Taj Mahal, India

Part Four
Foreign and Commonwealth Office Resource Accounts 2008–09

(for the year ended 31 March 2009)

Annual Report to the Resource Accounts

These accounts have been prepared in accordance with directions given by HM Treasury in pursuance of the Government Resources and Accounts Act 2000 c.20 s.6.

1 Scope

1.1 Entities within the Departmental Accounting Boundary

The Foreign and Commonwealth Office (FCO) includes the Wilton Park Executive Agency within its Departmental Accounting Boundary. The accounts of this entity are consolidated within these resource accounts. The annual report and accounts of Wilton Park Executive Agency are published separately (see www.wiltonpark.org.uk).

FCO Services became a Trading Fund on 1 April 2008 and its accounts are now produced separately. As a result, comparative figures in these resource accounts for 2007–08 are restated to show the removal of FCO Services balances.

1.2 Associated Public Corporations and Non-Departmental Public Bodies (NDPBs) 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 Westminster Foundation for Democracy (Executive NDPB)
- The Marshall Aid Commemoration Commission (Executive NDPB) and
- certain other small NDPBs.

1.3 Further details are included in the Notes to the Accounts.

2 Management commentary

2.1 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:

- 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 and
- four new policy goals:
  – Countering terrorism and 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 (UN) and the European Union (EU).

2.2 FCO priorities

When David Miliband became Foreign Secretary in June 2007 he set in hand a strategic review to ensure that the FCO focused on the most important issues where it could make the most difference. These issues are reflected in the FCO's eight Departmental Strategic Objectives (DSOs) as set out in Volume One.

The new FCO Strategic Framework explicitly recognises 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 new policy priorities and its public services, FCO posts will continue to provide a platform for government partners to deliver their own international priorities.

As part of the Strategic Framework, the FCO also has a mission statement – "Better World, Better Britain" – reflecting the fact that, in our interdependent world, we can no longer have environmental, physical or economic security in the UK without promoting it overseas. A better world is necessary for a better Britain.

More information on the Strategic Framework and FCO priorities can be found in Volume One of this Departmental Report.

2.3 Key relationships with stakeholders

Some of the more important stakeholder categories are:

- foreign governments and international organisations which we seek to influence and work in partnership with in order to promote UK interests
- other UK government departments, because FCO posts overseas support 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 include 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 are the UK Border Agency, UK Trade & Investment (UKTI), public diplomacy partners (eg BBC World Service, British Council) and consular partners (travel industry, insurance industry, certain non-governmental organisations (NGOs)) and
- broader stakeholders – these include Parliament, especially the Foreign Affairs Committee, the international NGO community, faith communities, the media and the wider public.

2.4 Reports on meeting Public Service Agreement targets

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

- The Departmental Report 2007–08 was published in May 2008 and contained final assessments for all PSA targets the FCO was working towards between April 2007 and March 2008. 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 2008 (published online only) contained a summary of progress between April and September 2008 and was published on 15 December 2008. The report is available at www.fco.gov.uk.
- Between April 2008 and March 2009, 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).

2.5 Comparison of 2008–09 Outturn against Estimate (see Notes 2 to 4 to the Accounts)

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

Net total resources expended for both RfR 1 and RfR 2 was £2,124.8m against the Estimate of £2,194.2m, resulting in an overall underspend of resources of £69.4m (3%). This degree of variance represents a marked improvement in financial management and performance as compared with recent years (in 2007–08 the outturn variance was £118.0m (6%)). The detailed figures are shown in Note 2 to the accounts.

Note 2 to the Accounts shows that RfR 1 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.

- Under heading A, which covers administration, programmes, international organisations and subscriptions, FCO expenditure was £27.4m above Estimate. This is largely attributable to higher running costs overseas resulting from the depreciation of sterling against foreign currencies, despite being partially offset by gains on forward contracts for the purchase of dollars and euros. Non-cash costs as itemised in Note 8 (excluding impairments of £30.0m) were considerably higher than expected because of the effects of the upwards movement of property valuations described in paragraph 2.6 below.

- Under headings B to D, expenditure was as per Estimate. Under heading E, there was a small underspend on the grant to the British Council because the purchase of its new Mumbai office could not be completed before the end of the financial year. There was also a small overspend under heading G.
- Heading F covers Annually Managed Expenditure (AME) which for the FCO relates to the annual charge or credit for impairments on the revaluation of worldwide properties. Revaluations are by their nature difficult to forecast and when the Estimates were set the FCO was expecting a potential impairments charge of £50m. However, the year saw a large upward movement in property valuations, as explained in paragraph 2.6 below, and this has resulted in the reversal of previous impairments to properties of £30m which, because the Estimate showed a charge, produced an underspend of £80.0m. HM Treasury has agreed to the virement of part of this underspend to cover the overspends shown elswhere in RfR 1.

Note 2 to the Accounts also shows that RfR 2 comprises five main headings, A to E:

- Most of the headings here show that expenditure was fairly close to the Estimate. However, under heading B global programme expenditure was £2.0m below Estimate because of unexpected receipts for policing in Iraq, and under heading C sub-Saharan Africa peacekeeping was nearly £13.0m below Estimate, mainly because UN rebates for assessed costs for peacekeeping in Africa were higher than expected in the last quarter of the year .

The Statement of Parliamentary Supply also shows that there was a net total saving on net cash requirement of £99.7m. The detail of this is given in Note 4 which shows that the resource outturn saving described above is primarily comprised of non-cash items. The net cash saving is explained as follows:

- working capital cash savings of £115.2m, essentially comprising the movement on short term creditors (see Note 18) of £56.1m, and unspent financing of £33.7m; offset by
- prepayments of £7.0m above Estimate, and capital expenditure which is £10.2m above Estimate. This capital overspend results from high-value projects progressing faster than anticipated, and the increased costs of estate projects in Harare and Warsaw.

2.6 Movements in tangible fixed assets

The Department adopted the use of the Depreciated Replacement Cost (DRC) valuation methodology for specialised properties (replacing the Existing Use Value basis) during 2008–09, in anticipation of the move to, and requirements of, International Financial Reporting Standards in 2009–10.

Note 12 to the accounts shows a significant net revaluation increase of £687m on residential and non-residential land and buildings. Of this increase, £685m results principally from the adoption of the DRC methodology for specialised properties, and the significant depreciation in the value of sterling against foreign currencies. Property valuations are carried out in local currencies, and then translated back into sterling. This rise in overseas property valuations, as a result of currency fluctuations, has been offset in certain overseas markets where the price of property locally has fallen because of the increasingly difficult global economic conditions.

Based on review of the most significant movements in property valuations in 2008–09, £350m of the revaluation increase is attributable to the adoption of DRC and £72m being as a result of the revaluation of new additions in the year; the remaining amount of £263m relates to currency movements.

2.7 Resources available to the FCO

Assets

- The FCO's Departmental Investment Strategy was published in April 2005 (available at www.fco.gov.uk) and gives details of the FCO's asset base and broad strategies for the estate, security, and information and communications investment. An Estate Investment Strategy is currently being drafted and will be published in 2009.
- The home estate is centred on our two owned central London buildings (King Charles Street and Old Admiralty Building) and at Hanslope Park near Milton Keynes. Small leased offices in central London and Milton Keynes provide a base for legalisation services to the public. In 2008–09, a lease was entered into for a building in Milton Keynes for our new Corporate Services Centre.
- The current overseas estate consists of some 4,850 properties, ranging from embassy and high commission buildings to accommodation and other facilities. The overseas estate accommodates not only FCO staff but also government partners and wider public sector organisations.
- The FCO estate is managed using Key Performance Indicators (KPIs) to measure the performance of assets in relation to market opportunities and the operational needs of posts. 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.

2.8 Risk

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

2.9 Key contractual arrangements

The FCO has the following business contracts which are considered to be essential to the running of our business, excluding contracts for visa operations managed by the UK Border Agency:

Company	Type of contract
3M SPSL	Biometric passports
3M AIT	Biometric passports
Armorgroup/G4S	Security services overseas
Barkers	Volume and specialist recruitment services
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
FCO Services	Secure logistical, facilities, IT and environmental services
Fujitsu	FCO intranet
GardaWorld	Security in Iraq
Global Crossing UK	Provision of FTN (telecommunications network)
Hewlett Packard	Future Firecrest (ICT infrastructure)
Hogg Robinson	Travel
International SOS	Healthcare management
Interserve	Facilities management in the UK and Western Europe
ISS Pegasus	Security guarding services in the UK
Logica	FCO Web and Bridge consular system
MACE	Strategic construction partner
World Reach	Software for Compass Next Generation and LOCATE consular systems

The FCO's largest ICT project is the contract with Hewlett Packard for the management, support and development of its global ICT desktop infrastructure, "Future Firecrest". Under the seven-year contract, the private sector partner will have overall responsibility for the end-to-end delivery of the desktop services to a pre-agreed level of performance.

2.10 Contingent liabilities

Note 30 to the Accounts states that the FCO has £575.5m of contingent liabilities which are disclosed under parliamentary reporting requirements but which are not disclosed under Financial Reporting Standard 12 (FRS 12) as the likelihood of payment resulting is remote.

These relate to the indemnity cover for British Council exhibitions overseas. The significant in-year increase relates to indemnities for the Turner Exhibition in China. The arrangements for government indemnities for works of art loaned to the British Council overseas are agreed with the Treasury and the British Council with the aim of minimising risk to the government reserve and ensuring alignment of such activities with overall UK public diplomacy priorities.

In addition, the FCO has reported operational contingent liabilities under FRS 12 as shown in Note 31.

2.11 Sustainable development strategy

The FCO's Sustainable Development Action Plan (SDAP) was published in early 2009. Comments from the Sustainable Development Commission acknowledge the importance of the FCO's role in promoting sustainable development internationally. The FCO will be assessing progress towards implementing the SDAP by autumn 2009.

In accordance with the government's environmental commitments, the FCO is proactively working with a number of its third-party supplier organisations to help them understand, disclose and manage their carbon emissions. Through engagement with the Carbon Disclosure Project and other like-minded government departments, the FCO intends to deliver long-term sustainability-related improvement throughout its supply chains.

2.12 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 by the FCO to the Information Commissioner in 2008–09.

Summary of other protected personal data related incidents in 2008–09

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 2007–08 are shown in brackets.

Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured government premises	4 (1)
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured government premises	2 (2)
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	– (–)
IV	Unauthorised disclosure	3 (1)

3 Corporate governance

3.1 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 delivers 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 Departmental Strategic Objectives
> communicating the FCO's purpose, priorities and vision to staff and other stakeholders
> monitoring and improving performance and accountability and
> protecting and enhancing the FCO's reputation for professionalism, effectiveness, integrity and efficiency.

3.2 The FCO Board is made up of ten 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 Chief Executive of UK Trade & Investment; and two independent non-executive Directors. The FCO's Senior Appointments Board ("the No. 1 Board") appoints Board members, and decisions are ratified by the Foreign Secretary.

