



Foreign &  
Commonwealth  
Office

# Foreign and Commonwealth Office

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Annual Report and Accounts 2012-13  
(For the year ended 31 March 2013)





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Accounts presented to the House of Commons pursuant to Section 6(4)  
of the Government Resources and Accounts Act 2000

Annual Report presented to the House of Commons by Command of Her Majesty

Annual Report and Accounts presented to the House of Lords by Command of Her Majesty

Ordered by the House of Commons to be printed on 1 July 2013

# Foreign and Commonwealth Office

## Annual Report and Accounts 2012-13

(for the year ended 31 March 2013)

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

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You can download this publication from:

<https://www.gov.uk/government/publications?departments%5B%5D=foreign-commonwealth-office>

ISBN: 9780102983098

Printed in the UK by The Stationery Office Limited on behalf of the Controller of Her Majesty's Stationery Office

ID P002556120 07/13

Printed on paper containing 75% recycled fibre content minimum.

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## Foreword - Secretary of State for Foreign & Commonwealth Affairs

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Since being appointed Foreign Secretary three years ago, I have been determined to improve the strength and reach of the Foreign and Commonwealth Office (FCO), which leads the Government's international efforts to protect and promote British interests. I want the FCO to be clearly the best diplomatic service in the world. FCO staff have responded to this challenge with great enthusiasm and energy.

We are building up the FCO as an institution, putting us in a better position to promote the long-term interests of the UK and create new opportunities for growth. Our strengthened diplomatic network has enabled us to focus more on high growth markets. We are now one of only three European countries represented in all ten Association of Southeast Asian Nations member states and we have the largest diplomatic network in India of any developed nation. Our Ministerial team has travelled tirelessly to exploit opportunities and develop connections. A new Future International Leaders Programme will develop lasting relationships with a new generation of talented people from emerging economic powers, complementing our global Chevening Scholarship programme which now has 42,000 alumni. In 2013 we will open a new language centre at the FCO, investing further in the skills needed to cement this strategic shift.

We are also a more resilient organisation. Our new crisis call handling centre can handle simultaneous overseas crises and is able to take more than 300 calls an hour from concerned family and friends. 88% of consular customers surveyed rated the service we provide as excellent or good. We responded promptly to the hostage crisis in Algeria and have led a cross-Government response to address new threats in the North West African region.

2012 was a remarkable year in which we capitalised on historic opportunities for the benefit of the country. The Queen's Diamond Jubilee and the London Olympic and Paralympic Games showed the best of the UK to the world. At London 2012, UK Ministers did business face to face with over 100 foreign leaders and over 3,000 business leaders and global figures attended UK Trade and Investment's British Business Embassy at Lancaster House. We are now building on the legacy of the Games, and UK companies have already won over £120m worth of contracts linked to the 2014 Football World Cup and the 2016 Olympic and Paralympic Games.

British diplomacy continues to be a force for good, bringing about meaningful and enduring change. Seven years of intensive UK diplomacy saw the UN adopt an Arms Trade Treaty that once implemented will save lives, promote development, combat terrorism and protect the legitimate arms trade. In May 2012 I launched a new Preventing Sexual Violence Initiative to end the culture of impunity surrounding the use of rape as a weapon of war. It is my personal priority and a central objective of the UK G8 Presidency to see meaningful progress on this over the coming year. We have made a good start with G8 Foreign Ministers recently adopting a historic declaration on Preventing Sexual Violence in Conflict.

Yet some problems are proving more intractable. Despite immense efforts we and international partners have yet to achieve a breakthrough in Syria where the bloodshed continues. We are intensifying our efforts to secure a political transition that ensures lasting stability. The Syrian people are at the heart of this crisis and we will not abandon them.

Elsewhere we have continued to advance UK interests. We conducted a successful campaign in Latin America and the US around the 30th anniversary of the invasion of the Falkland Islands to reinforce the right of the islanders to self determination. In Asia our work on the UK-Afghanistan-Pakistan trilateral process is contributing to Afghanistan's long-term stability as we transfer responsibility for security to the Afghan government.

A personal highlight of the year was welcoming Her Majesty The Queen to the FCO for the final official event of Her Diamond Jubilee. I was honoured to pay tribute to Her Majesty's service to our country and lifetime of diplomacy. The Queen has made over 260 official visits to over 116 countries, advancing ideals of peace, friendship, freedom and tolerance. Her contribution to the UK's reputation overseas is immeasurable.

The FCO has much to be proud of and I am confident that FCO staff will tackle both the anticipated and unexpected challenges of the year ahead with characteristic vigour and dedication.

Rt Hon William Hague MP

Secretary of State for Foreign & Commonwealth Affairs

June 2013

## Foreword - Lead Non-Executive Board Member

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In its second year of operation, the FCO Supervisory Board examined a range of issues, including the prosperity agenda, consular policy, estates reform, staff morale, and the institutional strength of the Foreign Office. The Board meets quarterly and is chaired by the Foreign Secretary, who sits alongside four other Ministers, four senior officials, and four Non-Executive members - Julia Bond, Rudy Markham, Heather Rabbatts and me.

We outsiders have helped to shape the Board's agenda with a focus on the five cross government priority themes: Strategic Clarity, Commercial Sense, Talented People, Results Focus, and Management Information. Specifically, we have focused the Board's attention on questions like the security and motivation of staff around the world, litigation risks, and the progress being made on the major infrastructure projects that are being undertaken by the FCO. On Management Information the Board now receives a comprehensive pack that looks at key data on Human Resources, Legal, Finance, Major Projects and Security.

These meetings are built around formal presentations and paperwork, and provide an opportunity for Ministers and officials to think about and debate longer term strategic issues with input from outsiders, who come from a range of backgrounds and bring their different experiences to bear on the discussions.

In addition, Julia and Rudy continue to sit on the Management Board, which meets every month. It is chaired by the Permanent Under-Secretary and has operational responsibilities for the running of the FCO. They also participate in the Senior Appointments Board, and the Audit and Risk Committee, which both feed into the work of the Management Board. Two areas of particular focus have been managing risks and developing management information in order to get more rigour and consistency into judgments on planning and the allocation of resources. Good progress has been made on developing better oversight of tactical and strategic progress, and this work will be taken further in the coming year. Workforce planning and development are other regular agenda items, along with estates rationalisation and new buildings.

Meetings are also held with Non-Executives from other Government Departments, and are chaired by Lord Browne of Madingley. These provide an opportunity to learn from the experience of others, and to confirm our view that the FCO is among the most interesting places to work in Whitehall.

Outside the formal board meetings, we Non-Executives have been increasingly engaged in the life of the Office. We get involved in the business planning process, and sit on the challenge sessions with each of the Director Generals (DGs) to review progress against the FCO's policy priorities and corporate objectives. We are members of the Diplomatic Excellence External Panel, which provides an outside assessment of the work and performance of the FCO, ranking it against major competitors (and recording a good outcome this year).

And we get stuck into big occasions - like the annual FCO Leadership Conference, in which we all participate in one way or another. We also enjoy being involved in FCO operations in a variety of different ways. All of us are keen to take part in its activities at every level.

We talk to our different networks of contacts about perceptions of the FCO's performance, and have noted in particular the positive signals that have been coming from the business community in the past year or two. This suggests that progress is being made on the prosperity front. Finally, I have been fortunate enough to visit a number of Posts on my travels over the past year, and have consistently been impressed by the energy and professionalism that I have encountered everywhere on these visits.

The past year has been a demanding period for everyone working in the Office, and the coming 12 months promises to be at least as challenging. The FCO aims to be a big thinking Department, shaping the whole of government in its approach to the world. We Non-Executives are confident about the organisation's capacity for continued progress in the future, and are determined to do everything we can to be helpful.

Sir Richard Lambert  
Lead Non-Executive Board Member  
June 2013

## Executive Summary - Permanent Under-Secretary

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Our aim is to be the best diplomatic service in the world by 2015: recognised as ambitious, confident and proud of what we do. Overall, 2012-13 took us steadily closer to that goal, and included some remarkable achievements.

The London 2012 Olympic and Paralympic Games gave us an extraordinary opportunity to showcase our country. It was a hugely exciting time and I am proud of the part the FCO played not only in making the Games a success, but in seizing the opportunity to advance our foreign policy priorities. Both the opportunity and the demand on our services were unprecedented. We led the successful delivery of over 120 visits from Heads of State and Government, ensuring that their time in the UK furthered our international relationships. We delivered an ambitious and innovative global public diplomacy campaign, using the GREAT brand, which communicated the UK's qualities and values to over 2 billion people through 1,500 events. The Games opened doors around the world and we are working hard to ensure that translates into a lasting economic and diplomatic legacy for the UK.

We have continued to organise our diplomatic work to support three main priorities: security, prosperity and consular services. These are published in the section on the FCO's Purpose and Priorities, which describes what we have achieved in each area. Our work promoting prosperity and growth has been more focused and effective than ever before. I am delighted by the positive comments we received from British industry following the first anniversary of the FCO Charter for Business. We recognise that we still have much to do to support the economic recovery and growth of the UK and to provide businesses with the level of service they need around the world.

I am proud that the quality of our consular work has continued to receive strong external endorsement for excellence.

We have a strong ambition and plan to continue to improve and achieve our goals for 2015 through our Diplomatic Excellence programme. This brings together our contribution to the Government's Civil Service Reform agenda, and is the vehicle by which we drive improvement across the full span of our activities. Diplomatic Excellence is centred on three interlinked themes of Policy, People and Network and is supported by the values and behaviours we expect from our staff: taking responsibility, encouraging innovation and working together.

Simon Fraser  
Permanent Under-Secretary  
June 2013



# Who we are and How we work

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## Who we are

The Foreign and Commonwealth Office leads the Government's efforts to protect and promote the UK's interests and values overseas, building alliances, networks and connections across the world. Our mission is to promote UK growth, defend our security, and protect British nationals overseas.

We aim to provide the best possible service, value and return to the British taxpayer. Under this Government, the FCO has been reinvigorated. It has a renewed sense of purpose, a stronger grip of its finances, and transformed relationships with other Government Departments and the intelligence agencies. At home and abroad, the FCO is using its skills and influence to advance the efforts of the whole of Government.

## How we work

There are three strands. The first is ensuring we are producing and implementing, through our diplomacy, first class foreign policy with British interests at its heart. The second is having the right people, UK Civil Servants and staff recruited locally, with the right skills to do their jobs who understand their role and give of their best. The third is through our worldwide network of Posts - making sure we are operating as cost effectively as possible, in the right places, with the right IT and security.

### *Diplomatic Excellence in our network*

Diplomatic Excellence supports the Foreign Secretary's ambition to strengthen and reform the FCO network during a time of austerity. Our focus is on making the network wider, targeted on relationships key to the future, and better value for money. Work is underway to consolidate our London headquarters into one building in King Charles Street, saving around £5m a year in running costs for the FCO and freeing up our Old Admiralty Building for use by another Government Department. Overseas we are stepping up work with other Departments to join up our efforts, working in an increasingly unified way as part of the Civil Service and cutting out duplication. We are increasing the professionalism of our corporate functions and adopting a more regional approach. We are concentrating our transactional operational work in Milton Keynes and Manila. We are also working to strengthen the role and voice of our local staff who will make up 70% of our staff by 2015.

### *Diplomatic Excellence External Panel*

Measuring success in foreign affairs is always challenging, but we have continued to seek innovative ways to assess our performance.

The Diplomatic Excellence External Panel was set up to provide the FCO with informed external challenge in assessing our performance. The panel is made up of a representative sample of around 70 senior partners, experts and opinion formers (including other Government Departments, Parliamentarians, business leaders, academics, think tanks, media, non-governmental organisations, and large international organisations). It was set up to provide the FCO with informed external challenge in assessing our performance. The panel first met in March 2012 and will meet again in May 2013.

We ask members for their external opinion (including a score) to validate our own assessment, to rank us against our peers and to give feedback on how we can improve. The views of the external panel are reviewed alongside internal measurement to provide a final assessment, which is then consolidated into a single composite mark (out of 10) and a qualitative summary of our overall performance. This approach has been validated by the Office of National Statistics and endorsed by the Cabinet Office.

For 2012-13 the group gave the FCO a score of 7.1 out of 10, which compares favourably with last year's score of 6.8. Many of the panel mentioned a general trend of improvement, and said they consider the FCO to be among the best diplomatic services in the world.

## Our Purpose and Priorities: 2012-13

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

**Keep Britain safe:** we tackle new threats effectively and at source. By acting beyond our borders, we are better able to defeat the terrorism that threatens us at home, prevent nuclear proliferation, and prevent the harm to the British people and our economy caused by conflict.

**Make Britain prosperous:** we promote growth and jobs at home by pursuing export and investment opportunities abroad, especially with the powers that will shape the world economy in the 21st century.

**Support British nationals overseas:** the work that often grabs the headlines is our crisis response. But much of the work of the FCO is assisting with individual problems out of the glare of media attention. We help British nationals keep themselves safe and focus our assistance on the most vulnerable in the greatest distress.

In 2012-13, we continued to play an active and influential role in international institutions such as the United Nations, European Union and Commonwealth, and work to make them more effective. We worked closely with our traditional allies, including our Commonwealth partners. We strengthened our relationship with our European allies, including Germany. Our alliance with the United States continues to be our single most important bilateral relationship.

We also worked with all Government Departments to develop our relationships with emerging powers. As well as working with other governments, we collaborated increasingly with partners beyond governments and in new ways – including digitally – to engage public opinion around the world and promote UK interests and values. We launched a major new human rights initiative on preventing sexual violence in conflict, which we developed into a key theme of our 2013 G8 Presidency.

The protection and promotion of human rights and democracy remains a key priority for the UK. Our 2012 Annual Human Rights and Democracy Report is available on the FCO website: [www.hrdreport.fco.gov.uk](http://www.hrdreport.fco.gov.uk)

In addition to this broad range of networks and relationships – bilateral and multilateral – that are vital to our interests and which we work to sustain day in, day out, we set 18 specific priority outcomes under the three priority policy themes. These were to:

### Security

- Keep the political settlement in Afghanistan on track and agree a sufficient and sustainable size, shape and funding for the Afghan National Security Forces.
- Support peaceful transitions in the Middle East and North Africa, establishing the UK as a trusted partner, well placed to support and benefit from change.
- Lead international diplomatic efforts to resolve concerns about Iran's nuclear programme, avoiding conflict in the Gulf.
- Support the Falkland Islanders' right to self determination.
- Support conflict resolution in fragile states.
- Substantially increase enforced returns of foreign national offenders and failed asylum seekers to priority countries.
- Reform the European Court of Human Rights.
- Promote stability through the Western Balkans.

### Prosperity

- Support business to help double the UK's exports to £1trillion by 2020 and attract inward investment worth £1billion in UK priority infrastructure projects in 2012-13.
- Promote a strong open rules-based global trading system, strengthening the economic conditions for sustainable growth.
- Lead the diplomatic effort to launch negotiations this year on a new and legally binding treaty to tackle climate change.
- Strengthen UK relationships with emerging powers to support UK prosperity and security.
- Lead pro-growth policies in the EU.
- Organise successful visits (approximately 100 anticipated) of Heads of State and Government to the London Olympics and Paralympics.

### Consular

- Deliver excellent consular assistance to British nationals, focussed on doing more for the most vulnerable.
- Develop more modern and flexible ways of delivering our services to match customers' needs, including online, by telephone, through contact centres or in partnership with others.
- Strengthen structures and processes to improve the FCO's consular crisis management.
- Continue to deliver effective and efficient overseas passport services.

# How we have performed

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## Security

On security, in summary, we fully achieved two of the identified priority outcomes:

### *Falklands*

We protected the rights and promoted the wishes of the Falkland Islanders, supporting them during a campaign of intense Argentine pressure on their economy and transport links.

### *European Court of Human Rights*

The FCO worked with the Ministry of Justice and other Government Departments to achieve reform of the European Court of Human Rights, as part of our Chairmanship of the Council of Europe. This culminated in the adoption of the Brighton Declaration in April 2012. The reforms will make the Court more efficient, reduce the backlog of cases and ensure it focuses on the most important cases. Reforms are now being implemented, and the number of cases in the backlog has fallen.

We partially delivered the other security outcomes. It has been vital that we respond to developing world events in an agile and effective manner. To strengthen our approach to conflict resolution, we created a new £20 million Early Action Facility (EAF). Specific examples, which include additional activities where the EAF has enabled us to respond rapidly, such as the crisis in Mali, are listed below.

### *Afghanistan*

We have worked bilaterally, and with partners, to help Afghanistan secure its future through international support for its security forces, for the development of effective institutions of government and for strengthened co-operation between Afghanistan and Pakistan, including on the Afghan peace and reconciliation process.

### *Somalia*

In February 2012 the UK hosted the first London Conference on Somalia which laid the groundwork for a new political process leading to the election of a new President in September 2012. We will host a follow up conference in May 2013<sup>1</sup>.

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<sup>1</sup> The conference took place on 7 May 2013 and will be reported on in the 2013-14 Annual Report

### *Middle East and Africa*

The UK continued to support peaceful transitions to representative government in the Middle East and Africa. The UK was the largest donor to the UN Libya election fund. We are providing strategic advice and assistance to the Libyan government on building security and justice. We instigated, drafted and negotiated UN Security Council resolution 2051 on Yemen, which was adopted in June 2012 with unanimous support. The resolution reaffirmed the international community's strong commitment to helping Yemen deliver peaceful, orderly and inclusive political transition.

The UK played a leading role in the international effort to resolve the crisis in Syria and work towards greater democracy and stability. We used our international alliances and networks to build support for the Syrian opposition, to put pressure on the Assad regime to seek a negotiated solution and to tackle the humanitarian crisis. In 2012-13 we provided a total of £12.1 million in non-lethal equipment and technical advice to the Syrian opposition. However the tragedy in Syria remains a major challenge for our policy.

As part of our work on supporting conflict resolution in fragile states we provided political, financial and expert advisory support to the African Union mediation between Sudan and South Sudan, resulting in agreements on the majority of their disputes in September 2012, the restarting of oil production in South Sudan, and the roll-out of border security arrangements overseen by the UN.

When terrorist groups advanced on Mali's capital, Bamako, in January 2013, UK logistical assistance and intelligence-sharing supported a swift and successful French and African military operation that greatly diminished the threat in the north of the country. The FCO worked with the Malian transitional authorities encouraging them to pursue an inclusive reconciliation process that supports long-term stability. We helped build international consensus around UN Security Council resolution 2100 which was adopted in April 2013, mandating the creation of a UN Peacekeeping Operation for Mali.

The UK has continued to play a leading role, as a Permanent Member of the UN Security Council, in the international community's efforts to reach a negotiated settlement to the Iranian nuclear issue. In the absence of concrete action by Iran to restore international confidence in the peaceful nature of its nuclear programme the UK and its partners increased the pressure on Iran significantly, agreeing an unprecedented range of new sanctions in 2012, including an EU oil embargo.

