



Foreign &
Commonwealth
Office

Foreign and Commonwealth Office

Annual Report and Accounts 2011-12
(For the year ended 31 March 2012)

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Foreign and Commonwealth Office

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(for the year ended 31 March 2012)

This is part of a series of departmental publications which, along with the Main Estimates 2012-13 and the document Public Expenditure: Statistical Analyses 2012, present the Government's outturn for 2011-12 and planned expenditure for 2012-13.

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Foreword

Secretary of State for Foreign and Commonwealth Affairs

Through our global network the Foreign and Commonwealth Office is uniquely placed to lead the Government's international efforts to protect our national security, increase our prosperity, promote our fundamental values of freedom, human rights and democracy and support British nationals around the world.

Over the past year FCO staff have worked tirelessly, often in difficult and dangerous environments, using agile and energetic diplomacy in pursuit of these goals. The year was exceptionally demanding as the Arab Spring continued to generate seismic changes across the region. We played a leading role in international negotiations at the UN and in the EU to push for political transition in Syria and to help build a new Libya. We supported democratic and economic reform across the region through our UK Arab Partnership and through joint G8 and EU action.

Terrorism stemming from conflict zones remained an ever present threat to our security. We took the initiative, through a major international conference in London in February 2012, to address the causes of conflict in Somalia and map out a path for the country's future. We played a central role in negotiating the independence of South Sudan and were the first country to appoint an Ambassador there.

We were active in Asia too. As a result of UK diplomatic activity the international community rallied to support Burma's political reform and future development.

While the growth of freedom and democracy are vital to our security we need to expand our economic ties worldwide if we are to prosper in the 21st century. So we are building new networks, partnerships and alliances in the Gulf, in Asia, in Latin America and in Africa and expanding our presence in these regions by opening new Embassies and Consulates and deploying more staff. My FCO Ministerial colleagues and I have made 242 visits to 115 countries over the past 12 months to advance our security and prosperity goals.

Despite the economic uncertainty within the Eurozone we have urged our European partners to adopt measures which stimulate rather than restrict growth. We used our negotiating

skills, both as a nation and as part of the collective weight of the EU, to achieve international agreement on tackling climate change at the Durban Conference in December 2011.

As we take on new challenges and expand our global reach we need to become more efficient with declining resources. We are using technology more effectively to deliver consular services to British nationals overseas, travel advice and corporate support to our overseas posts, freeing up resources for front line diplomatic activity. Through digital technology and social media we are engaging directly with citizens around the world.

Under the FCO Diplomatic Excellence programme we are strengthening core policy-making skills, expanding economic and commercial diplomacy expertise across the FCO and increasing our language proficiency, particularly in Arabic and Chinese. Next year we will open a new language centre which will train 500 FCO staff a year in up to 80 languages.

I have appointed a Supervisory Board of senior FCO Directors and business leaders, including Sir Richard Lambert, and brought together a group of eminent former diplomats, as the Locarno Group, to give us the widest possible perspective on our foreign policy work and on our performance.

In 2012 we welcome the world to the UK for the Diamond Jubilee celebrations and the Olympic and Paralympic Games. The FCO will play a central role in ensuring successful visits by over 120 visiting Heads of State and Government during this time.

I have no doubt that FCO staff at home and overseas will rise to this and to the many other challenges they will face in the year ahead. They are the backbone of the UK's efforts to secure a prosperous future for Britain on the international stage. I pay tribute to their professionalism, resilience and commitment to that endeavour.

Rt Hon William Hague

Secretary of State for Foreign and Commonwealth Affairs
June 2012

Foreword

Lead Non-Executive Board Member

The FCO's Supervisory Board was established in the past year to take a strategic overview of the workings of the department, and to bring fresh thinking to bear on its future direction. It's chaired by the Foreign Secretary, who sits alongside three other ministers, four senior officials and four non executive board members. I am the lead non executive: two of my colleagues - Julia Bond and Rudy Markham - already have a good understanding of the FCO through their continuing role on the Management Board; and the fourth independent is Heather Rabbatts, who has extensive experience of senior roles in the public and private sectors. All the outsiders have been impressed by the way we have been welcomed into the organisation, not just at the Board room level, and by the openness of the Foreign Secretary, the PUS, and the other Board members to the external challenge function that we provide.

Over the last year, the FCO has faced an extraordinarily wide range of challenges. FCO staff, UK based and those locally engaged abroad, have demonstrated great professionalism and resilience, sometimes in the face of considerable personal dangers.

Two early examples of this willingness to hear outside views came in response to the FCO's Capability Review, which we discussed at our first Board meeting last December, and in the work that went into developing the Diplomatic Excellence programme, which supports the Foreign Secretary's ambition to lead the best diplomatic service in the world. One example: a meeting this March of over 40 business people, politicians, journalists and NGO representatives, who were invited to assess the FCO's performance and consider how it compared with other foreign services.

Not many private sector organisations would have the confidence to invite criticism in this way. The conclusion - the FCO is good and getting better, but has more to do to be the best. The idea is that a new external review panel will now meet annually to provide an objective assessment of progress.

We non executives have a particular interest in some big themes of the FCO's work where we believe our different background experiences can help us to make a useful contribution. These include:

- the prosperity agenda, where we think the FCO has done much to sharpen its focus on business and economic analysis and to strengthen its partnership with UKTI, but where there is more to be done. The FCO could capitalise more on its comparative advantages - including its network, and the broad political, cultural and business sense that staff develop at posts - and be more proactive in London in developing new opportunities. We are keen to work with staff to increase private sector engagement and develop a better understanding of business priorities;
- the management of the global estate, a complex, high value and challenging area of work that underpins the FCO's presence around the world and includes a number of big developments on the Government's Major Projects Portfolio. We have already had one helpful Board discussion on this topic;
- the importance of being able to demonstrate the impact and benefits derived from policy actions and operational activity. The Finance Directorate has made good progress in improving the quality of management information systems. The next phase of this work is to drive financial management further into the lifeblood of the organisation, and to strengthen the link between business planning and resource allocation;
- we hope to work with the PUS and his senior management team on the FCO's participation in the Civil Service Reform Agenda, looking for ways to support further efficiencies and thereby helping to strengthen the diplomatic network around the world. We will also play a part in the next Capability Review, and later this year we will review the effectiveness of the Supervisory Board itself.

The FCO is a formidable institution with high ambitions. We non executives are very enthusiastic about our role and about the organisation's capacity for further progress in the future.

Richard Lambert

Lead Non-Executive Board Member
June 2012

Who we are, what we are aiming to achieve

Who we are

The Foreign and Commonwealth Office leads the Government's efforts to protect and promote the UK's interests and values overseas, building alliances, networks and connections across the world. We aim to provide the best possible service, value and return to the British taxpayer.

What we are aiming to achieve

Our aim is to pursue an active and activist foreign policy, working with other countries and strengthening the rules-based international system in support of our values. To achieve our goal our work is focused around three overarching priorities:

Safeguarding Britain's national security by countering terrorism and weapons proliferation, and working to reduce conflict.

Building Britain's prosperity by increasing exports and investment, opening markets, ensuring access to resources, and promoting sustainable global growth.

Supporting British nationals around the world through modern and efficient consular services.

Diplomatic Excellence

We are delivering our priorities through Diplomatic Excellence, an ambitious reform agenda, with the aim of becoming the best Diplomatic Service in the world by 2015. We have established a clear vision¹ for the FCO and defined three aspirational values: taking responsibility, encouraging innovation and working together to support the achievement of our objectives against three overarching themes: Policy, People and Network. The core purpose of Diplomatic Excellence is to create and deliver first class foreign policy and diplomacy supported by a strong and skilled workforce and a strong global network.

We will measure the success of the Diplomatic Excellence programme through an internal assessment process and by inviting an External Panel of experts and opinion formers to assess the FCO's performance and global ranking. This measuring framework has been validated by the Office of National Statistics and enables us to weight, combine and consolidate results into a single, composite score, complemented by a qualitative summary of the FCO's overall performance.

How we have performed

This section highlights the FCO's key achievements against our policy priorities and the FCO Departmental Business Plan indicators (see Annex A). Further details are available in the Quarterly Data Summary (QDS) Measurement Annex on the FCO website Business Plan Quarterly Data Summary (QDS)².

Policy - "Pursue a distinctive and activist foreign policy using our global diplomatic network to protect and promote UK interests worldwide"

Our global network enables us to advance the UK's interests and respond immediately to political, economic and social change in the world³.

Re-energising key relationships

Through the cross-government Emerging Powers Initiative we are promoting the UK's interests through strengthened relationships with new partners and neglected friends in the Gulf, Latin America, Asia and Africa, whether they be in prosperity, security, or our values. We have changed the nature of our engagement with emerging powers, making more of top-level relationships. 80 Ministerial visits to the Gulf proved their value in developing a robust and credible international partnership over Libya. Between November 2011 and April 2012 the number of high level visits to emerging powers was up approximately 50% on the previous six months. These visits were carefully targeted and coordinated across Whitehall to ensure that we made the best possible use of resources. This is a long term effort for the whole of government, which will and must last for more than one year.

The FCO played a central role in the organisation of President Obama's State Visit to the UK in May 2011 and the Prime Minister's visit to Washington in March 2012. These visits further strengthened the UK's ties with the United States,

broadening already close political, military, intelligence, trade and investment co-operation to new areas including support to military personnel, science and innovation, higher education and development. Specific initiatives announced during the visits included the launch of a new Joint Strategy Board and increased cooperation on cybersecurity.

The two leaders characterised the UK-US relationship as one in which we "count on each other and the world counts on our alliance."

Co-operation has intensified further on Afghanistan, on Libya, on Syria, on Iran and on the Middle East Peace Process. We worked closely with the US as President of the G8 in 2012, to build international support for the Arab Spring.

UK Ministers made 60 visits to the US in 2011-2012 to promote our interests across the board. The Foreign Secretary visited Washington in December 2011 and March 2012 for talks with Secretary Clinton and other leading US interlocutors and has frequent contact with Secretary Clinton on all major foreign policy issues.

International institutions

The UK continues to believe that a rules-based system is the best way to promote British interests and global security and stability. The FCO has been active in ensuring that international institutions are effective in delivering these goals, working both in multilateral fora and bilaterally through our diplomatic network.

1. United Nations

The FCO played a leading role in securing an effective UN Security Council response to the abuses of the Qadhafi regime in Libya and in creating the UN Support Mission in Libya (UNSMIL), working with Libya's transitional authorities to help restore the rule of law, draft a new constitution, promote reconciliation and prepare for elections.

Our persistence resulted in agreement in the Security Council,

the General Assembly and the Human Rights Council on action against the Syrian regime.

The FCO successfully promoted Security Council action on Somalia⁶ bringing together international support for a new co-ordinated approach to the problems affecting that region. Elsewhere UK action in the Security Council addressed threats to peace and stability in Sudan, Liberia, Afghanistan and the Democratic Republic of Congo.

The FCO remained a significant contributor to UN peacekeeping and other multilateral interventions in Somalia, Sudan, Cote d'Ivoire, the Democratic Republic of Congo and the Middle East to help contain violence, stabilise fragile post-conflict situations and reduce the likelihood of hostilities resuming, without the need for direct UK military intervention and at comparably low cost.

In October we secured the record-breaking global co-signature

of the Olympic Truce UN resolution and are using this as a vehicle to promote our conflict resolution objectives.

The FCO continued to support the inter-governmental negotiations on Security Council reform. We remain fully committed to permanent membership for Brazil, India, Germany and Japan and permanent African representation on the Council.

In December 2011 the FCO helped secure a 5% reduction in the 2012-13 regular budget over the previous two year period, the first drop in the regular budget since 1998, saving the UK around £5m compared to the previous year. We also achieved substantial reductions in potential additional costs from new UN-mandated activities.

2. European Union

The FCO was at the heart of the Government's drive within the EU for a return to growth across the continent, persuading other Member States to support the Prime Minister's 2011 pamphlet 'Let's Choose Growth'. This growth agenda, based around free trade, deregulation and completion of the single market, received widespread political support at the March 2012 European Council. We have also widened our alliance of countries seeking to impose in the EU the fiscal restraint we apply at home and successfully led the campaign to hold the annual EU budget for 2012 to a real freeze in expenditure. We have worked through EU institutions and with our EU partners, notably France and Germany, to achieve our foreign policy goals: for example, support for the Arab Spring through the European Neighbourhood Policy and the G8 Deauville Partnership. We were instrumental in securing agreement in the World Trade Organisation (WTO) for EU trade preferences for Pakistan.

The European Union Act 2011 received Royal Assent on 19 July 2011 helping to deliver our goal to develop effective and democratic engagement with the EU. It is now a legal requirement that any proposed future EU treaty that transfers areas of power or competence will be subject to a referendum on that treaty before the UK could agree to it. The subsequent Inter-governmental Agreement (or Fiscal Compact), signed by 25 other EU Member States in March 2012, was not an EU treaty and is, therefore, not subject to the Act.

The FCO pursued the Government's commitment to further enlargement of the EU concluding negotiations on Croatia in July 2011⁴, granting candidate status to Serbia and establishing regional dialogue to support Kosovo's European path. We used our influence to help Ukraine and the EU complete negotiations on an Association Agreement in December 2011.

The FCO worked closely with the Commission and the European External Action Service (EEAS) on transformation of the European Neighbourhood Policy. We supported the development of the EEAS as an effective complement to national diplomatic services, while resisting any creep in competence away from Member States towards the EEAS or Commission.

In our approach to EU Common Security and Defence Policy (CSDP) the FCO encouraged greater focus on EU missions

that make a positive impact on the ground, on developing European civilian and military capabilities and on ensuring that no unnecessary institutions, such as a permanent EU Operational Headquarters, are created. We welcomed proposed new CSDP missions to the Sahel, South Sudan and the Horn of Africa and gave our support, in principle, to a mission in Libya.

3. The Commonwealth

The FCO continued to encourage institutional reform to make the Commonwealth an effective multilateral organisation able to uphold its values and promote prosperity for its members. The 2011 Commonwealth Heads of Government Meeting (CHOGM)⁵ in Australia adopted most of the Eminent Persons Group (EPG) reform recommendations and reform of the Commonwealth Action Group (CMAG) which the UK had supported. A Ministerial Task Force, including the UK, was established to consider the remaining recommendations.

The FCO worked with DFID to help the Commonwealth Secretariat make progress on its international development objectives and ensure that its 2013-2017 Strategic Plan focuses on areas where it can demonstrate its comparative advantage and value for money. The FCO worked closely with other government departments, The Queen Elizabeth Diamond Jubilee Trust, the Commonwealth Secretariat and other Commonwealth associations in support of the Commonwealth element of the Diamond Jubilee celebrations which also mark HM The Queen's 60 years as Head of the Commonwealth.

4. NATO

The FCO continues to play a central role in the modernisation of the North Atlantic Treaty Organisation (NATO). The new Strategic Concept proved robust throughout the NATO operations in Libya, enabling the quickest responses and decision-making ever, and keeping the military coalition together until the operation was completed. NATO's response to the UN's call to protect the people of Libya proved that NATO had the political will, unique effectiveness and ability to bring together partners to achieve shared goals. NATO operations were carried out at short notice, with great precision and underlined that NATO remains the cornerstone of UK defence policy.

The FCO worked with MOD to secure agreement on a new NATO Command Structure which will achieve significant savings while maintaining NATO's effectiveness. We secured agreement that NATO, like its Allies, make better use of its resources in times of austerity by implementing zero nominal growth in the NATO Civil Budget for 2012. We have worked with the NATO Secretary General and Allies to develop the concept of 'Smart Defence', seeking to ensure that NATO makes best use of its resources through the development of shared capabilities, greater efficiency and coordination over the longer term.

The FCO has continued to build a transparent and mutually beneficial relationship between NATO and Russia. The December 2011 NATO-Russia Foreign Ministers meeting underlined that NATO and Russia share common security interests and common challenges. We have worked with Allies

to develop NATO-Russia cooperation through the NATO-Russia Council (NRC) on Afghanistan, counter-narcotics, fighting terrorism and piracy. We will continue to seek further practical cooperation between NATO and Russia, including on Missile Defence.

Progress continued towards the transition of lead security responsibility in Afghanistan from NATO allies and partners to the Afghan National Security Forces (ANSF).

5. Council of Europe

The FCO used the UK's Chairmanship of the Council of Europe (November 2011-May 2012) to drive forward the process of reform of the European Court of Human Rights.⁶ We successfully pressed for budgetary restraint: the 2012 budget was kept to zero real growth. We strengthened the rule of law, combating discrimination on the grounds of sexual orientation and gender identity, internet governance, including freedom of expression on the internet, and streamlining Council of Europe activities on local and regional democracy.

Promoting our values

The FCO has been at the forefront of the Government's response to significant changes in **human rights** and democracy globally as a result of the Arab Spring. Details of our work to promote human rights and democracy can be found in our latest Command Paper covering 2011 and in quarterly updates on all our 'countries of concern'.⁷

The FCO was instrumental in securing strong UN Human Rights Council (HRC) and General Assembly (UNGA) resolutions on Burma and the Democratic People's Republic of Korea. We took a leading role in securing Special Sessions of the HRC on Libya and Syria to ensure forceful and timely responses to events on the ground, in supporting the creation of independent Commissions of Inquiry to investigate violations and abuses of human rights and in securing UNGA's suspension of Libya from the HRC. The FCO successfully applied pressure to pass a HRC resolution which established, for the first time, a Special Rapporteur on the human rights situation in Iran. The FCO also strongly supported the HRC's endorsement of the UN's Guiding Principles on Business and Human Rights in June 2011 and has committed to producing a national strategy on business and human rights in 2012.

In December 2011 the Foreign Secretary published the Government's new Overseas Security and Justice Assistance (OSJA) guidance, aimed at ensuring that all UK interventions in these sectors are carried out in a way that consistently strengthens respect for human rights. In October 2011 the FCO published a strategy for the prevention of torture and an updated strategy on global abolition of the death penalty. The FCO also reviewed and re-issued its guidance for staff on how they should report any allegation of torture made to them in the course of their duties.

In February 2012 the FCO, DFID and MOD published a revised UK National Action Plan on Women, Peace and Security. This set out for the first time the Government's regional approach in the Middle East and North Africa region and updated our

6. Organisation for Security and Cooperation in Europe

The FCO helped secure an OSCE Ministerial decision in December 2011 to strengthen OSCE conflict prevention and resolution capability. In April 2011 the UK and 13 other OSCE States activated the rarely-used "Moscow Mechanism", triggering a thorough review of Belarus's implementation of its OSCE human rights commitments, following the crackdown on protests over the conduct of the December 2010 Presidential elections. Close collaboration between OSCE partners, including the UK, resulted in the Office for Democratic Institutions and Human Rights being able to monitor effectively Parliamentary and Presidential elections in Russia in December 2011 and March 2012 which they had been prevented from doing in the 2007/8 elections. The FCO worked with partners to ensure an OSCE budget outcome which saves the UK money and protects our key interests in the organisation. The 2012 budget was agreed at a level 1.2% below 2011.

commitment to act on gender issues in Afghanistan, the Democratic Republic of Congo and Nepal.

At the HRC in February 2012 FCO Minister, Jeremy Browne, chaired an Olympics panel which served as a platform to explore the role which sport can play in promoting human rights.

The FCO continues to draw on the invaluable expertise of members of the Foreign Secretary's Advisory Group on Human Rights. During 2011-12 we established new expert sub-groups to advise the FCO on freedom of expression on the internet and preventing torture, and continued to hold regular meetings of the expert sub-group on abolition of the death penalty.

The FCO's key **public diplomacy** partners, the British Council and the BBC World Service, continued to provide an unrivalled platform for the projection of our culture and our values. Their independence remained a vital part of their appeal.

FCO Ministers endorsed the British Council's Corporate Plan.⁸ The Permanent Under Secretary of the FCO joined the British Council Board of Trustees.

The FCO has provided the BBC World Service with an additional £2.2 million per year which will enable them to maintain their Arabic service at current levels. We are working with the BBC on plans for governance of the World Service once funding transfers to the licence fee in 2014.

In 2011-12 over 2,800 people from 124 nations attended 54 Wilton Park conferences and events designed to support foreign policy objectives.⁹ Wilton Park, a forum for discussion of global issues, was one of the FCO's principal partners in organising the London Conference on Cyberspace.¹⁰ President Gül of Turkey gave the inaugural Wilton Park Annual Address on 23 November 2011.

In 2011 750 outstanding postgraduate students from over 100 countries came to study in the UK under the Chevening and Marshall scholarship programmes funded by the FCO. The Chevening alumni now number 40,000 and the Marshalls 1,500. We are strengthening the alumni networks to ensure

that the scholars remain engaged with the UK and are using social media to connect the world-wide scholarships community.

The FCO, through its overseas posts, has capitalised on major events, including the Royal Wedding in April 2011 which reached a global television audience of an estimated 2 billion, to promote the UK worldwide. The FCO Olympics Team in

London has worked closely with our posts in preparation for the Olympic and Paralympic Games and to ensure a long-lasting international legacy.

Security - "Safeguard Britain's national security by countering terrorism and weapons proliferation, and working to reduce conflict."

The FCO continues to play a leading role in the National Security Council (NSC) which has led HMG's response to the recent crises in the Middle East and North Africa as well as the development of approaches to strategic bilateral relationships including with emerging powers. We welcome the NSC as a means of strengthening coordination across Government on international and security policy issues.

The **National Security Strategy (NSS)**,¹¹ published in October 2010, continues to guide the Government's strategic foreign policy making.

A revised version of the UK's counter-terrorism strategy (CONTEST) was published in July 2011.¹² The FCO led on the international aspects, focusing on building capacity within countries to counter terrorist activity in line with action undertaken by the EU, UN and the newly created Global Counter-Terrorism Forum (GCTF) and drawing on a £38 million strategic programme fund. The FCO coordinated efforts to resolve terrorist kidnaps of British nationals and worked with the travel industry to raise awareness of areas of high kidnapping risk. The FCO worked with the Home Office to agree a memorandum of understanding with Morocco on Deportation With Assurances (DWA). We have an existing DWA arrangement with Jordan. The strength of that MOU was noted by the European Court Of Human Rights in January when, sharing the views of our domestic courts, it ruled that the assurances given by the Jordanians could be relied upon.

The FCO organised the London Conference on **Cyberspace** in November 2011, leading to the widest international consensus yet between government, industry and civil society on a way forward to protect the benefits and prevent abuse of cyberspace.¹³ The FCO is working with Hungary and the Republic of Korea who will hold follow-up events in 2012 and 2013.

In line with UK strategy on **Afghanistan** the FCO worked with other government departments to help the Government of Afghanistan deliver better public services, security and economic opportunities for its people; in training Afghan National Security Forces and in developing a framework for future international political and security co-operation, as set out at the Istanbul Conference in November 2011 and the Bonn Conference in December 2011.¹⁴

In January 2012 President Karzai and the Prime Minister signed the UK-Afghanistan Enduring Strategic Partnership Document

which sets out the UK's agreement to cooperate on political dialogue, security, governance and the rule of law, countering the narcotics trade, economic and social development and cultural links.

In April 2011 the Prime Minister launched a Ministerial-level Enhanced Strategic Dialogue (ESD) with **Pakistan** focused on tackling terrorist threats, promoting the rule of law and improving trade. The Foreign Secretary and the Pakistan Foreign Minister met in June 2011 and February 2012 to implement the ESD. Bilateral trade increased 15% in 2011, on track to meet the Prime Minister's target of doubling it to £2.5 billion by 2015.

The FCO has continued to play a central role in diplomatic efforts to build trust, confidence and consensus on **non-proliferation and disarmament** through existing international frameworks and conventions including the G8 Global Partnership, the Comprehensive Test Ban Treaty (CTBT), the Biological and Toxin Weapons Convention (BTWC) and the Chemical Weapons Convention (CWC).

The FCO continued to work on implementing the National Counter Proliferation Strategy,¹⁵ one of the three FCO-led strands, including the Building Stability Overseas Strategy (BSOS) and the national security implications of climate change and resource competition, of the Strategic Defence and Security Review (SDSR). The work is supported by £24m of funding to the UK's Global Threat Reduction Programme and £3.4m of FCO programme funds spent on 104 projects around the world.

The FCO helped secure increased international commitment to nuclear information security at the 2012 Nuclear Security Summit.¹⁶ We continued to urge progress towards an Arms Trade Treaty, including working with industry and civil society to ensure that their views will be heard during the negotiations in July 2012 and securing the first P5 statement in support of the process. We exceeded Ministerial targets for quality and timeliness in assessment of arms export licences, despite the continued increase in numbers and the complexity of the issues following the Arab Spring.¹⁷

The FCO conducted a review of Export Controls Policy which included the introduction of a new mechanism to suspend work on export licences applications to any country experiencing a sudden deterioration in security or stability.

The FCO worked with other Governments to facilitate the return of foreign national offenders and failed asylum seekers. The FCO/UKBA/DfID/MOJ Returns and Reintegration Fund also spent over £3 million on supporting returns and helping develop closer working relationships with priority countries such as China, India and Nigeria. Projects included support for the reintegration of returned immigration offenders; building capacity in priority countries' immigration systems and re-documenting and checking the identity of returnees.

The Building Stability Overseas Strategy (BSOS), launched in July 2011, provides a single framework to assess the risk of conflict across priority countries. A £20m annual Early Action Facility has been set up to fund a rapid response to help prevent emerging conflict. Multi-year funding has been introduced to support longer-term conflict prevention activity.¹⁸ An example is the £500,000 agreed for the next three years to support the work of UNICEF in building the capacity of African Union forces to better protect women and children in areas of Central Africa affected by the Lord's Resistance Army.

The UK has developed a strategic response to the Arab Spring based on diplomatic engagement, international partnership and practical assistance delivered through the joint FCO-DfID Arab Partnership¹⁹ which supports greater social, economic and political participation for citizens in the **Middle East and North Africa**. In 2011-12 our Arab Partnership Fund supported projects totalling £10m in ten different countries. The UK is also supporting long-term political and economic reform in the region through international and regional organisations. In March 2012 the Foreign Secretary urged the UN Security Council to rise to the challenge the Arab Spring presented of realising the greatest enlargement of human freedom since the end of the Cold War.

The UK, with EU partners, significantly stepped up pressure on **Iran** on its military nuclear programme with unprecedented sanctions agreed in January 2012 including an oil embargo and restrictions on the Central Bank of Iran. This is part of the dual-track process of pressure and engagement led by the E3+3, comprising the UK, US, France, Germany, China and Russia, which offers the best hope of resolving this issue. Following the attack on both our Embassy compounds in Tehran on 29 November 2011, we were forced to close the Embassy. Diplomatic relations have not been severed but reduced to their lowest level. We have continued to raise concerns about human rights and, with the EU, introduced new sanctions against the most egregious human rights offenders. We have also reached out to the Iranian people through a range of digital and social media including re-launching our Iran facing website in March 2012.

The FCO led international condemnation of the Syrian regime through UN action and 14 rounds of sanctions imposed by the EU. We have been instrumental in forming the Friends of Syria Group. Although we were obliged to suspend the operation of our Embassy in Damascus on 29 February 2012 we deployed diplomats with regional knowledge and experience to support the Syrian political opposition and to help reach international agreement on a political transition plan for Yemen, brokered by the Gulf Cooperation Council.

The FCO led an international Stabilisation Response Team to Libya, the first of its kind, which provided guidance to the National Transition Council in Eastern Libya. We established a UK office in Benghazi in July 2011 and re-opened our Embassy in Tripoli in October 2011.

The FCO continued to encourage Israel and the Palestinians to return to negotiations under the **Middle East Peace Process**, including through regular Ministerial visits to and from the region. We lobbied the Israeli Government regularly, both bilaterally and through the EU, at Ministerial and official level, on easing restrictions on access and the movement of goods and people in and out of Gaza and on settlements, issuing 14 Ministerial statements relating to settlement announcements.

The FCO continued to lead the international response to events in **Bahrain** using good relations to provide frank advice and to encourage sustainable reform and full implementation of the recommendations of the Independent Commission of Inquiry.

The FCO provided economic assistance and support for political reform in **Egypt and Tunisia**, engaging with the new political movements there. Working through the EU we were able to maintain a freeze on assets of former regime figures.

The London Conference on **Somalia**, organised by the FCO in February 2012, reached international agreement on measures to improve security, tackle piracy and terrorism and support development and continued humanitarian relief. A UK-led UN Security Council resolution increased UN support for the African Union peacekeeping mission, AMISOM.

The FCO has used its influence, access and insight to encourage international support for reform in **Burma**, including from India and China, as well as other ASEAN nations. We have led EU policy and UN Human Rights Council resolutions on Burma.

In July 2011 the NSC endorsed the general principles of a strategy of re-engagement with the **Overseas Territories**. A White Paper setting out a new cross Government approach to revitalising our relations with the Overseas Territories will be published in 2012. We used effective lobbying and public diplomacy to counter an aggressive Argentine diplomatic campaign on the **Falklands**. The FCO conducted an extensive communications and public diplomacy campaign to ensure that HMG's position on the Falkland Islands was widely reported and understood across Latin America, and in order to counter increasingly aggressive Argentine rhetoric and threats against the Falkland Islanders.

The FCO's conflict prevention work accounted for almost two thirds of total UK government spending (£180 million) through the tri-Departmental **Conflict Pool**. This included human rights work in Afghanistan, strengthening electoral processes in Liberia and Cote d'Ivoire, peace building in Sudan, building civil society and media groups in Georgia and the African Union's conflict prevention capacity.

Prosperity - “Build Britain’s prosperity by increasing exports and investment, opening markets, ensuring access to resources, and promoting sustainable global growth.”

The FCO has, as one of its highest priorities, to contribute to the UK’s economic recovery, growth and job creation. Creating opportunities for economic growth and expanding overseas markets for British business is at the heart of our strong emphasis on economic and commercial diplomacy.

The FCO has sharpened its focus on business and economic analysis and has played an important role in realising commitments from the White Paper: “Trade and Investment for Growth”. A new Business Engagement Strategy is in place. The FCO Economics Unit, established in February 2011, carried out extensive analysis to help ensure that foreign policy on issues relating to both prosperity and security is grounded in an economic understanding of the world. UK companies responded positively to the FCO Charter for Business published in May 2011. A £2m Commercial Diplomacy Fund has been created to support projects that create opportunities for UK business overseas, inward investment or the promotion of the UK’s economic and commercial reputation overseas.

The US remains the UK’s most important trade partner and top single market export destination for goods and services. The UK and the US are also each other’s single largest foreign investors: US investment in the UK amounts to £319 billion and UK investment in the US £271 billion. US investment in the UK and UK investment in the US supports over a million jobs in each country.

We have set ambitious targets for boosting trade with the emerging powers and are making good progress to date. In 2011 our goods exports to India increased by 37%, to Russia by 39% and to Indonesia by 44%. Our efforts are backed by a shift in our resources which will ensure that we have the staff on the ground to exploit the potential of these high growth markets and to engage with them on global issues including international trade and development, energy and environmental issues.

Despite the contraction of European markets UK goods exports to the EU increased by 12% (to £158bn). During 2011-12 the FCO and UKTI helped over 20,000 UK SMEs break into new high growth markets including India, China, Brazil and Turkey. With the support of Embassies across South East Asia UK business secured major deals in Korea, Indonesia, Vietnam and Singapore. Japan made significant inward investment commitments, particularly in the automotive sector. UK exports to Central Asian nations rose significantly.²⁰ Deals with Russia worth £215m were announced during the Prime Minister’s visit in September 2011.

The FCO will continue to work in partnership with UKTI to help realise the Chancellor’s goal of reaching £1 trillion in UK exports annually by 2020. The FCO and our network of posts are working closely with UKTI, Visit Britain and the British Council to promote the GREAT Britain campaign²¹ which aims to generate growth and prosperity by promoting Britain as a world class destination for trade, investment, tourism and education. Between February and April 2012 our posts had delivered over 130 GREAT events attended by over 44,000 senior influencers and opinion formers, resulting in significant media coverage, including over 1,200 news articles. Highlights include the Brazilian campaign launch in Rio de Janeiro, which was attended by HRH Prince Harry and a business reception in Shanghai which was supported by the British Formula One driver Lewis Hamilton and the Chinese NBA star, Yao Ming.

The FCO worked to improve the conditions for global growth and economic recovery, including through an EU-Korea Free Trade Agreement (FTA), launched in July 2011, the largest in the EU’s history, bringing a potential economic benefit of £27bn to EU and Korean business and up to £500m for UK GDP. We also lobbied hard to lay the ground for an EU-US FTA and encouraged the EU to complete WTO accession negotiations with Russia, a major UK priority, after almost 18 years of talks.

The FCO/BIS Science and Innovation Network (SIN) and Chief Scientific Adviser worked with UKTI to launch the UK-Turkey Knowledge Partnership in September 2011, an initiative to fuel the next generation of science and innovation-oriented business, contributing to HMG’s target of doubling trade with Turkey by 2015. The UK-Russia Year of Space, developed by SIN Moscow, delivered £22m of commercial space partnerships and joint research. SIN Houston facilitated development of a number of new UK-US strategic climate science and space collaborations.

The FCO and DfID helped to ensure that the Busan High Level Forum on aid effectiveness in November 2011 reached agreement on improved development results and greater transparency.

The UK has continued to play a leading role through the FCO, in partnership with DECC, to accelerate global transition to a **low-carbon economy**. British diplomacy was crucial to the agreement at the United Nations Framework Convention on Climate Change (UNFCCC) Durban Conference in December 2011 that a future climate change regime would be legally binding with emissions reduction commitments for all but the poorest countries.

Other successes include working with the Chinese Government to develop their low carbon cities and provinces and create offshore wind sector investment opportunities for UK and Chinese business; supporting the South African Renewables Initiative and India’s Perform, Achieve and Trade (PAT) programme to improve energy efficiency in key industrial sectors.

The FCO has sought to build up relationships with countries who may be future **energy** providers and to increase understanding of how energy security concerns are influencing the direction of other countries' foreign policy. We have helped to build partnerships for British business in Norway and Iraq which, in the latter case, will help to reduce greenhouse gas emissions and increase electricity production across the country. We worked with Turkey and Azerbaijan to encourage signature of a gas transit agreement in October 2011, enhancing EU energy security and delivering support for UK business involved in a multi-billion project to develop the Azeri gas sector as a future supplier to Europe. The FCO has contributed to the development of Brazil's National Energy Efficiency Plan, setting out how Brazil aims to reduce energy use by 15% by 2030, and has helped develop significant UK business opportunities in the Mexican oil and gas sector.²²

Prosperity work around the world is underpinned by programme spending under the FCO Prosperity Fund which promotes sustainable, global economic growth through support for an open global economy, avoiding dangerous climate change and enhancing energy security. Launched in 2011-12 the Fund works with 13 of the biggest emerging markets, the OECD and the International Energy Agency (IEA). Although Fund objectives are long-term our interventions, worth £19m but leveraging an additional 47% of co-financing, are already having an impact on the key emerging economies. India has recommended a 15% renewables target for its Five Year Plan to 2017. The sustainable focus of the London 2012 Olympics is being adopted for the Sochi winter Olympics in Russia in 2014. The IEA are reviewing Iraq's energy sector (the first time they have ever reviewed an OPEC country) and will be publishing a special section in their next World Energy Outlook.

Consular - "Support British nationals around the world through modern and efficient consular services."

The FCO Consular Service has continued to deliver high quality services to British nationals overseas, dealing with almost 280,000 face to face enquiries and helping in over 97,000 assistance cases, including distressing situations such as deaths or murders overseas, forced marriage or child abduction. The Travel and Living Abroad pages of the FCO website received around 10.5 million hits from over 9 million visitors. We have achieved high ratings for the quality of our service: 92% of consular customers (2m calls in 2011-12) rated FCO consular services as excellent or good.

In 2011-12 we set-up 24-7 crisis centres for British nationals caught up in natural disasters and political and civil unrest. We used social media and other channels to ensure that British nationals had the latest travel advice. We sent six Rapid Deployment Teams to help people on the ground²³ and reinforced neighbouring staging posts and land border crossings with Regional Resilience Teams.