3.3 Recruitment of independent non-executive Board members is done openly and transparently. They are appointed by the PUS, after the approval of the Foreign Secretary. The two non-executive Directors are involved in a range of FCO corporate activities: one chairs the Audit and Risk Committee and the other sits on the Senior Appointments Board. Both have 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.

3.4 The Board agrees opening budget allocations and reviews a monthly Key Performance Report (including budgets, expenditure-to-date, resource accounting and position management), and financial performance at mid-year and year-end.

3.5 FCO Ministers' portfolios and responsibilities are 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.

3.6 The Board has agreed and published a schedule of reserved decisions. The Board has five sub-committees on Human Resources, Finance, Change, Investment, and Audit and Risk. These act as a filter for the Board and, with the exception of Audit and Risk, take executive decisions on issues that do not need to go to the Board, and advise on issues that do. All Board sub-committees are chaired by a full Board member and have terms of reference setting out their delegated authority. The Board receives a monthly record of sub-committee decisions, and Board sub-committee chairs regularly brief the full Board on the work of their sub-committees. There are also meetings for all Directors with the whole Board at least quarterly.

3.7 The Board reports on how it operates through an annual Board Assessment. It measures performance against published objectives. The Board regularly considers the FCO's corporate governance structures as a whole.

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

Audit and Risk Committee

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

3.10 The ARC has an important responsibility in reviewing the work of Internal Audit and the National Audit Office (NAO) in providing advice on the adequacy of controls in place – both to the Board and personally to the PUS as the FCO's Accounting Officer. The ARC also keeps under review counter-fraud measures (eg whistle-blowing) and the work of the FCO's dedicated counter-fraud team, the Financial Compliance Unit.

3.11 On risk, the ARC reviews the FCO Operational Risk Register on a quality 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 are also considered. The ARC encourages an appropriate and proportionate approach to handling operational risks that balances the extent of the controls with the magnitude of the risk they are designed to address. Certain assurance work (eg security and health and safety) falls outside of their scope.

3.12 During the last year, the committee has reviewed periodically the progress made by the Five Star Finance Programme and the individual projects that underpin it. In early March, the NAO confirmed in their independent review of FCO Financial Management, following the Chartered Institute of Public Finance and Accountancy (CIPFA) best practice model Self-Assessment, that the FCO has achieved the 3½ Star milestone. The Department has also made considerable improvement in the production of its financial accounts and continues its drive to reduce the need for manual intervention.

3.13 The committee has continued to review the findings and conclusions arising from the work of the Internal Audit Department (IAD), which provides significant assurance to the Accounting Officer on FCO risk management and control. Indeed, an independent HM Treasury review in 2008 found IAD to be "professional and well managed".

3.14 The committee also continued to focus on Purchase to Pay (P2P) compliance in 2008–09, in view of its critical importance to FCO financial reporting and to a further dimension of the ARC's role: counter-fraud. At each meeting, members review new whistle-blowing cases (whilst protecting the anonymity of the whistle-blower) and the action taken in response to the allegation.

3.15 Finally, the committee has requested regular updates from the Finance Director on readiness for the implementation of International Financial Reporting Standards (IFRS) with effect from 2009–10. The NAO has also reported progress in respect of the "trigger points" defined by HM Treasury, which included a restated IFRS Balance Sheet at 1 April 2008.

4 Senior management

4.1 Ministers

Ministerial portfolios and responsibilities during the year were as follows:

- Secretary of State for Foreign and Commonwealth Affairs: Rt Hon David Miliband MP
  Overall responsibility for the work of the FCO; Policy Planning and Research Analysts; Communications; Honours; Whitehall Liaison Department
- Minister for Africa, Asia and the UN, attending Cabinet**:** Rt Hon Lord Malloch-Brown
  FCO business in the Lords; Afghanistan and South Asia; Africa; UN; Human Rights; Global Issues; Commonwealth; Chair Ministerial Oversight Board for FCO Services
- Minister of State: Bill Rammell MP (from 5 October 2008; Dr Kim Howells MP until 5 October 2008)
  Middle East (including Iraq and Iran); Counter-Terrorism; Counter-Proliferation; Far East and South East Asia; North America; Drugs and International Crime; Migration Policy; Leads on Afghanistan, South Asia and UN in the Commons
- Minister of State for Trade and Investment: Lord Davies of Abersoch CBE (from 14 January 2009; Digby, Lord Jones of Birmingham until 5 October 2008)
  (jointly with the Department for Business, Enterprise and Regulatory Reform (BERR))
- Minister for Europe: Caroline Flint MP (from 4 October 2008; Jim Murphy MP until 31 October 2008)
  EU and Europe; Russia, South Caucasus and Central Asia; Balkans; Ukraine, Belarus and Moldova; OSCE and Council of Europe; NATO; Public Diplomacy Board
- Parliamentary Under-Secretary of State: Gillian Merron MP (from 5 October 2008; Meg Munn MP until 5 October 2008)
  Overseas Territories; South America; Caribbean/Central America; Australasia and Pacific; Consular Policy; Protocol; HR and Diversity; Leads on Africa, Human Rights, Global Issues, UKTI Business and the Commonwealth in the Commons.

4.2 Members of the FCO Board

The composition of the Board during the year was as follows :

- Peter Ricketts
  Chairman of the Board, Permanent Under-Secretary and Head of the Diplomatic Service
- Mark Lyall Grant
  Director-General – Political
- James Bevan

Director-General – Change and Delivery
- Mariot Leslie
  Director-General – Defence and Intelligence
- Simon Fraser
  Director-General – Europe and Globalisation
- Keith Luck
  Director-General – Finance
- Andrew Cahn
  Chief Executive, UK Trade & Investment
- Tony Mather
  Chief Information Officer
- Alistair Johnston
  Non-executive Director
- Alison Platt
  Non-executive Director.

4.3 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' appointments are for two years renewable.

5 Remuneration report

5.1 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 is 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 UKTI is set by the Department for Business, Enterprise and Regulatory Reform.

The salaries of the next 30 most senior FCO staff are set by the Foreign Secretary on the advice of the Senior Heads of Mission Remuneration Committee, which is chaired by Sir Michael Perry.

The salaries of members of the Board in Senior Management Structure Payband 2 follow 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 is chaired by the Director General for Change and Delivery.

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

Remuneration

Ministers	2008–09 Salary	2007–08 Salary
	£	£
Rt Hon David Miliband MP	78,356	51,696[1]
Rt Hon Lord Malloch-Brown	83,043	61,354[2]
Bill Rammell MP (from 5 October 2008)	16,988[3]	–
Dr Kim Howells MP (until 5 October 2008)	20,482[4]	39,893
Lord Davies of Abersoch CBE (from 14 January 2009)	–[5]	–
Digby, Lord Jones of Birmingham (until 5 October 2008)	61,501[6]	88,551[7]
Caroline Flint MP (from 4 October 2008)	13,439[8]	–
Jim Murphy MP (until 31 October 2008)	23,270[9]	29,919[10]
Gillian Merron MP (from 5 October 2008)	12,855[11]	–
Meg Munn MP (until 5 October 2008)	15,546[12]	20,102[13]

1 Figure quoted is for the period 28 June 2007 to 31 March 2008. The full year equivalent is £76,904.

2 Figure quoted is for the period 28 June 2007 to 31 March 2008. The full year equivalent is £81,504.

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

4 Figure quoted is for the period 1 April 2008 to 5 October 2008. The full year equivalent is £39,893.

5 Lord Davies of Abersoch is an unpaid Minister.

6 Figure quoted is for the period 1 April 2008 to 5 October 2008. The full year equivalent is £119,784.

7 Figure quoted is for the period 1 July 2007 to 31 March 2008. The full year equivalent is £117,914.

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

9 Figure quoted is for the period 1 April 2008 to 31 October 2008. The full year equivalent is £39,893.

10 Figure quoted is for the period 28 June 2007 to 31 March 2008. The full year equivalent is £39,893.

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

12 Figure quoted is for the period 1 April 2008 to 5 October 2008. The full year equivalent is £30,280.

13 Figure quoted is for the period 28 June 2007 to 31 March 2008. The full year equivalent is £30,280.

In addition to the above, severance payments were made to Digby, Lord Jones, Dr Kim Howells MP and Meg Munn MP.

In respect of the senior managers of the FCO, the information given below relates to the period for which they were on the Board. All members of the Board served throughout 2008–09.

Members of the FCO Board	2008–09 Salary *£000*	2007–08 Salary *£000*
Peter Ricketts	190–195	180–185
Mark Lyall Grant	170–175	180–185
James Bevan	140–145	100–105
Mariot Leslie	135–140	90–95
Simon Fraser[1]	115–120	15–20
Keith Luck	190–195	180–185
Andrew Cahn[2]	–	–
Tony Mather	145–150	125–130
Non-executive:		
Alistair Johnston	5–10	15–20
Alison Platt	5–10	5–10

1 Simon Fraser left the Board of the FCO in May 2009 on appointment as the PUS of BERR.

2 Andrew Cahn is remunerated by the Department for Business, Enterprise and Regulatory Reform and relevant disclosures can be found in the resource accounts of that department for 2008–09.

This table has been subject to audit.

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.

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 (£63,291 from 1 April 2008) 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.

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.

Pension benefits

Ministers	Accrued pension at age 65 *£000*	Real increase in pension at age 65 *£000*	CETV[1] at 31 March 2009 *£000*	CETV at 31 March 2008[2] *£000*	Real increase in CETV *£000*
Rt Hon David Miliband MP	7.5–10	0–2.5	79	64	7
Rt Hon Lord Malloch-Brown[3]	–	–	–	–	–
Bill Rammell MP (from 5 October 2008)	5–7.5	0–2.5	73	65	3
Dr Kim Howells MP (until 5 October 2008)	7.5–10	0–2.5	202	194	1
Lord Davies of Abersoch CBE (from 14 January 2009)[4]	–	–	–	–	–
Digby, Lord Jones of Birmingham (until 5 October 2008)	0–2.5	0–2.5	30	17	10
Caroline Flint MP (from 4 October 2008)	5–7.5	0–2.5	57	52	3
Jim Murphy MP (until 31 October 2008)	5–7.5	0–2.5	49	42	3
Gillian Merron MP (from 5 October 2008)	2.5–5	0–2.5	49	45	2
Meg Munn MP (until 5 October 2008)	0–2.5	0–2.5	22	17	3

1 CETV (the Cash Equivalent Transfer Value) is defined below.

2 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.

3 Rt Hon Lord Malloch-Brown has opted out of the pension scheme.

4 Lord Davies of Abersoch is an unpaid Minister.

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 who 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.