Elsewhere in the Middle East, we prepared the ground for progress towards negotiations on the Middle East Peace Process following the US presidential elections, making the case for a serious US-led push on the peace process, supported by European and Arab states. We worked with the US, European and other international partners to keep open the window for a two state solution. We have made clear UK and EU public statements on Israeli settlement activity, condemned rocket attacks in Gaza and encouraged rapid resolution of the conflict.

#### ***Western Balkans***

The FCO worked to promote stability throughout the Western Balkans as they progress on their path to EU and NATO membership. The UK has continued to take a leading role in the normalisation of relations between Kosovo and Serbia, resulting in an historic agreement in April 2013 reached through a Dialogue process facilitated by the EU.

#### ***Wider security and conflict resolution***

Following a seven year campaign championed by the UK, the UN voted for a global Arms Trade Treaty in April 2013. When implemented, it will save lives, promote development, combat terrorism and protect the legitimate arms trade. The Treaty represents a significant addition to the rules-based international system. It will internationalise most UK and European standards, putting law and human rights at the heart of global arms export licensing.

On 29 May 2012 the Foreign Secretary launched an initiative to combat sexual violence in conflict. The UK took the global lead through a high-level political campaign, including our Presidency of the G8 in 2013. On 11 April 2013 G8 Foreign Ministers adopted a historic Declaration on Preventing Sexual Violence in Conflict, stating for the first time that rape and serious sexual violence in conflict constitute grave breaches of the Geneva Conventions. The Ministers also made political and practical commitments to provide comprehensive services for survivors, to ensure sexual violence is addressed in security and justice sector reform and to improve women and child rights.

The FCO created a specialist team of 73 UK experts to strengthen national efforts in conflict areas to investigate allegations of sexual violence and support survivors. Since December 2012 experts have worked on Syria's border, in Bosnia-Herzegovina and in Libya. Over the past year the Foreign Secretary has announced: £1 million of core funding to the UN Office of the Special Representative of the Secretary General (SRSG) for sexual violence in armed conflict; £150,000 to support the UN Office of the SRSG on Children and Armed Conflict, whose mandate includes tackling sexual violence against children in conflict and £500,000 to the International Criminal Court's Trust Fund for victims. The UK is also contributing £370,000 over a three year period to the UN Department of Peacekeeping Operations and the Department of Field Support to support the development of policies, guidance and training on sexual violence in conflict by peacekeepers. In 2013 FCO staff will lead on developing a comprehensive International Protocol on the investigation and documentation of rape and sexual violence in conflict which we plan to present to the UN for UN endorsement in September 2014.

The UK took a prominent role in bringing the Commonwealth's modernisation discussions to a conclusion, with Commonwealth Foreign Ministers agreeing to reforms in September 2012. The UK strongly supported the agreement of the Commonwealth Charter which, for the first time, sets out the organisation's values in one document. We are working with other Commonwealth members to implement these reforms.

We continue to shape the international agenda on piracy both in the Indian Ocean and the Gulf of Guinea. We played a pivotal role setting up the International Taskforce on Piracy Ransoms and maintained our leading role in the Piracy Contact Group. We supported the new Regional Anti-Piracy Prosecution and Intelligence Coordination Centre, opened in February 2012 in the Seychelles, which seeks to target the leaders, financiers and organisers of piracy. In the first half of 2012 we signed memoranda of understanding with Mauritius and Tanzania enabling the regional authorities to prosecute pirates captured by UK vessels.

We increased global awareness of the importance of raising standards for cyber security to protect governments, business and individuals from cybercrime and to enable economic growth. We launched and funded a Global Cyber Security Capacity Building Centre.

#### ***Returns***

Diplomatic engagement worldwide has helped increase removals from the UK of those with no legal right to remain and has enabled the return of more high-harm individuals. While we made progress in meeting the objective we set for the year, this area of work remains a significant challenge and more needs to be done.

## Prosperity

We fully achieved two of our priority outcomes on prosperity and growth: on the Olympic and Paralympic Games and climate change.

### *Olympic and Paralympic Games*

The Queen's Diamond Jubilee and the Olympic and Paralympic Games, provided a once in a generation opportunity to showcase the UK to the world. During the Games over 3,000 business leaders and global figures visited UKTI's British Business Embassy at Lancaster House. This programme of high profile business summits will deliver a major contribution to UKTI's target to deliver £11 billion of economic benefit to the UK economy by 2016.

### *Climate Change*

The FCO played a vital role, in partnership with the Department of Energy and Climate Change (DECC), in not only keeping the United Nations Framework Convention on Climate Change conference in Doha on track to commit to achieving the necessary legally binding global deal in 2015, but also helping to make the economic case for a transition to a low carbon economy. On climate legislation, 18 of 33 countries involved in FCO-funded outreach have made progress towards national climate laws. Our climate diplomacy is delivered through our extensive climate change and energy attaché network.

We have shared our expertise on climate policy worldwide, facilitating new climate legislation and/or progressive policies in Mexico, South Korea, India, Spain, Italy, Ireland and Sweden. We helped Mexico introduce the first national Climate Law outside the UK. Working closely with other Government Departments the FCO devised a worldwide lobbying strategy which has helped to reduce opposition to the idea of international measures designed to curb the growth of aviation emissions and resulted in progress on a global agreement to achieve this goal. In January the Foreign Secretary appointed a new interim Special Representative for Climate Change.

Working with UK Trade and Investment (UKTI), the FCO network is helping UK companies understand and exploit new export opportunities in the green economies and attract inward investment such as a £1.2bn investment in the Dudgeon wind farm. Brazil will be using the main elements of the London 2012 carbon foot printing and management methodology for the 2014 Football World Cup and 2016 Olympics and Paralympic Games. Following another project, China is greening its public procurement rules covering £80 billion worth of government spending.

We partially delivered the other four prosperity outcomes: the FCO network created the opportunities and conditions for growth overseas, creating space for UKTI to deliver support to British business. Our work on opening markets has included capacity-building in free trade and public private partnerships; promoting transparency and intellectual property rights; improving Foreign Direct Investment conditions; supporting reform in business-enabling sectors like finance and infrastructure; and tackling corruption and improving

governance in both the public and private sector. In Europe we have made progress towards a UK-friendly outcome in the EU Banking Union negotiations and secured an unprecedented cut in the EU budget.

### *Business*

The GREAT campaign was launched in 2012 to promote business, tourism and study in the UK. Over 180 of the FCO's diplomatic Posts in 86 countries worldwide used the GREAT brand and messaging. An independent evaluation of campaign activity (from February to October 2012) reported that GREAT is projected to deliver over £450 million of economic benefit to the British economy over the next two years. Coverage of the brand has generated 5.7 billion 'opportunities to see' with an 'Advertising Value Equivalent' of £85 million. GREAT-funded trade and investment activity for 2013-15 will be focussed on 11 markets including Brazil, Russia and China, which have been selected for their potential to generate sufficient trade to help reach the Chancellor's target to increase UK exports to £1 trillion and 100,000 new companies exporting by 2020.

The FCO continues to build its commercial and economic capability to deliver UK economic growth. Our Economics Unit has made a substantial impact on policy-making. During 2012 approximately 215 staff attended core training courses in economics and nearly 800 officers attended commercial diplomacy awareness workshops. 22 Heads of Mission have participated in the business placement scheme in some of the UK's leading industry sectors.

We received positive feedback on the first anniversary of the FCO Charter for Business. GlaxoSmithKline said "we are a strong supporter of the direction taken following the Charter for Business, and see real improvements and business benefits over the past year". BP said it received "overall an excellent service from Government/FCO", and the British Chamber of Commerce said "the FCO have recently become more proactive - they must maintain this over the long-term if it is to support British business in the way that companies in other countries have done over time." There is more we need to do to reach out to business, especially to small and medium-sized enterprises (SMEs) and those further outside of London. As a result we are looking to deliver more advice and support through digital channels and ensure that the FCO supports wider SME initiatives such as those run by UKTI.

A £2 million FCO commercial diplomacy fund is supporting overseas Posts to pursue valuable commercial opportunities including drilling for geothermal energy in Kenya, tertiary education in Malaysia and sports events in Brazil. Over 30 UK firms have won a total of over £120m in sports contracts in Brazil as they prepare to host the Football World Cup and Rio Olympic and Paralympic Games.

Commercial successes supported by the FCO, UK Trade and Investment and our Posts include:

- A \$50 million joint venture between UK company Havana Energy and Zerus SA (a devolved Cuban state entity). This is the first venture by any European firm in Cuba for three years. The new company will develop a renewable energy

power plant producing 30MW of electricity.

- An end to discrimination against the importation of spirits into the Philippines. Our Post in Manila worked closely with Diageo, the Scottish Whisky Association and other UK companies to reduce previously discriminatory taxes and make such products more competitive.
- Russia lifting its 16 year ban on the importation of British lamb and beef. This followed a sustained campaign of high level engagement coordinated by the FCO in Moscow and has a potential value to the UK's agricultural sector of around £80m within three years.

### **Sustainable Growth**

The FCO works also to open markets abroad. We helped the People's Bank of China internationalise its currency, the renminbi (RMB), which led to HSBC issuing the first RMB bond outside China in April 2012. We have supported the Mexican Federal Commission on competition which led to changes in competition rules, saving Mexico £200m in public funds and opening up health and power sectors to UK companies. The FCO helped with the Organisation for Economic Co-operation and Development (OECD) Investment Policy Review of Kazakhstan which former Prime Minister Massimov adopted as a framework to encourage foreign direct investment.

### **Emerging Powers**

Our approach to emerging powers has become more systematic and strategic. A new Emerging Powers Initiative aims to provide a cross-Government approach to developing bilateral relationships with around 30 countries. We have tripled the number of Ministerial visits to Latin America and the Prime Minister's visit to Brazil secured agreements on sports cooperation, taxation information exchange and education. In November we made bilateral agreements with Indonesia on defence, creative industries and third country cooperation. We successfully argued for closer co-operation between the EU and US in Asia-Pacific, leading to commitments in a joint EU-US statement in July 2012.

The FCO emerging powers programme fund builds, strengthens and sustains relationships with the 30 or so key countries. In Brazil we funded a conference that set the UK at the centre of the policy discussion on the use of soft power<sup>1</sup>. In China a social media and policy making project amplified our human rights and values across social media platforms.

The FCO has continued to focus on the role of energy as a driver for foreign and security policy, nurturing relationships both with countries who are current and future energy providers as well as the major consumers who are helping to shape the global energy landscape. The Prime Minister's visit to Oslo in June 2012 strengthened the UK's relationship with a key energy supplier, as did other Ministerial visits (to the Gulf, Nigeria, East Africa and North America), supporting the UK's energy security and commercial objectives.

Following the tragic terrorist attack on the BP plant in In Amenas, Algeria in January, we are working with the region to keep international company operations secure. We have built links with governments in central and Eastern Europe to develop common policy positions and promote UK companies.

The FCO has also supported the Department of Energy and Climate Change (DECC) on international outreach to explain Electricity Market Reform to potential investors in UK energy infrastructure.

We helped China introduce a local version of DECC's 2050 energy policy calculator which simulates different scenarios with different energy choices. In turn China has promoted it to Korea, India and Indonesia. We helped India launch a mandatory Perform, Achieve and Trade (PAT) trading scheme to promote energy efficiency in 80% of its industrial energy use.

Following a review by the Government Office for Science in August 2012 the FCO has strengthened its approach to science, focusing on the global Science and Innovation Network, in partnership with BIS, and appointing a new Chief Scientific Adviser, Professor Robin Grimes, as part of renewed efforts to generate commercial, economic, climate and energy benefits for the UK. Science and Innovation Network activity has helped to generate: technology contracts in the Czech Republic worth £15m for the UK, announced in April 2013; a Ministerial agreement with Russia on space imports which should save the UK space industry £50m tax per year; UK-East Asia Smart Grids collaborations (underpinning efficient and resilient energy systems), set to draw up to £20m investment to UK and facilitate low-carbon energy infrastructure development and £8m investment in UK-China smart grids research and development as part of a £22m energy programme.

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<sup>1</sup> [www.wiltonpark.org.uk/conference/wp1232/](http://www.wiltonpark.org.uk/conference/wp1232/)

### **Growth in Europe**

Our relationship with the EU, the market for almost half of the UK's exports and the source of substantial investment, is central to our continued prosperity. We are working with partners to deepen the single market in sectors such as services, energy and the digital economy, and backed the publication of the Single Market Act II in October.

We have been working with other Government Departments to achieve a more open, flexible, competitive and democratically accountable EU, as set out in the Prime Minister's Bloomberg speech<sup>2</sup> and the Coalition's Mid-Term Review<sup>3</sup> in January 2013.

In December, we worked with Her Majesty's Treasury (HM Treasury) and others to secure an important agreement on a Single Resolution Mechanism, a step towards addressing the Eurozone's institutional problems. This deal will protect the single market and the interests of EU members like the UK who remain outside the Eurozone.

In February the FCO was instrumental in securing European Council agreement to an historic cut in the EU budget. We signed an agreement to establish a unified European patent, including a new European patent court in London that will bring at least £200 million to the UK economy each year. We have worked with allies to mandate the Commission to reduce the regulatory burden on business, particularly small and medium-sized enterprises. At the May European Council, the

UK secured support from EU partners for the Prime Minister's G8 priority of cracking down on tax evasion and closing tax loopholes.

The FCO has also played a key role in driving an ambitious EU free trade agenda. At the G8 Summit in June negotiations were launched on a once-in-a-generation trade deal between the EU and the US, the Transatlantic Trade & Investment Partnership, that could benefit the UK economy by up to £10bn a year. We have been strong advocates for the successful launch of negotiations between the EU and Japan. And we have been instrumental in driving EU-Canada and EU-India negotiations towards conclusion. These agreements could be worth nearly £7bn per year to the UK economy (Japan £5bn, Canada £1.3bn, India £0.15bn).

Separately, our Embassy in Berne helped HM Revenue and Customs secure tax agreements with Switzerland and Liechtenstein which will end future tax evasion by British taxpayers in those jurisdictions and recover between £4bn and £8bn in past tax owed to the British Exchequer.

2 [www.gov.uk/government/speeches/eu-speech-at-bloomberg](http://www.gov.uk/government/speeches/eu-speech-at-bloomberg)

3 [http://assets.cabinetoffice.gov.uk/s3-external-3.amazonaws.com/midtermreview/HMG\\_MidTermReview.pdf](http://assets.cabinetoffice.gov.uk/s3-external-3.amazonaws.com/midtermreview/HMG_MidTermReview.pdf)

## Consular

We achieved two out of our four consular priority outcomes: delivering excellent consular assistance with 88% of customers rating our service as excellent or good and 93% of our customers being satisfied with the service we provided (up from 85% in 2011); and strengthening our crisis management, improving preparedness and capacity, and responding to numerous crises during the year. We partially achieved modernising our consular services, and delivering and handing over overseas passport production, meeting some of our Public Service Agreement targets, but with continued close monitoring needed.

The FCO Consular Service provides high quality, modern, cost effective and efficient support to British nationals overseas. Our consular performance is measured through detailed management information related to the number and types of cases we deal with and customer satisfaction surveys. In 2012 our staff dealt with over 100,000 cases, including approximately 20,222 assistance cases; 27,303 lost or stolen passports; and 9,725 recovered passports. 78% of British citizens in hospital and 84% of those who had been detained were contacted within target timescales. Customer satisfaction (those answering that our services are excellent or good) is averaging 88%.

Examining our performance in more detail, we issued 96% of passports within 15 days, in line with the commitment we make to our customers. We are now in the final phase of repatriating overseas passport applications. Work from our Düsseldorf hub was successfully transferred to the Identity & Passport Service in February 2013 and seven remaining Regional Passport Processing Centres are due to close by March 2014. We are providing training and support for local staff who will be made redundant as these offices shut.

A new three year consular strategy was launched in March 2013. By 2016 our processes will be more efficient and staff will spend more time helping the most vulnerable people and the most serious cases. Customers will have more choice in how they access our services and we will be able to respond to changing needs and to react to crisis situations effectively. We will establish a network of four global contact centres (Malaga, Dubai, Hong Kong and Ottawa) to take all consular calls and by March 2014 we should be able to handle all consular first contact by telephone and digital means through these centres. The contact centres will also provide greater resilience in and out of crises.

We are offering more of our services digitally and online. We are exploring ways to be more active on social media, for example by responding to consular queries on Twitter, and work is underway to introduce an online payments system for fee-bearing services. We also part-funded a free forced marriage smartphone application launched in December 2012.

A new consular skills programme will help the network adapt to the changes under the consular strategy. It will ensure staff have the right support, structures and skills they need to maintain and develop professional consular services. Mandatory training on child protection and safeguarding issues was rolled out to all consular staff in December 2012.

Our crisis response continues to improve. An expanded London crisis centre was launched in October 2012, enabling us to handle concurrent crises in Gaza and Goma in November 2012 and in Algeria and Mali in February 2013. The response to the crisis in Algeria, at the In Amenas plant, was our biggest since the Arab Spring began. It is the first time staff from the FCO Counter Terrorism Department, UK Border Agency and the police have all joined together in the crisis centre.

Three Rapid Deployment Teams (RDTs) were activated this year to Goma, Algiers and Gaza. Our Gold-Silver-Bronze command system set up following the Arab Spring is now firmly embedded and we have expanded our crisis training and exercising capability. A new Middle East and South Asia RDT comprising 30 volunteers was created in September 2012. Improved crisis planning tools have been rolled out to Posts and we have updated Crisis Management Plans for 143 Posts. We prepared and delivered an effective and flexible consular deployment to EURO 2012 and will apply lessons learned as we start planning for the 2014 Football World Cup in Brazil. We also provided a comprehensive response to crises in Tajikistan, Nepal and Egypt.

# People

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Our professional and talented workforce is our greatest asset. We need the right people with the right skills in the right places to achieve Diplomatic Excellence.

We launched the 'Excellence Through People: One Global Workforce' initiative in December 2012. The programme will make a number of changes to our human resource (HR) policies and processes by 2015, with a strong focus on performance and talent management. It aims to strengthen our performance across the organisation, based on Civil Service HR frameworks, reduce the financial and human resources spent on HR processes, and improve performance management.

Staff we employ locally at our Posts form two thirds of our overall workforce. We continue to strengthen the role of these staff, who already make a huge contribution to our work around the globe, not only in support functions but also in some cases on front line policy. This brings local knowledge, professionalism and expertise to key areas underpinning delivery of our business objectives. The Excellence Through People: One Global Workforce programme also aims to give more value, voice and visibility to local staff, through: the adoption of a single grading structure; new global people principles which set clear expectations for staff and managers across our global network; greater development support for senior staff; and greater representation in corporate decision making bodies.

We have brought in a new suite of core diplomatic skills training modules focusing on improving policy, impact and influencing, negotiating and networking skills. We give our junior staff the opportunity to develop their skills and widen their knowledge through the Short Term Attachment (STA) scheme. This provides work attachments in overseas Posts for periods of up to three weeks. To date over 160 attachments have been undertaken and in a recent survey 95% of STA participants reported a positive experience. Beyond the STA scheme around 49% of junior staff based in London have travelled overseas for work reasons in the past 12 months.

