Departmental Report

and Resource Accounts

1 April 2008 – 31 March 2009

Volume Two

Foreign & Commonwealth Office

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Foreign & Commonwealth Office

Foreign and Commonwealth Office Departmental Report and Resource Accounts

1 April 2008 – 31 March 2009

Volume Two

Better World, Better Britain

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Impromptu roadside market, Somaliland

A young People's Liberation Army guard on sentry duty outside the British Embassy Beijing

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Introduction by Keith Luck, Director-General Finance

In previous years the FCO's Resource Accounts have been published separately from the annual Departmental Report. As the Permanent Under-Secretary said in his introduction to the Report, this year we have combined the publications. So this, Volume Two of the Report, contains the financial information that would normally have been published separately.

Improvements in the FCO's financial management were validated by two external reviews undertaken between July 2008 and April 2009: the National Audit Office's Financial Management Review, and the Chartered Institute of Public Finance and Accounting Financial Management Model. Both were complimentary about our strong financial management culture, particularly at Board level and the focus and direction of Five Star Finance, and recognised a significant improvement in our performance.

The year 2008/9 was the first of the current Comprehensive Spending Review. It also coincided with the sharp global downturn, the decline in value of sterling and the FCO having to manage the risk to its budget from currency fluctuations without being able to call on the Treasury Reserve. In the face of these challenging circumstances, as explained in the commentary to the accounts, I am pleased to report the FCO has been able to move towards the achievement of a full spend against its Resource Departmental Expenditure Limit.

Keith Luck

Keith Luck
Director-General Finance

Embassy staff cleaning up a beach in Caracas, Venezuela

Part Three
Financing our work and performance assessment

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Comprehensive Spending Review Value for Money Programme

As part of the 2007 Comprehensive Spending Review (CSR07), the FCO aims to achieve at least 3% annual cash-releasing Value for Money (VfM) savings by 2010/11 on its 2007/8 near-cash departmental expenditure limit baseline. The VfM Programme comprises a number of individual projects that contribute to the overall FCO target.

Vision

The CSR07 VfM Programme builds on the achievements of the 2004 Spending Review (SR04) efficiency programme. The FCO will deliver the government target for CSR07 VfM savings while continuing to deliver on FCO priorities, including its Departmental Strategic Objectives (DSOs), Public Service Agreement (PSA) and the long-term international challenges facing the UK. The FCO, BBC World Service and British Council will make a net cash-releasing VfM savings target of £144 million by 2010/11 (£130 million resource and £14 million capital).

In the 2009 budget, further efficiency savings targets were announced as part of the wider government drive to deliver an additional £5 billion in savings in 2010/11. The contribution to this target for the FCO, BBC World Service and British Council is £20 million. The FCO will meet its part of this £20 million through further efficiencies in procurement, corporate services, and FCO Services costs. The FCO will generate its savings through a combination of reducing back-office costs and reducing expenditure on lower-priority areas both in the UK and overseas to release funding for reinvestment in higher priority areas to deliver more effective foreign policies.

Corporate Services Programme

The overarching aims of the Corporate Services Programme are to:

> deliver corporate services more efficiently and with fewer resources so the FCO can transfer staff and money to the front line ("**better value**")
> overhaul corporate services policies, processes and tools, resulting in a reduction in the time staff spend on administration, reducing needless bureaucracy and using technology to increase self-service and improve controls ("**better organisation**") and
> significantly improve corporate services for all FCO staff in the UK and overseas ("**better service**").

The Corporate Services Programme and Corporate Procurement Group (CPG) are looking at three workstreams to deliver additional savings in 2010/11.

Procurement

CPG aims to deliver a further £2 million in savings from the FCO's Consultancy Value Programme (doubling the proposed savings). CPG also proposes to secure an additional £2 million in savings in 2010/11 by taking a more commercial approach to the pricing of programme expenditure through stronger benchmarking of rates included in bids for funding and taking a harder look at its expenditure with Whitehall partners.

Corporate services

The Corporate Services Programme aims to reduce the cost of corporate services by up to £4 million by the end of 2010/11, by outsourcing more of its operations (eg facilities management and possibly some finance and accounting functions), reducing processing costs (eg by processing more overseas invoices in the UK) and more regionalisation (reducing duplication of effort in support functions across the overseas network).

FCO Services

The FCO aims to realise further cashable savings of approximately £4 million by the end of 2010/11 from FCO Services, an independent trading agency, by driving down costs and increasing the dividends we receive from FCO Services.

Delivery strategy

The CSR07 VfM Programme is divided into a number of projects, each with its own project manager and senior responsible owner accountable for implementation. All of the project savings are cash releasing. That is, they will yield resources that can be redirected back into front-line services or enable the FCO to live within its CSR07 settlement, which includes an annual 5% real-term reduction in administration costs.

The FCO accounted for delivery of savings when allocating budgets to devolved budget holders, with the exception of the "Improved Procurement Project" for which there will be an adjustment in 2009/10. The VfM projects will develop over time, particularly those aimed at producing savings in the medium to long term. As a result, savings delivered by individual projects may change. Any shortfall in individual projects will be made up through additional savings from existing projects or through new VfM projects developed during the CSR07 period.

Full delivery of the FCO's efficiency target is necessary for the FCO to live within its CSR settlement. But changes in the global economy have had a negative impact on the FCO's overall finances. The purchasing power of sterling has depreciated significantly since the CSR07 settlement. If exchange rates remain at their current level or fall further, the FCO is likely to have to exceed its efficiency targets in order to maintain delivery of its DSO and PSA targets.

Progress

The FCO has devised the VfM Programme in which the total savings forecast by 2010/11 (£167.35 million) exceed the target (£144 million). The excess is our contingency. Our experience from SR04 shows that, when challenging targets are set, not all will be delivered fully or to the original timetable. As the programme develops, we are monitoring it continuously and assessing this contingency. If it becomes too small, we will assess whether we can initiate new efficiency projects to compensate.

By the end of 2008/9, the FCO had delivered £84.48 million in VfM savings, of which £12.1 million were delivered by the BBC World Service and British Council. The FCO remains on track to deliver £167.35 million against the target of £144 million by the end of March 2011. All gains delivered are cash releasing, can be sustained and are reported net of costs (see Table 1).

Europe Zero Based Review and Europe Additional

As part of the FCO's wider network shift, we have made changes to our global network to help us deliver the new Strategic Framework. This involved moving to priority regions more of our UK-based policy staff (ie those who do front-line policy, rather than service delivery or corporate work). We have increased the number of our policy staff in most parts of the world: Africa, Russia/Central Asia, the Middle East and Asia (especially Afghanistan and South Asia). To help fund this shift, we have made significant reductions in policy staff in Europe. For example, the Nordic/Baltic network is pioneering new regional working

Table 1 Summary of VfM projects

VfM project	2008/9 Actual (£m)	2009/10 Forecast (£m)	2010/11 Forecast (£m)
Europe Zero Based Review (ZBR)	5.60	6.20	6.60
Europe Additional	2.40	5.60	6.30
Roll-out of Europe ZBR to other regions (Director General Europe and Globalisation – Asia Pacific)	0.35	0.90	1.50
Roll-out of Europe ZBR to other regions (Director General Political)	0.67	0.66	0.75
Roll-out of Europe ZBR to other regions (Director General Defence and Intelligence)	0.80	1.26	1.48
Information technology (IT) ZBR	6.90	9.00	9.50
Finance function review	1.36	1.70	1.70
Improved procurement	8.10	10.30	13.20
Increased FCO Services efficiency	2.20	4.00	6.00
Reducing the overhead costs of overseas representation	–5.12	–3.06	–1.99
Increased UK Trade & Investment (UKTI) efficiency	1.40	2.90	4.40
Full-cost charging for London Heathrow VIP suites	2.30	2.50	2.60
Reduction of time spent by defence attachés on non-defence activities	10.50	12.00	12.00
Gratis visas	0	1.00	2.00
Language training	2.50	1.90	1.90
Allocative efficiencies	33.77	46.15	48.91
Capital	0	5.90	9.00
BBC World Service	7.50	15.30	23.30
British Council	4.60	12.00	18.20
Net VfM savings	**85.83**	**136.21**	**167.35**

arrangements that promise better use of skills and knowledge, more resilience and greater efficiency. Other regions are following developments and are keen to learn from the experience.

As part of this network shift, the Europe Directorate is continuing to deliver efficiencies across the Europe network by focusing tightly on key priorities. Key areas for efficiencies are cuts and downgrading of UK-based jobs, greater use of local staff, transport efficiencies, estate-related savings and other back-office efficiencies. A total of £12.9 million of the £15.5 million target for the Europe ZBR and Europe Additional efficiency projects has already been identified, with £8 million delivered in 2008/9. The Europe Directorate will continue to identify additional efficiency savings in 2009/10 to reach the CSR07 target.

Improved procurement

The Procurement Optimisation Project in CPG has been the delivery mechanism for procurement savings in 2008/9. In this first year of the CSR07 period, the project focused on a range of mainly tactical interventions across 20 categories of procurement spend, ranging from goods such as office furniture and stationery, to services for travel and language training. The project has worked closely with key spending (and contract-owning) departments and directorates to help ensure that the savings opportunities identified by the project are implemented. Tactical interventions include securing refunds from overcharges and overpayments, negotiating rate reductions (following detailed benchmarking studies), ensuring that contract rebates are secured, purchasing through existing contracts known to offer the best overall VfM (including Office of Government Commerce (OGC) Buying Solutions contracts), and redefining our requirements (such as defining core lists of products for stationery).

Major savings (£2 million) were made through the reduction in the unit costs of passport books purchased from the supplier. CPG worked closely with Consular Directorate, which was responsible for the commercial negotiations to secure this price reduction, to capture and evidence these savings. A total of £3.1 million of savings was also achieved through flights that were purchased using route deals negotiated centrally by the FCO.

The Procurement Optimisation Project has delivered £8.1 million of continuing savings in 2008/9. In pursuit of the £11 million CSR07 target, work is already in hand or being planned in order to generate the additional savings required to meet the target. These savings are now being targeted and developed by CPG's Business as Usual operational teams supported by an external savings delivery organisation which specialises in the purchase of common goods and services.

IT Zero Based Review

IT efficiencies will achieve £9.5 million of VfM savings through three main drivers. These are the FCO telecommunications network, the communications centre and project delivery services. VfM savings of £6 million per annum were negotiated in 2006/7 as a discount for the remaining period of the contract with the FCO's existing telecommunications supplier Global Crossing. The Ocean Programme to manage reprocurement and letting of a new telecommunications contract by May 2010 will deliver £10 million annual savings on the present contracted price. The savings will be sustained beyond the current CSR07 period, as £50 million of efficiency savings will be achieved over five years.

Defence attachés

The VfM project "Reduction of time spent by defence attachés on non-defence activities" will deliver savings to the FCO by reducing the requirement for defence attachés to spend 30% of their time on non-defence activities, which was paid for by the FCO. A service-level agreement has been agreed with the Ministry of Defence (MOD) to reflect the budgetary implications of this change in tasking. Under the service-level agreement, the MOD has agreed charges to be paid to the FCO for management support for defence attachés at posts over the CSR07 period. These charges are capped at £10.5 million in 2008/9, £12 million in 2009/10, and £12 million in 2010/11.

Reducing the overhead costs of overseas representation

This project, designed to achieve efficiency savings in the cost of overseas representation, is currently forecasting negative savings ie increased not reduced spending. The main reason for this is the dramatic depreciation of sterling against major currencies during the financial year 2008/9. As a result, posts have had to increase spend to maintain the same purchasing power. Unless the pound returns to its previous levels seen during 2007/8, the project may continue to show a negative return. Indeed, unless the pound recovers sufficiently for a sustained period then significant savings from this project are unlikely. However, we will be working closely with the Resource Management Units covering the various geographical areas to investigate whether the negative savings can be reserved in 2009/10 and 2010/11 through greater budgetary control by overseas posts and more accurate reporting of areas where posts may actually be making savings, eg residence staff savings.

UK Trade & Investment efficiency

UKTI has agreed to flat-cash its direct expenditure of £83.2 million to release £4.4 million of VfM savings over the CSR07 period. To deliver this, UKTI has four workstreams:

> driving network efficiencies through:
  i) localisation of UK-based jobs overseas to drive down the cost of front-line operations and harness local expertise and
  ii) "hub and spoke" operations to rationalise how services are delivered to UK customers
> more effective and efficient use of UKTI ring-fenced budgets through a rigorous quarterly exercise and challenge from headquarters
> more challenging targets based on flat-lined resources and
> UK-based pay reductions through localisations as part of the High Growth Markets Strategy.

After year one the programme is ahead of schedule, meeting its target of £1.4 million net savings for 2008/9 and delivering restructuring earlier than planned. UKTI has robust internal controls and quality measures in place to ensure that the VfM target is met.

VIP suites

The FCO no longer pays £2 million a year for the use of VIP suites at Heathrow and Gatwick airports by London-based foreign embassies. The British Airports Authority has agreed to take on the running of VIP suites on a full-time basis, recovering the costs directly from those who use the suites.

Capital efficiency

FCO capital efficiency savings are not available for year one of CSR07. The savings are expected to be delivered in years two and three, when comparative expenditure from prior years will be available on IT and vehicle procurement and strategic partner contracts. Demonstrating sustainable capital efficiency savings is fundamentally more challenging, as savings are commonly scored against resource. The overall FCO resource efficiency savings include some capital, but the savings have been combined.

Allocative efficiencies

The significant shifts in resources flowing from the new FCO Strategic Framework generated allocative efficiencies in programme and administration budgets. Allocative efficiencies in CSR07 are generated from moving resources from lower-priority areas, thus allowing savings to be released and invested in higher-priority areas. During the 2007 Resources Allocation Round, budgets were adjusted accordingly in order to release "cash" from lower-priority areas to be used in higher-priority areas, such as counter-terrorism, conflict prevention and the low-carbon, high-growth, global economy, as outlined in the FCO Strategic Framework.

Programme allocations for 2008/9 were reduced for Chevening scholarships (£6.57 million), the

Westminster Foundation for Democracy (£0.11 million), sustainable development (£0.91 million), drugs and international crime (£2.14 million) and science and innovation (£0.5 million). Administration allocations for 2008/9 were reduced for the Security and Estate Directorate (£20.62 million), Central Units (£2.02 million), the Drugs and International Crime Department (£0.2 million), sustainable development (£0.5 million) and the Communication Directorate (£0.2 million).

The BBC World Service

The BBC World Service is committed to achieving £23 million of VfM savings over the CSR07 period. The BBC World Service has met efficiency targets within Spending Review settlements since they were first introduced in 1998. The savings have been an explicit cash-releasing component within each final settlement.

The BBC World Service will achieve savings through general efficiencies as well as reprioritisation in existing services. These include the following:

- The Romanian service was closed in August 2008. The scale and speed of changes in the Romanian media since European Union accession have been unprecedented and the declining need for a Romanian service was reflected in the steep drop in audience listening. In the year before closure (2007), listening in Romania fell to the equivalent of less than 3% of the adult population each week, or around half a million people. In 2004, the figure was 1.4 million people or about 7% of the population.
- Changes were made to the Russian service in response to tighter media restrictions, in particular the difficulties in securing FM distribution. The major change is a greater investment in www.bbcrussian.com as the key method of delivery for content and the strengthening of some existing areas such as news, video and interactivity on the site. The changes are intended to deliver a fresher, more relevant service for audiences and to focus resources where they will have most impact.
- In its Spanish service, the BBC World Service has made its Spanish language news website www.bbcmundo.com its core activity for audiences in Latin America and has redeployed some staff closer to the region.
- In its English network, the BBC World Service has made reductions in non-news programming that is not core to its purpose and objectives.

In terms of efficiency savings, these are planned in several areas:

- Savings in production costs for the three-year period of CSR07 have been agreed with the news department, covering news and current affairs, newsgathering and programmes.
- The transmission department will be asked to deliver further savings, in part resulting from capital investment in the Ascension Island transmitter site, and the rest from SW and FM investments which are proving poor VfM.
- General efficiency savings of 3% will be made across language services and departments, excluding those specifically mentioned.

Capital efficiencies will be demonstrated through:

- the benefits of previous projects, eg Persian television followed the example of Arabic television
- group buying efficiencies, making use of BBC framework agreements and OGC-brokered deals
- tendering processes, ensuring competitive bidding for significant contracts and
- a professional purchasing function to advise on optimal strategy and pilot projects through the formal approvals process.

The British Council

The British Council's VfM programme will generate £18.2 million of savings over the period of CSR07. These savings will come from the following areas:

- There will be a 30% grant reduction in its European operations and, more widely, reductions in its physical overseas network to reflect the move to web-based service provision. In western Europe, walk-in services are now for paying customers only. The information centres in Berlin, Thessaloniki, Vienna and Brussels have closed and centres in Portugal and Spain have merged with teaching centres. Outreach centres in Romania and Bulgaria have also been closed. Walk-in public access has closed in Israel, Estonia, Latvia, Lithuania, Hungary, Russia and Slovenia. Libraries and information provision are being transferred to partner organisations, eg in Ukraine and Poland. Savings are also being made from regional network reductions in Russia and Ukraine and from moving premises and more efficient use of office space, eg in Paris and Barcelona.
- There will be further roll-out and exploitation of the global finance and business system (SAP), including concentrating support services into regional or global support centres (£7.7 million). Financial accounting services have been concentrated into five global hubs (Poland, China, India, Mexico and the UK). SAP was introduced successfully into western Europe in summer 2008 and was on schedule for completion in May 2009.
- An extensive review and restructuring across the organisation of support services (human resources, IT, finance and facilities management). This will involve post reductions, process improvement and use of global centres/outsourcing.
- There will be a reduction in capital works on its estates.

Governance of the FCO VfM Programme

The overall senior responsible owner for the FCO VfM Programme is the Director-General Finance. He is supported by an efficiency programme team in the Financial Management Group who monitor implementation and delivery of the programme. The FCO Board's finance sub-committee acts as the programme board for the VfM Programme.

The FCO's Efficiency Implementation Forum monitors progress on individual projects. The forum meets bi-monthly and acts as the main forum for questioning managers on implementation and recommending remedial action, for example in the event of failure to achieve specific milestones. It also advises on risk management for individual projects and identifies any areas where the FCO might be able to make further VfM savings.

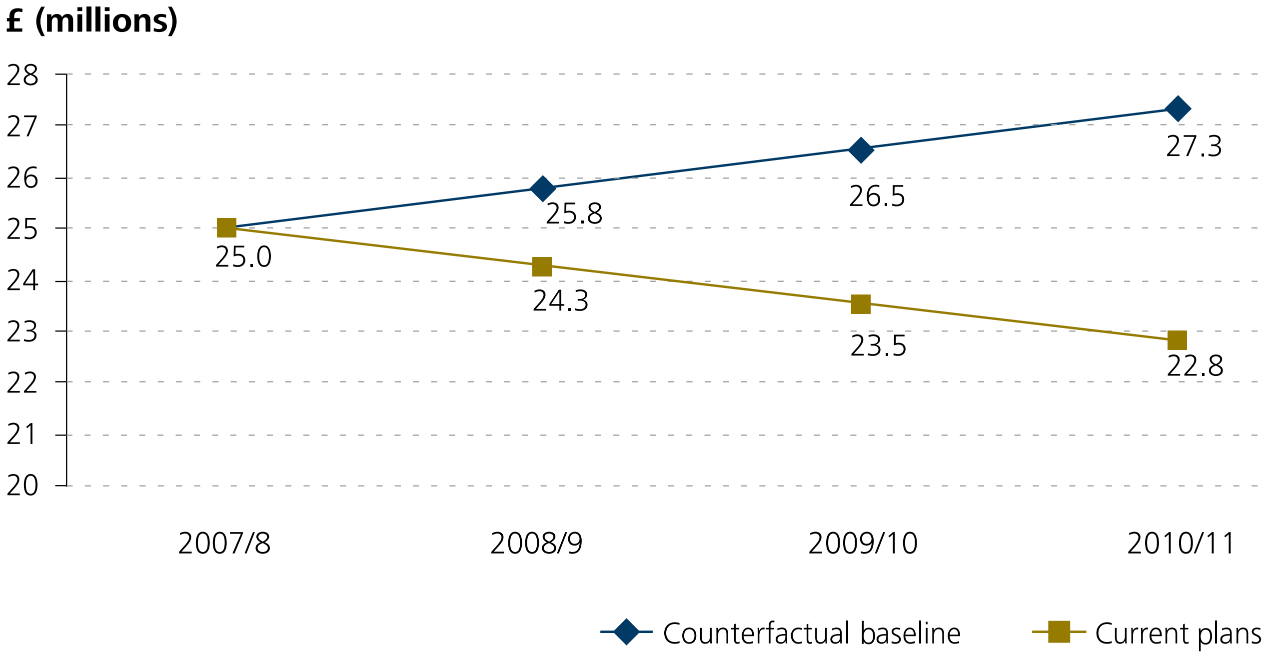
Successful delivery of the VfM Programme will be measured alongside the overall delivery of PSAs, DSOs and Key Performance Indicators. The FCO commissioned an internal audit of its VfM Programme to assess compliance with the approach and principles set out in Treasury guidance. The audit report was "Satisfactory" and the recommendations have all been carried out. As a result, the CSR07 VfM Programme's governance structures are robust and validate VfM gains. These savings will be reviewed by the National Audit Office, which will report on each government department's claim during the CSR07 period.

