Annex 1

Resource Accounts 2008-09

1. Coverage of the Accounts

The Department for International Development (DFID) is responsible for leading the Government's efforts to promote international development and eliminate poverty. These accounts cover DFID activities carried out from headquarter offices in London and East Kilbride; and offices in many developing countries. They do not consolidate the results of the limited number of non-departmental bodies or other organisations for which DFID has policy responsibility (section 2 below).

DFID also pays, from separate funds, pensions and related benefits to certain former overseas civil and public servants. A separate resource account (Department for International Development: Overseas Superannuation) reports expenditure and other information about these pension schemes. DFID accounts include the administrative costs associated with this function.

For public expenditure control purposes, DFID's resource budget includes an attributed cost for the UK share of spending from the budget of the European Communities on development purposes. UK payments to the EC budget are made from the Consolidated Fund. In accordance with the Financial Reporting Manual (FReM) rules on treatment of payments out of the Consolidated Fund, attributed costs for development expenditure are not included in the primary statements. Information about the total resource budget is included in the Management Commentary.

2. Public Sector Bodies

DFID, on behalf of the Government, owns 100 per cent of the issued share capital of the CDC Group plc. In 2004, fund management activities previously carried out by CDC were transferred to a newly formed limited liability partnership (Actis LLP). Our accounts include as assets the Government's shareholding in CDC and the cost of its investment in Actis. Both CDC and Actis publish their own annual report and accounts. Note 14 of the accounts provides key summary data.

DFID is also responsible for the following Non-Departmental Public Body:

- Commonwealth Scholarship Commission

This body does not employ any staff or have any facilities.

On 28 March 2008, the Crown Agents Holding and Realisation Board (Prescribed Day) Order 2008 (SI 2008 No. 921) came into force. This Order has the effect that any property, rights, liabilities or obligations which the Crown Agents Holding and Realisation Board (CAHRB) held immediately before 1 April 2008 were transferred to DFID on 1 April 2008 by virtue of this Order, to be disposed of by DFID thereafter. Any sums transferred by, or accruing under, this Order to DFID are to be paid into the Consolidated Fund. Any sums to be provided for the purposes of this Order are to be paid out of money provided by Parliament. Final accounts for CAHRB to 31 March 2008 were signed by the National Audit Office in May 2009, showing net assets of £646,000. These accounts have not been adjusted for this sum based on materiality.

3. Other Reporting

DFID publishes a Departmental Report each year that supplements these accounts and provides information to Parliament and the public on DFID's activities. From 2008-09, this is being published in a combined document with these Resource Accounts. The Departmental Report is presented to Parliament pursuant to section one of the International Development (Reporting and Transparency) Act 2006. The report gives details of DFID's work and key developments in 2008-09, together with indicative budget allocations for the period to 2009-10 and 2010-11. A further update on performance will be provided in the Autumn Performance Report (planned for December 2009).

Each year DFID also publishes "Statistics on International Development" which contain a detailed breakdown of development expenditure. The next report, including 2008-09, will be published in Autumn 2009.

4. Ministers

During the year to 31 March 2009, DFID's Ministers were:

Douglas Alexander MP, Secretary of State for International Development.

Gareth Thomas MP, Minister of State for International Development (from October 2008). Previously Parliamentary Under-Secretary of State for International Development.

Ivan Lewis MP, Parliamentary Under-Secretary of State for International Development (from October 2008).

Michael Foster MP, Parliamentary Under-Secretary of State for International Development (from October 2008).

Shahid Malik MP, Parliamentary Under-Secretary of State for International Development (to October 2008).

Gillian Merron MP, Parliamentary Under-Secretary of State for International Development (to October 2008).

Baroness Crawley spoke on DFID business in the House of Lords until 5th October 2008.

Lord Tunnicliffe spoke on DFID business in the House of Lords from 6th October 2008.

5. Management Commentary

5.1 Aims and objectives

DFID's aim is the elimination of poverty. It works with developing countries and the international community to achieve eight Millennium Development Goals (MDGs), endorsed at the UN Millennium Summit in September 2000 as milestones of global progress in tackling poverty. The Goals are to:

- Eradicate extreme poverty and hunger

- Achieve universal primary education
- Promote gender equality and empower women
- Reduce child mortality
- Improve maternal health
- Combat HIV/AIDS, malaria and other diseases
- Ensure environmental sustainability
- Develop a global partnership for development

5.2 Legislation

The International Development Act 2002 allows the Secretary of State for International Development to provide development assistance for sustainable development and welfare; in doing so he has to be satisfied that the assistance is likely to contribute to poverty reduction. The Act allows him to provide support for development awareness and advocacy work, and to use a wider range of financial instruments including securities and guarantees; it also provides for continued assistance to the UK's Overseas Territories and allows DFID to provide rapid humanitarian assistance.

In July 2006, the International Development (Reporting and Transparency) Act 2006 passed into law. The Act requires the Secretary of State for International Development to report annually on various areas, including expenditure on international aid, progress towards the United Nations' target for Official Development Assistance (ODA) to make up 0.7% of gross national income (GNI) (which the UK plans to reach by 2013, two years ahead of the timetable agreed collectively by EU member states for meeting this target), and the effectiveness and transparency of aid.

Our analysis of the challenges of eliminating poverty, and our policies to respond to these, were most recently set out in the White Paper published in July 2006 (Cm 6876). A further White Paper will be published in July 2009 looking at the challenges facing the world and the global solutions we need to develop together to address the economic downturn, climate change and conflict and security.

5.3 Performance measurement

We measure the *resources we use for development* in two main ways:

- Spending from agreed resource budgets as reported in these accounts.
- UK Official Development Assistance (ODA), including as a proportion of UK Gross National Income (GNI).

DFID's final budget (Departmental Expenditure Limit) for 2008-09 was £5.7 billion, increased from £5.3 billion in 2007-08. The budget is planned to increase to £7.8 billion by 2010-11. This is an average annual increase of 11 per cent in real terms over the 2007-08 baseline.

ODA is a measure agreed by members of the Development Assistance Committee of the Organisation for Economic Co-operation and Development. Net costs reported in these accounts are a major part of ODA. However, ODA also includes items not reported in these accounts (e.g. equity investments made through CDC and ECGD debt relief) and is measured by calendar rather than financial years.

There is a longstanding target that donors' ODA should reach 0.7 per cent of GNI. In 2008, UK ODA is estimated at £6.31 billion, 0.43 per cent of GNI (2007: £4.92 billion, 0.36 per cent of GNI).

5.4 Outputs and outcomes

We measure the *results we aim to achieve* and we manage our performance against Departmental Strategic Objectives (DSOs) and Public Service Agreement (PSA) targets.

Thirty PSAs were agreed across government as part of the Comprehensive Spending Review 2007 (CSR07). Each PSA has a lead Government Department but delivery relies on several Departments' contributions.

DFID leads on the delivery of the following PSA over the CSR07 period:

- PSA 29 - Reduce poverty in poorer countries through accelerated progress towards the Millennium Development Goals.

Further details of the PSA and DSO targets, and a report on progress against these targets, are given in Volume 2, Annex B and C of the Departmental Report 2009. The Statement of Operating Costs by Departmental Aim and Objectives in the accounts shows how much we spent in 2008-09 against each of the main objectives.

5.4.1 Delivery

We work with a wide range of partners and rely on a wide range of official, commercial and non-governmental delivery agents to achieve our aims. We regularly assess the performance of delivery agents and consider whether our partnerships and the channels we use are still the right ones and whether we should support different, or help create new, institutions.

In 2005, donors and partner countries agreed the "Paris Declaration on Aid Effectiveness". This outlined five partnership commitments to improve aid: *ownership* by partner countries of the development process; *alignment* by donors to country priorities, institutions and systems; *harmonisation* of donor support; *management for development results* to improve decision making and resource management; and *mutual accountability* of donors and partner governments for development results.

The Paris Declaration also includes a set of quantified targets, monitored bi-annually, which is used to assess progress and hold signatories accountable for achieving results. Volume 2, Annex F 3 of the Departmental Report 2009 provides more detail on the Paris Declaration, and DFID's results from the 2008 survey.

5.4.2 Risks to delivery

There are significant risk factors which will affect whether or not the contributions we make will produce the results we aim to achieve. The main risks to the achievement of our goals include macro-economic trends in developed and developing countries and economic shocks; the impact on developing countries of climate change and conflict; major public health trends which affect development (such as HIV/AIDS); and any potential weakening of commitment to poverty elimination by partner governments. We identify and monitor these and other risks; the Management Board reviews how we should react to them, or respond where we can mitigate the risk; and systems for monitoring and managing risk are embedded at all levels in the organisation.

We also monitor and manage the risks arising from weakness or failure in DFID's own processes and systems, e.g. IT and financial. The Statement on Internal Control provides more detail on the management of risk.

5.5 Current and future trends

We continue to plan our activities in response to progress against the Millennium Development Goals (MDGs). The Departmental Report details the current and future trends in our activities.

5.6 Financial Review

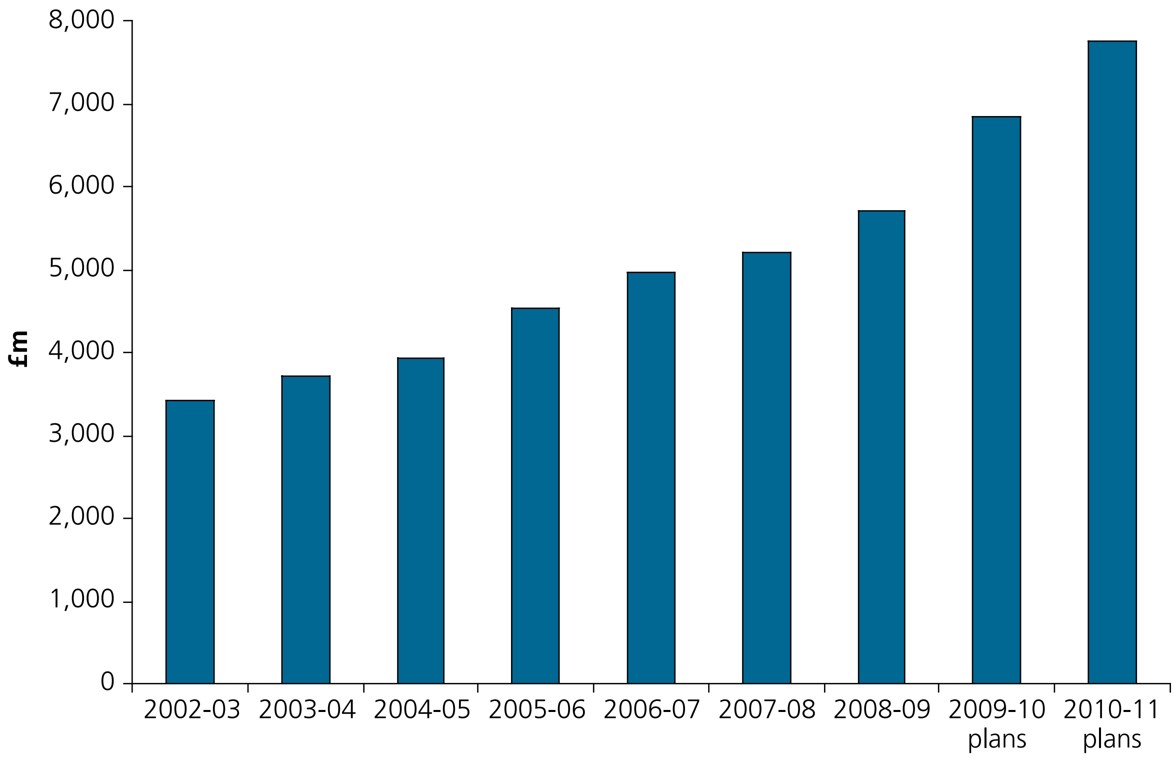
5.6.1 Resource budgets

DFID has two separate budget allocations within the total amount of public expenditure which are controlled through setting of Departmental Expenditure Limits (DEL). The two budgets are for net resource (current) spending (including a ring-fenced amount for administration costs) and for net capital expenditure. DFID has a separate budget allocation within the part of public expenditure controlled as Annually Managed Public Expenditure (AME).

DFID's total DEL budget for 2008-09 was £5.707 billion (2007-08: £5.277 billion). The outcome of the 2007 Comprehensive Spending Review, modified by the 2009 Budget, will see DFID's total DEL budget increase to £7.762 billion by 2010-11.

The chart below illustrates this increasing budget, showing total DEL outturn from 2002-03 to 2008-09, and the budgets for 2009-10 to 2010-11:

Chart 1: Total DEL



The following table shows the changes in budgets between allocations at April 2008 and final budgets for 2008-09:

Table 1: 2008-09 Changes in budgets

£000	Resource DEL voted[1]	Resource DEL non-voted	Capital DEL voted	Capital DEL non-voted	AME voted	AME non-voted
Original	**4,010,309**	**910,691**	**881,000**	**10,000**	**288,970**	**–**
Transfers between non-voted and voted[2]	(9,244)	9,244	10,000	(10,000)	–	–
Take-up of End Year Flexibility	–	–	–	–	–	–
Transfers to other departments[3]	(3,250)	(80,086)	–	–	–	–
Changes in forecast AME	–	–	–	–	63,501	(16,849)
Final	**3,997,815**	**839,849**	**891,000**	**–**	**352,471**	**(16,849)**

1. Including depreciation.
2. Includes transfers from Departmental Unallocated Provision.
3. The original budget includes the full original budget for the Conflict Pool: during the year resources were transferred to FCO and MoD and spent through their Estimates.

The resource DEL budget and the AME budget are divided between amounts voted in Estimates and non-voted amounts; the capital DEL budget is voted in the Estimates. Outturn against the components of the DEL budget is shown in Table 2 below. Note 2 to the accounts is a detailed breakdown and comparison of outturn against Estimates provision for voted resource DEL and AME.

Table 2: 2008-09 Final DEL budgets and outturn

£000 DEL	Budget	Outturn	Variance
Voted Resource DEL: RfR 1	3,953,475	3,928,175	25,300
Voted Resource DEL: RfR 2	44,340	41,792	2,548
Consolidated Fund Extra Receipts	-	(2,335)	2,335
Non-voted DEL – EU attribution[1]	823,000	798,648	24,352
Other non-voted DEL[2]	16,849	16,849	-
Unallocated reserve	-	-	-
Total Resource DEL	**4,837,664**	**4,783,129**	54,535
of which: Administration budget	*162,950*	*162,727*	*223*
Capital DEL (voted)	**891,000**	**876,174**	14,826
Less: Depreciation	(22,000)	(18,322)	(3,678)
Total DEL[3]	**5,706,664**	**5,640,981**	65,683
AME (voted RfR 1)	352,471	340,398	12,073
AME (non-voted)[2]	(16,849)	(16,849)	-

1. Latest forecast; the final charge to DEL budget will be based on later EU reports.
2. Payments to IFFIm score as non-voted near cash resource DEL, with a corresponding credit in non-voted AME to account for the release of provision.
3. Depreciation, which forms part of resource DEL, is excluded from total DEL since capital DEL includes capital spending, therefore to include depreciation of the assets purchased would be double counting.

Total DEL outturn represents an 8.4% increase from 2007-08.

Table 3 below shows a reconciliation of resource expenditure outturn between Estimates, Accounts and Budgets.

