reporting, FCO reporting, FCO Departmental Report 2008/09.

[19] Internal FCO reporting; FCO Departmental report 2008/09.

DSO 5 – Countering terrorism and weapons proliferation and their causes: Counter Terrorism

Indicator	Indicator belongs to:	Statement on data
1. Focus our International CT work on creating real effect in OCG Priority Posts. Additional FCO staff and programme resources in place to deliver a change in the capabilities and countries presenting the most direct threat to the UK (OCG Priorities 1 and 2[20])	**DSO 5 – Counter Terrorism, Weapons Proliferation and their causes**	We continued to deliver against the UK's counter terrorism objectives in priority countries. This included helping to encourage and support Pakistan's action against violent extremists in the border areas with Afghanistan, and playing an important role in the international response to the attempted Christmas Day attack against NWA Flight 253 to Detroit.
2. Prevent: Reduce the threat posed by violent extremism to the UK and its interests overseas by countering extremism and preventing drivers of radicalisation in our priority countries as part of a co-ordinated cross-Whitehall response. This is achieved by: a) Addressing the grievances that can predispose vulnerable groups to radicalisation (as identified by research) by enhancing the capabilities that strengthen each country's resilience against extremism; b) Undermining extremist ideology and the terrorist single narrative through a comprehensive communication campaign, including supporting mainstream voices, using RICU's expertise and targeted at key groups across the Muslim world and within UK Diaspora communities[21].	**DSO 5 – Counter Terrorism, Weapons Proliferation and their causes**	Year two results from our DeTECT system (measuring the effectiveness of our overseas Prevent interventions) showed a small improvement on the baseline capability scores, indicating real change in-country. Improvements were reported in Sudan, Morocco, Syria, Egypt, Bangladesh and Lebanon. We continued to deliver large scale multi-region projects to counter the ideology of Al Qaeda. An extensive foreign policy outreach programme challenged misconceptions in the UK about our foreign policy. A recent NAO review of DeTECT gave it a green rating.

[20] Joint Terrorist Analysis Centre (JTAC) www.mi5.gov.uk; HMG CONTEST Counter Terrorism Strategy (particularly part 3 section 14 on overseas delivery of the strategy) www.security.homeoffice.gov.uk; Foreign Affairs Committee (FAC) inquiry. "Global Security: Afghanistan and Pakistan, 25 February 2010. www.publications.parliament.uk; www.publications.parliament.uk; Extracts from Court Judgements on the Binyam Mohammed case. Court judgments are at: www.judiciary.gov.uk. First judgment at: www.judiciary.gov.uk/docs/.

[21] *DeTECT analysis;* Feedback from stakeholders on Overseas Prevent and Outreach projects; BBC Newsnight documentary on Quilliam Pakistan project from June 2009; Media coverage of the Foreign Secretary's speech at Oxford Centre of Islamic Studies on 21 May 2009 - 'Our Shared Future: building coalitions and winning consent'.

3. Pursue: Enhance the detection and disruption of terrorists and terrorist networks which pose a threat to the UK and its overseas interests[22]	**DSO 5 – Counter Terrorism, Weapons Proliferation and their causes**	We have taken a more coherent international approach to Pursue (including to terrorist financing). The FCO led the negotiations on due process reform in New York to roll over UN Security Council Resolution 1267. There were been further challenges in terms of allegations, with intense media, judicial and parliamentary scrutiny of the UK's position on the detention and treatment of terrorism suspects overseas. Ability to deliver against many of our key International Pursue objectives was constrained by human rights concerns in our priority countries for Counter Terrorism work,
4. Protect: Reduce the vulnerability of British interests to terrorist attack overseas through: provision of accurate public advice on the threat from domestic and international terrorism; the physical protection of British diplomatic properties, personnel and families overseas; and the development of key foreign governments' own protective capability[23]	**DSO 5 – Counter Terrorism, Weapons Proliferation and their causes**	Stakeholder feedback on FCO Travel Advice remains high (5.6m people accessed our Travel Advice); Overseas Security Information for Business (OSIB) was established to provide information on terrorist risks overseas for businesses. We adopted a risk-based approach to overseas capacity building to reduce the vulnerability of UK citizens and interests overseas from the terrorist threat (e.g. to aviation and maritime interests, as well as the threat to crowded places, soft targets and at borders).
5. Prepare: Set baseline standards for incident response, ensure the Network meets and exceeds them; and that staff in London have the appropriate specialist and general training[24]	**DSO 5 – Counter Terrorism, Weapons Proliferation and their causes**	We led the UK's response to kidnap of UK nationals in Afghanistan, Mali, Yemen, Iraq and Nigeria. We secured UN Security Council Resolution 1904 which was explicit that ransom payments to AQ/Taliban contravened the sanctions regime, and our response to individual cases has provided practical alternatives to ransom payment for our international partners. We provided focused training and exercises on crisis management, and created an e-learning package for all staff. We developed the preparedness of Posts in high risk countries and those with a heightened risk.