Our renewed emphasis on Language Excellence, which complements our Network Shift, is adding real value to our work. In the Middle East alone, we have more than 60 members of staff who speak Arabic and 21 currently undergoing full-time language training. 74% of FCO UK-based staff now have a registered language skill and of our 101 bilateral Heads of Mission positions in non-English language speaking countries, 93 speak the local language.

We are working more flexibly as an organisation and moving increasingly towards project working. In October 2012, we launched a new Projects Task Force to deliver priority policy and operational work; we will increase the size of the Task Force from 30 to 60 staff members as this way of working beds into the organisation. As of 31 March 2013, the taskforce had completed 17 projects. We are also in the early stages of piloting a flexible return to work programme for staff currently out of the office because of caring responsibilities.

We continue to make progress on diversity. We have launched a talent pipeline for those in under-represented groups who show potential to reach our senior management service. Though there is still progress to be made, in 2012 we reached the highest ever proportions of women on our Management Board, in the Senior Management Service and as Heads of Mission. The FCO Board has recommitted to targets for women, black and minority ethnic (BME), and disabled staff at leadership levels. Three FCO nominations were short-listed for the 2012 Civil Service Diversity and Equality Awards. A member of staff from our Embassy in Budapest won the Individual Achievement category for his work with, and on behalf of, minorities in Hungary. We are rolling out unconscious bias awareness training for all line managers.



## Network

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Our global diplomatic network protects and promotes UK interests, shaping a distinctive British foreign policy geared to the national interest.

We have embarked on a major shift in network resources announced by the Foreign Secretary in May 2011 to shape a future network that reflects the shifting power dynamics in today's world. We are deploying more staff to the emerging powers and fastest growing regions, upgrading existing Posts and opening new ones. In total we plan to open or upgrade up to 20 Embassies, Consulates or Trade Offices in India, Brazil, El Salvador, Paraguay, Liberia, Haiti, Laos, South Sudan, Madagascar, Côte d'Ivoire, and Somalia.

By 2015 the FCO will have deployed up to 300 extra staff in more than 20 countries. The cost of this network shift will be met by savings made as we reduce our diplomatic footprint in Iraq and Afghanistan, and by restructuring the FCO's subordinate Post network and delivering efficiencies from the largest sovereign Posts in Europe.

We have stepped up our assessment of the impact of our new Posts and expanded resources where they have had time to bed in, and have seen significant achievements as a result of our network strengthening.

The National Audit Office review in 2012 said that "the FCO Project Delivery team has made noticeable improvements to the way in which it manages its portfolio." Our Global Asset Management Plan has been approved with £78.9m of assets sales completed, meeting our capital needs for the last year, and including a receipt of £61.9m for the sale of the Kuala Lumpur compound. Major IT contracts will be re-procured in August 2013 to provide better IT for our staff and better value for money for the taxpayer. Through better financial management, the FCO Board approved diverting an extra £40m to the front line to help deliver our Foreign Policy Priorities.

Staff safety remains a high priority and is regularly reviewed by the Management Board. Many of our staff and their families around the world face high and increasing levels of threat from terrorism and crime. A new 'Security Awareness in Fragile Environments' course for officers travelling to hostile environments won an industry award. In London, we successfully managed the increased security risks presented by having an Olympic venue next door to our offices. Over the year we have improved the visibility of security performance internally and conducted some lessons learnt exercises, for example following attacks on diplomatic missions in Benghazi.

We consider co-location with other like-minded countries wherever it makes sense to do so. We are now temporarily or permanently co-located with partners in over 20 locations, including with Canada, Australia, New Zealand, Germany, France and other European partners. We continue to work with other Government Departments to join up our efforts overseas, working in an increasingly unified way as part of Civil Service Reform and cutting out duplication. A new anti-bureaucracy charter has been introduced to eliminate unnecessary processes within the FCO.

In the UK we aim to consolidate all London staff into our King Charles Street building by 2015. This will save around £5 million a year in running costs and free up our Old Admiralty Building for another Government Department. The King Charles Street office will house our Directorates working on foreign policy issues, consular and crisis management and operational policy. The exact shape of our foreign policy Directorates will adapt in response to changing priorities. Our transactional operational teams and corporate support staff will primarily be based in our Corporate Services Centre and Hanslope Park offices near Milton Keynes, and in a Manila hub, achieving global coverage and reducing costs.

In December we published the first FCO digital strategy, which sets out how we will take advantage of the opportunities offered by digital to enhance every element of our work. The strategy sets out how we will move to providing our services digitally by default, delivering the more effective services envisaged in the Government digital strategy while continuing to provide face to face support to British nationals most in need. It also sets out how we will embed the use of digital tools in every element of policy formulation, including delivering more open policy and transparency. We have put in place a Board level champion for digital, adopted revised social media guidance, provided access to social media on FCO IT systems and increased our consular customer service online. We are also establishing a digital transformation unit to take forward the implementation of the digital strategy.

# Olympic and Paralympic Games

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## External Achievements

- The UK set the first world record of the London 2012 Games in October 2011, when we managed to get all 193 Member States of the United Nations to co-sponsor our Olympic Truce Resolution, the first time this has ever been possible. We then implemented a programme of over 80 Olympic Truce activities in the UK and overseas and have since worked to embed the UK's Olympic Truce legacy in the United Nations and International Olympic Committee systems.
- We organised visits and programmes for 121 Heads of State and Government who visited London for the Olympic and Paralympic Games, 80 of whom attended the Opening Ceremony of the Olympic Games on 27 July 2012.
- Our public diplomacy campaign reached out to over 2 billion people around the world through over 1,500 events and various broadcast and print media products.
- Over 70% of Posts that took part in the campaign reported that their activities had helped to update their target audience's perceptions of the UK.
- To mark '100 Days to Go' to the Paralympics, Posts delivered campaign messages on disability rights to a global audience of over 300 million.
- Our short film on Ramadan and the Olympic and Paralympic Games was viewed over 9,500 times on the FCO YouTube channel.

## Internal achievements

- 600 additional laptops and 400 additional Blackberrys enabled more staff to work remotely during the Games.
- We managed the security risks associated with hosting a 15,000 capacity beach volleyball venue next to our King Charles Street office. Marathons, race walk, cycle and triathlon races also took place around our London offices.
- Our FCO 2012 Public Diplomacy Campaign Team was short-listed for the Guardian Public Service Awards 2012 in the Communications Project category.

## Longer term benefits

- The public diplomacy campaign raised our profile on digital and social media channels, in some cases with audiences increasing by 1000% or more.
- New skills acquired by staff overseas, including evaluation of communications activity, PR techniques, event management, and film production.
- The 'neutral' subject of sport has given us access to new audiences, including in countries where engagement is particularly difficult.

## FCO Priorities 2013–14

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We have a new set of priorities and outcomes for the year ahead. These are based on the same model – under the priority policy themes of Security, Prosperity and Consular – and drawn from how we performed in 2011-12 and 2012-13. In the next financial year we will continue pursuing an active and activist foreign policy, working with other countries and strengthening the rules-based international system in support of our values. To achieve this we will:

- > Use our global diplomatic network to protect and promote UK interests worldwide. Retain and build up the UK's international influence in specific areas in order to shape a distinctive British foreign policy geared to the national interest. Respond effectively to crises by maintaining a high state of crisis readiness.
- > Continue a strong, close and frank relationship with the United States that delivers concrete benefits for both sides.
- > Advance the British national interest through an effective EU policy in priority areas, engaging constructively while protecting our national sovereignty.
- > Deliver more effective and modernised international institutions, particularly the North Atlantic Treaty Organisation, the European Union, the United Nations, the Organisation for Security and Co-operation in Europe and the Council of Europe.
- > Strengthen the Commonwealth as a focus for promoting democratic values, human rights, climate resilient development, conflict prevention and trade.
- > Use soft power as a tool of UK foreign policy; promote British values and human rights; and contribute to the welfare of developing countries and their citizens.
- > Use the National Security Council as the centre of decision-making on international and national security issues.
- > Strengthen the UK's relationships with emerging powers in a systematic way across Government to support UK prosperity and security.
- > Use the G8 Presidency in 2013 to develop open economies, open governments and open societies and meet objectives on tax, trade and transparency.

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### Security -

Safeguard the UK's national security by countering terrorism and weapons proliferation and working to reduce conflict. Priority outcomes this year:

1. Afghanistan: Facilitate the opening of an Afghan peace process with the Taliban; cooperation to stabilise border regions in a way that reduces the terrorist threat to the UK; and the conclusion of a long-term strategic partnership between Afghanistan and Pakistan
2. Syria: Accelerate political transition in Syria and prepare for the aftermath; prevent chemical and biological weapon proliferation; provide humanitarian support and minimise the impact on the region.
3. Iran: Work with international partners to prevent Iran from acquiring a nuclear weapon, through diplomacy and international pressure.
4. Middle East: Work for the launch of a US-led Middle East Peace initiative for a two state solution. Support countries in transition to strengthen their economies, democratic institutions and respect for human rights.
5. Somalia and the Sahel: Work with partners to prevent conflict and reduce the level of risk to the UK from terrorism. Host a conference to help the new government of Somalia improve security, justice and public financial management.
6. Falklands: Protect the Falkland Islanders' right to determine their political future and to develop their economy, and build international support for this.
7. Develop a new International Protocol on the investigation and documentation of sexual violence in conflict and secure new international commitments to address impunity.
8. Achieve the adoption of a UN Arms Trade Treaty and campaign for at least 30 ratifications.

**Prosperity -**

Build the UK's prosperity by increasing exports and investment, opening markets, ensuring access to resources, and promoting sustainable global growth. Priority outcomes this year:

1. Measurable progress through economic diplomacy towards the Government's trade and investment targets, including through strengthening UK Chambers of Commerce, reducing trade barriers and improved understanding of the UK visa regime.
  2. Deepen and widen the EU single market, remove unnecessary EU regulations and secure the signature of EU free trade agreements with Canada and India, and launch negotiations with the USA.
  3. Deliver the FCO's input into the Government's review of the balance of competences within the EU, including the foreign policy report in summer 2013.
  4. Use the Olympic and Paralympic legacy and GREAT campaign to promote the UK's values and increase trade, tourism and investment.
  5. Open substantive negotiations on a post-Kyoto regime by the time of the 2013 UN Framework Convention on Climate Change in Warsaw.
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**Consular -**

Support British nationals around the world through modern and efficient consular services. Priority outcomes this year:

1. Implement the new consular strategy for 2013–16: modernise our services, introduce contact centres, digitise more of our services and use social media effectively
2. Complete the handover of overseas passport production to the Identity and Passport Service in the Home Office, ensuring good service through the transition, and achieving a more cost effective, secure and improved customer experience.

## Ministerial Visits

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During 2012–13, overseas visits made by Foreign Secretary and FCO Ministers totalled 168. The Foreign Secretary made 47 visits.

Ministers visited the following countries:

Afghanistan	Egypt	Lithuania	Singapore
Algeria	Estonia	Luxembourg	Slovenia
Angola	Ethiopia	Malawi	South Africa
Anguilla	Falklands	Malaysia	South Korea
Armenia	Finland	Maldives	South Sudan
Australia	France	Mali	Spain
Austria	Georgia	Malta	Sri Lanka
Bahrain	Germany	Mexico	Sweden
Bangladesh	Ghana	Moldova	Switzerland
Barbados	Greece	Morocco	Tanzania
Belgium	Hong Kong	Mozambique	Thailand
Bosnia & Herzegovina	Hungary	Netherlands	Trinidad & Tobago
Botswana	India	New Zealand	Tunisia
Brazil	Indonesia	Nigeria	Turkey
British Virgin Islands	Iraq	Norway	Turks & Caicos Islands
Brunei	Ireland	Occupied Territories	UAE
Cambodia	Israel	Oman	Uganda
Canada	Italy	Pakistan	USA
Cayman Islands	Japan	Poland	Vietnam
China	Kenya	Qatar	Yemen
Columbia	Kosovo	Romania	
Côte d'Ivoire	Kuwait	Russia	
Croatia	Laos	Rwanda	
Democratic Republic of Congo	Latvia	Saudi Arabia	
Denmark	Lebanon	Senegal	
Djibouti	Lesotho	Serbia	
	Libya	Seychelles	

## Structural Reform Plan

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

Note: although 12 policy actions were completed in the year ended 31 March 2013, others are long term, complex issues which remain work in progress and will be reviewed annually until 2015. For specific timelines of each of the actions please refer to the FCO Departmental Business Plans found at [www.number10.gov.uk](http://www.number10.gov.uk).

Priority	Total no. of actions in Plan 2012-15	No. of actions met on time 2012-13	No. of actions missed <1 month	No. of actions missed by <2 months	No. of actions missed by >2 months	No. of actions missed by >3 months
Counter terrorism and weapons proliferation, deliver the diplomatic contribution to the UK's effort in Afghanistan and work to prevent and reduce conflict	18	6	0	0	0	1
Increase exports and investment, open markets, ensure access to resources and promote sustainable global growth in a rules-based international trading system	25	5	2	0	0	1
Support British nationals around the world through modern and efficient consular services, and support a rapid and effective Government response to any crisis that affects British nationals overseas	3	0	1	0	0	0

### Comments and explanation of missed deadlines

- Counter terrorism and weapons proliferation, deliver the diplomatic contribution to the UK's effort in Afghanistan and work to prevent and reduce conflict: 11 actions ongoing: 1.1(i), 1.3 (i), 1.4 (i), 1.4 (ii), 1.6 (i), 1.6 (ii), 1.6 (iv), 1.6 (v), 1.7 (i), 1.7 (ii), 1.7 (iii). One action was delayed: 1.3 (ii) Negotiate a robust, Arms Trade Treaty at the UN on behalf of UK. Negotiations concluded in March and the United Nations General Assembly voted to adopt the Treaty on 2 April 2013.
- Increase exports and investment, open markets, ensure access to resources and promote sustainable global growth in a rules-based international trading system: 20 actions ongoing: 2.1 (i), 2.1 (ii), 2.1 (iii), 2.1 (iv), 2.1 (v), 2.1 (vii), 2.2. (ii), 2.2. (iii), 2.3 (i), 2.3 (ii), 2.3 (iii), 2.3 (iv), 2.4 (i), 2.4 (ii), 2.4 (iii), 2.4 (iv), 2.4 (vi), 2.4 (vii), 2.5 (i), 2.5 (ii). Of these, three were delayed. On 2.3.i Promote decisive action by the Eurozone to restore financial stability, the UK has done this. Risks remain, but the Eurozone is significantly more stable than a year ago. The European Council agreed a real cut in the EU's budget from 2014-2020, but this agreement requires the consent of the European

Parliament later in 2013. On 2.4.vii Publish clear guidance for UK companies on avoiding negative human rights impacts through their operations, the draft business and human rights strategy has been agreed by the Foreign Secretary and sent for the agreement of Departments across Whitehall, but has not been finalised. Some Government Departments not involved in the drafting but who are nevertheless affected by the guidance are being consulted. On 2.5.ii working with other Departments, substantially increase enforced returns of Foreign National Offenders and Failed Asylum Seekers to priority countries, we have worked with the Home Office to increase removals. Statistics will be available in summer 2013.

- Support British Nationals around the world through modern and efficient consular services, and support a rapid and effective HMG response to any crisis that affects British nationals overseas: 3 actions ongoing: 3.1 (i), 3.1 (ii), 3.1 (iii). On 3.1 (ii), crisis preparedness has been improved, though the FCO's new Crisis hub is not yet live. This will be in use from July 2013.

# Transparency

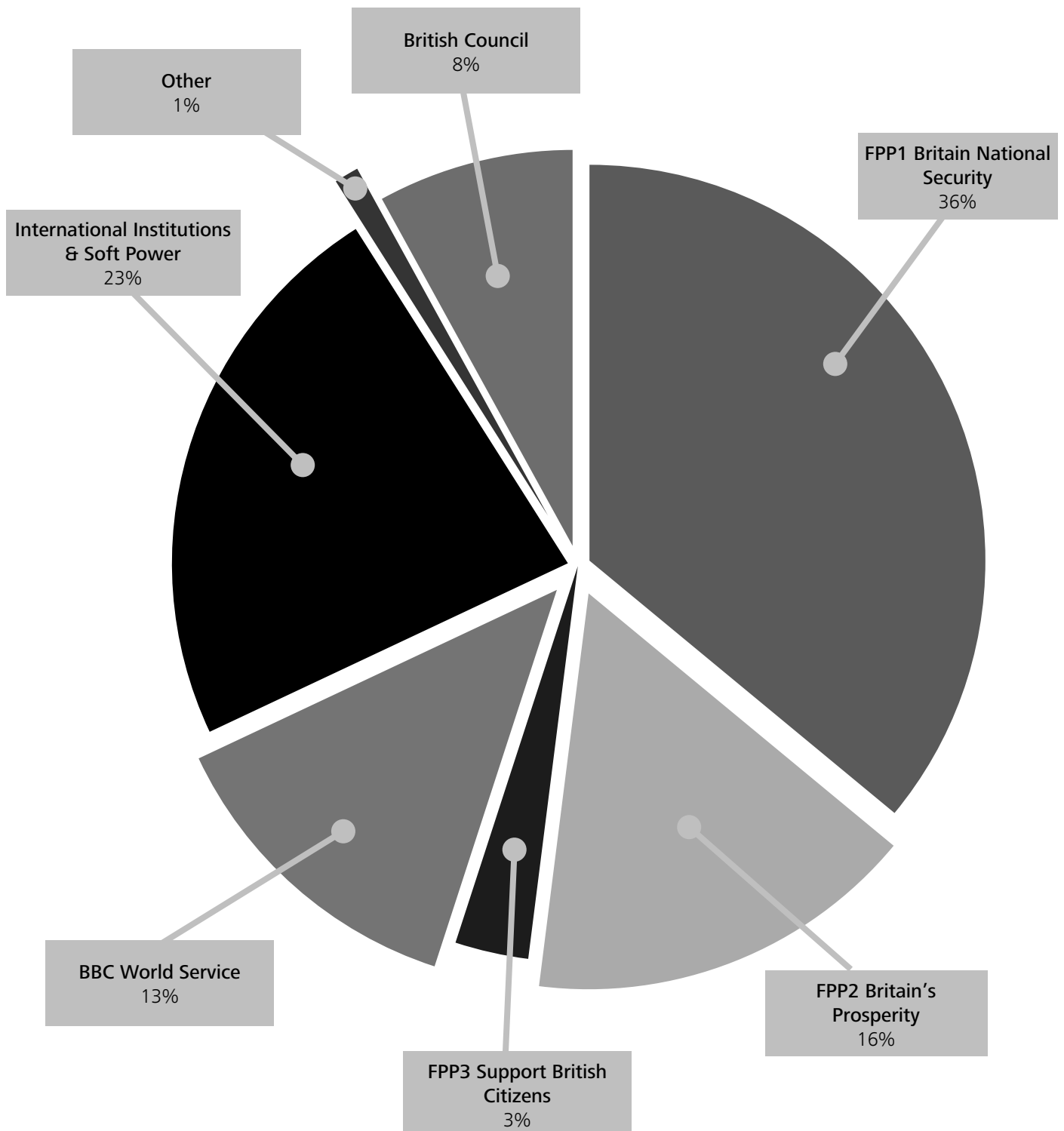
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The FCO remains committed to the Government Transparency Agenda and in 2012-13 we made good progress against the objectives laid out in our first Open Data Strategy, published in April 2012. We met the Prime Minister's commitments on all areas of transparency and improved internal processes so we can publish our contracts and financial transactions within a month of them being made. We have released new information about our Official Development Assistance (ODA) and published a plan for achieving the standards required by the International Aid Transparency Initiative. We continue to meet routine reporting requirements such as details of transactions over £25,000 and salary data. All our published data can be found either on [www.data.gov.uk](http://www.data.gov.uk) or on the FCO website.