Table 3: Below shows a reconciliation of resource expenditure outturn between Estimates, Accounts and Budgets.

£000	2008-09	2007-08
Net Resource Outturn (Estimates)	**5,204,393**	**4,548,820**
Operating income not treated as Resource A-in-A	(2,335)	(2,502)
Operating expenditure not included in voted Resource	-	-
Excess Operating A-in-A	-	(67)
Net Operating Cost (Accounts)	**5,202,058**	**4,546,251**
Non-voted DEL (EU attribution)	798,648	701,400
Other non-voted DEL (IFFIm)	16,849	9,043
Non-voted AME (IFFIm)	(16,849)	(9,043)
Capital Grants included above classified as Capital DEL in budgets	(893,194)	(691,108)
Loss on disposal of fixed assets classified as Capital DEL in budgets1	(834)	(1,196)
Resource Budget Outturn (Budget)	**5,106,678**	**4,555,347**
of which:		
Departmental Expenditure Limit (DEL)	4,783,129	4,478,494
Annually Managed Expenditure (AME)	323,549	76,853

1. Profits or losses on disposal of fixed assets score to Capital DEL from 2007-08, but continue to score to Resource within Estimates and Accounts.

5.6.2 Operating costs: Poverty Elimination

- DEL spending in the year increased in line with the increased budget provision agreed in the 2007 Comprehensive Spending Review. Resource outturn increased by a greater amount than DEL due to a 330% increase in AME, mostly due to increased provisions for the International Finance Facility for Immunisations (IFFIm). The agreed non-voted amount for aid spending by the EU was £799 million (2007-08: £701.4 million).

- The underspend against budget for Poverty Elimination (Request for Resources 1) was 0.5 per cent of the Estimate compared to 2.2 per cent in 2007-08.

- Capital charges increased by 24 per cent, reflecting a large increase in the value of investments in IFIs due to exchange rate movements, partly offset by an increase in promissory note creditors. The rate charged on CDC increased from 5% to 6%.

- Outturn against the Administration costs budget has increased by 8 per cent (£12 million). This reflects a significant underspend within admin costs in 2007-08 – the budget for 2008-09 reduced by 5% in real terms compared to the budget for 2007-08.

- Total net staff costs, including overseas frontline staff now classified as programme, staff attached full time to development projects, and staff within conflict prevention RfR2, increased by 6.1 per cent. Costs per staff member (average employed in the year) were £49,017 (2007-08: £42,982). The increase from 2007-08 reflects annual salary indexation, and an increase in the proportion of higher graded staff.

5.6.3 Operating Costs: Conflict prevention

- From 2008-09, the Africa Conflict Prevention Pool and the Global Conflict Prevention Pool were merged into a single Conflict Prevention Pool; this continues to be subject to joint decision-making with the Ministry of Defence and the Foreign and Commonwealth Office, with each department being accountable for those projects within its sphere of responsibility. Spending is recorded under Request for Resources (RfR) 2. This RfR also includes spending on the Stabilisation Unit (formerly the Post Conflict Reconstruction Unit), and the Stabilisation Aid Fund. Total spending by DFID was £41.8 million (2007-08: £43 million) against an Estimate of £44.3 million (2007-08: £51 million).

5.6.4 Capital expenditure and Balance Sheet movements

- Total net assets in the Balance Sheet increased by 9.6 per cent (£207 million), mostly reflecting upward revaluations of investments in IFIs of £802m, partly offset by increased promissory note creditors of £316m, an increase in accruals and other creditors of £96m, and an increase in provisions of £178m.

- From 2008-09, all government departments are required to apply UK Financial Reporting Standards (FRS) 25, 26 and 29 on Financial Instruments. The impacts of changes to amounts in the balance sheet at 1 April 2008 as a result of applying these standards for the first time are charged to reserves.

- In 2008-09 we spent £19 million on additions to fixed assets (2007-08: £70 million). 2007-08 included £44m for the recognition of a finance lease asset which was previously treated as an operating lease. We are continuing to make a significant fixed asset investment in IT equipment and systems which will contribute to improved effectiveness and efficiency. We are also continuing to invest in overseas office accommodation to ensure the safety of our staff.

- At 31 March 2009, DFID's tangible fixed assets were valued at £114 million (2007-08: £113 million). This represents our administrative assets and approximately 54 per cent relates to our freehold and leasehold assets. Assets used directly in the programme delivery of our business are defined as programme, or project, assets and do not appear on our Balance Sheet.

- The increase in the value of investments in International Finance Institutions (IFIs) of 31 per cent (£802 million) reflects equity increases of £42m and exchange rate gains of £760 million – all of the investments are denominated in foreign currencies, therefore the large exchange rate gain reflects the decline in the value of sterling during 2008-09 against the major currencies. See note 14 to the accounts for further details.

- Loan debtors reduced by £46m, mostly as a result of an adjustment to restate the loan balances at amortised cost, in accordance with FRS 25. An exchange gain of £39m on the revaluation of a multilateral loan denominated in Euros, was mostly offset by repayments received of £34m; no new loans were made during the year.

- Prepayments and advances were similar to last year at £93m (2007-08: £96m).

- Cash and bank balances have increased by £261m, reflecting lower than expected cash expenditure in March 2009.

- Creditors due within one year have increased by 53 per cent (£656 million). Promissory note creditors are now classed as payable within one year – 2007-08 balances have been restated on this basis. The increase in the year reflects an increase in promissory note creditors of £316m, mostly due to increased commitments to IDA; an increase in amounts due to the Consolidated Fund as a result of the large bank balance at 31 March 2009; and an increase in accruals. Creditors due after 1 year are similar to last year at £37m.

- Provisions have increased to £515 million (2007-08: £337 million). This mostly reflects a large increase in the provision for IFFIm due to two new bond issues made during 2008-09. See note 20 for further details.

- We report contingent liabilities as required under Financial Reporting Standard (FRS 12); see Note 28 to the accounts. For the purpose of parliamentary accountability we also report contingent liabilities which would not be shown under FRS 12 since the likelihood of a transfer of economic benefit is remote. These liabilities amount to £8,565 million (2007-08: £6,413 million). The large increase mostly reflects increases in the sterling value of callable capital on investments in International Financial Institutions due to exchange rate movements.

5.6.5 Variances

Over and under spends against the Parliamentary Estimates are shown in Note 2 to the accounts. Over spends in some sections are offset by savings elsewhere in the Estimate. There were no variances greater than 10%.

5.6.6 Net Cash Requirement

The Outturn Net Cash Requirement in the Statement of Parliamentary Supply was 8.4 per cent below Estimate (2007-08: 7.2 per cent below). This is mainly due to a larger than expected increase in Promissory Note deposits outstanding at the end of the year, and cash expenditure being less than expected in March 2009.

5.7 Long term and future commitments

In the course of its business, DFID discusses and formalises arrangements with partners and agents for projects and programmes which cover payments over a number of years. These are subject to various terms and conditions; transactions arising from these arrangements are recognised in these accounts when the transfers take place or conditions of grant are met.

5.7.1 Comprehensive Spending Review 2007

Resources for the PSAs for the years 2008/09 to 2010/11 were allocated in the Comprehensive Spending Review 2007 (CSR07). During this period, DFID's budget will grow by an average of 11% in real terms, from £5.3 billion in 2007/08 to £7.8 billion by 2010/11. The CSR settlement builds on annual real growth to DFID's budget of 9.2% in Spending Review 2004 and 8.1% in Spending Review 2002.

Further details of the spending plans agreed in CSR07 are contained in Volume 1, Chapter 5 of the Departmental Report 2009.

5.7.2 Poverty Reduction Budget Support (PRBS)

In 2008-09 we provided PRBS to 13 countries, totalling £647.7 million. Volume 2, Annex F of the Departmental Report 2009 describes our PRBS policy in more detail and includes figures for the PRBS we have formally indicated to countries we plan to provide.

5.7.3 Debt relief

Following a UK proposal agreed at the G8 summit in 2005, the World Bank and African Development Bank have agreed, under the Multilateral Debt Relief Initiative (MDRI), to cancel the debts of certain Heavily Indebted Poor Countries (HIPC) which have met relevant conditions. Donors have agreed to provide resources in future years to the International Development Association (IDA) and African Development Fund (AfDF) to replace the inflows the institutions would otherwise have received as debt service. In May 2008 Parliament authorised DFID to increase the amount to be provided to IDA from £592 million to £736 million, and to the African Development Fund from £79m to £123m over the years 2007-2019 for this purpose. Transfers to IDA and the AfDF will be recorded in these accounts as promissory notes are deposited or payments are made. Other amounts within the total authorised by Parliament are included in contingent liabilities with other amounts for agreed replenishments which have not yet resulted in deposit of promissory notes.

5.7.4 International Finance Facility for Immunisation

In September 2005, the UK and other donors agreed to provide resources to an International Finance Facility for Immunisation (IFFIm); this facility will front-load support to immunisation programmes by using funds borrowed on international markets with repayment guaranteed by government pledges. It is estimated that this facility could help save the lives of 5 million children over the next decade. The agreements for IFFIm were signed in July 2006. The UK has pledged a total of £1.38 billion through to 2026, representing 43% of the total amounts pledged at 31 March 2009. Four bond issues have now been made, giving a total liability including interest of £1,456m. The UK is therefore liable for £466.51m in net present value terms at 31 March 2009 (after deducting payments made), which will be covered by payment obligations through to 2016.

5.7.5 Advance Market Commitment

The Advance Market Commitment (AMC) is an innovative, market-based mechanism with the potential to save millions of lives by accelerating the development and production of vaccines for the world's poorest countries, vaccines that would not otherwise be available for many years. The first AMC will target pneumococcal disease, bringing potentially life-saving vaccines more quickly to 100 million children and preventing over 5 million deaths by 2030.

The pilot AMC for pneumococcal disease will provide $1.5 billion in future financial commitments to the poorest countries, giving them the purchasing power to buy a suitable vaccine at discounted prices when one becomes available. By creating a market for vaccines in the poorest countries, the AMC creates incentives for the pharmaceutical companies to invest in research, development and production capacity for new vaccines that serve the poor.

The pilot AMC was launched in February 2007, with commitments being made by Canada, Italy, Norway, Russia, the UK, and the Gates Foundation. The UK government has pledged $485m of the $1.5bn total, with formal agreements signed on 12 June 2009.

5.7.6 Environmental Transformation Fund

In the 2007 Budget, Gordon Brown announced an £800 million international window of the Environmental Transformation Fund (ETF-IW) to reduce poverty through environmental protection, especially climate change. In the 2007 Budget £50 million was allocated to protect the rainforests of the Congo Basin and a further £50 million allocation for China was announced by the Prime Minister during his visit in January. The Fund is jointly managed by DFID and the Department of Energy and Climate Change (DECC) and must meet two conditions; it must be scored as Official Development Assistance (ODA) and capital investment. DFID has paid £50m into the fund in 2008-09, and will spend a further £350m over the next two years.

5.7.7 International Development Association (IDA)

The International Development Association (IDA) is the arm of the World Bank that works in around 80 of the poorest countries. IDA funding provides millions of people with education, healthcare, clean water, access to energy and economic opportunities. In December 2007, donors pledged a record £12.6 billion for the fifteenth replenishment of IDA (IDA 15). The UK pledged £2.134 billion, a 49% increase on our previous contribution.

5.7.8 Other initiatives

The Government may also announce intentions for spending which will in due course be realised through more specific arrangements with partners and delivery agents.

Other indications of future plans are in the new White Paper due to be published in July 2009.

There were no other significant new risks or uncertainties such as potential environmental liabilities or contingent liabilities, during the year or subsequently, that materially affect DFID's future position.

5.8 Future business developments

A new White Paper will be published in July 2009 looking at the challenges facing the world and the global solutions we need to develop together to address the economic downturn, climate change and conflict and security.

Further details of DFID's activities and potential future business developments are contained in the Departmental Report that accompanies these accounts.

5.9 Financial Instruments

The department's overall approach to the management of risk is described in the Statement on Internal Control. The department is funded from Parliamentary Supply with funds provided through Paymaster and therefore has no significant exposure to either liquidity or cash-flow risk. The department's equity interest in CDC Group plc is subject to market performance and currency risk: numerical disclosures and a description of measures taken to manage these risks are in CDC's own financial statements. DFID's ownership interest in International Financial Institutions and part of the loan portfolio are denominated in foreign currencies and subject to currency risk. In line with HMG policy, DFID does not undertake any hedging or derivative transactions to manage this risk. Disclosures required by Financial Reporting Standard (FRS) 29 are included in relevant notes showing the value of financial instruments, and in note 27 to the accounts.

5.10 Payment of Suppliers

On the 8th October 2008 the Prime Minister committed Government organisations to speeding up the payments process, paying suppliers wherever possible within 10 days. Our previous target was to pay suppliers within 30 days of receipt of the goods or services or the presentation of a valid invoice. In the last quarter of 2008-09, DFID paid 68% of invoices within 10 days of receipt of a valid invoice. We are continuing to invest resources in our systems and processes to improve our payment performance, and expect to significantly improve the percentage of invoices paid within 10 days during 2009-10.

One payment in respect of interest was paid during 2008-09 for £994 under the Late Payment of Commercial Debts (Interest) Act 1988.

5.11 Efficiency

Volume 2, Annex C of the Departmental Report describes the efficiency targets set for DFID and progress against these targets.

6. Staffing and related issues

We are committed to recruiting people with the right attributes (skills, knowledge and behaviours) in an efficient and responsive way. All appointments are made on merit on the basis of fair and open competition in accordance with the Civil Service Commissioners' Recruitment Code. DFID is also accredited under the Disability Two Ticks Scheme, which guarantees an interview for applicants with disabilities.

There continues to be clear accountability and strong top management support and leadership for diversity from the Management Board and Diversity Champions. Overall accountability for diversity rests with the Management Board.

Further details of staffing issues are given in Volume 1, Chapter 4 of the Departmental Report.

Details of arrangements for pension provision for employees are given in Note 8 to the Accounts. Pension arrangements for Ministers and senior staff are set out in the Remuneration section of this Report.

Health and safety matters and environmental issues are discussed in Volume 1, Chapter 4 of the Departmental Report.

7. Corporate Governance

7.1 Permanent Head of Department and Management Board

Dr Nemat Shafik, Permanent Secretary and Principal Accounting Officer, is the official Head of Department. She was appointed by the Prime Minister on the recommendation of the Head of the Home Civil Service, with the agreement of the Secretary of State for International Development. Her appointment to DFID is an extendable term appointment under the terms of the Senior Civil Service Contract. Provisions for termination are those in Chapter 11 of the Civil Service Management Code.

DFID currently has a 7-member Management Board:

- Nemat Shafik, chair (appointed to current position in March 2008; appointed to Board in September 2002)
- Mark Lowcock, Director General, Country Programmes (appointed to current position in April 2008; appointed to Board in April 2003)
- Sam Sharpe, Acting Director General, Corporate Performance (appointed to current position March 2009, appointed to Board in April 2008)
- Martin Dinham, Director General, International (appointed to current position in April 2008; appointed to Board in December 2007)
- Andrew Steer, Director General, Policy and Research (appointed to current position in April 2008; appointed to Board in April 2008)
- David MacLeod, Non-Executive Director (appointed to Board in November 2007)
- Doreen Langston, Non-Executive Director and chair of Audit Committee (appointed to Board in January 2008)

In March 2009, Sue Owen left her position as Director General, Corporate Performance.