We have improved our crisis response systems further by expanding our Rapid Deployment Team network, including for the Middle East, introducing London Crisis Response Teams, designing a new Crisis Management Planning framework for overseas posts and upgrading the FCO's Crisis Centre in London to give us the capacity to handle multiple overseas crises simultaneously. These systems were fully tested during the Bangkok floods (October 2011), the evacuation from the British Embassy in Tehran (November 2011), the sinking of the cruise ship Costa Concordia (January 2012), political unrest in the Maldives (February 2012), a serious coach crash in France (February 2012) and the ongoing situation in Syria.

We continue to seek improvements to the quality and efficiency of our consular services and the performance of our network.²⁴ On 1 April 2011 we transferred the overseas passport issuing operation to the Identity and Passport Service. We are streamlining our notarial services and have made changes to the operation of the Legalisation Office,

including simplifying the fees table to make it easier for customers to understand the cost of the services we offer. These changes will reduce duplication and cost and will enable us to concentrate on our core assistance and crisis work and improve the package of support we provide to the most vulnerable.

We are strengthening our regional approach to consular work to allow for greater flexibility in responding to problems. We are improving our use of technology to provide services and to communicate our travel advice. Our travel advice digital feeds have encouraged the launch of travel advice Smartphone applications. We also piloted a contact centre in Malaga to handle all consular telephone enquiries in Spain, Italy and Portugal which freed up front line staff to concentrate on core assistance work. This resulted in an FCO Award for Excellence in Service Delivery.

In March 2012 a three part TV series, 'Our Man In', was broadcast on Channel 4. The series focused on the case work of consular staff across a number of different Spanish regions and resorts in the previous summer. The average number of viewers was over 1.2m per episode.

The series generated over 1,400 overwhelmingly positive tweets with a total reach of almost 78,000. The Consular Service answered questions in real time and were thus able to raise awareness of what help consular staff can and can't provide. A number of pilot schemes are now underway with the aim of encouraging consular staff to engage directly with customers on the ground via social media.

People

To achieve the FCO's policy goals we need the right workforce with the right skills in the right places. We are fully committed to developing our highly professional and dedicated staff.

In January 2012 we launched a revised Strategic Workforce Plan for the FCO for the next three years. This plan now includes local staff who make up two thirds of our workforce and who make an invaluable contribution to delivering FCO objectives.

New technology and ways of working are enabling us to reshape our workforce and modernise our working practices. As a result we will be able to deploy more staff to front line diplomatic activity and to the emerging powers.

We have developed a new learning and development strategy focused on core diplomatic skills, management and leadership competences and language expertise to support our foreign policy objectives and help deliver our Diplomatic Excellence goals.²⁵

We launched the Expertise Fund to deepen geographical and thematic expertise and the Diplomatic Skills Foundation Programme to provide new learning opportunities for junior staff. Over 700 FCO staff undertook international policy skills training in 2011-12. We have introduced Commercial Diplomacy Awareness workshops. 300 staff have been trained in commercial and economic diplomacy and over 200 in economics. We will complement formal training in policy making with the creation of policy cadres and more support in the workplace.

Regional/thematic knowledge has been developed through the new Short Term Attachments scheme (STAs) for junior staff based in the UK to expand their experience overseas. Staff have participated in over 70 STAs over the past financial year. We aim to have offered a total of 300 STAs by March 2013.

Language excellence enables us to make more of an impact on the ground. We have increased expenditure on language training from £3m in 2010-2011 to £3.5m in 2011-2012. We will have 40% more speakers of Arabic and Mandarin in overseas posts than two years ago and a 20% increase in Spanish and Portuguese speakers in Latin America. Our objective, over the longer term, is to develop cadres of language expertise.

We are encouraging FCO staff to apply for positions in the European External Action Service (EEAS)²⁶ and other international organisations which are strategically important to the delivery of UK foreign policy and wider international objectives and which will equip staff with wider experience and expertise.

It remains our goal that our workforce should fully represent the diversity of Britain today. In 2011 we introduced a number of initiatives to support the development and career progression of those in under-represented groups and to build a diversity of views and leadership across the FCO.

Network

The FCO's global network extends to 141 sovereign and 130 subordinate posts in 170 countries.

We believe that the most effective way of averting conflict, addressing crises, advancing our values of human rights and democracy and increasing our prosperity is by deliberately and determinedly expanding our global footprint. We are forging new partnerships in Africa, Asia and Latin America. We have opened or are opening new British Embassies in South Sudan, Madagascar, Kyrgyzstan, Cote d'Ivoire, Liberia, El Salvador and Somalia, as security improves. We have upgraded our Trade Offices in Calgary, Canada and Recife, Brazil to British Consulates and plan to open six more in the emerging and fast-growing economies to support future growth and prosperity. We are deploying more staff in China, India and in 20 other countries in Asia, Latin America and Africa.

The savings needed to fund the expansion of our global network, which will be broadly resource neutral in the present Spending Round, will come from reductions in Iraq and Afghanistan, as the security situation permits, and from reductions in our network of subordinate posts in Europe.

We extended our network at home too. We established a new Arabian Peninsula Department to help deliver the UK's Gulf Initiative and an Arms Export Policy Department to focus on the arms trade including negotiation of the Arms Trade Treaty,

small arms and light weapons and arms export policy and licensing.

We have set ourselves the target of £100m savings by 2014-2015 in corporate services, human resources and in our estate. We have achieved £25m savings so far.

We are restructuring the FCO global estate²⁷ by reducing the costs of office and residential accommodation and corporate services by consolidating finance, HR and purchasing functions into country or regional hubs.

We are building a new global network for data services, telephony and unclassified videoconferencing joining up overseas posts and the FCO in London. We will be replacing our global desktop service to improve business functionality, saving 30% – 40% of existing costs; rationalising and improving high classification systems and introducing new mobile telephony and laptops to work smarter and share knowledge and information more effectively.

Our drive for Financial Excellence will build financial and commercial capability across the organisation, enabling best value for money delivery of our foreign policy priorities and placing finance at the centre of decision making. We will build an environment of robust challenge where finance skills are valued, recognised and utilised to strengthen resource management.

We are building real and virtual knowledge networks to expand our engagement across Government and with academic organisations and to share best practice and expertise in knowledge management to achieve efficiency savings. We are developing the FCO's electronic records system and the FCO-wide electronic library to broaden access to the FCO's archive.

We are increasingly using digital networks to communicate policy messages. The London Conference on Cyberspace in November 2011 was the first FCO conference to invite

the global online community to participate directly in the discussions. We have created a virtual Embassy in Iran, in our absence there. Our Ambassadors are using blogs and social media, to great effect, to communicate directly with citizens in their countries, giving us a reach of millions.

¹ See *Diplomatic Excellence* an overview, page 15

² Input and impact indicators in the Quarterly Data Summary (QDS) are designed to show the cost to the government of delivering certain products and services and the effect of public services. Although the indicators cover the broad range of FCO global activities, the long-term, complex nature of the FCO's overseas work makes it difficult to define and measure foreign policy impact. We are continuing to develop the indicators and improve our evidence base. As this is the first year of reporting, insufficient historical data has been built up to allow us to examine trends in performance.

³ See Annex A, input indicator 1 (Average cost of a diplomatic mission)

⁴ Croatia is expected to accede to the EU on 1 July 2013, subject to ratification of the Accession Treaty by all EU Member States

⁵ www.thecommonwealth.org/files/241631/FileName/Communique-CHOGM2011.pdf

⁶ Unanimous agreement was subsequently reached on a declaration on Court reform at a Ministerial conference in Brighton in April 2012

⁷ <http://fcohreport.readandcomment.com>

⁸ www.britishcouncil.org

⁸ www.wiltonpark.org.uk

¹⁰ www.fco.gov.uk/en/global-issues/london-conference-cyberspace/

¹¹ www.direct.gov.uk/prod_consum_dg/groups/dg_digitalassets/@dg/@en/documents/digitalasset/dg_191639.pdf

¹² www.homeoffice.gov.uk/publications/counter-terrorism/counter-terrorism-strategy/

¹³ www.fco.gov.uk/en/global-issues/london-conference-cyberspace/

¹⁴ See Annex A, impact indicator 4 (Progress towards a stable and secure Afghanistan)

¹⁵ www.fco.gov.uk/resources/en/pdf/global-issues/weapons-proliferation/counter-proliferation-strat

¹⁶ The Seoul 2012 Nuclear Security Summit Communiqué was agreed by 53 countries and under the UK's "Multinational Statement on Nuclear Information Security" 31 countries committing to additional, concrete actions to combat nuclear terrorism

¹⁷ We issued 11,936 Single Individual Export Licenses and 406 Open Individual Export Licenses in 2011-12.

¹⁸ See Annex A, impact indicator 5. We are working with the Cabinet Office to develop the methodology for the indicator on a more effective, joined-up international system to prevent conflict and build capacity in fragile states

¹⁹ www.fco.gov.uk/en/global-issues/mena/uk-arab-partnership/

²⁰ See also Annex A, impact indicator 2 (Number of UK Businesses helped to improve their performance through internationalisation - latest data for 2010-11 & 2009-10)

²¹ www.fco.gov.uk/en/about-us/what-we-do/public-diplomacy/great-campaign/

²² See Annex A, impact indicator 3 (Trend in the gap between currently anticipated low carbon investment, and the low carbon investment required to meet the 2°C target - measured in \$ trillion)

²³ RDT teams were deployed to Cote d'Ivoire, Syria, Morocco, Thailand, Italy and France in 2011-12

²⁴ See Annex A, impact indicator 6 (Better Consular Service to British nationals abroad)

²⁵ Foreign Secretary's speech on the future of the FCO: <http://www.fco.gov.uk/en/news/latest-news/?view=Speech&id=652930982>

²⁶ There are 11 FCO staff working in the EEAS

²⁷ For further details see Accounts Section 1.4: Resources available to the FCO

The FCO's Priorities - 2012/2013

Our Purpose

Pursue an active and activist foreign policy, working with other countries and strengthening the rules-based international system in support of our values.

1. Use our global diplomatic network to protect and promote UK interests worldwide. Retain and build up Britain's international influence in specific areas in order to shape a distinctive British foreign policy geared to the national interest
2. Continue a strong, close and frank relationship with the United States that delivers concrete benefits for both sides
3. Advance the British national interest through an effective EU policy in priority areas, engaging constructively while protecting our national sovereignty
4. Deliver more effective and modernised international institutions, particularly the North Atlantic Treaty Organisation, the European Union, the United Nations, the Organisation for Security and Co-operation in Europe and the Council of Europe
5. Strengthen the Commonwealth as a focus for promoting democratic values, human rights, climate resilient development, conflict prevention and trade
6. Use soft power as a tool of UK foreign policy; promote British values, including human rights; and contribute to the welfare of developing countries and their citizens
7. Use the National Security Council as the centre of UK decision-making on international and national security issues

Security

Safeguard Britain's national security by countering terrorism and weapons proliferation and working to reduce conflict.

1. At the NATO Chicago summit, agree a sufficient and sustainable size, shape and funding for the Afghan National Security Forces. Keep a political settlement in Afghanistan on track. Agree on a plan and funding for the UK role after 2014
2. Support peaceful transitions in the Middle East and North Africa, establishing the UK as a trusted partner, well placed to support and benefit from change – particularly through the Arab Partnership
3. Lead international diplomatic efforts to resolve concerns about Iran's nuclear programme, avoiding conflict in the Gulf
4. Support the Falkland Islanders' right to self-determination and to the development of their economy, while maintaining and strengthening relations in the region
5. Support conflict resolution in fragile states, focussing in particular on minimising terrorist threats emanating from South Asia, the Sahel and the Horn of Africa
6. With other Departments, substantially increase enforced returns of foreign national offenders and failed asylum seekers to priority countries
7. Achieve reform of the European Court of Human Rights to make it more efficient and reduce the backlog of cases, narrow the admissibility criteria and reinforce the principle of subsidiarity
8. Promote stability throughout the Western Balkans, including through concrete progress on the path to EU and NATO membership

Prosperity

Build Britain's prosperity by increasing exports and investment, opening markets, ensuring access to resources, and promoting sustainable global growth.

1. Support business to help double the UK's exports to £1trn by 2020 and attract inward investment worth £1bn in UK priority infrastructure projects this year
2. Promote a strong, open rules-based global trading system, strengthening the economic conditions for sustainable growth
3. Lead the diplomatic effort to launch negotiations this year on a new legally binding treaty to tackle climate change
4. Strengthen UK relationships with emerging powers in Asia, Latin America and Africa in a systematic way across Government to support UK prosperity and security. Reallocate resources in our Network and deliver a targeted programme of frequent Ministerial visits and expanded premium visa services
5. Lead pro-growth policies in the EU, extending the single market and reducing the regulatory burden. Preserve the City's global competitiveness. Avoid real terms increase in the EU Budget for 2014-2020. Achieve the signature of EU Free Trade Agreements with India, Canada, and Singapore. Launch negotiations with the USA and Japan
6. Organise successful visits of 120+ Heads of State and Government to the London Olympics and Paralympics, to promote UK interests and help create the opportunity for £1bn of new business

Consular

Support British nationals around the world through modern and efficient consular services.

1. Deliver excellent consular assistance to British nationals, focussed on doing more for the most vulnerable
2. Develop more modern and flexible ways of delivering our services to match customers' needs, including online, by telephone, through contact centres or in partnership with NGOs, commercial organisations or other governments
3. Strengthen structures and processes to improve the FCO's consular crisis management, including completing a new FCO Crisis Management Centre
4. Continue to deliver effective and efficient overseas passport services and work with the Identity and Passport Service (IPS) to enable them to assume full responsibility for the integrated operation

Diplomatic Excellence

Diplomatic Excellence: an overview

Diplomatic Excellence describes our ambition to be the best Diplomatic Service in the world. We aim to achieve First Class Foreign Policy & Diplomacy supported by a strong and skilled workforce and a strong global network

Diplomatic Excellence: Core Themes

- First Class Foreign Policy & Diplomacy
- A Strong & Skilled Workforce
- A Strong Global Network

Diplomatic Excellence: Work Strands

Diplomatic Excellence

- First Class Foreign Policy
 - First Class Foreign Policy
 - Economic & Commercial Diplomacy
 - Consular Policy & Service*
- A Strong & Skilled Workforce
 - The right workforce with the right skills & higher performance
 - Values
- A Strong Global Network
 - The right global network with the right estate and the right ICT
 - Financial management*

*Strands added to support Diplomatic Excellence

Our vision - what the FCO will look and feel like

By 2015 we are the best diplomatic service in the world.

Highly ambitious, we are constantly striving for better outcomes despite the pressures and resource challenges. We are confident, secure about the future and proud of what we do.

Our **policy advice** is hard headed and focussed on action that advances the UK's national interests – our Prosperity, Security and Consular priorities.

We are highly rated for our policy analysis and for our bold, creative and action-oriented delivery.

Our **staff** are experts, sought after for our deep knowledge and understanding of languages, local affairs and culture and our core diplomatic skills in influencing and negotiation.

We attract and retain exceptional people.

We are proud of the diversity of our staff – who they are and how they think – and continually invest in them, enabling them to be the best they can be.

We recognise and reward great work that develops our organisational capability and advances our national interest.

Our **values** support a vibrant culture characterised by high energy and fun – where all staff take on stretching responsibilities, ideas thrive and orthodoxy can be fearlessly challenged. We work together effectively with all our partners to make a greater difference for the UK.

Our strong, agile global **network** serves all of HMG. Our modern efficient estate is supported by ICT and knowledge networks that enable us to excel in our core business of information, insight and wisdom in foreign affairs.

Our **reputation** as a well-led, well-run department, underpinned by sound financial management, is recognised across Whitehall.

Ministerial Visits

Between 1 April 2011 and 31 March 2012, overseas visits made by the Foreign Secretary and FCO Ministers total 56 and 186 respectively.

The countries and overseas territories visited are as follows:

Abu Dhabi	Ethiopia	Malta	Somalia
Afghanistan	Finland	Mauritania	South Africa
Albania	France	Mexico	South Sudan
Algeria	Gabon	Mongolia	Spain
Armenia	Georgia	Montenegro	Sudan
Australia	Germany	Morocco	Switzerland
Austria	Ghana	Mozambique	Tanzania
Bahrain	Gibraltar	Namibia	Thailand
Bangladesh	Greece	Nepal	Togo
Belgium	Grenada	Netherlands	Trinidad and Tobago
Bermuda	Guinea Conakry	New Zealand	Tunisia
Bolivia	Hungary	Nigeria	Turkey
Bosnia	India	Norway	Turks & Caicos
Botswana	Indonesia	Oman	UAE
Brazil	Iraq	Occupied territories	Uganda
Bulgaria	Ireland	Pakistan	Uruguay
Burma	Israel	Panama	USA
Cameroon	Italy	Papua New Guinea	Vatican
Canada	Japan	Peru	Venezuela
Chile	Jordan	Philippines	Vietnam
China	Kenya	Poland	Yemen
Colombia	South Korea	Portugal	Zambia
Costa Rica	Kuwait	Qatar	
Cote D'Ivoire	Latvia	Russia	
Cyprus	Lebanon	Rwanda	
Denmark	Liberia	Saudi Arabia	
Djibouti	Libya	Serbia	
Ecuador	Lithuania	Seychelles	
Egypt	Luxembourg	Sierra Leone	
Equatorial Guinea	Malaysia	Singapore	
Estonia	Maldives	Slovakia	

Data Sources

Our Purpose

- The European Union Bill
- The UK/Turkey Strategic Partnership signed 27 July 2010
- EU Enlargement Progress Reports October 2010
- Over 25 bilateral visits by FCO Ministers to European States since the new Government came to office.
- 18 December 2010 letter from the PM and other European leaders to the President of the European Commission (on the No 10 Website)

New Strategic Concept for NATO which;

- remains committed to collective defence (paras 4a and 19 NATO Strategic Concept, Nov 2010).
- is relevant and capable in responding to new threats and crises outside the Euro-Atlantic area where those operations contribute to our collective security (para 23 NATO Strategic Concept, Nov 2010).

NATO and Russia; (NATO-Russia Council Joint Statement, November 2010)

- closer co-operation and understanding
- Agreement on practical steps to support Afghanistan and counter-narcotics operations and in the light of a new NATO territorial Missile Defence mission.

NATO reform; (para 37 NATO Strategic Concept, Nov 2010).

- reduced command structure
- More streamlined financial process.

NATO-led ISAF operations in Afghanistan;

- The insurgency's momentum was reversed in many areas

[COMISAF briefings to NATO (private) and Department of Defence report to Congress of 3 May 2011 covering the period October 1, 2010, to March 31, 2011]

- Afghan National Security Forces grew by approximately 70,000 personnel

[Figures for ANSF growth published by the NATO Training Mission and the Department of Defence report to Congress of 3 May 2011]

- Transition to an Afghan security lead by the end of 2014 began in March 2011.

[President Karzai's Now Ruz (New Year) speech of 22 March and the UKDEL press release of 16 March reporting the 10-11 March NATO Defence Ministers meeting.]

- Afghan and ISAF forces are now working to consolidate gains, which are not yet irreversible.

NATO responded rapidly to new security crises in launching three military operations in March 2011, fundamental to protecting the civilian population in Libya www.nato.int.

- Reporting from posts.
- Conference outcome documents/statements which demonstrate new commitments by states.
- Other member states reports to subsidiary bodies of the UN Security Council (www.un.org).
- Reports by Secretaries-General of the UN, NATO,

Commonwealth, OSCE and Council of Europe (www.un.org, www.nato.int, www.thecommonwealth.org, www.coe.int, www.osce.org).

- Reports made by individual member states, including to monitoring bodies, independent experts or to Representatives appointed by Secretaries-General of these institutions.
- NGO reporting on human rights situations in countries, and human rights thematic interests.
- UN reports, including observations by Treaty Monitoring Bodies (www.un.org).
- Results of elections to international organisations
- Outcomes of UN Fifth Committee on budgets/finance
- Human Rights and Democracy: The 2011 Foreign and Commonwealth Office Report (www.fco.gov.uk)

Security

UK's Counter Proliferation Strategy – launched on 23 March 2012

<http://www.fco.gov.uk/resources/en/pdf/global-issues/weapons-proliferation/counter-proliferation-strat>

Mr. Burt's speech to the IAEA General Conference in September 2011

<http://ukinaustria.fco.gov.uk/en/news/?view=PressS&id=657936482>

Foreign Secretary's statement on South East Asia Nuclear Weapon Free Zone

<http://www.fco.gov.uk/en/news/latest-news/?view=News&id=700493682>

P5 statement following P5 Paris Conference in June 2011

<http://www.fco.gov.uk/en/news/latest-news/?view=PressS&id=627529382>

UK statement welcoming the announcement by the Secretary-General of Finland as host and Mr Jaakko Laajava as facilitator of the 2012 conference on the establishment of a Middle East Zone free of Weapons of Mass Destruction.

<http://ukun.fco.gov.uk/en/news/?view=PressS&id=670045182>

Foreign Secretary's statement on E3+3 talks with Iran – 6 March 2012

<http://www.fco.gov.uk/en/news/latest-news/?view=News&id=738757782>

UK statement at UNGA high level meetings on disarmament – 27 July 2011

<http://ukun.fco.gov.uk/en/news/?view=News&id=636316882>

UK and Brazil Foreign Ministers statement including co-operation on non-proliferation issues – 18 January 2012

<http://ukinbrazil.fco.gov.uk/en/news/?view=PressS&id=717603982>

Final Document of the Seventh BTWC Review Conference, 5-22 December 2011 <http://daccess-dds-ny.un.org/doc/UNDOC/GEN/G12/600/60/PDF/G1260060.pdf?OpenElement>

CTBT/PTS/INF.1166 REPORT ON OSI EXPERT MEETING ON DRILLING AND SUBSOIL SAMPLING, 30 January, 2012

BWC/CONF.VII/WP.1 Article VII: options for implementation and proposal for intersessional work - Submitted by the United Kingdom of Great Britain and Northern Ireland, 11

October 2011 <http://daccess-dds-ny.un.org/doc/UNDOC/GEN/G11/640/45/PDF/G1164045.pdf?OpenElement>

BWC/CONF.VII/WP.2 Illustrative model intersessional work programme: a proposal for task group structure and agenda items - Submitted by the United Kingdom of Great Britain and Northern Ireland, 11 October 2011 <http://daccess-dds-ny.un.org/doc/UNDOC/GEN/G11/640/31/PDF/G1164031.pdf?OpenElement>

BWC/CONF.VII/WP.10 Decision-making in a future BTWC intersessional work programme - Submitted by the United Kingdom of Great Britain and Northern Ireland, 14 October 2011 <http://daccess-dds-ny.un.org/doc/UNDOC/GEN/G11/640/81/PDF/G1164081.pdf?OpenElement>

OPCW Press release: Director-General Visits the UK for High-Level Meetings, Addresses the Royal Society of Chemistry and Wilton Park, 19-20 January 2012. <http://www.opcw.org/news/article/deputy-director-general-visits-the-united-kingdom/>

Amnesty International statement on the Arms Trade Treaty <http://www2.amnesty.org.uk/blogs/press-release-me-let-me-go/tuning-strong-arms-trade-treaty>

Non Proliferation Treaty Review Conference (RevCon)

Written Ministerial Statement by the Foreign Secretary in Parliament on 14 June 2010 www.publications.parliament.uk

Article on the Non Proliferation Treaty Review Conference (NPT RevCon) outcome in The Guardian newspaper, 28 May 2010 www.guardian.co.uk

FCO article on Mr Burt, Parliamentary Under-Secretary of State, Foreign and Commonwealth Office, visit to NPT RevCon, May 2010 www.fco.gov.uk

Improving international Chemical, Biological, Radiological and Nuclear Security measures

- UK Nuclear Security Co-operation with US, Canada, the EU and others – a number of joint projects are outlined in Global Threat Reduction Programme Annual report: GTRP Annual Report: www.decc.gov.uk/gtrp
- Muskoka Declaration 2010 (nb para 31), which points to extension of the G8 Global Partnership against the Spread of Weapons and Materials of Mass Destruction www.canadainternational.gc.ca
- Nuclear Security Summit, Washington, April 2010, Communiqué www.whitehouse.gov
- UK signs agreement to contribute to IAEA nuclear security fund www.iaea.org
- UK support to World Institute for Nuclear Security Annual Report 2010 www.wins.org
- Prospects for the 2011 Review Conference of the Biological and Toxin Weapons Convention (BTWC), 24-26 September, 2010 www.wiltonpark.org.uk
- Chemical weapons disarmament and the future of the Organisation for the Prohibition of Chemical Weapons (OPCW), 18-20 March, 2011 www.wiltonpark.org.uk
- OPCW Press release: Director-General Visits the UK for High-Level Meetings, Addresses the Royal Society of Chemistry and Wilton Park www.opcw.org
- G8 Foreign Minister's statement on the BTWC Review Conference, 15 March 2011 www.g20-g8.com
- United Nations Security Council Resolution 1540 www.un.org/sc/1540/
- Renewal of UNSCR 1540 www.daccess-dds-ny.un.org

Arms Trade Treaty

- www.reachingcriticalwill.org
- www.un.org/disarmament

Overhauling the governance of UK Counter Proliferation policy and re-invigorating its strategic framework

- Statement by Mr Nick Harvey, Minister of State for the Armed Forces, on how the MOD, FCO, Department for Energy and Climate Change and other Departments are working closely together to deliver the commitments in the strategic defence and security review (SDSR) to (a) strengthen international commitments to non-proliferation treaties and (b) refocus critical programmes for building security overseas. [43967] www.publications.parliament.uk.

Export Controls

- www.fco.gov.uk
- Reporting by HM Diplomatic posts; FCO; DfID; MoD

Prosperity

- World Energy Outlook (produced by the International Energy Agency) and IEA Energy Technology Perspectives
- BP Annual Statistical Review
- DECC Delivery Plan
- Reports by the Commission – e.g. 2050 Low Carbon Roadmap which we influenced, draft EU budget proposals (final version in June)
- OECD Environmental Performance Reviews (they do them for every OECD country)
- UK policy decisions on 4th carbon budget, GIB, Green Deal,
- UNEP Global Trends in Sustainable Energy Investment
- UNEP Global Renewables Report
- WB Trends and State of the Carbon Market
- Bloomberg State of the voluntary carbon market
- Globe Value of the Cleantech market
- Bloomberg Who's winning the clean energy race?

Consular

- Consular Management Information
- Crisis management tools
- FCO Digital Diplomacy Group (for website visit numbers)
- Teleperformance (outsourced call handling during a crisis)

FCO Ministerial Speeches

- Rt Hon William Hague MP www.fco.gov.uk/en/news/speeches/foreign-secretary/
- Rt Hon David Lidington MP www.fco.gov.uk/en/news/speeches/david-lidington/
- Jeremy Browne MP www.fco.gov.uk/en/news/speeches/jeremy-browne/
- Alistair Burt MP www.fco.gov.uk/en/news/speeches/alistair-burt/
- Henry Bellingham MP www.fco.gov.uk/en/news/speeches/henry-bellingham/
- Rt Hon Lord Howell of Guildford www.fco.gov.uk/en/news/speeches/lord-howell/
- Lord Green of Hurstpierpoint www.fco.gov.uk/en/news/speeches/Lord-Green/

Structural Reform Plan

Progress against the FCO Departmental Business Plan Structural Reform Priorities

The Structural Reform Plan within the FCO Departmental Business Plan sets out how and when the Department will take forward the national interest and achieve the reforms that will equip Britain for long term success. Structural Reform Plans are key tools for holding Departments to account for the implementation of the Government's commitments.

Note: although 29 policy actions were completed in the year ended 31 March 2012, others are long term, complex issues which remain work in progress and will be reviewed annually until 2015. For specific timelines of each of the SRP actions please refer to the FCO Departmental Business Plans found at www.number10.gov.uk.

Priority	Total no. of actions in Plan 2011-15	No. of actions met on time 2011-12	No. of actions missed <1 month	No. of actions missed by <2 months	No. of actions missed by >2 months	No. of actions missed by >3 months
1. Protect and promote the UK's national interest.	35	11	0	3	0	1
2. Contribute to the success of Britain's effort in Afghanistan.	10	7	0	0	0	0
3. Reform the machinery of government in foreign policy.	6	1	0	0	0	0
4. Pursue an active and activist policy in Europe	12	4	0	0	0	1
5. Use "soft power" to promote British values, advance development and prevent conflict.	11	6	0	0	0	1
Total	74	29	0	3	0	3

Comments and explanation of missed deadlines

- Protect and promote the UK's national interest.*
14 actions ongoing: 1.1(i); 1.3(i)(g); 1.3(i)(h); 1.3(ii)(a); 1.3(iii)(a); 1.4(iii); 1.5(i); 1.5(iv); 1.5(v); 1.6(iv); 1.6(vi); 1.6(vii); 1.7(vi); 1.7(vii).
4 actions were delayed: the UK has lobbied the Israeli government and worked closely with the EU on the MEPP (1.6(i), (ii) and (iii)); and work has also continued on UNSC reform (1.9(i)).
- Contribute to the success of Britain's effort in Afghanistan.*
5 actions ongoing: 2.1(ii); 2.1(iii); 2.2(i)(b); 2.3(i)(d); 2.3(i)(e).
- Reform the machinery of government in foreign policy.*
All actions now complete.
- Pursue an active and activist policy in Europe*
10 actions ongoing: 4.1(i)(a); 4.1(i)(c); 4.1(i)(d); 4.3(i); 4.3(iii); 4.3(iv)(a); 4.3(iv)(b); 4.4(i)(a); 4.4(ii); 4.4(iv).
India EU FTA negotiations are not yet complete (4.4(i)(d)).
- Use "soft power" to promote British values, advance development and prevent conflict.*
2 actions ongoing: 5.1(ii) and 5.1(vi).
There was a delay in publication of the Green Paper on intelligence in judicial proceedings (5.3(ii)).

For detailed information of our specific achievements please visit www.fco.gov.uk.

Transparency

The FCO is committed to the government's transparency agenda as set out in the Open Public Services White Paper. In line with our Business Plan, we will continue to publish a wide range of information about our performance and spending, only withholding details if disclosure is likely to compromise security. In 2011/12 we appointed our Finance Director, Alison Currie, as Board Champion for transparency and have established a Transparency Steering Group to drive forward implementation of our first Open Data Strategy, including improving the timeliness and accuracy of our published data.

We have published monthly figures showing the detail of UK and certain overseas transactions over £25,000 together with FCO spending on Government Procurement cards over £500 (both to October 2011). We have also regularly published senior and junior staff salary data and details of the FCO management structure (latest datasets: November 2011). In addition, we published in January 2012 a range of data covering FCO properties, consular work, Information and Technology, Protocol, and Human Resources.¹ All our published data can be found either on www.data.gov.uk or the transparency section of the FCO website.²

Our Quarterly Data Summaries, published most recently in April 2012 for the periods to December 2011, give further details on the size of our workforce and costs. They are a snapshot of our progress on key agreed indicators - for example, with UKTI, in 2011-12 we helped over 20,000 British businesses to improve their performance through internationalisation.

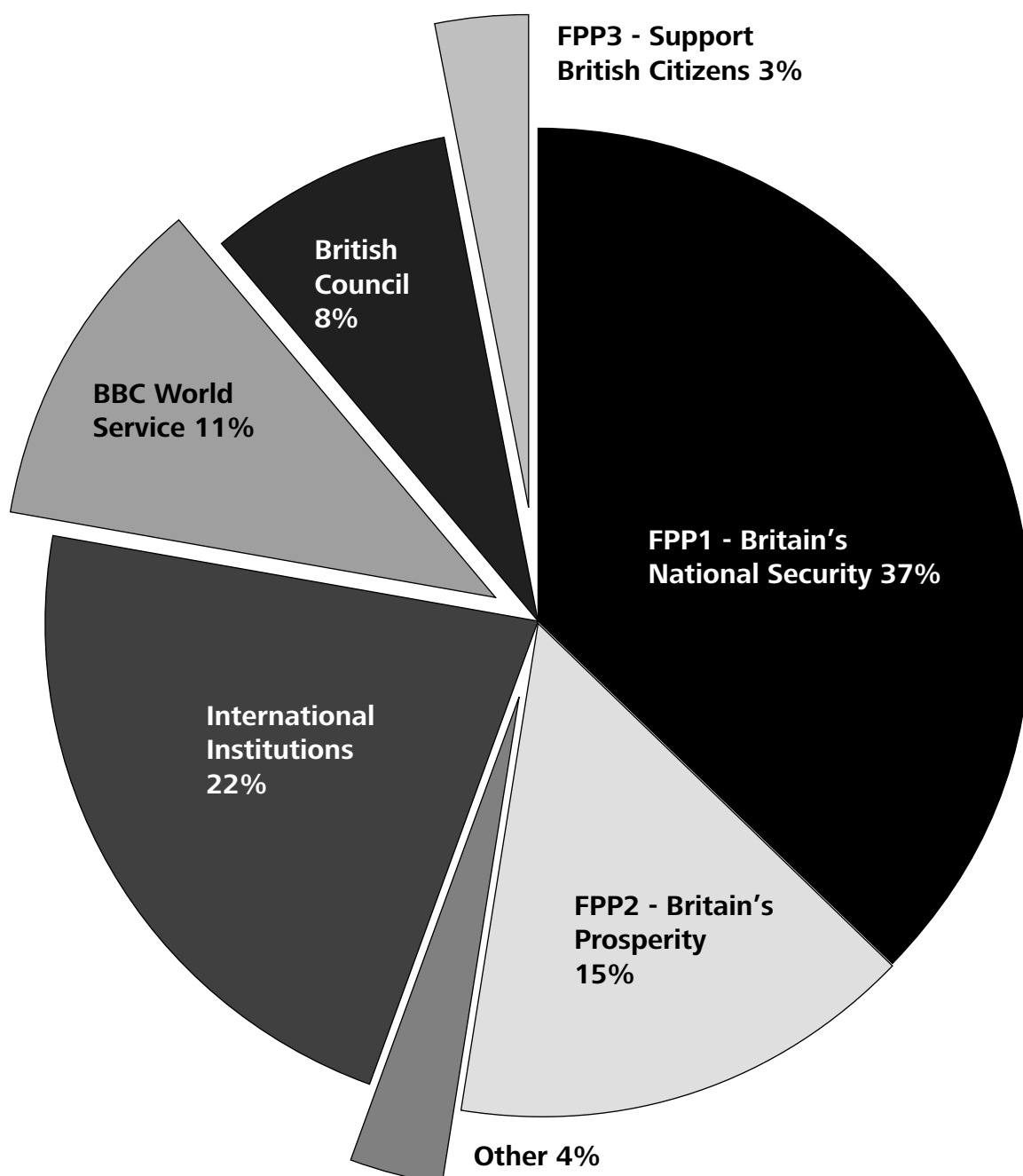
We published our Open Data Strategy in April 2012, which set out for the first time how we will apply the government's open data and transparency agenda. Just as we work for greater transparency in foreign governments and institutions we recognise that we must match this with a greater level of ambition in our own levels of transparency, for example improving the timeliness and accuracy of our publication of contracts and tenders.