[22] JTAC www.mi5.gov.uk; FCO Annual Human Rights Report 09-10.
[23] Stakeholder feedback on travel advice website. Travel advice website www.fco.gov.uk; Overseas Security Information for Business (OSIB) website www.uktradeinvest.gov.uk
[24] Internal government reporting and post reporting.

DSO 5 – Countering terrorism and weapons proliferation and their causes: Weapons proliferation

Indicator	Indicator belongs to:	Statement on data
1. Address the threat from Weapons of Mass Destruction (WMD) by preventing States from acquiring or developing WMD capabilities (including their delivery) and by reinvigorating the global commitment to nuclear disarmament[25].	**DSO 5 – Counter Terrorism, Weapons Proliferation and their causes**	North Korea's nuclear test in May and the disclosure in September of a second nuclear facility in Iran highlighted the threat posed by these countries' nuclear programmes. We adopted a dual-track approach to Iran: targeting sanctions through the UN and EU against its weapons programme while offering engagement through the then EU High Representative. Neither country abandoned their nuclear programmes or opened all nuclear facilities to inspection. Instead Iran moved to enrich uranium to 20%. The UK hosted a P5 conference in September 2009, bringing together diplomats, military and technical officials to discuss confidence building measures towards nuclear disarmament. We also laid the groundwork for the Nuclear Non Proliferation Treaty Review Conference in 2010 by working closely with the P5 and other international partners. We were active in the development and adoption UN Security Council Resolution 1887 which bolstered international commitment to non-proliferation and nuclear disarmament.
2. Prevent terrorists or criminals from acquiring chemical, biological, radiological, and nuclear materials[26].	**DSO 5 – Counter Terrorism, Weapons Proliferation and their causes**	The international framework for protecting chemical, biological, radiological and nuclear (CBRN) materials was augmented by a strong G8 statement. The UK developed strong partnerships with the US, Canada and in the EU on security of sensitive material and technology in advance of the Nuclear Security Summit in April 2010. FCO-led CBRN security work set clear targets for reducing the threat posed by insecure CBRN materials. The UK ratified the Amendment to the Convention on the Physical Protection of Nuclear Materials.
3. Tackle the threat posed by conventional weapons to humanitarian, UK, regional, and global stability[27].	**DSO 5 – Counter Terrorism, Weapons Proliferation and their causes**	The UK co-authored a resolution at the UN General Assembly's First Committee, which authorised the start of formal UN negotiations on the proposed Arms Trade Treaty. The FCO was instrumental in gaining US support for the resolution, which was subsequently adopted by the UN General Assembly in December 2009 with overwhelming support (only Zimbabwe voted against). The FCO introduced the Cluster Munitions (Prohibitions) Bill into Parliament, which was passed with cross-party support, allowing the UK to ratify the Convention on Cluster Munitions in March 2010. The FCO met ministerial targets for quality and, on average, timeliness in assessment of export licences despite a 20-30% increase in applications over the last year, and a number of extremely complex cases.

[25] UNSCR 1835 (28 September 2008); UNSCR 1874 (12 June 2009); UNSCR 1887 (24 September 2009); www.daccessdds.un.org; US Department of Energy comments on Road to 2010: www.energy.gov; P5 Conference: www.fco.gov.uk; Iranian Enrichment Announcement: www.iaea.org.
[26] G8 L'Aquila Statement on Non-proliferation: www.g8italia2009.it; UK Nuclear Security Co-operation with US, Canada, the EU and others – a number of joint projects are outlined in Global Threat Reduction Programme Annual report: www.decc.gov.uk.
[27] Towards an Arms Trade Treaty: www.controlarms.org; Signing of the cluster munitions convention: www.fco.gov.uk; Cluster munitions: www.fco.gov.uk; Export controls: www.fco.gov.uk.