Iain Walker has replaced Alison Currie as the FCO Transparency Champion and is chair of the Transparency Steering Group, which comprises representatives from across the FCO and an external member, Andrew Stott. The Committee is charged with steering the policy and cultural change within the FCO required to drive transparency. A new Head of Transparency has been appointed to coordinate the release of information and ensure we meet Government standards.

# Spend by Foreign Policy Priority

Expenditure % by Foreign Policy Priority (FPP)





## Common Core Tables

The common core tables below reflect total departmental budgets including the core Foreign and Commonwealth Office (FCO), bodies sponsored by the FCO and expenditure on conflict prevention and peacekeeping. Conflict funds are controlled on a tri-departmental basis with the Department for International Development and MoD and are therefore not included in budgets shown in the department's business plan. Conflict funding is on an annual basis and so no allocation for 2014-15 is shown in the tables below. The tables also reflect the movement of the BBC World Service to Licence Fee funding from 2014-15. See footnotes for further details.

### Total Departmental Spending

£m

	2007-08 Outturn	2008-09 Outturn	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Outturn	2013-14 Plans	2014-15 Plans
Resource DEL								
Section A: Administration and programme expenditure	818	909	949	984	1,049	1,067	940	901
Section B: Programme and international organisation grants	205	229	271	270	174	163	212	216
Section C: BBC World Service <sup>1</sup>	222	234	240	238	233	267	252	-
Section D: British Council	186	195	193	187	179	165	157	149
Section G: Net Funding for NDPBs	6	6	6	6	5	6	6	6
Section H: Conflict Prevention Programme expenditure <sup>1</sup>	54	87	110	106	132	123	135	-
Section I: Peacekeeping <sup>1</sup>	316	367	358	408	402	361	352	-
Section J: Departmental Unallocated Provision	-	-	-	-	-	-	10	10
<b>Total Resource DEL</b>	<b>1,808</b>	<b>2,027</b>	<b>2,127</b>	<b>2,200</b>	<b>2,175</b>	<b>2,152</b>	<b>2,064</b>	<b>1,282</b>
<i>Of which:</i>								
Pay	393	415	462	476	450	479	437	428
Net current procurement <sup>2</sup>	583	651	629	647	640	698	617	355
Current grants and subsidies to the private sector and abroad	581	683	739	787	708	647	699	216
Depreciation <sup>3</sup>	73	82	105	103	124	163	144	124
Other	178	197	192	187	253	165	167	159

## 24 Foreign & Commonwealth Office

<b>B) Resource AME</b>								
Section K: AME Programme	11	-28	65	14	35	47	50	50
Section L: Reimbursement of certain duties taxes and licence fees	14	18	21	21	26	33	25	25
Section M: BBC World Service	-	-	-	-	-	8	5	-
<b>Total Resource AME</b>	<b>24</b>	<b>-10</b>	<b>86</b>	<b>35</b>	<b>61</b>	<b>88</b>	<b>80</b>	<b>75</b>
<i>Of which:</i>								
-Current grants and subsidies to the private sector and abroad	14	18	21	21	26	33	25	25
-Take up of provisions	-	23	34	9	20	43	25	20
-Release of provisions	15	-21	-21	-25	-18	-25	-20	-20
-Depreciation <sup>3</sup>	-4	-30	51	30	18	37	50	50
-Other	-	-	-	-	15	-	-	-
<b>Total Resource Budget</b>	<b>1,833</b>	<b>2,018</b>	<b>2,213</b>	<b>2,235</b>	<b>2,236</b>	<b>2,240</b>	<b>2,144</b>	<b>1,357</b>
<i>Of which:</i>								
Depreciation <sup>3</sup>	69	52	156	133	142	200	194	174
<b>Capital DEL</b>								
Section A: Administration and programme expenditure	174	175	149	102	72	8	60	69
Section B: Programme and international organisation grants	17	14	15	24	20	12	20	24
Section C: BBC World Service - Capital	33	31	29	27	22	11	16	-
Section D: British Council - Capital grant	3	6	8	2	1	6	5	5
<b>Total Capital DEL</b>	<b>228</b>	<b>227</b>	<b>201</b>	<b>155</b>	<b>115</b>	<b>37</b>	<b>101</b>	<b>98</b>

<i>Of which:</i>								
-Net capital procurement <sup>2,4,5</sup>	174	175	149	102	72	19	76	69
-Capital grants to the private sector and abroad	17	14	15	24	20	12	20	24
-Capital support for public corporations	36	37	37	29	23	6	5	5
<b>Total Capital Budget</b>	<b>228</b>	<b>227</b>	<b>201</b>	<b>155</b>	<b>115</b>	<b>37</b>	<b>101</b>	<b>98</b>
<b>Total Departmental spending<sup>6</sup></b>	<b>1,991</b>	<b>2,193</b>	<b>2,257</b>	<b>2,255</b>	<b>2,209</b>	<b>2,077</b>	<b>2,051</b>	<b>1,281</b>
<i>Of which:</i>								
Total DEL	1,963	2,172	2,223	2,250	2,166	2,026	2,021	1,256
Total AME	28	21	35	5	43	51	30	25

1. From 2013-14 plans are underestimated because HMT will make further resources available for Conflict Prevention and Peacekeeping in-year. Plans also reflect savings arising from pay restraint and the BBC World Service reclassification to a central government body from 2012-13 and move to Licence Fee funding from 2014-15.
2. The BBC World Service cash expenditure, including paybill, is included in net procurement until 2013-14. Procurement is net of income from sales of goods and services.
3. Includes impairments
4. Expenditure on tangible and intangible fixed assets net of sales
5. Includes receipt of £61.9m for the sale of the Kuala Lumpur compound in 2012-13.
6. Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.

## Public spending control

	2012-13 Original Budget	2012-13 Final Budget	2012-13 Outturn
Resource DEL	2136	2163	2,152
of which Administration Budget	230	230	124
Resource AME <sup>1</sup>	80	154	88
Capital DEL	102	108	37

The FCO is received £27m additional Resource DEL in the Supplementary Estimates. This is a routine and normal in-year adjustment to reflect planned changes in our expenditure. This money consists of:

- HMT's share of the costs of the UK's membership subscriptions to international organisations such as the UN and NATO.
- money to pay for our overseas consular services, which comes out of the passport fee and is passed to us in a lump sum. And Finally,
- money from DfID and the MoD for the FCO funded work on conflict prevention.

There was also an uplift of £74m in AME, largely non-cash and due to the need to cover liabilities of uncertain timing and amount. Further details are in the Supplementary Estimates 2012-13:

[http://www.hmtreasury.gov.uk/d/supplementary\\_estimates\\_1213\\_fco.pdf](http://www.hmtreasury.gov.uk/d/supplementary_estimates_1213_fco.pdf)

## Capital Employed

£m

	2007 -08	2008 -09	2009 -10	2010 -11	2011 -12	2012 -13	2013 -14	2014 -15
	Outturn	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans
<b>Assets on balance sheet at end of year</b>								
<b>Fixed Assets</b>								
Intangible <sup>1</sup>	1	4	4	2	3	2	2	2
Tangible	2,232	2,834	2,255	2,264	2,313	2,259	2,259	2,259
of which:								
Non-residential land and Buildings	1,130	1,443	1,026	1,032	1,089	1,044	1,044	1,044
Residential land and Buildings	765	974	888	876	885	868	868	868
Information Technology <sup>2</sup>	21	83	183	149	133	107	107	107
Plant and machinery	20	29	39	48	54	60	60	60
Vehicles	26	34	24	23	22	20	20	20
Antiques & works of art	20	20	20	20	20	16	16	16
Assets in the course of construction	249	251	75	116	111	144	144	144
Financial <sup>3</sup>		24	32	11	8	11	11	11
Receivables >1 year	60	59	38	38	37	39	39	39
<b>Current Assets</b>								
Inventories	10	10	8	6	5	6	6	6
Assets classified as held for sale			11	12	14	16	16	16
Receivables	259	294	154	117	114	159	159	159
Cash at Bank and in hand	30	36	30	44	48	56	56	56
Financial <sup>2</sup>	-	-	-	5	-	10	10	10
<b>Liabilities</b>								
Payables <1 year	-225	-303	-278	-267	-294	-308	-308	-308
Payables >1 year	-43	-54	-44	-39	-50	-63	-63	-63
Provisions <sup>4</sup>	-67	-71	-84	-68	-70	-51	-51	-51
<b>Total Capital Employed</b>	<b>2,257</b>	<b>2,833</b>	<b>2,126</b>	<b>2,125</b>	<b>2,128</b>	<b>2,136</b>	<b>2,136</b>	<b>2,136</b>
BBC World Service <sup>5</sup>	-	-	-	-	-	110	110	-

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

<sup>2</sup> Reflects roll-out of F3G from 2008-09.

<sup>3</sup> Reflects investment in FCO Services Trading Fund from 1 April 2008 and exchange rate unrealised gains.

<sup>4</sup> Provisions are estimates of future liabilities.

<sup>5</sup> The BBC World Service are consolidated into the FCO Accounts for 2012-13 to 2013-14 only.

## Administration budget

£m

	2007-08 Outturn	2008-09 Outturn	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Outturn	2013-14 Plans	2014-15 Plans
Section A: Administration and programme expenditure	242	269	318	352	168	124	203	188
Section J: Departmental Unallocated Provision	-	-	-	-	-	-	10	10
<b>Total administration budget<sup>1</sup></b>	<b>242</b>	<b>269</b>	<b>318</b>	<b>352</b>	<b>168</b>	<b>124</b>	<b>213</b>	<b>198</b>
<i>Of which:</i>								
Paybill	252	202	234	242	80	80	88	81
Expenditure	40	131	162	174	151	102	205	197
Income	-49	-63	-78	-64	-63	-58	-80	-80
<b>Foreign Policy Priorities<sup>2</sup></b>								
Our Purpose								
International Institutions & Soft Power				301	259	282		
Other				25	73	61		
FPP1 - Britain's National Security				233	229	234		
FPP2 - Britain's Prosperity				303	303	312		
FPP3 - Support British Citizens				77	69	67		
<b>Total</b>				<b>939</b>	<b>933</b>	<b>956</b>		

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

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

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

## Staff numbers

At 31 March 2013 the total headcount for FCO UK Based staff was 4,836. The table below includes headcount and the corresponding number of full time equivalent (FTE) staff. The figures are calculated using staff numbers as at the end of the year.

	2007 -08	2008 -09	2009 -10	2010 -11	2011 -12	2012 -13	2013 -14	2014 -15
<b>Headcount*</b>	<b>4,678</b>	<b>4,834</b>	<b>4,990</b>	<b>4,786</b>	<b>4,576</b>	<b>4,836</b>	<b>4,391</b>	<b>4,329</b>
Full Time Equivalent (FTE)	4,608	4,758	4,860	4,682	4,492	4,721	4,341	4,279
Casual	18	22	71	35	18	50	N/A	N/A
<b>Total FTE</b>	<b>4,626</b>	<b>4,780</b>	<b>4,931</b>	<b>4,717</b>	<b>4,510</b>	<b>4,771</b>	<b>4,341</b>	<b>4,279</b>
Overtime	65	56	42	45	45	46	N/A	N/A

*\*In February 2013 the FCO realigned the past five years staffing figures to better reflect guidance issued by the Office of National Statistics. Establishing a consistent and reliable data set is helping us to more accurately identify trends and benchmark our progress against our Strategic Workforce Plan. These figures exclude all staff working for the UK Border Agency (UKBA) on the FCO platform overseas and all staff working for Wilton Park (72 headcount, 67 FTE at 31 March 2013) and FCO Services.*

*\*\*This includes all staff employed, temporarily on short term contracts, for 12 months or less. Calculated using the average staff salary for delegated grades and total spend on overtime.*

## Consultancy and temporary staff

Total spend by the Foreign and Commonwealth Office (core Department) for 2012-13 on consultancy was £3.5m and spend on other temporary staff was £5.8m.

Total spend by the FCO's Agencies and Non-Departmental Public Bodies for 2012-13 on consultancy was £0 and spend on other temporary staff was £0.6m .

# Recruitment Practice

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## The Recruitment Freeze

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

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

The number of appointments made at each grade in 2012-13 is below in Table 1; this includes both permanent and fixed term appointments.

Table 1

Recruitment Campaign	Number appointed
Band A - Generalist	0
Band B - Generalist	0
Band C - Generalist	35
Band D - Generalist	0
SMS - Generalist	0
Specialist recruitment (covering various grades)	53

## Exceptions to fair and open competition 2012-13

Certain exceptions to the principle of appointment on merit through fair and open competition are allowed by the Office for the Civil Service Commissioner. Allowable exceptions are listed below in Table 2 along with the number of appointments of each type made by the FCO in 2012-13

Table 2

Type of Exception	Number appointed
Short term appointments for up to two years	5
Permanent appointments to administrative grades	0
Appointment of specialists for up to two years	0
Secondments for up to two years	6
Re-appointment of former civil servants	12
Transfer of organisations into the Civil Service	0
Transfer of individuals into the Civil Service	11
Recruitment of Disabled people under the FCO's Guaranteed Interview Scheme	0



## Publicity and Advertising

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

All spending proposals for 2012-13 in this area beneath £100,000 required the approval of the FCO Director of Engagement and Communication, and those above £100,000 also required approval from the Efficiency and Reform Group, via the Cabinet Office. The FCO approved 120 exemption requests that came under the £100,000 threshold. This came to a total of £1,679,982.

In line with the transparency agenda, FCO is committed to publishing the details of all expenditure on marketing and advertising that has been approved by the Cabinet Office, and only withholding the details of projects if disclosure is likely to compromise security. Two requests for marketing and advertising expenditure totalling £850,000 have been approved by the Efficiency Reform Group.

## Corporate Sponsorship of FCO Activities 2012-13

Post / UK	Description of Project	Total Forecast Project Costs	Name of Sponsor/s	Value of Sponsorship			
				Cash (LC)	In-Kind (LC)	Cash (£)	In-Kind (£)
<b>Amman</b>	Queen's Birthday Party	£12,510.00	Al Mahmoudieh	10,000.00		£9,133.00	
<b>Ankara</b>	Queen's Birthday Party	£32,800.00	Ultra Electronics			£5,000.00	
			BP			£5,000.00	
	Diamond Jubilee Event	£14,800.00	Mesdames Green and Graham			£9,651.00	
<b>Beijing</b>	Queen's Birthday Party	£10,000.00	Mini (China)			£10,000.00	
<b>Beirut</b>	GREAT Week	£223,220.20	William Zard	25,000.00		£16,179.14	
			UFA Assurances	10,000.00		£6,471.65	
			DG Jones & Partners MELCD	10,000.00		£6,471.65	
			Beirut Container Terminal Consortium (BCTC)	30,000.00		£19,414.96	
			Fattal	10,000.00		£6,471.65	
			Promethean	9,970.00		£6,452.24	
			Intercontinental Phoenicia	10,000.00		£6,471.65	
			Bank of Beirut and Arab Countries (BBAC)	30,000.00		£19,414.96	
			Modern University of Business and Science (MUBS)	5,000.00		£3,235.83	
			Mana Automotive SAL	50,000.00		£32,358.27	
			Shell International Exploration and Production	10,000.00		£6,471.65	
			Rolls Royce	10,000.00		£6,471.65	
			Averda Servus SAL	80,000.00		£51,773.23	
			Standard Chartered	4,950.00		£3,203.47	
			British Airways	20,000.00		£12,943.31	
			Coutts	30,000.00		£19,414.96	
			Jing Tea		2,000.00		£1,294.33
961 Beer		10,000.00		£6,471.65			
Wedgwood		2,000.00		£1,294.33			

Post / UK	Description of Project	Total Forecast Project Costs	Name of Sponsor/s	Value of Sponsorship			
				Cash (LC)	In-Kind (LC)	Cash (£)	In-Kind (£)
<b>Beirut (cont)</b>	Queen's Birthday Party	£12,943.31	HSBC	20,000.00		£12,943.31	
			Diageo		10,000.00		£6,471.65
			Fattal		10,000.00		£6,471.65
			Ikebana		3,000.00		£1,941.50
			IFP		5,000.00		£3,235.83
<b>Berlin</b>	Queen's Birthday Party	£12,931.00	Dinnebier			£12,391.00	
<b>Bucharest</b>	Queen's Birthday Party	£35,700.00	Forza Rossa	35,700.00		£6,394.00	
<b>Colombo</b>	Queen's Birthday Party	£13,000.00	Marks and Spencer			£5,000.00	
			HSBC			£5,000.00	
<b>Doha</b>	Queen's Birthday Party	£25,882.00	Shell	60,000.00		£10,510.46	
<b>Dublin</b>	Queen's Birthday Party/HMA's Summer Event	£35,287.00	HSBC	10,000.00		£7,903.89	
<b>Dusseldorf</b>	Queen's Jubilee Pageant	£20,000.00	BP			£10,000.00	
<b>Erbil</b>	Queen's Birthday Party	£37,200.00	7 Net Layer/ Ashuban	10,000.00		£6,423.00	
			Sardar Group	10,000.00		£6,423.00	
	British Film Festival	£36,097.00	KAR Group	15,000.00		£9,635.00	
			7 Net Layers & 4 Towers	10,000.00		£6,423.00	
			Zagros	10,000.00		£6,423.00	
<b>Gaborone</b>	Queen's Birthday Party	£10,425.00	De Beers	100,000.00		£8,274.00	
<b>Guangzhou</b>	GREAT Event	£72,683.00	Huawei			£5,000.00	
			China Southern Airlines				£9,457.08
			BT			£5,000.00	
			Rolls & Royce			£5,000.00	
<b>Hong Kong</b>	GREAT Campaign	£31,386.00	Coutts and Co. LTD.	377,982.00		£31,386.00	
<b>Panama</b>	Retail Event	£38,829.92	WISA International	10,000.00		£6,471.65	
	British Ball	£18,647.42	Kings Group	10,000.00		£6,471.65	
	Queen's Birthday Party	£5,177.32	CSC Group	10,000.00		£6,471.65	
<b>Paris</b>	Queen's Birthday Party	£38,469.22	HSBC	20,000.00		£17,099.04	
	Queen's Jubilee Event	£6,411.50	Eurostar	7,000.00		£5,984.82	