The Permanent Secretary appoints members to the Management Board. Those who are also civil servants serve under the terms of the Senior Civil Service Contract.

Remuneration of Management Board members is determined in line with the recommendations of the Senior Salaries Review Body. Details of the remuneration of Ministers and the Management Board are given in the Remuneration Report in section 8. Board members are expected to notify and register any existing or potential conflicts of interest with the Board Secretary.

DFID observes the Code of Good Practice on Corporate Governance in Central Departments. The Management Board operates collectively to review the performance of DFID. It has agreed objectives and plans its work on a cycle so that it regularly considers the strategic policies and resource allocation decisions, and management of risk, on which it is advised by the Audit Committee.

Each quarter, the Board receives reports on the performance of the department as a whole and of key operational units against agreed objectives, and of financial budgets and forecasts for the year as a whole.

7.2 Board Committees

During 2007-08 the Board was supported by the following committees: for Audit, Security, Development Policy, Investment, Senior Leadership, and Human Resources. Each of the Committees has agreed terms of reference and is chaired by a member of the Board. The Board receives and reviews annual reports from each Committee about its work.

The Audit Committee is fully independent with a good range of expertise and skills. The Finance Director and Head of Internal Audit Department attend most Audit Committee meetings, but not as members. The Permanent Secretary also attends some meetings, and some members' only meetings are also held. As part of its work, the Committee decides the programme of, and considers reports from, the Internal Audit Department which operates in accordance with Government Internal Audit Standards.

7.3 Review of performance

The Board reviews its performance and those of its sub-committees each year. In 2008/09 the Board continued to focus on communicating the vision, role, direction and priorities of DFID to staff and other stakeholders.

Staff have the opportunity to observe meetings of the Board and its Committees. Country offices are encouraged to view meetings via video facilities; and the Board's annual review of Directors' Performance Frameworks are web cast. Except where confidential, papers considered by the Board, and minutes of meetings, are published on DFID's intranet and on the DFID external web pages.

7.4 Skills and Experience

Members of the Board are appointed to provide an appropriate range of skills and experience. The Board has placed special emphasis on enhancing its finance skills recently. There are currently three qualified accountants on the Board. New members of the Board are appointed through open and transparent procedures. Given the small size of the Board, induction programmes for new members are tailored to individual needs, based on past experience.

DFID considers that the two non-executive members are appropriately independent of the Department. Non-executive Directors are given terms of reference as part of their contract, informed of the processes for performance appraisal and given a full induction programme. The Permanent Secretary has periodic meetings with the Non-Executive Directors.

DFID believes that the Board is adequately configured to deal with financial management issues, including members with skills in the measurement and management of performance and financial resources.

8. Remuneration Report

8.1 Remuneration Policy

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

In reaching its recommendations, the Review Body has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's departmental expenditure limits;
- the Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at **www.ome.uk.com**.

8.2 Service Contracts

Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code. The Code requires appointments to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Andrew Steer is on a three year secondment from the World Bank. He remains on the World Bank terms during the period of the secondment.

Further information about the work of the Civil Service Commissioners can be found at **www.civilservicecommissioners.gov.uk**.

8.3 Salary and pension entitlements (audited)

The following sections provide details of the remuneration and pension interests of the Ministers and senior management of the department.

8.3.1 Remuneration

Ministers	2008-09		2007-08	
	Salary (£)	Benefits in kind (to nearest £100)	Salary (£)	Benefits in kind (to nearest £100)
Douglas Alexander *Secretary of State*	79,175 (includes arrears of salary backdated 1 Nov 07) (78,575 entitled salary)	–	57,678 (76,904 full year equivalent)	–
Gareth Thomas *Minister of State*	36,028*1 (40,646 full year equivalent)	–	30,280	–
Ivan Lewis *Parliamentary Under Secretary of State (from 5 October 2008)*	12,855*2 (30,851 full year equivalent) (30,937 entitled salary)	–	N/A	N/A
Mike Foster *Parliamentary Under Secretary of State (from 5 October 2008)*	12,855*3 (30,851 full year equivalent) (30,937 entitled salary)	–	N/A	N/A
Gillian Merron *Parliamentary Under Secretary of State (until 5 October 2008)*	18,092*4 (30,851 full year equivalent (30,937 entitled salary)	–	5,047 (30,280 full year equivalent)	N/A
Shahid Malik*5 *Parliamentary Under Secretary of State (until 5 October 2008)*	–	–	–	–

*1 joint Minister for Trade with BERR/UKTI from 5 October 2008. BERR are responsible for salary wef 5 October. Recovery is being sought from BERR.
*2 paid by previous department until 31 October 2008. Figure quoted is for the period 1 November 2008 – 31 March 2009.
*3 paid by previous department until 31 October 2008. Figure quoted is for the period 1 November 2008 – 31 March 2009.
*4 paid by DFID up to 31 October 2008, FCO responsible for salary wef 1 November 2008.
*5 no salary paid from the department as this PUSS appointment was above the Ministerial quota.

The above figures show only payments made by the Department and recorded in these accounts.

Permanent Secretary and Director Generals	2008-09 Salary £'000	2008-09 Benefits in kind (to nearest £100)	2007-08 Salary £'000	2007-08 Benefits in kind (to nearest £100)
Nemat (Minouche) Shafik *Permanent Secretary*	200–205 (200–205 full year salary)	8,500	170–175*1 15–20*2 (195–200 full year equivalent)	–
Mark Lowcock Director General	140–145 (125–130 full year basic salary)	–	135–140 (120–125 full year basic salary)	–
Sue Owen Director General (until 30 March 2009)	130–135*3 (115–120 full year basic salary)	–	130–135 (105–110 full year basic salary)	–
Martin Dinham *Director General*	140–145 (125–130 full year basic salary)	–	40–45 (120–125 full year equivalent)	–
Andrew Steer *Director General*	180–185*4	–	N/A	N/A
Sam Sharpe *Acting Director General* *(from 30 March 2009)*	0–5 (105–110 full year equivalent)	–	N/A	N/A

*1 on secondment to DFID, salary was paid directly from the World Bank until 2 March 2008. This amount reflects the reimbursement of these costs from DFID to the World Bank.
*2 salary paid since starting permanent and pensionable appointment on 3 March 2008.
*3 salary paid up to 31 March 2009 in line with inter government transfers.
*4 on secondment to DFID, salary is paid directly from the World Bank. This amount reflects the reimbursement of these costs.

Members of the Management Board directly employed by DFID, with the exception of the Permanent Secretary, were eligible to be considered for a performance related non-consolidated payment. During 2008-09, these equated to an average of approximately 11% of total remuneration (2007-08: 10%).

'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.

During 2008-09, the following fees and taxable expenses were paid to non-executive members of the Board:

- David MacLeod - £9,594
- Doreen Langston - £11,888

This presentation 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.

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. The Permanent Secretary had the private use of an allocated car in the circumstances permitted by the Civil Service Management Code.

8.3.2 Pension Benefits (audited)

Ministers	Accrued pension at age 65 as at 31/3/09	Real increase in pension at age 65	CETV at 31/3/09	CETV at 31/3/08*1	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Douglas Alexander *Secretary of State*	5–10	0–2.5	81	66	6
Gareth Thomas *Minister of State*	0–5	0–2.5	43	34	4
Ivan Lewis *Parliamentary Under Secretary of State (from 5 October 2008)*	5–10	0–2.5	60	57	1
Mike Foster *Parliamentary Under Secretary of State (from 5 October 2008)*	0–5	0–2.5	21	17	2
Gillian Merron *Parliamentary Under Secretary of State (until 5 October 2008)*	0–5	0–2.5	45*3	38	3
Shahid Malik*2 Parliamentary Under Secretary of State (until 5 October 2008)	–	–	–	–	–

*1 The figures quoted 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 No salary paid from the department as this PUSS appointment is above the Ministerial quota, therefore there is no pension disclosure required.

*3 At date of leaving on 5 October 2008

Ministerial pensions

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

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

Benefits for Ministers are payable at the same time as MP's 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. 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. It 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 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.

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 are calculated using common market valuation factors for the start and end of the period.

(Audited)

Permanent Secretary and Director Generals	Accrued pension at age 60 as at 31/3/09 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/3/09 £'000	CETV at 31/3/08*1 £'000	Real increase in CETV £'000
Nemat (Minouche) Shafik Permanent Secretary	5–10	2.5–5	70	5	58
Mark Lowcock Director General	35–40 plus lump sum of 105–110	0–2.5 plus lump sum of 2.5–5	578	512	19
Sue Owen *Director General* *(until 30 March 2009)*	40–45 plus lump sum of 125–130	0–2.5 plus lump sum of 2.5–5	821	739	23
Martin Dinham *Director General*	50–55 plus lump sum of 160–165	2.5–5 plus lump sum of 12.5–15	1,257	1,072	98
Andrew Steer*2 *Director General*	–	–	–	–	–
Sam Sharpe *Acting Director General* *(from 30 March 2009)*	25–30 plus lump sum of 50–55	0–2.5 plus lump sum of 0–2.5	431	431*3	1

*1 The figure quoted 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 on secondment to DFID and not a member of the Civil Service Pension scheme arrangements

*3 At date of promotion to Acting Director General on 30 March 2009

None of the officials named above are members of the partnership pension account.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (classic, premium or classic plus); or a 'whole career' scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with changes in the Retail

Prices Index (RPI). Members who joined from October 2002 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 for 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 his 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 RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

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

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

Further details about the Civil Service pension 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 buying 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 that is 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.

9. Information Assurance

Unlike many other Government Departments, DFID does not manage large quantities of personal or sensitive data. However, when we do need to manage this data, we take our responsibilities very seriously, and have done so for many years. In 2007 we established a new governance structure for information security, assessed and monitored our information risks at Board level, and ensured compliance with relevant guidance and instructions from elsewhere in Government. DFID has had a secure remote working system based on encrypted laptop computers for home workers and travelling staff since 2003.

DFID reported no incidents of the loss of any personal data to the Information Commissioners Office in 2008/09 and the Information Commissioner made no findings against DFID for breach of Data Protection principles.

In March 2008, DFID achieved accreditation to ISO/IEC 27001:2005, the internationally recognised standard for information security management. This was the result of a sustained effort over past years to improve our information security management.

The tables below provide information on specific types of incidents involving protected personal data. Incidents, the disclosure of which would in itself create an unacceptable risk of harm, may be excluded in accordance with the exemptions contained in the Freedom of Information Act 2000 or may be subject to the limitations of other UK information legislation.

Table 1: Summary of protected personal data related incidents formally reported to the information commissioner's office in 2008-09	
No incidents were reported	
Further action on information risk	The Department will continue to monitor and assess its information risks in order to identify and address any weaknesses, and ensure continuous improvement of its systems.

TABLE 2: Summary of other protected personal data related incidents 2008-09
The Department had no incidents deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner's Office, but recorded centrally within the Department.

TABLE 3: Year-on-year total numbers of protected personal data related incidents prior to 2008-09
Between 2004-05 and 2008-09 the Department had no incidents reported to the Information Commissioner, or deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner's Office, but recorded centrally within the Department.

10. Auditors

These accounts are audited by the Comptroller and Auditor General. Through her staff, DFID's Accounting Officer has taken all the steps that she ought to have taken to make herself aware of any relevant audit information and to establish that the auditors are aware of that information. So far as the Accounting Officer is aware, there is no relevant audit information of which the auditors are unaware.

Notional fees charged were £235,000 for the audit of the main account and £46,500 for other audit services.

11. Post Balance Sheet Events

The Department for International Development Resource Accounts' are laid before the Houses of Parliament by HM Treasury. FRS 21 requires DFID to disclose the date on which the accounts are authorised for issue. This is the date on which the accounts are certified by the Comptroller and Auditor General.

Nemat Shafik 2 July 2009
Accounting Officer for the Department for International Development

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Department for International Development 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 Department 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 I am 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;
- prepare the accounts on a going concern basis.

HM Treasury has appointed me, as Permanent Secretary, Principal Accounting Officer for the Department for International Development. 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 department's assets, are set out in the Accounting Officers' Memorandum issued by HM Treasury and published in *Managing Public Money*.

Nemat Shafik
Accounting Officer for the Department for International Development 2 July 2009

Statement on Internal Control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Department for International Development's (DFID) policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

Senior managers take an active lead to support and promote improvements in risk management. Ministers decide on high-level policy risks based on advice from officials. The Secretary of State takes decisions on the Department's overall policy, and key components of policy, on the basis of submissions which usually include an assessment of risk. There are clear lines of delegation covering both policy and expenditure.

DFID's operating environment

The development world and DFID's operating environment is becoming increasingly complex, the global economic downturn increases the challenges DFID faces. DFID's policy agenda has widened and will be subject to further review in the forthcoming White Paper. We need to continue to manage the complex combination of a broadened development policy agenda, a rising aid budget and a reduction in administrative costs. Much of DFID's work is in high risk environments. Staff must be safeguarded, financial controls must take account of weak governance systems in development partner organisations, and the impact of investments on poverty cannot be guaranteed. DFID's systems are designed to provide a consistent level of assurance in the UK and overseas, but often have to use local controls in difficult environments to achieve this. DFID has implemented an organisational change programme (DFID Making it Happen) which highlights the need to work more through others; to focus on Ministerial priorities; to make the best use of our people and money, and to improve our focus on results, our communications and our systems.

The risks to the Department's performance include:

- failure of DFID's stewardship including financial and resource management risks. DFID operates a central system of financial accounting, management and procurement in its offices in the UK and overseas. Each office is expected to comply with UK professional and HM Treasury standards. In this decentralised structure, where each office is responsible for local recruitment and training of administrative staff, management works to ensure that each office has the right mix of financial management skills, that there is a common culture of financial management across the whole organisation and that there are robust measures against corruption and fraud. A major update to DFID's corporate financial systems is nearing completion under the ARIES programme. By automating more financial management functions, this will reduce risks of non-compliance;
- security and staff safety. Government offices and the staff who work in them are sometimes at risk of criminal and terrorist attack and need appropriate protection. Physical environments in which we operate are more challenging than the UK and measures are needed to safeguard health and safety;
- delivery and impact. The process of change in developing countries is complex, and it is not always easy to predict the impact of development interventions. Risks which may affect the delivery of

benefits or reduce the impact of programmes are identified, monitored and, where possible, mitigated;

- efficiency and management improvement. Specific internal projects to improve DFID's efficiency, for instance through the introduction of new IT and transformation of human resource systems, bring risks which require specialist risk management.
- working with partners. There are many different ways to support development, each with their own specific risks. DFID can work with partner governments, multilaterals, civil society and other bilateral donors. We can also procure goods and services ourselves, fund projects, or provide financial resources directly to partners. Some development programmes involve disbursement to partners who manage finances under their own systems of internal control. In some countries DFID's funds are given to the host government directly as Poverty Reduction Budget Support (PRBS) and accounted for through their public financial management systems. There are particular risks associated with this approach and DFID uses specific Fiduciary Risk Assessments (FRAs) and monitoring to ensure control;
- fragile states. In some countries, such as Afghanistan and Iraq, a combination of the above risk areas makes control especially difficult. Such environments are often subject to rapid and unpredictable change, conflict or post conflict reconstruction, and limited local governance. DFID's control systems must be robust enough to cope with operations in these circumstances.

The purpose of the system of internal control

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 departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in DFID 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.