DSO 6 – Preventing and resolving conflict

Indicator[28]	Indicator belongs to:	Statement on data
1. Better early warning and early action, to prevent conflict and its recurrence.	**DSO 6 – Preventing and resolving conflict**	At the UN, there was consensus on a Security Council Resolution on Responsibility to Protect (R2P), which included plans for a new UN Early Warning System. In the EU, efforts continued to strengthen focus on prevention/R2P, including making the case for spending more on prevention/capacity building.
2. Better-integrated national and international approach to peace support operations, stabilisation and sustained post-conflict peacebuilding.	**DSO 6 – Preventing and resolving conflict**	At the UN, the UK Presidency of the Security Council in August 2009 took forward our peacekeeping reform agenda. A strategic approach was taken in mandates for peacekeeping operations, including the need for regular reviews, transition planning and exit strategies. In NATO, UK priorities on the Comprehensive Approach (which brings together civilian and military actors to better address the wider elements of international conflict and crisis management) were reflected in the outcome of the NATO Summit in Strasbourg in April 2009. A UK-led contact group spearheaded international co-ordination on Somalia piracy.
3. Increased national and international capabilities to tackle conflict, including conflict mediation and resolution.	**DSO 6 – Preventing and resolving conflict**	At the UN, the number of Mediation Support Unit deployments trebled in 2009/10, following UK pressure and financial support. In the African Union (AU), the AMANI military exercise, regarded as key in proving operational capability of the African Standby Force (ASF), was postponed. At NATO, the UK played a leading role in encouraging the organisation to develop leaner, more flexible and effective structures. France and the UK encouraged increased multi-nationalisation of capability provision in the EU and NATO. Overall, national defence budgets continue to fall. The UK officially launched in February 2010 its Civilian Stabilisation Group. This is an enhanced capacity of 1,000 trained civilian experts, ready to be deployed at short notice to help address conflict and instability in fragile and failing states.
5. Reduced impact of conflict and progress towards resolution in Afghanistan, Iraq, Balkans, Middle East and Sudan, and progress in addressing long-term frozen/intractable conflicts[29].	**DSO 6 – Preventing and resolving conflict**	There has been an easing of the impact of conflict in some regions but this has been offset by deterioration elsewhere. The overall situation improved in Sierra Leone; there were modest improvements in state effectiveness in Iraq; and there have been improvements in child mortality rates and economic growth in Afghanistan. The situation in Somalia remained fragile and the number of refugees and internally displaced persons in the Democratic Republic of Congo has increased.

[28] Indicators 1-4: Internal FCO and other government departmental reporting.
[29] Data Program/PRIO/Human Security Report Project; World Bank; UNHCR; UNICEF; UN Statistics Division; United Nations Relief and Works Agency for Palestinian Refugees in the Near East (UNRWA); UN Office for the Co-ordination of Humanitarian