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 increased annually in line with changes in the Retail Prices Index (RPI). Members pay contributions of 6% of their ministerial salary if they have opted for the 1/50th accrual rate or 10% 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 26.8% 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 with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 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 effectively the element of the increase in accrued pension funded by the Exchequer. It excludes increases due to inflation and contributions paid by the Minister and 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 £000	Related lump sum at 31 March £000	Real increase in pension at age 60 £000	Related lump sum at age 60 £000	CETV at 31 March 2009 £000	CETV at 31 March 2008[1] £000	Real increase in CETV £000
Peter Ricketts	75–80	225–230	0–2.5	0–2.5	1,665	1,521	4
Mark Lyall Grant	50–55	150–155	0–2.5	2.5–5	973	874	19
James Bevan	35–40	115–120	0–2.5	5–7.5	690	596	41
Mariot Leslie	50–55	150–155	2.5–5	12.5–15	1,020	856	83
Simon Fraser	35–40	115–120	12.5–15	37.5–40	711	443	129
Keith Luck	5–10	–	2.5–5	–	98	51	35
Andrew Cahn[2]	–	–	–	–	–	–	–
Tony Mather	0–5	–	0–2.5	–	53	26	21
Non-executive:							
Alistair Johnston	–	–	–	–	–	–	–
Alison Platt	–	–	–	–	–	–	–

1 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.

2 Andrew Cahn is remunerated by the Department for Business, Enterprise and Regulatory Reform and relevant disclosures can be found in the resource accounts of that department for 2008–09.

This table has been subject to audit.

5.3 Pensions

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 being 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 could opt for either the appropriate defined benefit arrangement or a good quality "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' 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 in respect of service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated 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, immediately after the scheme year end, the accrued pension is uprated in line with the RPI. In all cases, members may opt to give up (commute) pension for a 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. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 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.

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.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution.

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 2008–09, contributions of £43,862,000 were paid to the PCSPS (2006–07: £38,795,000) at one of four rates in the range of 17.1% to 25.5% 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 2008–09 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

6 Public interest and other matters

6.1 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.

6.2 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.

6.3 Sickness absence

The FCO adopted new Sickness Absence Management Policy and Procedures in December 2007. The new arrangements clarify and tighten the way we handle absences, especially short-term sickness absence. We have also introduced new arrangements from January 2008 for the electronic recording of sickness absence, which should improve the accuracy and completeness of our absence records.

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

	2008–09	Restated 2007–08
Working days lost (short-term absence)	13,270	12,847
Working days lost (long-term absence)	1,494	2,611
Total working days lost	14,764	15,458
Average annual working days lost per employee	3.3	3.5

6.4 Payment of suppliers

In 2008–09, the FCO signed up to the Prompt Payment Code, part of a series of structured initiatives devised by the government 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 2008–09, payment within 30 days was achieved in 88.4% of cases (2007–08: 93%). Payment within 10 days was achieved in 84.8% of cases in the month of March 2009.

6.5 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.

7 Post balance sheet events

There are no post balance sheet events.

8 Auditors

The Comptroller and Auditor General is the statutory auditor for the accounts of the FCO.

Peter Ricketts
Accounting Officer
23 June 2009

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, while 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 Public 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	Donald Lamont	Ian Hargreaves
BBC World Service	Nigel Chapman	Ian Hargreaves
British Council	Martin Davidson	Ian Hargreaves
Great Britain–China Centre	Katie Lee	Scott Wightman
Marshall Aid Commemoration Commission	Dr Frances Dow	John Rankin
Westminster Foundation for Democracy	David French	Anwar Choudhury

FCO Services became a Trading Fund on 1 April 2008.

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 regular meetings 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 issue of concern.

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 economically, efficiently and effectively. The system of internal control has been in place in the FCO for the year ended 31 March 2009 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 The FCO Risk Management Framework has been approved by the Board and is designed to spread best practice throughout the Department in a way that is relevant to the FCO, drawing on existing mechanisms, while maintaining adequate audit trails. The FCO has continued to make good progress in embedding risk management throughout the Department. There is explicit leadership from senior management, and the FCO framework for managing risks has further evolved and improved. Conscious risk management is an increasingly integral part of how FCO business is done, in both policy and operational areas, and staff expertise continues to grow.

3.2 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 and we have in place a comprehensive set of departmental security policies that either meet or exceed the minimum requirements set out in the new Security Policy Framework. The FCO Staff Survey made clear that the overwhelming majority of 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.

3.3 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 Board recognises its responsibility in providing leadership and promoting a culture of information security awareness throughout the FCO. The Senior Information Risk Officer (SIRO) is a Board member and Directors have been made accountable and responsible for their information assets. The FCO is either compliant with, or on schedule to be compliant with, the 19 mandatory requirements on information security and assurance that are set out in the Security Policy Framework (SPF).

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 and 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 In addition, the FCO Risk Management Framework has the following six main components:

- Top Risks Register (TRR): captures the top risks to FCO operational and strategic performance. It is updated quarterly for the FCO Board to consider, though particular risks may be discussed at any Board meeting. Any Board decisions on each risk are logged in the register, which is then circulated to risk owners, Board members, Directors and the Senior Leadership Forum.
- 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. Those risks requiring Board attention are elevated to the Top Risks Register.

- Strategic Risks Register (SRR): captures the major, high-level strategic risks – risks associated with the delivery of the FCO 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 Plans, 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. 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 and 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 and 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-assessment 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 currently augmenting its extant Supplier Financial Risk Assessment process through the development and implementation of a comprehensive Supply-Risk Assessment methodology. It is envisaged that the revised approach will be operational by the end of June 2009 and identified key supply-risks will be added to the ORR as appropriate.

4.3 The generic risk priorities for the period covered by this Statement on Internal Control were: the security of staff and physical assets; the responsiveness to international crises, whether consular or political in nature; financial control systems; and IT project risk. In addition, the risks posed to FCO operations and policy goals by the current economic crisis are assessed by Global Economic Group, and fed into the ORR, SRR and TRR processes.

4.4 FCO exposure to foreign currency risk could be significant because of the nature of its business and geographical presence, and the volatility of currency market values. Historically, FCO budgets have been protected from exchange rate and differential inflationary pressures by HM Treasury. With effect from 2008–09, these risks have passed to the FCO to manage directly. The FCO has entered into a range of foreign currency hedging contracts, with exchange rate differences – comparing budget settlement/spot/hedge rates – monitored throughout the year.

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, other assurance providers, 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 by the Board and the Audit and Risk Committee on the implications of the result of my review of the effectiveness of the system of internal control, 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 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 Despite improvements in financial management, Internal Audit identified a number of areas where compliance with established procedures needed improvement, particularly passport stock control and overseas IT systems administration. In addition, as I have recently reported to the Foreign Affairs Committee, our investigations are continuing into the significant problems with financial control experienced on the Harare Embassy project, which has incurred a budget overrun of £9.5 million.

5.5 My review of the effectiveness of the system of internal control in 2008–09 was also informed by an NAO review of financial management arrangements. This concluded that: "the Foreign and Commonwealth Office has made good progress in its financial management, aiming to establish itself as one of the best departments in Whitehall in this respect. It has shown strong leadership in raising the profile of good financial management across the Department." Further improvements in FCO financial reporting and management information processes are still required as part of the Five Star Finance Programme, in particular around fixed assets, and I agree with the NAO that "in managing within increasingly constrained resources, the Department will need to use the capability created through its 'Five Star Finance' project to utilise available resources to best effect".

Peter Ricketts
Accounting Officer
23 June 2009

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 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*.

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 2009 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow 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

The Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises the Management Commentary and Remuneration Report, is consistent with the financial statements. I also report whether 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.

In addition, I report to you if the Department has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Department's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Department's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that 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. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

Audit Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Department's affairs as at 31 March 2009 and the net cash requirement, net resource outturn, net operating cost, operating costs applied to objectives, recognised gains and losses and cashflows for the year then ended
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000 and
- information given within the Annual Report, which comprises the Management Commentary and Remuneration Report, is consistent with the financial statements.

Audit 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.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
24 June 2009

National Audit Office
151 Buckingham Palace Road
Victoria
London SW1W 9SP

Statement of Parliamentary Supply

Summary of resource outturn 2008–09

				Estimate			Outturn	2008–09	2007–08 Outturn
Request for Resources	**Note**	**Gross expenditure**	**A-in-A**	**Net total**	**Gross expenditure**	**A-in-A**	**Net total**	**Net total outturn compared with Estimate: Saving/ (excess)**	**Net total**
		£000	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
RfR 1	2	2,211,377	(486,100)	1,725,277	2,098,562	(427,340)	1,671,222	54,055	1,587,360
RfR 2	2	468,934	–	468,934	453,548	–	453,548	15,386	370,378
Total resources	3	2,680,311	(486,100)	2,194,211	2,552,110	(427,340)	2,124,770	69,441	1,957,738
Non-operating cost A-in-A				(60,000)			(59,456)	(544)	(15,481)

Net cash requirement 2008–09

	Note	**Estimate**	**Outturn**	**2008–09 *£000* Net total outturn compared with Estimate: Saving/ (excess)**	**2007–08 *£000* Outturn**
Net cash requirement	4	2,171,707	2,072,002	99,705	2,059,225

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).

			Forecast 2008–09		**Outturn 2008–09**
	Note	*£000* **Income**	*£000* **Receipts**	*£000* **Income**	*£000* **Receipts**
Total	5	**9,000**	***9,000***	**8,566**	***8,566***

Further details of variances between Estimates and outturn are given in Note 2 to the accounts and explanations are in the Management Commentary.

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

Operating Cost Statement
for the year ended 31 March 2009

	Note	£000 Expenditure	£000 Income	2008–09 £000 Total	Restated 2007–08 £000 Total
Administration					
Staff costs	7	414,966	–	414,966	393,185
Other administration costs	8	572,849	–	572,849	557,827
Operating income	10	–	(70,254)	(70,254)	(67,405)
Consular allocated to programme*	8, 10	(126,395)	6,950	(119,445)	(108,083)
Other costs allocated to programme	8, 9	(421,327)	5,986	(415,341)	–
Total administration costs		440,093	(57,318)	382,775	775,524
Programme					
Request for Resources 1					
Staff costs	7, 9	41	–	41	–
Other programme costs	9	1,658,428	–	1,658,428	877,280
Income	10	–	(375,759)	(375,759)	(79,421)
Request for Resources 2					
Staff costs	7, 9	3,972	–	3,972	–
Other programme costs	9	449,576	–	449,576	372,110
Income	10	–	(2,829)	(2,829)	(9,979)
Total programme costs	9	2,112,017	(378,588)	1,733,429	1,159,990
Totals		**2,552,110**	**(435,906)**		
Net operating cost	3, 11			**2,116,204**	**1,935,514**

All activities are from continuing operations.