Measuring benefits

Benefits measurement is tailored to each individual project but shares the following components:

- Benefits are measured against a counterfactual which will normally be based on the Treasury's Gross Domestic Product deflator. The projected

Chart 1: The FCO's VfM Programme vs baseline



Note: The data in this chart is for illustrative purposes only and does not represent the actual FCO expenditure profile.

savings have been calculated as the difference between the FCO's actual expenditure (including non-recurrent restructuring costs) and the counterfactual, being the amount that the FCO would have spent if there had been no efficiency project. The counterfactual is projected from the 2007/8 spend, which is used as the baseline. For projects with a significant amount of overseas expenditure (eg the Europe ZBR) the counterfactual will be adjusted to take account of the changing purchasing power of sterling in foreign currencies (see Chart 1 for a purely illustrative example).

> Once the benefits have been identified, savings are captured through adjusting the budgets of the spending section of the FCO.

> Where necessary, internal controls on spending will be established to ensure that there is no leakage of savings.

Risk management and contingency

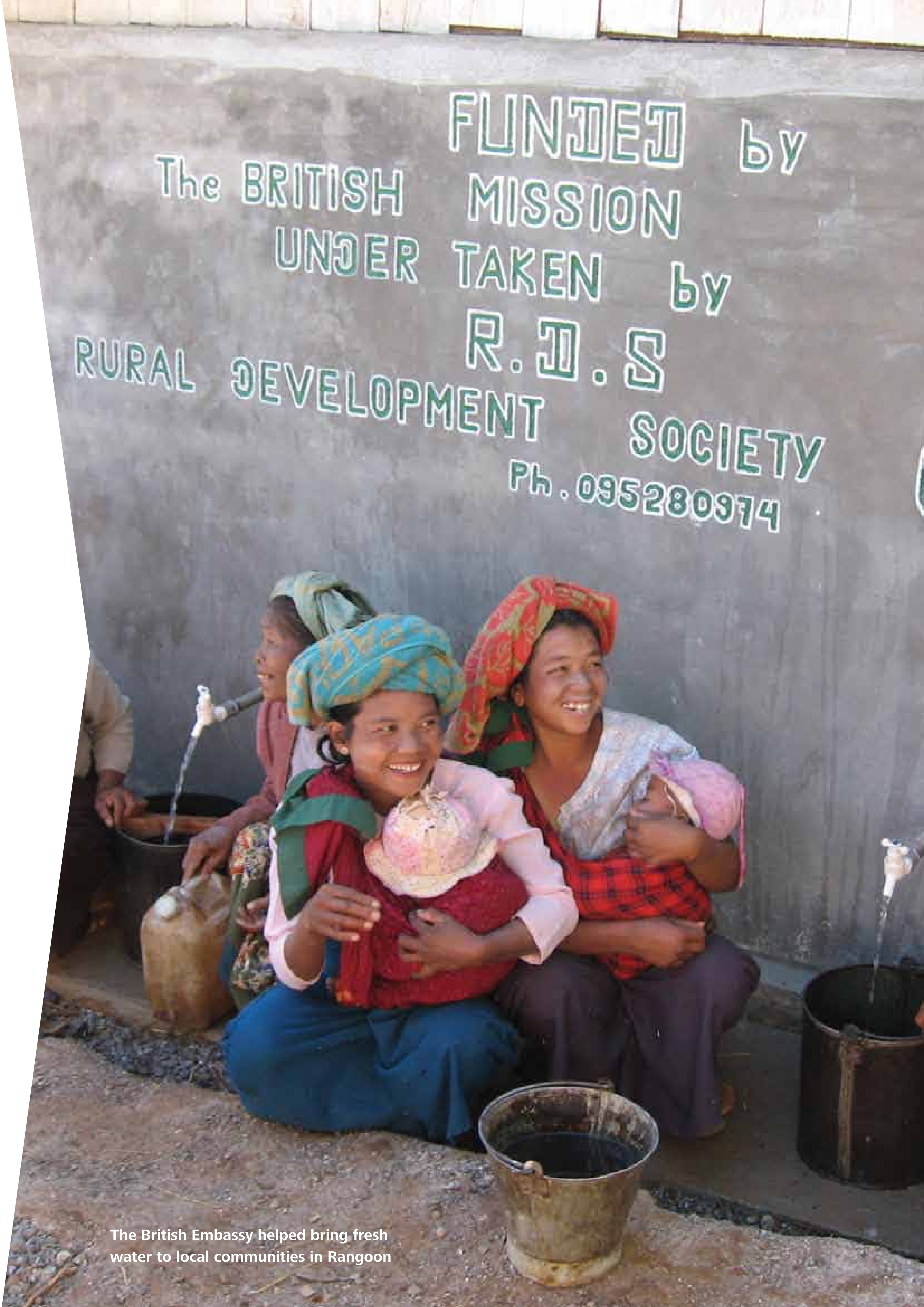
Each VfM project has its own risk management strategy. Risks to delivery of the VfM Programme as a whole, and identification of appropriate mitigating actions, are the responsibility of the efficiency programme team and are monitored by the programme board. As part of the risk mitigation process, the efficiency programme team will develop further VfM projects to provide contingency savings as appropriate. These will be submitted for approval to the programme board and, where appropriate, the FCO Board.

Lyons relocation programme

A total of 323 positions have relocated as part of the Lyons relocation programme. Since 2004, 262 positions have been moved from London to Hanslope Park and 31 legalisation positions from London to Milton Keynes. The British Council has relocated 30 positions from London to its regional centres of Manchester, Cardiff and Belfast. The FCO is on target to exceed the 450 relocations set by the Lyons relocation programme by March 2010. The current forecast is 472.

Most future relocations will be to the FCO's new corporate services centre in central Milton Keynes, or working for FCO Services at Hanslope Park. In January 2009, with the support of Treasury ministers, the FCO acquired a leased building (Northgate House) in the centre of Milton Keynes to house the new centre. Depending on how it is configured, it can take up to 264 staff. Work is now in hand to determine the number of positions that will be transferred from London to Northgate House. Initially we expect some 31 London positions to transfer, together with 98 finance positions from Hanslope Park in summer 2009. This will relieve pressure on our office accommodation at Hanslope Park. We expect further staff to relocate to Northgate House from the FCO's Old Admiralty Building in London during 2009/10. It is also anticipated that there will be a number of new corporate services positions created during 2009/10.

Separately, FCO Services has been successful in winning non-FCO business. As a result, it plans to create 29 new jobs in 2009/10 which will all be located at Hanslope Park. FCO Services also plans to replace up to 50 consultancy positions (some located in London) with full-time permanent staff, all working at Hanslope Park. All the new positions will count towards the FCO's Lyons relocation programme target.



The British Embassy helped bring fresh water to local communities in Rangoon

Core tables

Summary budget plans

Tables 2 and 3 show the total resources available to the FCO in 2009–10 compared to the forecast outturn for 2008–09.

Table 2 shows the figures in nominal terms (ie the actual resources that will be available in that year).

Table 3 shows the figures in constant terms at 2008–09 prices (so the 2009–10 figures have been recalculated to demonstrate how much they would be worth in 2008–09 and expressed as a percentage of 2008–09 outturn).

Table 2 FCO total budget in nominal terms (Resource Departmental Expenditure Limit and Capital Departmental Expenditure Limit) (£m)

	2008–09	2009–10 Plans
Request for Resources 1 Promoting internationally the interests of the UK and contributing to a strong world community		
Administration[1,2,3]	413	420
Programme[1,2,3]	759	777
FCO Capital[3]	192	177
British Council	201	201
BBC World Service	265	272
Total RfR 1	**1,830**	**1,847**
RfR 2 Conflict Prevention[4]	**454**	**418**

1 Around £400 million of costs associated with front-line staff were reclassified in CSR07 from Administration budgets into Programme expenditure. The above figures reflect this reclassification across all years.

2 Resource DEL figures reflect the reclassification of Impairments into Departmental annually managed expenditure (AME) across all years.

3 Figures across all years reflect the Machinery of Government transfers of the former UKvisas to the International Group of the UK Border Agency of the Home Office, the oversight of the Science and Innovation Network to Department for Business, Innovation and Skills (BIS) and the Defence Exports Services Organisation to the FCO from MOD.

4 2009–10 Plans figures underestimate total FCO resources because they do not include all of the conflict prevention expenditure which is transferred on an annual basis. Department for International Development (DfID), FCO and MOD have set aside £627 million for conflict funding in 2009–10, £171 million of which is for discretionary conflict activity. This will fund all discretionary conflict prevention, stabilisation and peacekeeping activity. It will be managed through five strategies: the Stabilisation Aid Fund (SAF) Afghanistan and Conflict Prevention Pool (CPP) South Asia programmes have been merged; so too the SAF Iraq and CPP Middle East and North Africa programmes; a new Wider Europe programme funds activity in Russia/Commonwealth of Independent States and the Balkans (previously individual programmes); the Africa programme continues; and a separate programme has been earmarked for thematic work, including support to international institutions. The strategies continue to be managed tri-departmentally.

Table 3 FCO total budgets in constant prices expressed as a percentage of 2008–09 forecast outturn (£m)

	2008–09 Forecast	2009–10 Plans
RfR 1 Promoting internationally the interests of the UK and contributing to a strong world community		
Administration[1,2,3]	100	101[1]
Programme[1,2,3]	100	101
FCO Capital[3]	100	91
British Council	100	99
BBC World Service	100	102
Total RfR 1	**100**	**100**
RfR 2 Conflict Prevention[4]	**100**	**91**

1 Around £400 million of costs associated with front-line staff were reclassified in CSR07 from Administration budgets into Programme expenditure. The above figures reflect this reclassification across all years.

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

3 Figures across all years reflect the Machinery of Government transfers of the former UKvisas to the International Group of the UK Border Agency of the Home Office, the oversight of the Science and Innovation Network to BIS and the Defence Exports Services Organisation to the FCO from MOD.

4 2009–10 Plans figures underestimate total FCO resources because they do not include all of the conflict prevention expenditure which is transferred on an annual basis. DfID, FCO and MOD have set aside £627 million for conflict funding in 2009–10, £171 million of which is for discretionary conflict activity. This will fund all discretionary conflict prevention, stabilisation and peacekeeping activity. It will be managed through five strategies: the Stabilisation Aid Fund (SAF) Afghanistan and Conflict Prevention Pool (CPP) South Asia programmes have been merged; so too the SAF Iraq and CPP Middle East and North Africa programmes; a new Wider Europe programme funds activity in Russia/Commonwealth of Independent States and the Balkans (previously individual programmes); the Africa programme continues; and a separate programme has been earmarked for thematic work, including support to international institutions. The strategies continue to be managed tri-departmentally.

Note: Tables 4 to 9 are the "common core" tables that are included in all Departmental Reports. Due to rounding, the individual table lines may not always add up to exactly the totals shown.

Table 4 Total public spending for the Foreign and Commonwealth Office (£m)

	2003–04 Outturn	2004–05 Outturn	2005–06 Outturn	2006–07 Outturn	2007–08 Outturn	2008–09 Outturn	2009–10 Plans	2010–11 Plans
Consumption of resources								
Resource budget								
Resource DEL[1,2,3]								
Promoting the interests of the UK internationally and contributing to a strong world community	1,319	1,427	1,582	1,491	1,507	1,631	1,611	1,600
Conflict prevention	194	291	296	346	370	454	418	–
Total resource budget DEL *of which:*	**1,513**	**1,718**	**1,879**	**1,837**	**1,878**	**2,085**	**2,029**	**1,600**
Near cash[1,2,3]	1,405	1,609	1,708	1,690	1,736	1,943	1,872	1,443
Resource AME[1,2,3]								
Promoting the interests of the UK internationally and contributing to a strong world community	40	3	–22	27	–4	–30	20	20
Total resource budget AME *of which:*	**40**	**3**	**–22**	**27**	**–4**	**–30**	**20**	**20**
Near cash[1,2,3]	–	–	–	–	–	–	–	–
Total Resource Budget of which:	**1,552**	**1,721**	**1,856**	**1,864**	**1,874**	**2,055**	**2,049**	**1,620**
Depreciation	104	70	86	109	69	52	123	120

Capital budget: Capital DEL[1,2,3,4]	2003–04 Outturn	2004–05 Outturn	2005–06 Outturn	2006–07 Outturn	2007–08 Outturn	2008–09 Outturn	2009–10 Plans	2010–11 Plans
Promoting the interests of the UK internationally and contributing to a strong world community	87	117	132	160	226	229	216	205
Total capital budget	**87**	**117**	**132**	**160**	**226**	**229**	**216**	**205**
Total public spending[5]	**1,535**	**1,768**	**1,902**	**1,915**	**2,031**	**2,232**	**2,142**	**1,705**

1 Around £400 million of costs associated with front-line staff were reclassified in CSR07 from Administration budgets into Programme expenditure. The above figures reflect this reclassification across all years.

2 The figures for 2009–10 show the amount of international subscriptions which is expected to be met from the FCO's current budget. This is expected to be topped up at the Spring Supplementary under the cost-sharing agreement reached between the Treasury and the FCO to share increases over and above the baseline of £102 million for international subscriptions.

3 Figures across all years reflect the Machinery of Government transfers of the former UKvisas to the International Group of the UK Border Agency of the Home Office, the oversight of the Science and Innovation Network to BIS and the Defence Exports Services Organisation to the FCO from the MOD.

4 Capital spending 2007–08 peaks owing to take-up and spend of capital end-year flexibility, as part of our ongoing programme to increase the security and safety of our estate and the people using it.

5 Total public spending is calculated as the total of the resource budget and the capital budget, less depreciation.

Note: Explanations of trends are given in notes to Tables 5 and 6. A more detailed account of the FCO's expenditure can be found in the Resource Accounts included in this volume.

Table 5 Resource budget for the Foreign and Commonwealth Office (£m)

	2003–04 Outturn	2004–05 Outturn	2005–06 Outturn	2006–07 Outturn	2007–08 Outturn	2008–09 Outturn	2009–10 Plans	2010–11 Plans
Resource DEL								
Promoting the interests of the UK internationally and contributing to a strong world community *of which:*	**1,319**	**1,427**	**1,582**	**1,491**	**1,507**	**1,631**	**1,611**	**1,600**
Delivering foreign policy[1]	709	748	817	782	845	879	854	839
FCO programmes	153	207	253	171	131	178	181	193
International subscriptions[2]	112	113	123	146	122	146	125	128
BBC World Service	189	194	208	209	222	234	241	237
British Council	157	164	181	183	186	195	193	186
Unallocated provision	–	–	–	–	–	–	17	17
Conflict prevention *of which:*	**194**	**291**	**296**	**346**	**370**	**454**	**418**	**–**
Conflict prevention[3]	194	291	296	346	370	454	418	–
Total resource budget DEL[1,2,3] *of which:*	**1,513**	**1,718**	**1,879**	**1,837**	**1,878**	**2,085**	**2,029**	**1,600**
Near cash[1] *of which:*	1,405	1,609	1,708	1,690	1,736	1,943	1,872	1,443
Pay[1]	324	365	386	385	393	415	–	–
Procurement[1]	593	622	642	552	583	648	530	508
Grants and subsidies	331	457	498	570	581	685	632	229
Depreciation[1]	64	67	109	82	73	82	103	100

	2003–04 Outturn	2004–05 Outturn	2005–06 Outturn	2006–07 Outturn	2007–08 Outturn	2008–09 Outturn	2009–10 Plans	2010–11 Plans
Resource AME								
Promoting the interests of the UK internationally and contributing to a strong world community *of which:*	40	3	–22	27	–4	–30	20	20
Delivering foreign policy	40	3	–22	27	–4	–30	20	20
Total resource budget AME *of which:*	**40**	**3**	**–22**	**27**	**–4**	**–30**	**20**	**20**
Depreciation	40	3	–22	27	–4	–30	20	20
Total resource budget	**1,552**	**1,721**	**1,856**	**1,864**	**1,874**	**2,055**	**2,049**	**1,620**

1 Figures across all years reflect the Machinery of Government transfers of the former UKvisas to the International Group of the UK Border Agency of the Home Office, the oversight of the Science and Innovation Network to BIS and the Defence Exports Services Organisation to the FCO from the MOD.

2 The figures for 2008–09 show the amount of international subscriptions which is expected to be met from the FCO's current budget. This is expected to be topped up at the Spring Supplementary under the cost-sharing agreement reached between the Treasury and the FCO to share increases over and above the baseline of £102 million for international subscriptions.

3 Outturn figures show total FCO expenditure on conflict prevention. 2009–10 plans are underestimated because the Treasury will make further resources available for peacekeeping in the Winter and/or Spring Supplementaries. DfID, FCO and MOD have set aside £627 million for conflict funding in 2009–10, £171 million of which is for discretionary conflict activity. This will fund all discretionary conflict prevention, stabilisation and peacekeeping activity. It will be managed through five strategies: the SAF Afghanistan and CPP South Asia programmes have been merged; so too the SAF Iraq and CPP Middle East and North Africa programmes; a new Wider Europe programme funds activity in Russia/Commonwealth of Independent States and the Balkans (previously individual programmes); the Africa programme continues; and a separate programme has been earmarked for thematic work, including support to international institutions. The strategies continue to be managed tri-departmentally.

Table 6 Capital budget for the Foreign and Commonwealth Office (£m)

	2003–04 Outturn	2004–05 Outturn	2005–06 Outturn	2006–07 Outturn	2007–08 Outturn	2008–09 Outturn	2009–10 Plans	2010–11 Plans
Promoting the interests of the UK internationally and contributing to a strong world economy *of which:*	**87**	**117**	**132**	**160**	**226**	**229**	**216**	**205**
Delivering foreign policy[1,2]	50	78	93	106	173	179	155	137
International subscriptions[3]	–	–	–	18	17	14	23	30
BBC World Service	31	31	31	31	33	31	31	31
British Council	6	8	8	5	3	6	8	8
Unallocated provision	–	–	–	–	–	–	–	–
Total capital budget DEL *of which:*	**87**	**117**	**132**	**160**	**226**	**229**	**216**	**205**
Capital expenditure on fixed assets net of sales[3]	50	78	93	104	173	179	155	137
Capital grants to the private sector and abroad	–	–	–	18	17	14	23	30
Net lending to the private sector	–	–	–	–	–	–	–	–
Capital support to public corporations	37	39	39	36	36	37	39	39
Capital support to local authorities	–	–	–	–	–	–	–	–
Total capital budget AME	–	–	–	–	–	–	–	–

	2003–04 Outturn	2004–05 Outturn	2005–06 Outturn	2006–07 Outturn	2007–08 Outturn	2008–09 Outturn	2009–10 Plans	2010–11 Plans
Total capital budget *of which:*	**87**	**117**	**132**	**160**	**226**	**Outturn**	**216**	**205**
Capital expenditure on fixed assets net of sales[4]	50	78	93	104	173	179	155	137
Less depreciation[5]	104	70	86	109	69	52	123	120
Net capital expenditure on tangible fixed assets	–54	8	7	–4	104	128	32	17

1 Figures across all years reflect the Machinery of Government transfers of the former UKvisas to the International Group of the UK Border Agency of the Home Office, the oversight of the Science and Innovation Network to BIS and the Defence Exports Services Organisation to the FCO from MOD.

2 Capital spending in 2007–08 peaks owing to take-up and spend of capital end-year flexibility, as part of our ongoing programme to increase the security and safety of our estate and the people using it.

3 International subscriptions, comprised of contributions to NATO and UN capital projects, will increase significantly from 2009–10.

4 Expenditure by the department and non-departmental public bodies on land, buildings and equipment, net of sales. Excludes spending on financial assets and grants, and public corporations' capital expenditure.

5 Included in Resource Budget.

Table 7 Foreign and Commonwealth Office capital employed (£m)

	2003–04 Outturn	2004–05 Outturn	2005–06 Outturn	2006–07 Outturn	2007–08 Outturn	2008–09 Outturn	2009–10 Projected	2010–11 Projected
Assets on balance sheet at end of year Fixed assets								
Intangible[1]	1	1	1	2	1	4	4	4
Tangible[2]	1,227	1,254	1,479	1,529	1,784	2,579	2,580	2,580
Financial[3] *of which*:						18	18	14
Non-residential land and buildings	478	492	592	623	717	1,251	1,251	1,251
Residential land and buildings	540	554	696	643	731	912	917	917
Information technology[4]	54	40	40	40	21	83	83	83
Plant and machinery	14	14	16	26	20	29	29	29
Vehicles	25	21	18	21	26	33	33	33
Antiques and works of art	19	19	20	20	20	20	20	20
Furniture and fittings[5]	55	43	0	0	0	0	0	0
Assets in the course of construction	43	71	97	156	249	251	200	220
Current assets								
Stocks	8	9	8	12	10	10	10	10
Debtors	140	226	232	220	267	309	309	309
Cash at bank and in hand	39	76	117	99	30	36	36	36
Creditors <1 year	–97	–250	–299	–299	–219	–295	–295	–295
Creditors >1 year	–32	–32	–33	–33	–42	–53	–53	–53
Provisions[6]	–47	–66	–71	–69	–65	–68	–68	–68
Total capital employed	**1,240**	**1,217**	**1,434**	**1,461**	**1,765**	**2,540**	**2,541**	**2,537**

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

2 Figures reflect valuation on a depreciated replacement cost basis from 2008–09.

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

4 Reflects roll-out of F3G from 2008–09.

5 With effect from 1 April 2005, Furniture and fittings have been reclassified as administration expenditure.

6 Provisions are estimates of future liabilities.

Table 8 Staff numbers

		2003–04 Actual	2004–05 Actual	2005–06 Actual	2006–07 Actual	2007–08 Actual	2008–09 Estimated outturn	2009–10 Plans	2010–11 Plans
FCO	Civil Service Full Time Equivalents (CS FTEs)[1]	5,917	6,117	6,044	6,072	5,083	4,440	4,278	4,196
	Overtime[2]	202	150	170	103	83	59	59	59
	Casuals[3]	0	8	19	22	20	22	20	20
	Total	**6,119**	**6,275**	**6,233**	**6,197**	**5,186**	**4,521**	**4,357**	**4,275**

1 Actuals reflect staff in post at the end of each financial year.

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

3 Casual staff are defined as staff employed full-time or part-time for a short period only, normally not exceeding 12 months. In accordance with Treasury guidance, these figures show UK-based staff only. At 1 March 2009, there were a further 9,000 (approximately) locally engaged staff overseas.