DSO 7 – Promoting a low-carbon, high-growth, global economy

Indicator	Indicator belongs to:	Statement on data
1. A visible and accelerated shift in investment in the major economies towards low carbon[30].	**DSO7 – Promoting a low-carbon, high-growth global economy**	UK/EU ambition on climate finance contributed to a shift in US policy and a more positive response from developing countries. Funding for Carbon Capture and Storage plants in EU was secured. 5 more low carbon zones in China were under development. G20, G8, European Council used language of low carbon growth.
2. Political conditions created for an equitable post 2012 agreement at the UNFCCC in Copenhagen in December 2009 of sufficient ambition to avoid dangerous climate change and for effective implementation of the deal[31].	**DSO7 – Promoting a low-carbon, high-growth global economy**	Although COP15 did not agree a pathway to a binding legal agreement, the Copenhagen Accord covers 80% of emissions, over 100 countries and included a commitment to a maximum 2 degree temperature increase. UK evidence-based campaigning and diplomacy directly contributed to a shift in domestic debates and development of commitments on emissions cuts by some emerging economies. Less developed countries played a greater role in international climate debate.
3. Risks to UK and EU energy security managed through more diverse and reliable sources of supply and more efficient global consumption[32]	**DSO7 – Promoting a low-carbon, high-growth global economy**	Progress on EU internal and external energy in the wake of Russia/Ukraine gas dispute. Southern Corridor agreement signed. Action on fossil fuel subsidies agreed at G20. International energy efficiency strategy agreed with DECC.
4. International commitment to an open, stable and equitable low carbon global economy delivering higher standards of living[33]	**DSO7 – Promoting a low-carbon, high-growth global economy**	The global recovery has been stronger than expected with protectionist action limited. However the Doha Development Agenda was stalled. Sovereign debt and deficits were unsustainably high, and the peripheral Eurozone was particularly fragile with a weak demand for global private sector expected. EU Korea and Andean Free Trade Agreements completed. 1 full and 5 interim Economic Partnership Agreements signed. UK Intellectual Property Office cooperation agreement with Chinese counterpart.
5. Increased international commitment to achieve the MDGs[34]	**DSO7 – Promoting a low-carbon, high-growth global economy**	UN MDG Needs Assessment and G8 accountability process was secured. Some 2010 ODA targets reaffirmed by EU/G8 were expected to be missed. Some MDGs are off track. A health event at UNGA in Sept 2009 delivered \$5.3bn in new financing. Implementation of London Summit measures which mitigated the effect of downturn on Low Income Countries.

Affairs (OCHA); Centre for Strategic and International Studies; Iraq Coalition Casualty Count; International Institute for Strategic Studies; International Organisation for Migration (IOM); Reporting by HM Diplomatic Posts; FCO; DfID.

[30] FCO climate change campaign evaluation responses; observed economic moves and emissions cuts targets announced by key countries.

[31] FCO climate change campaign evaluation responses; observed economic moves and emissions cuts targets announced by key countries.

[32] Reporting from posts, media, bilateral meetings.

[33] Global economic statistics from the IMF, WTO, OECD etc. Reporting from posts, media, bilateral meetings.

[34] MDG data from UN, World Bank. Reporting from posts, media, bilateral meetings.

DSO 8 – Developing effective international institutions, above all the United Nations and the European Union

Indicator	Indicator belongs to:	Statement on data
1. International institutions which are more representative of the modern world, and more efficient and effective[35].	**DSO 8 – Develop effective institutions, above all the EU and UN**	Commonwealth Heads of Government established an Eminent Persons Group to re-examine the strategic approach, and agreed that the Ministerial Action Group should review its performance and recommend improvements. Inter-Governmental Negotiations on UN Security Council reform moved to the General Assembly after 15 years in a UN working group. 140 states asked the UN for a 'compilation text' of options for reform. UK led efforts reduced the UN Regular Budget by $25.4M. General Assembly resolution on System-Wide Coherence established a new consolidated organisation to lead UN work on Gender (Women).
2. Greater international institutional capacity to deal with emerging global crises such as climate change, conflict, energy and economic shocks[36].	**DSO 8 – Develop effective institutions, above all the EU and UN**	NATO defence planning process and package of HQ reform endorsed in June 2009. G20 established as the premier forum for global economic cooperation. Office of the Ombudsperson for UN Sanctions to improve the flow of information between the designated individual and the Committee and the transparency of the decision making process. Responsibility to protect nations and people from genocide, war crimes, ethnic cleansing and crimes against humanity accepted at UN.
3. Greater international institutional effectiveness in promoting respect for human rights, rule of law and democracy[37].	**DSO 8 – Develop effective institutions, above all the EU and UN**	UN resolutions on human rights situation in Burma, DPRK and Iran passed. US joined the Human Rights Council (HRC). Death penalty abolished in Togo and Burundi and mandatory death penalty declared unlawful in Barbados. The Commonwealth suspended Fiji for non-conformity to democratic standards.

[35] Port of Spain affirmation, November 2009.**;** Letter from Afghan Permanent Representative to the UN, Tanin in June 2009**;** UN Resolution A/RES/64/248 establishing UN regular budget for 2011-12; UN resolution A/RES/63/311 establishing a gender entity in the UN.