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

Statement of Recognised Gains and Losses

for the year ended 31 March 2009

	Note	2008–09	Restated 2007–08
		£000	*£000*
Net change on revaluation of assets:			
Net gain on revaluation of tangible fixed assets	21	687,429	181,626
Change in valuation of current assets	20	–	(10,512)
Unrealised gain/(loss) on foreign exchange	20	104,836	–
Retirement benefit actuarial (loss)/gain	28	(13,008)	1,893
		779,257	**173,007**

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

Balance Sheet
as at 31 March 2009

	Note	2009	Restated 2008
		£000	*£000*
Fixed assets			
Tangible assets	12	2,579,040	1,784,470
Intangible assets	13	4,459	1,341
Financial assets	14	17,961	–
		2,601,460	**1,785,811**
Debtors falling due after more than one year	16	8,860	7,530
Current assets			
Stocks	15	10,472	10,392
Debtors	16	299,729	258,872
Cash at bank and in hand	17	35,776	30,064
		345,977	**299,328**
Creditors: amounts falling due within one year	18	(295,335)	(219,204)
Net current assets		**50,642**	**80,124**
Total assets less current liabilities		**2,660,962**	**1,873,465**
Creditors: amounts falling due after more than one year	18	(40,569)	(42,076)
Provisions for liabilities and charges	19	(67,648)	(65,366)
Net assets before net retirement benefit schemes liability		**2,552,745**	**1,766,023**
Net retirement benefit schemes liability			
Retirement benefit schemes asset	28	345	1,212
Retirement benefit schemes liability	28	(12,895)	(1,875)
		(12,550)	**(663)**
		2,540,195	**1,765,360**
Taxpayers' equity			
General fund	20	1,122,497	988,770
Revaluation reserve	21	1,326,354	703,493
Donated asset reserve	21	91,344	73,097
		2,540,195	**1,765,360**

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

Peter Ricketts
Accounting Officer
23 June 2009

Authorised for issue
on 30 June 2009

Cash Flow Statement
for the year ended 31 March 2009

	Note	2008–09 £000	Restated 2007–08 £000
Net cash outflow from operating activities	22.1	**(1,892,005)**	**(1,873,217)**
Capital expenditure and financial investment	22.2	**(173,277)**	**(176,031)**
Payments of amounts due to the Consolidated Fund	22.3	**(7,763)**	**(14,208)**
Financing	22.4	**2,093,115**	**1,983,542**
Net change in cash balances	22.5	**20,070**	**(79,914)**

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

Statement of Net Operating Costs by Departmental Strategic Objectives

for the year ended 31 March 2009

			2008–09			Restated 2007–08
	£000 Gross	£000 Income	£000 Net	£000 Gross	£000 Income	£000 Net
Departmental Strategic Objective (DSO):						
DSO 1 A flexible global network serving the whole of the British Government	1,103,568	(337,249)	766,319	951,699	(318,321)	633,378
DSO 2 Supporting the British economy	183,280	(5,780)	177,500	176,363	(4,723)	171,640
DSO 3 Supporting British nationals abroad	126,395	(69,612)	56,783	123,026	(67,788)	55,238
DSO 4 Supporting managed migration for Britain	31,311	(1,446)	29,865	19,665	(1,111)	18,554
DSO 5 Countering terrorism and weapons proliferation and their causes	124,970	(6,547)	118,423	112,747	(6,317)	106,430
DSO 6 Preventing and resolving conflict	604,197	(5,505)	598,692	637,282	(18,261)	619,021
DSO 7 Promoting a low-carbon, high-growth, global economy	124,165	(3,837)	120,328	157,186	(7,012)	150,174
DSO 8 Developing effective international institutions, above all the United Nations and the European Union	254,224	(5,930)	248,294	190,805	(9,725)	181,080
Consolidated Fund Extra Receipts not allocated above	–	–	–	–	–	–
Net operating cost	**2,552,110**	**(435,906)**	**2,116,204**	**2,368,773**	**(433,258)**	**1,935,515**

Notes

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

			2008–09			2007–08
	£000 Gross	£000 Income	£000 Net	£000 Gross	£000 Income	£000 Net
Staff costs	51,371	–	51,371	43,384	–	43,384
Other administration costs	122,594	(5,754)	116,840	125,821	(4,723)	121,098
Depreciation	4,519	–	4,519	3,750	–	3,750
Cost of capital	3,967	–	3,967	3,408	–	3,408
	182,451	**(5,754)**	**176,697**	**176,363**	**(4,723)**	**171,640**

2 See Note 23 for an analysis of programme costs by Departmental Strategic Objectives.

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

4 For DSO 2 costs in 2008–09, there are some costs that are 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 2008–09 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

In addition to the primary statements prepared under UK GAAP, 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 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.

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.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets at their value to the FCO.

1.2(a) Basis of consolidation

These accounts comprise a consolidation of the accounts of the FCO and Wilton Park Executive Agency, which falls within the Departmental boundary as defined in the FReM. Transactions between the entities included in the consolidation are eliminated.

1.2(b) Machinery of Government change

On 1 April 2008, the UK Border Agency was created to integrate the work of the Border and Immigration Agency, elements of HM Revenue and Customs, and the activities of UKvisas within the FCO. These accounts reflect the removal of UK Border Agency (2007–08 – UKvisas) activities from the FCO as a Machinery of Government change.

The figures for 2007–08 have also been adjusted for a Machinery of Government change in respect of the UKTI Defence and Security Organisation (formerly the Defence and Exports Service Organisation within the Ministry of Defence).

Machinery of Government changes that involve the transfer of functions or responsibilities between two or more government departments are accounted for using merger accounting in accordance with Financial Reporting Standard (FRS) 6. The prior year comparatives are restated to reflect these changes as if the entities had always existed in their present form in order to enable meaningful comparisons to be made between the prior and current years. For UKBA, recharging arrangements apply with effect from 2008–09, but do not apply retrospectively to 2007–08. Consequently, recharging comparatives for the prior year are not shown.

1.3(a) Tangible fixed assets

Land and buildings are stated at the lower of replacement cost and recoverable amount using periodic professional valuations. The overseas estate is subject to a three-to-five-year rolling revaluation programme and interim desk reviews. 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. Other tangible fixed assets 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. On initial recognition, tangible fixed assets 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.

1.3(b) Intangible fixed assets

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of £3,000 or more is incurred. They are stated at current value using appropriate indices.

1.4 Depreciation

Fixed assets 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
Software licences	term of licence
Transport equipment	2 to 8 years
Plant and machinery	5 to 20 years

1.5 Donated assets

Donated tangible fixed 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. Restricted right-to-use privileges over property granted to the government are treated as donated assets and capitalised at existing use value, or value in use, if appropriate. Restrictions prevail over the use and rights of disposal.

1.6 **Private Finance Initiative transactions**

Private Finance Initiative (PFI) transactions have been accounted for in accordance with HM Treasury and FReM requirements. Where the balance of the risks and rewards of ownership of the PFI property are borne by the PFI operator, the PFI payments are recorded as an operating cost. Where the FCO has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the PFI contract. Where at the end of the PFI contract a property reverts to the FCO, the difference between the expected fair value of the residual on reversion and any agreed payment on reversion is built up over the life of the contract by capitalising part of the unitary charge each year.

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 Operating Cost Statement for service performance and finance cost.

1.7 **Financial assets**

As described in Note 14, the FCO holds an investment in FCO Services as a financial asset. The FCO Services Trading Fund Order 2008 (SI 2008 No. 590) provides for Public Dividend Capital (PDC) of £3,204,000, being part of the difference in value between the assets and the amount of liabilities of the fund as at 1 April 2008, on which a dividend would become payable. The PDC was raised to £4,981,000 with subsequent revisions to the balance sheet values as at 1 April 2008 and statutory approval was obtained after the balance sheet date under the FCO Services Trading Fund Order 2009 (SI 2009 No. 1362). An additional amount of £4,981,000, being the other part part of the difference in value between the assets and the amount of liabilities of the fund as at 1 April 2008, was established as a Vesting Day Loan attracting interest of 4.03% per annum. The amounts are 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. The amount repayable within one year as at the balance sheet date is transferred from fixed assets to current assets.

1.8 **Stocks**

Stocks are valued at cost.

1.9 **Operating income**

Operating income is income that 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 public repayment work. 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.

1.10 **Administration and programme expenditure**

The Operating Cost Statement is analysed into administration and programme. Administration reflects the costs of running the FCO together with the associated operating income. Income is analysed in the notes between that which, under the administrative cost-control regime, is allowed to be offset against gross administrative costs in determining the outturn against the administrative cost limit, and that operating income which is not. 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 classification of expenditure and income as administration or as programme follows the definition of administration costs set by the Treasury.

1.11 **Administration to programme allocation**

The Operating Cost Statement reflects the total amount reallocated from administration costs to programme costs in respect of front-line expenditure, including consular services.

1.12 **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 the 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.

1.13 **Foreign exchange**

Transactions 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 Operating Cost Statement.

As explained in Note 29 to these accounts, the FCO has in place a programme of forward purchase contracts for US dollars, euros and Japanese yen to cover a specific percentage of forecast required cash flows. These contracts are treated as cash flow hedges and recognised as a current asset or liability at fair value at the balance sheet date with in-year movement on valuation taken to reserves. Gains and losses are recognised in full through the Operating Cost Statement at the maturity of the contract. Unrealised gains and losses arising on those contracts remaining open at the balance sheet date are dealt with through the General Fund.

1.14 **Pensions**

Past and present UK-based employees are covered by the provisions of the Principal Civil Service Pension Schemes (PCSPS) which are described in the Remuneration Report. PCSPS defined benefit schemes are unfunded. 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.

1.15 **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 2.2% in real terms (2007–08: 2.2%).

1.16 **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 FRS 17, "Retirement Benefits", in respect of its overseas pension schemes.

1.17 **Leases**

Where substantially all risks and rewards of ownership of a leased asset are borne by the FCO, the asset is recorded as a tangible fixed asset and a liability to the lessor is recorded as 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.

1.18 **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.

1.19 **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.

1.20 **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.

1.21 **Third party assets**

The FCO holds monies for disbursement on behalf of the United Nations Compensation Commission. These are not recognised in the accounts, since neither the Department nor the government more generally has a direct beneficial interest in them. These monies are immaterial and are therefore not shown separately in the Notes to the accounts.

1.22 **Contingent liabilities**

In addition to contingent liabilities disclosed in accordance with FRS 12, 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 that are required to be disclosed under FRS 12 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to Parliament.