¹ www.fco.gov.uk/resources/en/pdf/about-fco

² www.fco.gov.uk/en/publications-and-documents/transparency-and-data

Spend by Foreign Policy Priority

Expenditure % by Foreign Policy Priority



Common Core Tables

Total Departmental Spending

£m

	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Outturn	2010-11 Outturn	2011-12 Estimated outturn	2012-13 Plans	2013-14 Plans	2014-15 Plans
Section A: Administration and programme expenditure	806	818	909	949	984	1,049	973	938	904
Section B: Programme and international organisation grants	221	205	229	271	270	174	208	212	216
Section C: BBC World Service Broadcasting ¹	209	222	234	240	238	233	252	252	-
Section D: British Council	183	186	195	193	187	179	165	157	149
Section G: Expenditure of NDPBs (Net)	6	6	6	6	6	5	6	6	6
Section H: Conflict Prevention Programme Grants ¹	44	54	87	110	106	132	122	-	-
Section I: Peacekeeping Grants ¹	301	316	367	358	408	402	401	-	-
Section J: Departmental Unallocated Provision	-	-	-	-	-	-	10	10	10
A) Total Resource DEL	1,771	1,808	2,027	2,127	2,200	2,175	2,136	1,574	1,284
<i>Of which:</i>									
Pay	385	393	415	462	476	450	447	437	428
Net current procurement ²	552	583	651	629	647	640	647	614	357
Current grants and subsidies to the private sector and abroad	570	581	683	739	787	708	731	212	216
Depreciation ³	82	73	82	105	103	124	136	144	124
Other	182	178	197	192	187	253	175	167	159

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B) Resource AME									
Section K: AME Programme	42	11	-28	65	14	35	50	50	50
Section L: Reimbursement of certain duties taxes and licence fees ⁴	20	14	18	21	21	26	25	25	25
Section M: BBC World Service Broadcasting	-	-	-	-	-	-	5	5	-
A + B) Total Resource AME	62	24	-10	86	35	61	80	80	75
<i>Of which:</i>									
Pay	-	-	-	-	-	-	-	-	-
Net current procurement ²	-	-	-	-	-	-	-	-	-
Current grants and subsidies to the private sector and abroad	20	14	18	21	21	26	25	25	25
Current grants to local government	-	-	-	-	-	-	-	-	-
Take up of provisions	15	-	23	34	9	20	25	25	20
Release of provisions	-	15	-21	-21	-25	-18	-20	-20	-20
Depreciation ²	27	-4	-30	51	30	18	50	50	50
Other	-	-	-	-	-	15	-	-	-
Total Resource Budget	1,833	1,833	2,018	2,213	2,235	2,236	2,216	1,654	1,359
<i>Of which:</i>									
Depreciation ³	109	69	52	156	133	142	186	194	174
Capital DEL									
Section A: Administration and programme expenditure	107	174	175	149	102	72	59	61	69
Section B: Programme and international organisation grants	18	17	14	15	24	20	21	20	24
Section C : BBC World Service - Capital	31	33	31	29	27	22	16	16	-
Section D: British Council - Capital grant	5	3	6	8	2	1	6	5	5
Total Capital DEL	161	228	227	201	155	115	102	102	98

<i>Of which:</i>									
Net capital procurement ⁴	107	174	175	149	102	72	75	77	69
Capital grants to the private sector and abroad	18	17	14	15	24	20	21	20	24
Capital support for public corporations	36	36	37	37	29	23	6	5	5
Total Capital Budget	161	228	227	201	155	115	102	102	98
Total departmental spending⁵	1,885	1,991	2,193	2,257	2,255	2,209	2,131	1,562	1,283
<i>Of which:</i>									
Total DEL	1,850	1,963	2,172	2,223	2,250	2,166	2,101	1,532	1,258
Total AME	35	28	21	35	5	43	30	30	25

¹ From 2013-14 plans are underestimated because HMT will make further resources available for Conflict Prevention and Peacekeeping in-year. Plans also reflect savings arising from pay restraint and the BBC World Service move to Licence Fee funding from 2014-15.

² Net of income from sales of goods and services

³ Includes impairments

⁴ Expenditure on tangible and intangible fixed assets net of sales

⁵ Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.

Note: Figures up to 2010-11 pre-date the Clear Line of Sight initiative and so do not directly read across to the Accounts.

Public spending control

	£m		
	2011-12 Original Budget	2011-12 Final Budget	2011-12 Estimated Outturn
Resource DEL	2,141	2,210	2,175
of which Administration Budget	248	248	168
Resource AME	75	75	61
Capital DEL	107	119	115

Capital Employed

	£m								
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Outturn	Outturn	Outturn	Outturn	Outturn	Estimated Outturn	Plans	Plans	Plans
Assets on balance sheet at end of year									
Fixed Assets									
Intangible ¹	2	1	4	4	2	3	3	3	3
Tangible	1,529	2,232	2,834	2,255	2,264	2,313	2,313	2,313	2,313
of which:									
Non-residential land and Buildings	623	1,130	1,443	1,026	1,032	1,089	1,089	1,089	1,089
Residential land and Buildings	643	765	974	888	876	885	885	885	885
Information Technology ³	40	21	83	183	149	133	133	133	133
Plant and machinery	26	20	29	39	48	54	54	54	54
Vehicles	21	26	34	24	23	22	22	22	22
Antiques & works of art	20	20	20	20	20	20	20	20	20
Assets in the course of construction	156	249	251	75	116	111	111	111	111
Financial ²	-	-	24	32	11	8	8	8	8
Receivables >1 year	-	60	59	38	38	37	37	37	37
Current Assets									
Stocks	12	10	10	8	6	5	5	5	5
Assets classified as held for sale	-	-	-	11	12	14	14	14	14
Debtors	220	259	294	154	117	115	115	115	115
Cash at Bank and in hand	99	30	36	30	44	50	50	50	50
Financial ²	-	-	-	-	5	0	0	0	0
Creditors <1 year	-299	-225	-303	-278	-267	-295	-295	-295	-295
Creditors >1 year	-33	-43	-54	-44	-39	-50	-50	-50	-50
Provisions ⁴	-69	-67	-71	-84	-68	-70	-70	-70	-70
Total Capital Employed	1,461	2,257	2,833	2,126	2,125	2,130	2,130	2,130	2,130

¹ From 2008-09 some IT assets (software licences) have been reclassified from tangible assets.

² Reflects investment in FCO Services Trading Fund from 1 April 2008.

³ Reflects roll-out of F3G from 2008-09.

⁴ Provisions are estimates of future liabilities.

Administration budget

	£'m								
	2006 - 07	2007 - 08	2008 - 09	2009 - 10	2010 - 11	2011 - 12	2012 - 13	2013 - 14	2014 - 15
	Outturn	Outturn	Outturn	Outturn	Outturn	Estimated Outturn	Plans	Plans	Plans
Section A: Administration and programme expenditure	268	242	269	318	352	168	220	203	188
Section H: Departmental Unallocated Provision	-	-	-	-	-	-	10	10	10
Total administration budget¹	268	242	269	318	352	168	230	213	198
<i>Of which:</i>									
Paybill	256	252	202	234	242	80	97	88	81
Expenditure	77	40	131	162	174	151	213	205	197
Income	-65	-49	-63	-78	-64	-63	-80	-80	-80
Foreign Policy Priorities²									
Our Purpose International Institutions & Soft Power					301	259			
Other					25	73			
FPP1 - Britain's National Security					233	229			
FPP2 - Britain's Prosperity					303	303			
FPP3 - Support British Citizens					77	69			
Total					939	933			

¹ £114m for the costs of security staff overseas and UK located staff with representative roles were reclassified to front line programme expenditure at Spending Review 2010. Around £400m of costs associated with front line staff were reclassified to programme in CSR07. Plans also reflect savings arising from pay restraint.

² Spend by Foreign Policy Priorities after front line reclassification is not available. For spend by the former Government's Departmental Strategic Objectives and Strategic Priorities on a comparable basis see Table 5 of Annex A to 2009-10 Resource Accounts (HC 74).

Note: 2010-11 outturn includes one-off restructuring costs and the costs of the Papal visit.

Staff numbers

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	PLANS	PLANS	PLANS
CS FTEs ¹	6,880	5,890	5,140	5,140	5,000	4,530	4,450	4,365	4,285
Overtime ²	103	83	56	42	45	45	0	0	0
Casuals ³	22	20	19	1	0	0	0	0	0
Total	7,005	5,993	5,215	5,183	5,045	4,575	4,450	4,365	4,285

¹ Actuals reflect staff in post at the end of each financial year. Plans now fully reflect Strategic Workforce Savings.

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

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

Note: In accordance with Treasury guidance these figures show UK based staff only.

Note: In 2007-08 FCO Services moved to Trading Fund status and the former Ukvisas was transferred to the UK Border Agency in 2008-09 and so have been removed from the above figures.

Note: At 1st April 2012 there were a further 8,685 locally engaged staff overseas.

Consultancy and temporary staff

Total spend by the Foreign and Commonwealth Office for 2011-12 on consultancy was £12.04m and spend on other temporary staff was £9.4m.

Recruitment Practice

The Recruitment Freeze

On 24 May 2010, the Coalition Government announced a freeze on all external recruitment in the Civil Service. There are three areas exempted from this: Band C entrants from the Fast Stream programme; business-critical roles; and roles that provide a front line service.

Approval to recruit externally in these three areas is given by the Chief Operating Officer. Recruitment is then conducted according to principles of fair and open competition, as laid down by the Civil Service Commissioners.

The number of appointments made at each grade in 2010-11 is below in Table 1; this includes both permanent and fixed term appointments.

Table 1

Recruitment Campaign	Number appointed
Band A	0
Band B	1*
Band C	22
Band D	0
Specialist recruitment (covering various grades)	17

*an applicant from a recruitment campaign in 2006 who joined the FCO during 2011/12.

Exceptions to fair and open competition 2010-11

Certain exceptions to the principle of appointment on merit through fair and open competition are allowed by the Office for the Civil Service Commissioner. Allowable exceptions are listed below in Table 2 along with the number of appointments of each type made by the FCO in 2010-11.

Table 2

Type of Exception	Number appointed
Short term appointments for up to two years	14**
Permanent appointments to administrative grades	0
Appointment of specialists for up to two years	0
Secondments for up to two years	169
Re-appointment of former civil servants	14
Transfer of organisations into the Civil Service	0
Transfer of individuals into the Civil Service	29
Recruitment of Disabled people under the FCO's Guaranteed Interview Scheme	5
Recruitment of Disabled people under the FCO's Guaranteed Interview Scheme	5

**Includes appointments whose contracts would have been extended during the FY 2011/12

Publicity and Advertising

Following announcement of the Marketing and Advertising Freeze on 4 June 2010, the FCO has implemented an exacting process to scrutinise all proposals for expenditure on paid for communications activities.

All spending proposals for 2011-12 in this area beneath £100,000 required the approval of the FCO Director of Communications, and those above £100,000 also required approval from the Efficiency and Reform Group (ERG), via the Cabinet Office. The FCO approved eighty seven requests for marketing and advertising totalling £1.038 million.

In line with the transparency agenda, FCO is committed to publishing the details of all expenditure on marketing and advertising that has been approved by the Cabinet Office, and only withholding the details of projects if disclosure is likely to compromise security. Four requests for marketing and advertising expenditure have been approved totalling £1.88 million by the Efficiency Reform Group and have been published on the FCO website www.fco.gov.uk.

Corporate Sponsorship of FCO Activities 2011/12

Post / UK	Description of Project	Total Forecast Project Costs	Name of Sponsor/s	Value of Sponsorship			
				Cash (LC)	In-Kind (LC)	Cash (£)	In-Kind (£)
Rabat	Queens Birthday Party	£8,548	Shell	111,400		£8,433	
	Olympics Event	£8,000	G4S	66,050		£5,000	
Wellington	Rugby World Cup Event	£55,474	OCS Ltd	10,000		£5,159	
Dublin	Ambassador's Summer Party/ Queens Birthday Party 2011	£42,400	HSBC	10,000		£8,291	
			Experian	5,000		£4,146	
			Invest Northern Ireland	8,000		£7,139	
	Return Event for State Visit in May 2011	£113,757	The Ireland Fund	50,000		£44,456	
France Network	Queens Birthday Party	£44,708	Lafarge	15,000		£13,337	
			Rolls Royce	11,209		£10,003	
			HSBC	25,000		£22,007	
	Patrimoine Day	£5,212	Royal Bank of Scotland	6,000		£5,213	
Bucharest	Royal Wedding Party	£9,140	Royal Bank of Scotland	42,780		£9,139	
Seoul	Queens Birthday Party/Royal Wedding Party	£12,338	Kolon Cambridge Members	10,000,000		£5,637	
Vienna	Queens Birthday Party 2011	£17,200	BT	7,000		£6,039	
			BAE	7,000		£6,039	
Kyiv	Energy Efficiency Campaign	£17,117	TNK BP	96,000		£7,652	
			Systems Capital Management	120,000		£9,565	
			RA-Gallery	122,060		£9,729	
			Malysheva Iryna	63,000		£5,030	

cont.

Post / UK	Description of Project	Total Forecast Project Costs	Name of Sponsor/s	Value of Sponsorship			
				Cash (LC)	In-Kind (LC)	Cash (£)	In-Kind (£)
Tokyo	TIFFCOM (Commercial Market at Tokyo International Film Festival)	£22,000	TIFFCOM		510,000		£19,000
Tel Aviv	HI-TECH HUB Startup	£50,000	BIS International Secretrait	295,793		£50,000	
	Queens Birthday Party & Royal Wedding 2011/2012	£42,638	Unilever	55,841		£10,000	
			Bank Leumi	41,063		£7,500	
	Science & Innovation Project	£20,000	Oxford University	117,049		£20,000	
Dubai	Royal Wedding Party	£80,000	Emirates Airlines	76,000		£13,058	
Guangzhou	Workshop to promote enhanced data management for carbon market	£5,710	International Carbon Action Partnership	59,842		£5,710	
	CCS project fund from GCCSI	£29,292	Global Carbon Capture and Storage Institute Ltd	292,418		£29,292	
Erbil	British Film Festival in Kurdistan	£29,251	Range Rover - Sardar Group	15,000		£9,750	
			Iraq Consultants and Construction Bureau	10,000		£6,500	
Shanghai	GREAT Campaign Launch Event	£136,000	Jaguar Land Rover			£10,000	
			Rolls Royce			£6,000	
			British Airways				£12,000
Dakar	Fun run to promote British Businesses and support disabled people	£45,710	Shell	10,000,000		£13,210	

Total	£794,496	Sub Totals			£383,184	£31,000
Total Sponsorship						£414,184

Arm's Length Bodies

The FCO works with the following Arm's Length Bodies and its Executive Agency in the following ways:

BBC World Service (BBCWS) (www.bbc.co.uk/worldservice)

The BBCWS is a Public Corporation. The overall role of the BBC is set out in its Royal Charter which runs to the end of 2016. The relationship between the BBCWS and the FCO is governed by a Broadcasting Agreement and a Financial Memorandum. The Broadcasting Agreement was updated in 2011-12. In addition the role of BBCWS is set out in Section 64 of the agreement between the BBC and the Department for Culture, Media and Sport (DCMS). This was updated in 2011, reflecting the changes to funding of the BBCWS from 2014-15 from the licence fee. With effect from 2012-13 the BBCWS will be consolidated in the Resource Accounts of the FCO. The Financial Memorandum is currently being updated to reflect this change.

FCO Communications Directorate and BBCWS hold quarterly review meetings to assess BBCWS performance against key audience targets. Separately quarterly BBCWS financial summaries and monthly funding requests are also scrutinised. The head of FCO Communications and Engagement Department is the Senior Responsible Owner of the FCO relationship. The FCO provides BBCWS with Grant In Aid financing monthly.

The Foreign Secretary is regularly consulted on the global reach and spread of BBCWS services and the BBCWS must have the Foreign Secretary's approval to open or close any BBCWS overseas language services. The Foreign Affairs Committee (FAC) is provided regular updates on the role of the BBCWS. The BBCWS provides the FCO with their briefing to the FAC.

British Council (www.britishcouncil.org)

The British Council (BC) is a Charity, a Public Corporation and a Non-Departmental Public Body. It is governed by a Royal Charter, which sets its Charitable Objects. The Foreign Secretary must approve any changes to these Charitable Objects, the latest change agreed in 2011.

The FCO provides the BC with Grant In Aid, but the majority of BC's income and expenditure stems from its own teaching and language services. As such the results of the BC are not consolidated in the FCO accounts. The relationship between the FCO and BC is set out in a Management Statement and a Financial Memorandum, both of which are due to be updated in 2012-13. The BC must advise the FCO if it intends to open or close their representation overseas.

The PUS sits as a member of the British Council Board of Trustees. The PUS meets with the BC Chief Executive regularly. Additionally quarterly meetings are also held to discuss alignment of BC and FCO strategies and monthly meetings to review financial progress and information provided to the BC Executive Board.

The BC produces an annual Corporate Plan which sets out targets for the forthcoming year, which is approved by the Minister of State, Jeremy Browne, following consultation with FCO geographic Directors and other Ministers.

Westminster Foundation for Democracy (WFD) (www.wfd.org)

WFD is an FCO-sponsored Non-Departmental Public Body supported by a Grant In Aid. The relationship between the WFD and the FCO is governed by a Management Statement and a Financial Memorandum. The WFD is to be reviewed once every three years, with the Management Statement reviewed in parallel. The next review will be in 2013.

The Foreign Secretary is accountable to Parliament for the activities of WFD and has responsibility for approving their strategic objectives, the appointment of the CEO and the Board, and laying of the WFD accounts before Parliament.

Human Rights and Democracy Directorate are the sponsoring team in the FCO and are the principal source of advice to the Foreign Secretary and the PUS on these matters. Officials report regularly to Ministers on WFD-related issues, in particular on funding, corporate planning and review-related issues.

Great Britain China Centre (GBCC)**(www.gbcc.org.uk)**

GBCC is an FCO-sponsored Non-Departmental Public Body. The FCO provides the GBCC with a Grant In Aid. The relationship between the GBCC and the FCO is governed by a Management Statement and a Financial Memorandum. Both documents are currently under review and will be updated in 2012-13. The annual accounts are submitted to Ministers.

The GBCC produces an annual Corporate Plan which sets out their work and sets out how they align with FCO objectives. The Centre is reviewed every three years in line with Cabinet Office guidance. The Foreign Secretary signs off appointments to the Board. The head of the FCO's China Department sits on the Board and attends meetings three times a year.

Marshall Aid Commemoration Commission (MACC)**(www.marshallscholarship.org)**

The MACC is established under the 1953 Marshall Aid Commemoration Commission Act, awarding up to 40 postgraduate scholarships in the UK each year for students from the USA with the potential to excel in their chosen fields of study and future careers. The FCO provides MACC with Grant In Aid. The MACC Grant In Aid is agreed as part of the overall annual allocation of FCO programme funding agreed by Ministers. The MACC relationship with the FCO is governed by a Management Statement which is currently under review and being renewed for 2012-13.

The MACC Board meets three times a year. The Head of the FCO Public Diplomacy Team within Communications Directorate represents the FCO at MACC Board meetings. The Foreign Secretary signs off the MACC annual report, and all appointments to the MACC Board, including the Chair.

Wilton Park (WP)**(www.wiltonpark.org.uk)**

WP is an Executive Agency of the FCO, governed by a Framework Document, which was updated in November 2009. The Framework Document is reviewed every five years.

There are usually five meetings per year of the WP Board, with quarterly WP Audit Committee meetings. The head of FCO Communications and Engagement Department is the Senior Responsible Owner of the FCO relationship, and sits on the WP Board. The FCO provides annual core funding to WP, and Directorates within the FCO may provide additional discretionary funding to support WP conferences. Wilton Park's financial results are consolidated with the FCO Communications Directorate budget and WP accounts are therefore reviewed monthly.

The Foreign Secretary appoints the Chair of the Wilton Park Board, for a period of five years, extendable and the Chief Executive for a fixed period of three years, with the possibility of extension under Civil Service appointment terms. As a minimum, there is an annual meeting between the Minister and the Chair and Chief Executive to discuss the WP Annual Report and strategic objectives.

Note: Further information about the work of these non-departmental public bodies can be found on the FCO website at www.fco.gov.uk.

Parliamentary Engagement

The FCO's Parliamentary engagement strategy expects the FCO to meet the highest standards in supporting Ministers in meeting Parliamentary obligations, to engage with Parliamentarians in policy-making and to ensure that officials have the knowledge and skills to meet these requirements. There have been strong performance improvements in all three areas this year.

Performance in updating the House on foreign policy developments

The number of formal updates to the House, by means of oral and written statements, has increased substantially in 2011-12. The FCO made 20 oral statements in the Commons this session, the third highest in Government, behind the Prime Minister and Home Office. During this reporting year 10 oral statements have been made covering a range of subjects including Afghanistan, Somalia and the Middle East and North Africa. FCO ministers have also responded to 4 allowed Urgent Questions in the Commons and one Private Notice Question in the Lords.

Written statements have covered many areas of foreign policy. The FCO provides written statements after each EU Foreign Affairs Council and monthly progress reports on Afghanistan, the latter jointly with the Ministry of Defence and the Department for International Development.

Ministers have led or responded to debates on foreign policy in both Houses including an emergency debate granted under Standing Order 24 and, together with officials, have given evidence to Select Committees covering issues ranging from Turkey to Sudan, export controls, human rights and the FCO's performance and finances. The Foreign Secretary has twice given oral evidence to the Foreign Affairs Committee (FAC) during 2011-12 as part of the FAC's ongoing inquiry into "Developments in Foreign Policy".

Informal updates have also increased. The FCO routinely briefs the Chair of the FAC on changes to the FCO's network of overseas posts or where foreign policy is being developed rapidly in response to changes overseas. Heads of Mission were made available to brief the FAC and the EU sub C Select Committee in the Lords, both during the Leadership conference in April 2012 and when they have returned to London at other times. The FCO in both London and our posts overseas also work closely with Select Committees to facilitate their visits overseas on fact-finding tours to inform their inquiries.

Events to brief Parliamentarians on consular and foreign policy issues of direct or constituency interest have been used both to challenge assumptions and take account of opinion and expertise in both Houses. Officials have also engaged directly

with the wide range of country and subject specific All Party Parliamentary Groups.

Performance in answering Parliamentary Questions

3,201 Parliamentary questions for written answer were tabled to the FCO in 2011-12. During the year there has been a steady improvement in performance with an overall figure of 89% being answered within deadline. Of the 3,201 questions, 1,510 were ordinary Commons written questions, of which 84% were answered within deadline, 406 were Named Day questions, of which 92% were answered within deadline and 1,285 were Lords questions of which 94% were answered within deadline.

The table below sets out the monthly performance figures during the year:

Month in 2011-12	Commons Ordinary % answered within deadline	Commons Named Days % answered within deadline	Lords Questions for Written Answer % answered within deadline
April	92	82	94
May	57	75	97
June	66	91	100
July	85	88	100
August & September	84	83	100
October	94	98	98
November	94	91	98
December	95	94	64 ¹
January	89	96	100
February	98	100	93
March	99	100	83

Table 1: Monthly PQ performance 2011-12

¹ This figure includes recess – all PQs were printed in Hansard on time

The 10 most frequent subjects raised in written Parliamentary questions tabled to the FCO in 2011-12 were (in descending order of volume): the Near East, European issues, East Asia & Pacific, East Africa & the Great Lakes, South Asia, North Africa, the Overseas Territories, Libya, Human Resources and Iran.

Performance in responding to correspondence from Parliamentarians

The FCO received 10,402 pieces of correspondence from MPs and peers in 2011. 87% received replies within our 20 day deadline.

The 10 most frequent subjects raised in correspondence this year were (in descending order of volume): the Near East, consular cases, South Asia, Libya, Europe, Afghanistan, East Asia, North Africa, Iran and China.

15% of all the FCO Ministerial correspondence in 2011 related to the Near East, of which 92% was answered on time.

Performance in responding to correspondence from the public

The FCO received 6,823 pieces of hard copy correspondence from members of the public in 2011. Of these 5,680 (83.25%) received replies within our 20 day deadline. E-mail correspondence also received replies directly from officials in the Office.

Performance in complying with Parliamentary Scrutiny requirements for EU documents

Ministers and officials have continued to improve the FCO's performance on scrutiny as part of its overall policy of improving transparency and accountability to Parliament on European issues. 167 Explanatory Memoranda (EMs) consisting of 257 documents were submitted to Parliament for Parliamentary Scrutiny in 2011. 81 of these documents resulted in Overrides by both or one of the Scrutiny Committees. 73 of these were due to fast moving items such as Sanctions and Restrictive Measures during the Arab Spring and unrest in other regions. In an exceptional year 39% of our total number of EMs also covered Sanctions and Restrictive Measures.

The Parliamentary Ombudsman

The Parliamentary Ombudsman is responsible for investigating complaints regarding whether Central Government Departments have acted properly or fairly, or have provided a poor service. During 2011/12 the FCO was contacted by the Ombudsman regarding 15 separate cases.

Queries from Parliamentary Ombudsman Relating to Complaints Against the FCO	2011 - 2012
Total Number of Cases	15 (100%)
Cases Closed Following a Preliminary Assessment	7 (46.6%)
Cases Closed Following a Further Assessment	6 (40%)
Cases Where a Full Investigation was Launched	1 (6.7%)
Cases Still On-Going	1 (6.7%)

The Ombudsman concluded in respect of the FCO that:

- One complaint required a full investigation, but the complaint was not upheld.
- Six complaints were closed after further assessment and required no further action.
- Seven complaints were closed at the preliminary assessment stage, either because they were premature (e.g. not exhausted FCO's internal complaints procedure), did not fall within the FCO's remit or fell outside the Ombudsman's jurisdiction.
- One complaint is still on-going.

The FCO take complaints seriously and endeavour to learn from them in order to provide a high quality of service. As part of our Consular Strategy 2010-2013 we made a commitment to develop and use customer feedback as an essential tool for managing and improving our services. We record and examine all the complaints we receive and have a system in place for analysing the complaints and spotting trends in order to tackle areas for improvement and identify priorities for resources.

Sustainability Report

Sustainable Development

1. The FCO is a vital component of HMG efforts to promote and support sustainable development (SD) at home and around the world. Our prosperity agenda is underpinned by an understanding of UK SD principles, especially the need to achieve a sustainable economy and live within environmental limits. Sound science informs a range of our policy work around global issues (e.g. climate change) and enhances policy cooperation in bilateral relationships (e.g. with the US and many of the emerging economies).
2. The FCO Network has played an important role with DEFRA in preparing for the Rio+20 Summit on Sustainable Development in June 2012. Details of specific policy work which supports SD economic, social and environmental principles can be found in sections of this report on preventing and responding to climate change, promoting human rights and democratisation, and the FCO contribution towards delivery of the London 2012 Olympic games, amongst others.
3. At a corporate level, the FCO has now integrated mandatory HMG commitments on sustainable development into its Departmental Business Plan. Our HR strategy aims to build a diverse and inclusive workforce as part of the FCO Diplomatic Excellence programme.

Climate change adaptation

4. Adapting to climate change, and incorporating low carbon, green growth into broader growth policies are central to the FCO prosperity agenda which informs policy-making throughout the organisation. Work begun under our 2010 Departmental Adaptation Plan will continue, where appropriate, through commitments to be made under the National Adaptation plan in due course.

Sustainable operations and sustainable procurement performance: 2011/12

5. This is the second year in which Government Departments, including the FCO, have reported sustainable operations performance and associated expenditure within the Annual Reports and Accounts. The purpose is to increase transparency and accountability, by systematically reporting performance against sustainability targets and related expenditure and by normalising performance to allow comparison between years and across Departments and other public bodies.

Summary of performance

6. The FCO implemented a programme of greenhouse gas reduction activities which contributed to a 2,057 tonnes reduction in CO₂e emissions in 2011/12. The number of domestic flights taken fell by 21%. Waste arisings decreased slightly by 12 tonnes but the recycling rate dropped from 44% to 36%. Office paper procurement fell by 7%. Office water consumption per head has increased from 14m³ per full time equivalent (FTE) staff member to 14.5m³ per FTE. A data-centre appears to be a significant user of water. A Biodiversity Action Plan has been prepared in 2012 and actions taken to enhance biodiversity. Analysis has begun of the potential to deliver sustainability benefits through a Category Management approach to procurement.
7. The Prime Minister's target to cut carbon emissions from central Government offices by 10% in one year, ended in May 2011. The FCO cut carbon emissions from its UK offices by 18.1%, the third best performing Department.
8. 2011/12 is the first year of reporting against the new Greening Government Commitments (GGC), which set targets for reducing greenhouse gases, water and waste by 2014/15 compared to a 2009/10 baseline. GGC also includes a target to cut central Government paper consumption by 10% in 2011/12 and requires actions to enhance biodiversity and improve the sustainability through procurement.

9. The FCO is making progress in meeting the greenhouse gas target, having reduced carbon emissions by 15.9% since 2009/10 against a target to cut emissions by 25% by 2014/15. 177 domestic flights were taken in 2011/12, well within the 2015 target of 612 flights. Waste arisings and office water consumption, however, remain well above the target and benchmarks. The FCO's performance against the SOGE targets is summarised in the table below:

Impact	2011/12 Performance	Target For 2014/15 (unless other year stated)
Greenhouse gas emissions from UK estate and domestic travel	17,673 tonnes of CO2 equivalent (tCO2e)	15,767 tCO2e (a reduction of 25% on 2009/10 emissions)
Estate energy expenditure	£3,656,688	-
Number of domestic flights	177	612 flights (a 20% reduction on 2009/10 flights by 2015)
Vehicle and domestic flight travel expenditure	£489,943	-
CRC Energy Efficiency Scheme expenditure	£238,329	
Office water consumption	14.5 cubic metres per FTE	>6m3 per FTE = poor practice
		4m3 – 6m3 per FTE = good practice
		<4m3 per FTE = best practice
Office water expenditure	£76,668	-
Waste arising	1572 tonnes	990 tonnes (a reduction of 25% on 2009/10 waste arising)
Total waste disposal expenditure	£303,076	-
Paper consumption	38,969 A4 reams equivalent	37,609 A4 reams equivalent (a reduction of 10% on 2010/11 consumption).
Expenditure on GCOF carbon offsets	£135,891	-

10. The GGC targets apply to the FCO's UK operations only and cover the collective sustainability impacts from the FCO; FCO Services (the FCO's Trading Fund); and the FCO's Wilton Park conference centre. All sustainability figures in this report therefore include FCO Services and Wilton Park impacts. Financial figures relate to the FCO's expenditure only.

11. The FCO's overseas operations are not subject to formal sustainability targets. However, posts are pro-active in implementing measures to reduce their environmental impacts.

Summary of Future Strategy

12. The FCO Business Plan for 2012-15 commits the FCO to deliver the Greener Government Commitments. The FCO is developing and implementing plans to meet each of the Commitments.

Normalised Performance

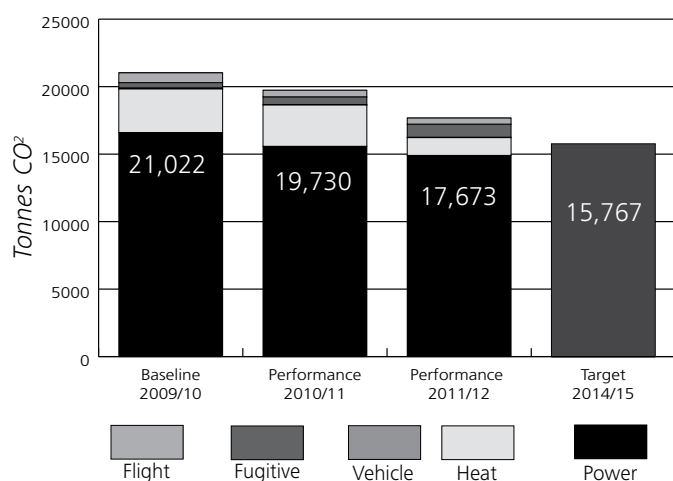
13. To allow comparison between years and organisations, the following table normalises sustainability impacts by expenditure and staff numbers. The expenditure figure is derived from the FCO's and Wilton Park's total administration spend plus FCO Services' wider market revenue: a total of £246,387,000. The Full Time Equivalent (FTE) staff number equals 3,969 and includes contractors and agency personnel as well as staff working on FCO, FCO Services and Wilton Park premises in the UK plus FTE visitors to UK premises. The Office FTE for the reduced scope of the Office water consumption target is 3,848.

Impact	Per £ expenditure	Per full time equivalent (fte)
Greenhouse gas emissions	72 grams CO2e per £ of expenditure	4.3 tonnes of CO2e per FTE
Office water consumption	0.0002 cubic metre per £ of expenditure	14.5 cubic metres per FTE
Waste arising	6 grams per £ of expenditure	398 kg per FTE

Greenhouse Gas Emissions

Greenhouse gases:	2011-12		
	kWh/miles/no.	tCO ₂	GBP (£)
Electricity (Non-Renewable)	28,405,150 kWh	14,902	£2,859,952
Electricity (Renewable)	0	0	0
Gas	1,510,107 kWh	277	£43,893
Heating Oil	260,572 kWh	73	£4,619
Biodiesel	2,002,141 kWh	0	£253,146
Biomass (see notes 5)	595,697 kWh	0	0
District Heating	3,995,800 kWh	969	£495,078
Fugitive emissions	-	965	-
Domestic flights	177 flights	24	£20,173
Private mileage	711,752 miles	158	£57,347
Fleet (see note 5)	640,584 miles	135	0
Chauffeur Service	39,550 km	10	£248,612
Car hire	510,906 miles	105	£2,320
Taxis	370,095 miles	56	£161,491
Totals:	36,769,467 kWh 2,233,337 miles	17,673	£4,146,631

Total CO₂e



Performance commentary (incl targets)

Greenhouse gas emissions fell by 2,057 tCO₂e in 2011/12. Emissions were 15.9% below 2009/10 baseline levels compared to a target reduction of 25% by 2014/15.

Controllable impacts commentary

The FCO's main direct impacts are from electricity and fossil fuel use. These are being reduced through a combination of energy efficiency measures and converting some boilers to run off non-fuel crop biodiesel. Winter office heating temperatures were set at 19C in accordance with Government guidelines.

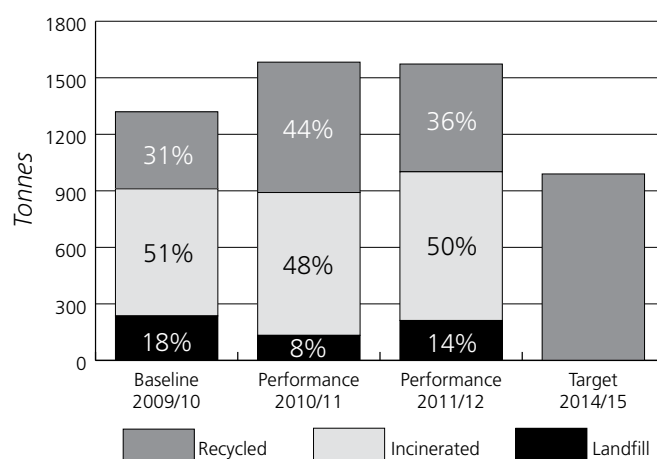
Overview of influenced impacts

The FCO has been able to influence emissions in its supply chain through procurement specifications in contracts, including in one large contract setting targets for reducing supplier emissions associated with the contract. The FCO influences global carbon emissions by promoting low carbon growth in international fora and working in countries across the world to influence political conditions with the ultimate aim of securing a binding global agreement to tackle climate change.

Waste

		Tonnes	GBP (£)
Total Waste		1,572	302,158
Hazardous waste		163	31,331
Total waste by method of disposal	Landfill	212	41,028
	Reused/ Recycled	572	185,238
	Incinerated/ Energy from waste	789	75,892

Total Waste



Performance commentary (including targets)

Waste arising decreased slightly by 12 tonnes in 2011/12 to 1572 tonnes but remained well above the 2014/15 target of 989 tonnes. Previously land-filled General Waste from our Hanslope Park site was incinerated in 2011/12. There was a reduction in paper waste, which is recycled.

Controllable impacts commentary

The FCO's largest waste streams by volume are general office waste, paper, mixed recyclates and furniture. Efforts to date have aimed to increase recycling or re-use of these waste streams. Following a survey, WRAP recommended ways to reduce food packaging and waste.

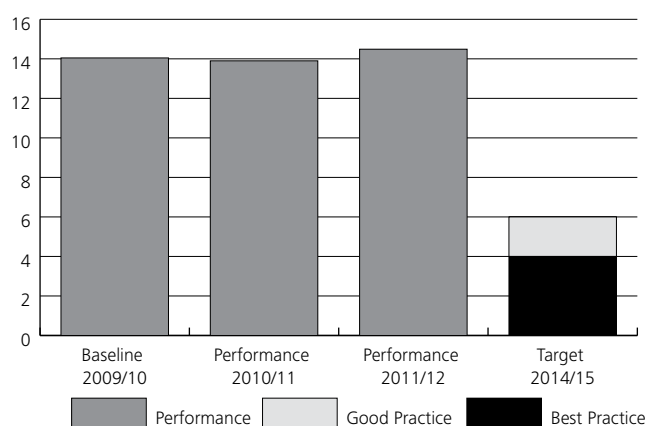
Overview of influenced impacts

In its efforts to increase recycling, reduce waste to landfill and through procurement of recycled paper products, the FCO adds to market signals encouraging more sustainable waste solutions.