Note: In 2008–09 FCO Services moved to Trading Fund status and the former UKvisas was transferred to the UK Border Agency (UKBA). As a result, the positions in FCO Services and UKvisas have been removed from 2008–09 figures and all subsequent years. For reference, this is a total of 1,543 FTE staff and would have achieved the equivalent CS FTEs figure for 2008–09 of 5,983.

Table 9 Administrative budget for the FCO (£m)[1]

	2003–04 Outturn	2004–05 Outturn	2005–06 Outturn	2006–07 Outturn	2007–08 Outturn	2008–09 Outturn	2009–10 Plans	2010–11 Plans
Administration expenditure[2]								
Paybill[3]	248	251	289	301	297	315		
Other	192	227	207	157	119	155		
Total administration expenditure[1]	440	479	497	458	417	470	500	477
Administrative income	–64	–74	–97	–65	–49	–57	–80	–80
Total administration budget	376	405	400	394	367	413	420	397
Analysis by activity[4]				SP 1 75				
				SP 2 33				
Objective 1	144	188	SP 1 96	SP 3 133	DSO 1[5] 123	234		
Objective 2	106	138	SP 2 40	SP 4 95	DSO 2 171	176		
Objective 3	146	142	SP 3 143	SP 5 224	DSO 3 55	56		
Objective 4	70	89	SP 4 149	SP 6 21	DSO 4 16	18		
Objective 5	189	174	SP 5 236	SP 7 131	DSO 5 81	84		
Objective 6	–	–	SP 6 102	SP 8 6	DSO 6 148	124		
Objective 7	14	14	SP 7 15	SP 9 43	DSO 7 111	84		
Impairments treated as exceptional items	38	0	SP 8 34	SP 10 18	DSO 8 125	84		
Total administration budget	706	746	815	779	828	860		

Key

Objective 1 A secure United Kingdom within a safer and more peaceful world.
Objective 2 Enhanced competitiveness of companies in the UK through overseas sales and investments; and a continuing high level of quality foreign direct investment (through UK Trade & Investment, formerly British Trade International,
shared with Department for Trade and Industry).
Objective 3 Increased prosperity and a better quality of life in the UK and worldwide, through effective economic and political governance globally.
Objective 4 A strong role for the UK in a strong Europe, responsive to people's needs.
Objective 5 International decisions and actions which advance UK objectives and interests. Authoritative advice and support to the whole of government on international issues. Positive foreign perceptions of the UK and the government's policies.
Objective 6 High-quality consular services to British nationals abroad. Effective regulation of entry to, and settlement in, the UK in the interests of sustainable growth and social inclusion (through UKvisas, shared with the Home Office).
Objective 7 Secure and well governed UK Overseas Territories enjoying sustainable development and growing prosperity.

SP 1 Making the world safer from global terrorism and weapons of mass destruction.
SP 2 Protection of the UK from illegal immigration, drug trafficking and other international crime.
SP 3 An international system based on the rule of law, which is better able to resolve disputes and prevent conflicts.
SP 4 An effective EU in a secure neighbourhood.
SP 5 Promotion of UK economic interests in an open and expanding global economy.
SP 6 Sustainable development, underpinned by democracy, good governance and human rights.
SP 7 Security of UK and global energy supplies.
SP 8 Security and good governance of the UK's Overseas Territories.

SP 1 Making the world safer from global terrorism and weapons of mass destruction.
SP 2 Reducing the harm to the UK from international crime, including drug trafficking, people smuggling and money laundering.
SP 3 Preventing and resolving conflict through a strong international neighbourhood.
SP 4 Building an effective and globally competitive EU in a secure neighbourhood.
SP 5 Supporting the UK economy and business through an open and expanding global economy, science and innovation and secure energy supplies.
SP 6 Achieving climate security by promoting a faster transition to a sustainable, low-carbon global economy.
SP 7 Promoting sustainable development and poverty reduction underpinned by human rights, democracy, good governance and protection of the environment.
SP 8 Managing migration and combating illegal immigration.
SP 9 Delivering high-quality support for British nationals abroad, in normal times and in crises.
SP 10 Ensuring the security and good governance of the UK's Overseas Territories.

DSO 1 A flexible global network serving the whole of the British government.
DSO 2 Supporting the British economy.
DSO 3 Supporting British nationals abroad.
DSO 4 Supporting managed migration for Britain.
DSO 5 Countering terrorism and weapons proliferation and their causes.
DSO 6 Preventing and resolving conflict.
DSO 7 Promoting a low-carbon, high-growth, global economy.
DSO 8 Developing effective international institutions, above all the the United Nations and the European Union.

1 Around £400 million of costs associated with front-line staff were reclassified in CSR07 from Administration budgets into Programme expenditure.

2 Resource DEL figures reflect the reclassification of impairments into Departmental AME across all years.

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

4 Analysis by activity across all outturn years is currently available only on the definition of Administration budgets which included front-line costs now scored to Programme used before CSR07.

5 DSO 1 peaks in 2008–09 due to the transitional effects of moving from strategic priorities to Departmental Strategic Objectives.

Note: Activities have been costed by objective in the Resource Accounts up to 2004–05. From 2005–06 to 2006–07 activities have been costed by Strategic Priority (SP) and from 2007–08 are covered by Departmental Strategic Objectives (DSOs).

Table 10 Diversity statistics: UK staff

For the FCO to maintain and improve its standards of excellence, we need wider skill sets, an ability to draw from and include as broad a talent pool as possible and to be seen to be in touch with modern Britain. While we have made progress, we recognise that there is much more still to be done. We follow a 10-point plan which was drawn up in line with Cabinet Office guidance. Each directorate in the FCO has also drawn up an action plan to help create and sustain a culture that values diverse talents and skills. Our diversity targets are for UK-based staff. In addition, the FCO has an international workforce of local staff from every culture and background. In many cases, local staff are doing work which a few years ago would have been done by UK-based diplomats. These staff give us a very diverse workforce with a wide range of language and other skills.

Grade	Male	Female	%	British minority ethnic	%	Declared disabled staff	%	Total
Senior Management Structure	292	79	21.3	13	3.5	8	2.2	371
D band	744	376	33.6	34	3.0	31	2.8	1,120
C band	1,226	648	34.6	104	5.5	45	2.4	1,874
B band	725	720	49.8	156	10.8	52	3.6	1,445
A band	501	636	55.9	217	19.1	67	5.9	1,137
Total	**3,488**	**2,459**	**41.3**	**524**	**8.8**	**203**	**3.4**	**5,947**

Note: Figures as at 1 March 2009.

Table 11 Resource allocation

Resource budget within departmental expenditure limits (DEL)	**2009–10 Provision £000**
RFR 1: Promoting internationally the interests of the UK and contributing to a strong world community	
Section A: (Administration, programmes and subscriptions to international organisations)[1]	
Administration	
(i) Centrally controlled administration budgets (HR, IT, Finance, Security)	466,220
(ii) Locally engaged staff salaries and terminal benefits for approximately 6,372 locally engaged staff	141,000
(iii) Home and overseas accommodation costs. Accommodation charges, rates payable to the Valuation Office Agency of HM Revenue and Customs, and maintenance of Foreign and Commonwealth Office buildings in the UK. Rents and other charges including repair of furniture and equipment, office and residential accommodation overseas	52,614
(iv) Budgets devolved to directorates in the UK. Includes delegated local budgets of all overseas posts including utilities, building maintenance and furnishings, official entertainment, etc	450,220
(v) Information services. Publicity services at home and overseas. The cost of other information services	12,300
(vi) Government hospitality budget	1,800
(vii) Lancaster House general expenditure	1,926
(viii) Wilton Park Executive Agency	4,200
(ix) Depreciation	15,750
(x) Outward secondments	2,650
(xi) Capital charges	8,803
(xii) Of which full cost of consular and visa services and front-line delivery, now classified as Programme	–674,138
Total gross Administration costs	**483,345**

Table 11 continued

Programme	
Front-line Programme reclassified from Administration budgets	
(i) Front-line delivery[2]	516,251
(ii) Depreciation	87,300
(iii) Capital charges	45,201
Total front-line reclassification	**648,752**
Grants and subscriptions etc to international organisations	
(1) United Nations regular budget	
The UK's share is currently 6.642% of the General Assembly budget	75,648
(2) Commonwealth Secretariat	
The UK's share is currently 30% of the Secretariat's expenses	4,570
(3) Council of Europe	
The UK's share is:	22,916
(i) 11.9188% of general expenses (ii) 13.1433% of pension contributions for the secretariat staff (iii) 10.307% of the extraordinary budget (iv) 11.9188% of European Youth Foundation (v) 12.8094% of Venice Commission	
(4) Western European Union	
The UK's share is currently 17.43% of general expenses	2,171
(5) Organisation for Economic Cooperation and Development (OECD)	
The UK's share is currently 7.762% of general expenses	12,500
(6) Organisation for Security and Cooperation in Europe (OSCE)	
The UK's share is currently 9.35% of secretariat and institutions' expenses	4,455
(7) North Atlantic Treaty Organisation (NATO)	
Most of the UK's share of 14.134% of certain general expenses of the International Staff Secretariat (Civil) budget. The balance is paid by the Ministry of Defence	20,852
Total international subscriptions	**143,112**

Scholarships	
Scholarships awards and other assistance to overseas students in the UK	
(i) Payments to the Commonwealth Scholarship and Fellowship Plan; provision is made for scholars from Australia, Canada, New Zealand, Brunei Darussalam, Cyprus, Malta, Singapore and Bahamas and for corresponding administrative expenses	1,050
(ii) Payments for the Chevening Scholarships and Fellowships Programme for overseas scholars and fellows	22,350
Marshall Aid Commemoration Commission grant-in-aid	2,200
Grant for the provision of up to 40 university scholarships for two to three years tenable in the UK by graduates from the USA	
Total scholarships	**25,600**
Strategic Programme Fund	
(i) Counter terrorism and radicalisation	40,150
(ii) Counter proliferation	2,000
(iii) Drugs and crime	2,000
(iv) Overseas Territories	6,500
(v) Afghan counter narcotics	21,900
(vi) Human rights and democracy	6,250
(vii) Low carbon, high growth	19,700
(viii) Science and innovation	500
(ix) Reuniting Europe	6,100
Total Strategic Programme Fund	**105,100**
Consular operations	
Full cost of consular operation	**131,900**
Other FCO programmes and grants	
Bilateral programme budgets devolved to directorates	19,300
Westminster Foundation for Democracy grant-in-aid	4,100

Table 11 continued

Miscellaneous payments in respect of individuals	
(i) Advances against undertakings to repay for the repatriation and relief pending repatriation of distressed British nationals and their dependants. Also emergency evacuations	25
(ii) Payment of relief to distressed British nationals and their dependants overseas who are not repatriated. Also associated medical and funeral costs	14
(iii) Ex gratia allowances to dependants of persons killed in Cyprus during the 1955-60 emergency	32
General services	
(i) Payment to the British Airports Authority for special facilities for entitled passengers	50
(ii) Foreign Compensation Commission. Salaries etc of UK-based staff	52
Total other FCO programmes and grants	**23,573**
TOTAL SECTION A	**1,561,382**

Section B: BBC World Service Broadcasting	**241,043**
Section C: British Council	**192,963**
Section D: BBC World Service Capital Grant	**31,000**
Section E: British Council Capital Grant	**7,800**
Gross resource budget within departmental expenditure limits (DEL)	**2,034,188**
Resource appropriations in aid	
Administration	
(i) Refunds of salaries of seconded diplomatic staff	2,650
(ii) Receipts for the sale of information material overseas	49
(iii) Receipts at home and local budgets overseas from legalisation fees, telephone and postage recoveries, medical scheme recoveries, subletting, sales of surplus materials, bank interest and other sundry receipts	1,420
(iv) Receipts from government departments	71,281
(v) Lancaster House receipts from other customers	400
(vi) Wilton Park Executive Agency	4,200
Total administration appropriations in aid	**80,000**

Programme	
(vii) Receipts for visa recharges and services provided at consular offices	301,691
(viii) Distressed British nationals, repayment of advances	15
(ix) DfID payments to the Commonwealth Foundation	294
Total programme appropriations in aid	**302,000**
Total resource appropriations in aid	**382,000**
Net RfR1 resource budget within departmental expenditure limits (DEL)	**1,652,188**
Annually managed expenditure (AME) and non-budget expenditure	
i) Impairment provision reclassified to AME	20,000
ii) Reimbursements of certain duties, taxes and licence fees	18,000
Total non-budget	**38,000**
Total resource estimate provision RfR 1	**1,690,188**
RfR 2: Conflict prevention	
Spending in departmental expenditure limits (DEL)	
Section A: Conflict prevention programme expenditure[3]	40,000
Section B: Peacekeeping	350,000
Section C: Stabilisation aid fund	28,000
Total resource estimate provision RfR 2	**418,000**
Total resource estimate provision for FCO 2008–09	**2,108,188**
Reconciliation to resource budget in Table 5	
Add Common Foreign and Security Policy attribution	3,000
Add departmental unallocated provision	17,000
Deduct expenditure on reimbursement of duties, taxes and licences (outside of DEL)	-19,000
Deduct capital grant, reclassified as capital	-61,300
TOTAL FCO RESOURCE BUDGET	**2,047,888**

Table 11 continued

Capital budget	
RfR 1: Promoting internationally the interests of the UK and contributing to a strong world community	
(i) Purchase of computers, computer technology including word processors, automatic data processing systems and wireless and telegraphic equipment	45,600
(ii) Overseas estate, land, office and residential accommodation etc and the construction of new buildings and alterations for representational purposes, and security	117,800
(iii) Official transport, office machinery, furniture and fittings and miscellaneous expenditure for use in the UK and abroad	9,360
Gross capital expenditure	**172,760**
(i) Receipts from the sale of certain land and buildings	18,000
Capital appropriations in aid	**18,000**
Net FCO estimate provision for capital 2008-09	**154,760**
Reconciliation to capital budget in Table 6	
Add capital grants	61,300
Add departmental unallocated provision	0
TOTAL FCO CAPITAL BUDGET	**216,060**

1 Figures now reflect devolved pay budgets.

2 Includes visa costs.

3 Foreign Secretary David Miliband issued a Written Ministerial Statement on 25 March 2009, announcing arrangements for conflict funding in 2009–10. DfID, FCO and MOD have set aside £627 million for conflict funding in 2009–10, £171 million of which is for discretionary conflict activity. This will fund all discretionary conflict prevention, stabilisation and peacekeeping activity. It will be managed through five strategies: the Stabilisation Aid Fund (SAF) Afghanistan and Conflict Prevention Pool (CPP) South Asia programmes have been merged; so too the SAF Iraq and CPP Middle East and North Africa programmes; a new Wider Europe programme funds activity in Russia/Commonwealth of Independent States and the Balkans (previously individual programmes); the Africa programme continues; and a separate programme has been earmarked for thematic work, including support to international institutions. The strategies continue to be managed tri-departmentally.

Table 12 Long term estate capital projects 2009–10 (capital costs only)

Details of capital projects over £1 million

	Current estimate of expenditure					
Project	**Original estimate of year of completion**	**Current estimate of year of completion**	**Current estimate of capital cost (£m)**	**Expenditure in previous years (£m)**	**Estimated expenditure 2009–10 (£m)**	**To be spent in future years (£m)**
IT projects						
FCOWeb	2005	2009	7.528	7.505	0.023	0
Future Firecrest Programme[1]	2004	2010	164.900	121.000	37.100	6.800
High Classification systems programme	2004	2009	4.824	4.244	0.580	0.730
Ocean Programme	2010	2010	9.000	9.000	0	0
Disaster recovery facilities	2008	2008	1.498	1.498	0	0
Secure video conferencing	2008	2008	1.487	1.487	0	0
Estates projects contracts let						
Baghdad – Compound security works and Residence	2009	2009	20.397	15.897	4.500	0
Brussels – Office rationalisation	2009	2009	12.981	2.710	10.271	0
Damascus – New office and Residence	2010	2010	12.886	3.086	9.800	0
London – Old Admiralty Buildings main reception refurbishment	2009	2009	1.500	1.333	0.167	0
Madrid – New office	2009	2009	15.876	12.806	3.070	0
Milton Keynes – New corporate services centre – Northgate House	2009	2009	6.073	3.125	2.948	0
Moscow – Residence refurbishment	2007	2009	11.287	7.970	3.317	0
Ottawa – Office refurbishment	2009	2009	6.966	1.449	5.517	0
Tbilisi – New office and Residence	2010	2010	15.614	3.408	12.206	0
Warsaw – New office	2009	2009	33.692	25.618	8.074	0

1 The total capital cost of the Programme has increased by £34.9 million since 2007–08. This represents costs previously forecast to be incurred as administrative spend which have been re-forecast as capital expenditure, with a compensating reduction in administrative cost forecasts. The primary element of this change related to costs associated with FCO Services, which were treated as "in-house" resource and not capitalised. This changed when FCO Services achieved Trading Fund status. Costs incurred were treated as any other third party and so capitalisable.

Table 13 UK contributions to United Nations system in 2008–09

UN non-peacekeeping[1]	**£**
UN Regular Budget	74,499,380
UN Capital Master Plan	12,707,459
UN Office on Drugs and Crime (UNODC)	1,969,653
UN Development Programme	1,038,241
UN Development Fund for Women (UNIFEM)	869,000
UN Office of the High Commissioner for Human Rights (UNOHCHR)	548,000
International Tribunal for the Law of the Sea (ITLOS)	526,187
UN Departemnt of Economic and Social Affairs (UNDESA) for Khmer Rouge Tribunal	500,000
UN Children's Fund (UNICEF)	150,816
UN High Commissioner for Refugees (UNHCR)	133,364
UN Educational, Scientific and Cultural Organisation (UNESCO)	117,905
UN Habitat	50,000
Non-Proliferation Treaty	42,630
UN Institute for Disarmament Research (UNIDIR)	25,047
UN Office for Disarmament Affairs (UNODA)	24,926
International Labour Organisation (ILO)	23,272
UN Relief and Works Agency for Palestinian Refugees in the Near East (UNRWA)	9,000
UN High Commission for Human Rights (UNHCHR) regional office for the Pacific	2,467
UN Tajikistan Office of Peacebuilding	2,397
UN Centre for Human Rights and Democracy in Africa	1,158
Economic Commission for Latin America and the Caribbean (ECLAC)	657
Counter-Terrorism Implementation Task Force (CTITF)	48,490
International Court for Justice (ICJ)	35,404
Total	**93,325,453**

UN peacekeeping

	Organisation	Programme/activity	2008–09 expenditure (£)
Sub-Saharan Africa			
Assessed contributions			
Area of activity			
Central African Republic/Chad	UN	MINURCAT	18,153,470
Cote d'Ivoire	UN	UNOCI	19,968,023
Democratic Republic of Congo	UN	MONUC	49,272,772
Ethiopia/Eritrea	UN	UNMEE	1,334,159
Liberia	UN	UNMIL	25,324,767
Sudan	UN	UNAMID	55,229,550
Sudan	UN	UNMIS	29,807,091
Rwanda	UN	ICTR	5,403,725
Somalia	UN/AU	UN Logistical Support to AMISOM	3,193,468
Total assessed			**207,687,025**
Non-assessed contributions			
Area of activity			
Democratic Republic of Congo	UN	MONUC MOD secondees	728,311
Ethiopia/Eritrea	UN	UNMEE MOD secondees	95,951
Liberia	UN	UNMIL MOD secondees	309,511
Sierra Leone	UN	UNIOSIL/UNIPSIL MOD secondees	104,630
Sierra Leone	UN	UNIOSIL/UNIPSIL Civilian secondees	171,469
Sudan	UN	UNMIS MOD secondees	454,565
Sudan	UN	UNMIS Civilian secondees	127,722
Sudan	UN/AU	UNAMID MOD secondees	298,726
Sudan	UN/AU	Support to UNAMID	2,246,000
Somalia	UN	UN Political Office for Somalia MOD secondees	67,018
Sierra Leone	UN	Special Court for Sierra Leone	3,800,000
Total non-assessed			**8,403,903**
Sub-Saharan Africa total			**216,090,928**

Table 13 continued	Organisation	Programme/activity	2008–09 expenditure (£)
Global (non Sub-Saharan Africa)			
Assessed contributions			
Area of activity			
Cyprus	UN	UNFICYP	1,388,015
East Timor	UN	UNMIT	5,996,035
Georgia	UN	UNOMIG	1,457,952
Golan Heights	UN	UNDOF	1,834,559
Haiti	UN	MINUSTAH	24,201,172
Kosovo	UN	UNMIK	7,508,472
Lebanon	UN	UNIFIL	28,397,509
Western Sahara	UN	MINURSO	1,776,004
International Criminal Court	UN	ICC	5,388,687
Former Yugoslavia	UN	International Criminal Tribunal for the former Yugoslavia	7,145,468
Total assessed			**85,093,873**
Non-assessed contributions			
Area of activity			
Cyprus	UN	UNFICYP UK deployment	16,000,000
Georgia	UN	UNOMIG MOD secondees	1,457,952
Iraq	UN	UNMOVIC: MOD Archiving of material	67,718
Nepal	UN	UNMIN MoD secondees	67,388
Lebanon	UN	Special Tribunal for Lebanon	725,000
ICC	UN	Victims Trust Fund	25,000
ICC	UN	Lesser Developed Countries Fund	20,000
Total non-assessed			**18,363,058**
Total global (non Sub-Saharan Africa)			**103,456,931**

Note: Assessed costs are obligatory contributions to international organisations. The UK pays a share of the costs of each mission based on the rate of assessment of the relevant organisation.
Non-assessed costs are voluntary contributions that the UK makes to peacekeeping efforts. This can be military or civilian personnel contributed to a mission or additional funding.