2 Analysis of net resource outturn by section

	Admin	Other current	Grants	Gross resource expenditure	A-in-A	Outturn net total	Estimate net total	2008–09 Outturn compared with Estimate	2007–08 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	476,109	983,676	184,571	1,644,356	(427,340)	1,217,016	1,189,571	(27,445)	1,129,358
B BBC World Service broadcasting	–	234,043	–	234,043	–	234,043	234,043	–	222,043
C British Council	–	194,863	–	194,863	–	194,863	194,863	–	186,362
D BBC World Service – Capital grant	–	–	31,000	31,000	–	31,000	31,000	–	33,000
E British Council – Capital grant	–	–	6,100	6,100	–	6,100	7,800	1,700	3,100
Spending in Annually Managed Expenditure (AME)									
Central government spending									
F Administration, programmes and international organisations' subscriptions	–	(30,030)	–	(30,030)	–	(30,030)	50,000	80,030	(3,920)
Non-budget									
G Reimbursement of certain duties,taxes and licence fees	–	–	18,230	18,230	–	18,230	18,000	(230)	17,417
Total	**476,109**	**1,382,551**	**239,901**	**2,098,562**	**(427,340)**	**1,671,222**	**1,725,277**	**54,055**	**1,587,360**
RfR 2: Conflict prevention									
Spending in Departmental Expenditure Limits (DEL)									
Central government spending									
A Sub-Saharan Africa – Programme expenditure	–	–	10,916	10,916	–	10,916	11,420	504	7,642
B Global – Programme expenditure	–	–	18,779	18,779	–	18,779	20,793	2,014	46,798
C Sub-Saharan Africa – Peacekeeping	–	–	240,350	240,350	–	240,350	253,325	12,975	204,855
D Global – Peacekeeping	–	–	126,337	126,337	–	126,337	125,700	(637)	111,083
E Stabilisation Aid Fund	–	–	57,166	57,166	–	57,166	57,696	530	–
Total	**–**	**–**	**453,548**	**453,548**	**–**	**453,548**	**468,934**	**15,386**	**370,378**
Resource outturn	**476,109**	**1,382,551**	**693,449**	**2,552,110**	**(427,340)**	**2,124,770**	**2,194,211**	**69,441**	**1,957,738**

Explanations are given for variances between Outturn and Estimate in the Management Commentary in the Annual Report.

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	Outturn	2008–09 Outturn compared with Estimate	2007–08 Restated Outturn
		£000	*£000*	*£000*	*£000*
Net resource outturn	2	2,194,211	2,124,770	69,441	1,957,738
Non-supply income (CFERs)	5	–	(8,566)	8,566	(14,396)
Prior year consolidation adjustment for FCO Services		–	–	–	8,317
Machinery of Government changes	34	–	–	–	(16,145)
Net operating cost		**2,194,211**	**2,116,204**	**78,007**	**1,935,514**

The prior year net operating cost is restated for the results of FCO Services, formerly consolidated in these accounts, and for the Machinery of Government changes.

3.2 Outturn against final Administration Budget

		Budget	Outturn	2008–09 Outturn compared with Budget	2007–08 Restated Outturn
		£000	*£000*	*£000*	*£000*
Gross Administration Budget	2	531,117	470,123	60,994	829,344
Income allowable against the Administration Budget	10	(100,600)	(57,318)	(43,282)	(36,676)
Net outturn against final Administration Budget		**430,517**	**412,805**	**17,712**	**792,668**

4 Reconciliation of resources to cash requirement

	Note	Estimate	Outturn	2008–09 Saving/ (excess)	Restated 2007–08 Outturn
		£000	*£000*	*£000*	*£000*
Resource Outturn	2	2,194,211	2,124,770	69,441	1,957,738
Capital					
Acquisition of fixed assets	12	214,550	224,733	(10,183)	191,574
FCO Services Trading Fund		10,000	10,000	–	–
Non-operating A-in-A					
Proceeds of fixed asset disposals	6	(60,000)	(59,456)	(544)	(15,481)
Accruals adjustments					
Non-cash items	8	(201,054)	(135,400)	(65,654)	(135,952)
Changes in working capital other than cash	22	–	(115,174)	115,174	50,663
Changes in creditors falling due after more than one year		–	1,506	(1,506)	(9,227)
Use of provisions	19	14,000	21,023	(7,023)	16,640
Excess cash receipts surrenderable to the Consolidated Fund	5	–	–	–	181
Prior year outturn as previously reported					2,056,138
Prior year consolidation adjustment for FCO Services					3,087
Net cash requirement		**2,171,707**	**2,072,002**	**99,705**	**2,059,225**

5 Analysis of income payable to the Consolidated Fund

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

		Forecast 2008–09		Outturn 2008–09	
	Note	Income	Receipts	Income	Receipts
		£000	*£000*	*£000*	*£000*
Other operating income and receipts – not classified as A-in-A	6	9,000	9,000	8,566	8,566
Total income payable to the Consolidated Fund		**9,000**	**9,000**	**8,566**	**8,566**

6 Reconciliation of income recorded within the Operating Cost Statement to operating income payable to the Consolidated Fund

	Note	2008–09	2007–08
		£000	*£000*
Operating income	10	435,906	141,418
Income authorised to be appropriated-in-aid	2	(427,340)	(127,022)
Operating income payable to the Consolidated Fund	5	**8,566**	**14,396**

7 Staff and related costs

7.1 Staff costs comprise:

	Permanent staff		Others	Ministers	Special advisers	2008–09 Total	Restated 2007–08 Total
	Local staff	UK staff					
	£000	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
Salaries	129,335	215,847	3,524	386	176	349,268	330,987
Social security costs	–	10,149	–	18	16	10,183	11,519
Other pension costs	26,401	32,207	–	–	10	58,618	53,028
Sub total	155,736	258,203	3,524	404	202	418,069	395,534
Recoveries in respect of outward secondments	–	(3,103)	–	–	–	(3,103)	(2,349)
Total net costs	**155,736**	**255,100**	**3,524**	**404**	**202**	**414,966**	**393,185**
Allocated to programme*							
RfR 1 Salaries	–	40	–	–	–	40	–
RfR 1 Social security costs	–	2	–	–	–	2	–
RfR 2 Salaries	–	3,799	–	–	–	3,799	–
RfR 2 Social security costs	–	173	–	–	–	173	–
	–	**4,014**	**–**	**–**	**–**	**4,014**	**–**

* Note: From 2008–09, permitted staff costs are charged to specific programmes as shown under Note 9 – Programme costs.

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

	Permanent staff		Others	2008–09 Total	Restated 2007–08 Total
	Local staff	UK staff			
DSO 1 Flexible global network (excluding UKBA staff)*	3,613	1,476	191	5,280	3,969
DSO 2 Supporting the British economy	2,548	330	36	2,914	2,998
DSO 3 Supporting British nationals abroad	1,763	465	51	2,279	2,366
DSO 4 Supporting managed migration	150	108	12	270	180
DSO 5 Countering terrorism and weapons proliferation	124	583	64	771	660
DSO 6 Preventing and resolving conflict	223	566	63	852	1,145
DSO 7 Promoting a low-carbon, high-growth, global economy	541	328	36	905	1,100
DSO 8 Developing effective international institutions	276	489	54	819	1,288
Total	**9,238**	**4,345**	**507**	**14,090**	**13,706**
Representing					
Core FCO	9,238	4,276	507	14,021	13,636
Executive Agencies	–	69	–	69	70
Total	**9,238**	**4,345**	**507**	**14,090**	**13,706**

In addition to the above numbers there were five Ministers and five 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	1,370	623	41	2,034	2,256

8 Other administration costs

	2008–09 *£000*	Restated 2007–08 *£000*
Rentals under operating leases		
Hire of plant and machinery	5,049	3,435
Property rentals	73,791	68,742
	78,840	72,177
Interest charges		
Finance leases	55	88
On-balance sheet PFI contracts	3,305	2,958
	3,360	3,046
PFI service charges		
Off-balance sheet contracts	30,742	30,452
Service element of on-balance sheet contracts	1,259	1,009
	32,001	31,461
Non-cash items		
Depreciation: Tangible fixed assets	80,124	61,807
Amortisation: Intangible fixed assets	1,560	838
Loss/(gain) on disposal of fixed assets	2,277	(109)
Impairments/(reversals)	(30,030)	(3,936)
Cost of capital charge at 3.5%	57,876	44,104
Auditors' remuneration and expenses	288	270
Provisions:		
Provided in year	22,829	14,315
Unwinding of discount on provisions	476	98
	135,400	117,387
Other expenditure		
(Gain)/loss on exchange	(40,774)	9,350
Training, medical, travel and other allowances	128,905	97,997
Estate, security and capital related costs	189,840	158,191
IT and communications	127,511	69,298
Consular	6,072	9,917
Information and commercial services	17,536	11,613
Other	21,615	17,755
FCO Services recharges to FCO*	–	107,048
FCO recharges to UK Border Agency	(127,457)	(147,413)
	323,248	333,756
Other administration costs	**572,849**	**557,827**
Administration cost of Consular operations worldwide allocated to programme as front-line services	126,395	123,470
Other net administration costs allocated to programme reflecting front-line service delivery**	421,328	–

* For 2008–09, costs incurred by the FCO with FCO Services are included in the appropriate headings above.

** 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. This transfer was not included within Estimates for 2007–08.

9 Programme costs

Current grants and other current expenditure:

	2008–09 £000	Restated 2007–08 £000
Request for Resources 1:		
Subscriptions to international organisations	145,512	134,663
FCO programmes	177,580	138,948
Consular operations	126,395	141,747
Front-line service delivery costs allocated from administration costs (Note 8)	421,328	–
UK Border Agency recharges*	303,377	–
Reimbursements of duties etc to other governments	18,230	17,418
BBC World Service	265,043	255,043
British Council	200,963	189,462
	1,658,428	877,280
Staff costs allocated to FCO programmes	41	–
	1,658,469	**877,280**
Request for Resources 2:		
Staff costs	3,972	–
Programme costs	449,576	372,110
	453,548	372,110
	2,112,017	**1,249,390**
Less: Programme income (Note 10)		
RfR 1 Programme income	(375,759)	(79,421)
RfR 2 Programme income	(2,829)	(9,979)
	(378,588)	(89,400)
Net programme costs (Note 23)	**1,733,429**	**1,159,990**
Subscriptions include the following over £1 million:		
UN Regular Budget	74,351	70,061
NATO	21,530	20,962
Council of Europe	23,947	19,620
OECD	15,169	12,826
Commonwealth Secretariat	5,821	3,435
OSCE	2,319	3,223
Others	2,375	4,536
	145,512	**134,663**

* The UKBA recharge for 2008–09 is included in Estimates in 2008–09, but not included within Estimates for 2007–08. See Notes to the Accounts 1.2(b).