Finite resource consumption - Water

		2011-12	
		Cubic metres	GBP (£)
Office Water Consumption	Supplied	55,748	£76,668
	Abstracted	0	0
Non-Office Water Consumption	Supplied	5,055	£3,025
	Abstracted	0	0
Total	Supplied	60,803	£79,693

Office Water Consumption all Buildings (m³ per FTE)



Percentage of FCO Office Buildings Within Greening Government Commitments Benchmarks

Benchmark	Percentage
< 4m ³ /FTE Best	33%
4 - 6m ³ /FTE Good	0%
> 6m ³ /FTE Poor	17%
Not Known -	50%

Performance commentary (incl targets)

Office water consumption increased from 14m³ per FTE to 14.5m per FTE and is substantially above the target benchmarks. We believe evaporative cooling plant in a 'Non-Office' data-centre consumes a significant volume of water and plan to quantify the amount by sub-metering.

Controllable impacts commentary

Controllable impacts include water use in washrooms, canteens, evaporative cooling for a data-centre and building and vehicle cleaning. Meters are being installed in all buildings and major water consuming units within buildings to establish where water is being consumed and to identify opportunities for reduction. A water audit has been conducted to identify further opportunities for water saving.

Overview of influenced impacts

By promoting global action to manage and reduce greenhouse gas emissions, the FCO's climate diplomacy aims to minimise the negative impacts of climate change. This is particularly important in terms of global warming and the associated increase in drier conditions and increased water demands that would result in the UK and other parts of the world.

Biodiversity

14. A Biodiversity Action Plan (2012) has been submitted for the FCO UK Estate, focusing on biodiversity in the built environment. Landscape improvements have taken place at Hanslope Park including replanting areas and maintenance of the Pond area. Specialist historic landscape professionals have begun enhancing and preserving the ha-ha wall, a valuable insect habitat. Ecological surveys are now included for large projects which may impact on the environment. An arboriculture survey was undertaken at the Hanslope Park site in 2011/12 and initial follow up has been carried out as part of an on-going programme. Bird and insect habitats are being encouraged at Lancaster House and potential use of roof and green open areas in all parts of the estate. Positive management of the UK Estate is being promoted through continuous biodiversity training and knowledge sharing.

Sustainable Procurement

15. During 2011/12 we identified the impact of the Greening Government Commitments on FCO Procurement and assigned ownership of specific Commitments to individual Officers. During this period the FCO also began to implement Category Management, so we built into the Category planning process the use of two Impact Assessment tools, that we adapted for the FCO global environment from DEFRA and DfE tools in line with the GGC requirements, to analyse the potential of each Category to deliver social, economic and/or environmental Sustainable benefit. Defra ranked the FCO joint first among Government Departments in the sustainability of their food procurement.

Governance

16. Sustainable Operations within the FCO was overseen in 2011/12 by the Director of the Facilities Management Client Unit with the support of key FCO business units with influence on sustainability impacts. The FCO manages its environmental impacts through an Environmental Management System (EMS). The FCO's EMS was externally accredited to ISO14001 in September 2011 by Lloyds Register Quality Assurance. Staff trained in environmental auditing audit data collection methods and controls annually.

Notes

1. Although FCO Services is a trading fund and Wilton Park an Executive Agency both with their own Annual Reports and Accounts, their sustainability impacts are included in the figures in this report because they are included in the FCO's Greener Government Commitment targets. Also, FCO and FCO Services are largely co-located. The sustainability impacts of the FCO's overseas operations are not included.
2. The greenhouse gas figures exclude carbon emissions, electricity consumption and spend associated with one wider market server hosting service at the FCO's Hanslope Park site. With the agreement of DECC and OGC/Cabinet Office, responsibility for reporting those emissions were contractually passed to the customer. In 2011/12, the electricity consumption of that server hosting service was estimated at 949,620 kWh, generating 498 tCO₂ and costing £92,298 in electricity spend. Estate electricity consumption includes electricity consumed in charging FCO Services owned electric vehicles. The FCO has not yet base-lined or reported emissions from official train, underground, bus or coach travel.
3. Defra conversion factors have been used to calculate carbon emissions. Some totals include estimates where actual readings could not be taken. The methodology and calculations for each estimate is documented. 3% of reported Greenhouse Gas emissions; 0.1 % of all estate water consumption; and 1% of waste arising is estimated.
4. The 2011/12 figures are non-weather corrected.
5. The expenditure figures relate to the FCO's UK operations only and include VAT. FCO Services purchase fuel for their fleet (except electricity for electric vehicles) and that expenditure is recorded in the FCO Services Accounts and sustainability reporting.
6. The expenditure figure used for normalising the FCO's sustainability data includes all FCO and Wilton Park Administration spend, including Administration spend on the FCO's overseas estate; plus FCO Services wider market revenue ie revenue not received from the FCO.
7. Some utility expenditure figures include estimates where bills have not yet been received. The actual utility expenditure may therefore differ.
8. Expenditure on GCOF carbon offsets represents carbon offsets purchased to offset FCO air travel originating in the UK in 2011/12. The requirement for offsets for the last quarter of 2011/12 was estimated on a straight line basis.
9. Under CRC Energy Efficiency Scheme rules, the FCO must purchase CRC allowances for all CRC qualifying emissions on its estate, including tenants' emissions. FCO will recharge tenants the following amounts for 2011/12 CRC allowance costs:

HMGCC:	£50,217
Wilton Park:	£2,508
FCO Services:	£18,180
10. The breakdown of waste disposal costs reflects actual charges for specific methods where available. Where-ever the charge to the FCO does not distinguish between disposal methods, the cost has been allocated in proportion to how the waste was disposed.
11. The number of domestic flights and associated expenditure relate only to flights booked through the FCO's travel provider. Flights booked by other means are not separately identifiable.

Annex A

Template for reporting against FCO Business Plan Indicators

For an explanation of these indicators see Measurement Annexes at www.fco.gov.uk/en/publications-and/quarterly-data-summaries

Budget		£million		Financial Indicators	2011-12	2010-11
		2011-12	2010-11			
Total Departmental Expenditure Limit (DEL)		See Core Table 1		Accuracy of Cash Forecasting (+/- %)	12.12	10.95
of which Resource DEL (excl. Depreciation)				Working Capital Forecast (% variance of Actual v Forecast)	Not applicable	Not applicable
Up to top 5 contributory elements				Net Book Value (% variance of Actual v Forecast)	Not applicable	Not applicable
Purchase of goods and services within Resource DEL						
Payroll within Resource DEL						
Grants within Resource DEL						
of which Capital DEL						
Up to top 5 contributory elements						
Total Annually Managed Expenditure (AME)						
Up to top 5 contributory elements		See Core Table 1				

Common Areas of Spend

		2011-12	2010-11
Estate Costs	Total office estate (m ²)	47,137	47,137
	Total cost of office estate (£million)	19.80	19.40
	Cost per FTE (£)	7,862	7,395
	Cost per m ² (£)	420	412
Procurement	Total Procurement Spend (£million)	690.7	748
	Price of standard box of A4 white copier paper (£/2,500 sheets)	11.66	10.80
	Average price of energy (£/KWH)	0.07	0.065
IT	Total 3rd Party ICT Cost (£million)	69.8	72.8
	Cost of desktop provision per FTE (£)	1,643	3,000
Corporate Service Cost	Human Resources (£million)	12.94	12.00
	Finance (£million)	5.64	7.64
	Procurement (£million)	2.81	3.48
	Legal (£million)	Not available	Not available
	Communications (£million)	7.27	8.68
Fraud, Error, Debt	Total Identified Fraud (£million)	0.197	0.014
	Total known Errors (£million)	Not available	Not available
	Total Debt (£million)*	11.3	0.09
	Debtor Days (the definition/calculation has changed since 2010/11 figures)	18	1.44
Voluntary and community sector (VCS)/Small and medium enterprises (SME)	Procurement spend with SME (£million)	36	95.7
	Procurement spend with VCS (£million)	Not available	Not available
	Grants to VCS (£million)	Not available	Not available

Major Projects (Top 5)	Cost
Project A : IT (£millions)	82
Project B : Firecrest IT (£millions)	10
Project C : Office Refurbishment (£millions)	19
Project D : New Embassy (£millions)	29
Project E : New BHC (£millions)	27
£m whole life cost of ALL major projects	167

Results

Input Indicators	2011-12	2010-11
1. Average cost (£) of a UK diplomatic mission/embassy (annual figure April - March, please refer to measurement annex)	Available QDS2 2012-13	2,471,813
2. Total cost of delivering consular assistance to British nationals and total costs for providing official documents (notarial and documentary services) Annual indicator £ millions (annual figures)	Available QDS2 2012-13	Not available
3. Total FCO expenditure on Official Development Assistance (ODA, annual figure, please refer to measurement annex, £m). This is a provisional figure.	278	156
4. Average Unit Cost per Foreign Direct Investment Project attracted to the UK with UKTI involvement (annual data) £ thousands (please refer to measurement annex)	Available QDS2 2012-13	89,000
5. Average Unit Cost (£) per UK Business helped to improve their performance overseas through internationalisation (Annual data; 2010-11 & 2009-10, please refer to measurement annex)	Available QDS2 2012-13	10,900

Impact Indicators	2011-12	2010-11
1. Number of Foreign Direct Investment projects attracted to the UK with UKTI involvement (annual data, please refer to measurement annex)	Available QDS2 2012-13	849
2. Number of UK Businesses helped to improve their performance through internationalisation (annual data, please refer to measurement annex)	Available QDS2 2012-13	23,400
3. Trend in the gap between currently anticipated low carbon investment, and the low carbon investment required to meet the 2°C target, measured in \$ trillion source: Bloomberg New Energy Finance / World Economic Outlook (this is an annual indicator published in November, please refer to measurement annex)	15.2	13.5
4. Progress toward a stable and secure Afghanistan (as indicated by the Government Effectiveness Worldwide Governance Indicator published in September, in addition to monthly written updates to Parliament, this is an annual indicator please refer to measurement annex)	4.8	Not available
5. More effective, joined-up international system to prevent conflict and build capacity in fragile states (this is an annual indicator, please refer to measurement annex). We are working with the Cabinet Office to develop the methodology.	Not yet available	Not yet available
6. Better consular service to British nationals abroad, as indicated by customer satisfaction (interim measure used, please refer to measurement annex)	92%	Not available

Structural Reform Plan Actions	2011-12	
Total number of actions completed during the year	29	
Total number of actions overdue at the end of the year	3	
Number of overdue actions that are attributable to external factors	1	
Total number of actions ongoing	41	

People

Whole Department Family - Workforce Size		31 Mar 2012	31 Mar 2011
Payroll Staff	Department and Agencies	See Core Table 5	
	Non-departmental public bodies		
	Department Family		
	Average Staff Costs		
Contingent Labour	Department and Agencies	See Core Table 5	
	Non-departmental public bodies		
	Department Family		

Department and Agencies Only		Year ended 31 March 12	Year ended 31 March 11
Workforce Shape	Administrative Assistants and Administrative Officers	19.2%	20.5%
	Executive Officers	18.9%	19.7%
	Higher and Senior Executive Officers	33.1%	29.4%
	Grade 7/6	21.4%	22.5%
	Senior Civil Servants	7.4%	7.9%
	Part Time	3.2%	2.9%
Workforce Dynamics	Recruitment Exceptions	103	99
	Annual Turnover Rate	10%	10%
Workforce Diversity	Black and Minority Ethnic	8.9%	9.9%
	Women	40.7%	44.1%
	Disabled	4.1%	3.6%
Workforce Diversity (Senior Civil Servants only)	Black and Minority Ethnic	3.7%	3.5%
	Women	22.6%	23.5%
	Women (Top Management Posts)	15.3%	12.8%
	Disabled	3.2%	2.4%
Attendance (AWDL)	Actual	3.8	4.0
	Standardised	6.0	6.1

Department only; People Survey Metrics		2011 survey	2010 survey
Engagement Index (%)		66	68
Theme scores (%)	Leadership and Managing Change	48	52
	My Work	77	77
	My Line Manager	70	69
	Organisational Objectives & Purpose	81	81

For further information on the Structural Reform Plan Actions visit: <http://transparency.number10.gov.uk/transparency/srp>;

Any interpretation of this management information must give careful consideration to the caveats noted in the measurement annexes at: www.fco.gov.uk/en/publications-and-documents/publications1/annual-reports/business-plan/quarterly-data-summaries/

In some cases the conventions for QDS and Annual Report and Accounts are different or not yet directly comparable because they do not have common definitions, time periods, or data collection processes and some definitions have changed since 2010-11.

Accounts: Foreign and Commonwealth Office

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

1. Management Commentary

1.1 Key relationships with stakeholders

We worked closely with:

- Foreign governments and international organisations, which we sought to influence and work with in partnership in order to promote UK interests.
- Other UK government departments, with the FCO supporting their international work, providing a platform for their staff overseas, gathering information and lobbying on their behalf.
- Partners in service delivery, including UK Border Agency, Identity and Passport Service, UK Trade & Investment, public diplomacy partners such as BBC World Service and the British Council and consular partners, such as the travel industry, insurance industry, and non-governmental organisations.
- Our Executive Agency, Wilton Park.
- Our Non-Departmental Public Bodies, who are Great Britain China Centre, Westminster Foundation for Democracy and Marshall Aid Commemoration Commission. All three bodies are now included in the wider FCO family following the Clear Line of Sight transparency initiative instigated by HM Treasury with effect from 1st April, 2011.
- Customers of services provided by the FCO, including British nationals travelling or living overseas, UK companies seeking to do business abroad and foreign nationals seeking to enter the UK.
- Those with an interest and influence in foreign affairs, a wide group including, among others, Parliamentarians, the media and international commentators, ex-Ambassadors, the international NGO community, academics, think tanks, faith groups, and community groups.

1.2 2011–12 Efficiencies and Savings

The FCO has continued to work to become more efficient and reduce costs.

The 2010 Spending Review requires a reduction in the FCO's expenditure of 10% in real terms by the end of the spending review period. We have put in place plans to deliver £100m of administrative savings by 2014-15. These savings will come from simplifying procedures; ensuring administrative work overseas is done by locally recruited staff where possible, making savings in both office and overseas residential accommodation costs and reducing the number of junior staff posted overseas. In 2011-12 we delivered £24.9m of savings towards this goal.

In addition the FCO understands that value for money and encouraging a more cost conscious culture is more important than ever. We are therefore looking at all decisions made and longer term strategies that allow us to remain flexible and deliver in the most efficient way. We are:

- Strengthening financial management and accountability and building commercial capability in our Financial Excellence initiative, supporting Diplomatic Excellence.
- Bringing specialist commercial and procurement skills together with financial skills to obtain and exploit greater value for money opportunities.
- Reprioritising resources to help the FCO live within its settlement and enable expansion in important emerging markets. The FCO is strengthening its diplomatic network by opening up to 11 new embassies and eight consulates or trade offices by 2015 as well as deploying more staff in existing posts in the fastest growing regions.
- Improving accountability for decisions made and transparency that every decision that commits the FCO's resources will demonstrate value for money and affordability.
- Using the new transparency framework to publish performance and spending information to allow the public to form their own view on use of resources.

- Using new commercial techniques to improve procurements, conduct negotiations and challenge procurement decisions to reduce demand for goods and services.

1.3 Financial Review

In this first year of the Spending Review 2010 we are prioritising our resources to deliver our foreign policy priorities, making progress towards delivering £100m in administrative savings and establishing a clear plan for asset recycling. These steps will ensure the Department lives within its settlement while preserving the network and front line activity. We have also continued to adapt our network, adjusting to the ever-changing operational environment and responding to various political and consular crises.

This year has seen the introduction of the Foreign Currency Mechanism (FCM) agreed with HM Treasury as part of the 2010 Spending Review. Its purpose is to help the FCO manage the effects of foreign currency movements on its non peacekeeping budget. HM Treasury will increase or decrease the FCO's budget each year to take account of movements in exchange rates. In 2011-12, the FCO returned £1.76m to HM Treasury. The FCO ceased forward purchase of foreign currency for non peacekeeping purposes in August 2010. Our last contract for non peacekeeping expenditure will mature in July 2012. As the peacekeeping budget is not included in the FCM, the FCO will continue to use forward purchase contracts to manage foreign exchange risk for peacekeeping expenditure only.

The new Financial Excellence initiative has now replaced our Five Star Finance programme, which concluded in 2010-11. The programme is building on progress already made to enable the FCO to become more commercial as an organisation, to strengthen financial management skills across the FCO and to place financial considerations at the centre of effective decision-making. The detailed figures are in Note 2 to the accounts.

Comparison of 2011-12 Outturn against Estimate (see Note 2 to the accounts).

In 2011-12 the FCO was voted resources under two main headings, Department Expenditure Limits (DEL) and Annually Managed Expenditure (AME). Each is divided between Resource, and Capital Expenditure. The overall Outturn against Estimate for the year is disclosed in the Statement of Parliamentary Supply.

Conflict Prevention Programme Grants (H) and Peacekeeping Grants (I) are the non discretionary elements within the Resource DEL. FCO has the delegated authority to manage the rest of the Resource DEL (A to G) based on the operational requirements. In 2011-12 the FCO has transferred budget between flexible elements (A to G) of the Resource DEL. This is not shown in note 2.1 as FCO has to follow a prescribed format for the budget by HM Treasury.

Departmental Expenditure Limit – Resource (Note 2.1)

Net total resources expended was £2,175m against an Estimate of £2,210m resulting in an overall underspend of resources of £35.0m. The detailed figures are in Note 2 to the accounts. The Statement of Parliamentary Supply in the accounts reports Administration costs of £167.8m against an Estimate of £247.9m. During the 2010 Spending Review, the FCO and HM Treasury agreed that a greater proportion of costs (including some UK frontline and overseas security costs) could be reclassified as programme expenditure relative to the 2010-11 accounts. As a consequence, the Estimate for Administration costs was reduced for 2011-12. This is the first year that the revised methodology has been applied to actual expenditure and this explains the difference between outturn and Estimate.

Note 2 shows that Resources expenditure comprises of nine main headings, A to K, and explanations of significant movements and all overspends and underspends exceeding the greater of 10% or £500k on individual headings are shown below.

- Heading A: Administration and programme expenditure - expenditure was £24.2m above estimate (2.4%). Increased expenditure on programmes – front line services account for the increase. This increase was partly funded by reduction in Administration expenditure (such as staff cost and IT consultancy) and partly by budget transfer from International Organisations grants.
- Heading B: Programme and international organisations grants – expenditure was £63.8m below estimate (26.8%). This expenditure was reported under Heading A in 2010-11. The actual expenditure has increased from £167.9m in 2010-11 to £173.9m in 2011-12, an increase of £6.0m (Note 9). The FCO has utilised some of this budget to fund programme spend as explained above.
- Headings C and D: BBC World Service Broadcasting and British Council – Resource expenditure was £8.1m in excess over estimate. The £2.2m excess for BBC World Service was agreed by the FCO as an additional Grant in Aid for Arabic Services. The £5.9m excess for the British Council relates to additional running cost for transformation spend, enabling the British Council to meet their Official Development Assistance (ODA) obligation. This was agreed with the FCO and the expenditure was offset by a corresponding underspend on Capital (Note 2).
- Heading G: Expenditure of NDPBs - expenditure was £0.2m below estimate (3.8%).

- Heading H and I Conflict Prevention Programme Grants and Peacekeeping Grants are non discretionary elements of the FCO Resource DEL. HM Treasury provides a Conflict Resources settlement, which covers both Peacekeeping and Conflict Prevention Programme. The Conflict Prevention element is overspent by £13.5m and the Peacekeeping element is underspent by £16.7m - an overall underspend of £3.2m. A decrease in our expected Peacekeeping obligation in 2011-12 was balanced by increased Conflict Prevention activity in Libya and Afghanistan. The underspend can be carried forward to 2012-13 through a HMT controlled Accumulation Fund. Headings H and I are both managed tri-departmentally between the FCO, DFID and MOD.

Departmental Expenditure Limit –Capital (Note 2.2)

- FCO spent £115.2m against a Capital DEL of £119.0m – an underspend of £3.8m

Annually Managed Expenditure (AME)

- Heading J: Annually Managed Expenditure (AME) - this relates to impairments arising on the revaluation of worldwide properties, new provisions and movement in existing provisions. The outturn of £35.2m was £14.8m below Estimate (29.6%). Revaluations are by their nature difficult to forecast, especially since the FCO property portfolio is global and subject to fluctuating exchange rates. During the year impairments (being decreases in the value of our estate) were £38.1m of which £32.6m was charged to AME (Note 15) whilst reversals of impairments (being increases in the value of our estate) were £14.3m and provisions in year for such expenditure as Locally Engaged staff terminal gratuities were £23.0m (Note 20). The net increase in overall provisions was £1.4m from 2010-11.
- Heading K: Annually Managed Expenditure (AME) Reimbursements - this showed an excess over estimate of £0.9m (3.7%), a small overspend on reimbursements of certain duties and taxes including VAT on diplomatic missions hosted in the UK and includes Climate Change Levy fees.

1.4 Resources available to the FCO

The overseas estate consists of approximately 5,000 properties, ranging from Embassy and High Commission buildings to staff accommodation and other facilities. The overseas estate accommodates not only FCO staff but also government partners and wider public sector organisations. Approximately 54% of properties are leased and 46% are owned. We assess a property's worth in terms of value for money criteria, fitness for purpose, physical condition and size relative to our needs. Our portfolio is therefore not static. The estate mix responds to operational needs as well as the performance of properties.

In 2011-12 we:

- Developed our first global asset management plan to enable us to deliver our estate strategy within the SR10 settlement;
- Disposed of estates assets worth approximately £27 million and reinvested the net proceeds into the estate;
- Put in place comprehensive Facilities Management contract for Asia Pacific Region;
- Continued to progress a strategy for the UK Estate that includes making better use of our premises in King Charles Street and the transfer of Old Admiralty Building (OAB) to the Government Property Unit (GPU);
- Delivered a major capital investment programme with a value of £44 million. New projects delivered include – major utility plant installation in Washington, enhancing the Islamabad Compound, fit out of the Communications Centre in King Charles Street, upgrade of amenities in Lancaster House and reconfiguration in Sofia;
- Implemented a new IAAP (Integrated Assurance and Approval Process) to increase project governance and control;
- Introduced a timely and effective new contingency management system allowing the earliest possible reallocation of funds to new projects;
- Created a pipeline of prioritised future capital schemes allowing a robust assessment over the SR10 period.

We also have a significant IT programme of improvements:

- **ECHO.** This Programme is delivering the new global network for data services, telephony and unclassified videoconferencing joining up the UK Government's overseas offices and UK headquarters. Deployment at 64 sites was completed during the year, contributing £3.8m in savings, and partially complete (data and videoconferencing only) at a further 19 sites, against a total of 260 sites currently in scope. The Programme has slipped, due to the complexity of our sites, which has delayed achievement of anticipated savings in year. The savings which will be captured over the course of the Echo contract at the sites already deployed amount to more than £20 million. The Echo network will support more sustainable ways of working, through greater use of videoconferencing.

- **Re-Procuring Prism and Firecrest.** In March 2012 we obtained agreement from the Cabinet Office to launch the official, legal procurement process as outlined by the Official Journal of the European Union (OJEU) procurement process, for the successor to our global desktop service, "Firecrest". The Re-Procurement Programme will procure a Service Management and Integration (SMI) supplier to manage both the successor to our Enterprise Resource Management system, Prism, and Firecrest contracts, together with other existing ICT contracts across the FCO. This approach is intended to deliver improved business functionality and administrative savings of at least 30-40%.
- **Rationalising and improving our High Classification systems.** The High Classification Programme is working closely with those Departments and Posts with the greatest need for High Classification systems to ensure their changing IT needs are met. A key successful output of this work is agreement of a shared service application that will help increase collaboration with our Partners Across Government. We have introduced some changes to the look and feel of our core High Class systems. As a result of the work of the High Classification Programme, it was possible to close the FCO ComCen at the end of the last Financial Year, and contributing to redeployment of resources elsewhere and reducing ongoing costs.
- **Projects to Enhance Mobility and Collaboration.** Various initiatives such as new products and improved use of existing mobile telephony and laptops are enabling staff to work smarter and to share knowledge and information more effectively in support of the development of policy or the delivery of services.

1.5 Major contractual arrangements

Company	Type of Contract
Global Crossing	IT infrastructure
Hewlett-Packard	Strategic Partnering Agreement
Kellogg, Brown and Root	Life Support Services contract for British Embassy Kabul
ISS Facility Services Ltd	Facilities management services (Asia Pacific)
Interserve PLC	Facilities management services (Europe)
Capgemini	Financial Enterprise Resource Planning System (ERP) development and support
Cable & Wireless	Communications infrastructure framework
Garda World	Guarding
Orostream International Contracts	Property Maintenance and refurbishment projects
Crown Relocations	Relocation services
Mace Ltd	Build New Offices in Jakarta and refurbish British Embassy in Tel Aviv
Hays	Temporary labour
Logica CMG	Support contract for external website
Oracle	Support contract for Financial ERP solution
G4S Secure Solutions	Security guarding and reception services in the UK and guarding services overseas
Arteos GMBH	Berlin Embassy PFI
Control Risks Group	Training Courses

1.6 Personal data losses

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

Summary of other personal data related incidents in 2011-12:

Incidents deemed by the Data Controller not to fall within the criteria for reporting to the Information Commissioner but recorded centrally within the department are set out in the table below. Small, localised incidents are not recorded centrally and are not cited in these figures. Figures for 2010-11 are shown in brackets.

Category	Nature of incident	Total 2011-12
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	2 (2)
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	2 (0)
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0 (0)
IV	Unauthorised disclosure	9 (6)
V	Other	2 (3)

The figures do not include incidents involving visa or passport section information as these are handled and reported on by UKBA and the IPS respectively.

Two incidents were reported to the Information Commissioner's Office:

a) A technical hitch on LOCATE, Consular Directorate's on-line registration system for British Nationals, caused three instances of the unauthorised disclosure of one user's information to another. Although only a small number of individuals were affected, and the fault was quickly rectified, the FCO felt it prudent to formally notify the ICO as one user had involved his MP. In addition, the incident occurred during the ICO audit visit and FCO had already briefed the audit team orally. The ICO Enforcement team recently replied to our notification to confirm that they consider the risk from the incident to be minimal and that they do not propose to take any further action.

b) Despite the best efforts of staff, a number of files and documents containing personal data from the Consular and Visa sections in Tehran were left unsecured during the emergency evacuation of the Embassy compound last year. In conjunction with UKBA and the IPS the FCO formally notified the ICO of the position shortly after the evacuation took place and advised them we would do a further risk assessment once it was safe for our staff to re-enter the compound. Subsequent checks have indicated that the majority, if not all, of the documents still unaccounted for are likely to have been destroyed during the arson attack, but it is impossible to state categorically that no personal information could have fallen into the wrong hands.

2. Senior Management

2.1 Ministers

Ministerial portfolios and responsibilities at 31 March 2012 were as follows:

Secretary of State for Foreign and Commonwealth Affairs: Rt Hon William Hague MP

Overall responsibility for the work of the FCO; Policy Unit; Honours; Whitehall Liaison Department; Cyber Security.

Parliamentary Under-Secretary of State: Henry Bellingham MP

Africa; Overseas Territories (not Argentina/Falklands or Gibraltar); Conflict Issues; Counter-Piracy; UN and the International Criminal Court; Climate Change; Protocol; the FCO's relations with British Business, in support of Lord Green; Ministerial Oversight of FCO Services; Human Resources and Diversity.

Minister of State: Jeremy Browne MP

Far East and South East Asia; Australasia and Pacific; South and Latin America; Caribbean; India, Nepal, Human Rights; Consular Policy; Migration; Emerging Powers co-ordination; Olympics; Public Diplomacy; Drugs and International Crime.

Minister of State for Europe: Rt Hon David Lidington MP

European Union (including Gibraltar); Europe, including Balkans, Ukraine, Belarus and Moldova; Russia, South Caucasus, Central Asia; NATO and European Security; OSCE and Council of Europe; FCO Relations with Parliament; Ministerial Correspondence; Communications; FCO Finance; Estates and Security; Information and Technology.

Parliamentary Under-Secretary of State: Alistair Burt MP

Afghanistan, Pakistan and Sri Lanka; Counter Terrorism; Counter Proliferation; North America; Middle East and North Africa; Bangladesh and Maldives

Minister of State: The Rt Hon Lord Howell of Guildford

All of the FCO business in the Lords; Commonwealth; International Energy Policy

Minister of State for Trade and Investment: Lord Green of Hurstpierpoint

The FCO's Relations with British Business; Commercial Economic Diplomacy Department; Economics Unit; UK Trade and Investment (joint Minister with Dept. for Business, Innovation and Skills); Export Credits Guarantee Department (ECGD); Spokesman for the Government on trade and investment issues in the House Of Lords; Business Policy.

2.2 Members of the FCO Supervisory Board

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

Secretary of State for Foreign and Commonwealth Affairs: The Rt Hon William Hague MP

Chairman of the Board

FCO Ministers, as outlined above in 2.1

Simon Fraser

Permanent Under-Secretary and Head of the Diplomatic Service

Matthew Rycroft

Chief Operating Officer

Alison Currie

Director Finance

Barbara Woodward

Director General Economic and Consular

Richard Lambert

Lead Non-executive Director

Heather Rabbatts

Non-executive Director

Rudy Markham

Non-executive Director

Julia Bond

Non-executive Director

2.3 Members of the FCO Board

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

Simon Fraser

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

Barbara Woodward

Director General Economic and Consular

Robert Hannigan

Director General Defence and Intelligence

Geoffrey Adams

Director General Political

Matthew Rycroft

Chief Operating Officer

Alison Currie

Director Finance

Menna Rawlings

Director, Human Resources

Nick Baird

Chief Executive, UKTI

Shan Morgan

HMA, Buenos Aires

Rudy Markham

Non-executive Director

Julia Bond

Non-executive Director

2.4 Senior Official Appointments

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

3. Staffing and Workforce Related issues

3.1 UK Staff

At 31 March 2012 the FCO had 4,581 UK Based (UKB) civil service staff (this represents total headcount whereas Note 7 to the accounts converts this figure to a full time equivalent basis). Of these, some 2,690 (59%) were working in the UK and 1,891 (41%) at FCO Posts overseas. Just under 330 of the total UKB staff are on loan from government partners or on fixed term contracts. The FCO also employs some 8,685 full time equivalent locally engaged staff at its Posts overseas, and in addition over 1,300 locally engaged staff are employed by UK Border Agency and other Whitehall partners at our Posts: a combined total of around 10,000. These staff provide a wide range of support services to UK Based staff but many also work directly on the FCO's security, prosperity and consular priorities.

There are 400 officers in the Senior Management Structure: payband 1 - 271; payband 2 - 98; payband 3 - 30; and the Permanent Under Secretary (PUS). These figures exclude staff working for the FCO Services Trading Fund, the Wilton Park Agency, and the FCO's Arm's Length Bodies.

3.2 Local Staff

Local staff overseas form nearly two-thirds of our total workforce. This figure is likely to increase to 70% by the end of the current budget period in March 2015. In January 2012 we revised our Strategic Workforce Plan to include local staff for the first time. This will help us plan ahead for the right people with the right skills in the right places at the right time, and ensure delivery of first class foreign policy and consular services.

Local staff make an invaluable contribution to delivering the FCO's objectives. They are fully integrated in our Diplomatic Excellence initiative to deliver a first class Diplomatic Service, working with UK-based staff as One Team. As the Foreign Secretary has previously stated: "Locally engaged staff are absolutely indispensable to the UK's diplomatic effort. We owe them an enormous amount".

3.3 Equal opportunities

The FCO is an equal opportunities employer. Policies are in place to guard against unfair discrimination or barriers to employment and advancement. The FCO equal opportunities policy states that no staff should be exposed to unfair discrimination, including harassment, bullying or victimisation on any grounds, particularly age, gender, marital status, race, disability, religion or sexual orientation. The FCO aims to provide all staff with equality of opportunity in all aspects of their work. Employment and promotion are on merit. Staff whose working patterns are atypical are assessed on exactly the same basis as those working full time. Equal opportunity considerations are at the core of the FCO's personnel policies. The FCO has published an equality report in line with the requirements of the Equality Act 2010, and will publish equality objectives by April 2012.

3.4 Learning and Development

L&D Strategy

In support of Diplomatic Excellence, the FCO has reviewed L&D and developed a new strategy based around: maintaining our investment in management and leadership skills; further investment in core diplomatic skills; achieving value for money, including through joint provision with other Departments; and deepening the culture of learning in the FCO.

The FCO has developed and rolled out Commercial Diplomacy Awareness Workshops and International Policy Skills training in the UK and overseas. The FCO has also launched the Expertise Fund to deepen geographical and thematic expertise, and the Diplomatic Skills Foundation Programme to provide new learning opportunities for junior staff. These funds are part of promoting the shift to L&D through on-the-job and apprentice-style learning, as well as formal training courses.

3.5 Staff Engagement Survey/Impact

The FCO's overall staff engagement score was 66%, two points lower than in 2010, but still 10% higher than the Civil Service benchmark and significantly higher than any other large organisation that took part in the Civil Service People Survey (CSPS). The FCO performed well in L&D during 2011 coming 7th out of 97 organisations benchmarked in the CSPS. Our overall L&D theme score was 57% positive (the same reported in 2010), and is 14% higher compared to the Civil Service benchmark. The FCO scored highly on the L&D questions, with some work to be done on our career development focus. Our overall theme score for My Line Manager was 70%, which is encouraging feedback on our investment in performance management learning and development.

3.6 International Next Generation HR

The FCO has led efforts through the cross-Whitehall International Next Generation HR working group on L&D to find efficiency savings, including through the joint procurement of hostile environment training and language resources. This pooling of resources between the International Departments and Agencies will be taken further in 2012, for example in the areas of pre-posting leadership training, cross-cultural awareness and the provision of Civil Service Learning courses to staff overseas. The FCO has also negotiated a new foreign freight contract open to other Whitehall departments sending staff overseas. Savings from this new contract will be evaluated throughout 2012.

3.7 Employment of people with a disability

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

3.8 Sickness absence

	2011-12	2010-11
Working days lost (short-term absence)	9,918	15,652
Working days lost (long-term absence)	9,372	10,903
Total working days lost	19,290	26,555
Average annual working days lost per employee	3.8	4.6

3.9 Health & Safety

Over the past year the FCO has set about the task of improving the organisation's Health & Safety performance. Health and Safety was included in the Annual Consolidate Certificate of Assurance (ACCA) for the first time. The main Health & Safety Committee chaired by the PUS met twice in the year and agreed a number steps including more robust training on awareness and embedding good Health and Safety practice across the office. These steps were approved by the FCO Board and help to create a specific safety culture where all staff have a role to play.

4 Remuneration report

The Remuneration Report is subject to audit.

4.1 Remuneration policy

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

The salary of the Permanent Under-Secretary was set by the Prime Minister on the recommendation of the Permanent Secretaries' Remuneration Committee.

The Committee's membership and terms of reference were announced by the then Prime Minister on 9 February 1995. The salary of the Chief Executive of UK Trade & Investment was set by the Department for Business, Innovation and Skills.

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

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

Information about named individuals in the remuneration report is consistent with identifiable information of those individuals in the financial statements. In exceptional circumstance non-disclosure is acceptable and has been granted in this publication.

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

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

4.2.1 Remuneration

Ministers	2011-12 Salary £	2010-11 Salary £
Rt Hon William Hague MP (from 12 May 2010)	68,827	68,827
Henry Bellingham MP (from 14 May 2010)	23,697	8,847
Jeremy Browne MP (from 13 May 2010)	33,002	29,187
Rt Hon David Lidington MP (from 13 May 2010)	33,002	29,187
Alistair Burt MP (from 13 May 2010)	23,697	20,894
Rt Hon Lord Howell of Guildford (from 13 May 2010)	-	- ¹
Lord Green of Hurstpierpoint (from 7 January 2011)	- ²	-

This report is based on accrued 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 (£65,738 from 1 April 2010) and various allowances to which they are entitled are borne centrally. However, the arrangement for ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their Ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the Department and is therefore shown in full in the figures above.

¹ Lord Howell is an unpaid Minister. Last year's Annual report reflected payment that has subsequently been found to have been made in error and is to be repaid in the next financial year.