1 The first two non-peacekeeping figures are for 2008-09. The remaining non-peacekeeping entries are for the 2008 calendar year.

Table 14 UK contributions to non-UN peacekeeping in 2008–09

	Organisation	Programme/activity	2008–09 expenditure (£)
Sub-Saharan Africa			
Assessed contributions			
Area of activity			
Central African Republic (CAR)/Chad	EU	EUFOR CAR/Chad	6,647,343
Somalia	EU	EUNAVFOR Atalanta	340,466
Total assessed			**6,987,809**
Non-assessed contributions			
Area of activity			
Democratic Republic of Congo	EU	EUSEC civilian secondee	64,171
Somalia	AU	Financial support to AMISOM	10,000,000
Chad	EU	EUFOR MOD secondees at HQ	728,311
Somalia	AU	Contribution to AMISOM Trust Fund	10,000,000
Total non-assessed			**20,792,482**
Sub-Saharan Africa total			**27,780,291**
Global (non-Sub-Saharan Africa)			
Assessed contributions			
Area of activity			
OSCE field missions	OSCE	OSCE field missions	9,783,054
Total assessed			**9,783,054**
Non-assessed contributions			
Area of activity			
Afghanistan	EU	EUPOL civilian secondees	889,732
Bosnia and Herzegovina/ Kosovo	EU	EUPM/EULEX/UNMIK civilian secondees	4,854,800

Table 14 continued	Organisation	Programme/activity	2008–09 expenditure
Georgia	EU	EUSR political advisor	75,112
Georgia	OSCE	Monitoring mission support	14,500
Georgia	EU	EUMM civilian secondees	726,144
Iraq	FCO	Iraq civilian police mission	6,767,507
Iraq	EU	EUJUST Lex civilian secondees and training courses	693,598
Kosovo	EU	EU Special Representative/ International Civilian Office civilian secondees	228,614
Moldova/Ukraine	EU	EU Border Assistance Mission civilian secondees	80,000
Palestine	EU	EUBAM Rafah/Karni/Coordinating Office for Palestinian Police Support secondees	265,108
OSCE field missions	OSCE	OSCE civilian secondees	1,371,751
EU central institutions	EU	Council secretariat civilian secondees	346,230
NATO	NATO	Helicopter Trust Fund	1,200,000
European Group on Training	EU	European Group on Training	59,714
Support costs for civilian deployments	N/A	Police secondments, kit and clothing	754,338
Total non-assessed			**18,327,148**
Total global (non-Sub-Saharan Africa)			**28,110,202**

Note: Assessed costs are obligatory contributions to international organisations. The UK pays a share of the costs of each mission based on the rate of assessment of the relevant organisation.
Non-assessed costs are voluntary contributions that the UK makes to peacekeeping efforts. This can be military or civilian personnel contributed to a mission or additional funding.

Table 15 Appointments to non-departmental public bodies

The FCO works with the following non-departmental public bodies:
British Council (www.britishcouncil.org)
Diplomatic Service Appeal Board (no website)
Foreign Compensation Commission (no website)
Government Hospitality Advisory Committee for the Purchase of Wine (no website)
Great Britain-China Centre (www.gbcc.org.uk)
Marshall Aid Commemoration Commission (www.marshallscholarship.org)
Westminster Foundation for Democracy (www.wfd.org)
Wilton Park Advisory Council (www.wiltonpark.org.uk)

Note: Further information about the work of these non-departmental public bodies, and a copy of the FCO's Public Bodies Directory 2007–08, can be found on the FCO website at www.fco.gov.uk/en/about-the-fco/what-we-do/building-strong-relationships-ol/stakeholder-groups/non-dept-public-bodies

Table 16 Exceptions to fair and open competition in 2008–09

Our fundamental principle for recruitment is that selection for appointment is made on merit within a framework of fair and open competition. The following exceptions were made during the period in line with the Civil Service Commissioners' recruitment code. All the exemptions fall into the following categories: short-term appointments (up to a maximum of five years); extensions (to the appointment, up to the maximum of five years); specialists (where only one source is capable of providing the necessary products or services because of the uniqueness or high degree of specialisation required); and New Deal (appointments made in line with the Jobcentre Plus' New Deal scheme, under the Department for Work and Pensions).

Extensions	3
New Deal	0
Short-term appointments	3
Specialists	0

Table 17 Senior heads of mission salaries

(Director-General level and above)

Salary range (£)*	**Number of officers**
180,000–189,999	2
170,000–179,999	3
160,000–169,999	0
150,000–159,999	1
140,000–149,999	3
130,000–139,999	2
120,000–129,999	6
110,000–119,999	10
100,000–109,999	2
90,000–99,999	1
Total	**30**

* Basic salary only

Table 18 Senior management structure: Paybands 1 and 2

Salary range (£)*	**Number of officers**
130,000–134,999	1
125,000–129,999	0
120,000–124,999	0
115,000–119,999	3
110,000–114,999	1
105,000–109,999	5
100,000–104,999	4
95,000–99,999	4
90,000–94,999	15
85,000–89,999	40
80,000–84,999	29
75,000–79,999	22
70,000–74,999	47
65,000–69,999	51
60,000–64,999	64
55,000–59,999	37
Total	**323**

* Basic salary only

Table 19 Consultants

FCO expenditure on external consultants and contractors in 2007–08 amounted to £30 million. The great majority of this expenditure was associated with our major IT and estate construction programmes. The top five suppliers, in terms of expenditure, within this period were as follows:

Supplier
Hewlett Packard
CapGemini
PA Consulting Group
Tribal Consortium
Logica CMG

Estimated spend on consultants in 2008–09 is £60 million and £3.6 million on contractors and agency staff.

Table 20 Corporate sponsorship of FCO activities (£5,000 and over)

Post	Description of project	Name of sponsor/s	Value of sponsorship	
			Cash (£)	In-kind (£)
Tokyo	UK–Japan 2008	Astra Zeneca	43,478	
		Daiwa Securities	43,478	
		HSBC Corporation	36,232	
		Waterford Wedgwood	43,478	
		Virgin Atlantic Airways	43,478	
		LRQA Japan	43,478	
		Nissan	43,478	
		Roland Foundation	21,739	
		BT Japan Corporation	21,739	
		Museum Taisei	21,739	
		Ales International	21,739	
		WHD Entertainment	21,739	
	Lecture by Sir Michael Winter reception/advertising/publicity	Eisai Co.	5,942	
Colombo	Queen's Birthday Party	Marks & Spencer	10,000	
Shanghai	Shanghai Expo 2010	BP	309,000	
		Barclays	125,000	
Bratislava	For general activities	HSBC	30,000	
		AMEC	6,000	
		AquaPark Poprad	50,000	
Dubai	"Britain in the Region" UKTI Event	HSBC	45,250	
Total		**Sub totals**	**£986,987**	**£0**
		Total Sponsorship	**£986,987**	

Table 21 Freedom of Information statistics 2008

FOI statistics 2008

	Full and partial disclosure	Full refusal incl. >£600*	Information not held	Clarification sought	Unresolved at year end	Total received
	474 (46.52%)	282 (27.67%)	166 (16.29%)	61 (5.99%)	36 (3.53%)	1,019

*Includes vexatious and repeated requests and those where handling costs would have exceeded £600

Comparative figures 2007 and 2008

	2007	**2008**	**Difference**
Requests received	1,027	1,019	–0.78%
Internal reviews	43	54	+25.58%
Information Commissioner’s Office complaints	17	8	–52.94%
Information tribunal appeals	6	7**	17%
Data Protection Act requests	215	299	+39.07%

** Includes tribunals where we played a significant role but were not an actual party eg the Cabinet Office minutes case

Table 22 Complaints to the Parliamentary Ombudsman 2007-08

The FCO aims to treat complaints seriously and deal with them efficiently, and to learn from complaints and take action to improve our service where necessary. We deal with complaints in line with Cabinet Office guidance[1] and the Freedom of Information Act.

In the first instance complaints should be made directly to the FCO Department, Directorate or overseas post concerned. If the complainant does not know which part of the FCO handled the original communication with the FCO which led to the complaint, the complainant can write to the FCO at:

King Charles Street
London SW1A 2AH

The correspondence will then be passed to the relevant section or overseas post concerned.

If a complainant remains unhappy with the FCO's actions in response to a complaint, the complainant may ask a Member of Parliament to request an investigation about the complaint, and/or the way it has been handled, by the independent Parliamentary and Health Service Ombudsman (www.ombudsman.org.uk).

As reported on page 72 of the 2007/8 Parliamentary Ombudsman's Annual Report[2] (the latest year for which figures are available), there were five complaints in hand at 1 April 2007, as follows:

	In hand at 1 April 2007	Reported on	Reported on: fully upheld	Reported on: partly upheld	Reported on: not upheld	In hand at 1 April 2008
Foreign and Commonwealth Office	5	5	60%	20%	20%	0

Of these five complaints, three concerned the work of UKvisas (now transferred to the International Group of the UK Border Agency), one was about consular work, and one was about the handling of a telephone call to the FCO in London.

1 Service First: The Six Standards for Central Government: http://archive.cabinetoffice.gov.uk/servicefirst/2000/introduc/six.html
2 Parliamentary and Health Service Ombudsman Annual Report 2007/8: www.ombudsman.org.uk/improving_services/annual_reports/index.html

Assessing our performance against Public Service Agreement and Departmental Strategic Objective targets

This section details performance against the FCO's eight Departmental Strategic Objective (DSO) targets, and the one Public Service Agreement (PSA) target for which the FCO is the lead Whitehall department. The targets reflect the key commitments that the FCO agreed to deliver as part of the government's 2007 Comprehensive Spending Review (CSR07). Details of the final assessment against our outstanding Spending Review 2004 (SR04) PSA target (PSA 9a – Entry Clearance) can also be found in this section (on page 78).

The FCO measures performance against PSA/DSO targets using scorecards developed from the PSA delivery agreement and DSO technical notes, which detail the full text of the agreement between the FCO and the Treasury (see links on page 44). For this Departmental Report, we commissioned from PSA and DSO monitors within the FCO performance assessments against all indicators[1] listed in the delivery agreement/technical note.

Progress towards the CSR07 PSA/DSO targets, and their underpinning indicators, are summarised with assessment terms and performance narratives. An assessment of the target as a whole is based on a factual assessment of progress against the indicators. The following assessment terms are used, as detailed in Treasury Public Expenditure System 2008 guidance:

Strong progress	Where more than 50% of indicators had improved
Some progress	Where 50% or less indicators had improved
No progress	Where no indicators had improved
Not assessed	Target for which data is not available

The performance assessments within this Departmental Report update those in the *FCO Autumn Performance Report 2008* (published on www.fco.gov.uk on 15 December 2008).

Structure of the CSR07 DSOs and PSA

The FCO Strategic Framework, *Better World, Better Britain*, published in February 2008, set out eight DSOs:

> A flexible global network serving the whole of the British government

Three **essential services**:

> Supporting the British economy
> Supporting British nationals abroad
> Supporting managed migration for Britain

Four **policy goals**:

> Countering terrorism and weapons proliferation and their causes
> Preventing and resolving conflict
> Promoting a low-carbon, high-growth, global economy
> Developing effective international institutions, above all the United Nations and the European Union.

1 The terms "indicators" and "measures" are referred to as "outcomes" and "indicators" respectively in the FCO technical note/internal reporting.

The FCO Strategic Framework explicitly recognises the role of our global network in delivering for the government as a whole. So in addition to delivering our policy priorities and our public services, our posts will continue to provide a platform for Whitehall partners to deliver their own international priorities. The DSOs have a dual purpose: they set out clearly what we aim to achieve over the CSR07 period; and they provide the framework against which ministers and the FCO Board will hold individual DSO owners to account for delivery.

The FCO leads on the cross-government PSA on Conflict Reduction (PSA 30), and contributes to delivery of the PSAs on Migration (PSA 3), International Terrorism (PSA 26), Climate Change (PSA 27) and Poverty Reduction (PSA 29). The FCO will also assist with the international delivery of a number of other PSAs, through the support and assistance provided by our network of posts. For performance assessments on those CSR07 PSAs for which the FCO is a key delivery partner, please consult the individual lead government department's Departmental Report.

Copies of the 30 PSA delivery agreements can be found on the Treasury website at: www.hm-treasury.gov.uk/pbr_csr07_psaindex.htm

The DSO technical note (www.fco.gov.uk/en/about-the-fco/publications/publications/annual-reports/autumn-performance1) sets out the outcomes and performance indicators against which FCO DSOs are measured.

Progress towards CSR07 PSA and DSO targets

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

This target is made up of four indicators. The overall assessment is a factual assessment of progress and should be read in conjunction with the PSA 30 delivery agreement (www.hm-treasury.gov.uk/d/pbr_csr07_psa30.pdf).

The FCO is the lead government department for PSA 30, with the Department for International Development (DfID), the Ministry of Defence (MOD) and the Cabinet Office being key delivery partners.

Overall assessment of progress 1 April 2008 – 31 March 2009

Some progress (improvement against 2/4 [two out of four] indicators)

The Gaza crisis at the beginning of 2009 demonstrated the difficulty of achieving the desired outcome of PSA 30: a global and regional reduction in conflict and its impact. Further, the global economic slowdown may increase the vulnerability of regions prone to conflict, as well as impacting on key partners' and the UK's ability to respond.

Concerted tri-departmental (FCO, DfID, MOD) work is continuing on indicators 2, 3 and 4 (the assumption made in the PSA is that if the government makes progress against indicators 2, 3 and 4, it will result in a positive direction for indicator 1, ie a downward trend in the number of conflicts). As noted in the FCO's 2008 Autumn Performance Report (APR), the overall number of conflicts has gone up by one (Georgia) and there is a risk of a further increase by 2011. Progress to reduce the impact of conflict (indicator 2) is mixed. Progress to increase the effectiveness of international institutions (indicator 3) is largely on track and, although there are some areas of concern, it nonetheless represents an improvement since the APR. Progress to increase UK capability (indicator 4) is largely on track, although resource constraints have required a significant reprioritisation of activity for 2009/10. The PSA Delivery Board/departments will actively manage the risks of tightening resources over the remainder of the CSR07 period.

PSA 30 continued

Target indicator	**Progress assessment** 1 April 2008 – 31 March 2009
1 A downward trend in the number of conflicts globally, in particular in Sub-Saharan Africa, Europe, Central and South Asia, and the Middle East and North Africa.	At the start of the PSA (1 April 2008), the baseline established for the number of global conflicts was 54. (This data was taken from the Uppsala Conflict Data Program/International Peace Research Institute Oslo (PRIO), as analysed and published by the Human Security Report Project, Simon Fraser University, Canada, for which the most recently published figure was for 2006.) While estimates for 2007 indicate that this figure decreased to 52 by the end of 2007, proxy data for 2008 (including CrisisWatch publications) indicate an increase of one to this figure, making a provisional total of 53. The recent conflict in Georgia and the upsurge of violence in Gaza suggest that achieving a downward trend over the course of the PSA is unlikely. Note: Human Security Report Project data for 2007 is not yet publicly available, and may differ from the provisional estimate above when published.
2 Reduced impact of conflict in specific countries and regions (Afghanistan, Iraq, the Balkans, the Middle East, Sierra Leone, Democratic Republic of Congo and the Great Lakes region, the Horn of Africa, Nigeria and Sudan).	Reports from our network of overseas posts and statistical data suggest an improving situation in Iraq and the Balkans, but a worsening situation in Afghanistan, the Middle East and Sudan. Improvements in Iraq have been driven principally by the improving security environment, while the Balkans region continues its post-conflict recovery (albeit with significant challenges remaining). The deteriorating security environment in Afghanistan, the Israeli–Palestinian actions in Gaza, the decline in state effectiveness in Sudan and the increase of internally displaced persons in Darfur have all resulted in worsening trends for those countries/regions against the agreed indicators. Note: There are time lags between the reporting period and the data available for analysis. In the main, the comparison is between 2006 (baseline data) and data for 2007.

PSA 30 continued

3 More effective international institutions, better able to prevent, manage and resolve conflict and build peace.	Overall, delivery is largely on track. The European Union (EU) is becoming more effective in tackling threats as and when they emerge, for example piracy around the Horn of Africa (Operation Atalanta), and is creating a new directorate of comprehensive civil–military strategic planning to enhance its ability to plan for multifaceted crises. There have been advances in the use of a comprehensive approach at the North Atlantic Treaty Organisation (NATO) too, witnessed by the effective cooperation with the EU in Kosovo. On the United Nations' (UN's) efforts to improve its capacity for sustainable peacebuilding, some structural changes are being put in place, but it is perhaps too soon to tell whether they will result in greater effectiveness. Note: Ratings are based on assessments by posts, validated by heads of mission. Reporting has been reviewed by an independent expert "challenge" panel.
4 More effective UK capability to prevent, manage and resolve conflict and build peace.	Progress here is largely on track, through ongoing work to enhance the capability of the Stabilisation Unit with the intention that it will soon recruit, manage and deploy all civilian and police experts on stabilisation operations, which will significantly improve our impact and enhance cross-departmental stabilisation planning. The International Police Assistance Board is driving greater police ownership and coordination of international (including conflict-related) policing. An international policing strategy has been drafted and will guide further operational developments in this field. Work to take forward the National Security Strategy, including through an initial conflict strategy framework, continues across Whitehall. Areas requiring more work include improving early warning systems and achieving greater and more genuine involvement of non-government actors. There has not been significant improvement in the readiness of forces for contingent operations, because the continued high pressure of existing operations and the need to recuperate forces limit the progress that can be made.

Data sources

Indicator 1: Uppsala Conflict Data Program/PRIO/Human Security Report Project; International Crisis Group CrisisWatch monthly bulletins.
Indicator 2: Uppsala Conflict Data Program/PRIO/Human Security Report Project; World Bank; UN High Commissioner for Refugees; UN Children's Fund; UN Statistics Division; UN Relief and Works Agency for Palestinian Refugees in the Near East; UN Office for the Co-ordination of Humanitarian Affairs; Government of Iraq; Iraq Coalition Casualty Count; International Institute for Strategic Studies; reporting by diplomatic posts; FCO; DfID; MOD.
Indicator 3: Reporting by diplomatic posts; FCO; DfID; MOD.
Indicator 4: FCO; DfID; MOD; Stabilisation Unit; Cabinet Office.

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

This DSO is made up of five indicators. The overall assessment is a factual assessment of progress and should be read in conjunction with the DSO technical note (www.fco.gov.uk/en/about-the-fco/publications/publications/annual-reports/autumn-performance1).

Overall assessment of progress 1 April 2008 – 31 March 2009

Strong progress (improvement against 4/5 indicators)

There has been good progress: successful realignment of the global network footprint, the development of more flexible forms of representation, and improved change delivery in most posts. However, there is more to do to improve our service to Whitehall partners and ensure that the network responds well to the new challenges of the coming years.

Target indicator	Progress assessment 1 April 2008 – 31 March 2009
1 The network delivers the key priorities of Whitehall partners.	The June 2008 stakeholder survey identified that most of our Whitehall partners thought we were providing a good or very good service, but that there were areas that needed improvement, such as focus on joint objectives, identification of contacts and service-level agreements, particularly in relation to costs. We have been working with our partners to address these issues and expect there to be an improvement in the results of the next stakeholder survey.
2 The network is realigned by March 2009 as agreed by FCO ministers/ Board; and regularly reviewed as necessary.	Posts and directorates have realigned their work to the new FCO Strategic Framework, with 129 policy positions deleted in the UK, Europe and the Americas. Some 172 new positions have been created, with 83 in the UK and 89 overseas. The Board reviewed the FCO's global footprint a year after the network shift, and concluded that, while there was no need for a further strategic shift, it was important for directors to maintain flexibility within their regions.