10 Income

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

	2008–09 *£000*	Restated 2007–08 *£000*
Request for Resources 1:		
Administration income		
General	25,479	36,287
Fees and charges to external customers	108	274
Fees and charges to other departments	60,699	48,979
Interest on loans to FCO Services	602	–
Dividend receivable on Public Dividend Capital	508	–
Other external interest	758	141
	88,154	85,681
Less		
Allocated to UK Border Agency	(17,900)	(18,276)
Allocated to Consular fees as programme income	(6,950)	(15,388)
Allocated to programme income reflecting other front-line service delivery	(5,986)	–
	57,318	52,017
Programme income		
Consular fees (programme income and allocated from administration)	66,384	78,532
UK Border Agency recharges (Note 9)	303,377	–
Allocated from administration	5,986	–
Other programme income	12	890
	375,759	79,421
Total for Request for Resources 1	433,077	131,438
Request for Resources 2:		
Programme income	2,829	9,979
Total	**435,906**	**141,418**

An analysis of income and fee-bearing costs from services provided to external customers, provided for fees and charges purposes only, not for SSAP25 purposes, is as follows. It excludes FCO migration income and consular income payable to the Consolidated Fund:

	Income	Full cost	2008–09 Surplus/ (deficit)	Income	Full cost	2007–08 Surplus/ (deficit)
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Passport and consular income	69,612	(69,960)	(348)	69,112	(69,458)	(346)
	69,612	**(69,960)**	**(348)**	**69,112**	**(69,458)**	**(346)**

11 Analysis of net operating cost by spending body

		2008–09		2007–08
	Budget *£000*	**Outturn** *£000*	**Budget** *£000*	**Outturn** *£000*
Foreign and Commonwealth Office	1,237,274	1,214,282	1,232,094	1,101,408
Wilton Park	497	512	699	666
Government Hospitality Fund	1,800	726	3,290	1,138
BBC World Service	265,043	234,043	255,043	255,043
British Council	202,663	194,863	194,162	189,462
Reimbursements	18,000	18,230	18,000	17,418
Others (including international organisations in respect of conflict prevention)	468,934	453,548	372,462	370,379
	2,194,211	**2,116,204**	**2,075,750**	**1,935,514**

12 Tangible fixed assets

	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 2008 – Restated	760,947	733,723	70,251	60,145	39,354	20,281	248,836	1,933,537
Additions	87	–	13	–	169	–	224,464	224,733
Disposals	(42,010)	(19,502)	(14,350)	(5,034)	(3,935)	–	–	(84,831)
Impairments	28,785	5,763	(6,408)	–	–	–	–	28,140
Revaluation	448,625	196,009	–	3,617	505	(51)	–	648,705
Reclassification*	104,421	576	84,422	15,463	12,384	7	(222,438)	(5,165)
At 31 March 2009	**1,300,855**	**916,569**	**133,928**	**74,191**	**48,477**	**20,237**	**250,862**	**2,745,119**
Depreciation								
At 1 April 2008 – Restated	43,770	3,054	49,222	34,001	19,019	–	–	149,066
Charge for the year	24,400	23,194	18,268	9,797	4,464	–	–	80,124
Charge for the year – donated assets	97	991	–	–	–	–	–	1,088
Disposals	(440)	(138)	(14,335)	(4,332)	(3,853)	–	–	(23,098)
Impairments	–	–	(2,377)	–	–	–	–	(2,377)
Revaluation	(17,768)	(22,475)	–	1,301	218	–	–	(38,724)
At 31 March 2009	**50,059**	**4,626**	**50,778**	**40,767**	**19,849**	**–**	**–**	**166,079**
Net book value								
At 31 March 2009	**1,250,796**	**911,943**	**83,150**	**33,424**	**28,628**	**20,237**	**250,862**	**2,579,040**
At 31 March 2008 – Restated	717,177	730,669	21,029	26,144	20,335	20,281	248,836	1,784,470
Asset financing:								
Owned	877,146	648,370	83,150	33,424	28,628	20,237	250,862	1,941,817
Leased	362,572	263,573	–	–	–	–	–	626,145
On-balance sheet PFI contracts	11,078	–	–	–	–	–	–	11,078
Net book value								
At 31 March 2009	**1,250,796**	**911,943**	**83,150**	**33,424**	**28,628**	**20,237**	**250,862**	**2,579,040**

* Some Information technology assets have been reclassified to intangible fixed assets (Note 13).

Notes to tangible fixed assets

Non-Specialised Properties

The valuations of the home estate and properties in the European Union, Wider Europe and Russia, Caucasus and Central Asia were carried out by Colliers CRE. The effective valuation date was 30 June 2008. Desk reviews for revaluation purposes were carried out by in-house valuers on 31 March 2009. The valuations of properties in the Americas were carried out by CB Richard Ellis. The effective valuation date was 30 June 2005. Desk reviews for revaluation purposes were carried out by in-house valuers on 31 March 2009. The valuations of properties in the Middle East and North Africa were carried out by Cluttons. The effective valuation date was 30 June 2008. Desk reviews for revaluation purposes were carried out by in-house valuers on 31 March 2009.

The valuations of properties in Sub-Saharan Africa were carried out by CB Richard Ellis. The effective valuation date was 30 June 2006, with an in-house desk review on 31 March 2009. The valuations of properties in South Asia and Asia Pacific were carried out by Cluttons. The effective valuation date was 30 June 2006 with an in-house desk review on 31 March 2009.

Specialised Properties

These valuations are undertaken on a rolling basis with properties valued as at either 31 March 2008 (with a desk review carried out by in-house valuers on 31 March 2009) or as at 31 March 2009. Market values of specialised properties were provided by Estates and Security Directorate chartered surveyors as at 31 March 2009. 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 have 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 2009, and due to current global market volatility should not be relied upon beyond that date without referring to the valuers.

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.

13 Intangible fixed assets

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

* Some Information technology assets have been reclassified from tangible fixed assets (Note 12).

14 Financial assets

	£000
FCO Services – Trading Fund:	
Pubic Dividend Capital	4,981
Vesting day loan	4,980
Working capital loan	8,000
	17,961

The Public Dividend Capital (PDC) was set at £3,204,000 based on the draft accounts of FCO Services for 2007–08 when it was established as a trading fund on 1 April 2008 under the FCO Services Trading Fund Order 2008 (SI 2008 No. 590). FCO Services sought to increase the PDC to £4,981,000 by a variation of the Order on finalisation of their accounts by a corresponding reduction in the vesting day loan and this is reflected in the above table. This has been formalised in statute after the balance sheet date by the FCO Services Trading Fund Order 2009 (SI 2009 No. 1362) which comes into force in July 2009.

The loans to FCO Services Trading Fund are for five years from 1 April 2008 and attract interest of approximately 4%. The current tranche of the working capital loan repayable on 1 April 2009 (£2,000,000) is included in deposits and advances under debtors (Note 16).

15 Stocks and work in progress

	2008–09	2007–08
	£000	*£000*
Stocks	**10,472**	**10,392**

16 Debtors

16.1 Analysis by type

	2008–09 *£000*	Restated 2007–08 *£000*
Amounts falling due within one year		
Trade debtors	92,360	49,727
Deposits and advances	9,595	7,973
Other debtors	2,911	10,459
Financial assets (see Note 29)	89,377	–
Prepayments and accrued income	105,486	190,713
	299,729	**258,872**
Amounts falling due after more than one year		
Other debtors	**8,860**	**7,530**
Total	**308,589**	**266,402**

16.2 Intra-government balances – Consolidated

	Amounts falling due within one year		Amounts falling due after one year	
	2008–09 *£000*	**2007–08** *£000*	**2008–09** *£000*	**2007–08** *£000*
Balances with other central government bodies	39,663	48,869	–	–
Balances with public corporations and trading funds	22,246	12,567	–	–
Total intra-government balances	**61,909**	**61,436**	**–**	**–**
Balances with bodies external to government	237,820	197,436	8,860	7,530
Total debtors at 31 March	**299,729**	**258,872**	**8,860**	**7,530**

17 Cash at bank and in hand

	2008–09 *£000*	Restated 2007–08 *£000*
Balance at 1 April 2008	3,050	82,964
Net change in cash balances	20,070	(79,914)
Balance at 31 March 2009	**23,120**	**3,050**

The following balances and overdrafts at 31 March are held at:

Balances		
Commercial banks and cash in hand UK and overseas	35,776	30,064
	35,776	**30,064**
Overdrafts (Note 18)		
Government Banking Service	(11,898)	(25,792)
Commercial banks overseas	(758)	(1,222)
	23,120	**3,050**

18 Creditors

18.1 Analysis by type

	2008–09 *£000*	Restated 2007–08 *£000*
Amounts falling due within one year		
Bank overdrafts (Note 17)	12,656	27,014
Other taxation and social security	203	972
Payments on account	114	101
Trade creditors	24,286	40,578
Other creditors	36,596	18,509
Accruals and deferred income	182,484	127,450
Current part of finance leases (Note 25)	804	792
Current part of imputed finance lease element of on-balance sheet PFI contracts (Note 26)	838	737
Total excluding amounts due to the Consolidated Fund	257,981	216,153
Amounts issued from the Consolidated Fund for supply but not spent at year end	36,551	2,863
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund	803	188
	295,335	**219,204**
Amounts falling due after more than one year		
Finance leases (Note 25)	81	881
Imputed finance lease element of on-balance sheet		
PFI contracts (Note 26)	40,488	41,195
	40,569	**42,076**
Total	**335,904**	**261,280**

18.2 Intra-government balances – Consolidated

	Amounts falling due within one year		Amounts falling due after one year	
	2008–09 *£000*	**2007–08** *£000*	**2008–09** *£000*	**2007–08** *£000*
Balances with other central government bodies	46,466	12,447	–	–
Balances with public corporations and trading funds	14,394	1,973	–	–
Total intra-government balances	**60,860**	**14,420**	**–**	**–**
Balances with bodies external to government	234,475	204,784	40,569	42,076
Total creditors at 31 March	**295,335**	**219,204**	**40,569**	**42,076**

19 Provisions for liabilities and charges

	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	1,452	6,675	65,366
Provided in year	14,325	5,455	49	3,000	22,829
Provisions utilised in the year	(13,646)	(301)	(1,501)	(5,575)	(21,023)
Unwinding of discount	476	–	–	–	476
Balance at 31 March 2009	**25,893**	**37,655**	**–**	**4,100**	**67,648**

The FCO provides for the estimated payments of additional costs of benefits in respect of UK-based employees who retire early (see Note 1.15) and for the estimated costs of pensions, gratuities and terminal benefits at its overseas posts where required to do so by local employment laws (see Note 1.16).

Other provisions relate to disputed rents on properties overseas and include an amount of £3,000,000 in respect of estimated de-mining costs in the Falkland Islands.

20 General Fund

The General Fund represents the total assets less liabilities of the FCO and Wilton Park to the extent that the total is not represented by other reserves and financing items.

	2008–09 *£000*	**Restated** **2007–08** *£000*
General Fund at 1 April	988,770	865,994
Machinery of Government change	–	(38,775)
Adjusted opening balance at 1 April	988,770	827,219
Net Parliamentary funding – drawn down	2,094,319	1,979,306
Year-end adjustment: supply creditor – current year	(36,551)	(2,863)
Prior year Consolidated Fund creditor	2,863	77,699
Net transfer from operating activities:		
Net operating cost	(2,116,204)	(1,935,514)
Consolidated Fund Extra Receipts	(803)	(188)
Income not appropriated-in-aid paid to Consolidated Fund	(7,763)	(14,208)
Non-cash charges:		
Cost of capital	57,876	44,104
Auditors' remuneration	288	270
Unrealised gains/(losses) on forward purchases of currency	89,377	–
Other unrealised gain/(loss) on foreign exchange	15,459	(2,787)
Consolidation and other in-year adjustments	(10,352)	19,692
Current asset revaluation adjustments	–	(10,512)
Transfer from revaluation reserve for realised element of reserve	45,200	6,527
Transfer from revaluation reserve (Note 21.1)	1,556	–
Transfer from donated asset reserve (Note 21.2)	(1,538)	25
	133,727	**161,551**
General Fund at 31 March	**1,122,497**	**988,770**

21 Reserves

21.1 **Revaluation reserve**

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments (excluding donated assets).