Post / UK	Description of Project	Total Forecast Project Costs	Name of Sponsor/s	Value of Sponsorship			
				Cash (LC)	In-Kind (LC)	Cash (£)	In-Kind (£)
<b>Port of Spain</b>	Chevening Scholarship Programme	£40,000.00	BP			£20,000.00	
<b>Pretoria</b>	Reception to Celebrate Opening of Parliament	£27,768.08	Brandhouse		90,000.00		£6,408.00
<b>Rome</b>	Paralympic Event	£17,277.13	Deloitte	10,000.00		£8,638.56	
	Queen's Birthday Party	£60,469.94	BG Italia	10,000.00		£8,638.56	
			Intertek Test	10,000.00		£8,638.56	
			Shell Italia	12,000.00		£10,366.28	
			Maire Technimont	10,000.00		£8,638.56	
			Eblex Agriculture and Horticulture Dev.	6,000.00		£5,183.14	
			Monarch Air	10,000.00		£8,638.56	
			HSBC	12,000.00		£10,366.28	
	Good Governance Conference	£8,638.56	Global Shared Services	10,000.00		£8,638.56	
	Jubilee Ball	£27,643.40	Barclays Bank PLC	10,000.00		£8,638.56	
BG Italia			10,000.00		£8,638.56		
Page Personnel			7,000.00		£6,046.99		
<b>Seoul</b>	GREAT Campaign	£28,242.36	Standard Chartered Korea Limited	50,000,000		£28,242.36	
<b>Singapore</b>	Royal Visit	£39,473.44	Coutts	30,000.00		£15,000.00	
			St Regis		25,000.00		£12,500.00
<b>Stockholm</b>	Networking Dinner	£7,440.00	Brunswick	83,500.00		£7,440.00	
<b>Tel Aviv</b>	Young Leaders Event	£20,000.00	Apax Foundation	121,648.00		£20,000.00	
	Hi Tech Hub Event	£67,059.00	Barclay BIS ISR	102,882.00		£17,000.00	
			Fort Management	194,993.00		£35,000.00	
			Richard Loftus	31,000.00		£5,059.00	
			Sir Trevor Chin	61,505.00		£10,000.00	
	British Airways Event	£6,563.00	British Airways	40,122.00		£6,563.00	
	Summer Fair	£5,000.00	Dan Hotels Israel	27,665.00		£5,000.00	
	Queen's Birthday Party	£43,146.00	Biotec Services International	44,803.00		£7,500.00	
			Barclay Bank PLC	30,550.00		£5,000.00	
			NDS Technologies	29,754.00		£5,000.00	
Apax Foundation			28,332.00		£5,000.00		
Asserson Law Office	29,663.00		£5,000.00				

Post / UK	Description of Project	Total Forecast Project Costs	Name of Sponsor/s	Value of Sponsorship			
				Cash (LC)	In-Kind (LC)	Cash (£)	In-Kind (£)
Vienna	Queen's Birthday Party	£12,957.84	BT	7,000.00		£6,046.99	
	<b>Total</b>	£794,496	<b>Sub Totals</b>			£383,184	£31,000
<b>Total Sponsorship</b>				<b>£414,184</b>			

## Non-Departmental Public Bodies

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

### **BBC World Service (BBCWS)** ([www.bbc.co.uk/worldservice](http://www.bbc.co.uk/worldservice))

The BBCWS was formerly a Public Corporation, but has been reclassified as a Public Sector, non-market entity with effect from financial year 2012-13. As a result of this classification change, the BBCWS accounts are consolidated within the FCO for 2012-13 and 2013-14. With effect from April 2014, BBCWS will transfer to licence fee funding as part of the BBC Group. The overall role of the BBC is set out in its Royal Charter which runs to the end of 2016. The relationship between the BBCWS and the FCO is governed by a Broadcasting Agreement and a Financial Memorandum. In addition the role of BBCWS is set out in Section 64 of the agreement between the BBC and the Department for Culture, Media and Sport (DCMS). This was updated in 2011, reflecting the changes to funding of the BBCWS from 2014-15 from the licence fee.

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

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

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### **British Council (BC)** ([www.britishcouncil.org](http://www.britishcouncil.org))

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

The BC's remit is "to build mutually beneficial cultural and educational relationships between the United Kingdom and other countries, and increase appreciation of the United Kingdom's creative ideas and achievements." Its overseas network extends to 233 locations in over 100 countries and territories.

The FCO provides the BC with Grant-in-Aid, but the majority of BC's income and expenditure stems from its own teaching and language services. As such the results of the BC are not consolidated in the FCO accounts. The relationship between the FCO and BC is set out in a Management Statement and a Financial Memorandum, which will be updated by summer 2013. In 2013-14, the BC is also undergoing its Triennial Review.

The Permanent Under-Secretary (PUS) sits as a member of the BC Board of Trustees. The PUS meets with the BC Chief Executive regularly. Additional quarterly meetings are also held to discuss alignment of BC and FCO strategies and monthly meetings to review financial progress and information provided to the BC Executive Board. The BC must advise the FCO if it intends to open or close their representation overseas.

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

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## **Westminster Foundation for Democracy (WFD)**

**([www.wfd.org](http://www.wfd.org))**

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

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

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

## **Great Britain China Centre (GBCC)**

**([www.gbcc.org.uk](http://www.gbcc.org.uk))**

GBCC is an FCO-sponsored Non-Departmental Public Body. The FCO provides the GBCC with a Grant-in-Aid. The relationship between the GBCC and the FCO is governed by a Management Statement and a Financial Memorandum. The annual accounts are submitted to Ministers.

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

## **Marshall Aid Commemoration Commission (MACC)**

**([www.marshallscholarship.org](http://www.marshallscholarship.org))**

The MACC is established under the 1953 Marshall Aid Commemoration Commission Act, awarding up to 40 postgraduate scholarships in the UK each year for students from the USA with the potential to excel in their chosen fields of study and future careers. The FCO provides MACC with Grant-in-Aid. The MACC Grant-in-Aid is agreed as part of the overall annual allocation of FCO programme funding agreed by Ministers. The MACC relationship with the FCO is governed by a Management Statement which was reviewed and renewed in 2013. This year the MACC is also undergoing its Triennial Review, the outcomes of which will be published later in the year.

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

## **Wilton Park (WP)**

**[www.wiltonpark.org.uk](http://www.wiltonpark.org.uk)**

WP is an Executive Agency of the FCO, governed by a Framework Document, which was updated in April 2013. The Framework Document is reviewed every three years.

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

The Foreign Secretary appoints the Chair of the WP Board, for a period of five years (extendable) and the Chief Executive for a fixed period of three years, with possibility of extension under Civil Service appointment terms.

# Parliamentary Engagement

A strong relationship between the FCO and Parliament is a core element of the Foreign Secretary's vision for the Department. Officials are expected to provide a high standard of support to Ministers in meeting Parliamentary obligations and to take a positive and open approach to engaging with Parliamentarians during policy-making.

## Performance in updating the House on foreign policy developments

The FCO made ten oral statements in the House of Commons this Parliamentary session, including on developing situations in Syria and Mali, the Falkland Islands Referendum and quarterly joint updates on Afghanistan, which alternated between the FCO, Department for International Development (DFID) and Ministry of Defence (MOD). FCO Ministers responded to four Urgent Questions in the Commons and nine Private Notice Questions in the Lords.

FCO Ministers issued a total of 103 Written Ministerial Statements during the Parliamentary session including routine statements after EU Foreign Affairs councils, monthly Afghanistan progress reports, jointly with the Ministry of Defence and Department for International Development, and regular statements on EU Balance of Competencies.

Ministers led, or responded to, debates on foreign policy issues in both Houses, and, together with officials, gave evidence to Select Committees on subject-matter ranging from the Future Role of the Commonwealth, the Arab Spring, Scottish Separation, Human Rights, the Arms Trade Treaty, and the FCO's Performance and Finances. The Foreign Secretary gave oral evidence to the Foreign Affairs Committee on two occasions during 2012-13; once as part of its ongoing inquiry into "Recent Developments in Foreign Policy" on 18 September 2012 and again on 6 February when his evidence provided major input into the Committee's Inquiry into the "Future of the EU".

Informal updates to Select Committees occur regularly, for example the quarterly letter from the PUS to the Foreign Affairs Committee on corporate issues. The Department routinely briefs the Chair of the Foreign Affairs Committee, and the Chairs of other Select Committees as appropriate, on changes to the FCO's network of overseas Posts or where foreign policy is being developed rapidly in response to fast-moving, global situations. Heads of Mission were made available to brief the Foreign Affairs Committee, the Lords EU Sub-Committee C, and other Select Committees, both during the Leadership Conference in May 2012 and when individual Heads of Mission returned to London at other times. The FCO in both London and our Posts overseas also works closely with Select Committees to facilitate their visits overseas on fact-

finding tours to inform their Inquiries. This close coordination between FCO Posts and Select Committees helps to ensure that Posts add value to proposed visits through their local knowledge and contacts, and that Members' goals and objectives are achieved.

Ministers and officials have provided briefings to Parliamentarians, including All Party Parliamentary Groups, on a variety of foreign policy issues and on unfolding consular crises, which ranged from kidnaps to plane and balloon crashes. The FCO has established a well-used consular hotline to provide MPs with direct access to consular staff to discuss constituents' cases. We are currently assessing the effectiveness of the hotline with a view to making improvements.

## Performance in answering Parliamentary Questions

3,398 Parliamentary questions for written answer were tabled to the FCO in the Parliamentary session 2012-13. 96.1% were answered to deadline, an improvement from 89% achieved in 2011-12. 1,804 questions were for written answer in the Commons, of which 1,778 were answered to deadline (98.6%). 572 questions were for answer on a Named Day, of which 570 were answered to deadline (99.7%). 1,022 questions were for answer in the Lords, of which 918 were answered to deadline (89.8%).

The table below sets out the monthly performance figures during the Parliamentary session:

Month in 2012-13	Commons Ordinary % answered within deadline	Commons Named Days % answered within deadline	Lords Questions for Written Answer % answered within deadline
May	98.3	97.4	95.1
June	97.2	100	96.3
July	97.3	100	98.5
August & September	100	100	81.5
October	98.2	100	89.3
November	98	100	77.3
December	99.3	100	71.6
January	99.6	98.6	94.8
February	98.4	100	94.8
March	97.8	100	84.4
April	100	100	97.5

Table 1: Monthly PQ performance 2011-12



### **Performance in responding to correspondence from Parliamentarians**

The Foreign and Commonwealth Office received 9635 pieces of correspondence from MPs and peers in 2012. 91% were responded to within a 20 day deadline, an improvement from 87% in 2011. During this period the FCO received a high number of letters on the Middle East and the Arab Spring. There were also a number of high profile letter writing campaigns, including on Ecuador and human rights in Burma/Rohinga state.

### **Performance in responding to correspondence from the public**

The FCO received 5639 pieces of hard copy correspondence from members of the public in 2012-13 including letter writing campaigns ranging from persecution of Christians worldwide and the position of women in Afghanistan to the potential closure of a bear sanctuary in Vietnam. 4351 (77.2%) received replies within our 20 day deadline. The FCO also received a high volume of e-mail correspondence from members of the public.

### **Performance in complying with Parliamentary Scrutiny requirements for EU documents**

The FCO is committed to improving transparency and accountability to Parliament on European issues. 141 Explanatory Memoranda (EMs) consisting of 219 documents were submitted to Parliament for Parliamentary Scrutiny in 2012: 45 resulted in overrides by both or one of the Scrutiny Committees; 35 related to fast moving sanctions; and 53 covered sanctions and restrictive measures in Belarus, Bosnia & Herzegovina, Burma, Côte d'Ivoire, Egypt, Guinea, Guinea-Bissau, Iran, Libya, Moldova, Syria, Tunisia and Zimbabwe. The Europe Institutions Team also submitted a large quantity of material for scrutiny last year covering subjects from the Working of Committees, Rules of Procedure of the European Court of Justice and relations between the European Council and National Parliaments to Better Lawmaking, Staff Development in the EC and the Financing of European Political Parties.

### **The Parliamentary Ombudsman**

The Parliamentary Ombudsman's role is to investigate complaints that Central Government Departments and/or their agencies have acted improperly, unfairly, or have provided a poor service. In 2011-12, a total of 41 complaints against the FCO were made to the Ombudsman. A full investigation was launched into one of these cases. No complaints were upheld. The full report can be found at [www.ombudsman.org.uk](http://www.ombudsman.org.uk). The Ombudsman's report for 2012-13 is expected to be published in summer 2013 and will also be placed on the Ombudsman's website.

The FCO takes all complaints seriously and endeavours to learn from them in order to provide a high quality of service. We use customer feedback as an essential tool for managing and improving our services, for example this is an integral part of our Consular Strategy 2013-16. We record and examine all the complaints we receive, and have a system in place for analysing the complaints and spotting trends in order to tackle areas for improvement and identify priorities for resources.

# Sustainability Reporting

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## Sustainable Development

The FCO promotes sustainable development overseas and as an organisation we strive to embody the values we endorse. Our prosperity objectives have sustainable growth at their core and Government commitments on sustainable development are part of our Departmental Business Plan.

In June 2012 we published the White Paper “Overseas Territories, Security, Success and Sustainability”, confirming the government’s objective to ensure that the rich, and internationally recognised, environmental assets of these territories are cherished. Following this, FCO, DFID and Department for Environmental and Rural Affairs (DEFRA) jointly launched a Darwin Plus Fund to support environmental protection and climate change adaptation initiatives in the territories. With we also played a critical role at the Rio+20 Summit on sustainable development in June 2012.

Further examples of specific policy work which supports sustainable development principles can be found in the ‘how we have performed’ section of this report.

## Climate change adaptation

As part of its contribution to the Government’s effort to return the UK to strong, sustainable growth and prosperity, the FCO is working alongside DECC, and through our Posts, to create political conditions to achieve an ambitious global deal to cut emissions, consistent with limiting global temperature increases to two degrees Celsius and helping countries adapt to inevitable impacts of climate change.

## Sustainable Operations and Sustainable Procurement Strategy and Governance

Given the government’s commitment to sustainable development and the FCO’s specific role in promoting global action on climate change, the FCO attaches importance to leading by example through reducing the environmental impact of its own operations and procurement. This resonates with FCO stakeholder and staff expectations. Reducing environmental impacts also generally means reducing costs, enabling resources to be redeployed to front line diplomacy.

The importance the FCO attaches to sustainability is reflected in its Business Plan commitment to meeting the Government’s Greening Government Commitments (GGC) targets. The Director of the Facilities Management Client Unit has lead responsibility for sustainable operations within the FCO, supported by key FCO business units with influence on sustainability impacts. Performance against the GGC targets

is monitored by the FCO’s Operations Committee, a sub-Committee of the FCO’s Management Board, chaired by the Chief Operating Officer. Ministers discuss Departmental GGC performance at the Cabinet GGC sub-Committee every six months.

The FCO manages its environmental impacts through an Environmental Management System (EMS). In September 2011, the FCO’s EMS was externally accredited by Lloyds Register Quality Assurance (LRQA) to international standard ISO14001, which sets out the criteria for EMS. In 2012-13, LRQA reconfirmed that the FCO’s EMS met the ISO14001 criteria at two interim Surveillance Audits. Staff are trained in environmental auditing data collection methods and controls annually.

## Sustainable operations and sustainable procurement performance: 2012-13

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

## Scope of reporting

This reporting covers environmental impacts within scope of the GGC targets and carbon emissions associated with the Prime Minister’s policy that Government Departments purchase carbon off-sets for their international flights originating in the UK. The GGC targets apply to the FCO’s UK operations only and cover the collective sustainability impacts from the FCO; non-wider market impacts of FCO Services, the FCO’s Trading Fund; and the FCO’s Wilton Park conference centre. Wider market impacts are those associated with FCO Services’ work for organisations other than the FCO. All sustainability figures in this report therefore include FCO Services non-wider market and Wilton Park impacts. Financial figures relate to the FCO’s expenditure only.

Reporting on GGC targets and carbon offsetting is compulsory for all Government Departments. Overseas operations and international rail travel and flights are out of scope of GGC. When last measured in 2008-09, carbon emissions from the FCO’s UK estate and vehicles represented one third of the FCO’s global estate and vehicle emissions. International air travel was responsible for 71% of the FCO’s total emissions. The FCO no longer operates an office-wide sustainability

reporting tool for use by Posts, however, we are investigating whether this can be re-introduced in the current upgrades of the FCO's management reporting tools. Posts remain proactive in implementing measures to reduce their environmental impacts.

## Summary of performance

The FCO's greenhouse gas emissions rose by 5.5% in 2012-13. The number of domestic flights rose by 293%, due to preparations for the G8 Summit in Northern Ireland. Waste arisings have decreased by 14% and the recycling rate has increased from 48% to 72%. Office paper procurement fell by 3%. All estate water consumption rose by 2.6%.

The FCO is making progress in meeting the greenhouse gas target, having reduced carbon emissions by 21.1% since 2009-10 against a target to cut emissions by 25% by 2014-15. 629 domestic flights were taken in 2012-13, above the 2015 target level of 588. Waste arisings have reduced to below the 2014-15 target level. Additional measures will need to be identified, however, if the FCO is to meet good or best practice office water consumption per head benchmarks at all its office sites. The FCO's performance against the GGC targets is summarised in the table below:

Impact	2011/12 Performance	Target For 2014/15 (unless other year stated)	On-Off track to meet target
Greenhouse gas emissions from UK estate, vehicles and domestic train and air travel	15,432 tonnes of CO <sub>2</sub> equivalent (tCO <sub>2</sub> e)	14,662 tCO <sub>2</sub> e (a reduction of 25% on 2009-10 emissions)	On track
Estate energy expenditure	£3,823,901	-	
Number of domestic flights	629	588 flights (a 20% reduction on 2009-10 flights by 2015)	On track
Vehicle and domestic train and air travel expenditure	£652,898	-	
CRC Energy Efficiency Scheme expenditure	£242,383		
Office water consumption	9.8 cubic metres per Full Time Equivalent (FTE)	>6m <sup>3</sup> per FTE = poor practice	On track for best practice at Old Admiralty Building. Off-track for good practice at King Charles Street building and Hanslope Park
		4m <sup>3</sup> – 6m <sup>3</sup> per FTE = good practice	
		<4m <sup>3</sup> per FTE = best practice	
Office water expenditure	£81,195		
Waste arising	912 tonnes	947 tonnes (a reduction of 25% on 2009-10 waste arising)	On track
Total waste disposal expenditure	£196,533		
Paper consumption	34,044 A4 reams equivalent	35,036 A4 reams equivalent (a reduction of 10% on 2010-11 consumption).	Met
Expenditure on GCOF carbon offsets for UK originated international flights	£26,419		
Emissions associated with those international flights	26,419 tCO <sub>2</sub>		

## Normalised Performance

To allow comparison between years and organisations, the following table normalises sustainability impacts by expenditure and staff numbers. The expenditure figure is derived from the FCO's and Wilton Park's total administration spend: a total of £197,177,000. The Full Time Equivalent (FTE) staff number is 4445 and comprises staff, contractors and agency personnel working on FCO and Wilton Park premises in the UK; non-wider market FCO Services staff working on UK premises; and FTE visitors to UK premises. The Office FTE for the reduced scope of the office water consumption target is 4278.