DSO 1 continued

3 The network remains flexible.	We remain a flexible network with an ability to adapt to changing priorities and situations. Our improving information technology (IT) infrastructure is allowing more freedom of location and greater interaction with stakeholders through systems such as Demophon, increasing our ability to work in new and different ways and locations. At some posts we still have work to do to ensure that our infrastructure can deliver to meet our needs and those of our partners. We need to react in a quicker and more coordinated way to security issues, budgets and network shifts such as the UK Border Agency "hub and spoke".
4 The network remains global.	The FCO network continues to demonstrate the ability to deploy staff anywhere in the world, including to crisis areas such as Georgia and Mumbai. We continue to develop our estate, with over 50 major projects in progress. Improvements in our IT systems are allowing us greater flexibility in where and how we work. We currently have a global network in more than 170 countries.
5 The network delivers change and manages its resources well.	Implementation of our change programmes continues and the percentage of staff who think change is well managed in the FCO increased by 11% between 2007 and 2008 to 47%, against a government benchmark of 26%. The Capability Review Assessment in 2009 highlighted the progress made with local staff and our ethos of "One Team". Our Corporate Services programme has saved over 10,000 days globally through stopping, amending and automating returns. The roll-out of our new IT system, F3G, is slightly behind schedule but posts where the system is in place are beginning to realise the benefits.

Data sources

Indicator 1: Stakeholder Survey of our Whitehall partners.
Indicator 2: FCO Board minutes (April 2009); Global Footprint Board Paper.
Indicator 3: High Level Change Plan; Stakeholder Survey; Capability Review Assessment 2009.
Indicator 4: Location of our embassies, high commissions and subordinate posts around the world; consular Rapid Deployment Team activities.
Indicator 5: 2008 Staff Survey; Capability Review Assessment 2009.

DSO 2 – Supporting the British economy

This DSO is made up of five indicators. The overall assessment is a factual assessment of progress and should be read in conjunction with the DSO technical note (www.fco.gov.uk/en/about-the-fco/publications/publications/annual-reports/autumn-performance1).

Overall assessment of progress 1 April 2008 – 31 March 2009

Strong progress (improvement against 3/5 indicators)

UK Trade & Investment (UKTI) has made good progress to date and hence an overall "strong progress" rating has already been achieved against our DSO target. At the end of the financial year, a total of 20,700 companies have been assisted by UKTI, a significant improvement on all previous years. Given the challenging global economic climate, it will need a concerted effort from the whole network to reach all of our targets in future years.

Target indicator	**Progress assessment** 1 April 2008 – 31 March 2009
1 Attract high-value foreign direct investment to the UK.	In the financial year 2008/9, we delivered 600 involved successes (target 525), of which 262 were high-value projects (target 125) recorded as successful or success pending, and 244 were good quality projects (target 285). UKTI has improved against 2007/8 and is progressing well.
2 Improve the performance of UK businesses by helping them internationalise.	The most recent Performance and Impact Monitoring Survey (PIMS) estimates that, in the past year, the total number of businesses helped was 20,700 (target 20,000) and, of these, 17,300 were innovative businesses (target 12,000). But management messages to staff are stressing that in the current economic situation there is no room for complacency, and this target will remain challenging in future years. For the improved business performance element of this target, the outturn was 51% overall, and 51% in high-growth markets (target 50% for both). In summary, we are above target for all elements of this target.

DSO 2 continued

3 Increase the quantity of research and development (R&D) activity in the UK through business internationalisation.	In the past year, 1,860 businesses have increased R&D activity as a result of UKTI trade support (against the target of 1,000). This is significantly above target.
4 Improve the UK's reputation as the international business partner of choice.	This involves an annual reputation survey to measure the UK's reputation in the USA, China and India, in the financial services, information and communication technology (ICT), life sciences and energy sectors. A benchmarking survey has been completed and the final annual survey (2010/11) will need to show an improvement against the benchmarking survey for this target to be met. The results from the first annual survey have been completed and, as expected, are showing no progress against the benchmarking survey. This indicator will not be assessed until the final year of the survey, as it will take time for the UK's reputation to be affected. There is no change at present.
5 Improve UKTI's operational performance.	This is an operational target. The current performance is 76% and 75% respectively for quality and satisfaction against a target of 80% for both. Charging-revenues to the end of the financial year are approximately £4.5 million, which is well above our target.

Data sources

Indicator 1: Data obtained from UKTI's Customer Relationship Management (CRM) survey/PIMS.
Indicator 2: Data obtained from UKTI's CRM survey/PIMS.
Indicator 3: Data obtained from UKTI's CRM survey/PIMS.
Indicator 4: The UK Reputation Measurement Survey.
Indicator 5: Data obtained from UKTI's CRM survey/PIMS; revenue figure obtained from MENTOR system (UKTI's financial system).

All of UKTI's data systems are considered robust.

For further information on the key sources of UKTI data, please refer to the UKTI Annual Report and Accounts, which will be available on the UKTI website in July 2009 at: www.uktradeinvest.gov.uk.

DSO 3 – Supporting British nationals abroad

This DSO is made up of four indicators. The overall assessment is a factual assessment of progress and should be read in conjunction with the DSO technical note (www.fco.gov.uk/en/about-the-fco/publications/publications/annual-reports/autumn-performance1).

Overall assessment of progress 1 April 2008 – 31 March 2009

Strong progress (improvement against 4/4 indicators)

All indicators are showing progress, with the first three showing strong progress. Over the four indicators, all metrics for delivery of service have improved over the year with just one red metric remaining. This positive result has allowed us to create more challenging targets for the next financial year. Of the 12 delivery of capability metrics, nine are green and three are amber. We aim for stretching targets and consider a mix of green, amber and red a healthy part of driving up performance across the consular service, allowing us to track more clearly our direction of travel. Details of each indicator are provided in the assessment below.

Target indicator	Progress assessment 1 April 2008 – 31 March 2009
1 Quality of service – with a focus on being responsive to customers.	All metrics are green apart from one capability metric showing amber. The amber for the Legalisation Office is due to postal application targets not being met, mainly due to considerable IT problems in the new locations. These are being resolved and the launch of a new database for 2009/10 will provide further improvements. We have been able to meet an increased demand of 3.7%. In-person application targets have also been met.
2 Professionalism of our staff – trained and well-managed staff.	All capability metrics are green. Service delivery metrics have all shown strong progress during the financial year. We have moved from five reds and one amber, to one red and five ambers. The remaining red metric – head of post having attended the Crisis Leadership course – has consistently increased from 74% and now stands at 88%.
3 Consistent service delivery – compliant with internal procedures and prepared for the unexpected.	Of the five service delivery metrics, three are green and have shown improvement over the year. Of the remaining two, the percentage of new cases on Compass (the FCO's database for consular cases overseas) has been between 99% and 100%, and training and communication is in place to keep this at 100%. We have now baselined our lifestyle enquiries metric, and the figures have vastly improved over the year, from approximately 2,600 at the beginning of the year to approximately 150 per month. All capability metrics are green.

DSO 3 continued

4 Efficient working – maximise fee income. Reliable systems and efficient use of resources.	Half the metrics are amber for this indicator, with the remaining showing as green. There were a small number of cases where IT systems were unavailable. These were due to a variety of factors with F3G roll-out causing more problems for posts. Workarounds are being put in place while permanent solutions are found. Management information return rates are amber, as we did not achieve a 100% return rate (figures are between 90% and 95%). Persistent offenders have been identified and chased up. The addition of metrics to monitor submissions should improve the score for the next year. Rationalisation of the passport network is on target, with milestones achieved for this financial year. This is currently rated as amber, as there are key milestones in the near future to be achieved.

Data sources

All indicators: Consular Balanced Scorecard; monthly project progress reports; quarterly Consular Management Board reports.

DSO 4 – Supporting managed migration for Britain

This DSO is made up of five indicators. The overall assessment is a factual assessment of progress and should be read in conjunction with the DSO technical note (www.fco.gov.uk/en/about-the-fco/publications/publications/annual-reports/autumn-performance1).

Overall assessment of progress 1 April 2008 – 31 March 2009

Strong progress (improvement against 5/5 indicators)

There has been good progress on this DSO, with particular emphasis on indicators 1, 3 and 5. We have added considerable value to the work of the UK Border Agency (UKBA) on removals by actively engaging with overseas governments, including through the Returns and Reintegration Fund. We have helped UKBA achieve a record number of foreign national prisoner (FNP) removals in 2008 and provisional statistics show continued good performance during the first quarter of 2009. The PSA 3 indicator of increasing the number of removals year on year has also been met for 2008/9.

Joint work with UKBA on visa waiver test mitigation was a success. As a result, six countries passed the visa waiver test.

We worked successfully with the French government and other EU partners to ensure that the EU Migration Pact focused on practical cooperation and supported UK migration objectives. We have supported useful EU engagement with, for example, African countries and are working coherently with Whitehall partners to progress our objectives in international fora, such as the Global Forum on Migration and Development, and at the UN.

DSO 4 continued

Target indicator	Progress assessment 1 April 2008 – 31 March 2009
1 Establish and develop sustainable arrangements with foreign governments for the return of immigration offenders, including FNPs and failed asylum-seekers, in order to meet the PSA 3 indicators on ensuring and enforcing compliance with UK immigration laws, removing the most harmful people first and denying the privileges of the UK to those here illegally.	We have helped UKBA deliver a record number of FNP removals (over 5,000 for 2008) through our active engagement with foreign governments. Examples of value added by the FCO are: the progression of "without consent" prisoner transfer agreements with Nigeria and Uganda, removals to the Democratic Republic of Congo on the basis of nationality not identity, and increased returns to China, Somaliland and Sri Lanka.
2 Through the cross-departmental (FCO, DfID, Ministry of Justice, UKBA) Returns and Reintegration Fund, the FCO will significantly increase the number of FNPs and failed asylum-seekers returned to countries of origin, and tackle intake.	Half of the budget of the Returns and Reintegration Fund (RRF) was earmarked for UKBA's Assisted Voluntary Returns Programme. Of the remainder, we have made good progress on spend on projects this year. We are in the process of arranging an independent assessment of the performance of the RRF. During the first year of its operation, we have put in place projects which have the potential to enable the return of around 2,700 more people than in 2007 and we have provided help to reintegrate over 2,800 individuals.

DSO 4 continued

3 Support the PSA indicators on strengthening UK borders and boosting Britain's economy to help deliver a successful merger of UKvisas into UKBA and the launch of the new agency. The FCO will act as UKBA's strategic partner in the development of the government's migration and visa policy and will work with bilateral partners, especially France and Belgium, to strengthen borders (juxtaposed controls).	The FCO's strategic relationship with UKBA is developing well. We supported the timely delivery of Tiers 1, 2, 4 and 5 of the Points Based System (the new immigration system). We are also partners in the UKBA Country Planning Programme, working collaboratively to achieve the agency's objectives overseas. The new structures formed through UKvisas' merger with the Border and Immigration Agency and parts of HM Revenue and Customs to form UKBA are bedding in. All relevant service-level agreements have been signed. The FCO worked effectively with UKBA to manage the visa waiver test: in February 2009, ministers announced new visa requirements for five countries (South Africa, Bolivia, Venezuela, Lesotho and Swaziland), and six other countries successfully passed the visa waiver test to avoid new visa requirements. Migration cooperation with key bilateral partners on border issues is very strong.
4 Through FCO country and multilateral expertise, provide timely and informed contributions to Country of Origin Information (COI) reports, and to country assessments for designation of countries for Non-Suspensive Appeals.	The FCO has contributed to 43 COI reports and 38 COI key documents and has responded to about 400 requests from UKBA's COI Service. UKBA confirmed that FCO information is valued and makes a difference in securing positive results at Immigration Tribunals. The FCO also provided assessments to influence outcomes of (partial) Non-Suspensive Appeal designations for Turkey, Kabul and Iraq. (These designations mean a country/city is judged safe and that asylum applicants from that country/city may only make an appeal against refusal of their claim from outside the UK.)

DSO 4 continued

5 Ensure that international and EU cooperation, including the Global Forum on Migration and Development and UN developments on asylum protection, meets UK objectives.	The UK worked closely with the French presidency of the EU to ensure that the EU Migration Pact focused on practical cooperation and supported UK migration objectives. The FCO continues to promote EU engagement with African countries, through lobbying and project support. The FCO engaged well with DfID and UKBA on planning for the Global Forum meeting in October 2008. The UK welcomed the appointment of the new Director General of the International Organization for Migration. We will work with him to encourage the practical focus of the organisation in line with UK objectives.

Data sources

Indicator 1: UKBA internal and external statistics; internal FCO reporting.
Indicator 2: Internal FCO reporting; meeting records; project bids.
Indicator 3: Internal FCO reporting; business planning documents; service-level agreements.
Indicator 4: UKBA internal and external statistics; internal FCO reporting.
Indicator 5: Internal FCO reporting.

DSO 5 – Countering terrorism and weapons proliferation and their causes

This DSO is made up of eight indicators. The overall assessment is a factual assessment of progress and should be read in conjunction with the DSO technical note (www.fco.gov.uk/en/about-the-fco/publications/publications/annual-reports/autumn-performance1).

Overall assessment of progress 1 April 2008 – 31 March 2009

Terrorism only (indicators 1, 1a–1d) – Strong progress (improvement against 5/5 indicators)

We continued to work to keep the UK safe from the threat of international terrorism, focusing our resources and effort on those countries that have the greatest impact on the threat to the UK. We worked closely with Whitehall partners across all four strands of the government's Counter-Terrorism Strategy (CONTEST): Prevent, Pursue, Protect and Prepare. We now have clear and ambitious country strategies in place and more dedicated counter-terrorist staff at key posts to support the delivery of CONTEST overseas. CONTEST itself was reviewed and refreshed during 2008/9, a process to which we actively contributed. This has led to better targeting of our counter-terrorist programme resources across the FCO network, with renewed focus on strategic programme activity which will have a real impact on the ground. We have significantly scaled up our work on Prevent, working in key countries and regions to help reduce the threat to the UK from violent extremism. Work in and with Pakistan has been a priority, given the scale of threat in and from that country: the new democratic government's commitment to the struggle against violent extremism is welcome, one which we are trying to support with practical help, alongside other allies, notably the USA.

Weapons proliferation only (indicators 2–4) – Some progress (improvement against 2/3 indicators)

Although Iran, our most significant proliferation concern, continued its proliferation-sensitive nuclear activities in defiance of the international community, we have made significant progress in other areas. The UK has set a new agenda for non-proliferation, disarmament and arms control, playing a key role at the Nuclear Non-Proliferation Treaty Preparatory Committee meeting in May 2008, at the Dublin Diplomatic Conference on Cluster Munitions in May 2008 – where agreement on a Convention owed much to UK leadership (we signed the Convention in Oslo in December 2008) – and on work towards an Arms Trade Treaty. We also played an important role in building consensus on US–India civil nuclear cooperation at the Nuclear Suppliers Group. Progress was slower in some other fora: we have yet to break the deadlock in the Conference on Disarmament, including on a Fissile Material Cut-Off Treaty, although there are promising indications of progress over the coming year. We have increased the resources dedicated to tackling chemical, biological, radiological and nuclear (CBRN) terrorism threats, and continue to work with Whitehall partners to reduce the risk of a successful attack.

Note: Although we have made significant progress in two of the three weapons proliferation indicators, Iran remains a major concern and therefore a rating of "Some progress" has been awarded.

DSO 5 continued

Target indicator	**Progress assessment** 1 April 2008 – 31 March 2009
1 Focus our international counter-terrorist work on creating real effect across the four strands of the government's Counter-Terrorism Strategy (CONTEST) namely:	Counter-terrorism strategies and action plans have been agreed across government for priority countries, with more dedicated counter-terrorist staff at key posts. The strategies are supported by an ambitious FCO counter-terrorism and radicalisation programme to build the capacity of key governments to disrupt terrorists and their networks, as well as address the root causes of radicalisation. Full programme spend was achieved by the year end, with a focus on sustainable multi-year projects. In particular, we stepped up efforts to support Pakistan in tackling the shared threat from terrorism, with a comprehensive £10 million package to strengthen law enforcement, protective security and crisis management cooperation, as well as countering extremism. We worked closely with key allies to multiply our effect wherever possible.
1a Prevent: Reduce the threat posed by violent extremism to the UK and its interests overseas by undermining extremist ideology, supporting mainstream voices and increasing individual and community resilience in priority countries as part of a coordinated cross-Whitehall response.	We significantly scaled up our efforts to prevent violent extremism, including through an extensive outreach programme to challenge misconceptions at home and abroad. Foreign Secretary David Miliband led an initiative to engage Muslim communities around the UK on foreign policy issues, with over 30 outreach events. We supported visits by British Muslim delegations to 11 countries, including Pakistan, Afghanistan and Somalia, where they challenged misconceptions about life for British Muslims. Our Prevent programme represented a significant proportion of our overall programme spend, with £80 million set aside for this work from 2008 to 2011. In 2008/9, there was evidence that this programme was starting to tackle some of the causes of radicalisation overseas.

DSO 5 continued

1b Pursue: Enhance the detection and disruption of terrorists and terrorist networks which pose a threat to the UK and its overseas interests.	We worked with Whitehall partners to support the delivery of Pursue objectives, including through asset-freezing, proscription, EU and UN listing, and the deportation with assurances (DWA) of foreign national terrorist suspects. We continued to manage the consequences of decisions in DWA court cases, including lead cases heard by the House of Lords. In February 2009, the House of Lords upheld the use of assurances in DWA cases. We concluded a DWA agreement with Ethiopia, and continued to explore options for agreements with other countries. We also worked with EU and UN partners on due process improvements to counter-terrorist sanctions regimes. This followed key judgments in both UK and EU courts. We worked with Whitehall partners to build the capacity of key countries to disrupt and bring to justice perpetrators of terrorism. This included work to strengthen counter-terrorist legislation and law enforcement capabilities, as well as tackle terrorist financing.
1c Protect: Reduce the vulnerability of UK interests and nationals overseas.	We raised public awareness of the terrorist threat overseas through FCO Travel Advice. Stakeholder feedback remained positive and readership was high, with more than 4.8 million hits on the Travel Advice website. We also provided advice to British businesses through the Security Information Service for Business Overseas. We worked with key governments to build Protect capabilities overseas. We agreed more than 40 new projects aimed at boosting protective security overseas, including through improved aviation, maritime and border security. We also undertook work to improve security for British tourists in countries such as Kenya and Indonesia.

DSO 5 continued

1d Prepare: Set baseline standards for response to terrorist incidents, ensure that the FCO global network meets and exceeds them, and that sufficient staff in London have the appropriate training.	We coordinated the government's response to the Mumbai terror attacks as well as terrorist kidnaps overseas. We continued to ensure that the FCO and its overseas network were equipped to respond to a critical counter-terrorist incident by: > running a cross-Whitehall counter-terrorist exercise with an EU partner to test our joint crisis response > assisting posts across the FCO network with their counter-terrorist exercise and contingency planning > increasing the number of FCO Crisis Leadership training courses to ensure that all heads of post and senior staff are ready to respond in the event of a crisis and > building crisis management capability in key governments and countries through the Counter-Terrorism and Radicalisation Strategic Programme Fund.

DSO 5 continued

2 Address the threat from weapons of mass destruction by preventing states from acquiring or developing weapons of mass destruction capabilities (including their delivery) and by reinvigorating the global commitment to nuclear disarmament.	Iran continued its proliferation-sensitive nuclear activities, in defiance of five UN Security Council Resolutions (UNSCRs). We continued to raise pressure on Iran bilaterally through the UN Security Council, the EU, the E3+3 (UK, France, Germany, USA, Russia, China plus the EU) process, and at the International Atomic Energy Agency (IAEA). At the Nuclear Non-Proliferation Treaty Preparatory Committee in May 2008, we secured the first statement by the five permanent members of the UN Security Council (the P5) for eight years. The nuclear non-proliferation policy of the new US administration reflects our advocacy of multilateral nuclear disarmament and commitment to an ultimate goal of a world free from nuclear weapons. The FCO organised a two-day conference, hosted by Prime Minister Gordon Brown in March 2009, to build trust and cooperation on multilateral approaches to the nuclear fuel cycle, attended by 150 delegates from 36 states, non-governmental organisations, parliamentarians, industry and academia. Working closely with the French presidency of the EU, the UK also got agreement for up to 25 million euros of EU funding for the establishment of a nuclear fuel bank under the auspices of the IAEA. The FCO sponsored a number of related seminars and papers on nuclear disarmament and non-proliferation, including the International Institute for Strategic Studies' Adelphi Paper *Abolishing Nuclear Weapons* and Foreign Secretary David Miliband's launch of a Policy Information Paper *Lifting the Nuclear Shadow*. While it was not possible to break the deadlock during the UK's presidency of the Conference on Disarmament, including on a Fissile Material Cut-Off Treaty, the UK was seen as leaving no stone unturned and there is increased optimism for progress during the coming year. An exemption to the Nuclear Suppliers Group Guidelines was agreed for India: this was a significant success. Consensus was finally achieved following intense negotiation. The UK played a key role in preparing for the Chemical Weapons Convention Review Conference in April 2008, which reaffirmed consensus on key provisions.