	2008–09 *£000*	**Restated 2007–08** *£000*
Balance at 1 April	703,493	538,240
Arising on revaluation during the year (net)	669,632	171,944
Fixed asset revaluation adjustments through General Fund	(1,556)	(153)
Transfer to General Fund of realised element of revaluation reserve	(45,200)	(6,527)
Machinery of Government change	(15)	(12)
Balance at 31 March	**1,326,354**	**703,493**

21.2 **Donated assets reserve**

The donated asset reserve reflects the net book value of assets donated to the FCO.

	2008–09 *£000*	**2007–08** *£000*
Balance at 1 April	73,097	64,337
Arising on revaluation during the year (net)	17,797	9,682
Fixed asset revaluation adjustments through General Fund	1,538	16
Transfer to General Fund of realised element of reserve	–	(25)
Release to the operating cost statement	(1,088)	(913)
Balance at 31 March	**91,344**	**73,097**

22 Notes to the Consolidated Cash Flow Statement

22.1 Reconciliation of operating cost to operating cash flows

	2008–09 *£000*	Restated 2007–08 *£000*
Net operating cost	**2,116,204**	**1,935,514**
Adjustments for non-cash transactions	(135,400)	(135,952)
Increase/(decrease) in stock	80	980
Increase/(decrease) in debtors	42,187	38,008
Adjustment for movements in debtors relating to items not passing through the OCS	(96,088)	10,512
(Increase)/decrease in creditors	(88,982)	87,366
Adjustment for movements in creditors relating to items not passing through the OCS	36,139	(77,733)
Machinery of Government change	(3,158)	(2,118)
Use of provisions	21,023	16,640
Net cash outflow from operating activities	**1,892,005**	**1,873,217**

22.2 Analysis of capital expenditure and financial investment (all RfR 1)

	2008–09 *£000*	Restated 2007–08 *£000*
Tangible fixed asset additions	269	404
Additions to assets in the course of construction	224,464	191,108
Proceeds from disposal of fixed assets	(59,456)	(15,481)
Investment in FCO Services	8,000	–
Net cash outflow from investing activities	**173,277**	**176,031**

Analysis of capital expenditure and financial investment

Request for Resources 1	Capital expenditure *£000*	FCO Services *£000*	A-in-A *£000*	Net total *£000*
Total 2008–09	**224,733**	**8,000**	**(59,456)**	**173,277**
Total 2007–08	**191,512**	**–**	**(15,481)**	**176,031**

The 2007–08 figures have not been restated as these had previously been reported to Parliament.

22.3 Payments of amounts due to the Consolidated Fund

	2008–09 *£000*	2007–08 *£000*
Consolidated Fund Extra Receipts paid in the year	7,763	22,674
Excess A-in-A in prior year	–	(8,466)
	7,763	**14,208**

22.4 Analysis of financing

	2008–09 *£000*	Restated 2007–08 *£000*
From the Consolidated Fund (Supply) – current year	2,094,319	2,070,372
From the Consolidated Fund (Supply) – prior year	(2,863)	(91,066)
Advances from the Contingency Fund	–	125,000
Repayments to the Contingency Fund	–	(125,000)
Adjustment for capital element of payments on finance leases and PFI contracts	1,659	4,236
Net financing	**2,093,115**	**1,983,542**

22.5 Reconciliation of net cash requirement to net change in cash balances

	2008–09 *£000*	Restated 2007–08 *£000*
Net financing		
Net cash requirement	(2,072,002)	(2,059,225)
From the Consolidated Fund (Supply) – current year	2,094,319	2,070,372
From the Consolidated Fund (Supply) – prior year	(2,863)	(77,970)
Amounts due to the Consolidated Fund received in a prior year and paid over	(187)	(13,460)
Non-operating A-in-A – Excess cash receipts	–	181
Amounts due to the Consolidated Fund received and not paid over	803	188
Net change in cash balances	**20,070**	**(79,914)**

23 Notes to the Statement of Net Operating Costs Departmental Strategic Objectives

23.1 Programme grants and other current expenditures as shown in Note 9 have been allocated as follows:

	2008–09 *£000*	Restated 2007–08 *£000*
Departmental Strategic Objectives (DSO)):		
DSO 1 Flexible global network	655,995	562,785
DSO 2 Supporting the British economy	84,275	393
DSO 3 Supporting British nationals abroad	56,783	579
DSO 4 Supporting managed migration	17,747	2,944
DSO 5 Countering terrorism and weapons proliferation	73,929	25,778
DSO 6 Preventing and resolving conflict	554,736	471,400
DSO 7 Promoting a low-carbon, high-growth, global economy	78,933	39,589
DSO 8 Developing effective international institutions	211,031	56,522
	1,733,429	**1,159,990**

Programme costs for 2008–09 include the reallocation of Administration to Programme Costs shown in Note 9. This does not apply to 2007–08.

23.2 Capital employed by aim and objectives

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

24 Capital commitments

Contracted capital commitments at 31 March for which no provision has been made:

	2009 *£000*	2008 *£000*
Estates projects	84,064	159,129
IT infrastructure	43,700	44,423
	127,764	**203,552**

25 Commitments under leases

25.1 Operating leases

Commitments under leases to pay rentals during the year following the year of these accounts are given in the tables below, analysed according to the period in which the lease expires.

	2009 *£000*	2008 *£000*
Obligations under operating leases comprise		
Land and buildings:		
Expiry within 1 year	18,526	25,939
Expiry after 1 year but not more than 5 years	28,661	47,345
Expiry thereafter	15,394	19,548
	62,581	**92,832**
Other:		
Expiry within 1 year	73	227
Expiry after 1 year but not more than 5 years	1,208	1,375
Expiry thereafter	7	–
	1,288	**1,602**

25.2 Finance leases

	2009 *£000*	2008 *£000*
Obligations under finance leases comprise		
Land and buildings: nil		
Other:		
Rentals due within 1 year	845	826
Rentals due after 1 year but within 5 years	96	896
Rentals due thereafter	–	–
	940	1,722
Less: interest element	(55)	(49)
	885	**1,673**

The above liability is disclosed under Creditors (Note 18) as follows:		
Amounts falling due within 1 year	804	792
Amounts falling due after more than 1 year	81	881
	885	**1,673**

26 Commitments under PFI contracts

26.1 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 £250m but it is considered by the Board that the equipment brought into use under the contract is not an asset of the Department. The present unitary payment charged to the Operating Cost Statement is £30.7m per annum.

26.2 On-balance sheet

Arteos

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 as a tangible fixed asset. The initial capitalisation of the contract was reflected in the accounts for 2002–03. The unitary charge which covers the occupation of the building has been discounted over the remaining life of the contract and capitalised.

The service element of the contract remains an operating cost. In 2008–09 this amounted to £1,259,000 (2007–08: £1,009,000).

The liability to pay for the property is in substance a finance lease obligation. Contractual payments therefore comprise two elements: imputed finance lease charges and service charges. Following a review of current contract rates combined with a movement of the euro against sterling, there has been an increase in the lease obligation and net liability increased in the current year. The imputed finance lease obligation is as follows:

	2009 *£000*	**2008** *£000*
Imputed finance lease obligations under on-balance sheet PFI contracts comprises:		
Rentals due within 1 year	4,080	4,030
Rentals due within 2 to 5 years	16,319	16,120
Rentals due thereafter	65,277	68,688
	85,676	88,838
Less: interest element	(44,350)	(46,906)
	41,326	**41,932**

The above liability is disclosed under Creditors (Note 18) as follows:		
Amounts falling due within 1 year	838	737
Amounts falling due after more than 1 year	40,488	41,195
	41,326	**41,932**

26.3 Charge to the Operating Cost Statement 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 £32,001,000 (2007–08: £31,461,000).

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

	2009 *£000*	2008 *£000*
Expiry within 1 year	30,000	–
Expiry within 2 to 5 years	–	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	1,259	1,386
Expiry within 26 to 30 years	–	–
	31,259	**31,386**

27 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 during 2009–10, analysed by the period during which the commitment expires, are as follows:

	2009 *£000*	2008 *£000*
Expiry within 1 year	31,250	39,599
Expiry within 2 to 5 years	8,127	15,628
Expiry thereafter	8	–
	39,385	**55,227**

28 Retirement benefit schemes

As stated in Notes 1.14 to 1.16, UK-based employees are covered by the provisions of the Principal Civil Service Pension Scheme and for staff engaged overseas the FCO observes local employment laws regarding the payment of pensions and terminal gratuities. The information below has been reformatted this year in order to provide the basic information required under the FReM in a more compressed and readable layout.

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 operated 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 2008–09 was £697,064 (2007–08: £489,180).

Defined benefit schemes	**Fair value of assets**	**2009 Present value of future liabilities**	**2009 Surplus/ (deficit)**	**Fair value of assets**	**2008 Present value of future liabilities**	**2008 Surplus/ (deficit)**
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Retirement benefit schemes – asset						
Canada (2009 – net liability)	–	–	–	5,241	(4,991)	250
Irish Republic (2009 – net liability)	–	–	–	1,625	(1,594)	31
Jamaica	705	(541)	164	570	(430)	140
South Africa	4,193	(4,012)	181	3,549	(2,951)	598
Trinidad and Tobago	–	–	–	304	(111)	193
Surplus	**4,898**	**(4,553)**	**345**	**11,289**	**(10,077)**	**1,212**
Retirement benefit schemes – liability						
Canada (2008 – net asset)	5,284	(6,976)	(1,692)	–	–	–
Irish Republic (2008 – net asset)	1,282	(1,529)	(247)	–	–	–
Mauritius	133	(164)	(31)	164	(173)	(9)
Portugal	–	–	–	351	(358)	(7)
USA	19,949	(30,874)	(10,925)	22,221	(24,080)	(1,859)
Deficit	**26,648**	**(39,543)**	**(12,895)**	**22,736**	**(24,611)**	**(1,875)**
Total FV/(PV future liabilities)	**31,546**	**(44,096)**		**34,025**	**(34,688)**	
Net surplus/(deficit)			**(12,550)**			**(663)**

Total FV of assets is analysed as follows:	2009	2008
Equities	14,645	15,858
Bonds	10,746	11,222
Other	6,155	6,945
	31,546	**34,025**

Movement in year:		
Other finance income		
Expected return on scheme assets	3,201	2,413
Interest on scheme liabilities	(2,871)	(2,209)
Net return	330	204
Service costs:		
Current service cost	(1,478)	(1,349)
Actuarial gain/(loss) recognised:		
Exchange and other adjustments on opening balances	(781)	–
Actual return less expected return on scheme assets	(13,633)	(3,113)
Experience gains/(losses) arising on scheme liabilities	1,088	1,276
Changes in assumptions underlying PV of scheme liabilities	318	3,730
Amount shown in statement of recognised gains and losses	(13,008)	1,893
Contributions	2,269	1,168
Net movement in year	**(11,887)**	**1,916**
Deficits in schemes at beginning of the year	**(663)**	**(2,579)**
Deficits in schemes at end of the year	**(12,550)**	**(663)**

All of the FCO's known defined benefit schemes have been subject to actuarial valuation or review as at 31 March 2009. The schemes in Portugal and Trinidad and Tobago have been converted to defined contribution and reported as such.