[36] NATO Implementation and Transition Plan agreed by Defence ministers in June 2009; G20 leaders' communiqué, Pittsburgh 2009; UN Security Council resolution 1904; UN resolution A/RES/63/308 on the responsibility to protect.

[37] UN resolution A/RES/64/175 on Korea, A/RES/64/176 on Iran A/RES/64/238 on Burma; UK Annual report on Human Rights, page 16;Commonwealth Ministerial Action Group statement, July 2009.

4. An EU that responds effectively to global challenges by (i) delivering an open and competitive European economy, (ii) promoting stability and growth in its neighbourhood and (iii) working for sustainability, openness and security in the wider world[38]	**DSO 8 – Develop effective institutions, above all the EU and UN**	The FCO helped secure and maintain effective UK input into a joined-up EU response to the global economic crisis. We ensured that the EU 2020 package reflected UK priorities and was part of a broader coherent economic strategy. The Lisbon Treaty entered into force. There was progress towards establishing the new External Action Service. The FCO helped maintain momentum on enlargement despite difficult political context.

[38] Reporting from posts; Country Business Plan mid-year reviews. European Council and sectoral Council conclusions, EU summit texts, European Parliament resolutions and reports. Commission communications. EU stakeholder outreach. Eurobarometer opinion polls. Europe Management Board. Parliamentary scrutiny.

FCO efficiencies in 2009-10

The CSR07 efficiency programme is a commitment to overall cross-Government efficiency savings of £35bn for the spending review period up to 31 March 2011.

As part of CSR07, the FCO aims to achieve at least 3% annual cash-releasing Value for Money savings by 2010-11 on its 2007-08 near-cash Departmental Expenditure Limit (DEL) baseline. This is equivalent to a CSR07 VfM target of £144m by the end of financial year 2010-11. An additional £20 million saving was required in 2010-11 for the Operational Efficiency Programme (OEP).

Savings at the end of financial year 2009-10 amounted to £148.23 million. Forecast cumulative savings for end of 2010-11 are 186.72 million. These are summarised in Table 1 below.

Table 1 FCO summary of VfM programme (2008 to 2011)

VFM Project	**2008-2009**	**2009-10**	**2010-2011**
	Actual (£m)	**ACTUAL (£m)**	**Forecast (£m)**
FCO	71.53	114.48	139.22
FCO Services	2.20	4.15	6.00
BBC World Service	7.50	15.30	23.30
British Council	4.60	14.30	18.20
TOTAL	**85.83**	**148.23**	**186.72**

Annex C - 3rd PAC Report Financial Management in the FCO (Unaudited)

3rd PAC Report Financial Management in the Foreign and Commonwealth Office
Progress against recommendations:

Recommendation 1: The Department has a history of significant under-spending in recent years, exposing a culture of weak financial stewardship, a lack of financial skills to monitor budgets effectively and a lack of trust in its financial information. It recognised the need to take action and set up its 'Five Star Finance' project with a series of targets and milestones to measure improvement. The Department has made significant progress in the last two years towards having reliable high level financial oversight of its business. Monthly produced Key Performance Reports now highlight variations in spending and enable FCO to take prompt action. The Committee notes the assurances made by FCO that following completion of the Project, all the processes and practices will then be embedded into 'business as usual' activities.
Progress: The FCO accepts in recent years there were underspends. Improved financial management has been established through the creation of a 'Five Star Finance' programme. It has introduced a raft of measures to improve processes and practices. The NAO will independently assess whether we have reached 4½ stars in the Autumn of 2010.
Recommendation 2: The Committee is pleased to note that the Department has acted upon previous recommendations made by our predecessors on this Committee and has recruited a qualified finance director to sit on the Board, which has had a number of positive impacts on the Department. The benefits include driving up skills, increasing the understanding across the organisation of the importance of good financial management, improving confidence in the numbers leading to better informed decisions, and the ability to manage budgets actively and produce better quality annual accounts on a more timely basis. The Department should increase further the level of qualified finance staff and monitor its progress in increasing financial awareness throughout the organisation, especially across its global network.
Progress: The FCO accepts and welcomes acknowledgement that through senior leadership it has acted on previous recommendations by recruiting a qualified Financial Director General onto the Board with positive impact. Financial skills have improved with a marked increase in qualified accountants, trainee accountants and widespread financial training within and outside the UK.
Recommendation 3: The Department has improved its financial management by allocating budgets before the start of the year, with budget holders reviewing costs allocated to them and challenging unfamiliar items. The Department should aim to move to the next level of good practice, where mispostings are rare and its staff becomes more confident in the financial forecasts they produce.
Progress: The FCO accepts and welcomes the Committee's recognition of its improved financial practices such as more timely budgets' allocation to allow sound resource planning and robust quarterly reviews to rebalance allocations. The FCO has introduced new financial Management Information tools in the UK and is extending them to the overseas network.
Recommendation 4: The Department has not yet made effective use of activity recording to ensure that its operations and policies are fully costed. Although the Department has made some progress, it should take further action to implement a workable and effective system of costing activity in all locations to enable it to make informed decisions about its operational priorities in a very tight fiscal situation. The Department should also benchmark costs and identify regional variations to help drive efficiency, and should make its charges to other government departments for the use of its facilities more transparent and understandable to help encourage joined-up working overseas.
Progress: The FCO accepts more progress needs to be made on effective use of activity recording and providing more visibility to PAGs on platform. The FCO is examining a more workable costing system that includes use of DSOs to make informed decisions about operational priorities in a tight fiscal environment. Improved MI data quality on management support costs on behalf of Partners Across Government (PAGs) will lead to a charging framework in line with Treasury guidance, as well as providing value for money to PAGs.