DSO 5 continued

3 Prevent terrorists or criminals from acquiring CBRN materials.	The G8 Hokkaido Toyako Summit in July 2008 agreed to expand Global Partnership cooperative threat reduction programmes beyond Russia and Ukraine. The UK's Global Threat Reduction Programme nuclear security workshops have been extended beyond the former Soviet Union. The UK also continues to share expertise with partners under the Global Initiative to Combat Nuclear Terrorism plan of work. UNSCRs aimed at enabling states to prohibit non-state actors from acquiring and using CBRN weapons and their means of delivery, and to prevent illicit trafficking in these materials, were strengthened and extended. In 2009, the FCO co-sponsored a major capacity-building seminar for Gulf Cooperation Council countries in Doha and brokered agreement on a programme of work for the UNSCR 1540 Committee for 2009. The FCO funded the attendance of experts at the G8 Biological Terrorism Experts seminar in Tokyo in March 2009. The seminar looked at ways to manage migration flows in the event of a bio-attack or major natural outbreak of contagious disease. The FCO developed an agreed action plan for achieving the UK's objectives ahead of the 2011 Biological and Toxin Weapons Convention Review Conference. FCO experts played a leading role in the follow-up work to the Integrated Field Exercise in September 2008, an on-site verification exercise in Kazakhstan (undertaken to develop the Comprehensive Test Ban Treaty's on-site inspection and verification capabilities).

DSO 5 continued

4 Tackle the threat posed by conventional weapons to humanitarian, UK, regional and global stability.	In 2008, the UK played a major role during the final round of the Group of Governmental Experts' discussions on an Arms Trade Treaty to achieve a consensus report that should allow further UN discussions in 2009. Foreign Secretary David Miliband hosted a successful re-launch of the Arms Trade Treaty campaign in London in September 2008. A new legally binding Convention on Cluster Munitions was adopted in Dublin in May 2008, with Prime Minister Gordon Brown's intervention ensuring a successful outcome. In December 2008, Foreign Secretary David Miliband signed the Convention on Cluster Munitions in Oslo on behalf of the government. The UK was successful in securing a ten-year extension to carry out de-mining in the Falkland Islands under the Ottawa Convention. The procurement process to appoint a de-mining contractor has begun. There was a successful outcome to the Biennial Meeting of States on Small Arms and Light Weapons in July 2008 to reinvigorate the UN Programme of Action. NATO unity on the Conventional Armed Forces in Europe (CFE) Treaty was maintained. NATO Foreign Ministers reiterated their position on CFE in December 2008. With its NATO partners the UK is keen for Russia to resume compliance with its legally binding obligations under the Treaty, and for progress on US–Russia talks on the Parallel Action Plan. Talks were suspended between August and December 2008 due to Russia's military action in Georgia. Ministerial targets for quality and timeliness in assessment of export licences were met. There were no discoveries of export licences for UK goods being granted in contravention of the Consolidated Criteria.

Data sources

Indicator 1: Post reporting; Whitehall contacts; CONTEST action plans; UN and EU documents.
Indicator 1a: Delivering Targeted Effects to Counter Terrorism (DeTect) impact assessment; post reporting; CONTEST action plans.
Indicator 1b: Public court judgments; CONTEST action plans; quarterly programme reports.
Indicator 1c: FCO Travel Advice; post reporting; CONTEST action plans; quarterly programme reports.
Indicator 1d: Internal government reporting; post reporting; CONTEST action plans; quarterly programme reports.

Indicator 2: UN website, links to UNSCR 1803: www.un.org/Docs/sc/unsc_resolutions08.htm
UN website, links to UNSCR 1747: www.un.org/Docs/sc/unsc_resolutions07.htm
UN website, links to UNSCRs 1696, 1718 (Democratic People's Republic of Korea), 1737: www.un.org/Docs/sc/unsc_resolutions06.htm
US State Department website, US–India civil nuclear cooperation: www.state.gov/p/sca/ci/in/
UN website, Nuclear Non-Proliferation Treaty Preparatory Committee: www.un.org/NPT2010
Statement on behalf of the Nuclear Weapons States to the 2008 Nuclear Non-Proliferation Treaty Preparatory Committee, 9 May 2008: www.reachingcriticalwill.org/legal/npt/prepcom08/statements/May09Statement%20by%20P5.pdf
International Conference on the Nuclear Fuel Cycle, March 2009, speeches: http://ukinaustria.fco.gov.uk/en/uk-mission-un-in-vienna/meetings-and-conferences
Foreign Secretary David Miliband's *Lifting the Nuclear Shadow*, February 2009: www.fco.gov.uk/en/fco-in-action/counter-terrorism/weapons/nuclear-weapons/nuclear-paper/
International Institute for Strategic Studies' Adelphi Paper, *Abolishing Nuclear Weapons*, September 2008: www.iiss.org/publications/adelphi-papers/2008-adelphi-papers/abolishing-nuclear-weapons/
Nuclear Suppliers Group website: www.nuclearsuppliersgroup.org
Chemical Weapons Convention Review Conference website: www.cwc2008.org
Comprehensive Test Ban Treaty Organisation website: www.ctbto.org
Internal FCO reporting.
Indicator 3: G8 Summit 2008 website, Global Partnership and Global Threat Reduction Programme report: www.mofa.go.jp/policy/economy/summit/2008/doc/index.html
Department for Business, Innovation and Skills website, link to Global Threat Reduction Programme: www.bis.gov.uk/energy/non-proliferation/global-threat-reduction
UN 1540 Committee website: http://disarmament2.un.org/Committee1540
US State Department website, Global Initiative to Combat Nuclear Terrorism: www.state.gov/t/isn/c18406.htm
Verification Research Training and Information Centre website: www.vertic.org/
Internal FCO reporting.
Indicator 4: Arms Trade Treaty: www.fco.gov.uk/en/fco-in-action/counter-terrorism/weapons/arms-trade-treaty/
CFE Treaty: www.osce.org/about/13517.html/
NATO website: www.nato.int
Organisation for Security and Cooperation in Europe website: www.osce.org
UN Office at Geneva website, Convention on Certain Conventional Weapons: www.unog.ch
Arms Trade Treaty: http://disarmament.un.org/cab/ATT/index.html
Convention on the Prohibition of Anti-Personnel Mines website: www.apminebanconvention.org/
Cluster munitions, Dublin conference website: www.clustermunitionsdublin.ie/
Cluster Munitions Coalition website: www.stopclustermunitions.org/
Small arms and light weapons: http://disarmament.un.org/cab/salw.html

DSO 6 – Preventing and resolving conflict

This DSO is made up of five indicators. The overall assessment is a factual assessment of progress and should be read in conjunction with the DSO technical note (www.fco.gov.uk/en/about-the-fco/publications/publications/annual-reports/autumn-performance1).

Overall assessment of progress 1 April 2008 – 31 March 2009

Some progress (improvement against 4/5 indicators)

The year saw several high-profile failures for conflict prevention, eg Gaza and Georgia, but the UN, NATO and the EU became increasingly aware of the need to gear up their ability to address conflict, including through more focus on peacebuilding and a more strategic approach to peacekeeping. The increasing demand for UN peacekeeping and the crises in the Democratic Republic of Congo and Somalia informed the debate that the FCO started and led about the need for more effective peacekeeping and imaginative peacebuilding. At the national level, rising peacekeeping bills put pressure on the FCO's discretionary conflict resources.

Note: Although some progress has been made in all target indicators, we do not feel that this should warrant an overall assessment of "Strong progress". Therefore, a rating of "Some progress" has been awarded.

Target indicator	Progress assessment 1 April 2008 – 31 March 2009
1 Better early warning and early action to prevent conflict, and its resources.	At the UN, there has been more emphasis on early warning, including more Secretariat resources (25% increase) for work on mediation and prevention; an accent on prevention/capacity-building in the Secretary-General's report on Responsibility to Protect (R2P); and more UN Security Council (UNSC) discussion of the situation in countries such as Burma and Zimbabwe. However, sovereignty-based concerns still impede the UNSC's upstream (conflict prevention) role. In the EU, there is more focus on early warning and response, including a reference to R2P, agreed in the updated EU Security Strategy. The African Union's (AU's) early warning system will become operational in later 2009, and the EU is developing a package of support, including to establish a network of AU political officers, which should link into the early warning system. At the national level, the FCO is working to strengthen early warning capacity, including through more systematic coordination with regional directorates to address and anticipate conflict risks, and across government through the Horizon Scanning Forum.

DSO 6 continued

2 Better-integrated national and international approach to peace support operations, stabilisation and sustained post-conflict peacebuilding.	At the UN, there was support from the permanent members of the UNSC for the UK–French initiative to strengthen UN peacekeeping, including a focus on benchmarks and exit strategies – already reflected in UNSC mandates – and more strategic direction/oversight. Peacekeeping in the Democratic Republic of Congo was refocused on the east of the country and on the protection of civilians and on disarmament, demobilisation and reintegration. The UK UNSC presidency in 2008 launched an initiative on UN peacebuilding. On AU peacekeeping, the African Standby Force is expected to reach interim operating capability by 2010, with the UK supporting through the Conflict Prevention Pool. UK ideas for better civil/military coordination and planning were agreed in reforms to European Security and Defence Policy planning and in the declaration tasking the revision of NATO's Strategic Concept. At the national level, a conflict strategy and single conflict budget were agreed. Civil/military operation in Helmand (Afghanistan) was expanded: there was a successful Joint Venture exercise; and agreement was reached to set up an enhanced UK government Stabilisation Unit to deliver more civilian deployable expertise. A total of £73 million was spent on civil conflict stabilisation activities through the Stabilisation Aid Fund in Iraq and Afghanistan.
3 Increased national and international capabilities to tackle conflict, including conflict mediation and resolution.	At the EU, there was an emphasis on the need for further capability development and transformation, including a larger role for European Security and Defence Policy (multiple, concurrent missions) agreed during the French presidency. There was an increased focus in NATO (since the London Defence Ministers meeting in September 2008) on transformation, including through the UK–French Helicopter Initiative, which has generated 27 million euros to fund training and upgrades, as well as 17 helicopters for refurbishment and operational deployment. At the national level, there is now a plan for enhanced UK capacity to deploy civilian expertise for post-conflict peacebuilding. Further, there has been cross-Whitehall work on mapping and building conflict skills and analysis to underpin PSA 30 on conflict and to build on lessons learned from recent crises, including establishing FCO political crisis response teams.

DSO 6 continued

4 Improved capability to tackle the long-term and structural causes of conflict, eg political inequality, human rights abuses, weak governance and natural resources.	Use of UN fora to tackle human rights abuses: Human Rights Council Universal Periodic Review and Special Procedures were deployed to increase pressure on certain states (eg the Democratic Republic of Congo, Burma, Democratic People's Republic of Korea, and Somalia). The FCO offered support to UN Secretary General work on business and human rights in conflict areas. There was a UK–Belgian initiative to tackle exploitation and weak governance of natural resources and links to conflict. The FCO supported expansion of international adherence to voluntary principles on security and human rights, governing industry behaviour. EU: There was a UK initiative, working with the Czechs and Swedes, to develop a cross-pillar EU consensus on democracy, with Council conclusions due in 2009, and the potential to refocus EU aid more towards strategically transformational countries significant to UK interests. UK: The Strategic Programme Fund for human rights and democracy supported over 150 projects in 2008/9 to tackle the causes of conflict – corrupt criminal justice systems, inequality, unfair elections and lack of freedom of expression. Successes included anti-torture measures now in place in Azerbaijan, Bangladesh, China, Kazakhstan, Mexico and Russia. A total of £112 million was spent through the Conflict Prevention Pool to support long-term conflict prevention in six regions. Activities included: demobilising 2,000 combatants in eastern Sudan; supporting more professional and accountable armed forces in Ethiopia through Security Sector Reform; and preventing the destruction of Palestinian homes through support to the International Peace Cooperation Centre (East Jerusalem). Increased tri-departmental (FCO, DfID, MOD) conflict assessment was used as a basis for conflict prevention strategies, eg Central and East Africa, Macedonia, West Africa and Georgia.

DSO 6 continued

5 Reduced impact of conflict and acceleration towards resolution, primarily through political and diplomatic efforts, in Afghanistan, Iraq, Kosovo, the Middle East, and Sudan, and progress in addressing long-term, "frozen" or intractable conflicts.	Detailed quantitative and qualitative assessment in the review of PSA 30 suggests an upward trend overall in Iraq and the Balkans, but a worsening situation in Afghanistan, the Middle East and Sudan. There were signs of progress in Somalia and the Democratic Republic of Congo, but the Georgia crisis was a setback for the Caucasus.

Data sources

Indicators 1–4: Internal FCO and other government department reporting.
Indicator 5: Internal FCO and other government department reporting; Uppsala Conflict Data Program/PRIO/Human Security Report Project; World Bank; UN High Commissioner for Refugees; UN Children's Fund; UN Statistics Division; UN Relief and Works Agency for Palestinian Refugees in the Near East; UN Office for the Co-ordination of Humanitarian Affairs; Government of Iraq; Iraq Coalition Casualty Count; International Institute for Strategic Studies.

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

This DSO is made up of five indicators. The overall assessment is a factual assessment of progress and should be read in conjunction with the DSO technical note: (www.fco.gov.uk/en/about-the-fco/publications/publications/annual-reports/autumn-performance1).

Overall assessment of progress 1 April 2008 – 31 March 2009

Some progress (improvement against 5/5 indicators)

The widening of the credit crunch into a full economic crisis in autumn 2008 has made achieving FCO goals more difficult. Protectionist action has been limited, but risks of further action remain. Although the UN High Level Event on Millennium Development Goals in September 2008 secured further pledges of development, thanks to FCO lobbying, it is becoming more difficult to persuade donors to stick to commitments to increase funds to tackle poverty. But the crisis has generated welcome collective action through the Washington (November 2008) and London (April 2009) Summits. The FCO's engagement work was key to the success of the latter.

In spite of the economic crisis, there are encouraging signs of the necessity for a shift to low carbon. A global deal at the Copenhagen conference in December 2009 is in reach and FCO pressure is helping to press for it, but there is insufficient momentum now to predict that it will be reached with certainty. A coordinated EU response to global energy difficulties (particularly via Ukraine) has been helpful, with the FCO being central not only to the UK's but also to the EU's handling of these difficulties, but the economic situation is pushing investment away from both high- and low-carbon energy production.

Note: Although some progress has been made in all target indicators, we do not feel that this should warrant an overall assessment of "Strong progress". Therefore a rating of "Some progress" has been awarded.

Target indicator	**Progress assessment** 1 April 2008 – 31 March 2009
1 A visible and accelerated shift in investment initiated in the major economies towards low-carbon.	Significant progress has been made through agreement to the EU2020 package (the EU's ambitious commitment to fight climate change and promote renewable energy up to 2020 and beyond) and financing of carbon capture and storage demonstration plants. The FCO and its overseas network are core to the delivery of that progress, and to making the case globally for low-carbon economic recovery by encouraging use of fiscal stimuli to invest in low carbon. Global reaction to the economic downturn has been mixed (the US stimulus package commits US$150 billion to green energy, while the EU response is less ambitious). Some progress has been made to increase EU–China low-carbon cooperation.

DSO 7 continued

2 Political conditions created for an equitable post-2012 agreement of sufficient ambition to avoid dangerous climate change.	Momentum has been building for a global deal at the Copenhagen conference in December 2009, but too few states agree on the scale of ambition needed. The FCO and its overseas network are central to explaining how a deal is in countries' economic and security interests. A major shift in US policy and the creation of the US-led Major Economies Forum to re-energise negotiations are helpful. But there is too little EU-wide (and global) consensus on key problems, particularly on financing and targets. The role of the FCO's Climate Security Envoy for Vulnerable Countries has been created to mobilise the voice of smaller developing economies.
3 Risks to UK and EU energy security managed through more diverse and reliable external sources of supply and more efficient global consumption.	The Russia–Ukraine gas dispute highlighted the need for and impact of the EU acting with one voice in its external energy relations. FCO activity was central to building support for infrastructure projects in the EU's Strategic Energy Review and to good conclusions at the Spring European Council in March 2009. Physical infrastructure projects in some priority states added to the security of supply. But the impact of the economic crisis and volatile oil prices are having a negative impact on investment in both high- and low-carbon energy production. The FCO contributed to a successful London ministerial meeting on oil in December 2008.
4 Increased international commitment for an open and equitable low-carbon global economy.	The economic crisis has hampered progress on this indicator. Protectionism has increased, multilateral trade negotiations are stalled and the crisis is hindering the shift to low carbon. But protectionist action has been limited. FCO analysis and influencing work contributed significantly to securing the desired collective action in the London Summit commitments in April 2009.
5 Increased international commitment to achieve the Millennium Development Goals (MDGs).	The FCO helped secure new commitments of US$17 billion at the September 2008 UN High Level Event on MDGs. Subsequent international meetings reaffirmed aid commitments, although commitment has wavered. FCO lobbying ensured a coherent international response to the economic crisis to minimise impact on low-income countries, including US$50 billion from the G20 and the launch of a partnership on global food.

DSO 7 continued

Data sources

Indicator 1: FCO political and economic reporting; December 2008 European Council conclusions.
Indicator 2: FCO political and economic reporting.
Indicator 3: FCO political and economic reporting; June 2008 and Spring 2009 European Council conclusions.
Indicator 4: World Trade Organisation, Organisation for Economic Cooperation and Development (OECD), World Bank and International Monetary Fund economic surveys and responses to the crisis; feedback on FCO's contribution to the London Summit from No. 10, Cabinet Office, and G20 and non-G20 members; feedback from the FCO's Global Economy Group survey of users of the FCO economic network.
Indicator 5: Conclusions and other texts from the UN High Level Event on MDGs in September 2008, the European Council and G8 Summit in November 2008 and the G20 Summit in April 2009; OECD Development Assistance Committee preliminary Official Development Assistance estimates for 2008 and forecasts for 2010 (March 2009); DfID feedback on FCO lobbying ahead of the UN High Level Event on MDGs in September 2008 and other events.

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

This DSO is made up of four indicators. The overall assessment is a factual assessment of progress and should be read in conjunction with the DSO technical note (www.fco.gov.uk/en/about-the-fco/publications/publications/annual-reports/autumn-performance1).

Overall assessment of progress 1 April 2008 – 31 March 2009

Some progress (improvement against 2/4 indicators)

Delivery of this DSO is contingent upon agreement among a very wide set of interests, eg 192 UN member states, 47 Council of Europe states and 27 EU member states. The DSO also spans the entire global agenda and underpins delivery of other FCO DSOs. It encompasses the heart of the UK's initiative on international institutional reform. Progress has been limited for indicators 1 and 2, although there has been success towards reforms of the UN Security Council, the Organisation for Economic Cooperation and Development (OECD), NATO, more G8 outreach and UN management reforms. Stronger international justice support and tangible war crimes successes were also achieved. The UK was re-elected to the UN Human Rights Council. The FCO helped achieve further progress on the non-proliferation and counter-terrorism strands. The UK has ensured that the EU response to the international economic crisis promotes our ideas and that the EU response to the Russia–Georgia conflict was effective. Some progress has been made on enlargement of the EU, and agreement on the EU's global agenda to implement sanctions on the Zimbabwe regime and Iran.

Target indicator	**Progress assessment** 1 April 2008 – 31 March 2009
1 Stronger capacity in international institutions to address effectively the challenges and opportunities of the 21st century: terrorism, weapons proliferation, climate change, sustainable growth, conflict and migration.	The FCO enhanced cohesion among the five permanent members of the UN Security Council (the P5) on nuclear non-proliferation and disarmament by coordinating the first P5 statement since 2000 at a meeting of the Nuclear Non-Proliferation Treaty Preparatory Committee in May 2008. We co-hosted a conference to engage countries considering nuclear energy for the first time on Treaty implementation. In March 2009, the FCO also hosted a major international conference with the support of the International Atomic Energy Agency to take forward work on securing safe access to peaceful nuclear energy. The FCO helped achieve a successful UN Victims of Terrorism event in September 2008. The FCO also made progress on Responsibility to Protect, securing further work by the UN Secretary General.

DSO 8 continued

2 International institutions that are more representative of the modern world, more effective, efficient, responsive and coherent.	The FCO helped achieve progress on reforms of the UN Security Council, the OECD, UN development delivery and G8 outreach. The UK supported the agreement of a UN Human Resources package by the General Assembly in December 2008, along with a number of other important management reform proposals (Department of Political Affairs Strengthening, ICT package, Administration of Justice). The FCO delivered further progress on NATO reform and capability development at the April 2008 NATO Summit. The FCO provided full support for the French presidency of the EU to increase EU civil and military crisis management capabilities. There were limited successes in UN and the Organisation for Security and Cooperation in Europe (OSCE) responses to Burma, Zimbabwe and Georgia.
3 Greater international institutional effectiveness in promoting respect for human rights, justice, rule of law, democracy, open markets and the reduction of poverty and inequality.	The FCO secured UK re-election to the UN Human Rights Council in May 2008 and helped ensure the successful launch of a new process to monitor states' human rights standards. There was increased support in the UN for a moratorium on use of the death penalty. There were 12 more ratifications of the Optional Protocol to the UN Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment, bringing the total number of ratifications to 46, substantially closer to the UK target of 50. The FCO helped secure an OECD Ministerial Statement welcoming Sovereign Wealth Funds in June 2008. FCO pressure on international war crimes work helped see the arrest of Radovan Karadžić, and more states joining the International Criminal Court.