Impact	Per £ Expenditure		Per Full Time Equivalent (FTE)	
	2012-13	2011-12	2012-13	2011-12
Green-house gas emissions	78 grams CO2e per £ of expenditure	55 grams CO2e per £ of expenditure	3.5 tonnes of CO2e per FTE	4.0 tonnes of CO2e per FTE
Waste arising	4.6 grams per £ of expenditure	4 grams per £ of expenditure	205 kg per FTE	288 kg per FTE
Office water consumption	0.0002 cubic metre per £ of expenditure	0.0001 cubic metre per £ of expenditure	9.8 cubic metres per FTE	11.1 cubic metres per FTE

The following table gives the Display Energy Certificate (DEC) Scores and Ratings for all qualifying FCO buildings. DECs measure how energy efficiently a building is being operated on an energy use per area basis. A score of less than 100 and a rating of A-D are better than typical for that type of building.

Building	2012-13 Dec Rating	2012-13 Dec Score	2011-12 Dec Rating	2011-12 Dec Score
King Charles Street	D	98	E	108
Old Admiralty Building	D	76	D	79
Lancaster House	C	66	C	65
One Carlton Gardens	C	59	C	38

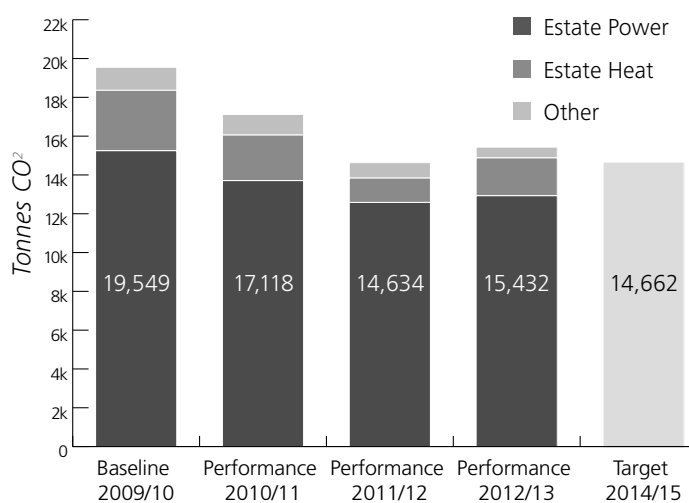
## Greenhouse Gas Emissions

Greenhouse Gases	2012-13		
	kWh-miles	tCO2	GBP (£)
Electricity (Non-Renewable)	24,843,985	12,929	£2,423,731
Electricity (Renewable)	0	0	0
Gas	1,825,845	338	£67,923
Heating Oil	323,645	90	£6,434
Biodiesel	3,267,233	6	£329,051
Biomass	781,643	0	0
District Heating	5,703,124	1,515	£996,762
Fugitive	-	79	-
Domestic flights	198,197	58	£61,196
Train	458,576	43	£166,875
Private mileage	479,711	166	£80,012
Fleet	295,415	99	0
Chauffeur Service	14,385	5	£181,073
Car Hire	224,029	67	0
Taxis	156,165	38	£185,804
<b>TOTAL</b>	<b>36,745,473 kWh 1,827,480 Miles</b>	<b>15,432 tCO2</b>	<b>£4,498,861</b>

### Emissions by Scope:

Scope 1 (Energy Direct)	-	613	-
Scope 2 (Energy Indirect)	-	14,444	-
Scope 3 (Other indirect)	-	376	-

### Graphical Analysis - Total CO2e



### Performance Commentary (Including Targets)

The FCO's greenhouse gas emissions rose by 5.5% in 2012-13 largely due to a 55% increase in heating emissions. That increase was partly due to the colder winter and partly to raising office heating temperatures from 19-21C. Staff comfort levels at 19C were too low due to cold radiating directly through the large, thin, single-glazed windows of our listed buildings. Emissions are 21% below 2009-10 baseline levels compared to a target reduction of 25% by 2014-15. Domestic flights rose sharply due to preparations for the G8 Summit in Northern Ireland.

### Controllable Impacts Commentary

The FCO's main direct impacts are from electricity and fossil fuel use. These are being reduced through a combination of energy efficiency measures and converting some boilers to run off 100% biodiesel.

### Overview of Influenced Impacts

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

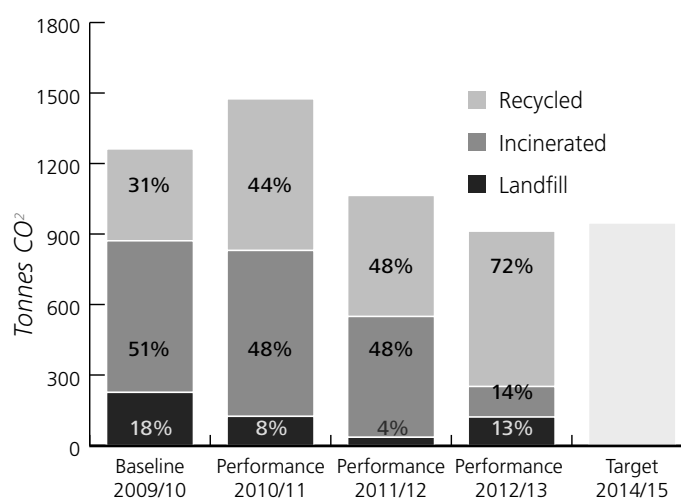
### Future Measures

We expect to meet the GGC greenhouse gas target by estate rationalisation; identifying waste and savings opportunities through our newly installed automatic metering; and installation of energy efficient equipment such as further LED lighting. The FCO's on-going IT re-procurement should lead to significant improvements in the energy efficiency of the FCO's data-centres. The FCO is also exploring longer term options for generating renewable energy at the Hanslope Park site.

### Waste

Waste	2012-13		
	Tonnes	GBP (£)	
Total Waste	912	£196,059	
Hazardous waste	44	£12,894	
Total waste by method of disposal	Landfill	121	£31,244
	Reused- Recycled	661	£111,387
	Incinerated- Energy from waste	130	£53,428

### Graphical Analysis - Total Waste



### Performance Commentary (including targets)

Waste arisings fell by 14% in 2012-13 compared to 2011-12 and is now below the GGC target. Since September no waste from the FCO owned estate in the UK has been sent to landfill. A small proportion of FCO waste from leased property continues to be land filled, representing less than 1% of all FCO UK waste.

### Controllable Impacts Commentary

The FCO's largest waste streams by volume are general office waste, paper, mixed recyclates and furniture. Efforts to date have been aimed at maximising recycling or re-use of these waste streams.

### Overview Of Influenced Impacts

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

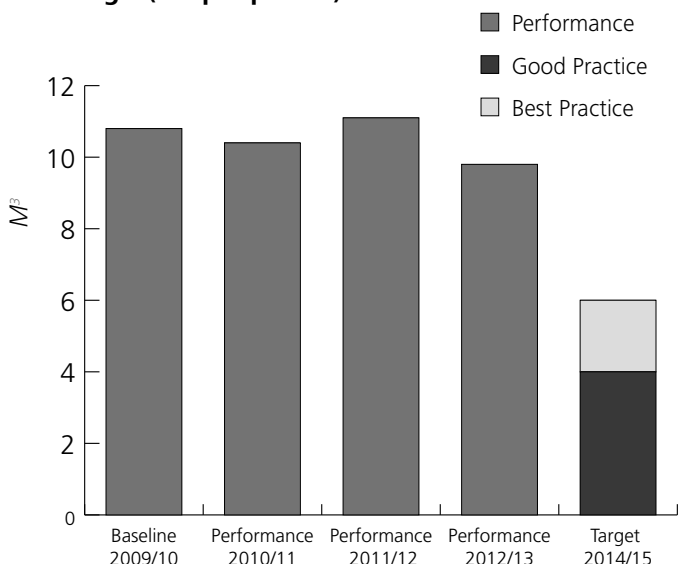
### Future Measures

Furniture waste should decline following the current round of estate rationalisation. We are also conducting a series of waste audits to identify further opportunities to cut waste, increase recycling and improve waste data quality. We will continue our engagement with the managing agents of our remaining leased building with a view to reducing the environmental impact of that building, including via the disposal of its waste. The FCO plans to adopt the closed loop initiative for its paper procurement. We are currently aligning local recycling and security arrangements to facilitate this.

### Finite resource consumption - Water

Finite Resource Consumption -		2012-13	
		Cubic metres	GBP (£)
Office Water Consumption	Supplied	42,055	£81,195
	Abstracted	0	0
Non-Office Water Consumption	Supplied	15,035	£24,395
	Abstracted	0	0
Total	Supplied	57,090	£105,590

### Graphical Analysis - Office Water Consumption all Buildings (m3 per person)



### Performance Commentary (Incl Targets)

All estate water consumption rose by 3.8%, due to a 33% rise in our King Charles Street main building. We are investigating the cause. We are also investigating why office water consumption per head is above the good practice benchmark at our King Charles Street and Hanslope Park sites. All estate water consumption remains 10% below the baseline level.

### Controllable Impacts Commentary

Controllable impacts include water use in washrooms, canteens, evaporative cooling for a data-centre and building and vehicle cleaning. Meters are being installed in all buildings and major water consuming units within buildings, to establish where water is being consumed and to identify opportunities for reduction. A water audit has been conducted to identify further opportunities for water saving. The nature of the FCO's operations do not materially impact on other finite resources.

### Overview of Influenced Impacts

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

### Future Measures

We will continue to implement the recommendations of previous water audits, including installation of water saving equipment, such as water-less urinals at our Hanslope Park site, and establishing the cause of the rise in water consumption at our King Charles Street building.

### Percentage of FCO Office Buildings Within Greening Government Commitments Benchmarks

Benchmark	Percentage
< 4m3/FTE Best	17%
4-6m3/FTE Good	0%
>6m3/FTE Poor	33%
Not Known	50%

### Biodiversity

Potential impacts on existing habitats and species are factored into the management and landscaping of the Hanslope Park site. Enhancement and preservation of the Ha-Ha wall has been undertaken with re-landscaping of the adjacent pasture area. The on-site nursery continues to promote habitats for birds and insects and staff are actively involved in bird feeding on site.

## Sustainable Procurement

During 2012-13, the FCO continued to incorporate the Greening Government Commitments into FCO UK Procurement by:

- Embedding the Government Buying Standards into core processes.
- Highlighting sustainability in simplified step-by-step procurement guides and promoting their use.
- Adopting impact assessment tools to identify the potential of each the FCO's high priority spend categories to deliver social, economic and-or environmental sustainable benefit.

The FCO also promoted the use of the above to its Arm's Length Bodies.

## Risks

The main risks to meeting the FCO's sustainability targets are: funding not being available for planned measures; planned measures not delivering expected savings; or measures not being completed in time to count against the targets, e.g. projected savings from estate rationalisation or data-centre modifications. Increased artificial ventilation will offset some sustainability gains from more intensively occupying the main King Charles Street building. Construction work during the refurbishment of the King Charles Street building is likely to generate significant additional CO2 emissions and water consumption during the GGC 2014-15 target year. We will mitigate these risks by identifying further low and no cost measures and exploring alternative funding arrangements, if necessary, such as gain-share.

## Opportunities

The main opportunities to reduce environmental impacts are the ongoing estate rationalisation; the re-procurement of FCO IT; improvements in the energy efficiency of new equipment; and gain-share opportunities to fund sustainability measures. We have conducted a study of potential renewable technologies for our Hanslope Park site. All these activities have the potential to deliver significant financial as well as environmental savings.

## People and incentives

45 staff have volunteered as Environmental Volunteers to promote sustainability campaigns within their Directorates and 24 have trained as internal EMS Auditors. The carbon off-set costs of international flights are re-charged to Directorates. The FCO charges its Executive Agencies and tenants for the costs of Carbon Reduction Commitment (CRC) Allowances purchased for their energy use. Staff are periodically kept abreast of the FCO's environmental performance via its intranet.

## Notes

1. Although FCO Services and Wilton Park produce their own Annual Reports and Accounts, all of Wilton Park's and most of FCO Services' sustainability impacts are included in the figures in this report because they are included in the FCO's GGC targets. Also, FCO and FCO Services are largely co-located. FCO Services' Wider Market impacts are not included, as the GGC Exemption Panel decided in 2012-13 that they should be exempted from the scope of GGC. The sustainability impacts of the FCO's overseas operations are not included.
2. Estate electricity consumption includes electricity consumed in charging FCO Services owned electric vehicles. The FCO has not yet baselined or reported emissions from underground, bus or coach travel.
3. DEFRA conversion factors have been used to calculate carbon emissions. Some totals include estimates where actual measurements were unavailable. The methodology and calculations for each estimate is documented. 0.2% of reported greenhouse gas emissions, 2.8% of all estate water consumption and 1.4% of waste arisings are estimated.
4. The greenhouse gas emission figures are non-weather corrected.
5. Scope 1 direct emissions arise from organisation owned equipment; Scope 2 indirect emissions from consumption of purchased energy; and Scope 3 other indirect emissions from non-owned transport. Organisations have most control over Scope 1 emissions.  
  
The expenditure figures relate to the FCO's UK operations only and include VAT. Apportioned FCO Services' wider market estate energy, water, waste and chauffeur service costs are deducted. FCO Services purchase fuel for their fleet (except electricity for electric vehicles) and that expenditure is recorded in the FCO Services Accounts and sustainability reporting. FCO Services also disposes of certain waste streams and accounts for the cost of their disposal.
6. Deducted FCO Services Wider Market impacts and expenditure in 2012-13 were:

Greenhouse gas	2,539 tCO <sub>2</sub>	£609,014
Water	5,536 m <sup>3</sup>	£10,188
Waste	88 tonnes	£18,918

7. Wider Market impacts are derived from Wider Market revenue (including from UKBA) plus estimated Wider Market data-centre emissions for greenhouse gases. The appropriate level of Wider Market impacts have been deducted from previous years' totals.
8. Previous years' totals include the following significant revisions: in 2011-12 removal of 389 tonnes of overstated waste arisings and of 616 tCO<sub>2</sub>e overstated fugitive emissions; and for each year, reclassification of 12,235m<sup>3</sup> 'office' water as 'non-office', following separate metering.
9. The expenditure figure used for normalising the FCO's sustainability data includes all FCO and Wilton Park administration spend, including administration spend on the FCO's overseas estate.
10. Some utility expenditure figures include estimates where bills have not yet been received. The actual utility expenditure may therefore differ.
11. Expenditure on Government Carbon Offsetting Fund carbon offsets represents an accrual to purchase carbon offsets for FCO air travel originating in the UK in 2012-13.
12. Under CRC Energy Efficiency Scheme rules, the FCO must purchase CRC allowances for all CRC qualifying emissions on its estate, including tenants' emissions. FCO will recharge tenants the following amounts for 2012-13 CRC allowance costs:

Her Majesty's Government Communications Centre (HMGCC)	£51,875
Wilton Park	£3,233
FCO Services	£10,608

9. The breakdown of waste disposal costs reflects actual charges for specific methods where available. Wherever the charge to the FCO does not distinguish between disposal methods, the cost has been allocated in proportion to how the waste was disposed.
10. The number of domestic flights; domestic flight and train travel emissions; and associated expenditure relate only to flights and train travel booked with the FCO's travel provider. Flights and train travel booked by other means are not readily identifiable.



## Data sources/useful websites

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### FCO

The FCO website and all of our Post websites are now part of a new single Government platform. Our new web address is:

[www.gov.uk/fco](http://www.gov.uk/fco)

On our website you can find details of our:

#### **Announcements:**

<https://www.gov.uk/government/announcements?departments%5B%5D=foreign-commonwealth-office>

#### **Publications:**

<https://www.gov.uk/government/publications?departments%5B%5D=foreign-commonwealth-office>

#### **Consultations:**

[https://www.gov.uk/government/publications?departments%5B%5D=foreign-commonwealth-office&publication\\_filter\\_option=consultations](https://www.gov.uk/government/publications?departments%5B%5D=foreign-commonwealth-office&publication_filter_option=consultations)

#### **Statistics:**

[https://www.gov.uk/government/publications?departments%5B%5D=foreign-commonwealth-office&publication\\_filter\\_option=statistics](https://www.gov.uk/government/publications?departments%5B%5D=foreign-commonwealth-office&publication_filter_option=statistics)

### UK Government

#### **Parliament:**

[www.Parliament.uk](http://www.Parliament.uk)

#### **Government departments:**

[www.gov.uk/government/organisations](http://www.gov.uk/government/organisations)

### Arm's Length Bodies

#### **BBC World Service:**

[www.bbc.co.uk/worldservice](http://www.bbc.co.uk/worldservice)

#### **British Council:**

[www.britishcouncil.org](http://www.britishcouncil.org)

#### **Wilton Park:**

[www.wiltonpark.org.uk](http://www.wiltonpark.org.uk)

#### **Great Britain China Centre:**

[www.gbcc.org.uk](http://www.gbcc.org.uk)

#### **Marshall Aid Commemoration Commission:**

[www.marshallscholarship.org](http://www.marshallscholarship.org)

### International Organisations

#### **United Nations:**

[www.un.org](http://www.un.org)

#### **EU:**

[www.europa.eu](http://www.europa.eu)

#### **The Organisation for Economic Co-operation and Development:**

[www.oecd.org](http://www.oecd.org)

#### **Organization for Security and Co-operation in Europe:**

[www.osce.org](http://www.osce.org)

#### **North Atlantic Treaty Organisation:**

[www.nato.int](http://www.nato.int)

#### **Commonwealth:**

[www.thecommonwealth.org](http://www.thecommonwealth.org)

#### **International Atomic Energy Agency:**

[www.iaea.org](http://www.iaea.org)

#### **Council of Europe:**

[www.coe.int](http://www.coe.int)

#### **2013 G8 Summit:**

<http://www.g8ni2013.com/>

### Other

#### **Olympic and Paralympic Games:**

[www.london2012.com](http://www.london2012.com)

## Annex to part 1

## 2012-13 Spending

Total Spend	Actual £m
<b>(A) Spend By Budget Type</b>	
(A1) DEL, Sub-Total <sup>1</sup>	£2026.00
(A2) AME, Sub-Total <sup>2</sup>	£50.93
(A3) Other expenditure outside DEL and AME	£0.00
(A1 + A2 + A3) Total Spend	£2076.93
<b>(B) Spend by type of internal operation</b>	
(B1) Cost of running the estate, Sub-Total	£18.99
(B2) Cost of running IT, Sub-Total	£72.60
(B3) Cost of corporate services, Sub-Total	£14.34
(B4) Policy and policy implementation, Sub-Total	£1833.70
(B5) Other costs	£198.89
(B1 + B2 + B3 + B4 + B5) Total Spend	£2138.52
<b>(C) Spend by type of transaction</b>	
(C1) Procurement Costs, Sub-Total	£ 666.98
(C2) People costs, Sub-Total	
(C3) Grants, Sub-Total	
(C4) Other costs	£232.14
(C1 + C2 + C3 + C4) Total Spend	£1090.60
	£148.80
	£2138.52

1 Does not directly reflect accounts because figures exclude depreciation and impairments

2 Does not directly reflect accounts because figures exclude depreciation and impairments

## Results

Input Indicators	2012-13 £m	2011-12 £m
1. Average cost (£) of a UK diplomatic mission/embassy	£2.6	£2.8
2. Total cost of delivering consular assistance to British nationals and total costs for providing official documents (notarial and documentary services)	Agreement that Consular submit these figures in September, once the main FCO account results are known	£88.3
3. Total FCO expenditure on Official Development Assistance (ODA)	£271 (2.9% of total UK ODA for 2012-13)	£271
4. Average Unit Cost (£) per Foreign Direct Investment Project attracted to the UK with UKTI involvement	£0.66	£0.68
5. Average Unit Cost (£) per UK Business helped to improve their performance overseas through internationalisation	Results for 2012-13 will be published in September 2013	£0.09

Impact Indicators	2012-13	2011-12
1. Number of Foreign Direct Investment projects attracted to the UK with UKTI involvement	1.3	1.2
2. Number of UK Businesses helped to improve their performance through internationalisation	Results will not now be available until September 2013	25.4
3 Trend in the gap between currently anticipated low carbon investment, and the low carbon investment required to meet the 2°C target, measured in \$ trillion source: Bloomberg New Energy Finance / World Economic Outlook	\$16 trillion (Nov 2012)	\$15.2 trillion (Nov 2011) \$13.5 trillion (2010)

4. Progress toward a stable and secure Afghanistan (as indicated by the Government Effectiveness Worldwide Governance Indicator published in September, in addition to monthly written updates to Parliament, this is an annual indicator)	5.2 (annual figure, the next update will come through in Sep 2013)	5.2
5. More effective, joined-up international system to prevent conflict and build capacity in fragile states (this is an annual indicator). We are working with the Cabinet Office to develop the methodology.	indicator under development/not yet available	indicator under development /not yet available
6. Better consular service to British nationals abroad, as indicated by customer satisfaction (interim measure used)	87%	91%

**Other Data Sets****2012-13****2011-12**

N/A		
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**Structural Reform  
Plan Actions****2012-13****2011-12**

Total number of actions completed during the year	11	29
Total number of actions overdue at the end of the year	5	3
Number of overdue actions that are attributable to external factors	4	1
Total number of actions ongoing	35	41

# Annual Accounts - Foreign & Commonwealth Office

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## 1. Management Commentary

### 1.1 Key relationships with stakeholders

We worked closely with:

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

### 1.2 2012–13 Financial Review

This was the second year of the 2010 Spending Review period. The FCO has continued work to become more efficient and reduce costs to meet the requirement to make 10% real terms savings by the end of the period.