² Lord Green of Hurstpierpoint is an unpaid Minister.

Members of the FCO Board

In respect of the senior managers of the FCO, the information given below relates to the period for which they served on the Board.

Board Member	2011-12 Salary £000	2011-12 Performance Related Pay £000	2010-11 Salary £000	2010-11 Performance Related Pay £000
Simon Fraser	180-185	-	105-110 ¹	-
Martin Donnelly (11 May to 28 August 2010)	-	-	40-45 ²	5-10
Peter Ricketts (until 10 May 2010)	-	-	15-20 ³	-
Barbara Woodward (from 28 October 2011)	45-50 ⁴	-	-	-
Nick Baird	130-135 ⁵	10-15	125-30	5-10
Tim Hitchens (from 24 June 2011 to 30 September 2011)	25-30 ⁶	-	-	-
Robert Hannigan	130-135	-	130-135	10-15
Geoffrey Adams	130-135	10-15	130-135	-
Matthew Rycroft (from 28 March 2011)	125-130	10-15	5-10 ⁷	-
James Bevan (until 25 March 2011)	-	-	140-145 ⁸	5-10
Alison Currie (from 11 December 2010)	120-125	-	30-35 ⁶	-
Keith Luck (until 10 December 2010)	-	-	140-145 ¹⁰	-
Menna Rawlings (from 30 September 2011)	50-55 ¹¹	-	-	-
Susan Le Jeune (until 28 October 2011)	55-60 ¹²	10-15	105-110	5-10
Tony Mather (until 30 June 2010)	-	-	30-35 ¹³	5-10
Shan Morgan (from 28 April 2011)	95-100 ¹⁴	-	-	-
Susan Haird (from 3 January 2011 to 24 June 2011)	- ¹⁵	-	-	-
Andrew Cahn (until 2 January 2011)	- ¹⁵	-	-	-
Non-executive				
Rudy Markham (from 1 January 2011)	-	-	-	-
Julia Bond (from 28 April 2011)	10-15	-	-	-
Richard Lambert (from 1 November 2011)	5-10 ¹⁶	-	-	-
Heather Rabbatts (from 5 March 2012)	0-5 ¹⁷	-	-	-
Stephen Hawker (from 16 March 2011)	0-5	-	-	-
Ann Cormack (from 16 March 2011)	5-10	-	-	-
Alistair Johnston (until 31 December 2010)	-	-	5-10	-
Alison Platt (until 31 December 2010)	-	-	5-10	-

1. Simon Fraser full year equivalent salary was £180-185k in 2010-11
2. Martin Donnelly full year equivalent salary was £140-145k in 2010-11
3. Peter Ricketts full year equivalent salary was £175-180k in 2010-11
4. Barbara Woodward full year equivalent salary was £115-120k in 2011-12
5. Nick Baird served as a member of the board in his position as Director General Europe and Globalisation until 5 June 2011 and as Chief Executive of UKTI from 6 June 2011.
6. Tim Hitchens served as a temporary board member. His full time equivalent salary was £95-£100k in 2011-12
7. Matthew Rycroft full time equivalent salary was £105-110k in 2010-11
8. James Bevan full time equivalent salary was £145-150k in 2010-11
9. Alison Currie full year equivalent salary was £105-110k in 2010-11
10. Keith Luck full time equivalent salary was £185-190k in 2010-11

11. Menna Rawlings full year equivalent salary was £100-105k in 2011-12
12. Susan Le Jeune full year equivalent salary was £100-105k in 2011-12
13. Tony Mather full time equivalent salary was £135-140k in 2010-11
14. Shan Morgan full year equivalent salary was £105-110k in 2011-12
15. Susan Haird and Andrew Cahn were remunerated by the Department for Business, Innovation and Skills and relevant disclosures can be found in the Accounts of that department.
16. Richard Lambert full year equivalent salary was £15,000 in 2011-12
17. Heather Rabbatts full year equivalent salary was £15,000 in 2011-12

Salary

Total remuneration includes salary, non-consolidated performance pay, severance payments and any other allowance to the extent that it is subject to UK taxation. There were no benefits in kind. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

Performance Related Payments

Performance Related Payments are based on performance levels attained and are made as part of the appraisal process. Due to timings of the appraisal process, bonuses paid in 2011-12 relate to performance in 2010-11, and bonuses paid in 2010-11 relate to performance in 2009-10.

Benefits in Kind

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

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

Multiple Statement

	2011-12	2010-11	% change
Band of highest paid directors total	180-185	185-190	-2.0%
Median remuneration of all UK Based staff	£31,972	£31,275	2.2%
Ratio	5.7	6.0	-5.0%

4.2.2 Pension Benefits

Ministers

	Accrued pension at age 65	Real increase in pension at age 65	CETV at 31 March 2012	CETV at 31 March 2011*	Real increase in CETV
	£000	£000	£000	£000	£000
Rt Hon William Hague MP	15-20	5-7.5	242	153	68
Henry Bellingham MP	0-5	0-2.5	21	11	6
Jeremy Browne MP	0-5	0-2.5	27	14	8
Rt Hon David Lidington MP	0-5	0-2.5	27	13	8
Alistair Burt MP	5-10	0-2.5	99	59	32
Rt Hon Lord Howell of Guildford	¹ -	-	-	-	-
Lord Green of Hurstpierpoint	² -	-	-	-	-

¹Rt Hon Lord Howell of Guildford is an unpaid Minister.

²Lord Green of Hurstpierpoint is an unpaid Minister.

* The actuarial factors used to calculate CETVs were changed in 2010-11. The CETVs as at 31/3/2011 and 31/3/2012 have both been calculated using the new factors, for consistency. The CETV at 31/3/2011 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors. The Cash Equivalent Transfer Value (CETV) is defined below.

Ministerial Pensions

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

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

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

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

The Cash Equivalent Transfer Value (CETV)

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

The real increase in the value of the CETV

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

Members of the FCO Board	Accrued pension at age 60 at 31 March £000	Related lump sum at 31 March £000	Real increase in pension at age 60 £000	Real increase in lump sum at age 60 £000	CETV at 31 March 2012 £000	CETV at 31 March 2011* £000	Real increase In CETV £000
Simon Fraser	65-70	200-205	2-2.5	5-7.5	1,286	1,151	36
Matthew Rycroft	40-45	-	10-12.5	-	531	342	156
Nick Baird	- ¹	-	-	-	-	-	-
Robert Hannigan	15-20	55-60	0-2.5	2.5-5	307	261	23
Geoffrey Adams	50-55	155-160	(2.5)-0 ²	(5)-(2.5) ²	1,009	950	-22
Barbara Woodward (from 28 October 2011)	25-30	85-90	0-2.5	2.5-5	493	463	18
Susan le Jeune (until 28 October 2011)	30-35	95-100	0-2.5	0-2.5	523	482	13
Susan Haird	- ³	-	-	-	-	-	-
Menna Rawlings (from 30 September 2011)	20-25	65-70	2.5-5	10-12.5	323	259	57
Tim Hitchens (from 24 June 2011 to 30 September 2011)	30-35	55-60	(2.5)-0	(2.5)-0 ⁴	517	511	-2
Alison Currie	10-15	0	0-2.5	0	147	116	19
Shan Morgan (from 28 April 2011)	45-50	90-95	(2.5)-0 ⁵	(5)-(2.5)	967	910	-20

Non-Executives

There is no pension entitlement for the Non-Executive Board members

* The actuarial factors used to calculate CETVs were changed in 2010-11. The CETVs as at 31/3/30 and 31/3/2011 have both been calculated using the new factors, for consistency. The CETV at 31/3/2010 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors. The Cash Equivalent Transfer Value (CETV) is defined below.

¹ Nick Baird was remunerated by the Department of Business, Innovation and Skills and relevant disclosures can be found in the Accounts of that department

² Taking account of inflation, the pension has decreased in real terms.

³ Susan Haird was remunerated by the Department of Business, Innovation and Skills and relevant disclosures can be found in the Accounts of that department.

⁴ Taking account of inflation, the pension has decreased in real terms.

⁵ Taking account of inflation, the pension has decreased in real terms.

4.3 Pension Schemes

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

Civil Service Pension

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

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

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

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

Further details about the PCSPS arrangements can be found at the website <http://www.civilservice.gov.uk/my-civil-service/pensions/index.aspx>

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 member 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 worked out within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits arising from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

4.4 Other information

Pension benefits are provided through the Principal Civil Service Pension Scheme (PCSPS) which is an unfunded multi-employer defined benefit scheme but the FCO is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. You can find details in the accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/my-civil-service/pensions). For 2011-12, contributions of £34,186,000 were paid to the PCSPS (2010-11: £35,719,000) at one of four rates in the range of 16.7% to 24.3% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2011-12 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

5. Public interest and other matters

5.1 Payment of Suppliers

In May 2010 the HMG target to pay 90% of supplier invoices within 10 working days was replaced with a new target to pay 80% of UK supplier invoices in 5 working days. The FCO supports this important government initiative, paying 84.4% of supplier invoices within 5 working days of receipt of a valid invoice in the financial year ending March 2012.

In 2010-11 payment within 5 days was achieved in 88.6 per cent of cases.

6. Governance Statement

Performance

The FCO's governance structure has been strengthened since publication of the previous Annual Report in accordance with Government policy.

In December 2011, the FCO Supervisory Board, chaired by the Secretary of State, met for the first time. It met for the second time in March and between those meetings, developed a detailed Operating Framework. Although the Board has only met twice, it has already scrutinised and reviewed the FCO's progress on the Prosperity Agenda and on the outcome of the 2011 Capability Review and reviewed practices and processes to safeguard the security of FCO staff overseas.

The Management Board, which I chair, continued to take operational decisions to ensure that the organisation had the capability to deliver the Government's foreign policy priorities and the £100m savings in annual running costs the FCO must find in order to live within our financial settlement for SR 10. It also made improvements to its risk management processes. It conducted an internal review of its performance in September 2011 the key outcomes of which were that the Board should i) improve its monitoring and evaluation of decisions it has taken; and ii) increase its engagement with staff.

Through the vehicle of Diplomatic Excellence, the Board aims to lead the FCO to become confident, big-thinking, well-led, at the centre of foreign policy making and making a difference around the world. The Board's own Diplomatic Excellence Agenda for 2012 set out its priorities under three main themes: Policy, People and Network. Included in those priorities were actions to address the recommendations from the 2011 Capability Review.

In April 2011 the Management Board agreed to proposals from the Chief Operating Officer to streamline the FCO's Sub Committee structure in order to improve co-ordination and transparency. Under these proposals the existing Estates, Finance and IT Committees were incorporated into a new fortnightly Operations Committee, which is also responsible for ensuring the network changes and efficiency savings are made in a timely and coordinated way. The membership of the Committee is drawn from corporate and policy directors and Heads of Mission thereby ensuring frontline views are taken into account when corporate operational decisions are taken. At the same time a Network Board, chaired by the Chief Operating Officer, was established with the other Government departments operating overseas to promote cooperation and a common understanding between departments on running the global network effectively and efficiently.

I chaired two FCO Health and Safety Committees (HSC) during 2011-12, demonstrating our top level support for this important subject. These looked at the role, scope and application of Health & Safety in the FCO ensuring that we can engage with managers and staff more effectively, for example by reviewing our Intranet pages.

These new committees, together with Audit and Risk Committee and Human Resources Committee provide effective working level management and oversight across the entire breadth of the corporate agenda. The FCO has also set up a Policy Programme Evaluation Board, reporting directly to the Foreign Secretary to ensure that the FCO's discretionary policy programme funds deliver the highest possible strategic impact and value for money.

These new structures continue to bed down and will be reviewed in mid to late 2012.

The FCO is already benefiting from increased involvement of our non executive members, not just on the Boards and Sub Committees but in other areas of our work including on delivering the FCO's prosperity Agenda; the Capability Review process and in internal and external challenge sessions on, for example, Diplomatic Excellence and our Consular Services Strategy.

The FCO's Arm's Length Bodies (ALBs) are monitored through regularly reviewed Framework Agreements. The agreements set out the practical arrangements for formal dialogue as well as setting out the policy and financial context in which the bodies operate. FCO Sponsor Teams, each led by an SRO, maintain the FCO's day to day relationship with the ALBs. The Audit and Risk Committee Chairs of the FCO and ALBs meet annually to discuss common issues, raise risks and share ideas. Top-level oversight of the ALBs is currently provided through the FCO Management Board on an as required basis. The FCO is reviewing its oversight arrangements for ALBs, using the new Code of Good Practice as a guide.

Comply or Explain

The Foreign and Commonwealth Office largely complies with the Corporate Governance in Central Government Departments: Code of Good Practice 2011 or is in the process of putting in place systems and process to ensure compliance.

In particular:

- The FCO established the Supervisory Board, chaired by the Secretary of State for Foreign Affairs, which meets quarterly. The Board met for the first time on 19 December 2011. It operates collectively and focuses on advising on strategic and operational issues affecting the department's performance as well as scrutinising and challenging departmental policies and performance.
- The Supervisory Board's detailed Operating Framework sets out the Board's main areas of focus in accordance with the Code and the Board's forward agenda supports these priority areas. It also defines the roles and responsibilities of all board members. Board membership is balanced, with equal numbers of ministers, senior officials and Non Executive Board Members. The lead Non Executive Board Member, Sir Richard Lambert, was appointed by the Secretary of State. The Prime Minister approved the appointment.
- The FCO is putting systems in place to ensure compliance in the following areas of the Code:
- Clear, transparent procedures for Board succession planning and for appointment of new Board members.
- It is still too early in the life of the Board to conduct an evaluation of its performance. The Lead Non Executive has agreed that an evaluation should be carried out in December 2012
- Scrutiny by the Board of the performance of the FCO's Arms Length Bodies. A review of existing governance arrangements will be completed by the end of May 2012 and will include recommendations to the Management Board and Supervisory Board on strengthening oversight arrangements

Internal Audit completed a review of the FCO's compliance with the Code in March 2012, the recommendations from which have helped to guide work to strengthen the FCO's governance framework and bring it in line with the Code.

The Code allows Departments some flexibility to apply the principles and supporting provisions to suit Departmental business needs. The FCO has put in place alternative governance measures in the following areas:

- The FCO has not set up a Nominations and Governance Committee
The nominations functions of that Committee, as specified in the Code, are fulfilled by the Senior Appointments Board and the Senior Staff Remuneration Panel. The presence on both bodies of Julia Bond, one of the Supervisory Board's Non Executive Members, creates a reporting line to the Supervisory Board and ensures robust external challenge. The Senior Staff Remuneration Panel is chaired by Sir John Baker and consists of additional external members adding further challenge to the process of determining starting salaries and reward arrangements for the most senior staff in the office.
- The Management Board will review the Department's governance arrangements annually and report the outcome of the review to the Supervisory Board.

Risk

Capacity to Handle Risk

Strong leadership is a cornerstone of the FCO's Risk Management Framework. The Management Board plays a proactive role in managing risk, setting standard and spreading good practice in a way that is tailored to the FCO, including by regularly reviewing the way in which we manage risk. The Management Board leads by example in systematically considering the risks faced by the organization by examining top risks each month. Improvements to the Risk Management Framework are overseen by the Audit and Risk Committee and Chief Operating Officer.

The introduction of a new risk management framework in April 2011 further embedded good practice, maintaining robust oversight and control of risk management throughout the FCO, increased the efficiency and effectiveness of our risk management processes and ensured those responsible for managing risks are accountable for their actions. The new framework was reviewed in September 2011. In general, the review confirmed that risk management is embedded into the day to day work of the FCO. The risk management process supports this ensuring the correct risks are efficiently escalated to the correct forum. In the summer of 2011 Risk Management in the FCO was also audited by FCO Internal Audit. Overall assurance was judged to be high. In response to specific recommendations, guidance has been updated and examples of best practice been made more widely available.

The risk and control framework

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

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

Risk management is embedded in the business planning process with risks to FCO objectives identified in Geographic and Corporate Directorate and Country Business Plans for 2011-12. Risks are identified, assessed and appropriate mitigating actions agreed in consultation with stakeholders when business plans are drawn up and at the relevant stage of individual programme and project management. Risk owners are clearly identified in FCO Business Plans and Risk Registers. Throughout the financial year 2011-12 the Risk Management Framework provided a strong process for identifying risks, assigning responsibility for their management, documenting the actions taken to mitigate the risks and ensured that risk management is well embedded into normal FCO business. The Framework had five main components designed to facilitate appropriate identification, assessment and mitigation of risks and to provide a system for reviewing, reporting and escalating them.

- Top Risks Register (TRR): captures the top risks to the FCO's strategy and operations. It is updated when necessary and considered monthly in summary, quarterly in full, by the Management Board, who decide whether sufficient mitigating action is being taken to reduce the likelihood and impact of the risk materialising.
- Directors are responsible for identifying cross-cutting risks for their area of responsibility. In the case of geographical Directors, this means risks with a regional (or global) impact; for functional Directors this means cross-cutting thematic risks; and for operational Directors this means operational risks affecting a number of Posts or the whole organisation. Directors own all risks in their area of responsibility. Risks that cannot be managed within existing Directorate resources are escalated to the Top Risk Register.
- Heads of Post identify their risks at post and record them in their Country Business Plans. Heads of Post own all risk at their posts and are responsible for identifying, managing and escalating risks as appropriate.
- Self-Audit: FCO Internal Audit facilitates an annual programme of control risk self-assessments for overseas Posts not being audited. All Home Departments, Groups and Teams also undertake a detailed self-audit once every four years.
- Supply-Risk: The FCO is reviewing and augmenting its supplier risk assessment processes and has already incorporated financial risk measures for top suppliers to its monthly reports. In due course other measures of supply chain risk will be included within contract and supplier management processes.

Risks are identified, assessed and managed by our global network of posts and by our Directorates in London. The most significant risks identified are escalated directly to the Top Risk Register. The Audit and Risk Committee and the Strategic Policy Group (me, policy Directors General, Director Strategy, Director Economics and the FCO Legal Adviser) consider the Top Risk Register every quarter in advance of the Management Board. The Audit and Risk Committee is empowered to make recommendations to the Board. The Strategic Policy Group considers the Top Risks Register alongside an independent report which provides a perspective from outside government on the top international strategic risks facing the UK.

All Heads of Mission in our overseas posts and all Directors are required to make an annual assurance statement confirming that they have identified, managed and escalated risks as appropriate. This ensures accountability for risk management is embedded throughout our senior leadership.

Risk Profile

The events of the last year demonstrated the need for the organisation to have robust risk management systems in all areas. There have been particular challenges in some specific areas.

Security

The FCO adopts a risk management approach to security across our global network. The safety of our staff and the protection of our buildings and information assets remain a priority within the organisation as we operate in a range of threat environments. Throughout 2011 and 2012, the level and complexity of threats we face have been consistently high. As such, the FCO Management Board has devoted increased attention to security issues and regularly assesses the risks we face.

As part of their commitment to meet duty of care obligations, the Network and Operations Boards, as well as the Audit and Risk Committee itself, also regularly assess the security risks we face. The Ministers and I consider a regular flow of submissions on specific security risks in different posts across the network.

We have had to adapt our traditional network to cope with the need for representation in challenging locations. These have included setting up missions in Benghazi, Tripoli Juba and Somalia, sometimes at very short notice.

This involves the need for careful assessment of risk. In addition to Ministerial and Board-level oversight, the following mitigations are also in place:

- Constant threat and risk monitoring of Posts' security by our specialist Overseas Security Advisers, regular security reviews at Director level and 'lessons learned' reviews of crisis situations;
- Professional security management in place at Post, through our cadre of Overseas Security Managers and, where needed, specialist Close Protection teams;
- Close co-operation with other government department on security issues;
- Strengthening our security regime through enhancements to our buildings, provision of security equipment, hostile environment and other security training and the streamlining and reinforcement of our security rules and procedures.

We have in place a comprehensive set of departmental security policies, supported by flexible and up to date business continuity arrangements, that either meet or exceed the minimum requirements set out in the Cabinet Office Security Policy Framework.

We take our Duty of Care responsibilities extremely seriously. We are particularly conscious of the security risks to our staff working in fragile environments. During the past few months we have developed frameworks to help when deciding how to respond to security threats in fragile environments, for example whether to close a post or to reduce our footprint by removing non-core staff. A further framework covers the process when deciding whether to open or re-open a post. The frameworks have helped to bring greater consistency in the decision making process across the network.

Information Security

The FCO is committed to protecting and using its information securely and effectively, in compliance with its legal obligations and with the standards and requirements set out by the Cabinet Office. This includes protecting the personal data of members of the public that the FCO holds in its role as public service provider. The Management Board recognises its responsibility in providing leadership and promoting a culture of information security awareness throughout the FCO. The Chief Information Officer, as Senior Information Risk Owner (SIRO) for the FCO, provides a formal Annual Report to FCO's Audit and Risk Committee (ARC) as well as quarterly updates on key areas of risk. Directors and Heads of Mission overseas are accountable and responsible for their information assets.

In the light of the unplanned closure of a number of posts at short notice this year, we have reviewed and updated our guidance to posts and training for officers on what to do to ensure the correct destruction of sensitive material and how to ensure that only a minimum of material is held in post. Internal audit also highlighted Personal Information Asset Register controls as a common weakness overseas.

The FCO recorded 15 personal data incidents in 2011-12. Two incidents were reported to the Information Commissioner's Office.

Health and Safety

We have modified the Health & Safety framework to engage staff using 'Safety Culture' and this guidance will be published once it has been reviewed by the Health & Safety Committee. This approach is now considered best practice in many industries and embeds safe behaviours. Pilots are taking place in London and Milton Keynes.

Health & safety framework controls overseas were also a common area of weakness identified by Internal Audit, but significant improvements on 2010/11 were noted.

Financial Management

The FCO is committed to managing financial risk. Working practices such as the segregation of duties, reconciliations, banking, budget delegations, independent audits and measures to control exchange rate exposure all contribute to managing this risk.

We have a programme of work to improve our financial management information to further support decision making. We are making MI easier to compile, access and use in order to achieve greater awareness and accountability. We monitor compliance by using a basket of financial performance indicators, the results of which are published internally and used to support budget holders. The FCO actively drives Financial Excellence across the organisation and, for example, our 'Annual Consolidated Certificate of Assurance' (which all Posts and Directorates sign) requests confirmation that staff have acted with integrity in all aspects of resource management.

We continue to work to strengthen our routine financial reporting processes, in both quality and timeliness for quarterly and year end reporting.

In addition, improvements in our approach to business planning and our focus on delivering high quality management information allows us to better manage our risk exposure. Internal audit also reported a strengthening in controls overseas surrounding procurement and consular fee reconciliations this year, however, improvements were required in project management at some Posts. During the year, FCO made no applications to HM Treasury, in line with the requirements of Managing Public Money, for retrospective approval of any extra-contractual or special payments to employees.

Business Continuity

The FCO's Business Continuity Management System (BCMS) was independently audited in 2011 by the Cabinet Office Emergency Planning College and awarded a certificate of alignment to the industry standard for Business Continuity (BS 25999). The audit noted our commitment to implementing an effective Business Continuity Management policy through good practice such as annual Management Board exercises, an extensive network of champions to embed Business Continuity and ongoing review of our BCMS to ensure it remains fit for purpose.

In 2011-12 the operational risk priorities for the FCO were to manage the risks to the security of our staff, buildings and information, the ongoing risk of a major consular crisis emerging, the risks to operations posed by the upcoming Olympics, the overall risk to our resources and risks to the effective operation of our IT Systems and business continuity including disaster recovery arrangements. ICT, including safeguarding of assets, ICT management and ICT business continuity, was also the most common area of weakness identified by Internal Audit overseas. Satellite phones administration also needs improvement.

Accountability

Our overall corporate governance structures are described above. All Heads of Post and Directors are accountable for the effective management of the resources allocated to them to deliver the foreign policy priorities. Senior budget holders are required to:

- Manage the expenditure within their allocation through regular monitoring, reprioritisation and redeployment adhering to Treasury guidance on Managing Public Money and FCO financial guidelines

- Ensure that the correct procurement procedures appropriate to the value (and type) of transaction were followed, sought to achieve value for money by ensuring that functions were discharged with due regard to economy, efficiency and effectiveness
- Ensure that they have not exceeded any of the FCO spending limits delegated by the Treasury, or approved any Gifting payments or those that might be considered novel, contentious or repercussive expenditure, without seeking proper advice and Treasury approval where necessary

FCO Internal Audit operates to Government Internal Audit Standards. Their work is informed by the Management Board's analysis of the risk to which the FCO is exposed, and the annual internal audit plans are endorsed by the FCO Audit and Risk Committee and approved by me. The Head of Internal Audit reports, at least annually, on internal audit activity in the FCO and provides me with an independent opinion on the adequacy and effectiveness of FCO systems of governance, risk management and internal control, together with recommendations for improvement.

The FCO also has a Financial Compliance Unit (FCU) whose main role is to investigate actual or suspected irregularity, fraud or corruption and to carry out proactive surprise visits to test counter-fraud controls. Various other functional departments perform a compliance-monitoring role with regard to their respective areas of responsibility. Where losses occurred, FCU continued to conclude that this was as a result of existing processes not appropriately followed rather than a gap in the control regime.

No Ministerial directions have been given and there have been no newly identified risks which are significant to the welfare of the whole organisation.

Simon Fraser

4 July 2012

Accounting Officer

Foreign and Commonwealth Office

King Charles Street

London

SW1A 2PA

Annex – FCO Corporate Governance Architecture, Membership and Attendance Record

A. Supervisory Board

Responsibilities	To form the collective strategic leadership of the FCO, concentrating on advising on strategic and high level operational issues affecting the FCO's performance as well as scrutinising and challenging departmental policies and performance with a view to the long-term health and success of the FCO. It will advise on 6 main areas: Strategic Clarity; Commercial Sense; Talented People; Results Focus; Management Information; and FCO Reputation.
Summary of Discussions during 2011-12	The Board met twice in 2011-12. At its first meeting of 19 December 2011 it discussed organisational capability and the recommendations from the 2011 Capability Review. On 5 March, the Board discussed: the FCO's Prosperity Agenda and provided some challenge on the services the FCO and UKTI provide to UK business; and reviewed the FCO's approach to safeguard the security of staff serving overseas. At each meeting, the Board discussed the financial health of the FCO.
Frequency of meetings	Quarterly

Attendance

Member	Tenure	No. of Meetings Attended
The Rt Hon William Hague MP Secretary of State for Foreign Affairs (Chair)	From December 2011	2/2
Lord Green	From December 2011	1/2
Jeremy Brown	From December 2011	2/2
Rt Hon David Lidington	From December 2011	2/2
Sir Richard Lambert, Lead Non Executive Board Member	From December 2011	2/2
Rudy Markham, Non Executive Board Member and Chair of FCO Audit and Risk Committee	From December 2011	2/2
Julia Bond, Non Executive Board Member	From December 2011	2/2
Heather Rabbatts, Non Executive Board Member	From March 2012	1/1
Simon Fraser, PUS	From December 2011	2/2
Matthew Rycroft, Chief Operating Officer	From December 2011	2/2
Barbara Woodward, DG Economic and Consular	From December 2011	2/2
Alison Currie, Director Finance	From December 2011	2/2

B. FCO Management Board

Responsibilities	<p>The FCO Management Board is the body that brings together the senior FCO officials and non-executives to make the key decisions about how the organisation is run. The role of the Board is to provide corporate leadership to the FCO in delivering the policies and services decided by Ministers. The Board fulfils that leadership role by:</p> <ol style="list-style-type: none"> 1. Ensuring the organisation delivers the Foreign Policy Priorities set by Ministers; 2. Taking strategic decisions on the FCO's corporate agenda, including change. 3. Effectively allocating and managing resources, in line with the Foreign Policy Priorities; 4. Communicating the FCO's purpose, priorities and vision to staff and other stakeholders; 5. Monitoring and improving performance and accountability; 6. Protecting and enhancing the FCO's reputation for professionalism, effectiveness, integrity and efficiency.
Summary of Discussions during 2011-12	<p>The Board met 11 times during the 2011-12. At the April 2011 Board, they discussed FCO Financial Management and the Migration Review considering Aligning Visa Policy with Foreign Policy and Wider UK Interest. At its May 2011 meeting, the Board considered the Proposals for A and B Band Overseas Postings with follow up discussions in July and December. The main discussion point at the June 2011 Management Board was FCO Consular Services. At the July 2011 Management Board, members reviewed the FCO's approach to training. The September 2011 Management Board was centred on Estates and Security, with an update on Estates and a review of the FCO's Security Performance. In October a Management Board focussed on Human Resource issues discussed the Home Civil Service/ Diplomatic Service split and the Strategic Workforce Plan. At the Estates themed Management Board in November discussions took place on the Residential Accommodation Overseas project and the UK Estate Reform Project (follow-up discussions on this also took place at the March Management Board). As well as the follow-up discussion on A and B postings, proposals were considered for FCO Medium Term Financial Planning and the Quarterly Security Review took place at the December Board. In January 2012, the Management Board considered the Ambition, Responsibilities and Measurement of the Prosperity Refresh and the Future Human Resources Directorate. February saw discussions on the FCO and the Olympic Games as well as proposals for the Board Engagement Strategy. As well the UK Estate Reform Project, the March Management Board also discussed the progress of Diplomatic Excellence. As well as these discussions, there were regular agenda items on key events, risks, finance and sub-committee agendas and minutes.</p>
Frequency of meetings	Monthly excluding August

Attendance

Member	Tenure	No. of Meetings Attended
Simon Fraser, Permanent Under Secretary of State (Chair)	From August 2010	11/11
Matthew Rycroft, Chief Operating Officer	From March 2011	11/11
Sir Geoffrey Adams, Director General Political	From October 2009	8/11
Robert Hannigan, Director General Defence and Intelligence	From April 2010	10/11
Barbara Woodward, Director General Economic and Consular	From October 2011	6/6
Nick Baird, Chief Executive UK Trade & Investment	From June 2009	7/8
Menna Rawlings, Director Human Resources	From September 2011	7/7
Alison Currie, Director Finance	From December 2010	11/11
Shan Morgan, Her Majesty's Ambassador Buenos Aires	From April 2011	10/11
Rudy Markham, Non Executive Board Member	From January 2010	10/11
Julia Bond, Non Executive Board Member	From April 2011	11/11
Susan Haird, Acting Chief Executive UK Trade & Investment	From January 2011 to June 2011	3/3
Susan Le Jeune, Director Human Resources	From September 2009 to October 2011	4/6
Tim Hitchens, Acting Director General Economic & Consular	From June 2011 to September 2011	3/3

C. Operations Committee

Responsibilities	To ensure network changes and efficiency savings are made in a timely and co-ordinated way; to support the foreign policy priorities with the right IT, estates and HR; to take responsibility for investment decisions.
Summary of discussions during 2011-12	Monitoring the planning and implementation of the Network Shift and administrative savings programme. Approving Estates investment decisions. Overseeing the corporate elements of Diplomatic Excellence.
Frequency of meetings	Fortnightly

Attendance

Member	Tenure	No. of Meetings Attended
Matthew Rycroft, Chief Operating Officer (Chair)	From June 2011	Between June 2011- March 2012 20/20
Corporate Directors (or their representatives) for HR, Finance, Estates and Security and IT	From June 2011	20/20
Representative Geographical Directors	From June 2011	20/20
Representative Heads of Mission	From June 2011	20/20
Policy Unit representative	From June 2011	20/20
Head of Resources Group	From June 2011	20/20

D. HR Committee

Responsibilities	To take a corporate view of the FCO's Human Resource policies and operations, to ensure they contribute as effectively as possible to the delivery of the Department's business needs.
Summary of Discussions during 2011-12	<p>Strategic Workforce Plan (SWP) – x 3</p> <p>Accelerated Promotion Scheme (APS) – x 2</p> <p>A and B Overseas Programme</p> <p>A and B consultation process</p> <p>Equality Impact Assessment (EIA) on A and B overseas programme</p> <p>Selection procedure for remaining A and B overseas network jobs</p> <p>ADCs</p> <p>ADC appeals</p> <p>Crisis staffing</p> <p>Diversity and talent management: disabled staff</p> <p>Diversity update</p> <p>Progression and deployment of BME officers</p> <p>Locally Engaged staff – 'one team'</p> <p>Locally Engaged staff management review - scope</p> <p>Investors in People (IiP)</p> <p>The Corporate Pool</p> <p>SMS pay and talent panels</p> <p>From A to B promotion scheme</p> <p>DS/HCS</p> <p>Inward Transfer Scheme</p> <p>Equality Act declaration</p> <p>Interns and Work experience</p> <p>Flexible working</p> <p>21st Century Lifestyles group recommendations</p> <p>Staff survey - BDH and performance</p> <p>Duty of Care</p> <p>Regional corporate services delivery and HR</p> <p>The talent management challenge</p> <p>Diplomatic Skills Foundation Programme (DSFP)</p> <p>HRD business plan and future structures for delivery</p> <p>HRC forward agenda (twice a year)</p> <p>Management information updates are presented monthly</p>
Frequency of meetings	Monthly (excluding August)

Member	Tenure	No. of Meetings Attended
Former DG Europe and Globalisation (former Chair)	April 11 - September 11	5/5
Deputy Head, HR Operations (former secretary)	April 11 - May 11	1/1
Former Director, HR	April 11 - October 11	6/6
HMA The Hague	April 11 - July 11	2/4
HMA Berne	April 11 - July 11	1/4
HMA Buenos Aires	April 11 - July 11	1/4
Former Head of Department, Strategy, Communications and Training (Consular Directorate)	April 11- July 11	1/4
HMA Ashgabat	April 11 - July 11	0/4
HMA Rabat	April 11 - July 11	0/4
Former, Director Consular	April 11 - July 11	0/4
Former Director Change	April 11 - July 11	0/4
Former LE staff representative)	April 11- July 11	3/4
Former LE staff representative	April 11 - July 11	0/4
Former Band C representative	April 11 - July 11	4/4
Former Band B representative	April 11 - July 11	4/4
Former Band A representative	April 11- July 11	3/4
Former SMS representative	April 11- July 11	3/4
Former Band D representative	April 11 - July 11	2/4
Former Head of Department, Consular Assistance Group	April 11 – July 11	1/4
Director, Europe	April 11 - July 11	1/4
Former Director SAAD	April 11 - July 11	1/4
DG Europe and Globalisation (Chair)	October 11 - present	5/6
Head of Unit – HR Policy, Performance and Diversity (secretary)	May 11 - present	9/10
Director, HR	September 11 - present	6/7
Director, Finance	April 11 - present	7/11
Director, International Institutions	April 11 - present	9/11
Director, Consular Services	September 11 - present	5/7
Director, Corporate Services and Security	September 11 - present	6/7
Former HMA Dublin	September 11 - January 12	3/5
HMA Lisbon	September 11 - present	3/7
Director, National Security	September 11 - present	3/7
Director, MENAD	September 11 - present	4/7
Former Director, MENAD	April 11 – March 12	5/11
HMA Accra	September 11 - present	7/7
HMA Bangkok	September 11 - present	7/7
Director, Defence and International Security	September 11 - present	1/7
Director, Migration	September 11 - present	0/7
HMA Harare	September 11 - present	0/7
Current Band A representative	September 11 - present	3/7
Current Band B representative	September 11 - April 12	6/7
Current Band C Representative	September 11 - present	5/7
Current Band D Representative	September 11 - present	7/7
Current SMS Representative	September 11 - present	6/7
Current LE staff representative)	September 11 - present	3/7
Former LE staff representative	September 11 - April 12	0/7

E. Audit & Risk Committee

Responsibilities	The Audit & Risk Committee (ARC) exists to support the Permanent Under-Secretary (PUS), as Principal Accounting Officer, and the FCO Management Board in their responsibilities to ensure that there are effective arrangements for governance, risk management and internal control for the whole departmental family. The committee has no executive responsibilities but reviews the comprehensiveness, reliability and integrity of assurances provided to the Management Board, challenges the organisation's executive and promotes best practice across the FCO.
Summary of Discussions during 2011-12	Evaluation of strategic processes for risk, control and governance, challenging the effectiveness of existing systems through the targeting of potential weaknesses. Analysis of planned activity and results of both internal and external audit services and the results of investigations in to any financial improprieties. Consideration of FCO accounting policies and resource accounts prior to PUS signature of the FCO Resource Accounts.
Frequency of meetings	5 times a year in March, twice in June (one meeting to consider the Resource Accounts), September and December.