Capacity to handle risk

I chair the DFID Management Board which has overall responsibility for leading on risk management for both strategic level risks and key delivery risks. The Board has adopted a risk management policy and ensures that staff throughout DFID have the skills and resources necessary to manage risks appropriate to their level of authority and duties.

Risk management is integrated at all levels:

- at the corporate level, the Management Board takes direct responsibility for strategic and key delivery risks. The Board maintains a Corporate Risk Register (CRR) to record high-level risks and the mitigation actions being taken to address those risks. Divisional Directors manage risk in their divisions. Divisional Performance Frameworks were presented to the Management Board by Directors for the Autumn performance report and during April 2009 and incorporate risk analysis and management similar to the CRR.

- at country level, risk assessment is part of the country planning process; typically based on three year plans which are reviewed annually. Scenario and contingency planning is now mandatory for all new Country Plans. All country plans are quality assured by a cross Divisional Country Planning Review Committee. A business plan is also required where the annual aid framework for a country is £20m or more. This sets out the key delivery challenges and explains how those challenges will be proactively addressed by the country team;
- risk is assessed during planning and design of programmes and projects, and reviewed at least annually during implementation. Programme managers are responsible for risk management and receive training, guidance and technical support from Finance and Performance Division;
- Internal Audit Department undertakes financial audits throughout DFID and leads on the implementation of anti-fraud policies;
- Policy and guidance on Poverty Reduction Budget Support were updated and published in January 2008. Fiduciary Risk Assessments (FRAs) are mandatory in all cases where financial aid is being considered. A rigorous system of external scrutiny to ensure quality control of FRAs is in place. Systems are in place to manage the independence of the external scrutiny process.

DFID maintains web-enabled guidance on mandatory rules and procedures in the Essential Guide to Rules and Tools (The Blue Book) complemented by further examples, information and "How to" notes in the Best Practice Guide. The Blue Book covers a range of corporate activities including project cycle management from identification and design to implementation, monitoring and evaluation. The rules and procedures are continuously reviewed and updated and are used at all levels of management. For example, during 2008/09 DFID enhanced the logframe approach for project management to ensure more robust project information is collected at the outset to enable better quantification of results and improved evaluation.

A primary responsibility of DFID's country offices is the regular monitoring of all projects and programmes. The offices overseas enable DFID to maintain close and regular contact with programme implementers, and to review progress on the ground. DFID's mandatory system of internal project monitoring incorporates learning from experience and identifying good practice. The system is further enhanced by country level studies by Evaluation Department which review long term impact and performance against objectives and are based on DAC evaluation criteria. Both monitoring and evaluation lead to updates in the Blue Book and Best Practice Guide to allow on-line dissemination of best practice to all staff.

The work of the Evaluation Department is scrutinised by an independent panel of experts, the Independent Advisory Committee on Development Effectiveness.

The risk and control framework

High level controls include a formal corporate governance and internal control system detailing the aims and principles through which DFID conducts its business. This includes procedures and manuals setting out operational and financial procedures and delegated authorities, codes and standards expected of staff, an anti-fraud strategy and response plan including a whistle blowing policy to enable staff and the public to report concerns over any aspect of DFID's business.

DFID's control framework is set by the Management Board under advice from the Audit Committee, Internal Audit Department and Finance and Performance Division. Specifically, the Board has established:

- a clear policy framework within which risks are identified, managed and regularly reviewed;
- guidance to staff, partners and the public on DFID's attitude to risk, with specific identification of very low risk appetite areas such as staff security, fraud and corruption;
- clear prioritisation of risks and mitigation measures;
- guidance and training to staff on assessing, managing and monitoring risks;
- internal auditing and controls to ensure compliance with policies and procedures;
- regular horizon scanning to identify potential changes in DFID's operating environment and opportunities to expand influence.

Management and control systems are established according to the type of risk.

- Financial and resource management risks.

An Audit Committee, comprising five non-executive members including the Chair who sits on the Management Board, leads on ensuring that DFID is a financially sound organisation. The Committee is constituted according to Treasury Handbook best practice, is fully independent and draws on a good range of skills and expertise.

Financial controls, including procurement systems, are regularly reviewed and audited by Internal Audit Department, and their Counter Fraud Unit investigates and makes recommendations on all fraud allegations.

Financial controls are currently being strengthened by the implementation of ARIES. ARIES provides an integrated solution that replaces procurement, financial, statistical and programme management systems. In particular, ARIES has introduced enhanced controls over the procurement cycle, programme management controls have been embedded and delegated authorities have been automated and strengthened. Increases to DFID's internal financial delegations have recently been approved by Ministers. ARIES control systems have been subject to both NAO and IAD review during the year. Recommended improvements are currently being considered by DFID.

DFID also commissioned a review of financial management against the CIPFA model which assesses organisations against best practice in public sector financial management. Actions to address findings are being implemented through the Making it Happen Money programme.

- Security and staff safety.

DFID's highest priority is keeping its people safe. All UK and overseas offices have security plans which are reviewed and updated regularly. A Security Committee has been set up and meets regularly to monitor security incidents that affect staff. The Security Committee systematically tracks threats, risks, incidents and overseas security reviews quarterly. Contingency plans have been drawn up for offices overseas and in the UK for threats to the security and effectiveness of our staff and key systems overseas and where possible to maintain continuity of operations. In-country, DFID takes FCO guidance on the risks that its staff faces.

In relation to Information Assurance and personal data security, in March 2008 DFID achieved accreditation to ISO/IEC 27001:2005, the internationally recognised standard for information security management. DFID complies with the mandatory minimum measures for data handling in Government. DFID has a Senior Information Risk Owner who reports to the Management Board on information risk, and monitors those risks at least quarterly through the Information Security Management Group. There were no incidents of the loss of any personal data to report to the Information Commissioners Office in 2008/09.

- Delivery and impact.

An Investment Committee was formed in March 2008. Its role is to ensure that DFID investments represent good value for money for UK taxpayers and that clear systems exist to take strategic financial decisions on the basis of evidence.

All programmes with a commitment value over £1 million are assessed for risk and monitored at least annually. The assessment considers both immediate risks as well as longer term risks which could affect the sustainability of benefits. The introduction of the ARIES reporting system is being used to enable the recording and analysis of further detail in risk assessments and information on trends. Directors use the system to track the portfolio of programmes under their delegated authority.

- Efficiency and management improvement.

Major internal projects such as ARIES are subject to special scrutiny. Development and procurement infrastructure and IT systems comply with standard Government procedures that require full risk assessment and risk management processes. All new internal capital projects and programmes, and significant changes to existing projects and programmes, are authorised through formal processes by the Capital Portfolio Board, with decisions based on business cases. Programme and project management disciplines are observed, including appointing a Senior Responsible Owner, who reports to a Project Board overseeing such new developments.

In addition, DFID has established a "Using Numbers" initiative which promotes the use of quantification in DFID's decision making. DFID has introduced new guidance on economic appraisals, agreed a set of standard indicators to be used when assessing all bilateral projects and developed its logframe approach to strengthen the links between appraisals and monitoring frameworks.

- Working with partners: using DFID's management systems.

DFID works with partner governments, multilaterals, civil society and other bilateral donors. Where DFID procures goods and services directly we have strong procurement capacity and appropriate strategies to ensure best procurement practice. In June 2008 the Office of Government Commerce published the report of a Procurement Capability Review of DFID. Implementation of the agreed Action plan has progressed during 2008/09 and we are on target to complete implementation during 2009/10. All projects and programmes are subject to our own risk and control framework. Where we engage with multilaterals and civil society the reporting, monitoring and auditing are subject to scrutiny as set out in the Blue Book.

- Working with partners: using partner government systems.

Poverty Reduction Budget Support (PRBS) can be a highly effective form of aid, but involves particular risks where local financial management systems are weak. We have established systems for assessing and monitoring fiduciary risk in relation to PRBS. Before providing PRBS, we work with partner governments and other donors to undertake thorough fiduciary risk assessments, and to ensure that there is a credible programme of reform to address identified weaknesses in public financial management (PFM). We ensure that these programmes of reform have adequate support. In many cases, DFID supports PFM reform directly in countries where we provide budget support. PFM reform programmes typically include support to the audit function.

Each year, country offices providing PRBS carry out systematic reviews of both fiduciary risk and progress on strengthening local systems. These assessments inform the risk reporting of the responsible Directors. We recognise that sometimes it can take several years before PFM reforms result in strengthened systems and reduced risk. Where weaknesses in the assurance available through national systems persist, we carry out supplementary monitoring procedures, including public expenditure monitoring by DFID and other development partners, but we recognise there is scope for further improvement in this area. We will continue to report separately to Parliament and others through the Department's Annual Report on the wider impact and effectiveness of PRBS, as well as on fiduciary and public financial management issues.

- Fragile states.

DFID has developed and implemented guidance on scenario and contingency planning in fragile states. Following recent external reports on Operating in Insecure Environments a new series of Briefing Notes on working effectively in these environments will be published during 2009-10. The briefing papers will include guidance on: analysing the context in order to inform DFID programming choices; identifying, building and using the existing capacity within the insecure environment to inform partner choice and improving joint working; and risk management.

- Arms Length Bodies.

DFID has 100% ownership of CDC Group plc and 40% ownership of Actis LLP, the terms of these arm's length relationships are set out in frameworks covering governance and accountability, investment policy (for CDC), decision making and reporting. National Audit Office (NAO) published a Value For Money study on DFID's oversight of CDC Group plc in December 2008. DFID will implement the agreed recommendations to enhance the assurance DFID gets from CDC. These include strengthening business planning, investment policies and providing periodic updates on risk to DFID.

Review of effectiveness

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

The effectiveness of the system of internal control was maintained and reviewed through:

- the Management Board which met regularly to consider strategic direction and performance against objectives. The Board receives Quarterly Management Reports on performance and approves and advises Ministers on the recommendations of the annual internal resource allocation exercise;

- a network of sub-Committees to support the main Board whose Terms of Reference, workplans and performance are reviewed by the Board on an annual basis to complement on-going dialogue throughout the year;
- an Audit Committee, a fully independent committee of five non executive members, provides assurance to me by monitoring and reviewing the risk, control and governance systems in the organisation, and the associated assurance processes. The Committee provides oversight and guidance, where necessary, on the work of Finance and Performance Division. It also reviews the work programme of Internal Audit Department, discusses external audit strategies, and provides an interface between DFID and the National Audit Office;
- Internal Audit Department (IAD) who provide an independent and objective opinion on the adequacy of systems of risk management, control and governance, by measuring and evaluating their effectiveness in achieving DFID's objectives. In addition, IAD's findings and recommendations are beneficial to line management in the audited areas;
- a specialist counter fraud unit within the Internal Audit Department;
- all Directors providing me with an annual statement covering identification and management of risk and an assurance on compliance with management and control systems. These statements include key performance data, an outline of action planned to remedy shortfalls in performance and an assessment of performance for each topic. Directors' assurance statements are informed by departmental systems on management of performance and by in-year monitoring of these systems including sample testing;
- the work of the external auditor in forming an opinion on the financial statements and in reporting the results of value for money examinations relating to DFID's activities.

I am satisfied with the overall control environment that has been in place in DFID for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts; that any weaknesses have been properly assessed; and that appropriate action has been taken to address them.

The operating environment for DFID will remain in many cases a challenging one. However, we will continue to attach high priority to identifying and managing the risks we face in the best way possible

Nemat Shafik 2 July 2009
Accounting Officer for the Department for International Development

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 Department for International Development 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 Cash Flow Statement and the Statement of Net Operating Costs by Departmental Strategic Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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, the information which comprises the management commentary, included in the Annual 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 certificate 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 opinions

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

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 cash flows 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 which comprises the management commentary included within the Annual Report, is consistent with the financial statements.

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
National Audit Office
151 Buckingham Palace Road
Victoria
London SWIW 9SS

8 July 2009

Statement of Parliamentary Supply

Summary of Resource Outturn 2008-09

								2008-09 £000	2007-08 £000
		Estimate			Outturn			Net total outturn compared with Estimate saving/ (excess)	Outturn
Request for Resources	Note	Gross expenditure	A in A	Net Total	Gross expenditure	A in A	Net Total		Net total
Eliminating Poverty in Poorer Countries	2	5,198,946	10,000	5,188,946	5,170,614	8,013	5,162,601	26,345	4,506,148
Conflict Prevention	2	44,400	60	44,340	41,782	(10)	41,792	2,548	42,672
Total Resources	3	5,243,346	10,060	5,233,286	5,212,396	8,003	5,204,393	28,893	4,548,820
Non-operating cost A in A		–	20,000	20,000	-	20,000	20,000	-	25,360

Net cash requirement 2008-09

				2008-09 £000	2007-08 £000
	Note	Estimate	Outturn	Net total outturn compared with Estimate saving/ (excess)	Outturn
Net Cash Requirement	4	4,816,664	4,413,453	403,211	4,174,970

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 in italics).

		Forecast 2008-09		Outturn 2008-09	
		Income	*Receipts*	Income	*Receipts*
	Note	£000	£000	£000	£000
Total	5	–	–	(10,946)	*(2,335)*

Variances of Estimate against Outturn by objective are given in Note 2 and explanations of significant variances are provided in the Management Commentary within the Annual Report.

The Notes on pages 37 to 68 form part of these accounts.

Operating Cost Statement

For the year ended 31 March 2009

	Note	Staff costs	Other costs	2008-09 £000 Income	2007-08 £000
Administration Costs					
Eliminating Poverty in Poorer Countries					
Staff Costs	8	78,661			102,507
Other admin costs	9		87,793		123,067
Operating income	11			(6,086)	(5,241)
Conflict Prevention					
Staff Costs	8	1,421			1,220
Other admin costs	9		1,834		1,684
Operating income	11			(60)	–
Programme Costs					
Eliminating Poverty in Poorer Countries					
Staff Costs	8	36,310			3,975
Programme Costs	10		4,967,851		4,283,625
Income	11			(4,263)	(4,287)
Conflict Prevention					
Staff Costs	8	30			38
Programme Costs	10		38,497		39,730
Income	11			70	(67)
Totals		**116,422**	**5,095,975**	(10,339)	
Net Operating Cost	**3(a)**			**5,202,058**	**4,546,251**

All expenditure and income relates to DFID core department.
All income and expenditure are derived from continuing operations.
There were no material acquisitions or disposals in the year.

Statement of Recognised Gains and Losses

for the year ended 31 March 2009

	2008-09 £000	2007-08 £000
Net gain on revaluation of fixed asset investments	802,064	402,427
Gain on revaluation of tangible fixed assets	274	331
Gain/(Loss) on revaluation of tangible fixed assets	152	(18)
Loss on restatement of loans at amortised cost	(43,017)	–
Total recognised gains and losses for the financial year	**759,473**	**402,740**

Balance Sheet

as at 31 March 2009

	Note	31-Mar-2009 £000	31-Mar-2009 £000	Restated 31-Mar-2008 £000
Fixed Assets				
Tangible Assets	12	113,975		113,008
Intangible Assets	13	614		1,105
Financial Assets	14	4,125,643		3,322,561
			4,240,232	**3,436,674**
Debtors falling due after more than one year	15		**188,224**	**174,989**
Current Assets				
Debtors and Prepayments	16(a)	122,429		159,077
Cash at Bank and in hand	17	243,175		(17,377)
		365,604		**141,700**
Creditors (amounts falling due within one year)	18(a)	(1,887,288)		(1,231,247)
Net Current Liabilities			**(1,521,684)**	**(1,089,547)**
Total Assets less Current Liabilities			**2,906,772**	**2,522,116**
Creditors (amounts falling due after one year)	18(a)	(36,818)		(36,747)
Provisions for Liabilities and Charges	20	(514,667)		(336,863)
			(551,485)	**(373,610)**
			2,355,287	**2,148,506**
Taxpayers Equity				
General Fund	21		375,241	970,674
Revaluation reserve	22		1,980,046	1,177,832
			2,355,287	**2,148,506**

Balances at 31 March 2008 have been restated to account for loan debtors restated at amortised cost (note 15), and promissory note creditors restated as being due within one year (note 18).