DSO 8 continued

4 An EU that responds effectively to the global challenges of prosperity, environmental security and climate change, and stability by: i) delivering an open and competitive European economy ii) promoting stability and growth in its neighbourhood and iii) working for sustainability, openness and security in the wider world.	The UK was successful in setting the framework for a coherent EU response to the economic and financial crisis, resulting in a strong EU position based on open markets and global financial cooperation at the London Summit in April 2009. The UK is making the case to consolidate a single market in a time of economic crisis, but other member states differ and this battle is not yet won. The UK protects Council common positions on Agency Workers and Working Time Directives, resulting in the successful adoption of the former, and no end to opt-out on the latter. Progress on EU accession for Turkey and Croatia has been slow but some momentum was retained. Montenegro put in an application for candidate status, while Serbia and Bosnia and Herzegovina signed Stabilisation and Association Agreements with the EU. Serbia's progress on cooperation with the International Criminal Tribunal for the former Yugoslavia has been significant. The EU under the French presidency responded well to the Russia–Georgia conflict, including rapid deployment of a monitoring mission to Georgia and positive signals sent to the EU's eastern neighbours about future relations. Work to implement the Lisbon Treaty resumed following agreement in December 2008 on a way forward to a second Irish referendum.
Other information	The FCO has developed a strategy, together with Whitehall partners, which will help achieve both the UK's initiative on international institutional reform, and delivery of this FCO DSO. The strategy will provide the basis for an ambitious campaign to increase awareness and build consensus on the need for international institutional reform. The FCO also supported a Marlborough House conference on international institutional reform in June 2008, under the Commonwealth umbrella.

Data sources

Indicator 1: Reporting from posts; conference outcome documents/statements that demonstrate new commitments by states; reports by the UN Secretary General and other UN Secretariat reports; use of independent expert reports on sanctions implementation, counter-terrorism and counter-proliferation; other member states' reports to subsidiary bodies of the UN Security Council; reports by subsidiary bodies of the UN Security Council; communiqués, resolutions and declarations adopted by international organisations.

Indicator 2: Reporting from posts; conference outcome documents/statements that demonstrate new commitments by states; reports by Secretaries General of the UN, NATO, the Commonwealth, the OSCE and the Council of Europe; reports made by individual member states, including to monitoring bodies, to independent experts or to representatives appointed by Secretaries General of these institutions; other member states' reports to subsidiary bodies of the UN Security Council; communiqués, resolutions and declarations adopted by international organisations.

Indicator 3: Reporting from posts; conference outcome documents/statements that demonstrate new commitments by states; formal announcements of ratifications and signatures of new human rights conventions by states; reporting by non-governmental organisations (NGOs) on human rights situations in countries, and human rights thematic interests; numbers of visits by UN Special Rapporteurs, and the content of their reports; other UN reports, including observations by treaty monitoring bodies; numbers of recommendations of those bodies and the human rights Universal Periodic Review process accepted by states; OSCE and Council of Europe reports, including by monitoring bodies and representatives; OSCE and Council of Europe Parliamentary Assembly pronouncements; OSCE election observation mission reports; UN reports on global economics and development; reports by international war crimes prosecutors; NGO tracking reports of International Criminal Court accessions; communiqués, resolutions and declarations adopted by international organisations.

Indicator 4: Reporting from posts; FCO Country Business Plan mid-year reviews; European Council and sectoral Council conclusions, EU summit texts, European Parliament resolutions and reports; European Commission communications; EU stakeholder outreach; Eurobarometer opinion polls.

Final assessment against outstanding PSA target from Spending Review 2004

In the 2007/8 FCO Departmental Report, we reported that final assessments against three of our SR04 PSA targets would appear in later reports due to final data not being available at the time the Report was published. Final assessments for PSA 6 (Trade and Investment) and PSA 9b (Consular) were published in the FCO 2008 Autumn Performance Report (published in December 2008). The outstanding assessment for PSA 9a (Entry Clearance) is given below.

In order that judgements on final outturns against all PSA targets can be made on a consistent and comparable basis, the Treasury asked all government departments to use the following terms when assessing SR04 PSA targets.

Green – Met/Met (ongoing)	Where the target has been achieved by the target date, or – for older open-ended targets – where the target level has been met and little would be achieved by continuing to report the same information indefinitely.
Amber – Partly met	Where a target has two or more distinct elements, and some – but not all – have been achieved by the target date.
Red – Not met	Where a target has not been met or will be met late.
White – Not assessed/ Not known	A target for which data is not available or the indicator is no longer relevant.

SR04 PSA 9 – Effective and efficient consular and entry clearance services, as measured by specific underlying targets. The entry clearance part of this target was shared by UKvisas (the former joint FCO/Home Office organisation) and the Home Office.

Following the publication in March 2006 of *Active Diplomacy For A Changing World: The UK's International Priorities*, the entry clearance part of the target linked to Strategic Priority 8: Managing migration and combating illegal immigration. The consular part of the target linked to Strategic Priority 9: Delivering high-quality support for British nationals abroad, in normal times and in crises.

This target was made up of 11 indicators, A1–4 and B1–7. A1–4 are listed below. The overall assessment is an aggregation of these progress assessments.

Overall summary of progress 1 April 2007 – 31 March 2008

Amber – Partly met

Entry clearance

The provisional cumulative figures for the year show that PSA target indicators A2, A3 and A4 were all achieved, but that indicator A1 was 1% below target. This is based on the provisional figures currently available – each month's figures are re-calculated for a two-month period before being finalised to reflect certain data-inputting issues, for example decisions on applications carried over from previous months. These figures will be re-calculated to ensure that all 2007/8 data is accounted for, and we would expect the indicator A1 figure to improve.

All four indicators ended the year with an improvement on the April 2007 figure, reflecting the commitment of the UKBA International Group – formerly UKvisas – to continually improve PSA performance and measurement. PSA targets are now an integral element of the UKBA International Group Balanced Scorecard, giving posts an additional incentive to improve performance.

Although the overall assessment for PSA 9 has been marked as "Amber – Partly met", the entry clearance indicators would have received an overall target of "Green – Met" if they had been reported on separately.

SR04 PSA 9 continued

Target indicator	**Progress assessment** 1 April 2007 – 31 March 2008
A Entry clearance	
1 90% of straightforward non-settlement visa applications to be processed and available for return to the applicant within 24 hours from the date of receipt by a visa section of the application and all supporting documents including the fee.	Amber – Partly met There was an overall provisional cumulative figure of 89%. We anticipate that the 90% target will be met when the final figures are calculated from stable and cleansed data. Performance against this indicator has remained at or around the 90% target for most of the year, with the target being achieved for six months of the reporting year. Each month, an average of 70% of all visa-issuing posts met the target.
2 90% of non-settlement applications requiring further enquiries or interview to be decided within 15 working days from the date of receipt by a visa section of the application and all supporting documents including the fee.	Green – Met Performance has been consistently improving, achieving a cumulative figure of 94% provisionally for the year. From a low of 89% in April 2007, the target was achieved in every other month of the reporting year. Each month, an average of 82% of all visa-issuing posts met the target.

SR04 PSA 9 continued

3 90% of applicants for settlement visas to be interviewed within 12 weeks (except at posts where ministers have agreed alternative targets).	Green – Met Apart from a minor dip in June and July 2007, the target was met throughout the year, achieving a cumulative figure of 94% provisionally for 2007/8. Each month, an average of 84% of all visa-issuing posts met the target.
4 60% of visa applications to be processed by posts with risk assessment units or visa assessment teams in 2005/6, rising to 70% in 2006/7 and 75% in 2007/8.	Green – Met A cumulative figure of 76% was achieved provisionally for the reporting year. This figure is calculated centrally, based on the number of visa applications handled by posts with risk assessment units or with access to intelligence-led support.

Data sources

Indicators A1–A3: Automated Monthly Statistical Return run on 5 April 2008.
Indicator A4: Statistical search screen run on 7 April 2008.

Further reading

- *FCO Autumn Performance Report 2008* (December 2008) www.fco.gov.uk/en/about-the-fco/publications/publications/annual-reports/autumn-performance1
- *FCO Departmental Report 2007/8* (May 2008) www.fco.gov.uk/en/about-the-fco/publications/publications/annual-reports/departmental-report/
- *The FCO's Strategic Framework*: *Better World, Better Britain – Mission statement* (February 2008) www.fco.gov.uk/resources/en/pdf/mission-statement

Refuelling a Land Rover in Somaliland

Taj Mahal, India

Part Four
Foreign and Commonwealth Office Resource Accounts 2008–09

(for the year ended 31 March 2009)

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Annual Report to the Resource Accounts

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

1 Scope

1.1 Entities within the Departmental Accounting Boundary

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

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

1.2 Associated Public Corporations and Non-Departmental Public Bodies (NDPBs) outside the Departmental Accounting Boundary

FCO programmes include payments to:

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

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

2 Management commentary

2.1 The role of the FCO

The staff of the FCO work in diplomatic posts abroad and in the UK. The FCO works for UK interests by delivering:

- A flexible global network serving the whole of the UK government
- three essential services:
  - Supporting the British economy
  - Supporting British nationals abroad

  - Supporting managed migration for Britain and
- four new policy goals:
  - Countering terrorism and weapons proliferation and their causes
  - Preventing and resolving conflict
  - Promoting a low-carbon, high-growth, global economy
  - Developing effective international institutions, above all the United Nations (UN) and the European Union (EU).

2.2 FCO priorities

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

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

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

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

2.3 Key relationships with stakeholders

Some of the more important stakeholder categories are:

- foreign governments and international organisations which we seek to influence and work in partnership with in order to promote UK interests
- other UK government departments, because FCO posts overseas support the international work of government partners, providing a platform for their staff overseas, gathering information and lobbying on their behalf
- customers of services provided by the FCO – these include British nationals travelling or living overseas, UK companies seeking to do business abroad and foreign nationals seeking to enter the UK
- partners in service delivery – key among these are the UK Border Agency, UK Trade & Investment (UKTI), public diplomacy partners (eg BBC World Service, British Council) and consular partners (travel industry, insurance industry, certain non-governmental organisations (NGOs)) and
- broader stakeholders – these include Parliament, especially the Foreign Affairs Committee, the international NGO community, faith communities, the media and the wider public.

2.4 Reports on meeting Public Service Agreement targets

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

- The Departmental Report 2007–08 was published in May 2008 and contained final assessments for all PSA targets the FCO was working towards between April 2007 and March 2008. The report is available at www.fco.gov.uk.
- The FCO measures performance against PSA/DSO targets using scorecards developed from the PSA Delivery Agreement and DSO technical notes which detail the full text of the agreement between the FCO and the Treasury.
- Performance Reports are published twice yearly. The Autumn Performance Report 2008 (published online only) contained a summary of progress between April and September 2008 and was published on 15 December 2008. The report is available at www.fco.gov.uk.
- Between April 2008 and March 2009, the FCO worked towards its eight DSOs and was the lead department on Conflict Reduction (PSA 30). The FCO also contributed towards PSAs on Migration (PSA 3), International Terrorism (PSA 26), Climate Change (PSA 27) and Poverty Reduction (PSA 29).

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

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

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

Note 2 to the Accounts shows that RfR 1 comprises seven main headings, A to G, and explanations of significant movements and all overspends and underspends exceeding 10% on individual headings are shown below.

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

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

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

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

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

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

2.6 **Movements in tangible fixed assets**

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

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

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

2.7 Resources available to the FCO

Assets

- The FCO's Departmental Investment Strategy was published in April 2005 (available at www.fco.gov.uk) and gives details of the FCO's asset base and broad strategies for the estate, security, and information and communications investment. An Estate Investment Strategy is currently being drafted and will be published in 2009.
- The home estate is centred on our two owned central London buildings (King Charles Street and Old Admiralty Building) and at Hanslope Park near Milton Keynes. Small leased offices in central London and Milton Keynes provide a base for legalisation services to the public. In 2008–09, a lease was entered into for a building in Milton Keynes for our new Corporate Services Centre.
- The current overseas estate consists of some 4,850 properties, ranging from embassy and high commission buildings to accommodation and other facilities. The overseas estate accommodates not only FCO staff but also government partners and wider public sector organisations.
- The FCO estate is managed using Key Performance Indicators (KPIs) to measure the performance of assets in relation to market opportunities and the operational needs of posts. Approximately 55% of properties are leased and 45% are owned. We assess a property's worth in terms of value for money criteria, fitness for purpose, physical condition and size relative to our needs. Our portfolio is therefore not static. The estate mix responds to operational needs as well as the performance of properties.

2.8 Risk

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

2.9 Key contractual arrangements

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

Company	Type of contract
3M SPSL	Biometric passports
3M AIT	Biometric passports
Armorgroup/G4S	Security services overseas
Barkers	Volume and specialist recruitment services
Cap Gemini	Prism (FCO's financial, HR, procurement and payroll system)
Control Risks Group	Security guarding services for certain overseas posts
Crown Relocations	Heavy baggage
DDAO (DHL)	Airfreight and logistics contract
FCO Services	Secure logistical, facilities, IT and environmental services
Fujitsu	FCO intranet
GardaWorld	Security in Iraq
Global Crossing UK	Provision of FTN (telecommunications network)
Hewlett Packard	Future Firecrest (ICT infrastructure)
Hogg Robinson	Travel
International SOS	Healthcare management
Interserve	Facilities management in the UK and Western Europe
ISS Pegasus	Security guarding services in the UK
Logica	FCO Web and Bridge consular system
MACE	Strategic construction partner
World Reach	Software for Compass Next Generation and LOCATE consular systems

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

2.10 Contingent liabilities

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

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

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

2.11 Sustainable development strategy

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

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

2.12 Personal data losses

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

No data losses were formally reported by the FCO to the Information Commissioner in 2008–09.

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

Incidents deemed by the Data Controller not to fall within the criteria for reporting to the Information Commissioner but recorded centrally within the Department are set out in the table below. Small, localised incidents are not recorded centrally and are not cited in these figures. Figures for 2007–08 are shown in brackets.

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

3 Corporate governance

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

- ensuring the organisation delivers the Departmental Strategic Objectives (DSOs), PSA targets and service delivery targets set by Ministers
- taking strategic decisions on the FCO's corporate agenda, including change
- effectively allocating and managing resources, in line with the Departmental Strategic Objectives
- communicating the FCO's purpose, priorities and vision to staff and other stakeholders
- monitoring and improving performance and accountability and
- protecting and enhancing the FCO's reputation for professionalism, effectiveness, integrity and efficiency.

3.2 The FCO Board is made up of ten members: the Permanent Under-Secretary of State (PUS) who chairs; Directors-General for Finance, Political, Change and Delivery, Europe and Globalisation, and Defence and Intelligence; the Chief Information Officer; the Chief Executive of UK Trade & Investment; and two independent non-executive Directors. The FCO's Senior Appointments Board ("the No. 1 Board") appoints Board members, and decisions are ratified by the Foreign Secretary.

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

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

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

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

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

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

Audit and Risk Committee

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

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

3.11 On risk, the ARC reviews the FCO Operational Risk Register on a quality basis, prior to the top operational (and strategic) risks being escalated to the FCO Board. Regular reports from the FCO's Senior Information Risk Owner (SIRO) on information risk and assurance are also considered. The ARC encourages an appropriate and proportionate approach to handling operational risks that balances the extent of the controls with the magnitude of the risk they are designed to address. Certain assurance work (eg security and health and safety) falls outside of their scope.

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

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

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

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

4 Senior management

4.1 Ministers

Ministerial portfolios and responsibilities during the year were as follows:

> Secretary of State for Foreign and Commonwealth Affairs: Rt Hon David Miliband MP
Overall responsibility for the work of the FCO; Policy Planning and Research Analysts; Communications; Honours; Whitehall Liaison Department

> Minister for Africa, Asia and the UN, attending Cabinet: Rt Hon Lord Malloch-Brown
FCO business in the Lords; Afghanistan and South Asia; Africa; UN; Human Rights; Global Issues; Commonwealth; Chair Ministerial Oversight Board for FCO Services

> Minister of State: Bill Rammell MP (from 5 October 2008; Dr Kim Howells MP until 5 October 2008)
Middle East (including Iraq and Iran); Counter-Terrorism; Counter-Proliferation; Far East and South East Asia; North America; Drugs and International Crime; Migration Policy; Leads on Afghanistan, South Asia and UN in the Commons

> Minister of State for Trade and Investment: Lord Davies of Abersoch CBE (from 14 January 2009; Digby, Lord Jones of Birmingham until 5 October 2008)
(jointly with the Department for Business, Enterprise and Regulatory Reform (BERR))

> Minister for Europe: Caroline Flint MP (from 4 October 2008; Jim Murphy MP until 31 October 2008)
EU and Europe; Russia, South Caucasus and Central Asia; Balkans; Ukraine, Belarus and Moldova; OSCE and Council of Europe; NATO; Public Diplomacy Board

> Parliamentary Under-Secretary of State: Gillian Merron MP (from 5 October 2008; Meg Munn MP until 5 October 2008)
Overseas Territories; South America; Caribbean/Central America; Australasia and Pacific; Consular Policy; Protocol; HR and Diversity; Leads on Africa, Human Rights, Global Issues, UKTI Business and the Commonwealth in the Commons.

4.2 Members of the FCO Board

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

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

> Mark Lyall Grant
Director-General – Political

> James Bevan

Director-General – Change and Delivery

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

4.3 Senior official appointments

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

5 Remuneration report

5.1 Remuneration policy

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

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

The salary of the Chief Executive of UKTI is set by the Department for Business, Enterprise and Regulatory Reform.

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

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

5.2 **Salary and pension entitlements of Ministers and members of the Board**

The information given below relates to the Ministers and other senior managers of the FCO for the period in which they were in office or on the Board. Equivalent information relating to the Wilton Park Executive Agency is given in its own accounts

Remuneration

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

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

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

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

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

5 Lord Davies of Abersoch is an unpaid Minister.

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

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

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

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

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

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

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

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

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

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

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

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

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

This table has been subject to audit.

Salary

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

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

Benefits in kind

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

Pension benefits

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

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

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

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

4 Lord Davies of Abersoch is an unpaid Minister.

Ministerial pensions

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

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

Benefits for Ministers are payable at the same time as MPs' benefits become payable under the PCPF or, for those who are not MPs, on retirement from ministerial office from age 65. Pensions are increased annually in line with changes in the Retail Prices Index (RPI). Members pay contributions of 6% of their ministerial salary if they have opted for the 1/50th accrual rate or 10% of salary if they have opted for the 1/40th accrual rate. There is also an employer contribution paid by the Exchequer representing the balance of cost as advised by the Government Actuary. This is currently 26.8% of the ministerial salary.

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

The Cash Equivalent Transfer Value (CETV)

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

The real increase in the value of the CETV

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

Members of the FCO Board	Accrued pension at age 60 at 31 March £000	Related lump sum at 31 March £000	Real increase in pension at age 60 £000	Related lump sum at age 60 £000	CETV at 31 March 2009 £000	CETV at 31 March 2008[1] £000	Real increase in CETV £000
Peter Ricketts	75–80	225–230	0–2.5	0–2.5	1,665	1,521	4
Mark Lyall Grant	50–55	150–155	0–2.5	2.5–5	973	874	19
James Bevan	35–40	115–120	0–2.5	5–7.5	690	596	41
Mariot Leslie	50–55	150–155	2.5–5	12.5–15	1,020	856	83
Simon Fraser	35–40	115–120	12.5–15	37.5–40	711	443	129
Keith Luck	5–10	–	2.5–5	–	98	51	35
Andrew Cahn[2]	–	–	–	–	–	–	–
Tony Mather	0–5	–	0–2.5	–	53	26	21
Non-executive:							
Alistair Johnston	–	–	–	–	–	–	–
Alison Platt	–	–	–	–	–	–	–

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

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

This table has been subject to audit.

5.3 Pensions

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

Civil Service Pension

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

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

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

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

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

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

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

Other information

Pension benefits are provided through the Principal Civil Service Pension Scheme (PCSPS) which is an unfunded multi-employer defined benefit scheme but the FCO is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk). For 2008–09, contributions of £43,862,000 were paid to the PCSPS (2006–07: £38,795,000) at one of four rates in the range of 17.1% to 25.5% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions usually every four years following a full scheme valuation. From 2009–10, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2008–09 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

6 Public interest and other matters

6.1 Employment of people with a disability

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

6.2 Equal opportunities

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

6.3 Sickness absence

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

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

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

6.4 Payment of suppliers

In 2008–09, the FCO signed up to the Prompt Payment Code, part of a series of structured initiatives devised by the government with the Institute of Credit Management to tackle the crucial issue of late payment. The FCO is applying this policy to all suppliers of goods and services but will not be changing existing contractual terms and conditions. The FCO aims to reduce invoice payment times to 10 working days and all valid goods and services invoices are paid as soon as they have been authorised by the FCO officials responsible for the contract.