Attendance

Member	Tenure	No. of Meetings Attended
Rudy Markham, Chairman (Non-Executive FCO Management & Supervisory Board Member)	From December 2009	5/5
Ann Cormack, Independent External Member	From March 2011	5/5
Stephen Hawker, Independent External Member	From March 2011	5/5

F. Health & Safety Committee

Responsibilities	The FCO Health & Safety Committee is the strategic consultative and advisory body for matters of health and safety affecting FCO staff, contractors and visitors working in the UK and overseas, and is responsible for consulting, monitoring and reviewing health and safety arrangements and performance.
Summary of Discussions during 2011-12	Agree membership of HSC, Review of injury and incident statistics, Occupational health risks, Using safety culture to improve performance, Co-ordination of Health & Safety at Hanslope Park, Health & Safety auditing in the UK and overseas, UK Estate review.
Frequency of meetings	Twice a year

Attendance

Member	Tenure	No. of Meetings Attended
Simon Fraser PUS (Chair)	From April 2011	2/2
Chief Operating Officer	From December 2011	1/1
Director ESD	From April 2011	2/2
Director Finance	From December 2011	1/1
Director South Asia	From December 2011	1/1
Director Americas	From December 2011	1/1
Director MENAD	From December 2011	1/1
Director OTD	From December 2011	0/1
Director Corporate Services	From December 2011	1/1
Chief Information officer	From December 2011	0/1
Director South Asia & Afghanistan	From December 2011	0/1
Director FMCU	From April 2011	2/2
Director EECA	From December 2011	1/1
Director HR	From December 2011	1/1
Director East Asia & Pacific	From December 2011	1/1
Director Europe	From December 2011	0/1
Director Africa	From December 2011	1/1
Senior Legal Advisor	From December 2011	0/1
Head of Dept. Crisis Management	From January 2012	0/0
Head of Dept. IAD	From April 2011	2/2
Head of Dept. Health & Welfare, HR	From April 2011	2/2
Head of Dept. Policy, Performance & Diversity, HR	From April 2011	2/2
TUS Chair	From April 2011	2/2
FCO Board Secretary	From April 2011	2/2
Representative Business Continuity, Consular Directorate	From December 2011	1/1
TUS assistant secretary	From April 2011	2/2

G. Network Board

Responsibilities	The role of the Network Board is to be the forum for the coordination of the network changes affecting HMG's representation overseas up to 2014-15. The Board promotes cooperation and a common understanding between departments on how to run the global network effectively.
Summary of Discussions during 2011-12	Changes to the global network, issues associated with co-location overseas, the implementation of new residential accommodation guidelines, discussions on how to work together better overseas including on duty of care.
Frequency of meetings	Quarterly

Attendance

Member	Tenure	No. of Meetings Attended
Matthew Rycroft, Chief Operating Officer (Chair)	From June 2011	4/4
Representative from Department For International Development	From June 2011	4/4
Representative from Ministry of Defence	From June 2011	4/4
Representative from UK Trade and Investment	From June 2011	4/4
Representative from HM Revenue and Customs	From June 2011	4/4
Representative from British Council	From June 2011	4/4
Representative from Serious Organised Crime Agency	From June 2011	4/4
Representative from UK Border Agency	From June 2011	4/4
Representative from HM Treasury	From June 2011	4/4

7.0 Disclosure of relevant audit information

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury has directed the FCO to prepare, for each financial year, consolidated resource accounts detailing the resources acquired, held or disposed of, and the use of resources, during the year by the department (inclusive of its executive agencies) and its sponsored non-departmental public bodies designated by order made under the GRAA by Statutory Instrument 2011 no 723 (together known as the 'departmental group', consisting of the department and sponsored bodies listed at note 30 to the accounts). 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 the departmental group and of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows of the departmental group for the financial year.

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

- observe the Accounts Direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- ensure that the department has in place appropriate and reliable systems and procedures to carry out the consolidation process;
- make judgements and estimates on a reasonable basis, including those judgements involved in consolidating the accounting information provided by non-departmental public bodies;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

HM Treasury has appointed the Permanent Under-Secretary as Accounting Officer of the FCO.

The accounting officer of the department has also appointed the Chairmen and Chief Executives of its sponsored non-departmental public bodies as Accounting Officers of those bodies. The Accounting Officer of the department is responsible for ensuring that appropriate systems and controls are in place to ensure that any grants that the department makes to its sponsored bodies are applied for the purpose intended and that such expenditure and the other income and expenditure of the sponsored bodies are properly accounted for, for the purposes of consolidation within the resource accounts. Under their terms of appointment, the Accounting Officers of the sponsored bodies are accountable for the use, including the regularity and propriety, of the grants received and the other income and expenditure of the sponsored bodies.

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 assets of the department or non-departmental public body for which the Accounting Officer is responsible, are set out in Managing Public Money published by HM Treasury.

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

4 July 2012

The certificate of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of the Foreign and Commonwealth Office and of its Departmental Group for the year ended 31 March 2012 under the Government Resources and Accounts Act 2000. The Department consists of the core Department and its agencies. The Departmental Group consists of the Department and the bodies designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2011. The financial statements comprise: the Department's and Departmental Group's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Department's and the Departmental Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2012 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's and the Departmental Group's affairs as at 31 March 2012 and of the Department's net operating cost and Departmental Group's net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Management Commentary, the Governance Statement and the Sustainability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse

Date 6 July 2012

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria, London

SW1W 9SP

Statement of Parliamentary Supply

Summary of Resource and Capital Outturn 2011-12

£000								2011-12	2010-11
	Estimate				Outturn			Voted outturn compared with Estimate: saving/ (excess)	Outturn
	Note	Voted	Non-Voted	Total	Voted	Non-Voted	Total		
Departmental Expenditure Limit									
-Resource	2.1	2,210,073	-	2,210,073	2,175,214	-	2,175,214	34,859	2,250,231
-Capital	2.2	119,000	-	119,000	115,219	-	115,219	3,781	104,609
Annually Managed Expenditure									
-Resource	2.1	75,000	-	75,000	61,072	-	61,072	13,928	34,845
-Capital		-	-	-	-	-	-	-	-
Total Budget		2,404,073		2,404,073	2,351,505	-	2,351,505	52,568	2,389,685
Non-budget									
-Resource		-	-	-	-	-	-	-	-
Total		2,404,073		2,404,073	2,351,505	-	2,351,505	52,568	2,389,685
Total Resource	2.1	2,285,073	-	2,285,073	2,236,286	-	2,236,286	48,787	2,285,076
Total Capital	2.2	119,000	-	119,000	115,219	-	115,219	3,781	104,609
Total		2,404,073	-	2,404,073	2,351,505	-	2,351,505	52,568	2,389,685

Net cash requirement 2011-12

£000				2011-12	2010-11
				Outturn compared with Estimate: saving/ (excess)	
Note	2011-12 Estimate	Outturn			Outturn
4	2,235,073	2,189,168		45,905	2,294,196

Administration Costs 2011-12

Note	2011-12 Estimate	2011-12 Outturn	2010-11 Outturn
3.2	247,880	167,685	466,199

Figures in the areas in bold are voted totals or other totals subject to Parliamentary control

Analysis of key differences between Estimate and outturn are given in the Management Commentary

The notes following these main schedules form part of these financial statements

**Consolidated Statement of Comprehensive Net Expenditure
for the year ended 31 March 2012**

£000

		2011-12			2010-11 (restated ¹)		
	Note	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
Administration Costs							
Staff costs	7	447,906	448,326	449,594	457,907	458,244	459,462
Other administration costs	8	696,824	697,898	698,437	715,888	717,150	717,832
Operating income	10	(91,797)	(92,744)	(96,913)	(79,718)	(80,379)	(82,976)
Consular costs allocated to programme	8	(121,415)	(121,415)	(121,415)	(140,067)	(140,067)	(140,067)
Consular income allocated to programme	10	33,020	33,020	33,020	42,213	42,213	42,213
Other costs allocated to programme	8	(758,916)	(758,916)	(758,916)	(546,596)	(546,596)	(546,596)
Other income allocated to programme	10	-	-	-	17,900	17,900	17,900
Programme Expenditure							
Staff Costs	9	555	2,835	2,835	443	2,787	2,787
Other Costs	9	2,252,564	2,253,629	2,260,953	2,061,518	2,062,177	2,068,469
Income	9 & 10	(183,222)	(186,818)	(186,818)	(249,642)	(253,092)	(253,092)
Grant in Aid to NDPBs		5,660	5,660	-	5,898	5,898	-
Net operating cost for the year ended 31 March 2012		2,281,179	2,281,475	2,280,777	2,285,744	2,286,235	2,285,932
Total expenditure		2,523,178	2,528,017	2,531,488	2,554,992	2,559,593	2,561,887
Total income		(241,999)	(246,542)	(250,711)	(269,248)	(273,358)	(275,955)
Net operating cost for the year ended 31 March 2012	3.1	2,281,179	2,281,475	2,280,777	2,285,744	2,286,235	2,285,932
Other Comprehensive Net Expenditure							
Net (gain)/loss on:	Note						
- revaluation of property, plant and equipment	11	(108,557)	(108,557)	(108,557)	(34,555)	(34,555)	(34,555)
- revaluation of intangibles	13	(1,069)	(1,069)	(1,069)	403	403	403
- revaluation of assets held for sale	12	1,967	1,967	1,967	2,653	2,653	2,653
Actuarial (gain)/loss on defined benefit pension schemes	21	21,217	21,217	21,217	(403)	(403)	(403)
Total comprehensive expenditure for the year ended 31 March 2012		2,194,737	2,195,033	2,194,335	2,253,842	2,254,333	2,254,030

¹ Restated for Machinery of Government change re Overseas Passport Service (see note 29) and abolition of the Government Grant Reserve and Donated Asset Reserve (see note 30 Change in Accounting Policy).

The notes following these main schedules form part of these financial statements

**Consolidated Statement of Financial Position
as at 31 March 2012**

£000

		2012			2011 (restated ¹)			2010 (restated ¹)
Note		Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group	Departmental Group
Non-current assets:								
	Property, plant and equipment	2,311,593	2,312,781	2,312,793	2,263,207	2,264,426	2,264,458	2,252,220
13	Intangible assets	3,357	3,374	3,378	2,195	2,195	2,202	3,665
14	Financial assets	7,832	7,832	7,832	11,415	11,415	11,415	32,146
21	Retirement benefit schemes asset	-	-	-	1,472	1,472	1,472	-
17	Other non-current assets	37,037	37,037	37,037	37,406	37,406	37,406	37,938
Total non-current assets		2,359,819	2,361,024	2,361,040	2,315,695	2,316,914	2,316,953	2,325,969
Current assets:								
	Assets classified as held for sale	14,245	14,245	14,245	12,237	12,237	12,237	10,967
12	Inventories	5,333	5,362	5,362	5,616	5,660	5,660	4,982
16	Trade and other receivables	113,279	113,955	115,083	115,973	116,296	116,976	136,369
17	Financial assets	63	63	63	5,062	5,062	5,062	18,261
14	Cash and cash equivalents	47,117	47,932	49,484	40,563	41,870	43,853	30,471
18								
Total current assets		180,037	181,557	184,237	179,451	181,125	183,788	201,050
Total assets		2,539,857	2,542,581	2,545,277	2,495,146	2,498,039	2,500,741	2,527,019
Current liabilities								
	Trade and other payables	(283,973)	(284,660)	(286,039)	(252,085)	(252,798)	(254,328)	(266,104)
19	Financial liabilities	(9,364)	(9,364)	(9,364)	(12,834)	(12,834)	(12,834)	(12,446)
14								
Total current liabilities		(293,337)	(294,024)	(295,403)	(264,919)	(265,632)	(267,162)	(278,550)
Total assets less current liabilities		2,246,520	2,248,557	2,249,874	2,230,227	2,232,407	2,233,579	2,248,469
Non-current liabilities								
	Provisions	(69,736)	(69,810)	(69,810)	(68,429)	(68,429)	(68,429)	(84,174)
20	Other payables	(35,292)	(35,292)	(35,292)	(37,997)	(37,997)	(37,997)	(39,287)
19	Financial liabilities	(6,496)	(6,496)	(6,496)	(2,353)	(2,353)	(2,353)	(1,783)
14	Retirement benefit schemes liability	(8,382)	(8,382)	(8,382)	-	-	-	(3,147)
21								
Total non-current liabilities		(119,906)	(119,980)	(119,980)	(108,779)	(108,779)	(108,779)	(128,391)
Assets less liabilities		2,126,614	2,128,577	2,129,894	2,121,450	2,123,629	2,124,802	2,120,078
Taxpayers' equity and other reserves:								
	General fund	974,948	976,911	978,228	1,046,133	1,048,312	1,049,486	1,151,261
	Revaluation reserve	1,151,666	1,151,666	1,151,666	1,075,317	1,075,317	1,075,317	968,859
Total equity		2,126,614	2,128,577	2,129,894	2,121,450	2,123,629	2,124,802	2,120,120

¹ Restated for Machinery of Government change re Overseas Passport Service (see note 29), and abolition of the Government Grant Reserve and Donated Asset Reserve (see note 30 Change in Accounting Policy).

The notes following these main schedules form part of these financial statements

Signed:

Accounting Officer

Date:

Consolidated Statement of Cash Flows
for the year ended 31 March 2012

		2011-12	Restated ¹
		£000	2010-11
	Note		£000
Cash flows from operating activities			
Net operating cost	CSCNE	(2,280,777)	(2,285,933)
Adjustments for non-cash transactions	8	164,043	134,106
(Increase)/decrease in inventories	16	298	(678)
(Increase)/decrease in trade and other receivables	17	2,262	19,925
Increase/(decrease) in trade payables	19	29,007	(13,066)
Less movements in payables relating to items not passing through the CSCNE		(14,321)	(14,949)
Use of provisions	20	(18,314)	(24,964)
Retirement benefit schemes		(2,060)	(4,577)
Net cash outflow from operating activities		(2,119,862)	(2,190,136)
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(96,662)	(124,851)
Purchase of intangible assets	13	(2,468)	-
Proceeds from disposal of property, plant and equipment	8, 11 & 12	27,435	20,227
Loan repayments from other bodies		2,951	2,951
Net cash outflow from investing activities		(68,744)	(101,673)
Cash flows from financing activities			
From the Consolidated Fund (Supply) - current year	CSCTE	2,194,015	2,310,424
Payment to the Consolidated Fund in respect of unspent prior year Supply		-	-
From the Consolidated Fund (non-supply)		-	-
Capital element of payments of finance leases and on-balance sheet (SoFP) PFI contracts		(993)	(1,226)
Net financing		2,193,022	2,309,198
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		4,416	17,389
Receipts of amounts due to the Consolidated Fund	5	8,310	10,294
Payments of amounts due to the Consolidated Fund	5	(6,847)	(14,303)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		5,879	13,380
Cash and cash equivalents at the beginning of the period	18	43,605	30,225
Cash and cash equivalents at the end of the period	18	49,484	43,605

¹ Restated for Machinery of Government change re Overseas Passport Service (see note 29), abolition of the Government Grant Reserve and Donated Asset Reserve (see note 30 Change in Accounting Policy) and inclusion of NDPBs (as detailed in note 26.1).

The notes following these main schedules form part of these financial statements

**Consolidated Statement of Changes in Taxpayers' Equity
for the year ended 31 March 2012**

DEPARTMENTAL GROUP

	Note	General Fund	Revaluation ² Reserve	Donated Asset Reserve	Government Grant Reserve	Total Reserves
		£000	£000	£000	£000	£000
Balance at 31 March 2010		1,105,032	915,667	101,824	2,569	2,125,092
Changes in accounting policy	29	51,201	53,192	(101,824)	(2,569)	-
Balance at 01 April 2010 (restated for changes in accounting policy)		1,156,233	968,859	-	-	2,125,092
Prior period adjustments to reflect the Machinery of Government	29	(4,972)	-	-	-	(4,972)
Balance at 01 April 2010 (restated¹)		1,151,261	968,859	-	-	2,120,120
Changes in Taxpayers equity for 2010-11		-	-	-	-	-
Net gain on revaluation of property, plant and equipment	11 & 12	-	31,892	-	-	31,892
Unrealised gain on foreign exchange -forward contracts		(31,938)	-	-	-	(31,938)
Unrealised gain on foreign exchange - other		(4,970)	-	-	-	(4,970)
Non-cash charges - auditors remuneration	8	245	-	-	-	245
NDPBs Audit Fees		-	-	-	-	-
Transfers between reserves		(74,566)	74,566	-	-	-
Leasehold land prepayment adjustment		-	-	-	-	-
Consolidation and other in-year adjustments		788	-	-	-	788
Actuarial gains / losses on defined benefit pension schemes	21	403	-	-	-	403
Comprehensive net expenditure for the year	CSCNE	(2,285,933)	-	-	-	(2,285,933)
Net Parliamentary Funding - drawn down		2,310,424	-	-	-	2,310,424
Supply receivable adjustment		(41,058)	-	-	-	(41,058)
Net Parliamentary Funding - deemed		24,830	-	-	-	24,830
Balance at 31 March 2011 (restated)¹		1,049,486	1,075,317	-	-	2,124,802
Changes in taxpayers' equity for 2011-12		-	-	-	-	-
Net gain/(loss) on revaluation of property, plant and equipment	11	-	108,557	-	-	108,557
Net gain/(loss) on revaluation of intangible assets	13	-	1,069	-	-	1,069
Net gain/(loss) on revaluation of current assets		-	(1,967)	-	-	(1,967)
Forward contracts unrealised losses adjustment		9,493	-	-	-	9,493
Non-cash charges - auditors remuneration	8	265	-	-	-	265
Transfers between reserves		31,310	(31,310)	-	-	-
Consolidation and other in-year adjustments		501	-	-	-	501
Actuarial gains / losses on defined benefit pension schemes	21	(21,217)	-	-	-	(21,217)
Comprehensive net expenditure for the year	CSCNE	(2,280,777)	-	-	-	(2,280,777)
Net Parliamentary Funding - drawn down		2,194,015	-	-	-	2,194,015
Supply receivable adjustment		(45,905)	-	-	-	(45,905)
Net Parliamentary Funding deemed		41,058	-	-	-	41,058
Balance at 31 March 2012	CSFP	978,228	1,151,666	-	-	2,129,894

¹ Restated for Machinery of Government change re Overseas Passport Service (see note 29).

² The revaluation reserve includes movements due to market fluctuations and unrealised foreign exchange movements.
The notes following these main schedules form part of these financial statements

CORE DEPARTMENT AND EXECUTIVE AGENCIES**Balance at 31 March 2010**

Changes in accounting policy

Balance at 01 April 2010 (restated for changes in accounting policy)

Prior period adjustments to reflect the Machinery of Government

Balance at 01 April 2010 (restated ¹)**Changes in Taxpayers equity for 2010-11**

Net gain on revaluation of property, plant and equipment

Net gain/(loss) on revaluation of intangible assets

Net gain/(loss) on revaluation of current assets

Unrealised gain on foreign exchange -forward contracts

Unrealised gain on foreign exchange - other

Non-cash charges - auditors remuneration

Transfers between reserves

Consolidation and other in-year adjustments

Actuarial gains / losses on defined benefit pension schemes

Comprehensive net expenditure for the year

Net Parliamentary Funding - drawn down

Supply receivable adjustment

Net Parliamentary Funding - deemed

Balance at 31 March 2011**Changes in taxpayers' equity for 2011-12**

Net gain/(loss) on revaluation of property, plant and equipment

Net gain/(loss) on revaluation of intangible assets

Net gain/(loss) on revaluation of current assets

Forward contracts unrealised losses adjustment

Non-cash charges - auditors remuneration

Transfers between reserves

Consolidation and other in-year adjustments

Actuarial gains / losses on defined benefit pension schemes

Comprehensive net expenditure for the year

Net Parliamentary Funding - drawn down

Supply receivable adjustment

Net Parliamentary Funding - deemed

Balance at 31 March 2012

Note	General Fund	Revaluation ² Reserve	Donated Asset Reserve	Government Grant Reserve	Total Reserves
	£000	£000	£000	£000	£000
	1,104,913	915,668	101,824	2,569	2,124,974
29	51,201	53,192	(101,824)	(2,569)	-
	1,156,114	968,860	-	-	2,124,974
29	(4,972)	-	-	-	(4,972)
	1,151,142	968,860	-	-	2,120,002
11 & 12	-	-	-	-	-
13	-	31,891	-	-	31,891
	-	-	-	-	-
	-	-	-	-	-
	(31,938)	-	-	-	(31,938)
	(4,970)	-	-	-	(4,970)
8	245	-	-	-	245
	(74,566)	74,566	-	-	-
	35	-	-	-	35
21	403	-	-	-	403
CSCNE	(2,286,235)	-	-	-	(2,286,235)
	2,310,424	-	-	-	2,310,424
	(41,058)	-	-	-	(41,058)
	24,830	-	-	-	24,830
	1,048,312	1,075,317	-	-	2,123,629
11	-	108,557	-	-	108,557
13	-	1,069	-	-	1,069
	-	(1,967)	-	-	(1,967)
	9,493	-	-	-	9,493
8	265	-	-	-	265
	31,310	(31,310)	-	-	-
	1,057	-	-	-	1,057
21	(21,217)	-	-	-	(21,217)
CSCNE	(2,281,477)	-	-	-	(2,281,477)
	2,194,015	-	-	-	2,194,015
	(45,905)	-	-	-	(45,905)
	41,058	-	-	-	41,058
CSFP	976,911	1,151,666	-	-	2,128,577

The notes following these main schedules form part of these financial statements

CORE DEPARTMENT					
Note	General Fund	Revaluation ² Reserve	Donated Asset Reserve	Government Grant Reserve	Total Reserves
	£000	£000	£000	£000	£000
Balance at 31 March 2010	1,103,192	915,668	101,824	2,569	2,123,253
Changes in accounting policy	29 51,201	53,192	(101,824)	(2,569)	-
Balance at 01 April 2010 (restated for changes in accounting policy)	1,154,393	968,860	-	-	2,123,253
Prior period adjustments to reflect the Machinery of Government	29 (4,972)	-	-	-	(4,972)
Balance at 01 April 2010 (restated ¹)	1,149,421	968,860			2,118,281
Changes in Taxpayers equity for 2010-11					
Net gain on revaluation of property, plant and equipment	11 & 12 -	31,891	-	-	31,891
Net gain/(loss) on revaluation of intangible assets	13 -	-	-	-	-
Net gain/(loss) on revaluation of current assets	-	-	-	-	-
Unrealised gain on foreign exchange -forward contracts	(31,938)	-	-	-	(31,938)
Unrealised gain on foreign exchange - other	(4,970)	-	-	-	(4,970)
Non-cash charges - auditors remuneration	8 225	-	-	-	225
Transfers between reserves	(74,566)	74,566	-	-	-
Leasehold land prepayment adjustment	-	-	-	-	-
Consolidation and other in-year adjustments	(894)	-	-	-	(894)
Actuarial gains / losses on defined benefit pension schemes	21 403	-	-	-	403
Comprehensive net expenditure for the year	CSCNE (2,285,744)	-	-	-	(2,285,744)
Net Parliamentary Funding - drawn down	2,310,424	-	-	-	2,310,424
Supply receivable adjustment	(41,058)	-	-	-	(41,058)
Net Parliamentary Funding - deemed	24,830	-	-	-	24,830
Balance at 31 March 2011	1,046,133	1,075,317	-	-	2,121,450
Changes in taxpayers' equity for 2011-12					
Net gain/(loss) on revaluation of property, plant and equipment	11 -	108,557	-	-	108,557
Net gain/(loss) on revaluation of intangible assets	13 -	1,069	-	-	1,069
Net gain/(loss) on revaluation of current assets	-	(1,967)	-	-	(1,967)
Forward contracts unrealised losses adjustment	9,493	-	-	-	9,493
Unrealised gain/(loss) on foreign exchange - other	-	-	-	-	-
Non-cash charges - auditors remuneration	8 245	-	-	-	245
Transfers between reserves	31,310	(31,310)	-	-	-
Consolidation and other in-year adjustments	996	-	-	-	996
Actuarial gains / losses on defined benefit pension schemes	21 (21,217)	-	-	-	(21,217)
Comprehensive net expenditure for the year	CSCNE (2,281,180)	-	-	-	(2,281,180)
Net Parliamentary Funding - drawn down	2,194,015	-	-	-	2,194,015
Supply receivable adjustment	(45,905)	-	-	-	(45,905)
Net Parliamentary Funding - deemed	41,058	-	-	-	41,058
Balance at 31 March 2012	974,948	1,151,666	-	-	2,126,614

The notes following these main schedules form part of these financial statements

Notes to the Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2011-12 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Department for the purpose of giving a true and fair view has been selected. The Department's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

In addition to the primary statements prepared under IFRS, the FReM also requires the Department to prepare an additional primary statement. The Statement of Parliamentary Supply and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement.

1.1 Accounting convention

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

1.2 Basis of consolidation

These accounts comprise a consolidation of the core department, its departmental agency and those other arm's length bodies which fall within the departmental boundary as defined in the FReM and make up the 'departmental group'. Transactions between the entities included in the consolidation are eliminated. A list of all those entities within the 'departmental group' is given in the Note 26 to the Accounts.

1.3 Property, plant and equipment (PPE)

On initial recognition property, plant and equipment are measured at cost including any costs such as installation directly attributable to bringing them into working condition. Assets are included in the accounts at the cost or valuation applicable as at the balance sheet date; any movements in valuation during the year are taken to the revaluation reserve or treated as impairments where appropriate. The revaluation is contributed to by both market and foreign exchange movements. In accordance with the requirements of the FReM, any impairments in value that reflect a permanent diminution in the value of an asset as a result of a clear consumption of economic benefits or service potential are taken to the Consolidated Statement of Comprehensive Net Expenditure (CSCNE).

When PPE, including buildings, are revalued, any accumulated depreciation at the date of the revaluation is restated proportionally with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Buildings which are owned or held on long term leases, and perpetual leasehold land, are stated at fair value on an existing use basis using periodic professional valuations. When a new property is brought into active use it is immediately re-valued in accordance with the relevant Royal Institute of Chartered Surveyors (RICS) guidelines. The overseas estate is subject to a three-to-five-year rolling revaluation programme and interim annual review. With effect from 2010-11, property valuations are carried out as at a 30 September valuation date. A review is undertaken as at 31 March to assess whether there are significant movements in the intervening period, and, where material, property values are updated.

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

Buildings and land held on short term leases are regarded as operating leases and rental payments are recorded in the CSCNE. Short term leases are defined as those where the lease is less than seven years or marked to market at no more than five-yearly intervals. The premium paid for the land element of a non-perpetual lease is recognised within prepayments. Prepayments are amortised over the life of the lease.

Transport, plant and equipment are stated at current value using appropriate indices. The minimum level for capitalisation of a single tangible asset is £3,000, subject to grouping conventions where appropriate.

Antiques and works of art are grouped and valued on a market value basis by professional valuers. The frequency of valuations takes into account the value of assets and the cost associated with carrying out the valuations. The change in value during 2011-12 is mainly due to impairment of antiques and works of art in Tehran.

1.4 Depreciation

Property, plant and equipment are depreciated and intangible assets are amortised at rates calculated to write off the cost or valuation of the assets on a straight-line basis over their estimated useful lives. Freehold and Perpetual Leasehold Land is not depreciated. Assets under construction are not depreciated until the asset is brought into use. Asset lives have been set in the following ranges :

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

1.5 Intangible assets

Purchased computer software licences are capitalised as intangible assets where expenditure of £3,000 or more is incurred. These assets are restated to current value either through the use of indices, or otherwise where reliable market evidence of current value can be readily ascertained. Capitalised software licences are amortised over the shorter of the term of the licence and the useful economic life.

1.6 Financial assets - investment in other public sector bodies

The FCO holds an investment in FCO Services, comprised of 100% of its Public Dividend Capital (PDC), a Vesting Day Loan and a Working Capital Loan. As a trading fund, FCO Services is not included within the FCO departmental boundary as defined in the FReM, and the Department's investment is reported in these accounts at historical cost.

1.7 Inventories

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

1.8 Operating income

Operating income is income which relates directly to the operating activities of the FCO. It principally comprises fees and charges for services provided, on a full cost basis, to external customers as well as partners across government. Operating income is stated net of VAT.

1.9 Administration and programme expenditure

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

1.10 Foreign exchange

Transactions denominated in foreign currency are translated into sterling using the corporate rate of exchange, which is determined on the first day of the month. The corporate rate of exchange is amended monthly for currencies that experience significant fluctuations. Monetary assets and liabilities denominated in foreign currency at the year end are translated to sterling using the corporate rate of exchange at 31 March. Differences on translation are dealt with in the Consolidated Statement of Comprehensive Net Expenditure in accordance with IAS 21. The foreign exchange element of revaluations of property, plant and equipment is accounted for as part of the revaluation amount.

1.11 Leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the FCO, the asset is recorded as property, plant and equipment and a liability is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the Consolidated Statement of Comprehensive Net Expenditure 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 CSCNE over the term of the lease.

1.12 Service concessions (PFI)

Private Finance Initiative (PFI) transactions have been accounted for in accordance with HM Treasury and FReM requirements. Where the terms of the PFI meet the definition of service concession arrangements in IFRIC 12 Service Concession Arrangements, the infrastructure asset is recognised as a non-current asset and the liability to pay for it is accounted for as a finance lease. Contract payments are apportioned between a reduction in the capital obligation and charges to the Consolidated Statement of Comprehensive Net Expenditure (CSCNE) for service performance and finance cost.

1.13 Financial instruments

In order to gain greater budget certainty the FCO has, up to September 2010, mitigated against potential falls in the value of sterling by taking out forward currency contracts with the Bank of England. A new 'Foreign Currency Mechanism' (FCM) to manage the uncertainty created by currency movements has been agreed with HM Treasury to take effect from 1st April, 2011. However, as the peacekeeping budget is not included in the FCM, the FCO will continue to use forward currency contracts, for peacekeeping expenditure only, to minimise budget uncertainty.

Forward contracts are held in the Consolidated Statement of Financial Position at fair value. From 2011-12 both realised and unrealised gains or losses are recognised through the Consolidated Statement of Comprehensive Net Expenditure (in prior years' unrealised in-year movements on valuation were taken to the General Fund).

1.14 Grants payable

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

1.15 Provisions

The FCO provides for legal and constructive obligations which are of uncertain timing or amount at the balance sheet date on the basis of best estimate of the expenditure required to settle the obligation. The provision for early departure costs (see below) is discounted at the Treasury pension discount rate.

1.16 Bad Debt Provision

Where it is considered a risk exists that a debtor may default on payment of a specific receivable amount, the FCO provides for the amount in full. As the overall value of the provision is not material, it is not separately disclosed.

1.17 Pensions - UK employees

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

1.18 Early departure costs

For early departures under the Civil Service Compensation Scheme (CSCS) in 2010-11 and earlier years, the FCO met the additional costs of benefits, beyond the normal PCSPS benefits in respect of employees who retired early, by paying the required amounts annually to the PCSPS, over the period between early retirement and normal retirement date. The FCO provided for this in full, when the early retirement programme became binding on the Department, by establishing a provision for the estimated payments discounted by HM Treasury pension discount rate of 2.8% (2010-11 2.9%) in real terms.

The CSCS was revised in December 2010 so that early leavers are entitled to lump sum compensation depending on their number of years' service. Eligible leavers can use their lump sum, with a departmental top-up if necessary, to enable them to draw their pension without actuarial reduction. Once the lump sum plus any departmental top-up is paid over to the PCSPS their is no further liability for the department.

1.19 Overseas pensions and terminal benefits

The FCO is required to observe local employment laws regarding the payment of pensions, gratuities and terminal benefits at its overseas posts. Where state or other trustee schemes exist, the FCO discharges its obligation in-year by the payment of accrued contributions. Where the final gratuity or terminal benefit has to be met by the FCO, the full cost has been provided for in the accounts. The FCO has adopted the requirements of International Accounting Standard 19: 'Employee Benefits' in respect of its overseas pension schemes. Actuarial gains/losses are taken through Other Comprehensive Net Expenditure.

1.20 Value Added Tax

Most of the activities of the FCO are outside the scope of VAT. Irrecoverable VAT incurred is included within the overall cost of purchases. For recoverable VAT, amounts are stated net.

1.21 Contingent liabilities

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

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

1.22 Third party assets

The FCO held monies for disbursement on behalf of the United Nations Compensation Commission. The remaining monies were returned to United Nations Compensation Commission in 2011-12.

1.23 Cash and cash equivalents

The FCO accounting policy is to disclose all cash and cash equivalents on the Statement of Financial Position. FCO's cash and cash equivalents consist of cash at bank and in hand. Bank balances are in respect of official FCO bank accounts which are approved by the Finance Director. FCO bank accounts are provided either by the Government Banking Service, or by commercial providers where this is not possible, e.g. overseas accounts, and approved by HM Treasury. Balances from overseas bank accounts that are denominated in foreign currency are converted to Sterling at the FCO corporate rate, prevailing at the Balance sheet date. Bank overdrafts that are repayable on demand and form an integral part of the FCO's cash management are included as a component of cash and cash equivalents. The FCO's policy on the balances of official bank accounts is to optimise bank balance levels to enable outstanding liabilities to be settled within agreed payment terms and to reduce cash holdings. The FCO accounts for UK Border Agency International Group income as cash and recognises a sterling payable to the UK Border Agency in their accounts. If expenses are paid by the UK Border Agency International Group, they are made from bank accounts held and controlled by the FCO. FCO accounts for these expenses and recognises a pound sterling receivable from UKBA in its accounts.

1.24 Accounting for the costs of the Carbon Reduction Commitment Energy Efficiency Scheme

The Foreign and Commonwealth Office is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. This scheme is currently in its introductory phase, which will last until April 2014. The Foreign and Commonwealth Office is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. Carbon Dioxide produced as energy is used. As Carbon Dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date.

1.25 Effects of future accounting policies

The following changes to IFRS may affect the FCO and will be adopted by the FCO when they are adopted by the FReM and subject to any interpretations or adaptations applied by the FReM. The effective dates of the IFRSs noted below are subject to EU adoption of the changes.

IFRS 9 Financial Instruments, which will replace IAS 39 Financial Instruments: Recognition and Measurement, will modify the accounting and disclosure requirements relating to financial assets and liabilities. Effective date 1 January 2015.

IFRS 10 Consolidated Financial Statements establishes principles for the preparation and presentation of consolidated financial statements and supersedes IAS 27, Consolidated and Separate Financial Statements. Effective date 1 January 2013.

IFRS 13 Fair Value Measurement may impact the measurement of fair value for certain assets as well as the disclosures. Effective date 1 January 2013.

Revisions to IAS 19 Employee Benefits will impact on the measurement of components representing movements in defined pension obligations and associated disclosures. Effective date 1 January 2013.

From 2012-13 the FReM will require IAS 39 Financial Instruments: Recognition and Measurement to be applied in full to loans and investments other than Public Dividend Capital, in entities outside of the departmental accounting boundary.

None of the above changes are expected to have a material impact on the FCO's financial statements.

The International Accounting Standards Board is also planning to revise IAS 17 Leases with an Exposure Draft expected in autumn 2012, such that the current operating / finance lease distinction will be abolished and assets and liabilities will be recognised on a 'right of use' basis. This will have a significant effect on the FCO's accounts in that many operating leases may require 'right of use' assets and corresponding liabilities to be recognised.