We are delivering plans to make £100m of administrative savings by 2014-15 by ensuring administrative work overseas is done by locally recruited staff wherever possible and consolidated into regional hubs where this drives efficiency, making savings in both office and overseas residential accommodation costs and reducing the number of junior staff posted overseas. In 2012-13 we delivered £46.6m of savings towards this goal. In addition, we achieved £20.4m of savings in IT costs.

The FCO understands that value for money and encouraging a more cost conscious culture is more important than ever. We are therefore looking at all decisions and longer term strategies that allow us to remain flexible and deliver in the most efficient way. In 2012-13 we have:

- Strengthened financial management and accountability and built commercial capability through the Financial Excellence initiative, supporting Diplomatic Excellence.
- Implemented a new financial planning process to link resources more closely to the FCO's Business Plan. This has embedded the resource shift towards the highest priority activities needed to achieve the FCO's goals, for example strengthening the diplomatic network by opening or upgrading up to 20 Posts by 2015 and deploying more staff to the fastest growing regions.
- Applied procurement rigour to best shape the demand for goods and services, conducting open and fair competitions to achieve best value pricing, making use of central Government buying arrangements where appropriate, and providing challenge and controls to the major areas of spend.
- Improved transparency through publishing performance and spending information to demonstrate that every decision that commits the FCO's resources gives good value for money and affordability.

- Delivered on our Spending Round 2010 commitments on Official Development Assistance (ODA). The Independent Commission for Aid Impact (ICAI) reviewed FCO and British Council ODA spend and gave us a green-amber rating for overall effectiveness.
- Implemented the Foreign Currency Mechanism agreed in the 2010 Spending Review. Due to the strength of the pound in the first half of the financial year, the FCO returned £17.6m to HM Treasury at supplementary estimates.

Recorded within the results for the year is the sale of the British High Commission compound in Kuala Lumpur (KL) for £62m. The cost of leasing our new offices and accommodation in KL will be less than the cost of maintaining and securing our existing compound. So we have released £62m of assets for re-investment at no cost to our budget. This outcome represents excellent value for money for the taxpayer. The property remains in operational use as of the balance sheet date and will continue to be occupied by the FCO during 2013-14 under a lease agreement. We did not complete this complex international property sale and receive payment until April 2013. Following NAO advice, that the risks and reward of ownership transferred to the buyer when a Pre Sales Agreement was signed in December 2012, we recognised the sale in 2012-13. The property was sold with development potential and the sale achieved £62m, resulting in a gain of £51m included in these Accounts.

### **Comparison of 2012-13 outturn against Estimate (see note 2 to the accounts)**

In 2012-13 the FCO was voted resources under two main headings, Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME). Each is divided between Resource and Capital Expenditure. The overall outturn against estimate for the year is disclosed in the Statement of Parliamentary Supply.

Conflict Prevention Programme Grants (H) and Peacekeeping Grants (I) are the non discretionary elements within the Resource DEL. The FCO has the delegated authority to manage the rest of the Resource DEL (A to G) based on operational requirements and agreement with sponsored bodies. In 2012-13 the FCO transferred budget between flexible elements (A to G) of the Resource DEL. This is not shown in note 2.1 as the FCO has to follow a prescribed format for the budget set by HM Treasury.

### **Departmental Expenditure Limit – Resource (Note 2.1)**

Net total Resource expended was £2,152m against an Estimate of £2,163m, resulting in an overall underspend of Resource of £11m. The detailed figures are in Note 2 to the accounts. The Statement of Parliamentary Supply note reports Administration costs of £124.1m against an Estimate of £230.0m. During the 2010 Spending Review, the FCO and HM Treasury agreed that a greater proportion of costs (including some UK front line and overseas security costs) could be reclassified as Programme expenditure. Net Admin Costs are £43.5m lower than last year. In 2012-13, a higher proportion of resource costs were incurred in the overseas network when compared to the UK, than in previous years. The audited costing model reflects this by increasing spend on programme rather than Admin in order to deliver our Foreign Policy Priorities and to meet our obligations as members of International Institutions

Note 2 shows that Resource expenditure comprises of nine main headings, A to L. Explanations of all significant movement, overspends and underspends exceeding the greater of 10% or £500k relating to individual headings, are shown below:

- Heading A / Heading B: Administration and programme/programme and international organisations grants, expenditure was £3.7m below estimate. Conflict prevention budget is overstated by £8m and the FCO core budget is understated by £8m in respect of a supplementary transfer relating to the Arab Political Participation Fund. The adjusted outturn is therefore £11.7m under estimate. The underspend represents £10m Departmental Unallocated Provision built into our planning process along with a further £1.7m through tight in year management;
- Headings C and D: BBC World Service Broadcasting has been consolidated into the FCO resource accounts on an accruals basis for the first time this year. Outturn was £0.5m over estimate primarily due to accounting treatment changes as a consequence of first year consolidation. Grant funding provided to the British Council was spent in full, with the British Council achieving their target for the amount of Grant funded expenditure which is classified as Official Development Assistance eligible.
- Heading G: Expenditure of NDPBs - expenditure was £0.1m below estimate.
- Heading H and I Conflict Prevention Programme Grants and Peacekeeping Grants are non-discretionary elements of the FCO Resource DEL. HM Treasury provides a Conflict Resource settlement, which covers both the Peacekeeping and Conflict Prevention Programmes. The Conflict Prevention element is underspent by £5.7m and the Peacekeeping element is underspent by £2.0m, an overall underspend of £7.7m. The Conflict prevention budget is overstated by £8.0m as mentioned under Heading A. The adjusted outturn shows spend of £0.3m over estimate. Headings H and I are managed tri-departmentally between the FCO, DFID and MOD.

### Departmental Expenditure Limit – Capital (Note 2.2)

FCO's net expenditure was £37.0m against a Capital DEL of £108.0m, an underspend of £71.0m. The primary reason for this was the recognition of the sale of the Kuala Lumpur compound in 2012-13. This sale realised receipts of £62m. Leaving the Kuala Lumpur transaction to one side, the FCO has managed an asset recycling programme as encouraged by our spending settlement. The timing and exact value of building sales mean that we always plan to underspend to be prudent.

### Annually Managed Expenditure (AME)

- Heading J: Annually Managed Expenditure (AME), this relates to impairments arising on the revaluation of worldwide properties, new provisions and movement in existing provisions. The outturn of £47.0m was £65.9m below Estimate. Revaluations are by their nature difficult to forecast, especially since the FCO property portfolio is global and subject to fluctuating exchange rates. During the year impairments (decreases in the value of our estate) were £59.2m of which £55.7m was charged to AME (Note 8) while reversals of impairments (increases in the value of our estate) were £18.6m, Net AME movement was £37.1m.

Provisions in year for the following: pensions, locally engaged staff terminal gratuities, legal cases and early departure costs were £36.1m (Note 20) excluding the BBC World Service. Provisions utilised and not required written back were £25.9m. The net increase in overall provisions (excluding BBC World Service) was £11.2m.

- Heading K: Annually Managed Expenditure (AME) Reimbursements, this relates to reimbursements of certain duties and taxes including VAT on diplomatic missions hosted in the UK and includes Climate Change Levy fees. The outturn of £33.5m was £2.1m below Estimate (5.9%)
- Heading L: Annually Managed Expenditure (AME) BBC World Service Broadcasting: BBC WS has been consolidated in to the FCO statutory accounts for the first time. The outturn of £7.6m was £2.6m higher than the Estimate. £5.9m of this expenditure relates to provisions for various decommissioning costs and the rest relates to provisions for staff and other costs. Provisions in year for staff and other costs were £9.9m and provisions utilised and not required written back were £8.8m, in total resulting in net provisions of £1.1m.

### 1.3 Resources Available to the FCO

The overseas estate consists of approximately 4,900 properties, ranging from Embassy and High Commission buildings to staff accommodation and other facilities. The estate demands a wide range of security support, particularly in our most vulnerable Posts. The overseas estate accommodates not only FCO staff but also Government partners and wider public sector organisations. Approximately 54% of properties are leased and 46% are owned. We assess a property's worth in terms of value for money criteria, fitness for purpose, physical condition and size relative to our need, and we recycle our asset base to provide for changing requirements. The professional maintenance of the estate is delivered through a mixture of in-house and outsourced teams.

In 2012-13 we:

- revised our global asset management plan at the half way point of the current Spending Round (SR10), to enable us to deliver our estate strategy within the SR10 settlement;
- Disposed of estates assets worth approximately £17 million and reinvested the net proceeds into the estate; this excludes the sale of the Embassy compound in Kuala Lumpur, as mentioned in the Management Commentary, which completed in April 2013 and resulted in proceeds of £62m. Given that we could not invest the proceeds of the sale in 2012-13, prior to any payment being received, and that we are required to recycle our asset sale receipts within year, HM Treasury has agreed to grant us access to the Reserve in 2013-14 to support our investment plans for our estate.
- Delivered a major capital investment programme with a value of £44m. Completed projects include a new multi function space and associated accommodation in Brussels, on compound residential units in Islamabad, Embassy refurbishment in Tel Aviv and a new Embassy and Residence in San Salvador;
- Began rolling out a new generation of security equipment at our Posts overseas. This equipment, some of which we have designed and developed ourselves, comprises six main programmes, with a total capital cost of approximately £12m in the 2012-13 financial year;
- Increased the global legal and statutory compliance of our estate by 12.32%, with a new baseline compliance figure of 63.74%;
- Implemented a new residential accommodation policy which will save over £6m annually from our rent bill by the end of the SR10;
- Continued to progress a strategy for the UK Estate that includes making better use of our premises in King Charles Street and the transfer of Old Admiralty Building to another Government department;

- Established and deployed FCO Health and Safety 'minimum standards' across the FCO Estate;
- Began a major multi-year programme of seismic risk assessment across the FCO estate;
- Increased estates project assurance and governance through the Integrated Assurance and Approval Process (IAAP) successfully passing four external reviews in year;
- Reviewed the FCO's fleet of armoured vehicles and agreed a phased streamlining and upgrading. This will see the large fleets in Iraq and Afghanistan brought under common management with the rest of the world and improved capabilities in some key areas. The FCO operates around 500 armoured vehicles, deployed on the basis of rigorous assessments from a cadre of professional overseas security advisers. These vehicles have saved the lives of a number of our staff.

The FCO made good progress in 2012-13 in delivering three major IT improvements.

The Echo Programme, which is delivering the new global network for data services, telephony and unclassified video conferencing connecting the Government's overseas offices and UK headquarters, is nearing completion. Deployment at 100 sites was completed during 2012-13, against a total of 279 sites in scope. We forecast savings of £6.2 million from these sites in 2012-13, and £31.2 million over the lifetime of the Echo framework contract. If the FCO and partners exercise their rights to extend the contract in due course, these savings are projected to increase further. With the main overseas rollout ending in May 2013, the Programme will focus on extending Echo services to UK sites. It is tentatively envisaged that UK rollout will conclude in the late autumn, with Programme closure activities to be completed by the end of the next financial year.

The IT Reprourement Programme is replacing the FCO's current desktop infrastructure "Firecrest", as well as procuring a new Service Management Integration service (SMI). An external contractor will deliver most of the network operations, supplier and project management services hitherto staffed by the FCO's Information & Technology Directorate. Following extensive preparatory work, we identified a preferred bidder for the SMI contract in February 2013. We continue to review procurement options for replacing our Enterprise Resource Planning platform "Prism" in discussion with the Cabinet Office and other Partners.

The High Classification Programme, working closely with the FCO's Partners, has successfully completed the first two phases (of a three phase project) to deliver a new shared service application to some Government departments and Posts. The final phase is to replace the FCO's legacy High Classification system in the UK. This is planned to take place in parallel with the UK Estate Reform Programme's work to deliver a new High Classification Area in our King Charles Street headquarters. The High Classification Programme has already delivered savings of £12.6 million. Further savings of £5.3 million are projected at the end of the final phase. Additionally, the High Classification Programme is a key enabler for savings captured through a 'working differently' initiative, which is rationalising the delivery of essential support services, including IT and IT security management overseas.

### 1.4 Major Contractual Arrangements

In 2012 we instigated a formal Supplier Relationship Management (SRM) process with Board level sponsorship of key suppliers which will drive stronger collaboration, improve planning and embed continuous improvement. The most significant areas of spend with major suppliers during 2012-13 are shown in the table below.

	Company	Contract
1	INTERSERVE FM LTD	Facilities management (FM) services for the FCO's home and north west European estates.
2	G4S RISK MANAGEMENT LTD	Mobile and static security guarding in Afghanistan. Contract extended by a further final two years to cover the military withdrawal. Also mobile security guarding in Somalia.
3	ISS FACILITY SERVICES LTD	FM services for the FCO's Asia Pacific estate.
4	CABLE AND WIRELESS WORLDWIDE	N.B. Now Vodafone. Global and UK telecommunications supplier under the Echo Programme and provider of UK mobile telephony. This replaces the global telecommunications fixed telephone network (FTN) contract and UK telecommunications services under the Managed Telephone Contract Framework with Level 3 Communications as below.
5	GARDA WORLD LTD	Mobile and static security guarding in both Iraq and Libya.
6	MACE INTERNATIONAL (UK) LIMITED	Major construction projects around the globe.
7	LEVEL 3 COMMUNICATIONS UK LTD	Previous provider of our global telecommunications (FTN) contract and UK telecommunications services.
8	HEWLETT PACKARD LTD	Global Desktop and IT Infrastructure solution under the Firecrest contract.
9	KELLOGG BROWN & ROOT	Life support services in Iraq and Afghanistan.
10	ARTEOS GMBH	FM services to the Embassy in Berlin under a 30 year Private Finance Initiative (PFI) agreement.
11	G4S SECURE SOLUTIONS (UK)	Security guarding services for the FCO home estate.
12	PICKFORDS MOVE MANAGEMENT LTD	Movement of personal effects and heavy baggage around the world.
13	ORACLE CORPORATION (UK) LTD	Support and maintenance of the licences for the 'PRISM' Enterprise Resource Planning (ERP) system.
14	S MACNEILLIE & SON LTD	Vehicle protection services.
15	CAPGEMINI UK PLC	Development and managed services supplier for Prism.

### 1.5 Personal Data Losses

Personal data incidents 2012-13 (Figures for 2011-12 are shown in brackets).

Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	1 (2)
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	3 (2)
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	1 (0)
IV	Unauthorised disclosure	4 (9)
V	Other	0 (2)

The figures do not include incidents involving visa or passport section information as these are handled and reported on by UK Border Agency and the Identity and Passport Service respectively.

No incidents were reported to the Information Commissioner's Office.



## 2. Senior Management

### 2.1 Ministers

Ministerial portfolios and responsibilities at 31 March 2013 were as follows:

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

Overall responsibility for the work of the Office; Policy Unit; Honours; Intelligence Policy; Cyber Security; Preventing Sexual Violence Initiative.

#### **Senior Minister of State: Rt Hon Baroness Warsi**

Afghanistan; Pakistan; Bangladesh; Central Asia; Human Rights; UN, International Organisations and the International Criminal Court; FCO business in the Lords.

#### **Minister of State for Europe:**

##### **Rt Hon David Lidington MP**

European Union (including Gibraltar and Sovereign Base Areas); Europe, including Balkans, Ukraine, Belarus and Moldova; Russia, South Caucasus; NATO and European Security; Organization for Security and Cooperation in Europe and Council of Europe; FCO relations with Parliament; Communications; FCO Finance; Estates and Security; Information and Technology.

#### **Minister of State: Rt Hon Hugo Swire MP**

Far East and South East Asia; India and Nepal; Latin America (including: Dominican Republic, Haiti and Cuba); Falklands; Australasia and Pacific; Commonwealth; Migration; Emerging Powers Coordination; Public diplomacy, Olympic & Paralympic legacy and the GREAT campaign; International Economy; Prosperity work, including FCO's relations with British Business, in support of Lord Green; Drugs and International Crime.

#### **Parliamentary Under-Secretary of State:**

##### **Alistair Burt MP**

Counter Terrorism; Counter Proliferation; Counter Piracy; North America; Middle East and North Africa; Maldives and Sri Lanka; Defence policy (except NATO and European Security); Human Resources and Diversity; Ministerial correspondence.

#### **Parliamentary Under-Secretary of State:**

##### **Mark Simmonds MP**

Africa; Overseas Territories (not Falklands, Sovereign Base Areas or Gibraltar); Conflict Issues; Climate Change; International Energy; Consular; Protocol; Ministerial Oversight for FCO Services; The Caribbean (not including Dominican Republic, Haiti or Cuba).