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 £446,614 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.

29 Financial instruments

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 risk 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 the 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.

Forward purchases of US dollars, euros and Japanese yen

The FCO currently covers of 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 2008–09, forward purchases of USD 559m and EUR 102m were secured and delivered at a cost of £367m. Due to the weakening of sterling over the course of the year, these purchases resulted in a realised net gain of £43.6m 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 after the balance sheet date based on the actual rates of exchange at 31 March 2009 are included under current assets as financial assets (see Note 16) or creditors as financial liabilities (Note 18) on the balance sheet. This is analysed as follows:

	Foreign currency value *000*	Sterling value *£000*	Unrealised gain/ (loss) *£000*	Maturing in
Euro	201,570	170,091	16,367	2009–10
US Dollar	811,670	499,365	66,860	2009–10
		669,456	83,227	
Euro	113,000	101,867	2,710	2010–11
US Dollar	352,000	241,790	3,430	2010–11
Japanese Yen	385,800	2,713	21	2010–11
		346,370	6,161	
US Dollar	3,000	2,105	(11)	2011–12
Total		**1,017,931**	**89,377**	

Fair values

Set out below is a comparison by category of book values and fair values of the FCO's financial assets and liabilities as at 31 March.

	Book value *£000*	2009 Fair value *£000*	Book value *£000*	Restated 2008 Fair value *£000*
Primary financial instruments:				
Financial assets				
Cash at bank and in hand	35,776	35,776	30,064	30,064
Financial liabilities				
Bank overdrafts	(12,656)	(12,656)	(27,014)	(27,014)
Provisions	(67,648)	(67,648)	(65,366)	(65,366)
	(80,304)	**(80,304)**	**(92,380)**	**(92,380)**

An analysis of non-interest-bearing financial assets held overseas by currency is shown where the total held exceeds £1 million. The sterling figure includes sterling balances held in the UK.

Currency	**Non-interest-bearing financial assets** *£000*	**2009 Non-interest-bearing financial liabilities** *£000*	**Non-interest-bearing financial assets** *£000*	**Restated 2008 Non-interest-bearing financial liabilities** *£000*
Sterling	13,376	(41,891)	12,868	(55,543)
Bosnia and Herzegovinian Marka	1,808	–	1,526	–
Euro	5,025	(5,597)	3,487	(5,823)
South Africa Rand	1,077	–		
US Dollar	6,509	–	930	–
Japanese Yen	–	(4,560)	–	(3,497)
Turkish New Lira	–	(609)	–	(1,192)
Other	7,981	(27,647)	11,253	(26,325)
Gross financial assets/(liabilities)	**35,776**	**(80,304)**	**30,064**	**(92,380)**

30 Financial instruments: financial guarantees, indemnities and letters of comfort

The FCO has entered into the following quantifiable contingent liabilities by offering indemnities. None of these is a contingent liability within the meaning of FRS 12 since the likelihood of a transfer of economic benefit in settlement is too remote.

	1 April 2008	Increase in year	31 March 2009	Amount reportable to Parliament by Departmental minute
	£000	*£000*	*£000*	*£000*
Indemnities	10,773	564,739	575,512	575,512
	10,773	**564,739**	**575,512**	**575,512**

These relate to guarantees given on behalf of the British Council art exhibitions overseas.

31 Contingent liabilities disclosed under FRS 12

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:

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

32 Losses and special payments

	2008–09		2007–08	
	Number	*£000*	*Number*	*£000*
Losses total	**90**	**749**	**105**	**3,339**
Cash losses/(gains)	28	(2)	40	(198)
Claims abandoned	6	73	6	2,238
Administrative write-offs	45	482	39	412
Fruitless payments and constructive losses	–	–	4	270
Stores losses	8	165	7	392
	87	**718**	**96**	**3,114**
Special payments total	**3**	**31**	**9**	**225**

33 Related party transactions

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 government partners. 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 the following:

> KPMG
Alistair Johnston (non-executive Board member) is Vice-Chairman at KPMG. KPMG have provided consultancy services on various projects for the FCO in the UK at a cost of £1,778,680 (2007–08: £147,123) and overseas at a cost of £9,586 (2007–08: £27,444) (sterling equivalent). KPMG were also responsible for paying rent to various Belgian landlord bank accounts on behalf of the FCO in return for management fees of £10,481 (2007–08: £9,879) (sterling equivalent). In addition, KPMG are the external auditors of the BBC World Service. Mr Johnston had no role in the decision to engage KPMG, nor a role in the firm's proposal or provision of services to the FCO or to the BBC World Service.

> 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 Lexis Nexis. These have provided various publications for FCO customers in the UK at a cost of £69,321 (2007–08: £13,334) and for FCO customers overseas at a cost of £10,718 (2007–08: £673) (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.

> Bupa
  Alison Platt (non-executive Board member) is the Group Development Director at Bupa. Bupa have provided healthcare to staff in Riyadh at a cost of £74,191 (2007–08: £51,036) (sterling equivalent) and medical insurance for UK-based staff amounting to £15,353 (2007–08: £13,579). Ms Platt had no role in the decision to engage Bupa, nor any role in the organisation's proposal or provision of services to the FCO.

34 Machinery of Government changes

Under a Machinery of Government change, on 1 April 2008 the UK Border Agency (UKBA) was created to integrate the work of the Border and Immigration Agency (an agency of the Home Office), elements of HM Revenue and Customs, and UKvisas from the FCO. UKBA operated as a shadow agency of the Home Office for the 2008–09 year.

The Machinery of Government change resulted in an element of the FCO's operating functions transferring to UKBA. The FCO continues to provide administration and management services to UKBA including visa services throughout the overseas network. The Operating Cost Statement incorporates the expenditure reductions arising from the transfers and the income earned for the services provided by the FCO, together with the reduction for visa income.

These accounts reflect the removal of UKBA activities from the FCO as a Machinery of Government change. The table below outlines the impact of the UKBA figures as applied to the FCO Operating Cost Statement and Balance Sheet in these accounts. There is no cash impact of the changes on net Parliamentary funding for the FCO.

The figures below for 2008 have also been adjusted for a Machinery of Government change in respect of the UKTI Defence and Security Organisation amounting to net costs of £2,118,000.

	2008–09 *£000*	2007–08 *£000*
Administration		
Staff costs	52,803	52,431
Other administration costs	250,574	259,804
Operating income	(313,364)	(291,854)
Total administration costs	**(9,987)**	**20,381**
Tangible assets	34,257	37,369
Stocks	1,319	1,448
Debtors	548	917
Creditors: amounts falling due within one year	(21,150)	(17,092)
General fund	(4,974)	(43,009)
Revaluation reserve	(15)	(12)
Total balance sheet	**9,987**	**(20,381)**

35 Reconcilliation to Core Table 4 – Resource DEL net outturn

	2008–09 *£000* **Expenditure**
Net Resource Requirement (Note 2)	2,124,770
Add common Foreign and Security Policy attribution (not in Resource Accounts)	2,543
Add Gains/losses from sale of capital assets (Note 8)	(2,277)
Deduct expenditure on reimbursement of duties, taxes and licences – outside of DEL (Note 2)	(18,230)
Deduct Capital Grant classified as capital in budgets	(51,526)
Deduct Impairments in Annually Managed Expenditure (Note 2)	30,030
Table 4 2008–09 Resource Budget net outturn	**2,085,310**

List of common abbreviations/glossary

A-in-A	Appropriations-in-Aid
AME	Annually Managed Expenditure
APR	Autumn Performance Report
AU	African Union
CBRN	Chemical, biological, radiological and nuclear
CETV	Cash Equivalent Transfer Value
CFE	Conventional Armed Forces in Europe
CFER	Consolidated Fund Extra Receipts
COI report	Country of origin information report
CONTEST	Counter-Terrorism Strategy
CPG	Corporate Procurement Group
CRM survey	Customer Relationship Management survey
CS FTE	Civil Service full-time equivalent
CSR	Comprehensive Spending Review
DEL	Departmental Expenditure Limit
DfID	Department for International Development
DG	Director-General
DG D&I	Director-General Defence and Intelligence
DG E&G	Director-General Europe and Globalisation
DG Pol	Director-General Political
DIUS	Department for Innovation, Universities and Skills (now Department for Business, Innovation and Skills)
DSO	Departmental Strategic Objective
DWA	deportation with assurances
E3+3	the E3+3 countries are Britain, France, Germany, USA, Russia and China plus the EU
EU	European Union
EYF	end-year flexibility
FCO	Foreign and Commonwealth Office
FCOS	FCO Services (an independent trading agency)
FNP	foreign national prisoner
FRS	Financial Reporting Standard

FTE	full-time equivalent
FTN	FCO Telecommunications Network
G8	the G8 countries are Britain, Canada, France, Germany, Italy, Japan, Russia and the USA
G20	the Group of Twenty (G20) is made up of the finance ministers and central bank governors of the following 19 countries plus the EU: Argentina, Australia, Brazil, Britain, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey and the USA
IAEA	International Atomic Energy Agency
ICT	information and communication technology
IFRS	International Financial Reporting Standard
IT	information technology
MDG	Millennium Development Goal
MENA	Middle East North Africa
MOD	Ministry of Defence
NAO	National Audit Office
NATO	North Atlantic Treaty Organisation
NDPB	Non-Departmental Public Body
NGO	non-governmental organisation
OECD	Organisation for Economic Cooperation and Development
OGC	Office of Government Commerce
OSCE	Organisation for Security and Cooperation in Europe
P5	Permanent five members of the UN Security Council: Britain, China, France, Russia and the USA
PCSPS	Principal Civil Service Pension Scheme
PES	Public Expenditure System
PFI	Private Finance Initiative
PIMS	Performance and Impact Monitoring Survey
PRIO	Peace Research Institute, Oslo
PSA	Public Service Agreement
PUS	Permanent Under-Secretary
R2P	Responsibility to Protect

R&D	research and development
RAR	Resources Allocation Round
RfR	Request for Resources
RRF	Returns and Reintegration Fund
SI	Statutory Instrument
SLA	service level agreement
SR	Spending Review
SRO	Senior Responsible Owner
UKBA	UK Border Agency
UKTI	UK Trade & Investment
UN	United Nations
UNEP	UN Environment Programme
UNHCR	UN High Commissioner for Refugees
UNICEF	UN Children's Fund
UNOCHA	UN Office for the Coordination of Humanitarian Affairs
UNRWA	UN Relief and Works Agency for Palestinian refugees in the Near East
UNSC	UN Security Council
UNSCR	UN Security Council Resolution
VfM	value for money
ZBR	zero based review

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