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2 Net Outturn

2.1 Analysis of net resource outturn by section £'000

	2011-12								2010-11 Outturn	
	Outturn						Estimate			
	Administration			Programme			Total	Net total	Net total compared to Estimate	Total
	Gross	Income	Net	Gross	Income	Net				
Spending in Departmental Expenditure Limits (DEL)										
Voted expenditure										
Of which										
A: Administration and programme expenditure	231,578	(63,893)	167,685	1,068,333	(186,818)	881,515	1,049,200	1,024,957	(24,243)	1,280,499
B: Programme and international organisations grants ¹	-	-	-	173,906	-	173,906	173,906	237,691	63,785	-
C: BBC World Service Broadcasting	-	-	-	233,200	-	233,200	233,200	231,000	(2,200)	238,223
D: British Council	-	-	-	179,370	-	179,370	179,370	173,500	(5,870)	187,487
G: Expenditure of NDPBs (Net) ¹	-	-	-	5,476	-	5,476	5,476	5,693	217	-
H: Conflict Prevention Programme Grants	-	-	-	131,733	-	131,733	131,733	118,232	(13,501)	106,413
I: Peacekeeping Grants	-	-	-	402,329	-	402,329	402,329	419,000	16,671	407,813
BBC World Service - Capital grant ²	-	-	-	-	-	-	-	-	-	27,300
British Council - Capital grant ²	-	-	-	-	-	-	-	-	-	2,496
Total Spending in DEL	231,578	(63,893)	167,685	2,194,347	(186,818)	2,007,529	2,175,214	2,210,073	34,859	2,250,231
Spending in Annually Managed Expenditure (AME)										
Voted Expenditure										
Of which:										
J: AME Programme	-	-	-	35,156	-	35,156	35,156	50,000	14,844	13,780
K: Reimbursement of certain duties, taxes and licence fees	-	-	-	25,916	-	25,916	25,916	25,000	(916)	21,065
Total Spending in AME				61,072		61,072	61,072	75,000	13,928	34,845
Total	231,578	(63,893)	167,685	2,255,419	(186,818)	2,068,601	2,236,286	2,285,073	48,787	2,285,076

¹ Included in Administration and programme expenditure (Line A) in 2010-11

² Included in Capital DEL table for 2011-12

2.2 Analysis of net capital outturn by section

	2011-12					2010-11 outturn
	Outturn			Estimate		
	Gross	Income	Net	Net	Net total compared to Estimate	
Spending in Departmental Expenditure Limits (DEL)						
Voted expenditure						
Of which						
A: Administration and programme expenditure	99,130	(27,435)	71,695	79,000	7,305	104,609
B: Programme and international organisations grants	20,394	-	20,394	11,000	(9,394)	-
E: BBC World Service - Capital grant ¹	22,000	-	22,000	22,000	-	-
F: British Council - Capital grant ¹	1,130	-	1,130	7,000	5,870	-
Total Spending in DEL	142,654	(27,435)	115,219	119,000	3,781	104,609

¹ Included in Resource DEL table for 2010-11

3 Reconciliation of outturn to net operating cost and against Administration Budget**3.1 Reconciliation of net resource outturn to net operating cost**

	Note	2011-12 £000 Outturn	2010-11 £000 Outturn
Total resource outturn in Statement of Parliamentary Supply	2.1	2,236,286	2,285,076
Add			
Adjustments to prior year		-	857
Capital Grants (2011-12)		43,524	-
PFI adjustments (2011-12)		966	-
Net Operating Cost in Consolidated Statement of Comprehensive Net Expenditure	CSCNE	<u>2,280,777</u>	<u>2,285,933</u>

3.2 Outturn against final Administration Budget and Administration net operating cost

		2011-12 £000	2010-11 £000
Estimate - Administration costs limit	SPS	<u>247,880</u>	<u>489,127</u>
Outturn - Gross Administration costs	2.1	231,578	529,801
Outturn - Gross income relating to administration costs	2.1	<u>(63,893)</u>	<u>(63,602)</u>
Outturn - Net administration costs		167,685	466,199
Reconciliation to net operating costs			
Less: adjustments to prior year		-	(12,211)
Add: depreciation of donated assets to AME (2011-12)		855	-
Less: Unrealised foreign exchange gains to AME	8	(1,256)	-
Add: Unrealised losses on forward contracts to AME	8	15,797	-
Add: Impairments and provisions movements to AME	8	38,074	38,744
Less: Provisions utilised to AME	20	(18,314)	(24,964)
Less: PFI Adjustment (2011-12)		966	-
Administration Net Operating Costs		<u>203,807</u>	<u>467,768</u>

4 Reconciliation of Net Cash Requirement to increase/decrease in cash

		2011-12 £000	2010-11 £000
Net cash requirement - core department and agency	SPS	(2,189,168)	(2,294,196)
From the Consolidated Fund (Supply) - current year	CSCTE	2,194,015	2,310,424
From the Consolidated Fund (Supply) - prior year		-	-
Amounts due to the Consolidated Fund received and not paid over	5	2,027	564
Amounts due to the Consolidated Fund received in prior year and paid over	5	(564)	(4,573)
Increase /(decrease) in cash held by core department and agency		<u>6,310</u>	<u>12,220</u>
Add - increase/(decrease) in cash held by arms length bodies		(431)	1,160
Net increase/(decrease) in cash held by departmental group		<u>5,879</u>	<u>13,380</u>

5 Consolidated Fund Income

Consolidated Fund income where the FCO was acting as agent for the Consolidated Fund rather than as principal (which is otherwise excluded from these financial statements).

	2011-12 £000	2010-11 £000
Balance at 1 April 2011	564	4,573
Receipts due to Consolidated Fund	8,310	10,294
Payments into Consolidated Fund	<u>(6,847)</u>	<u>(14,303)</u>
Balance held on trust at 31 March 2012	<u>2,027</u>	<u>564</u>

Consolidated Fund income where the FCO was acting as agent for the Consolidated Fund rather than as principal (which is otherwise excluded from these financial statements) is detailed below.

	2011-12 £000	2010-11 £000
Miscellaneous consular fees	3,946	5,946
Other income	<u>4,364</u>	<u>4,348</u>
Amount payable to the Consolidated Fund	<u>8,310</u>	<u>10,294</u>
Balance held at the start of the year	<u>564</u>	<u>4,573</u>
	8,874	14,867
Payments into Consolidated Fund	(6,847)	(14,303)
Balance held on trust at the end of the year	<u>2,027</u>	<u>564</u>

Notes to the accounts

6 Operating Segments

	2011-12			Restated		2010-11
	£000 Gross	£000 Income	£000 Net	£000 Gross	£000 Income	£000 Net
Foreign Policy Priorities						
Our Purpose						
International Institutions and Soft Power**	554,738	(57,413)	497,325	547,520	(12,310)	535,210
BBC World Service	255,200	-	255,200	265,523	-	265,523
British Council	180,500	-	180,500	189,983	-	189,983
Other***	107,920	(30,401)	77,519	219,701	(194,373)	25,328
FPP1 - Britain's National Security	894,737	(42,881)	851,856	851,900	(1,973)	849,927
FPP2 - Britain's Prosperity	416,979	(67,645)	349,334	347,194	(4,365)	342,829
FPP3 - Support British Citizens	121,415	(52,372)	69,043	140,067	(62,934)	77,133
Net Operating Costs* (CSCNE)	2,531,488	(250,711)	2,280,777	2,561,900	(275,955)	2,285,933

Description of segments

The FCO considers the Foreign Policy Priorities (FPPs) its segments for reporting purposes. These foreign policy priorities were established in May 2010, comprising a statement of our purpose and three distinct priorities:

- Our Purpose. We will use our global diplomatic network to protect and promote UK interests worldwide. We will retain and build up Britain's international influence in specific areas in order to shape a distinctive British foreign policy geared to the national interest.
- Britain's National Security. We will safeguard Britain's national security by countering terrorism and weapons proliferation, and working to reduce conflict.
- Britain's Prosperity. We will build Britain's prosperity by increasing exports and investment, opening markets, ensuring access to resources, and promoting sustainable global growth.
- Support British Citizens. We will support British nationals around the world through modern and efficient consular services.

We further divide Our Purpose to cover the following areas:

- International Institutions and Soft Power. We aim to deliver more effective and modernised institutions to further our foreign policy priorities, and use a range of tools, of which the Chevening scholarships programme is a key strand, to promote British values.
- BBC World Service. This international radio broadcaster provides impartial news, reports and analysis in many languages around the world.
- British Council. This organisation promotes cultural relations with other countries.

The Foreign Policy Priorities are at the heart of everything the FCO does and guide our foreign policy. They underpin the FCO's business planning and prioritisation processes and frame policy decisions. More detailed policy actions for each foreign policy priority are set out in the FCO's Business Plan. Progress is reported monthly on the FCO's website.

The FCO's methodology for segmental reporting uses a costing model to allocate total FCO expenditure to the foreign policy priorities. The main determinant of this allocation is the data provided by all FCO staff on a quarterly basis showing the proportion of time spent supporting different objectives. Overheads and management and support costs are distributed according to staff numbers. The treatment of income from other government departments changed in 2011-12. In the 2010-11 Annual Report, it was allocated to Our Purpose, "Other". For the 2011-12 accounts this income is distributed across all core FCO objectives.

* FCO income and costs are disclosed per segment. Assets and liabilities per segment are not reported to the FCO Management Board and therefore, in line with requirements, are not included in the financial accounts.

** The International Institutions and Soft Power objectives were reported separately in the 2010-11 Accounts. The net operating cost in 2010-11 for International institutions was £286,069 and for Soft Power was £249,041 (restated to include NDPBs). Data for 2011-12 is only available for the combined objectives.

*** "Other" comprises other front-line activity conducted on behalf of Other Government Departments.

Notes to the accounts

7 Staff numbers and related costs

Staff costs comprise:

	Permanent staff		Others	Ministers	Special advisers	2011-12 £000	2010-11 £000
	Local staff £000	UK staff £000	£000	£000	£000	Total	Total
Administration							
Wages and Salaries	142,477	233,810	9,395	182	179	386,043	382,961
Social Security costs	-	11,208	-	23	16	11,247	11,268
Other pension costs	22,663	32,293	-	5	30	54,991	67,875
Sub total	165,140	277,311	9,395	210	225	452,280	462,104
Less recoveries in respect of outward secondments	-	(2,686)	-	-	-	(2,686)	(2,643)
Total net costs	165,140	274,625	9,395	210	225	449,594	459,462
Programme ¹							
Salaries	-	2,827	-	-	-	2,827	2,752
Social Security costs	-	8	-	-	-	8	35
	-	2,835	-	-	-	2,835	2,787
Of which:							
Core department	165,140	273,491	9,395	210	225	448,461	458,350
Agency - Wilton Park		2,700				2,700	2,681
Other designated bodies		1,269				1,269	1,218
	165,140	277,460	9,395	210	225	452,429	462,249

¹ Note: In agreement with HM Treasury, permitted staff costs are charged to specific programmes as shown under note 9 - Programme costs.

Costs of Local staff engaged on work for UK Border Agency are included within Programme Costs

The average number of whole-time equivalent persons employed during the year was as follows.

Departmental Activity	Permanent staff		Others	2011-12 Number Total	2010-11 Number Total
	Local	UK staff			
Our Purpose	2,536	1,342	140	4,018	6,542
FPP 1 Britain's National Security	1,368	724	75	2,167	1,472
FPP 2 Britain's Prosperity	3,078	1,652	170	4,900	3,491
FPP 3 Support British Citizens	1,703	901	94	2,698	1,838
Total	8,685	4,619	479	13,783	13,343
Of which:					
Core department	8,685	4,530	479	13,694	13,255
Agency - Wilton Park		66		66	66
Other designated bodies		23		23	22
	8,685	4,619	479	13,783	13,343

In addition to the above numbers there were 6 ministers and 3 special advisers whose portfolios can cover all Foreign Policy Priorities and who therefore have not been allocated in the table.

7.1 Reporting of Civil Service and other compensation schemes

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total
Figures in brackets refer to 2010-11 figures			
<£10,000	0 (0)	2 (4)	2 (4)
£10,000-£25,000	1 (0)	20 (15)	21 (15)
£25,000-£50,000	0 (0)	33 (28)	33 (28)
£50,000-£100,000	0 (0)	23 (36)	23 (36)
£100,000-£150,000	0 (0)	7 (19)	7 (19)
£150,000-£200,000*	0 (0)	1 (19)	1 (19)
£200,000-£250,000	0 (0)	3 (17)	3 (17)
£250,000-£300,000	0 (0)	1 (0)	1 (0)
Total number of exit packages	1 (0)	90 (138)	91 (138)
Total cost (£000)			5,228 (8,539)

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the Department has agreed early retirements, the additional costs are met by the Department and not the Civil Service pension scheme. Ill-health retirement costs are met by the pensions scheme and are not included in the table. Prior year figures are shown in brackets.

Notes to the accounts

Notes	2011-12 £000			2010-11 £000		
	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
8 Other administration costs						
Rentals under operating leases						
Hire of plant and machinery	4,815	4,815	4,815	5,092	5,092	5,092
Other operating leases	-	14	14	-	32	32
Property rentals	86,830	87,006	87,078	90,459	90,633	90,745
	91,644	91,834	91,906	95,552	95,757	95,869
Interest charges						
Finance leases	-	-	-	3	3	3
On-balance sheet PFI contracts	2,822	2,822	2,822	2,906	2,906	2,906
	2,822	2,822	2,822	2,909	2,909	2,909
PFI and other service concession arrangements service charges						
Off-balance sheet contracts	22.3.3 26,542	26,542	26,542	31,525	31,525	31,525
Service element of on-balance sheet contracts	22.3.3 1,987	1,987	1,987	2,347	2,347	2,347
	28,529	28,529	28,529	33,872	33,872	33,872
Non-cash items						
Depreciation: Property, Plant and Equipment	11 115,454	115,719	115,734	101,377	101,572	101,589
Amortisation: Intangible Assets	13 2,338	2,351	2,354	1,057	1,057	1,060
Non-Perpetual Leasehold Land prepayment release		387	387	249	249	249
Profit on disposal of property, plant and equipment		(14,026)	(14,026)	(9,069)	(9,069)	(9,069)
Impairments - (Departmental Expenditure Limit)	11 5,432	5,432	5,432	1,266	1,266	1,266
Impairments - Tangibles (Annually Managed Expenditure)	11 32,626	32,626	32,626	48,793	48,793	48,793
Impairments - Intangibles (Annually Managed Expenditure)	15 7	7	7	-	-	-
Reversal of Impairments - (Annually Managed Expenditure)	11 (14,253)	(14,253)	(14,253)	(19,267)	(19,267)	(19,267)
Auditors' remuneration and expenses		245	289	225	245	266
Provisions: Provided in year	20 19,242	19,316	19,316	9,276	9,276	9,276
Provisions: Unwinding of discount	20 378	378	378	(58)	(58)	(58)
Unrealised losses on forward contracts		15,797	15,797	-	-	-
	163,628	164,000	164,043	133,849	134,064	134,106
Other expenditure						
(Gain)/loss on exchange - realised	8,087	8,103	8,103	4,455	4,455	4,455
(Gain)/loss on exchange - unrealised	(1,256)	(1,256)	(1,256)	-	-	-
Training, medical, travel and other allowances	96,473	96,473	96,579	110,538	111,116	111,139
Estate, security and capital related costs	198,929	199,280	199,312	200,909	200,909	200,979
IT and communications	83,254	83,254	83,280	94,733	94,733	94,784
Consular	813	813	813	9,667	9,667	9,667
Information and commercial services	8,841	8,841	8,857	9,640	9,640	9,831
Other	15,060	15,206	15,450	19,762	20,026	20,220
	410,200	410,713	411,137	449,706	450,548	451,077
Other administration costs	696,824	697,898	698,437	715,888	717,150	717,832
Administration cost of Consular operations worldwide allocated to programme as frontline services	121,415	121,415	121,415	140,067	140,067	140,067
Administration cost of UK Border Agency operations worldwide allocated to Programme as frontline services ¹	108,332	108,332	108,332	156,932	156,932	156,932
Other administration costs allocated to Programme reflecting frontline service delivery	650,584	650,584	650,584	389,665	389,665	389,665
Total	1,577,154	1,578,229	1,578,767	1,402,550	1,403,812	1,404,495

¹ Costs relating to UK Border Agency, incurred within the FCO overseas network, are included in relevant Administration cost lines above and recharged to UK Border Agency, see income (note 10).

Notes to the accounts**9 Programme costs****Current grants and other current expenditure:**

Note	2011-12 £000			2010-11 £000		
	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
Subscriptions to international organisations						
FCO programmes	173,906	173,906	173,906	167,900	167,900	167,900
Consular operations	186,347	187,412	189,074	192,723	193,382	193,776
UK Border Agency recharges ¹	121,415	121,415	121,415	140,067	140,067	140,067
Front line service delivery costs allocated from administration costs	130,850	130,850	130,850	186,709	186,709	186,709
Re-imbursements of duties to other governments	650,584	650,584	650,584	389,665	389,665	389,665
BBC World Service	25,916	25,916	25,916	21,065	21,065	21,065
British Council	255,200	255,200	255,200	265,523	265,523	265,523
	180,500	180,500	180,500	189,983	189,983	189,983
	1,724,717	1,725,782	1,727,445	1,553,633	1,554,293	1,554,686
Staff costs	555	2,835	2,835	443	2,787	2,787
Programme costs	533,507	533,507	533,507	513,783	513,783	513,783
	534,062	536,342	536,342	514,226	516,570	516,570
	2,258,780	2,262,125	2,263,787	2,067,860	2,070,863	2,071,256
Programme income	(183,222)	(186,818)	(186,818)	(249,642)	(253,092)	(253,092)
Net programme costs	2,075,558	2,075,307	2,076,969	1,818,217	1,817,771	1,818,164
Subscriptions include the following over £1 million:						
United Nations	98,143	98,143	98,143	93,386	93,386	93,386
NATO	23,017	23,017	23,017	21,705	21,705	21,705
Council of Europe	26,534	26,534	26,534	26,592	26,592	26,592
Organisation for Economic Cooperation and Development	12,451	12,451	12,451	13,210	13,210	13,210
Commonwealth Secretariat	5,743	5,743	5,743	5,505	5,505	5,505
Organisation for Security and Cooperation in Europe	4,919	4,919	4,919	3,910	3,910	3,910
Western European Union	1,636	1,636	1,636	2,153	2,153	2,153
Others	1,462	1,462	1,462	1,440	1,440	1,440
	173,906	173,906	173,906	167,900	167,900	167,900

¹ UK Border Agency Programme costs reflect operating costs embedded within the FCO overseas network. These costs represent charges for locally engaged staff and other administration costs (see Note 7), and are re-charged and included in Income from Fees and Charges to Other Departments (note 10).

² Programme costs of £2,258,780 (core department) and £2,262,125 (core department and agencies) include grant in aid to NDPBs of £5,660,000 (CSCNE).

10 Income

Income recorded in the Consolidated Statement of Comprehensive Net Expenditure is analysed as follows:

	2011-12 £000			Restated 2010-11 £000		
	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
<i>Administration income</i>						
Running Cost Receipts	9,291	10,238	13,843	15,819	16,480	18,672
EU Grants	-	-	564	-	-	405
Fees and charges to external customers	10	10	10	10	10	10
Income from Other Government Departments relating to indirect costs incurred by the FCO as platform provider overseas	81,139	81,139	81,139	62,395	62,395	62,395
Dividend receivable - FCO Services	734	734	734	572	572	572
Interest on loans - FCO Services	293	293	293	648	648	648
Other external interest	330	330	330	275	275	275
	91,797	92,744	96,913	79,718	80,379	82,976
<i>Less</i>						
Allocated to UK Border Agency	-	-	-	(17,900)	(17,900)	(17,900)
Allocated to Consular fees as programme income	(33,020)	(33,020)	(33,020)	(42,213)	(42,213)	(42,213)
Total Administration Income	58,778	59,724	63,893	19,605	20,266	22,863
<i>Programme income</i>						
Consular fees (programme income and allocated from administration)	52,372	52,372	52,372	62,934	62,934	62,934
UK Border Agency recharges	130,850	130,850	130,850	186,709	186,709	186,709
Wilton Park	-	3,596	3,596	-	3,450	3,450
Total Programme Income	183,222	186,818	186,818	249,642	253,092	253,092
Total	241,999	246,542	250,711	269,248	273,359	275,955

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

	Income	Full cost	2011-12 Surplus/ (deficit)	Income	Full cost	2010-11 Surplus/ (deficit)
	£000	£000	£000	£000	£000	£000
Passport and consular income	52,372	(52,633)	(262)	62,934	(63,248)	(314)

95 Foreign & Commonwealth Office

Notes to the accounts

11 Property, plant and equipment

Total

	Non-residential Land; Buildings and Dwellings £000	Residential Land; Buildings and Dwellings £000	Information Technology £000	Transport Equipment £000	Plant and Machinery £000	Antiques and Works of Art £000	Payments on Account & Assets under Construction ² £000	£000
Cost or valuation								
At 1 April 2011	1,325,250	1,041,042	263,273	88,559	83,239	20,078	116,118	2,937,559
Additions	34,762	11,318	25,756	10,370	15,401	-	(945)	96,662
Disposals	(105)	(86)	(707)	(5,713)	(720)	-	-	(7,331)
Impairments	(19,771)	(14,958)	(302)	(8)	(449)	(428)	(3,835)	(39,751)
Reversal of Impairments	7,848	7,587	-	10	0	-	-	15,445
Reclassification ¹	11,863	(41,620)	-	-	-	-	-	(29,757)
Revaluation	81,948	54,346	(399)	340	(790)	(11)	(0)	135,434
At 31 March 2012	1,441,795	1,057,628	287,620	93,559	96,681	19,640	111,339	3,108,262
Depreciation								
At 1 April 2011	293,422	165,136	114,235	65,265	35,043	-	-	673,100
Charged in year	36,700	16,621	41,355	11,913	9,145	-	-	115,734
Disposals	(105)	(86)	(686)	(5,349)	(577)	-	-	(6,804)
Impairments	(933)	(600)	(53)	-	(107)	-	-	(1,693)
Reversals of Impairments	634	556	-	2	(0)	-	-	1,192
Reclassification ¹	3,729	(16,667)	-	-	-	-	-	(12,938)
Revaluation	19,201	8,133	(280)	148	(325)	-	-	26,877
At 31 March 2012	352,648	173,093	154,571	71,979	43,178	-	-	795,469
Net book value								
At 31 March 2011	1,031,828	875,906	149,038	23,295	48,196	20,078	116,118	2,264,458
Net book value								
At 31 March 2012	1,089,147	884,535	133,049	21,580	53,503	19,640	111,339	2,312,793
Asset financing:								
Owned	874,683	660,372	133,049	21,580	53,503	19,640	111,339	1,874,166
Leased	191,157	224,163	-	-	-	-	-	415,320
On-balance sheet (SoFP) PFI contracts and other service concession arrangements	23,307	-	-	-	-	-	-	23,307
Net book value								
At 31 March 2012	1,089,147	884,535	133,049	21,580	53,503	19,640	111,339	2,312,793
Of the total:								
Department	1,088,941	884,535	132,957	21,552	52,629	19,640	111,339	2,311,593
Agencies	206	-	81	27	874	-	-	1,188
NDPBs	-	-	11	1	-	-	-	12
Net Book value at 31 March 2012	1,089,147	884,535	133,049	21,580	53,503	19,640	111,339	2,312,793

¹ Some assets have been reclassified to assets held for sale (note 12).

² AUC includes Tangible and Intangible assets. When these are brought into use they are correctly classified.

Notes to the accounts

Consolidated 2010-11 (Restated)

	Non-residential Land; Building and Dwellings £000	Residential Land; Buildings and Dwelling £000	Information Technology £000	Transport Equipment £000	Plant and Machinery £000	Antiques and Works of Art £000	Payments on Account & Assets under Construction £000	Total £000
Cost or valuation								
At 1 April 2010	1,279,855	1,035,160	273,738	80,237	65,363	20,237	75,057	2,829,647
Additions	25,591	9,942	22,601	11,326	14,978	-	40,412	124,851
Disposals	-	(408)	(165)	(2,816)	(809)	-	-	(4,198)
Impairments	(32,571)	(6,395)	(15,947)	(23)	(202)	(159)	(2,641)	(57,939)
Reversal of Impairments	8,480	9,804	-	-	7	6	3,290	21,587
Reclassification ¹	(220)	(17,472)	-	-	-	-	-	(17,692)
Revaluation	44,115	10,411	(16,954)	(165)	3,902	(5)	-	41,304
At 31 March 2011	1,325,250	1,041,042	263,273	88,559	83,239	20,078	116,118	2,937,559
Depreciation								
At 1 April 2010	254,247	147,239	93,539	55,731	26,671	-	-	577,427
Charge for the year	35,232	15,290	31,053	12,457	7,557	-	-	101,589
Disposals	-	(72)	(163)	(2,783)	(537)	-	-	(3,556)
Impairments	(2,222)	(1,178)	(4,437)	(1)	(45)	-	-	(7,883)
Reversal of impairments	581	1,737	-	-	1	-	-	2,319
Reclassification ¹	(18)	(3,527)	-	-	-	-	-	(3,545)
Revaluation	5,603	5,647	(5,757)	(139)	1,396	-	-	6,749
At 31 March 2011	293,422	165,136	114,235	65,265	35,043	-	-	673,101
Net book value								
at 1 April 2010	1,025,608	887,922	180,198	24,506	38,692	20,237	75,057	2,252,220
Net book value								
At 31 March 2011	1,031,828	875,906	149,038	23,295	48,196	20,078	116,118	2,264,458
Asset financing:								
Owned	837,689	663,977	149,038	23,295	48,196	20,078	116,118	1,858,390
Leased	172,618	211,929	-	-	-	-	-	384,547
On-balance (SoFP) sheet PFI	21,521	-	-	-	-	-	-	21,521
Net book value								
At 31 March 2011	1,031,828	875,906	149,038	23,295	48,196	20,078	116,118	2,264,458
Of the total:								
Department	1,031,643	875,906	148,894	23,255	47,313	20,078	116,118	2,263,207
Agencies	185	-	118	34	883	-	-	1,219
NDPBs	-	-	26	6	-	-	-	32
Net Book value at 31 March 2011	1,031,828	875,906	149,038	23,295	48,196	20,078	116,118	2,264,458

¹ Some assets have been reclassified to assets held for sale (note 12).

Notes to the accounts**Notes to the Accounts****11 Property, plant and equipment (continued)****Non-Specialised Properties:**

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

Property Location	Valuer	Effective Valuation Date
European Union; Wider Europe and Russia; Caucasus; Central Asia	Colliers CRE	30 June 2008
Americas	Knight Frank	30 June 2009
Middle East; North Africa	Knight Frank	30 September 2011
Sub-Saharan Africa	Colliers International	30 September 2010
South Asia; Asia Pacific	Knight Frank	30 June 2009

Desk reviews for revaluation purposes were carried out for all properties as at 30th September 2011 with the exception of Middle East; North Africa. These desk valuations were carried out for Sub-Saharan Africa by Colliers International, and all other regions by District Valuer Services of the Valuation Office Agency. Full inspections and valuations for Middle East; North Africa, with a valuation date of 30 September 2011, were undertaken by Knight Frank. End of year impairments were assessed by in-house valuers. The total fees payable to the valuers in all cases represent less than 5% of the total fee income of the valuing firm/body.

Specialised Properties:

These valuations are undertaken on a rolling basis with approximately 20% of the portfolio now externally valued as at 30th September each year, with a desk review of the remaining 80% at the same date by external Chartered Surveyors. Specialised properties have been valued using Depreciated Replacement Cost (DRC) methodology on a Modern Equivalent Replacement basis ignoring listed status (where relevant). It should be noted that DRC valuations are only relevant subject to the continuing prospect of the property in question remaining viable and occupied. In the event the property is no longer required for service delivery then the achievable Market Value of the asset may be significantly less or more than the value now reported on a DRC basis. In cases where DRC valuations have been applied, Market Values are also supplied for comparison purposes.

All the valuations have been prepared in accordance with both International Valuation Standards, and the Royal Institution of Chartered Surveyors Valuation Standards 7th Edition. All valuers are experienced and qualified Chartered Valuation Surveyors and Registered Valuers with relevant knowledge, skill and understanding.

The desk valuations have been undertaken by way of a desk review of the valuations previously supplied by external Chartered Valuation Surveyors. Where possible, in arriving at an opinion of Market Value and/or Fair Value, observable prices and market data relating to actual transactions involving comparable properties has been utilised. For a number of properties, however, it has been necessary to rely on information obtained from market indices and benchmarks, informal advice received from local estate professionals and valuer judgement. These valuations are valid as at the date reported, 30th September 2011, and due to current global market volatility should not be published or otherwise relied upon beyond that date, without referring to the valuers.

Leased Properties:

The leased properties disclosed constitute two elements: 1) Leasehold buildings £257.5 million (2010-11 £235.8 million) ; 2) Leases for ground rent held in perpetuity £157.8million (2010-11 £148.7 million) treated as freehold land. Neither category is regarded as a finance lease.

Notes to the accounts**12 Assets held for sale**

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

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

The following assets are classified as held for sale:

Overseas properties

	2011-12 £000	2010-11 £000
Balance as at 1 April	12,237	10,967
Additions to Assets Held For Sale at carrying value		
Additions to Assets Held For Sale at carrying value	16,857	14,213
Revaluation to market value on recognition	(1,967)	(2,653)
Disposals	(12,882)	(10,290)
Balance as at 31 March	<u>14,245</u>	<u>12,237</u>

Notes to the accounts

13 Intangible assets

Cost or valuation

At 1 April 2011

Additions

Disposals

Impairments

Revaluation

Reclassification

At 31 March 2012

Amortisation

At 1 April 2011

Charged for the year

Impairments

Disposals

Revaluation

Reclassification

At 31 March 2012

Net book value

At 31 March 2011

At 31 March 2012

Of the total:

Department

Agencies

NDPBs

Net Book Value at 31 March 2012

Asset financing

Owned

Finance Leased

Net Book Value at 31 March 2012

Cost or valuation

At 1st April 2010

Additions

Disposals

Reversal of Impairments

Revaluation

Reclassification

At 31 March 2011

Amortisation

At 1st April 2010

Charge for the year

Reversal of Impairments

Disposals

Revaluation

Reclassification

At 31 March 2011

Net book value

At 31 March 2010

At 31 March 2011

Of the total:

Department

Agencies

NDPBs

Net book value at 31 March 2011

Asset financing

Owned

Finance Leased

Net Book Value at 31 March 2011

	£000		
	Core Department & Departmental		
	Core Department	Agencies	Group
	£000	£000	£000
At 1 April 2011	9,074	9,074	9,086
Additions	2,438	2,468	2,468
Disposals	-	-	-
Impairments	(7)	(7)	(7)
Revaluation	(2,746)	(2,733)	(2,733)
Reclassification	-	-	-
At 31 March 2012	8,760	8,802	8,814
Amortisation			
At 1 April 2011	6,878	6,879	6,884
Charged for the year	2,338	2,351	2,354
Impairments	-	-	-
Disposals	-	-	-
Revaluation	(3,814)	(3,802)	(3,802)
Reclassification	-	-	-
At 31 March 2012	5,403	5,428	5,436
Net book value			
At 31 March 2011	2,195	2,195	2,202
At 31 March 2012	3,357	3,374	3,378
Of the total:			
Department	3,357	3,357	3,357
Agencies	-	17	17
NDPBs	-	-	4
Net Book Value at 31 March 2012	3,357	3,374	3,378
Asset financing			
Owned	3,357	3,374	3,378
Finance Leased	-	-	-
Net Book Value at 31 March 2012	3,357	3,374	3,378
Cost or valuation			
At 1st April 2010	10,208	10,208	10,220
Additions	-	-	-
Disposals	-	-	-
Reversal of Impairments	-	-	-
Revaluation	(1,134)	(1,134)	(1,134)
Reclassification	-	-	-
At 31 March 2011	9,074	9,074	9,086
Amortisation			
At 1st April 2010	6,553	6,553	6,555
Charge for the year	1,057	1,057	1,060
Reversal of Impairments	-	-	-
Disposals	-	-	-
Revaluation	(731)	(731)	(731)
Reclassification	-	-	-
At 31 March 2011	6,878	6,879	6,884
Net book value			
At 31 March 2010	3,655	3,655	3,665
At 31 March 2011	2,195	2,195	2,202
Of the total:			
Department	2,195	2,195	2,195
Agencies	-	-	-
NDPBs	-	-	7
Net book value at 31 March 2011	2,195	2,195	2,202
Asset financing			
Owned	2,195	2,195	2,202
Finance Leased	-	-	-
Net Book Value at 31 March 2011	2,195	2,195	2,202

Notes to the accounts

14 Financial Instruments

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

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

The FCO is exposed to foreign currency risks which can be significant because of the nature of its business and geographical presence.

A new Foreign Currency Mechanism (FCM) was agreed with HM Treasury in the 2010 Spending Review, and has taken effect in the 2011-12 financial year. The Treasury will increase or decrease the FCO's budget each year in the Supplementary Estimate to take account of movements in the top 20 currencies where the department spent most money in 2010-11. The FCM only applies to the FCO's core budget so does not cover expenditure on British Council, BBC World Service or peacekeeping.

From 2008-09 the FCO had in place a programme of forward purchase currency contracts for the most significant currencies in which the department operates, in order to give a measure of certainty over the cost of meeting its requirements for these currencies. The FCO has not entered into any new forward purchase contracts for core expenditure since September 2010 and will not enter into any further contracts for to cover core expenditure. Any losses or gains on the existing contracts expiring in 2011-12 and 2012-13 will be offset against the FCM adjustment to ensure that the FCO neither benefits nor loses twice from the same exchange rate change.

As the peacekeeping budget is not included in the FCM, the FCO continues to use forward purchase currency contracts for peacekeeping expenditure only, to minimise budget uncertainty. The Ministry of Defence (MoD) will arrange the purchase of foreign currency on behalf of the FCO.

Summary of Financial Instruments:		Note	2011-12 £000	2010-11 £000	2009-10 £000
Non-current financial assets					
Investment in other public sector bodies		14.1	7,832	10,783	13,734
Forward currency contracts		14.2	-	631	18,412
			<u>7,832</u>	<u>11,415</u>	<u>32,146</u>
Current financial assets					
Forward currency contracts		14.2	63	5,062	18,261
Current financial liabilities					
Forward currency contracts		14.2	(9,364)	(12,834)	(12,446)
Non Current Financial Liabilities					
Forward currency contracts		14.2	(6,496)	(2,353)	(1,783)
Total			<u>(7,965)</u>	<u>1,290</u>	<u>36,176</u>

14.1 Investment in other public sector bodies

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

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

	Public Dividend Capital £000	Vesting Day Loan £000	Working Capital Loan £000	Total £000
Balance at 1 April 2009	4,981	4,753	4,000	13,734
Additions	-	-	-	-
Disposals	-	-	-	-
Loan Repayments	-	-	-	-
Variation of the Order	-	-	-	-
Loans repayable within 12 months transferred to receivables	-	(951)	(2,000)	(2,951)
Balance at 31 March 2011	4,981	3,802	2,000	10,783
Additions	-	-	-	-
Disposals	-	-	-	-
Loan Repayments	-	-	-	-
Revaluations	-	-	-	-
Variation of the Order	-	(951)	(2,000)	(2,951)
Loans repayable within 12 months transferred to receivables	-	-	-	-
Balance at 31 March 2012	4,981	2,851	-	7,832

The current tranche of the working capital loan repayable on 1 October 2012 is included in deposits and advances under Trade receivables and other current assets (Note 17).

Notes to the accounts

14.2 Forward Currency Contracts

As detailed in note 14, forward purchases have been used to hedge certain forecast net exposures in the significant currencies in which the department operates. Forward purchases contracts matured as follows:

2011-12		2010-11		2009-10	
Foreign currency	£000	Sterling cost	£000	Foreign currency	Sterling value
Euro	145,250	129,746	177,725	000	£000
US Dollar	831,000	525,509	614,088	201,570	170,091
Japanese Yen	758,250	5,395	9,347	819,970	504,481
Swiss Franc	3,652	2,266	3,007	1,387,200	9,956
		662,916	804,167		684,527

For contracts maturing in 2011-12, purchases resulted in a realised net loss of £10.7 million (2010-11: net loss of £8.2 million) over the potential cost had the purchases been made at the FCO central rate of exchange on the date of delivery.