Nemat Shafik

Accounting Officer for the Department for International Development 2 July 2009

Cash Flow Statement

For the year ended 31 March 2009

	Note	2008-09 £000	2007-08 £000
Net cash outflow from operating activities	23(a)	(4,389,993)	(4,163,864)
Capital expenditure and financial investment	23(b)	(12,514)	(8,537)
Payment of amounts due to the Consolidated Fund		(1,646)	(14,669)
Financing	23(d)	4,664,705	4,162,826
Increase / (Decrease) in cash in the period	17	260,552	(24,244)

Statement of Net Operating Costs by Departmental Strategic Objectives

For the year ended 31 March 2009

DSO		2008-09				Total
		£000	£000	£000	£000	
		4. Global Partnership	5. Donor effectiveness	6. Bilateral assistance	7. Organisation effectiveness	
	Programme costs					
1	Promote development	412,588	1,866,638	2,021,011	-	4,300,237
2	Climate change	56,703	50,257	28,228	-	135,188
3	Conflict & humanitarian	469	245,963	356,638	-	603,070
		469,760	2,162,858	2,405,877	-	5,038,495
	Administration costs					
7	Organisation effectiveness	27,680	16,709	45,818	73,356	163,563
	Total	**497,440**	**2,179,567**	**2,451,695**	**73,356**	**5,202,058**

DFID's Aim is to Eliminate Poverty in Poorer Countries through achievement of the Millennium Development Goals. Within this, the objectives have changed in 2008-09 to reflect the Departmental Strategic Objectives (DSOs) agreed as part of the Comprehensive Spending Review 2007. The structure of DFID's objectives is such that DSOs 1 to 3 are about what DFID spends its money on; DSOs 4 to 6 are about the channels through which we make our expenditure; and DSO 7 covers administrative functions. Some administrative expenditure falls under DSO 7 only. The DSOs replace the Public Service Agreement objectives that were in place until 2007-08. It is not possible to restate the 2007-08 figures on the new DSO basis. Figures for 2008-09 and 2007-08 on the old basis are shown in note 24.

DFID's Departmental Strategic Objectives are:
1. Promote good governance, economic growth, trade and access to basic services;
2. Promote climate change mitigation and adaptation measures and ensure environmental sustainability;
3. Respond effectively to conflict and humanitarian crises and support peace in order to reduce poverty;
4. Develop a global partnership for development (beyond aid);
5. Make all bilateral and multilateral donors more effective;
6. Deliver high quality and effective bilateral development assistance;
7. Improve the efficiency and effectiveness of the organisation.

Expenditure has been directly allocated to DSOs where there is a relationship between the expenditure and the achievement of a specific objective. Users of these accounts should be aware that demonstrating the exact areas on which aid is being spent is not a simple and exact exercise and a certain amount of judgement is involved. Increasingly projects are multi-dimensional and address interrelated policy areas. In addition more innovative types of aid instruments are being introduced. Together these make attributing expenditure to specific objectives difficult.

Core contributions to multilateral agencies such as the International Development Association, regional development banks and UN agencies, have been allocated to DSO 5, and then allocated across DSOs 1 to 3 based on the sector allocations reported by the multilateral agencies to the Development Assistance Committee (DAC) of the OECD. These allocations are based on the most recently available figures, which cover the calendar year 2007.

Numbers of staff employed by objective are shown in Note 8.

Capital Employed by objective is shown in Note 24.

Notes to the Financial Statements

1. Statement of Accounting Policies

The financial statements have been prepared in accordance with the 2008-09 Financial Reporting Manual (FReM), available at www.financial-reporting.gov.uk. The FReM is the technical accounting guide that complements guidance on the handling of public funds published separately by the relevant authorities. The Manual is prepared following consultation with the Financial Reporting Advisory Board and is issued by HM Treasury. The 2008-09 FReM is based on UK Generally Accepted Accounting Principles (GAAP).

The particular accounting policies adopted by DFID are described below. 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 DFID by reference to their current costs, and the revaluation of financial instruments in accordance with Financial Reporting Standards (FRS) 25 and 26.

1.2 Coverage of Accounts

These accounts cover the activities of DFID only. DFID is the sponsor department for CDC Group plc (CDC), a self-financing Public Corporation and Actis LLP, a fund management partnership. CDC and Actis results are not consolidated in these accounts since under FReM rules Public Corporations are outside the departmental resource accounting boundary. DFID's ownership interest is recognised in fixed asset investments.

In line with FReM rules on activities charged direct to the Consolidated Fund, the primary statements in these accounts do not include amounts attributed to DFID for the purpose of public expenditure control to reflect spending on development activities by the European Community from the EC budget. The EC also supports development activities through the extra-budgetary European Development Funds (EDF). UK contributions to EDF are included in programme expenditure in the Operating Cost Statement.

1.3 Value Added Tax (VAT)

Expenditure is shown net of VAT where output tax is charged or input tax is recoverable. Amounts owed to or by HM Revenue & Customs for VAT at the balance sheet date are included in creditors and debtors. Irrecoverable VAT is included in amounts shown in the relevant expenditure category or included in the capitalised purchase cost of fixed assets.

1.4 Foreign Exchange

Transactions in foreign currencies are accounted for at the sterling equivalent at the exchange rate for the date of each transaction. Realised gains and losses on transactions, including discharge of creditors where the obligation is expressed in foreign currency, are charged or credited to operating costs. Fixed asset investments and other balance sheet items where the underlying value is expressed in foreign currencies are re-translated into sterling at the exchange rates for the balance sheet date. Changes in value arising from exchange rate movements are dealt with as part of other changes in value (Note 1.7).

1.5 Fixed Assets

Title to freehold land and buildings is held in the name of, or on behalf of, the Secretary of State for International Development. Land and buildings are shown at current cost based on professional valuations carried out at not more than five year intervals.

Refurbishments to freehold and leasehold properties are capitalised at the actual costs incurred. Other tangible fixed assets are recognised in the accounts where they are used for general administration and acquired from administrative or programme capital funds. Asset costs include salaries and expenses of departmental staff arising directly from the development, construction and acquisition of the asset. Tangible fixed assets do not include items purchased from programme expenditure on behalf of overseas governments and others with the intention that ownership will in due course be transferred to them.

Fixed assets are capitalised above a threshold of £1,000 for individual assets. Items of office and domestic furniture and IT equipment and systems, some of which may individually cost less than £1,000, are capitalised on a grouped basis. IT systems in development (and other assets under construction) are capitalised on the basis of actual costs incurred during the period until the work is completed and the asset is available for use and reclassified accordingly.

Fixed assets are valued at current replacement cost.

1.6 Depreciation

Freehold land is not depreciated. Depreciation is provided on other tangible fixed assets on a straight line basis over the remaining useful lives of the assets. Depreciation on improvements to leaseholds and systems under development is provided from the point at which these come into use. The useful lives for main asset categories are as follows:

Office accommodation (freeholds)	30 years
Domestic property (freeholds)	20 years
Improvements to freeholds	15 years
Improvements to leaseholds	Over the remaining term of the lease
Motor vehicles	5 years
Office and domestic furniture and equipment	Mainly at 5 and 10 years
IT equipment	1 to 3 years
IT systems	Over individually assessed estimated useful lives

1.7 Investments

Investments include the United Kingdom interest in certain International Financial Institutions (IFIs). Shares in these bodies are not traded securities. In accordance with UK accounting standards on financial instruments, these have been designated as 'available for sale' financial assets, as they cannot be classified under the other three categories of financial instruments specified in FRS 26. There is no intention to sell these investments.

These investments are recognised and subsequently measured at fair value. Given that DFID has no intention of withdrawing from membership of these organisations, fair value has been assessed as the amount that DFID would receive if the institutions ceased to operate. For all IFIs, this would be DFID's share of the net assets of the IFI based on shareholdings at the time of dissolution. This assumes that the net assets shown on the balance sheet of each IFI represents the best estimate of the net realisable value.

Increases in the value of investments, including those arising from retranslation to sterling of underlying values of investments which account in foreign currencies or from market movements, are taken to revaluation reserve. Reductions in value are taken to revaluation reserve to the extent that value is no lower than that at which assets were taken into the balance sheet, or to the extent that the reduction below this cost is judged to be of a temporary nature which will be recovered in the medium term. Permanent impairments below this cost are charged to the operating cost statement.

In accordance with the FReM, investments in public corporations falling outside the resource accounting boundary are recognised at cost less any impairment.

1.8 Intangible Assets

Software licences are valued at purchase cost or replacement cost if materially different. Depreciation is provided on a straight line basis over the life of the licence.

1.9 Long Term Loans

In accordance with UK accounting standards on financial instruments, these have been classified as 'loans and receivables', and are therefore valued at amortised cost based on expected future cash flows, net of provisions. These provisions include amounts which the UK has formally agreed will not be repaid under a programme to convert loans to grants. Loan balances at 1 April 2008 have been restated at amortised cost. The effect of this restatement has been taken to reserves. Repayments forecast to be made within one year are included in debtors.

1.10 Stocks

DFID does not hold material levels of stock items. Purchases of stock items such as stationery and office supplies are charged to the operating cost statement when acquired.

1.11 Cash: Third Party Monies

Cash balances in the primary statements exclude amounts held for third parties as custodian or trustee but in which neither DFID nor Government more generally has a direct beneficial interest. Amounts held at the balance sheet date are disclosed by way of note.

1.12 Provisions

Provisions are made where at the balance sheet date DFID has present obligations from past events to make future transfers of economic benefit and reasonable estimates of the value of the obligations can be made.

Where the time value of money is material, provisions are stated at discounted amounts.

1.13 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with FRS12 the department discloses for parliamentary reporting and accountability purposes certain contingent liabilities where the likelihood of a transfer of economic benefit is remote. These comprise:

(a) items over £100,000 (or lower, where required by specific statute) that do not arise in the normal course of business and which are reported to Parliament by departmental Minute prior to the Department entering into the arrangement;

(b) all items (whether or not they arise in the normal course of business) over £100,000 (or lower, where required by specific statute or where material in the context of resource accounts) which are required by the *FReM* to be noted in the resource accounts.

Where the time value of money is material, contingent liabilities which 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.

1.14 Administration and Programme Expenditure

The operating cost statement illustrates administration and programme costs. Administration costs are those which fall within the administration cost control regime, together with associated operating income. Income is analysed between that which, under the regime, is allowed to be offset against gross administrative costs in determining the outturn against the administrative cost limit and other operating income.

Programme costs reflect payments of grants and other disbursements by the department and certain staff costs where they relate directly to service delivery. Costs of overseas frontline staff previously classified as administration costs have been reclassified as programme costs in 2008-09.

1.15 Research and development

Expenditure by DFID from programme budgets in support of research and development is charged to the operating cost statement in the period in which it is incurred.

1.16 Leases

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

1.17 Capital charge

Operating costs include a charge for the cost of capital utilised by the department. The charge is calculated at the government's standard rate of 3.5 per cent on all assets less liabilities except for assets and liabilities for amounts due from or due to be surrendered to the Consolidated Fund and cash balances, where the charge is at a nil rate, and investments in public corporations where the charge is at a percentage rate agreed with the Treasury applied to net assets of the corporation.

1.18 Grants payable

Grants payable which are provided to support a particular activity or expenditure are recognised in the period in which the activity or expenditure occurs provided eligibility criteria have been met and a reasonable estimate of the amount can be made. Criteria vary with the terms and conditions of individual grant agreements.

Grants made to governments or international organisations where UK contributions are pooled with others and cannot therefore be matched directly with particular activities or expenditures are recognised in the period when agreed conditions for payment have been met.

In certain cases, grant contributions to international organisations are made in the form of promissory notes. The full amount of the promissory note is recognised as an expense in the period in which the note is deposited. Amounts not drawn down in cash from promissory notes at the balance sheet date are included in creditors.

1.19 Pensions

Most past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is a multi-employer defined benefit scheme and is un-funded. Liability to pay future benefits is a charge on the PCSPS rather than DFID; in accordance with FRS17, contributions by DFID are accounted for as for a defined contribution scheme. The expected cost of providing pensions is recognised on a systematic and rational basis over the period which benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Details of rates and amounts of contributions during the year are given in Note 8.

1.20 Early Departure Costs

DFID is responsible for the additional cost of benefits up to normal retirement age for employees who retire early. These costs are provided in full as an expense in the operating cost statement (within programme costs) when early retirements have been agreed and arrangements are binding. Liability for future payments is shown under provisions.

1.21 Financial assets and liabilities

Financial assets and liabilities are recognised when the Department becomes party to the contracts that give rise to them. The Department determines the classification of financial assets and liabilities at initial recognition in line with the categories designated by FRS 26 as appropriate. They are derecognised when the right to receive cash flows has expired or the Department has transferred substantially all the risks and rewards of ownership or control of the asset. It is, and has been, the Department's policy that no trading in financial instruments is undertaken.

1.22 Impairment of financial assets

The Department assesses at each balance sheet date whether there is objective evidence that financial assets are impaired as a result of events that occurred after the initial recognition of the asset and prior to the balance sheet date. If such events have had an impact on the estimated future cash flows of the financial instrument they are impaired. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar risk characteristics, taking into account the type of instrument and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the terms of the asset being evaluated.

The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. Future cash flows for a group of financial instruments that are collectively evaluated for impairment are estimated on the basis of expected cash flows for the assets and historical loss experience for assets with credit risk characteristics similar to those in the group.

2. Analysis of Net Resource Outturn by section

								2008-09 £000	2007-08 £000
						Outturn		Estimate	
	Admin	Other current	Grants	Gross resource Expenditure	A in A	Net total	Net Total	Net Total outturn compared with Estimate	Prior year outturn
Eliminating Poverty in Poorer Countries (DEL)									
A: Sub–Saharan Africa	22,324	221,034	1,099,595	1,342,953	(393)	1,342,560	1,308,249	(34,311)	1,241,576
B: Asia	8,611	120,931	616,944	746,486	(604)	745,882	697,286	(48,596)	800,926
C: Rest of the World	15,139	75,989	306,428	397,556	(124)	397,432	416,086	18,654	231,668
D: Multilateral Aid effectiveness	15,734	56,233	1,692,092	1,764,059	(377)	1,763,682	1,796,542	32,860	1,715,331
E: Innovative Approaches to Development	19,827	170,057	93,641	283,525	(224)	283,301	311,272	27,971	204,699
F: Central Departments	84,819	28,579	132,239	245,637	(6,291)	239,346	257,040	17,694	74,719
G: Environmental Transformation Fund	-	-	50,000	50,000	-	50,000	50,000	-	-
Multiple Objectives	-	-	-	-	-	-	-	-	*136,018*
Gibraltar Social Insurance Fund	-	-	-	-	-	-	-	-	*15,315*
Spending in Annually Managed Expenditure (AME)									
H: Multiple objectives	-	150,484	-	150,484	-	150,484	161,291	10,807	117,621
I: Grants to IFFIm	-	189,914	-	189,914	-	189,914	191,180	1,266	(38,725)
Central Departments	-	-	-	-	-	-	-	-	*7,000*
Total RfR1	**166,454**	**1,013,221**	**3,990,939**	**5,170,614**	**(8,013)**	**5,162,601**	**5,188,946**	**26,345**	**4,506,148**
Conflict Prevention (DEL)									
A: Conflict Prevention and Stabilisation	3,255	10,618	27,909	41,782	10	41,792	44,340	2,548	42,672
Total RfR 2	**3,255**	**10,618**	**27,909**	**41,782**	**10**	**41,792**	**44,340**	**2,548**	**42,672**
Total RfR 1&2	**169,709**	**1,023,839**	**4,018,848**	**5,212,396**	**(8,003)**	**5,204,393**	**5,233,286**	**28,893**	**4,548,820**

An explanation of variances between between Estimate and Outturn are included in the Management Commentary.