Recommendation 5: The Department has a history of poor forecasting of its expected spend and also of under-spending against its budget. After incurring a significant under-spend in 2007–08, the Department exerted better in-year control of spending in 2008–09, so that it spent within 1% of its budget for ‘controllable’ costs. Although the Department appears now to have a good level of financial discipline over the spending it controls within each financial year, it needs to improve the accuracy with which it forecasts expenditure which is harder to control, such as changes in the value of its estate. It should identify what practical actions it could take, such as moving forward the dates for valuation of fixed assets, so that appropriate provision for cost movements can be made in time for the Spring Supplementary Estimates.
Progress: The FCO accepts the Committee's conclusion that it had a prior record of underspending and welcomes the acknowledgement of the good levels of financial discipline it now exerts over spending. It agrees that greater accuracy and improvements in forecasts are still needed. The FCO’s continual improvement of financial management is through the Five Star Programme. HMT’s Clear Line of Sight programme will help align Parliamentary and HMT Control Totals in future. Predicting the impact of exchange rate movements will remain difficult.
Recommendation 6: The relative weakness of sterling in the last year or so against foreign currencies has significantly reduced the Department’s purchasing power. The Department has had to re-prioritise expenditure and make further efficiency savings to stay within budget. In all, the Department is exposed to the effects of currency fluctuations against over 120 currencies, including the US dollar, euro and yen. This is not an issue peculiar to the Foreign and Commonwealth Office and, with input from the Treasury, it should work alongside other departments, such as the Ministry of Defence and Department for International Development, to identify the most effective way to manage exchange rate risk for the government as a whole.
Progress: The FCO accepts and welcomes the acknowledgement of difficulties faced managing the effect on purchasing power of currency movements from within its own resources in this CSR period. The FCO continues to work with HMT, and PAGs similarly affected to share best practises and identify possible solutions.
Recommendation 7: The Committee is of the opinion that historic residences, which are national assets, should not be sold off for money saving reasons and was pleased to note that the Department has no plans to do so. The Department confirmed that it was its standard practice to make best use of its assets, exploiting opportunities for commercial use of properties where available. The Committee welcomes the appointment of a professionally qualified Estates Director and looks forward to the forthcoming C&AG’s report on the Department’s Estates, which is expected to be published early in 2010.
Progress: The FCO accepts and welcomes the policy endorsement not to sell historic residences to make budget savings. The FCO continues to try and manage the estate according to best asset management practice.
Recommendation 8: The level of fraud uncovered at overseas posts has reduced to a relatively low level because of improvements made in the Department’s financial management procedures and practices. The Department needs to continually test the adequacy of its processes for preventing and identifying fraud against its assessment of the risk, recognising that the types of fraud may change over time.
Progress: The FCO accepts the need to maintain a robust and effective control framework to mitigate against the risk of fraud. Improvements introduced in 2009 effectively manage the risk whilst maximising benefits for the Department and have reduced the levels of fraud.
Recommendation 9: The Department recognises that it has not always had a workforce that reflected the diversity of the population of the United Kingdom. It aims through its current recruitment policy to create a workforce which is representative of modern Britain and monitors the diversity of its staff by gender, ethnicity and disability. It should identify what other data it could gather to monitor the extent to which the social background of its employees is representative of the wider population.
Progress: The FCO accepts the importance of representing and reflecting the diversity of modern Britain. At present data is not held on employees’ social background. The FCO is working with the Cabinet Office as they consider this question of monitoring this and other aspects of diversity.