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

Sterling value		Unrealised gains		Unrealised losses		Maturing in	
Foreign currency value	£000	£000	£000	£000	£000		
Current assets and liabilities	35,880	33	(1,097)			2012-13	
	600,900	30	(3,266)			2012-13	
	37,250	0	(1)			2012-13	
	-		-			2012-13	
	415,569	63	(9,364)				
Non-current assets and liabilities	12,500	-	(448)			2013-14	
	304,000	-	(3,729)			2013-14	
	-	-	-			2013-14	
	-	-	-			2013-14	
	204,857	-	(4,177)			2014-15	
	7,500	-	(286)			2014-15	
	134,000	-	(2,034)			2014-15	
	-	-	-			2014-15	
	-	-	(2,319)			2014-15	
	92,436	-	(15,860)				
Total	712,861	63					

2010-11		Unrealised gains		Unrealised losses		Maturing in	
Foreign currency value	£000	£000	£000	£000	£000		
Current assets and liabilities	141,250	841	(1,932)			2011-12	
	680,550	3,682	(10,898)			2011-12	
	758,250	316	(4)			2011-12	
	3,652	223	-			2011-12	
	565,581	5,062	(12,834)				
Non-current assets and liabilities	14,880	632	-			2012-13	
	54,900	-	(2,350)			2012-13	
	37,250	-	(3)			2012-13	
	-	632	(2,353)			2012-13	
	49,423	5,694	(15,187)				
Total	614,984						

Notes to the accounts

14.3 Fair values

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

	Note	2011-12		2010-11		2009-10	
		Book value £000	Fair value £000	Book value £000	Fair value £000	Book value £000	Fair value £000
Primary financial instruments:							
Financial assets							
FCO Services Trading Fund		7,832	7,832	10,783	10,783	13,734	13,734
Forward currency contracts		63	63	5,693	5,693	36,673	36,673
Cash at bank and in hand	18	49,484	49,484	43,853	43,853	30,471	30,471
		<u>57,379</u>	<u>57,379</u>	<u>60,330</u>	<u>60,330</u>	<u>80,878</u>	<u>80,878</u>
Financial liabilities							
Forward currency contracts	18	(15,860)	(15,860)	(15,186)	(15,186)	(14,229)	(14,229)
Bank overdrafts		-	-	(248)	(248)	(246)	(246)
Provisions	20	(69,810)	(69,810)	(68,427)	(68,427)	(84,174)	(84,174)
		<u>(85,670)</u>	<u>(85,670)</u>	<u>(83,861)</u>	<u>(83,861)</u>	<u>(98,649)</u>	<u>(98,649)</u>

Where relevant, cash flows in respect of Early Retirement provisions have been discounted at the HM Treasury discount rate.

15 Impairments

	Note	£000		£000	
		Core Department	Core Department & Agencies	Departmental Group	Departmental Group
Impairments - Departmental Expenditure Limit	8	5,432	5,432	1,266	1,266
Impairments - Annually Managed Expenditure	8	32,626	32,626	48,793	48,793
Reversal of Impairments - Annually Managed Expenditure	8	(14,253)	(14,253)	(19,267)	(19,267)
Total PPE impairment movements in the year	11	23,805	23,805	30,791	30,791
Total Intangible impairment movements in the year - Annually Managed Expenditure		7	7	-	-

15.1 Details of Non-current asset impairments incurred during 2011-12

- 1- Bangkok
22 new units within the Bangkok Embassy compound, initially taken to the asset register in 2010-11, were revalued in year to existing use value and resulted in impairments of £9.7m.
- 2 - Abuja
Previous projects to develop premises in Abuja for offices were abandoned prior to 2011-12 resulting in the impairment of £2.8m. The costs consisted of design and consultancy fees.
- 3- Jakarta
Consultancy fees relating to proposed development of land in Jakarta were impaired after the project was abandoned. The resulting impairments totalled £2.2m
- 4- Remaining balances
There are various reasons for the remaining balances of £9.1m including revaluations of overseas land and building assets.
An impairment reversal arises if an impairment loss recognised in prior periods no longer exists or has decreased.

15.2 Impairment of Tangible and Intangible Assets - DEL or AME

- Impairments to assets can score in either DEL or AME.
- To score in DEL, impairment will result from:
- a) Loss resulting from normal business operations, such as from management action, or inaction, or actions of a third party, and includes theft;
- b) Assets in the course of construction, abandoned through, for example, a management decision; or
- c) Unnecessary over specification of an asset beyond operational requirements.
- To score in AME, impairment will result from:
- a) Loss resulting from catastrophe, such as war or natural disasters, and rare in occurrence;
- b) Unforeseen obsolescence, such as changed legislation rendering the asset of no use, or the introduction of new technology, and such events would be rare; or
- c) Other impairment, examples of which include through change of use, or write down to depreciated replacement cost.

16 Inventories

	2011-12	
	£000	
Core Department	Core Department & Agencies	Departmental Group
5,333	5,362	5,362
5,333	5,362	5,362

Total Physical Stock

Total

Total Physical Stock encompasses the Foreign and Commonwealth Office supply of Patrol, Diesel, Oil, Emergency Passports, Emergency Travel Documents, Stationary, Medical Supplies, IT, Motor and Machinery.

17 Trade receivables and other current assets

Amounts falling due within 1 year

Trade receivables

Deposits and Advances

Other receivables

Leasehold land (non-perpetual) prepayments

Other prepayments and accrued income

Amounts falling due after more than 1 year

Leasehold land (non-perpetual) prepayments

Other receivables

Total

Intra-government balances

Balances with other central government bodies

Balances with Local Authorities

Balances with public corporations and trading funds

Subtotal: intra-government balances

Balances with bodies external to government

Total receivables at 31 March

	2011-12	
	£000	
Core Department	Core Department & Agencies	Departmental Group
40,163	40,768	40,922
8,495	8,495	8,495
1,920	1,920	2,477
386	386	386
62,315	62,386	62,803
113,279	113,955	115,083
28,409	28,409	28,409
8,628	8,628	8,628
37,037	37,037	37,037
150,316	150,992	152,120

Amounts falling due within 1 year		
2011-12	2010-11	2009-10
£000	£000	£000
19,939	41,885	49,740
502	897	607
6,086	2,284	6,273
26,526	45,065	56,620
88,558	71,911	153,779
115,083	116,976	210,399

	2010-11	
	£000	
Core Department	Core Department & Agencies	Departmental Group
5,616	5,660	5,660
5,616	5,660	5,660

	2010-11	
	£000	
Core Department	Core Department & Agencies	Departmental Group
41,249	41,536	41,547
6,476	6,476	6,476
5,333	5,338	5,776
386	386	386
62,528	62,560	62,791
115,973	116,296	116,576
28,868	28,868	28,868
8,539	8,539	8,539
37,406	37,406	37,406
153,379	153,703	154,382

Amounts falling due after more than 1 year		
2011-12	2010-11	2009-10
£000	£000	£000
-	-	-
-	-	-
-	-	-
-	-	-
37,037	37,406	37,938
37,037	37,406	37,938

	2009-10	
	£000	
Core Department	Core Department & Agencies	Departmental Group
4,951	4,951	4,951
4,982	4,982	4,982

	2009-10	
	£000	
Core Department	Core Department & Agencies	Departmental Group
62,952	63,287	63,370
7,247	7,247	7,247
4,570	4,570	5,047
522	522	522
59,883	59,954	60,183
135,174	135,580	136,369
28,981	28,981	28,981
8,957	8,957	8,957
37,938	37,938	37,938
173,111	173,518	174,307

Notes to the accounts

18 Cash

	2011-12 £000	Departmental Group
Balance at 1 April	40,315	43,605
Net change in cash balances	6,802	5,879
Balance at 31 March 2012	47,117	49,484
The following balances and overdrafts at 31 March 2011 were held at:		
Balances		
Government Banking Service	13,017	13,017
Commercial banks and cash in hand UK and overseas	34,100	36,467
	47,117	49,484
Overdrafts		
Government Banking Service	-	-
Commercial banks overseas	-	-
Balance at 31 March 2012	47,117	49,484

Note 19

19 Trade payables and other current liabilities

	2011-12 £000	Departmental Group
Core Department		
Core Department & Agencies		
Departmental Group		
236,042	236,728	238,107
45,905	45,905	45,905
2,027	2,027	2,027
283,973	284,660	286,039
-	-	-
35,292	35,292	35,292
319,265	319,952	321,331

Analysis by type

Amounts falling due within one year

Bank overdrafts
Other taxation and social security
Payments on account
Trade payables
Other payables
Accruals and deferred income
Current part of finance leases
Current part of imputed finance lease element of on-Statement of Financial Position PFI contracts
Total excluding amounts due to the Consolidated Fund

Amounts issued from the Consolidated Fund for supply but not spent at year end

Consolidated Fund income due to be paid to the Consolidated Fund

Amounts falling due after more than 1 year

Finance leases
Imputed finance lease element of on-Statement of Financial Position
PFI contracts

Total

	2010-11 £000	Departmental Group
Core Department		
Core Department & Agencies		
Departmental Group		
28,615	29,402	30,225
11,700	12,220	13,380
40,315	41,622	43,605
2,266	2,266	2,266
38,297	39,604	41,587
40,563	41,870	43,853
-	-	-
(248)	(248)	(248)
40,315	41,622	43,605

	2010-11 £000	Departmental Group
Core Department		
Core Department & Agencies		
Departmental Group		
248	248	248
964	964	964
-	237	237
21,501	21,830	21,999
47,822	47,825	47,862
138,935	139,079	140,402
27	27	27
966	966	966
210,463	211,176	212,706
41,058	41,058	41,058
564	564	564
252,085	252,798	254,328
4	4	4
37,992	37,992	37,992
37,997	37,997	37,997
290,082	290,795	292,325

	2009-10 £000	Departmental Group
Core Department		
Core Department & Agencies		
Departmental Group		
23,120	23,120	23,120
5,496	6,282	7,105
28,615	29,402	30,225
437	437	437
28,425	29,211	30,034
28,861	29,648	30,471
-	-	-
(246)	(246)	(246)
28,615	29,402	30,225

	2009-10 £000	Departmental Group
Core Department		
Core Department and agencies		
Departmental Group		
246	246	246
819	819	819
-	164	164
18,402	18,585	18,694
24,574	24,583	24,603
190,497	190,687	191,247
25	25	25
903	903	903
235,466	236,013	236,702
24,829	24,829	24,829
4,573	4,573	4,573
264,867	265,414	266,104
33	33	33
39,254	39,254	39,254
39,287	39,287	39,287
304,155	304,702	305,351

Notes to the accounts**21 Retirement benefit schemes**

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

Principal Civil Service Pension Scheme

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

For 2011-12, employers' contributions of £34,186,000 were paid to the PCSPS (2010-11: £35,719,000) at one of four rates in the range of 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. From 2011-12, 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 2011-12 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 £89,000 (2010-11: £54,000) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay.

In addition, employer contributions of 0.8% of pensionable pay, 2011-12: £5,838, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Other defined contribution schemes

The FCO operates defined contribution schemes in: Barbados, Belgium, Bolivia, Cyprus, Ecuador, Denmark, Jamaica, Mauritius, Namibia, Nigeria, Peru, Portugal, the Republic of Ireland, Serbia, South Korea, Trinidad and Tobago, USA, Uganda and Zambia. A defined benefit multi-user scheme is operated in Holland. Where the individual insurer's assets cannot be identified the scheme is treated as a defined contribution scheme. The value of contributions in 2011-12 was £1,564,421 (2010-11: £1,939,000).

Other defined benefit schemes

The FCO operates defined benefit schemes in Canada, the Republic of Ireland, Jamaica, Mauritius, South Africa and USA. The plans are defined benefit arrangements, with benefits based on final salary. They provide for a pension at retirement and a benefit on death or disablement in service before retirement. The FCO has two closed Defined Benefit Schemes in Colombia and Belgium with small outstanding liabilities. These are included below:

Notes to the accounts

	2011-12 £000	2010-11 £000	2009-10 £000
Defined benefit schemes recognised in the Statement of Financial Position			
Present value of funded obligations			
Canada	(7,577)	(7,671)	(7,123)
Republic of Ireland	(2,534)	(2,158)	(2,233)
Jamaica	(1,179)	(962)	(807)
Mauritius	(150)	(137)	(185)
South Africa	(2,416)	(5,206)	(4,741)
USA	(38,200)	(33,306)	(34,431)
Colombia	(527)	(586)	-
Belgium	(1,025)	(246)	-
	(53,608)	(50,272)	(49,520)
Fair value of plan assets			
Canada	8,387	8,750	7,552
Republic of Ireland	2,214	2,146	1,985
Jamaica	1,347	1,197	899
Mauritius	116	87	162
South Africa	2,321	5,167	5,133
USA	29,685	33,804	30,642
Colombia	481	593	-
Belgium	675	-	-
	45,226	51,744	46,373
Total	(8,382)	1,472	(3,147)
Summary			
Liabilities	(9,357)	(347)	(4,063)
Assets	975	1,819	916
Net asset/(liability)	(8,382)	1,472	(3,147)
	2011-12 £000	2010-11 £000	2009-10 £000
Amounts recognised in operating costs			
Current service cost	496	1,856	966
Interest on obligation	2,609	2,792	3,015
Expected return on plan assets	(3,964)	(3,846)	(2,592)
Total included in employee benefits expense	(859)	802	1,389
Actual return on plan assets: gain/(loss)	(5,864)	(1,768)	5,165

Notes to the accounts

	2011-12 £000	2010-11 £000	2009-10 £000
Changes in the present value of the defined benefit obligation			
Opening defined benefit obligation	(50,272)	(49,520)	(44,097)
Converted into Defined Contribution Scheme during the year	-	-	-
Pensioners in payment exactly matched by annuity contracts	(22)	(117)	(141)
Service cost	(495)	(1,856)	(966)
Interest cost	(2,609)	(2,792)	(3,016)
Contributions by participants	(258)	(531)	(724)
Actuarial (losses)/gains	(17,889)	(1,300)	(4,258)
Exchange differences on foreign plans	880	1,893	(343)
Benefits paid	18,587	4,326	3,178
Changes in assumptions underlying the present value of the scheme liabilities	(1,530)	(375)	847
Closing defined benefit obligation	(53,608)	(50,272)	(49,520)
Changes in the fair value of plan assets are as follows			
Opening fair value of plan assets	51,744	46,373	31,547
Converted into defined contribution scheme in year	-	-	-
Pensioners in payment exactly matched by annuity contracts	22	117	141
Expected return	3,965	3,846	2,592
Actuarial gains (losses)	(1,899)	2,078	7,757
Contributions by employer	10,500	4,815	6,096
Contributions by participants	258	531	724
Exchange differences on foreign plans	(877)	(1,690)	694
Benefits paid	(18,587)	(4,326)	(3,178)
Changes in assumptions underlying the present value of the scheme assets	101	-	-
Closing fair value of plan assets	45,226	51,744	46,373

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

	2011-12 £000	2010-11 £000	2009-10 £000
Equities	56.51%	48.28%	56.11%
Bonds	37.73%	35.32%	31.28%
Other	5.76%	16.40%	12.61%
Principal actuarial assumptions as at 31 March (expressed as weighted averages)			
Discount rate	7.31%	5.79%	6.38%
Expected return on plan assets	3.24%	6.98%	7.40%
Future salary increases	3.18%	4.19%	4.22%
Future pension increases	3.77%	3.26%	3.40%

Amounts for the current and previous four years

	2011-12 £000	2010-11 £000	2009-10 £000	2008-09 £000	2007-08 £000
Defined benefit obligation	(53,608)	(50,272)	(49,520)	(44,097)	(34,688)
Plan assets	45,226	51,744	46,373	31,547	34,025
Surplus/(Deficit)	(8,382)	1,472	(3,147)	(12,550)	(663)
Experience adjustments on plan liabilities	(17,889)	(1,300)	(4,258)	1,405	5,006
Experience adjustments on plan assets	(1,899)	2,078	7,757	(13,633)	(3,113)

Notes to the accounts

Analysis of movements in obligations and assets

2010-11										2011-12		
	Brought forward £000	Matched by annuity contracts £000	Changes in assumptions,			Interest, £000	Employer Contributions £000	Participants contributions £000	Benefits paid £000	Actuarial gains/(losses) £000	Carried forward £000	
			Exchange £000	Service cost £000	Finance income £000							
Present value of funded obligations												
Canada	(7,671)	-	179	(114)	(422)	(303)	(77)	970	(140)	(7,577)	(7,577)	
Republic of Ireland	(2,158)	-	125	(60)	(100)	(417)	(21)	216	(120)	(2,534)	(2,534)	
Jamaica	(962)	(22)	12	(57)	(84)	-	(45)	39	(60)	(1,179)	(1,179)	
Mauritius	(137)	-	2	(6)	(13)	-	-	-	4	(150)	(150)	
South Africa	(5,206)	-	600	(72)	(348)	-	-	-	2,532	(2,416)	(2,416)	
USA	(33,306)	-	(108)	(165)	(1,604)	-	(115)	14,830	(17,732)	(38,200)	(38,200)	
Colombia	(246)	-	69	-	(38)	-	(810)	-	-	(1,024)	(1,024)	
Belgium	(586)	-	-	(21)	-	-	-	-	80	(527)	(527)	
	(50,272)	(22)	880	(495)	(2,609)	(1,530)	(258)	18,587	(17,889)	(53,608)	(53,608)	
Fair value of plan assets												
Canada	8,750	-	(205)	-	423	716	77	(970)	(404)	8,387	8,387	
Republic of Ireland	2,146	-	(125)	-	104	167	21	(216)	117	2,214	2,214	
Jamaica	1,197	22	(15)	-	94	61	45	(39)	(18)	1,347	1,347	
Mauritius	87	-	(2)	-	10	25	-	-	(4)	116	116	
South Africa	5,167	-	(595)	-	357	230	-	(2,532)	(306)	2,321	2,321	
USA	33,804	-	110	-	2,470	9,300	115	(14,830)	(1,284)	29,685	29,685	
Colombia	593	-	(45)	-	26	101	-	-	-	675	675	
Belgium	-	-	-	-	481	-	-	-	-	481	481	
Total	51,744	22	(877)	-	3,965	10,600	258	(18,587)	(1,899)	45,226	45,226	
	1,472	0	3	(495)	1,356	9,070	0	0	(19,788)	(8,382)	(8,382)	

Analysis of movements in obligations and assets

2009-10						2010-11					
	Brought forward £000	Matched by annuity contracts £000	Changes in assumptions,			Actuarial gains/(losses) £000	Carried forward £000				
			Exchange £000	Service cost £000	Interest, Finance income £000			Employer Contributions £000	Participants contributions £000	Benefits paid £000	
Present value of funded obligations											
Canada	(7,123)	-	93	(113)	(433)	(581)	(93)	522	57	(7,671)	
Republic of Ireland	(2,233)	-	18	(62)	(99)	213	(22)	-	27	(2,158)	
Jamaica	(807)	(117)	10	(50)	(76)	-	(40)	76	42	(962)	
Mauritius	(185)	-	(3)	(6)	(16)	(7)	-	83	(3)	(137)	
South Africa	(4,741)	-	(72)	(74)	(364)	-	-	610	(565)	(5,206)	
USA	(34,431)	-	1,847	(719)	(1,804)	-	(376)	3,035	(858)	(33,306)	
Colombia	-	-	-	(586)	-	-	-	-	-	(586)	
Belgium	-	-	-	(246)	-	-	-	-	-	(246)	
Total	(49,520)	(117)	1,893	(1,856)	(2,792)	(375)	(531)	4,326	(1,300)	(50,272)	
Fair value of plan assets											
Canada	7,552	-	(98)	-	386	964	93	(522)	375	8,750	
Republic of Ireland	1,985	-	(15)	-	101	117	22	-	(64)	2,146	
Jamaica	899	117	(12)	-	77	56	40	(76)	96	1,197	
Mauritius	162	-	3	(1)	11	-	-	(83)	(5)	87	
South Africa	5,133	-	79	-	558	269	-	(610)	(262)	5,167	
USA	30,642	-	(1,646)	-	2,120	3,409	376	(3,035)	1,938	33,804	
Colombia	-	-	-	-	593	-	-	-	-	593	
Total	46,373	117	(1,689)	(1)	3,846	4,815	531	(4,326)	2,078	51,744	
	(3,147)	-	204	(1,857)	1,054	4,440	0	0	778	1,472	

The FCO's defined benefit schemes have been subject to actuarial valuation or review as at 31 March 2012.

Notes to the accounts

22 Capital and other commitments

22.1 Capital commitments

Contracted capital commitments at 31 March not otherwise included in these financial statements:

	2011-12 £000			2010-11 £000		
	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
Estates projects	24,556	24,556	24,556	42,222	42,222	42,222
IT infrastructure	-	-	-	15,522	15,522	15,522
	24,556	24,556	24,556	57,744	57,744	57,744

22.2 Commitments under leases

22.2.1 Operating leases

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

	2011-12 £000			2010-11 £000		
	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
Obligations under operating leases comprise						
Land and buildings:						
Not later than one year	78,198	78,198	78,198	75,004	75,004	75,004
Later than one year and not later than five years	198,117	198,117	198,117	209,056	209,056	209,056
Later than five years	12,557	12,557	12,557	9,818	9,818	9,818
Total	288,872	288,872	288,872	293,878	293,878	293,878
Other:						
Not later than 1 year	349	349	349	435	435	435
Later than 1 year and not later than 5 years	385	385	385	676	676	676
Later than 5 years	-	-	-	1	1	1
Total	734	734	734	1,112	1,112	1,112

22.2.2 Finance leases

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

Obligations under finance leases for the following periods comprise

	2011-12 £000			2010-11 £000		
	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
Land and buildings: nil						
Other:						
Not later than one year	-	-	-	27	27	27
Later than one year and not later than five years	-	-	-	4	4	4
Later than five years	-	-	-	-	-	-
	-	-	-	31	31	31
Less: interest element	-	-	-	(1)	(1)	(1)
Present Value of Obligations	-	-	-	30	30	30
The above liability is disclosed under Payables (Note 19) as follows:						
Amounts falling due within one year	-	-	-	25	25	25
one year	-	-	-	5	5	5
	-	-	-	30	30	30

22.3 Commitments under PFI contracts and other service concession arrangements

22.3.1 Off-balance sheet (excluded from Consolidated Statement of Financial Position)

Worldwide telecommunications network

The Global Crossing contract was for a term of ten years from 10 May 2000 but has been extended to allow for transition to the replacement contract, which is expected to be completed in 2012-13. The estimated capital value of the contract was £250 million, but it is considered by the Board that the equipment brought into use under the contract is not an asset of the Department. Payments under the contract charged to the statement of net expenditure in the year amounted to £25.7 million (2010-11 £31.5 million).

The replacement contract, run under Project Echo, was awarded to Cable & Wireless Worldwide and signed on 13 September 2010. The replacement contract is designed to eventually provide coverage for 265 government locations worldwide. Implementation is being introduced on a phased basis, with pilot sites completing switch over to the new service arrangements in March and April 2012. Staged rollout will continue during 2012-13.

The majority of underlying technology assets supporting the new contract will be part of a delivery infrastructure shared by potentially many customers using standard internet-based communication technologies in most overseas locations. Any technology assets specifically required by the FCO as part of the contract will be purchased by the department and included within Property, Plant and Equipment accordingly. As such, the new contract will not be regarded as a PFI contract, in line with the provisions of International Financial Reporting Interpretation Committee (IFRIC) 12. Service Concession Arrangements.

Notes to the accounts**22.3.2 On-balance sheet (included within Consolidated Statement of Financial Position)**

Berlin Embassy

The contract is in respect of the building, operation and maintenance of the British Embassy Berlin for a term of 30 years from 23 June 2000 with an option to extend for a further 30 years. The property meets the criteria determined by IFRIC 12, and, therefore, the embassy is included in the accounts within Property, Plant and Equipment. The initial capitalisation of the contract was reflected in the accounts for 2002-03.

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

	2011-12 £000	2010-11 £000	2009-10 £000
Total obligations under on-balance sheet PFI contracts comprises:			
Not later than one year	3,745	3,921	3,951
Later than one year and not later than five years	14,981	15,684	15,803
Later than five years	49,626	55,876	60,250
	68,352	75,481	80,004
Less: interest element	(32,064)	(36,522)	(39,847)
Present Value obligations	36,288	38,959	40,157
The above liability is disclosed under Payables (Note 19) as follows:			
Amounts falling not later than one year	996	966	903
Amounts falling due later than one year and not later than five years	35,292	37,993	39,254
	36,288	38,959	40,157

The service element of the contract remains an operating cost. In 2011-12 this amounted to £1,987,000 (2010-11 £2,347,000).

22.3.3 Charge to the Consolidated Statement of Comprehensive Net Expenditure and future commitments

The total amount charged to the statement of net expenditure in respect of off-balance sheet PFI transactions or other service concessions transactions and the service element of on-balance sheet PFI or other service concession transactions for the year ended 31 March 2012 was £28,529,000 (2010-11: £33,872,000).

The payments to which the department is committed, analysed by the period during which the commitment expires, were as follows:

	Core Department	Core Department & Agencies	2011-12 £000 Departmental Group	Core Department	Core Department & Agencies	2010-11 £000 Departmental Group
Not later than one year	3,745	3,745	3,745	19,334	19,334	19,334
Later than one year and not later than five years	14,981	14,981	14,981	7,336	7,336	7,336
Later than five years	49,626	49,626	49,626	26,158	26,158	26,158
	68,352	68,352	68,352	52,828	52,828	52,828

22.4 Other financial commitments

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

	Core Department	Core Department & Agencies	2011-12 £000 Departmental Group	Core Department	Core Department & Agencies	2010-11 £000 Departmental Group
Not later than one year	596	596	596	617	617	617
Later than one year and not later than five years	663	663	663	1,049	1,049	1,049
Later than five years	-	-	-	-	-	-
	1,259	1,259	1,259	1,666	1,666	1,666

23 Financial Guarantees, Indemnities and Letter of Comfort

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

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

	01 April 2011 £000	Increase in year £000	Liabilities crystallised in year £000	Obligation expired in year £000	31 March 2012 £000
Indemnities	42,916	10,150	-	(27,154)	25,912

24 Contingent liabilities disclosed under IAS 37

	2011-12 £000	2010-11 £000	2009-10 £000
Potential obligations	51,246	47,975	6,716

The nature of the FCO's activities gives rise to certain contingent financial risks. The increase in contingent liability relates to increases in Estates and HR related disputes.

Notes to the accounts

25 Losses and special payments

25.1 Losses Statement

	Core Department	Core Department & Agencies	2011-12 £000 Departmental Group	No of cases	Core Department	Core Department & Agencies	2010-11 £000 Departmental Group	No of cases
Losses and Special payments total	434	434	437	103	8,779	8,779	8,779	159
Cash losses/(gains)	151	151	151	30	3	3	3	26
Claims abandoned	-	-	-	-	-	-	-	-
Administrative write-offs	109	109	109	46	1,163	1,163	1,163	91
Fruitless payments and constructive losses	93	93	93	7	2,132	2,132	2,132	18
Stores losses	49	49	49	9	17	17	17	14
Losses total	402	402	402	92	3,315	3,315	3,315	149

25.2 Special payments total	32	32	35	11	5,464	5,464	5,464	10
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Settlements for the year 2011-12 amounted to £35k for the departmental group.

26 Related parties and Entities within and outside the Departmental accounting boundary

26.1 Related parties

The Foreign and Commonwealth Office is the parent department of Wilton Park Executive Agency and sponsors FCO Services (a trading fund) and a number of non-departmental public bodies as listed below. These bodies are regarded as related parties with which the Department has had various material transactions during the year. In addition, the FCO has had regular transactions with Partners across Government.

No minister, board member, key manager or other related parties has undertaken any material transaction with the FCO during the year. There are no potential conflicts of interest to report.

26.2 Entities within the departmental accounting boundary and associated entities

Associated entities inside the Departmental accounting boundary
The entities within the boundary during 2011-12 were:

- Wilton Park Executive Agency - the Annual Report and Accounts of Wilton Park is published separately. See www.wiltonpark.org.uk
- The Great Britain-China Centre (Executive NDPB) See www.gbcc.org.uk
- The Marshall Aid Commemoration Commission (Executive NDPB) See marshallscholarships.org
- The Westminster Foundation for Democracy Limited (Executive NDPB) See www.wfd.org

Income and expenditure for the FCO incorporated financing of the following Non Departmental Public Bodies (NDPBs), in full or in part, in the current financial year:

- Foreign Compensation Commission (Tribunal NDPB)
- UK India Round Table (Advisory NDPB)

26.3 Associated entities outside the Departmental accounting boundary

FCO programmes include payments to:

- BBC World Service (Public Corporation)
- British Council (Executive NDPB, charity established by Royal Charter, Public Corporation)

27 Third-party assets

Funds held by the FCO at 31 March in designated bank accounts for disbursement to individual beneficiaries on behalf of the United Nations Compensation Commission
Overall UNCC liability

	2011-12	2010-11	2009-10
note 1.22	-	274	273
	-	274	273

Neither the Department nor the government more generally had a direct beneficial interest in these balances, which were returned to UNCC in 2011-12 as the balance represented unpresented cheques, leaving a nil balance payable at 31 March 2012.

28 Events after the reporting date

- 28.1 The BBC World Service will be consolidated into the FCO's Departmental Boundary from 1st April 2012 for two financial years until 31st March 2014.

29. Restatement of Statement of Financial Position and Statement of Comprehensive Net Expenditure as a result of Changes in Accounting Policies and Machinery of Government (MOG) Changes

Changes in Accounting Policies

In 2011-12 the expenditure and income of the Wilton Park Executive Agency were allocated as appropriate between administration and programme. In order for 2010-11 comparative figures to be consistent they have been adjusted to allocate between administration and programme on a similar basis. The prior year adjustments to CSCNE to reflect this are included below (see Note 30.1)

In accordance with FReM the Donated Asset Reserve and Government Grant Reserve are no longer recognised as separate reserves and have been subsumed in the General Fund and Revaluation Reserve as detailed below. The depreciation charge on donated assets of £855,000 (2010-11 £704,000) is treated as Annually Managed Expenditure. (See Note 30.2).

Machinery of Government Change in regard to the Overseas Passport Service

On 1st April 2011, the Overseas Passport Service passed from the Foreign and Commonwealth Office to the Identity and Passport Service (an executive agency of the Home Office). This encompassed the responsibility for processing and issuing UK passports outside of the UK and was transferred through a 'Machinery of Government' change.

Machinery of Government Changes, (MoG) which involve the merger or the transfer of functions or responsibility of one part of the public sector to another, are accounted for using merger accounting in accordance with the FReM. This requires the restatement of the Primary Statements and associated Notes to the Accounts for the prior year. The restated figures in the Department's Consolidated Statement of Comprehensive Net Expenditure (CSCNE) and Consolidated Statement of Financial Positions (CSFP) are noted below. In addition to the MoG changes a change in accounting policy reflecting the FReM has removed the Donated Asset Reserve and the Government Grant Reserve.

Consolidated Statement of Financial Position as at 31 March 2011

Core Department & Agencies

	Published 2010-11	Changes in Accounting Policies	Effect of Change in Accounting Policies	MoG change	Restated 2010-11
	£'000	£'000	£'000	£'000	£'000
Non-current assets:					
Property, plant and equipment	2,267,424		2,267,424	(2,998)	2,264,426
Intangible assets	2,195		2,195		2,195
Financial assets	11,415		11,415		11,415
Retirement benefit schemes asset	1,472		1,472		1,472
Other non-current assets	37,406		37,406		37,406
Total non-current assets	2,319,912	-	2,319,912	(2,998)	2,316,914
Current assets:					
Assets classified as held for sale	12,237		12,237		12,237
Inventories	8,359		8,359	(2,699)	5,660
Financial assets	5,062		5,062		5,062
Trade and other receivables	116,296		116,296		116,296
Cash and cash equivalents	41,870		41,870		41,870
Total current assets	183,824	-	183,824	(2,699)	181,125
Total assets	2,503,736		2,503,736	(5,697)	2,498,039
Current liabilities					
Total current liabilities	(265,632)		(265,632)		(265,632)
Total assets less current liabilities	2,238,104	-	2,238,104	(5,697)	2,232,407
Non-current liabilities					
Total non-current liabilities	(108,778)		(108,778)		(108,778)
Assets less liabilities	2,129,326	-	2,129,326	(5,697)	2,123,629
Taxpayers' equity and other reserves:					
General fund	1,003,645	50,364	1,054,009	(5,697)	1,048,312
Revaluation reserve	1,022,073	53,244	1,075,317		1,075,317
Donated asset reserve	101,124	(101,124)	-		-
Government grant reserve	2,484	(2,484)	-		-
Total equity	2,129,326	-	2,129,326	(5,697)	2,123,629

111 Foreign & Commonwealth Office

Consolidated Statement of Financial Position as at 31 March 2010

Core Department & Agencies

	Published 2009-10	Changes in Accounting Policies	Effect of Change in Accounting Policies	MoG change	Restated 2009-10
	£'000	£'000	£'000	£'000	£'000
Non-current assets:					
Property, plant and equipment	2,255,184		2,255,184	(2,133)	2,253,051
Intangible assets	3,654		3,654		3,654
Financial assets	32,146		32,146		32,146
Retirement benefit schemes asset	-		-		-
Other non-current assets	37,938		37,938		37,938
Total non-current assets	2,328,922	-	2,328,922	(2,133)	2,326,789
Current assets:					
Assets classified as held for sale	10,967		10,967		10,967
Inventories	18,261		18,261	(2,839)	15,422
Trade and other receivables	7,847		7,847		7,847
Other current assets	135,580		135,580		135,580
Financial assets	-		-		-
Cash and cash equivalents	29,648		29,648		29,648
Total current assets	202,303	-	202,303	(2,839)	199,464
Total assets	2,531,225		2,531,225	(4,972)	2,526,253
Current liabilities					
Total current liabilities	(277,860)		(277,860)		(277,860)
Total assets less current liabilities	2,253,365	-	2,253,365	(4,972)	2,248,393
Non-current liabilities					
Total non-current liabilities	(128,391)		(128,391)		(128,391)
Assets less liabilities	2,124,974	-	2,124,974	(4,972)	2,120,002
Taxpayers' equity and other reserves:					
General fund	1,104,913	51,201	1,156,114	(4,972)	1,151,142
Revaluation reserve	915,668	53,192	968,859		968,859
Donated asset reserve	101,824	(101,824)	-		-
Government grant reserve	2,569	(2,569)	-		-
Total equity	2,124,974	-	2,124,973	-	2,120,001

Consolidated Statement of Comprehensive Expenditure for the year ended 31 March 2011

Core Department & Agencies

	Published 2010-11	Changes in Accounting Policies	Effect of Change in Accounting Policies	MoG change	Restated 2010-11
	£'000	£'000	£'000	£'000	£'000
Administration Costs					
Staff costs	475,700	(2,343)	473,357	(15,112)	458,245
Other administration costs	740,764	1,075	741,839	(24,689)	717,150
Operating income	(83,914)	3,535	(80,379)	-	(80,379)
Consular costs allocated to programme	(140,067)	-	(140,067)	-	(140,067)
Consular income allocated to programme	2,412	-	2,412	39,801	42,213
Other costs allocated to programme	(546,596)	-	(546,596)	-	(546,596)
Other income allocated to programme	17,900	-	17,900	-	17,900
Total administration costs	466,199	2,267	468,466	-	468,466
Programme Costs					
Staff Costs	443	2,343	2,786	-	2,786
Other Costs	2,068,076	-	2,068,076	-	2,068,076
Income	(249,642)	(3,450)	(253,092)	-	(253,092)
Total programme costs	1,818,877	(1,107)	1,817,770	-	1,817,770
Net operating cost for the year ended 31 March 2011	2,285,076	1,160	2,286,236	-	2,286,236

30 Changes in Accounting Policy

30.1 Allocation of Wilton Park income and expenditure

	2010-11
Administration Costs	£'000
Staff costs decrease	(2,343)
Other administration costs increase	146
Operating income decrease	3,450
Programme Costs	
Staff Costs increase	2,343
Income increase	(3,450)

30.2 Donated Asset Reserve and Government Grant Reserve

	2009-10	2010-11
	£000	£000
Donated Asset Reserve as previously stated	101,824	101,124
Government Grant Reserve	2,569	2,484
	<u>104,393</u>	<u>103,608</u>
Recognised as:		
General Fund	51,201	50,364
Revaluation Reserve	53,191	53,244
	<u>104,393</u>	<u>103,608</u>

The following prior year adjustments were made to the CSCNE to reflect the adjustment and are included in the total in Note 29.

	Donated Asset Reserve	Government Grant Reserve
	£000	£000
2010-11		
Other administration costs increase	929	
Operating income decrease		86