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

3(a) Reconciliation of net resource outturn to net operating cost

		2008-09 £000			2007-08 £000
	Note	Outturn	Supply Estimate	Outturn compared with Estimate	Outturn
Net Resource outturn	2	5,204,393	5,233,286	(28,893)	4,548,820
Operating income not treated as Resource A in A	5	(2,335)	-	(2,335)	(2,502)
Excess Operating A-in-A	5	-	-	-	(67)
Net Operating Cost		5,202,058	5,233,286	(31,228)	4,546,251

A reconciliation between Resource Outturn shown in these accounts and Resource Budget is included in table 3 in the Management Commentary within the Annual Report.

3(b) Outturn against final Administration Budget

	2008-09 £000		Restated 2007-08 £000
	Budget	Outturn	Outturn
Gross Administration Budget	168,010	168,875	155,953
Income allowable against the Administration Budget	(5,060)	(6,146)	(5,241)
Net Outturn against the final Administration Budget	162,950	162,729	150,712

Outturn for 2007-08 has been restated to reflect the reclassification of costs of overseas frontline staff from administration to programme expenses. The effect of this is to reduce outturn against the administration budget by £64,329,000 in 2007-08. This is in accordance with guidance from HM Treasury, which requires that prior year Budget outturns are restated to reflect changes in budget classifications. Estimates and Accounts are not required to be restated.

4. Reconciliation of resources to cash requirement

	Note	Estimate	Outturn	Net total Outturn compared with Estimate saving/ (excess)
		£000	£000	£000
Resource Outturn		5,233,286	5,204,393	28,893
Capital				
Acquisition of fixed assets:	12 & 13	28,000	19,430	8,570
Additions to loans and investments	14 & 15	-	-	-
Non-operating A in A				
Loan Repayments		(20,000)	(19,777)	(223)
Proceeds of fixed asset disposals		-	(223)	223
Accruals adjustments				
• Cost of Capital charges	9 & 10	(233,014)	(203,563)	(29,451)
• Depreciation	9	(22,000)	(16,682)	(5,318)
• Other non-cash items		(277)	23,418	(23,695)
• New provisions	20	(196,180)	(208,027)	11,847
• Use of provisions	20	26,849	30,223	(3,374)
• Other changes in working capital	19	-	(415,668)	415,668
Changes in creditors falling due after more than one year	18(a)	-	(71)	71
Net cash requirement		4,816,664	4,413,453	403,211

An explanation of variances between Estimate and Outturn is included in the Management Commentary.

5. Analysis of income and receipts payable to the Consolidated Fund

		Forecast 2008-09		Outturn 2008-09	
		Income	*Receipts*	Income	*Receipts*
	Note	£000	£000	£000	£000
Operating income – excess A in A	6	–	–	–	–
Other operating income not classified as A in A		–	–	(2,335)	*(2,335)*
Subtotal		–	–	(2,335)	*(2,335)*
Non-operating income – excess A in A	7	–	–	(8,611)	–
Other non-operating income not A in A		–	–	–	–
		–	–	(8,611)	–
Other amounts collectable on behalf of the Consolidated Fund		–	–	–	–
Total income payable to the Consolidated Fund		**–**	**–**	**(10,946)**	***(2,335)***

Actual receipts surrenderable to the consolidated fund were £2,335,446.80.

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

		2008-09	2007-08
	Note	£000	£000
RfR1 – Eliminating poverty in poorer countries			
Total operating income in Operating Cost Statement	11	(10,349)	(9,528)
Less operating income not classified as A in A		2,335	2,502
Operating income classified as A in A		(8,014)	(7,026)
Income authorised to be Appropriated in Aid		10,060	10,061
Operating income – excess A in A (excess of income over amount authorised)		–	–
Add operating income not classified as A in A		(2,335)	(2,502)
Total operating income payable to the Consolidated Fund		(2,335)	(2,502)
RfR2 – Conflict Prevention			
Operating income	11	10	(67)
Income authorised to be Appropriated in Aid		–	–
Operating income payable to the Consolidated Fund		–	(67)
Total operating income payable to the Consolidated Fund		(2,335)	(2,569)

7. Non-operating income – Excess A-in-A

	Note	2008-09 £000	2007-08 £000
Principal repayments of voted loans	15	(28,388)	(25,121)
Proceeds on disposal of fixed assets		(223)	(239)
Income authorised to be appropriated in aid		20,000	40,343
Non-operating income payable to the Consolidated Fund		(8,611)	–

8. Staff numbers and related costs

Staff costs comprise					2008-09	2007-08
	Total	Permanently employed staff	Others	Ministers	Special Advisers	Total
	£000	£000	£000	£000	£000	£000
Wages and salaries	99,046	90,829	7,960	159	98	91,634
Social security costs	4,488	4,463	–	14	11	4,525
Other pension costs	14,107	14,091	–	–	16	14,004
Gross Total*	**117,641**	**109,383**	**7,960**	**173**	**125**	**110,163**
Less recoveries in respect of outward secondments	(1,264)	(1,264)	–	–	–	(510)
Total net costs	**116,377**	**108,119**	**7,960**	**173**	**125**	**109,653**

*Analysis of gross total	2008-09	2007-08
RfR1 Administration[1]	78,661	102,507
RfR2 Administration	1,421	1,220
RfR1 Programme[1]	36,310	3,975
RfR2 Programme	30	38
Capital	1,219	2,423
	117,641	**110,163**

[1] The costs of overseas frontline staff were reclassified during 2008-09 from administration to programme costs. The effect of this in 2008-09 has been to move £32,389,000 of gross staff costs that would have been treated as administration costs under the previous method of classification to programme costs.

Pensions for most UK home civil servants are provided through the Principal Civil Service Pension Scheme (PCSPS). The PCSPS is an unfunded multi-employer defined benefit scheme. DFID is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary (Hewitt Bacon Woodrow) valued the scheme as 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, employers' contributions of £13,961,146 were payable to the PCSPS (2007-08 £13,877,275) at one of four rates in the range 17.1% to 25.5% per cent of pensionable pay, based on salary bands (the rates in 2007-08 were between 17.1% and 25.5%). The Scheme Actuary reviews employer contributions 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.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £136,123 (2007-08 £118,719) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £9,762 (2007-08 £8,016), 0.8 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the balance sheet date were £nil. Contributions prepaid at that date were £nil.

Two individuals retired early on ill-health grounds (2007-08: 3 individuals); the total additional accrued pension liabilities in the year amounted to £2,316 (2007-08: £5,689).

8. Staff numbers and related costs (continued)

Average number of persons employed during the year

					2008-09	2007-08
Departmental Strategic Objective	**Total**	**Permanent staff**	**Others**	**Ministers**	**Special Advisers**	**Total**
DSO 4 – Develop a global partnership for development (beyond aid)	217	211	6	–	–	234
DSO 5 – make all bilateral and multilateral donors more effective;	236	228	8	–	–	207
DSO 6 – deliver high quality and effective bilateral development assistance	1,289	1,283	6	–	–	1,421
DSO 7 – and improve the efficiency and effectiveness of the organisation.	642	628	8	4	2	681
Total Request for Resources 1	**2,384**	**2,350**	**28**	**4**	**2**	**2,543**
Request for Resources 2: Conflict Prevention	16	15	1	–	–	20
Total	**2,400**	**2,365**	**29**	**4**	**2**	**2,563**

Due to the structure of DFID's DSOs, it is not possible to allocate staff numbers across all seven objectives. Staff numbers have therefore been allocated across DSOs 4 to 7 only.

9. Other and total Administration Costs

		2008-09		2007-08
	£000	£000	£000	£000
Eliminating Poverty in Poorer Countries (RfR1)				
Operating leases rentals	13,988		13,421	
Charges under finance leases	8,250		8,165	
Hire of plant and machinery	42		41	
		22,280		21,627
Other current expenditure		47,439		106,625
Non Cash items				
Depreciation: Tangible Fixed Assets	16,146		12,112	
Depreciation: Intangible Fixed Assets	536		475	
Impairment/ Revaluation of Fixed Assets	1,640		7,321	
Audit fees – resource account *	235		235	
Audit fees – other *	46		26	
Cost of capital charge (*includes civil estate*)*	1,333		1,609	
Movement in provisions	(2,696)		(28,159)	
		17,240		(6,381)
Loss on disposal of fixed assets		834		1,196
Other Administration Costs (RfR1)		**87,793**		**123,067**
Administration income (Note 11)		(6,086)		(5,241)
Staff Costs (Note 8)		78,661		102,507
Net Administration Costs (RfR1)		**160,368**		**220,333**
Conflict Prevention (RfR2)				
Staff Costs (Note 8)	1,421		1,220	
Other Admin Costs	1,834		1,684	
RfR2 administration income (Note 11)	(60)		–	
Net Administration Costs (RfR2)		**3,195**		**2,904**
Net Total Administration Cost		**163,563**		**223,237**

* Notional expense taken to General Fund. Cost of capital charge is calculated using the standard rate of 3.5%.
The large reduction in administration costs shown above reflects the reclassification of costs for overseas frontline staff from administration to programme. Restating the 2007-08 figures on the same basis would give administration costs of £158,908,000.

10. Programme Costs

	2008-09		2007-08	
	£000	£000	£000	£000
Eliminating Poverty in Poorer Countries (RfR1)				
Staff Costs (note 8)	36,310		3,975	
Grants and current expenditure	3,756,198		3,485,286	
Contributions to international financial institutions:				
promissory notes	867,124		743,304	
Loan management charges	-		412	
		4,659,632		4,232,977
Non Cash items				
Cost of capital charge*	202,230		162,858	
Movements in provisions	180,500		(72,493)	
		382,730		90,365
Loss /(Gain) on foreign exchange	(38,201)		(35,742)	
		(38,201)		(35,742)
Total: Eliminating Poverty in Poorer Countries (RfR1)		5,004,161		4,287,600
Conflict Prevention (RfR2)				
Staff costs (note 8)	30		38	
Other Expenditure	38,497		39,730	
Total: Conflict Prevention (RfR2)		38,527		39,768
Total Gross expenditure		5,042,688		4,327,368
Programme income (Note 11)		(4,193)		(4,354)
Total Net Programme Costs		**5,038,495**		**4,323,014**

* Notional expense taken to General Fund. Cost of capital charge is calculated using the standard rate of 3.5%, except for the investment in CDC which is calculated using a rate of 6%. See note 14 for further details.

The increase in programme costs partly reflects a reclassification of costs for overseas frontline staff from administration to programme costs. Restating the 2007-08 figures on the same basis would give programme costs of £4,387,343,000.

11. Income

			2008-09 £000	2007-08 £000
	RfR1	RfR2	Total	Total
Administrative Income				
Rents from non-Government bodies	(4,677)	–	(4,677)	(4,562)
Other	(1,165)	(60)	(1,225)	(623)
Other operating income not classified as A in A	(15)	–	(15)	–
Recovery of salary – EBRD Director	(229)	–	(229)	(56)
Sub total	**(6,086)**	**(60)**	**(6,146)**	**(5,241)**
Programme Income				
Non-capital appropriations in aid	(103)	70	(33)	(290)
Other operating income not classified as A in A	(2,320)	–	(2,320)	(2,502)
Loan Interest	(1,840)	–	(1,840)	(1,562)
Sub total	**(4,263)**	**70**	**(4,193)**	**(4,354)**
Total	**(10,349)**	**10**	**(10,339)**	**(9,595)**

12. Tangible Fixed Assets

	Freehold Land and buildings	Leasehold related assets	Vehicles	Furniture and equipment	IT equipment and systems	Assets being constructed	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
At 1 April 2008	**15,369**	**57,722**	**6,480**	**16,498**	**36,558**	**30,922**	**163,549**
Additions	1,004	2,533	1,073	1,555	8,195	5,025	19,385
Impairment / Revaluation	-	-	302	466	(2,218)	-	(1,450)
Brought into use / reclassifications	3,520	(5)	-	8	20,083	(23,606)	-
Disposals	-	(475)	(551)	(1,785)	(587)	(221)	(3,619)
At 31 March 2009	**19,893**	**59,775**	**7,304**	**16,742**	**62,031**	**12,120**	**177,865**
Depreciation							
At 1 April 2008	(962)	(13,117)	(3,905)	(6,586)	(25,971)	-	(50,541)
Charged in year	(840)	(3,586)	(1,130)	(1,741)	(8,849)	-	(16,146)
Depreciation on revaluation	-	-	(150)	(192)	577	-	235
Reclassifications	-	4	-	(4)	-	-	-
Disposals	-	171	543	1,301	547	-	2,562
At 31 March 2009	**(1,802)**	**(16,528)**	**(4,642)**	**(7,222)**	**(33,696)**	**-**	**(63,890)**
Net Book Value at 31 March 2009	**18,091**	**43,247**	**2,662**	**9,520**	**28,335**	**12,120**	**113,975**
At 31 March 2008	**14,407**	**44,605**	**2,575**	**9,912**	**10,587**	**30,922**	**113,008**
Additions (accruals basis)							19,385
Movement in Capital creditor							(1,518)
As shown in Cash flow							17,867

The department's freehold property in East Kilbride was valued at 31 March 2006 by GVA Grimley LLP International Property Advisers using RICS guidelines and reported a revised existing use valuation of £9,250,000 (land £1,575,000, buildings £7,675,000). There has been no material change in value since 31 March 2006, and the valuation has therefore not been updated to 31 March 2009.

Overseas properties were valued at 31 March 2007 by Pam Golding Properties, for our Zimbabwe properties, and by SFS Property Consultants, for our Malawi properties.

Included in leasehold related assets is a property held under a finance lease. This property was valued at 31 March 2008 by DTZ Debenham Tie Leung Limited using RICS guidelines.