Recommendation 10: Robust challenge provided by suitably experienced non-executive directors has made a positive difference to the Department's financial management capacity. The Department has valued the contribution that a financially qualified nonexecutive director can make and, importantly, has created a receptive environment. The Treasury should work with all departments in encouraging them to recruit nonexecutive directors with the right mix of skills to fit the needs of their business.
Progress: The FCO accepts that non-executive directors have made a positive difference to the Department's financial management capacity. Treasury agrees that it will continue to promote the practice more widely, including in a revised code of corporate governance in central government departments.
Recommendation 11: Government has not always learnt lessons systematically by disseminating examples of good practice on financial management across all government departments and agencies. As part of the 'Five Star Finance' project, the Department has demonstrated that it is keen to share good practice through the Director General Finance's membership of the cross-Government Finance Leadership Group, and by the Director of Finance's cross-Whitehall Business Improvement Group. Treasury should adopt a firm leadership role, identifying the key success factors of the Department's programme-based approach and disseminating this good practice across Whitehall.
Progress: The FCO welcomes the conclusion that it has demonstrated a willingness to pro-actively share best working practises in both the cross-Government Finance Leadership Group and the cross-Whitehall Business Improvement Group. The Treasury agrees with the conclusion it needs to adopt a firm leadership role across Whitehall and share best practice.

In addition, the FCO is preparing it response to the recommendations contained in the PAC's twenty fifth report: "Foreign and Commonwealth Office (FCO): Adapting the Foreign and Commonwealth Office's global estate to the modern world" for presentation before the Summer Recess.

Annex D - Ombudsman's Queries Relating to Complaints against the FCO (Unaudited)

Ombudsman's (OPHSO) queries to the FCO (complaints)

OMBUDMAN'S QUERIES RELATING TO COMPLAINTS AGAINST THE FCO	**2009 - 2010**	
General queries	**37**	
Queries requiring further investigation	**5**	Upheld in part
Serious complaints requiring PUS involvement	**1**	Upheld in full
Average number of monthly queries	**3**	***Queries require liaison between the Ministerial Correspondence Support Unit, Private Offices and Consular dept for resolve.

Complaints to the Ombudsman
The FCO Parliamentary Relations Team (PRT) coordinates handling of Ombudsman's queries. If the Ombudsman chooses to investigate a complaint, she may require the production of documents and even the attendance and examination of witnesses; we are expected to comply fully with this requirement.
The 2009-10 Ombudsman's Annual Report only includes figures for government departments and agencies which generate a significant number of complaints. The FCO does not feature in the 2009-10 Ombudsman Report as we receive only a relatively small number of complaints. The table above has been produced using data held by PRT; the Ombudman's office has agreed the figures.
In 2009-10, the Ombudsman concluded in respect of the FCO:

- one investigation
- five complaints at the "further assessment" stage (of which two were closed without investigation and three were either out of remit or closed without the need for enquiries of the FCO), and
- 37 complaints at the "preliminary assessment" stage, either because they were premature (e.g. the complainant had not exhausted the FCO's internal complaints procedure) or for some other reason (e.g. out of remit or not properly made).
- Consular Directorate is recording and examining complaints more thoroughly, and its Customer and Stakeholder unit has been set up to provide more advice and support. They are working with colleagues including the FCO Parliamentary Relations Team and the Ministerial Support Unit, other Government departments, and the Ombudsman's office, to help ensure that the FCO learns from complaints and improves accordingly.