During 2008–09, payment within 30 days was achieved in 88.4% of cases (2007–08: 93%). Payment within 10 days was achieved in 84.8% of cases in the month of March 2009.

6.5 Disclosure of relevant audit information

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

7 Post balance sheet events

There are no post balance sheet events.

8 Auditors

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

Peter Ricketts
Accounting Officer
23 June 2009

Statement on Internal Control

1 Scope of responsibility

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

Sponsored body	Accounting Officer	FCO oversight
FCO Services	Chris Moxey	Keith Luck
Wilton Park Executive Agency	Donald Lamont	Ian Hargreaves
BBC World Service	Nigel Chapman	Ian Hargreaves
British Council	Martin Davidson	Ian Hargreaves
Great Britain–China Centre	Katie Lee	Scott Wightman
Marshall Aid Commemoration Commission	Dr Frances Dow	John Rankin
Westminster Foundation for Democracy	David French	Anwar Choudhury

FCO Services became a Trading Fund on 1 April 2008.

1.2 My relationship with these Accounting Officers and Sub-Accounting Officers is set out in statements contained in the respective letters of delegation, Framework Documents and Financial Memoranda. The Foreign Secretary chairs regular meetings with the Board to set the strategic direction of the Department. These meetings have ad hoc agendas, but can be used for either Ministers or the Board to raise any risk management issue of concern.

2 The purpose of the system of internal control

2.1 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of FCO policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them economically, efficiently and effectively. The system of internal control has been in place in the FCO for the year ended 31 March 2009 and up to the date of approval of the Annual Report and Accounts, and accords with Treasury guidance.

3 Capacity to handle risk

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

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

3.3 The FCO is committed to protecting and using its information securely and effectively, in compliance with its legal obligations and with the standards and requirements set out by the Cabinet Office. This includes protecting the personal data of members of the public that the FCO Board recognises its responsibility in providing leadership and promoting a culture of information security awareness throughout the FCO. The Senior Information Risk Officer (SIRO) is a Board member and Directors have been made accountable and responsible for their information assets. The FCO is either compliant with, or on schedule to be compliant with, the 19 mandatory requirements on information security and assurance that are set out in the Security Policy Framework (SPF).

4 The risk and control framework

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

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

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

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

delivery. It is updated quarterly for consideration by the Audit and Risk Committee. Those risks requiring Board attention are elevated to the Top Risks Register.

- Strategic Risks Register (SRR): captures the major, high-level strategic risks – risks associated with the delivery of the FCO Departmental Strategic Objectives (DSOs) that have the potential to impact seriously on the FCO's reputation, resources and/or operations. It is updated quarterly, with input from DSO Plans, for consideration by the Directors-General Political, Defence and Intelligence, and Europe and Globalisation. Directors-General also have a quarterly opportunity to challenge risk owners on mitigation strategies. Those risks requiring Board attention are elevated to the Top Risks Register.
- Risk in the Network: a quarterly exercise, which enables operational risks from overseas posts to be reported and elevated, as appropriate, for attention/action at the right level. Posts identify key operational risks through their Country Business Plans and use the Risk in the Network exercise to report progress and developments to Regional Directors, who in turn flag up common themes and significant risks to the Director-General Change and Delivery. The most serious, high-level risks from the network can then be included in the Operational Risks Register and brought to the attention of the Audit and Risk Committee. If appropriate, they may then be elevated to the Top Risks Register for consideration by the FCO Board.
- Self-Audit: FCO Internal Audit facilitates an annual programme of control risk self-assessment for all Directors-General, Directors and Sub-Accounting Officers overseas. All Home Departments, Groups and Teams undertake detailed testing once every three years.
- Supply-Risk: The FCO is currently augmenting its extant Supplier Financial Risk Assessment process through the development and implementation of a comprehensive Supply-Risk Assessment methodology. It is envisaged that the revised approach will be operational by the end of June 2009 and identified key supply-risks will be added to the ORR as appropriate.

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

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

5 Review of effectiveness

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

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

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

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

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

Peter Ricketts
Accounting Officer
23 June 2009

Statement of Accounting Officer's Responsibilities

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

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

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

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

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

I certify that I have audited the financial statements of the Foreign and Commonwealth Office for the year ended 31 March 2009 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the Statement of Net Operating Costs by Departmental Strategic Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and Auditor

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

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises the Management Commentary and Remuneration Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

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

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

Basis of audit opinion

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

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

Opinions

Audit Opinion

In my opinion:

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

Audit Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
24 June 2009

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

Statement of Parliamentary Supply

Summary of resource outturn 2008–09

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

Net cash requirement 2008–09

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

Summary of income payable to the Consolidated Fund

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

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

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

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

Operating Cost Statement
for the year ended 31 March 2009

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

All activities are from continuing operations.

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

Statement of Recognised Gains and Losses

for the year ended 31 March 2009

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

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

Balance Sheet
as at 31 March 2009

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

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

Peter Ricketts
Accounting Officer
23 June 2009

Authorised for issue
on 30 June 2009

Cash Flow Statement
for the year ended 31 March 2009

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

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

Statement of Net Operating Costs by Departmental Strategic Objectives
for the year ended 31 March 2009

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

Notes

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

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

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

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

4 For DSO 2 costs in 2008–09, there are some costs that are not directly attributable to UKTI.

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

Notes to the Accounts

1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2008–09 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

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

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Department for the purpose of giving a true and fair view has been selected. The Department's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

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

1.2(a) Basis of consolidation

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

1.2(b) Machinery of Government change

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

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

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

1.3(a) Tangible fixed assets

Land and buildings are stated at the lower of replacement cost and recoverable amount using periodic professional valuations. The overseas estate is subject to a three-to-five-year rolling revaluation programme and interim desk reviews. Antiques and works of art are grouped and valued on a market-value basis by professional valuers and are included where the valuations equate to or exceed £5,000. Other tangible fixed assets are stated at current value using appropriate indices. The minimum level for capitalisation of a single tangible asset is £3,000, subject to grouping conventions where appropriate. On initial recognition, tangible fixed assets are measured at cost including any costs such as installation directly attributable to bringing them into working condition. Assets are included in the accounts at the cost or valuation applicable as at the balance sheet date; any movements in valuation during the year are taken to the revaluation reserve or treated as impairments where appropriate.

1.3(b) Intangible fixed assets

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

1.4 Depreciation

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

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

1.5 Donated assets

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

1.6 **Private Finance Initiative transactions**

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

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

1.7 **Financial assets**

As described in Note 14, the FCO holds an investment in FCO Services as a financial asset. The FCO Services Trading Fund Order 2008 (SI 2008 No. 590) provides for Public Dividend Capital (PDC) of £3,204,000, being part of the difference in value between the assets and the amount of liabilities of the fund as at 1 April 2008, on which a dividend would become payable. The PDC was raised to £4,981,000 with subsequent revisions to the balance sheet values as at 1 April 2008 and statutory approval was obtained after the balance sheet date under the FCO Services Trading Fund Order 2009 (SI 2009 No. 1362). An additional amount of £4,981,000, being the other part part of the difference in value between the assets and the amount of liabilities of the fund as at 1 April 2008, was established as a Vesting Day Loan attracting interest of 4.03% per annum. The amounts are scheduled for repayment in equal annual instalments from October 2011 to October 2015.

In addition, a Working Capital Loan of £10,000,000 was made to FCO Services on 1 April 2008, scheduled for repayment in equal instalments from April 2009 to October 2012, and attracting interest of 4.01% per annum. The amount repayable within one year as at the balance sheet date is transferred from fixed assets to current assets.

1.8 **Stocks**

Stocks are valued at cost.

1.9 **Operating income**

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

1.10 **Administration and programme expenditure**

The Operating Cost Statement is analysed into administration and programme. Administration reflects the costs of running the FCO together with the associated operating income. Income is analysed in the notes between that which, under the administrative cost-control regime, is allowed to be offset against gross administrative costs in determining the outturn against the administrative cost limit, and that operating income which is not. Programme costs reflect non-administration costs, including payments of grants and other disbursements by the FCO, as well as certain staff costs where they relate directly to service delivery. The classification of expenditure and income as administration or as programme follows the definition of administration costs set by the Treasury.

1.11 **Administration to programme allocation**

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

1.12 **Capital charge**

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

1.13 **Foreign exchange**

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

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

1.14 **Pensions**

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

1.15 **Early departure costs**

The FCO meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early, by paying the required amounts annually to the PCSPS over the period between early retirement and normal retirement date. The FCO provides for this in full when the early retirement programme becomes binding on the Department by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.2% in real terms (2007–08: 2.2%).

1.16 **Terminal benefits for locally engaged staff**

The FCO is required to observe local employment laws regarding the payment of pensions, gratuities and terminal benefits at its overseas posts. Where state or other trustee schemes exist, the FCO discharges its obligation in-year by the payment of accrued contributions. Where the final gratuity or terminal benefit has to be met by the FCO, the full cost has been provided for in the accounts. The FCO has adopted the requirements of FRS 17, "Retirement Benefits", in respect of its overseas pension schemes.

1.17 **Leases**

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

1.18 **Grants payable**

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

1.19 **Provisions**

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

1.20 **Value Added Tax**

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

1.21 **Third party assets**

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

1.22 **Contingent liabilities**

In addition to contingent liabilities disclosed in accordance with FRS 12, the Department discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of *Managing Public Money*.

Where the time value of money is material, contingent liabilities that are required to be disclosed under FRS 12 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to Parliament.

2 Analysis of net resource outturn by section

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

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

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

3.1 Reconciliation of net resource outturn to net operating cost

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

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

3.2 Outturn against final Administration Budget

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

4 Reconciliation of resources to cash requirement

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

5 Analysis of income payable to the Consolidated Fund

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

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

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

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

7 Staff and related costs

7.1 Staff costs comprise:

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

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

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

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

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

* UK Border Agency staff	1,370	623	41	2,034	2,256

8 Other administration costs

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

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

** The programme costs transfer is agreed with HM Treasury for 2008–09 and subsequent years as part of the Comprehensive Spending Review, and is included in Estimates. This transfer was not included within Estimates for 2007–08.

9 Programme costs

Current grants and other current expenditure:

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

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

10 Income

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

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

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

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

11 Analysis of net operating cost by spending body

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

12 Tangible fixed assets

	Non-residential land and buildings £000	Residential land and buildings £000	Information technology £000	Transport equipment £000	Plant and machinery £000	Antiques and works of art £000	Assets under construction £000	Total tangible assets £000
Cost or valuation								
At 1 April 2008 – Restated	760,947	733,723	70,251	60,145	39,354	20,281	248,836	1,933,537
Additions	87	–	13	–	169	–	224,464	224,733
Disposals	(42,010)	(19,502)	(14,350)	(5,034)	(3,935)	–	–	(84,831)
Impairments	28,785	5,763	(6,408)	–	–	–	–	28,140
Revaluation	448,625	196,009	–	3,617	505	(51)	–	648,705
Reclassification*	104,421	576	84,422	15,463	12,384	7	(222,438)	(5,165)
At 31 March 2009	**1,300,855**	**916,569**	**133,928**	**74,191**	**48,477**	**20,237**	**250,862**	**2,745,119**
Depreciation								
At 1 April 2008 – Restated	43,770	3,054	49,222	34,001	19,019	–	–	149,066
Charge for the year	24,400	23,194	18,268	9,797	4,464	–	–	80,124
Charge for the year – donated assets	97	991	–	–	–	–	–	1,088
Disposals	(440)	(138)	(14,335)	(4,332)	(3,853)	–	–	(23,098)
Impairments	–	–	(2,377)	–	–	–	–	(2,377)
Revaluation	(17,768)	(22,475)	–	1,301	218	–	–	(38,724)
At 31 March 2009	**50,059**	**4,626**	**50,778**	**40,767**	**19,849**	**–**	**–**	**166,079**
Net book value								
At 31 March 2009	**1,250,796**	**911,943**	**83,150**	**33,424**	**28,628**	**20,237**	**250,862**	**2,579,040**
At 31 March 2008 – Restated	717,177	730,669	21,029	26,144	20,335	20,281	248,836	1,784,470
Asset financing:								
Owned	877,146	648,370	83,150	33,424	28,628	20,237	250,862	1,941,817
Leased	362,572	263,573	–	–	–	–	–	626,145
On-balance sheet PFI contracts	11,078	–	–	–	–	–	–	11,078
Net book value								
At 31 March 2009	**1,250,796**	**911,943**	**83,150**	**33,424**	**28,628**	**20,237**	**250,862**	**2,579,040**

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

Notes to tangible fixed assets

Non-Specialised Properties

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

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

Specialised Properties

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

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

The valuations have been undertaken by way of an internal desk review of the valuations previously supplied by external Chartered Valuation Surveyors. Where possible, in arriving at an opinion of Market Value and/or Fair Value, observable prices and market data relating to actual transactions involving comparable properties have been utilised. For a number of properties, however, it has been necessary to rely on information obtained from market indices and benchmarks, informal advice received from local estate professionals and valuer judgement. These valuations are valid as at the date reported, 31 March 2009, and due to current global market volatility should not be relied upon beyond that date without referring to the valuers.

Antiques and Works of Art

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

13 Intangible fixed assets

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

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

14 Financial assets

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

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

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

15 Stocks and work in progress

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

16 Debtors

16.1 Analysis by type

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

16.2 Intra-government balances – Consolidated

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

17 Cash at bank and in hand

	2008–09 £000	Restated 2007–08 £000
Balance at 1 April 2008	3,050	82,964
Net change in cash balances	20,070	(79,914)
Balance at 31 March 2009	**23,120**	**3,050**
The following balances and overdrafts at 31 March are held at:		
Balances		
Commercial banks and cash in hand UK and overseas	35,776	30,064
	35,776	**30,064**
Overdrafts (Note 18)		
Government Banking Service	(11,898)	(25,792)
Commercial banks overseas	(758)	(1,222)
	23,120	**3,050**

18 Creditors

18.1 Analysis by type

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

18.2 Intra-government balances – Consolidated

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

19 Provisions for liabilities and charges

	Early departure costs	LE staff terminal gratuities	Other staff provisions	Other provisions	Total
	£000	*£000*	*£000*	*£000*	*£000*
Balance at 1 April 2008	24,738	32,501	1,452	6,675	65,366
Provided in year	14,325	5,455	49	3,000	22,829
Provisions utilised in the year	(13,646)	(301)	(1,501)	(5,575)	(21,023)
Unwinding of discount	476	–	–	–	476
Balance at 31 March 2009	**25,893**	**37,655**	**–**	**4,100**	**67,648**

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

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

20 General Fund

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

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

21 Reserves

21.1 Revaluation reserve

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

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

21.2 Donated assets reserve

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

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

22 Notes to the Consolidated Cash Flow Statement

22.1 Reconciliation of operating cost to operating cash flows

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

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

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

Analysis of capital expenditure and financial investment

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

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

22.3 **Payments of amounts due to the Consolidated Fund**

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

22.4 **Analysis of financing**

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

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

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

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

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

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

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

23.2 Capital employed by aim and objectives

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

24 Capital commitments

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

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

25 Commitments under leases

25.1 Operating leases

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

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

25.2 Finance leases

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

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

26 Commitments under PFI contracts

26.1 Off-balance sheet

Global Crossing

The contract is in respect of the provision of a worldwide telecommunications network for a term of ten years from 10 May 2000. The estimated capital value of the contract is £250m but it is considered by the Board that the equipment brought into use under the contract is not an asset of the Department. The present unitary payment charged to the Operating Cost Statement is £30.7m per annum.

26.2 On-balance sheet

Arteos

The contract is in respect of the building, operation and maintenance of the British Embassy Berlin for a term of 30 years from 23 June 2000 with an option to extend for a further 30 years. Overall, the balance of the risks and rewards of ownership of the property are borne by the Department, and, therefore, the embassy is included in these accounts as a tangible fixed asset. The initial capitalisation of the contract was reflected in the accounts for 2002–03. The unitary charge which covers the occupation of the building has been discounted over the remaining life of the contract and capitalised.

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

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

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

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

26.3 Charge to the Operating Cost Statement and future commitments

The total amount charged in the Operating Cost Statement in respect of off-balance sheet PFI transactions and the service element of on-balance sheet PFI transactions was £32,001,000 (2007–08: £31,461,000).

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

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

27 Other financial commitments

The Department has entered into non-cancellable contracts (which are not leases or PFI contracts) for facility management, logistics and computer services. The payments to which the FCO is committed during 2009–10, analysed by the period during which the commitment expires, are as follows:

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

28 Retirement benefit schemes

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

Defined contribution schemes

The FCO operates defined contribution schemes in: Barbados, Denmark, New Zealand, Portugal, Trinidad and Tobago, and Zambia. Those in Portugal and Trinidad and Tobago have been converted from defined benefit and re-classified in the current year as defined contribution (DC) schemes. The schemes operated in Belgium and Holland are defined benefit but multi-user, where the individual insurers' assets cannot be identified; these are treated as direct contribution schemes. The value of contributions in 2008–09 was £697,064 (2007–08: £489,180).

Defined benefit schemes	**Fair value of assets**	**2009 Present value of future liabilities**	**2009 Surplus/ (deficit)**	**Fair value of assets**	**2008 Present value of future liabilities**	**2008 Surplus/ (deficit)**
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Retirement benefit schemes – asset						
Canada (2009 – net liability)	–	–	–	5,241	(4,991)	250
Irish Republic (2009 – net liability)	–	–	–	1,625	(1,594)	31
Jamaica	705	(541)	164	570	(430)	140
South Africa	4,193	(4,012)	181	3,549	(2,951)	598
Trinidad and Tobago	–	–	–	304	(111)	193
Surplus	**4,898**	**(4,553)**	**345**	**11,289**	**(10,077)**	**1,212**
Retirement benefit schemes – liability						
Canada (2008 – net asset)	5,284	(6,976)	(1,692)	–	–	–
Irish Republic (2008 – net asset)	1,282	(1,529)	(247)	–	–	–
Mauritius	133	(164)	(31)	164	(173)	(9)
Portugal	–	–	–	351	(358)	(7)
USA	19,949	(30,874)	(10,925)	22,221	(24,080)	(1,859)
Deficit	**26,648**	**(39,543)**	**(12,895)**	**22,736**	**(24,611)**	**(1,875)**
Total FV/(PV future liabilities)	**31,546**	**(44,096)**		**34,025**	**(34,688)**	
Net surplus/(deficit)			**(12,550)**			**(663)**
Total FV of assets is analysed as follows:						
Equities			14,645			15,858
Bonds			10,746			11,222
Other			6,155			6,945
			31,546			**34,025**

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

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

In addition to the above, net pension liabilities in Colombia have been crystallised and an annuity contract agreed with a major insurance company; the full liability against this contract was discharged in March 2006. Residual liabilities of some £446,614 for long-serving members of staff remain; these are fully covered by insurance investments pending final unwinding and settlement of the net overall FCO liability.

29 Financial instruments

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

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

Forward purchases of US dollars, euros and Japanese yen

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

During 2008–09, forward purchases of USD 559m and EUR 102m were secured and delivered at a cost of £367m. Due to the weakening of sterling over the course of the year, these purchases resulted in a realised net gain of £43.6m over the potential cost had the purchases been made at the FCO central rate of exchange on the date of delivery.

Forecast unrealised gains and losses on forward purchases maturing after the balance sheet date based on the actual rates of exchange at 31 March 2009 are included under current assets as financial assets (see Note 16) or creditors as financial liabilities (Note 18) on the balance sheet. This is analysed as follows:

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

Fair values

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

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

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

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

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

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

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

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

31 Contingent liabilities disclosed under FRS 12

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

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

32 Losses and special payments

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

33 Related party transactions

The FCO is the parent department of Wilton Park Executive Agency and sponsors the BBC World Service and the British Council, as well as the:

- Westminster Foundation for Democracy
- Great Britain–China Centre and
- Marshall Aid Commemoration Commission.

In addition, the FCO holds a financial and strategic investment in FCO Services Trading Fund (previously an executive agency of the FCO).

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

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

- Reed
  Michelle Luck, wife of Keith Luck (Director-General Finance), works at Elsevier, which is a subsidiary of Reed Elsevier. Other subsidiaries include Reed Business Information and Lexis Nexis. These have provided various publications for FCO customers in the UK at a cost of £69,321 (2007–08: £13,334) and for FCO customers overseas at a cost of £10,718 (2007–08: £673) (sterling equivalent). Mr Luck had no role in the decision to purchase from any of the Reed Elsevier subsidiaries. Mrs Luck had no role in the group's provision of publications to the FCO.
- Bupa
  Alison Platt (non-executive Board member) is the Group Development Director at Bupa. Bupa have provided healthcare to staff in Riyadh at a cost of £74,191 (2007–08: £51,036) (sterling equivalent) and medical insurance for UK-based staff amounting to £15,353 (2007–08: £13,579). Ms Platt had no role in the decision to engage Bupa, nor any role in the organisation's proposal or provision of services to the FCO.

34 Machinery of Government changes

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

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

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

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

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

35 Reconcilliation to Core Table 4 – Resource DEL net outturn

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

List of common abbreviations/glossary

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

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

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

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