13. Intangible Assets

	2008-09 £000
Cost	
At 1 April 2008	1,569
Additions	45
Disposals	–
At 31 March 2009	**1,614**
Depreciation	
At 1 April 2008	(464)
Charged in year	(536)
Disposals	–
At 31 March 2009	**(1,000)**
Net book value at 31 March 2009	**614**
Net book value at 31 March 2008	**1,105**

14. Financial Assets – Investments

	International Financial Institutions £000	CDC Group Plc £000	Actis LLP £000	Total £000
At 1 April 2008	**2,556,866**	**765,036**	**659**	**3,322,561**
Additions	–	–	–	–
Revaluations	802,064	–	1,018	**803,082**
At 31 March 2009	**3,358,930**	**765,036**	**1,677**	**4,125,643**

Subsidiaries and associates: key data

	2008 £m's	2007 £m's
CDC Group plc		
Portfolio return (before tax)	(425.2)	629.2
Total return after tax	(359.0)	672.0
Total net assets (valuation basis)	2,327.8	2,686.8
Actis LLP	**$bn's**	**$bn's**
Funds under management	5.2	3.9
	$m's	**$m's**
Profit / (loss) for the financial year available for division among Members	10.4	(1.4)
Total net assets	7.0	3.3

14. Financial Assets – Investments (continued)

All investments in IFIs are classified as 'available for sale' financial assets, as they do not meet the criteria for the other categories of financial assets specified in FRS25. There is currently no intention to sell any of these investments.

CDC Group plc prepare their financial statements in accordance with International Financial Reporting Standards (IFRS). As specified in the Government Financial Reporting Manual, investments in CDC and Actis are valued at historical cost less any impairments. Impairments are assessed by comparing the historic cost to DFID's share of net assets, with any impairment being taken to the operating cost statement.

Programme operating costs include capital charges of £150,438,000 which represents 6.0% of CDC annual average assets of £2,507,300,000 (2007-08 £117,540,000 @ 5.0 per cent) and £45,851 which represents 3.5% of DFID's 40 per cent share of Actis annual average assets of £1,310,041 (2007-08 £81,288 @ 3.5%). There were no dividend or interest payments (2007-08 £nil).

International financial institutions

Investments in International Financial Institutions (IFIs) are valued at fair value. There is no market in these investments – all shareholders are sovereign states. Fair value has been assessed as DFID's share of the net assets of the IFI, based on the number of shares subscribed by DFID. The Articles of Agreement of all the IFIs specify that this is the value that DFID would receive on the dissolution of the IFI.

All investments in IFIs are denominated in a currency other then sterling. DFID is therefore exposed to currency risk if the value of these currencies was to fall against sterling. DFID is also exposed to market risk, as the value of each investment is dependent upon the net assets of the IFI.

Base currencies of investments in International Financial Institutions are shown below. $(US) figures include those bodies for which US$ are used as the working equivalent for units of account formally expressed in Special Drawing Rights (SDR). Revaluations for IFIs include £760 million (net) of unrealised gains (2007-08: gain of £110 million) arising from changes in exchange rates.

	2008-09		2007-08	
	Currency '000	£000	Currency '000	£000
International Bank for Reconstruction and Development	$1,832,682	1,278,556	$1,761,136	886,110
International Finance Corporation	$934,233	651,760	$723,032	363,792
European Bank for Reconstruction and Development	€ 1,011,205	936,648	€ 1,193,996	951,619
Asian Development Bank	$311,192	217,100	$290,514	146,171
Inter-American Development Bank	$187,246	130,631	$195,999	98,616
African Development Bank (in Units of Account)	78,292	75,094	79,380	65,648
Caribbean Development Bank	$55,435	38,674	$48,399	24,352
Multilateral Investment Guarantee Agency	$43,672	30,467	$40,859	20,558
		3,358,930		2,556,866

15. Debtors: amounts due after more than one year – Loans

	Bilateral and multilateral loans £000	Other loans £000	Total £000
Gross Value less provisions for debt relief and non-payment			
At 1 April 2008	247,421	15,996	263,417
Adjustment for restatement at amortised cost[1]	(44,754)	1,737	(43,017)
Restated balance at 1 April 2008	**202,667**	**17,733**	**220,400**
Additions	-	-	-
Repaid	(32,565)	(1,590)	(34,155)
(Increase)/ Decrease in provision	357	-	357
Utilisation of Provision	3,379	-	3,379
Written off	(3,440)	-	(3,440)
Foreign exchange gain/(loss)	39,179	-	39,179
Unwinding of discount	(7,319)	(520)	(7,839)
At 31 March 2009	**202,258**	**15,623**	**217,881**
Due within one year	26,590	3,067	29,657
Total: Debtors falling due after more than 12 months*	**175,668**	**12,556**	**188,224**
At 31 March 2008 (after restatement at amortised cost)	**174,989**	**-**	**174,989**
** of which*			
falling due after 1 year less than 2 years	25,381	1,807	27,188
falling due after 2 years less than 3 years	24,225	1,486	25,711
falling due after 3 years less than 4 years	23,050	1,504	24,554
falling due after 4 years less than 5 years	21,987	1,533	23,520
falling due after 5 years	81,025	6,226	87,251
	175,668	**12,556**	**188,224**

1 UK accounting standards on financial instruments have been adopted for the first time in 2008-09. Loan balances have been restated at amortised cost. The effect of this restatement has been taken to the general fund, and is included in the statement of recognised gains and losses.

Additions included above	–	–	–
Rescheduling of loans	–	–	–
Included in cash flow statement – Note 23(b)	**–**	**–**	**–**
Repayments included above	(32,565)	(1,590)	(34,155)
Management charges deducted from repayments – included in expenditure	5,767	-	5,767
Repayments included in non-operating income - Note 7	(26,798)	(1,590)	(28,388)
Principal repayments accrued 2008-09	23,213	-	23,213
Principal repayments accrued 2007-08	-	-	-
Included in cash flow statement – Note 23(b)	(3,585)	(1,590)	(5,175)

16. Debtors: Amounts Falling Due Within One Year

16(a) Analysis by type

	2008-09 £000	2007-08 Restated £000
Loans repayable within one year[1]	29,657	45,411
Deposits and advances	9,758	22,731
Prepayments and accrued income*	83,014	73,448
Amounts due from the Consolidated Fund in respect of supply	–	17,470
Other amounts due from Consolidated Fund	–	17
Total	**122,429**	**159,077**
Decrease in working capital debtors (excluding loans and Consolidated Fund)	(3,407)	(13,375)

1 UK accounting standards on financial instruments have been adopted for the first time in 2008-09. Loan balances for 2007-08 have been restated at amortised cost. The effect of this restatement has been taken to the general fund, and is included in the statement of recognised gains and losses.

* Of which £23,212,869 relates to principal repayments on loans accrued (2007-08: £nil)

16(b) Intra-Government balances

	Amounts falling due within one year £000		Amounts falling due after more than one year £000	
	2008-09	2007-08 Restated	2008-09	2007-08 Restated
Balances with other central government bodies	1,669	20,104	–	–
Balances with local authorities	–	–	–	–
Balances with NHS Trusts	–	–	–	–
Balances with public corporations and trading funds	–	–	–	–
Subtotal: intra-government balances	1,669	20,104	–	–
Balances with bodies external to government	120,760	138,973	188,224	174,989
Total debtors at 31 March	**122,429**	**159,077**	**188,224**	**174,989**

17. Cash at Bank and in Hand

	2008-09 £000	2007-08 £000
Balance at 1 April 2008	(17,377)	6,867
Net Cash inflow/(outflow)	260,552	(24,244)
Balance at 31 March 2009	**243,175**	**(17,377)**
Balances at 31 March 2009 were held at:		
HM Paymaster General	236,897	(23,358)
Imprest accounts	6,278	5,981
Total	**243,175**	**(17,377)**
Analysis of Balances at 31 March		
Consolidated Fund creditor/(debtor) for Supply	233,782	(17,470)
Due to the Consolidated Fund Other Receipts	782	26
Due to the Consolidated Fund Excess A-in-A	8,611	67
Total	**243,175**	**(17,377)**
	£	**£**
Other CFER		
Held at 1 April	25,250	410,225
Arising during the year	2,335,447	2,501,599
Paid over during the year	(1,578,681)	(2,886,574)
Held at 31 March	**782,016**	**25,250**

Cash balances at Paymaster in 2008-09 and 2007-08 were held in sterling. No interest is earned on cash balances held at Paymaster. Imprest balances are held in a variety of local currencies, none individually greater than £1,426,681. Interest is earned on imprest balances, but is not a material amount - total interest earned on bank balances was £48,891 during 2008-09.

At 31 March 2009, in addition to the amounts shown above, the Department held £10,142,523 of cash provided by other development agencies as part of jointly funded programmes (2007-08: £7,320,874).

18. Creditors

18(a) Analysis by type

		2008-09		2007-08 Restated
	£000	£000	£000	£000
Amounts Falling Due Within One Year				
Taxation	1,073		264	
Social Security	687		1,489	
Other creditors	16,152		1,575	
Accruals and deferred income	210,759		129,108	
Current part of finance leases	8,179		7,789	
		236,850		140,225
Promissory Notes: due on demand		1,404,262		1,087,928
Consolidated Fund creditor:				
Supply issued and not used	233,782		-	
Other amounts received – to be paid over	782		26	
Other amounts – to be paid over	3,001		3,001	
Excess Appropriations in Aid	8,611		67	
		246,176		3,094
Total due within one year		**1,887,288**		**1,231,247**
Increase in working capital creditor (excludes Promissory Notes and Consolidated Fund)		96,625		13,855
Amounts Falling Due After More Than One Year				
Finance leases		36,818		36,747
Total due after more than one year		**36,818**		**36,747**

Creditors have been restated to show all promissory note balances as due within one year. See section on promissory notes below for further details.

Consolidated Fund creditor in respect of supply		2008-09		2007-08
		£000		£000
2008-09 Supply drawn down		(4,647,235)		(4,157,500)
"Deemed" supply (retained from 2007-08)		-		-
		(4,647,235)		**(4,157,500)**
Net Cash required		4,413,453		4,174,970
Supply debtor / (creditor)		**(233,782)**		**17,470**
Actual supply (creditor) / debtor		(£233,781,995.03)		£17,469,662.86

18. Creditors (continued)

Promissory note creditor: Movement during the year	£000	£000
Balance at 1 April 2008		(1,087,928)
Charge to operating costs in 2008-09 – new deposits (Note 10)	(867,124)	
Increase in subscriptions to International Financial Institutions (Note 14)	-	
Cash drawn down against notes previously issued	551,557	
Foreign Exchange gains/(losses)	(767)	
		(316,334)
Balance at 31 March 2009		**(1,404,262)**

Promissory note creditors have been classified as financial liabilities measured at amortised cost. They have been shown as due within one year, as they are legally payable on demand, so the maturity profile in the balance sheet, and in note 27, shows the earliest date at which they could be payable. 2007-08 balances have been restated on the same basis.

Promissory note creditor: analysis by institution at 31 March 2009	Capital £000	Resource £000
European Bank for Reconstruction and Development	2,663	
Other capital	1,500	
International Development Association		835,453
African Development Fund		288,310
Global Environment Fund		32,166
Asian Development Fund		79,720
Global Fund to fight Aids, TB and Malaria		80,000
Environmental Transformation Fund		50,000
Other (CDB, IFAD, UNFCC, LDCF)		34,452
Total	**4,163**	**1,400,100**

DFID, being a central government department financed from the Consolidated Fund, does not face any significant liquidity risk on these liabilities. There are no material balances denominated in foreign currencies, so currency risk on these liabilities is not significant. Note 27 gives further details on these risks.

18(b) Intra-Government balances

	Amounts falling due within one year £000		Amounts falling due after more than one year £000	
	2008-09	2007-08 Restated	2008-09	2007-08 Restated
Balances with other central government bodies	(254,810)	(13,480)	-	-
Balances with local authorities	-	-	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
Subtotal: intra-government balances	**(254,810)**	**(13,480)**	-	-
Balances with bodies external to government	(1,632,478)	(1,217,767)	(36,818)	(36,747)
Total creditors at 31 March	**(1,887,288)**	**(1,231,247)**	**(36,818)**	**(36,747)**

19. Movements in Working Capital Other Than Cash

	2008–09 £000	2007–08 Restated £000
Decrease in debtors	3,407	13,375
Increase in creditors	96,625	13,855
Movement in working capital	100,032	27,230
Movement in debtors for accrued income to be surrendered to the Consolidated Fund	-	-
Net increase included in working capital movement in Resource Outturn	**100,032**	**27,230**
Movement in working capital as above	100,032	27,230
Movement in creditor due within one year for capital purchases not included in cash flows	(1,449)	37,269
Net increase in working capital other than cash	**98,583**	**64,499**
Capital accruals	1,518	(522)
Movement in accrued interest	-	(4)
Promissory note deposits	867,124	743,304
Promissory notes drawn down	(551,557)	(470,311)
Adjustment for change in PN creditors falling due after more than one year	-	-
Other changes in working capital	**415,668**	**336,966**

20. Provisions For Liabilities and Charges

	IFFIm £000	ATP Agreements £000	Early Retirement Costs £000	Other £000	Total £000
Balance at 1 April 2008	**280,377**	**19,436**	**8,297**	**28,753**	**336,863**
Arising during year	202,984	192	2,476	2,375	208,027
Release of provision	-	–	–	–	–
Use of provision	(16,849)	(4,655)	(3,648)	(5,071)	(30,223)
Balance at 31 March 2009	**466,512**	**14,973**	**7,125**	**26,057**	**514,667**

Provision for the International Finance Facility for Immunisations (IFFIm) represents the net present value of committed payments to cover the UK share of currently issued bonds. IFFIm is an international development financing institution that is supported by sovereign donors. IFFIm will borrow operating funds in the international capital markets over the 10 years from 2006-07 backed by these pledges. The UK has pledged a total of £1,380m through to 2026, representing 43% of the total amounts pledged at 31 March 2009. Four bond issues have now been made, giving a total liability including interest of £1,456m. The UK is therefore liable for £466.51m in net present value terms at 31 March 2009 (after deducting payments made), which will be covered by payment obligations through to 2016.

Provisions for ATP agreements represent sums which DFID is committed to pay to the Export Credit Guarantees Department (ECGD) for interest make-up and insurance premiums under former mixed credit agreements (Aid and Trade Provision) projects. The ATP scheme is effectively closed and will not significantly affect the amount of the provision.

Provisions for early retirement represent the full estimated cost of payments to be made by DFID to early retirees up to the normal retirement age. The timing of calls on the provision can be forecast with reasonable accuracy. The amount provided is uncertain only to the extent that adjustments may need to be made for up-rating of benefits and for unexpected changes in the number of beneficiaries. Amounts provided are likely to be used within at most 10 years.

20. Provisions for Liabilities and Charges (continued)

Other provisions represent:

(a) sums for rents payable by the University of Greenwich for property occupied by a former Executive Agency of the Department, when the work of the Agency was taken over by the University. The main lease by the Department is treated as a finance lease. The rent received is lower than the finance charges incurred by the Department under the main lease. The provision covers the shortfall of rents receivable against finance charges payable over the main lease period to 2014.

(c) certain non-statutory pension obligations (most pension obligations for which DFID is responsible are included in the separate overseas superannuation account).

(d) estimated liabilities at the 31st March of overseas offices in respect of terminal benefit payments to staff appointed in country.

(e) redundancy liabilities for redundancies agreed at 31st March.

21. General Fund

		2008–09
	£000	£000
General fund at 1 April 2008		**1,013,691**
Adjustment for Financial Instruments accounting standards adoption (note 15)		(43,017)
Restated balance at 1 April 2008		970,674
Net operating costs for the year		**(5,202,058)**
Net parliamentary funding	4,647,235	
Supply Reissued	–	
Debtor for Supply	(233,782)	
Financing provided		**4,413,453**
Notional costs within operating costs		203,842
Realised element of revaluation reserve		276
Operating income payable to Consolidated Fund		(2,335)
Excess A-in-A payable to the Consolidated Fund		(8,611)
Net increase/(decrease) in General Fund		**(595,433)**
General fund at 31 March 2009		**375,241**

22. Revaluation Reserve

	2008–09
	£000
Reserve at 1 April 2008	**1,177,832**
Gain/(Loss) on revaluation – International Financial Institutions	802,064
Gain/(Loss) on revaluation – Land & Buildings	-
Gain/(Loss) on revaluation – Furniture and Equipment	274
Gain/(Loss) on revaluation – Vehicles	152
Realised element to General Fund	(276)
Balance at 31 March 2009	**1,980,046**

23. Notes to the Consolidated Cash Flow statement

23(a) Reconciliation of operating cost to operating cash flows

	2008–09 £000	2007–08 £000
Net Operating Cost	**(5,202,058)**	**(4,546,251)**
Adjustments for non-cash charges	1,272,049	885,236
(Increase)/Decrease in Debtors	20,893	1,231
Movement in debtors for items not passing through the OCS	5,726	12,140
Increase/(Decrease) in creditors	339,778	38,502
Movement in creditors for items not passing through the OCS	(243,083)	12,100
Working capital movement: capital items	(1,518)	(43,267)
Use of provisions	(30,223)	(53,244)
Draw down of promissory notes	(551,557)	(470,311)
Net cash outflow from operating activities	**(4,389,993)**	**(4,163,864)**

23(b) Analysis of capital expenditure and financial investment

	2008–09 £000	2007–08 £000
Intangible fixed-asset additions	(45)	–
Tangible fixed-asset additions	(17,867)	(26,762)
Proceeds of disposal of fixed assets	223	239
Additions to investments	-	(794)
Additions to Loans	-	(6,341)
Repayment of loans to other bodies	5,175	25,121
Net cash inflow/(outflow) from investing activities	**(12,514)**	**(8,537)**

23(c) Analysis of Capital Expenditure, Financial Investments and Associated A-in-A

	2008–09			
	Fixed assets £000	**Investments & Loans £000**	**A in A £000**	**Net total £000**
Administration	17,912	–	–	17,912
Programme: Long term loans	–	–	(5,175)	(5,175)
Programme: Investments	–	–	–	–
Programme: Investments non cash	–	–	–	–
Programme: CDC	–	–	–	–
Other Receipts	–	–	(223)	(223)
Total	**17,912**	**–**	**(5,398)**	**12,514**
Accrued principal repayments			(23,213)	
Total non operating income			(28,611)	
Excess A in A to be surrendered to the Consolidated Fund			8,611	
Non Operating A in A (Note 4)			(20,000)	

23(d) Analysis of financing, and reconciliation to the net cash requirement

	2008–09 £000	2007–08 £000
From the Consolidated Fund (Supply) – Current Year	4,647,235	4,157,500
From the Consolidated Fund (Supply) – Prior Year	17,470	5,326
	4,664,705	4,162,826

23(e) Reconciliation of Net Cash Requirement to increase/(decrease) in cash

	2008–09 £000	2007–08 £000
Net cash requirement	(4,413,453)	(4,174,970)
From the Consolidated Fund (Supply)	4,664,705	4,162,826
Amounts due to the Consolidated Fund – received in a prior year and paid over	(93)	(12,193)
Amounts due to the Consolidated Fund received and not paid over	782	26
Amounts due to the Consolidated Fund – Excess A-in-A	8,611	67
Increase /(decrease) in cash	**260,552**	**(24,245)**

24. Notes to the Statement of Operating Costs by Departmental Strategic Objectives

24(a) Operating Costs by previous year Departmental Aim and Objectives

			2008-09			2007–08
Aim	**Gross**	**Income**	**Net**	**Gross**	**Income**	**Net**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
1. Africa	1,342,953	(393)	1,342,560	1,260,180	(234)	1,259,946
2. Asia	746,486	(604)	745,882	801,046	(120)	800,926
3. Europe, Central Asia and elsewhere	397,556	(124)	397,432	256,512	(610)	255,902
4. Impact of multilateral agencies	2,154,457	(377)	2,154,080	1,809,569	(26)	1,809,543
5. Evidence based policy	283,525	(224)	283,301	204,731	(33)	204,698
6. Other and unclassifiable	287,420	(8,617)	278,803	223,808	(8,572)	215,236
TOTAL	**5,212,397**	**(10,339)**	**5,202,058**	**4,555,846**	**(9,595)**	**4,546,251**

DFID's Aim remains to Eliminate Poverty in Poorer Countries through achievement of the Millennium Development Goals.

Until 2007-08, within this it had the following objectives:

1. Reduce poverty in sub Saharan Africa (includes target shared for conflict reduction shared with FCO and MOD).
2. Reduce poverty in Asia.
3. Reduce poverty in Europe, Central Asia, Latin America, the Caribbean, the Middle East and North Africa.
4. Increase the impact of key multilateral agencies in reducing poverty and effective response to conflict and humanitarian crises (includes target for debt relief shared with HM Treasury and target for reduction in trade barriers shared with FCO and DTI).
5. Develop evidence-based, innovative approaches to international development.

24(b) Capital Employed by Departmental Strategic Objectives at 31 March 2009

Aim	2008–09 £000
4. Global partnership	2,394,783
5. Donor effectiveness	25,694
6. Bilateral assistance	(110,385)
7. Organisation effectiveness	45,195
TOTAL	**2,355,287**

Capital employed has been directly allocated to objectives where there is a clear relationship between the capital employed and the departmental objective. Where this has not been possible, capital employed has been allocated in proportion to gross expenditure. It is not possible to restate the 2007-08 figures on the new DSO basis. Figures for 2008-09 and 2007-08 on the old basis are shown below.

24(c) Capital Employed by Departmental Aims and Objectives at 31 March 2009, based on objectives during 2007-08

Aim	2008–09 £000	2007–08 £000
1. Africa	24,935	(9,888)
2. Asia	29,861	(9,453)
3. Europe, Central Asia and elsewhere	7,381	(3,701)
4. Impact of multilateral agencies	2,465,241	2,146,724
5. Evidence based policy	5,748	(1,326)
6. Other and unclassifiable	(177,879)	26,150
TOTAL	**2,355,287**	**2,148,506**

25. Capital Commitments

	2008–09 £000	2007–08 £000
Contracted capital commitments at 31 March 2009 for which no provision has been made	304	2,621

26. Commitments Under Leases

26(a) Operating Leases

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

	2008–09 £000	2007–08 £000
Obligations under operating leases comprise:		
Expiry within 1 year	2,217	2,694
Expiry after 1 year but not more than 5 years	7,630	4,680
Expiry thereafter	13,547	13,388
Total	**23,394**	**20,762**

26(b) Finance Leases

	2008–09 £000	2007–08 £000
Obligations under finance leases comprise:		
Rentals due within 1 year	8,179	7,789
Due within one to two years	8,588	8,179
Due within two to three years	9,017	8,588
Due withn three to four years	9,468	9,017
Due within four to five years	9,941	9,467
Due after five years	47,156	57,097
	92,349	**100,137**
Less interest element	**(47,352)**	**(55,601)**
	44,997	**44,536**

27. Financial Instruments

Derivative Financial Instruments

DFID does not have any derivative financial instruments.

Interest rate exposure	Fixed rate	Floating rate	No interest	Total	Fixed rate weighted average interest rate
	£000	£000	£000	£000	%
2008-09 Financial Assets: Cash					
Sterling	-	2,961	236,897	239,858	-
US dollars	-	2,277	-	2,277	-
Euro	-	1	-	1	-
Other currencies	-	1,039	-	1,039	-
Total	**-**	**6,278**	**236,897**	**243,175**	**-**
2008-09 Financial Assets: Loans and receivables					
Sterling	9,922	14,881	14,469	39,272	7.14%
US dollars	-	-	-	-	-
Euro	-	-	201,822	201,822	-
Other currencies	-	-	-	-	-
Total	**9,922**	**14,881**	**216,291**	**241,094**	**7.14%**
2008-09 Financial Assets: Available for sale					
Sterling	-	-	-	-	-
US dollars	-	-	2,347,188	2,347,188	-
Euro	-	-	936,648	936,648	-
Other currencies	-	-	75,094	75,094	-
Total	**-**	**-**	**3,358,930**	**3,358,930**	**-**
2008-09 Financial liabilities: promissory notes at amortised cost					
Sterling	-	-	1,400,099	1,400,099	-
US dollars	-	-	1,500	1,500	-
Euro	-	-	2,663	2,663	-
Other currencies	-	-	-	-	-
Total	**-**	**-**	**1,404,262**	**1,404,262**	**-**
2008-09 Financial liabilities: other payables at amortised cost					
Sterling	-	-	519,844	519,844	-
Other currencies	-	-	-	-	-
Total	**-**	**-**	**519,844**	**519,844**	**-**

27. Financial Instruments (continued)

Currency exposures

The table below shows the Department's currency exposures that give rise to exchange rate gains and losses that are recognised in the income statement. Such exposures comprise those monetary assets and liabilities that are not denominated in the Department's functional currency of sterling.

	2008-09
	£000
US dollars	777
Euro	199,160
Other currencies	1,039
Total	**200,976**

The table below shows the functional currency of the Department's investments classed as available for sale

	2008-09
	£000
Sterling	-
US dollars	2,347,188
Euros	936,648
Unit of Account (African Development Bank)	75,094
Total	**3,358,930**

Liquidity risk

The following tables show the maturity profile of the Company's financial assets and liabilities other than cash and equity investments:

2008-09 Financial assets: maturity profile	**£000**
Due on demand	-
Due within one year, but not on demand	52,870
Due within one to two years	27,188
Due within two to three years	25,711
Due withn three to four years	24,554
Due within four to five years	23,520
Due after five years	87,251
Total	**241,094**

2008-09 Financial liabilities: maturity profile	**£000**
Due on demand	1,404,262
Due within one year, but not on demand	483,026
Due within one to two years	8,588
Due within two to three years	9,017
Due withn three to four years	9,468
Due within four to five years	9,941
Due after five years	47,156
Less interest element of finance lease	(47,352)
Total	**1,924,106**

27. Financial Instruments (continued)

	Note	£000
Credit risk		
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at 31 March 2009 was:		
Fair value financial assets	14	3,358,930
Loans and receivables		241,094
Cash and cash equivalents	17	243,175
Total		**3,843,199**
The Department's ageing analysis at 31 March 2009 was as follows:		
		Net loans and receivables £000
Not past due		217,881
Past due not provided against		23,213
Total		**241,094**
The movement in provisions against loans and receivables was as follows:		
Balance at 1 April 2008		(108,688)
Reversal / (increase) in provision		357
Utilisation of provision		3,379
Balance at 31 March 2009		**(104,952)**

Bilateral loans, and loans formerly managed by Actis, are made directly with sovereign states; multilateral loans are made with sovereign states through multilateral bodies such as the European Investment Bank. Assessments of credit risk are based on default history, political risks, and the potential future granting of debt relief. Any amounts past due are fully provided against.

No financial assets were renegotiated during the year.

Credit risk on the Department's cash balances held at HM Paymaster General is considered to be very low. Imprest balances are held with various institutions, all of which are major global banks with high credit ratings.

Market risk

Interest rate risk

The Department's interest rate risk arises primarily from loans made at a floating rate, and cash balances held overseas. Neither of these represent a significant source of income for the Department - total income from such sources in 2008-09 amounted to £1.1m. A 0.75% change in interest rates, with all other variables held constant, would have a 0.002% (£0.1m) impact on net operating costs.

Foreign currency risk

The Department's largest exposure in terms of net assets is to the US dollar. On the balance sheet, exchange gains on investments are taken to the revaluation reserve. Exchange losses are also charged to the revaluation reserve where a previously accumulated reserve is available; losses in excess of this reserve are charged to operating costs. As at 31 March 2009, £2,342m of the Department's investments were denominated in US dollars. Exchange gains and losses on other financial assets and liabilities are charged to operating costs.

At 31 March 2009, if sterling had weakened by 10% against the US dollar, with all other variables held constant, net assets would have increased by £260.9m. Net operating costs would have reduced by £4.6m, primarily as a result of a reduced cost of capital charge on investments in IFIs.

Other price risk

The Department's investments in IFIs are based on share of the net assets of each IFI. Although there is no market for these investments, changes in the underlying net asset values of the IFIs would impact on the investment value shown in these accounts. As at 31 March 2009, a 10% reduction in net asset values of the IFIs, with all other variables held constant, would result in the Department's net assets being reduced by £335.9m. Net operating costs would be reduced by £5.9m, through a reduction in the cost of capital charge applied to the investments.

Investments in CDC and Actis are shown at cost less any impairment. As at 31 March 2009, a 10% reduction in the net asset value of these organisations, with all other variables held constant, would not have any effect on either the Department's net assets, or net operating costs.

28. Contingent Liabilities

Contingent liabilities with an approximate value of £0.4 million (2007-08: £0.3 million) exist in respect of guarantees to the European Investment Bank's lending to UK Overseas Territories. Additional contingent liabilities of £2,695 million (2007-08: £522 million) exist in respect of contributions due to international organisations which have been subject to formal approval by Parliament but which are not yet supported either by promissory notes or cash payments.

In addition to contingent liabilities disclosed above in accordance with FRS 12, the department discloses for parliamentary reporting and accountability purposes certain contingent liabilities where the likelihood of a transfer of economic benefit is remote. These amount to £8,565 million (2007-08: £6,413.2 million) and comprise.

- £8,449.2m (2007-08: £6,311m) in respect of callable capital on investments in International Financial Institutions. The large increase since 2007-08 is mainly due to exchange rate movements.
- £112.2m (2007-08: £96.5m) in respect of for the UK share of EU member states' collective guarantees of the European Investment Bank's lending under the Lome conventions and the parallel Council decisions on the Association of Overseas Countries and Territories.
- Maintenance of the value of subscriptions paid to capital stock of regional development banks and funds (unquantifiable);
- Indemnities in respect of the transfer of ownership of the Natural Resources Institute (unquantifiable);
- £3.3 million (2007-08: £6.0 million) in respect of other items over £100,000 (or lower, where required by specific statute) that do not arise in the normal course of business and which are reported to Parliament by departmental Minute prior to the Department entering into the arrangement.

29. Related Party Transactions

DFID is the 100 per cent shareholder in CDC Group plc. DFID had no material transactions with CDC during the year.

DFID has a 40 per cent interest in Actis llp. Until 31 December 2007, Actis managed loans on behalf of DFID. As such, no fees were paid or payable during 2008-09 (2007-08: £412,500). DFID had no transactions with Actis llp during the year.

In addition DFID has had a number of transactions with other Government Departments and other Central Government bodies, including the National Audit Office (NAO). Most of these transactions have been with the Foreign and Commonwealth Office.

There were no related party transactions between DFID and DFID's Ministers or members of the Management Board during 2008-09.

30. Accountability Notes

	2008-09 Number of cases	2008-09 £000	2007-08 Number of cases	2007-08 £000
Total	52	509	72	1,004
of which:				
Losses	17	319	34	894
Fruitless payments and constructive losses	29	175	32	59
Claims waived or abandoned	-	-	-	-
Special Payments	6	15	6	51

There were no individual cases greater than £250,000 during the year.