#### **Minister for Trade and Investment: Lord Green of Hurstpierpoint**

Leading on FCO relations with British Business; Commercial Economic Diplomacy Department; Economics Unit; UK Trade and Investment (joint Minister with Dept. for Business, Innovation and Skills); Export Credits Guarantee Department (ECGD); Spokesman for the Government on trade and investment issues in the House of Lords; Business policy.

## **2.2 Members of the FCO Supervisory Board**

The composition of the FCO Supervisory Board is included as part of the Annex to the Governance Statement.

## **2.3 Members of the FCO Management Board**

Simon Fraser, Permanent Under-Secretary and Head of the Diplomatic Service

Simon Gass, Director General Political

Matthew Rycroft, Chief Operating Officer

Robert Hannigan, Director General Defence and Intelligence

Barbara Woodward, Director General Economic and Consular

Iain Walker, Director, Finance

Menna Rawlings, Director, Human Resources

Nick Baird, Chief Executive, UKTI

Shan Morgan, Deputy Permanent Representative to the EU

Rudy Markham, Non-Executive Board Member

Julia Bond, Non-Executive Board Member

## **2.4 Senior Official Appointments**

The Permanent Under-Secretary of State and Head of the Diplomatic Service is appointed in line with the principles and procedures set out by the Civil Service Commission for Permanent Secretary appointments. Board membership is attached to certain senior positions in the FCO. In line with FCO practice for all senior appointments, these roles are advertised within the FCO and in almost all cases across the Civil Service. Senior appointments in the FCO are made by the Foreign Secretary on the advice of the Permanent Under-Secretary and Senior Appointments Board, with appointments at Director General level and above also agreed by the Prime Minister. Non Executive Board Members are recruited in line with procedures set out by the Cabinet Office. They are appointed for three years, with renewable terms.

### 3.0 Staffing and Workforce Related Issues

#### 3.1 UK Staff

As at 31 March 2013, 61% of UK Based staff were working in the UK and 39% were based at overseas Posts. Just over 10% of the UK Based workforce were on loan from other Government departments or employed on fixed term appointments in specific roles. The grade breakdown is as follows:

Grade	Mar -08	Mar -09	Mar -10	Mar -11	Mar -12	Mar -13
A1 (AA)	140	122	133	107	54	64
A2 (AO)	814	843	843	833	791	759
B3 (EO)	970	976	980	920	850	849
C4 (HEO)	920	972	1017	968	968	1117
C5 (SEO)	392	404	381	401	403	438
D6 (Grade 7)	742	788	770	714	700	754
D7 (Grade 6)	272	302	325	325	360	410
SMS (SCS)	418	415	415	395	395	409
Other	10	12	126	123	55	36
<b>TOTAL</b>	<b>4678</b>	<b>4834</b>	<b>4990</b>	<b>4786</b>	<b>4576</b>	<b>4836</b>

The 409 officers in the Senior Management Structure were in the following pay bands:

Grade	Number
SMS1	276
SMS2	103
SMS3	26
SMS4	4
<b>TOTAL</b>	<b>409</b>

A table showing the number of UK Based staff, based in each Post overseas is at Annex A.

#### Trends

The size of the UK Based workforce has fluctuated over the past 5 years with an increase in headcount during the latter half of 2012-13. The FCO Strategic Workforce Plan (SWP) 2013 –14 sets out our commitment to reduce headcount within the current Spending Round, while also strengthening policy capability in Bands C and D. We still aim to achieve this. The SWP was reviewed in April 2013, including a re-examination of our headcount trajectory to the end of SR10.

We brought in fresh talent and specialist skills at Band C and D, as planned and as agreed exemptions to the recruitment freeze. The inflow of new staff has partly been offset by natural wastage, voluntary exit schemes and the gradual reduction in the number of Band A and B positions overseas.

Recent growth in our workforce reflects measures taken during 2012 to prioritise meeting a sustained demand for staff to deliver a challenging portfolio of foreign policy priority outcomes. The realignment of our methodology to better reflect guidance issued by the Office of National Statistics also brought a number of staff, previously excluded, into scope for headcount and workforce planning purposes.

The percentage of UK Based involved in the delivery of each of the FCO Foreign Policy Priorities, is below:

Foreign Policy Priority	% of UK Based Staff <sup>1</sup>
Our Purpose	27
Security	20
Prosperity	14
Consular	6
Management and Support	33

<sup>1</sup> These figures are calculated using staff numbers as at the year end

### 3.2 Local Staff

The FCO employs approximately 9,500 local staff at its Posts<sup>2</sup>. A further 1,300 are employed by the UK Border Agency and other Whitehall partners. Local staff provide a wide range of corporate management and supporting services to UK Based staff. They are also increasingly involved in the delivery of front line foreign policy objectives. Local Staff currently make up 67% of the total FCO workforce. By 2015 this is may rise to 70%.

The percentage of local staff involved in the delivery of management and support and each of the FCO Foreign Policy Priorities is below:

Foreign Policy Priority	% of Local Staff
Our Purpose	11
Security	2
Prosperity	17
Consular	6
Management & Support	64

<sup>2</sup> We are currently considering the best way to present detailed information on our staffing levels overseas, including providing an unrounded breakdown of staff (both LE and UK Based) in each of our overseas Posts and missions. In the past, we have been unable to provide this information for security and operational reasons. But we are reviewing how to make available a comprehensive picture of our staffing levels at our Posts overseas. Unfortunately it has not been possible to provide this information within the timeframe for publication of this report.

### 3.3 Equal Opportunities

The FCO is an equal opportunities employer. Policies are in place to guard against unfair discrimination or barriers to employment and advancement. The FCO equal opportunities policy states that no staff should be exposed to unfair discrimination, including harassment, bullying or victimisation on any grounds, particularly age, gender, marital status, race, disability, religion or belief, sexual orientation, pregnancy or maternity or gender reassignment. The FCO aims to provide all staff with equality of opportunity in all aspects of their work. Employment and promotion are on merit. The right to request flexible working is open to all. Equal opportunity considerations are at the core of the FCO's personnel policies. The FCO has published equality data in line with the requirements of the Equality Act 2010. The Equality Report can be found on gov.uk.

### 3.4 Learning and Development (L&D)

The FCO is one of the top Government departments on L&D. The FCO has continued to implement a strategy for L&D as part of Diplomatic Excellence: investing more in diplomatic skills, maintaining high standards of management and leadership, strengthening the learning culture across the whole organisation and driving for efficiencies and effectiveness.

Milestones in 2012-13 have included: major new procurements of diplomatic skills training courses (with an emphasis on policy, influencing, communications and negotiating skills); a refresh of induction and pre-posting courses; a major switch towards using Civil Service Learning (CSL) resources in the UK for generic skills; the piloting of CSL courses overseas for all UK Government staff on the FCO platform; and significant progress towards the joint planning, procurement and delivery of L&D with other Government departments, especially with the Department for International Development.

The FCO's overseas network of training centres has continued to work more strategically with Posts, as regional L&D teams which are part of the wider HR support available to the front line.

### 3.5 Staff Engagement Survey/Impact

The participation rate in the 2012 Staff Survey was 91%, compared to an average of 62% across the Civil Service. Both UK employed civil servants and local staff working overseas participated. The FCO, excluding its agencies, achieved a staff engagement index score of 67%, a statistically significant rise of one point on the 2011 survey and 10 points above the Civil Service average. Other highlights include: 79% (up two points) of staff say that they are proud to tell others that they are a part of the FCO, and 61% (up two points) say they feel a strong attachment to the FCO. 59% (up two points) agree that the FCO inspires them to do the best in their jobs. The most important 'driver' of engagement is Leadership and Managing Change and in 2012 the score improved by two points to 50%. Our scores on Diplomatic Excellence have also improved. 69% (up four points) understand what Diplomatic Excellence means for how they do their jobs, while 69% agree that your Post/Directorate promotes Diplomatic Excellence values in the way they do things.

### 3.6 Civil Service HR

The FCO has continued to use products and services offered by Civil Service HR (CSHR) where they work for us. We have introduced a revised and simplified appraisal form for all staff, using the Civil Service form as a template with small alterations reflecting the specific needs of the FCO. In parallel, we are working with other Government departments with an international presence to harmonise what we provide to staff overseas, for example we will shortly launch a Duty of Care Policy for staff which has been agreed by all Government departments with an overseas footprint.

### 3.7 Employment of People with a Disability

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

The FCO took part in the Disability Standard Benchmark conducted by the Employers' Forum on Disability (now known as the Business Disability Forum). The FCO ranked highly against the other central Government departments that participated and we were recognised for our commitment to being a disability smart organisation.

### 3.8 Sick Absence Rates<sup>1</sup>

<b>Sickness Absence in the FCO</b>	<b>2012-13</b>	<b>2011/12</b>
Working days lost (short-term absence)	8344	9918
Working days lost (long-term absence)	7050	9372
Total working days lost	15394	19290
Average annual working days lost per staff year	3.4	3.8

<sup>1</sup> Data for the year ending 31 March each year are not available in time to be included within the annual report. Figures quoted are for the year ending 31 December.

### 3.9 Health and Safety

Health and Safety performance in the FCO has continued to improve. Health and Safety is now an established part of the Annual Consolidated Certificate of Assurance (ACCA). During the Olympic and Paralympic Games we implemented safety arrangements agreed by the London Organising Committee of the Games (LOCOG). No games related injuries were reported. The Health and Safety Committee chaired by the Permanent Under-Secretary met as scheduled and agreed a number of steps including on roles and responsibilities. These steps were approved by the FCO Board and helped to create a specific safety culture where all staff have a role to play.

## 4 Remuneration report

The Remuneration Report is subject to audit.

### 4.1 Remuneration Policy

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

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

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

The salaries of the 29 most senior Foreign and Commonwealth Office staff are agreed by the Foreign Secretary on the advice of the Senior Heads of Mission Remuneration Committee, which is chaired by Sir John Baker. However, we are reviewing the pay scales and structure for the FCO's most senior staff to ensure greater transparency, flexibility and comparability with Civil Service norms.

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

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

### 4.2 Remuneration (including salary) and pension entitlements

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

#### 4.2.1 Remuneration

Ministers	2012-13 Salary £	2011-12 Salary £
Rt Hon William Hague MP	68,827	68,827
Henry Bellingham MP (to 4 September 2012)	10,137 <sup>1</sup>	23,697
Jeremy Browne MP (to 30 September 2012)	16,501 <sup>2</sup>	33,002
Rt Hon David Lidington MP	33,002	33,002
Alistair Burt MP	23,697	23,697
Rt Hon Baroness Sayeeda Warsi (from 5 September 2012)	65,953 <sup>3</sup>	-
Rt Hon Hugo Swire MP (from 5 September 2012)	18,885 <sup>4</sup>	-
Mark Simmonds MP (from 5 September 2012)	13,560 <sup>5</sup>	-
Lord Green of Hurstpierpoint	- <sup>6</sup>	-
Lord Howell of Guildford (to 5 September 2012)	- <sup>7</sup>	-

<sup>1</sup> Henry Bellingham MP full time equivalent salary was £23,697

<sup>2</sup> Jeremy Browne MP full time equivalent salary was £33,002

<sup>3</sup> Rt Hon Baroness Sayeeda Warsi full time equivalent salary is £115,257

<sup>4</sup> Rt Hon Hugo Swire MP full time equivalent salary is £33,002

<sup>5</sup> Mark Simmonds MP full time equivalent salary is £23,697

<sup>6</sup> Lord Green of Hurstpierpoint is an unpaid Minister

<sup>7</sup> Lord Howell of Guildford was an unpaid Minister

## Members of the FCO Board

The information below relates to the period for which senior managers served on the Board.

Board Member	2012-13		2011-12	
	Salary £000	Performance Related Pay £000	Salary £000	Performance Related Pay £000
Simon Fraser	180-185	15-20	180-185	-
Barbara Woodward	125-130	-	45-50 <sup>1</sup>	-
Nick Baird	135-140	-	130-135 <sup>2</sup>	10-15
Robert Hannigan	135-140	10-15	130-135	-
Geoffrey Adams (until 3 October 2012)	55-60 <sup>3</sup>	10-15	130-135	10-15
Matthew Rycroft	125-130	-	125-130	10-15
Tim Hitchens (until 30 September 2011)	-	-	25-30 <sup>4</sup>	-
Alison Currie (until 6 December 2012)	80-85 <sup>5</sup>	-	120-125	-
Menna Rawlings (from 30 September 2011)	100-105	-	50-55 <sup>6</sup>	-
Susan Le Jeune (until 28 October 2011)	-	-	55-60 <sup>7</sup>	10-15
Shan Morgan	110-115	-	95-100 <sup>8</sup>	-
Susan Haird (from 3 January 2011 to 24 June 2011)	-	-	- <sup>9</sup>	-
Andrew Cahn (until 2 January 2011)	-	-	- <sup>10</sup>	-
Mark Sedwill (from 4 October 2012 to 20 January 2013)	50-55 <sup>11</sup>	-	-	-
Iain Walker (from 7 December 2012)	30-35 <sup>12</sup>	-	-	-
Iain Walker (from 7 December 2012)	30-35	-	-	-
Simon Gass (from 21 January 2013)	25-30 <sup>13</sup>	-	-	-
Non-Executive				
Rudy Markham	-	-	-	-
Julia Bond	5-10	-	10-15	-
Sir Richard Lambert	20-25	-	5-10 <sup>14</sup>	-
Heather Rabbatts	-	-	0-5 <sup>15</sup>	-
Stephen Hawker	30-35	-	0-5	-
Ann Cormack	10-15	-	5-10	-

- 1 Barbara Woodward full time equivalent salary was £115-120k in 2011-12
- 2 Nick Baird served as a member of the Board in his position as Director General Europe & Globalisation until 5 June 2011 and as Chief Executive of UKTI from 6 June 2011
- 3 Geoffrey Adams full time equivalent salary was £130-135k in 2012-13
- 4 Tim Hitchens full time equivalent salary was £95-100k in 2011-12
- 5 Alison Currie full time equivalent salary was £120-125k in 2012-13
- 6 Menna Rawlings full time equivalent salary was £100-105k in 2011-12
- 7 Susan Le Jeune full time equivalent salary was £100-105k in 2011-12
- 8 Shan Morgan full time equivalent salary was £105-110k in 2011-12
- 9 Susan Haird was remunerated by the Department for Business, Innovation and Skills and relevant disclosures can be found in the accounts of that department
- 10 Andrew Cahn was remunerated by the Department for Business, Innovation and Skills and relevant disclosures can be found in the accounts of that department
- 11 Mark Sedwill full year equivalent salary was £135-140k in 2012-13
- 12 Iain Walker full year equivalent salary was £110-115k in 2012-13
- 13 Simon Gass full year equivalent salary was £135-140k in 2012-13
- 14 Sir Richard Lambert full year equivalent salary was £15,000 in 2011-12
- 15 Heather Rabbatts full year equivalent salary was £15,000 in 2011-12

### Salary

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

### Performance Related Payments

Performance Related Payments are based on performance levels attained and are made as part of the appraisal process. Due to timings of the appraisal process, bonuses paid in 2012-13 relate to performance in 2011-12, and bonuses paid in 2011-12 relate to performance in 2010-11.

### Benefits in Kind

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

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

### Pay Multiple Statement

	2012-13	2011-12
Band of highest paid directors total	£200-205	£180-185
Median remuneration of all UK Based staff	£32,285	£31,972
Ratio	6.2	5.7

The figures in the table relate to FCO core department.

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in the Foreign and Commonwealth Office in the financial year 2012-13 was £200-205 (2011-12, £180-185). This was 6.23 times (2011-12, 5.74) the median remuneration of the workforce, which was £32,285 (2011-12, £31,972).

In 2012-13, (2011-12, 0) no employees received remuneration in excess of the highest-paid director. Remuneration ranged from £100,000 to £185,000 (2011-12, £100,000 to £205,000).

Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

#### 4.2.2 Pension Benefits

### Ministers

Minister	Accrued pension at age 65	Real increase in pension at age 65	CETV at 31 March 2013	CETV at 31 March 2012	Real increase in CETV
	£000	£000	£000	£000	£000
Rt Hon William Hague MP	15-20	0-2.5	247	224	4
Rt Hon David Lidington MP	0-5	0-2.5	40	27	8
Rt Hon Hugo Swire MP	0-5	0-2.5	37	29	4
Jeremy Browne MP	0-5	0-2.5	23	18	2
Mark Simmonds MP	0-5	0-2.5	4	0	2
Alistair Burt MP	5-10	0-2.5	101	89	4
Henry Bellingham MP (to 4 Sept 2012)	0-5	0-2.5	25	21	3
Rt Hon Baroness Sayeeda Warsi	- <sup>1</sup>	-	-	-	-

<sup>1</sup> Rt Hon Baroness Sayeeda Warsi has opted out of the pension scheme



## 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 accrual rate has been 1/40th since 15 July 2002 (or 5 July 2001 for those that chose to backdate the change) but Ministers, in common with all other members of the PCPF, can opt for a 1/50th accrual rate and a lower rate of member contribution. An additional 1/60th accrual rate option (backdated to 1 April 2008) was introduced from 1 January 2010.

Benefits for Ministers are payable at the same time as MPs' benefits become payable under the PCPF or, for those who are not MPs, on retirement from Ministerial office from age 65. Pensions are re-valued annually in line with Pensions Increase legislation. From 1 April 2013 members pay contributions between 7.9% and 16.7% depending on their level of seniority and chosen accrual rate. The contribution rates are planned to increase in April 2014, subject to consultation.

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.

In line with reforms to other public service pension schemes, it is intended to reform the Ministerial Pension Scheme in 2015.

## 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 in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in the value of the CETV

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

## Members of the FCO Board

	Accrued pension at age 60 at 31 March 13	Related lump sum at 31 March 13	Real increase in pension at age 60	Real increase in lump sum at age 60	CETV at 31/3/13	CETV at 31/3/12	Real increase in CETV
	£000	£000	£000	£000	£000	£000	£000
Simon Fraser	70-75	210-215	0-2.5	0-2.5	1366	1286	7
Matthew Rycroft	45-50	-	0-2.5	-	571	531	6
Barbara Woodward	30-35	95-100	2.5-5	10-12.5	580	493	57
Robert Hannigan	20-25	60-65	0-2.5	2.5-5	344	307	16
Simon Gass	50-55	150-155	2.5-5	7.5-10	1055	999 <sup>1</sup>	51
Menna Rawlings	25-30	75-80	2.5-5	7.5-10	384	323	42
Shan Morgan	55-60	105-110	5-7.5	7.5-10	1139	967	109
Iain Walker	5-10	-	0-2.5	-	41	35 <sup>2</sup>	5
Geoffrey Adams	50-55	160-165	2.5-5	7.5-10	1098 <sup>3</sup>	1009	48
Mark Sedwill	50-55	-	0-2.5	-	764 <sup>4</sup>	728 <sup>5</sup>	6
Nick Baird	45-50	145-150	0-2.5	2.5-5	857	791	19
Alison Currie	10-15	-	0-2.5	-	169 <sup>6</sup>	147	11

1 Simon Gass CETV at 21 January 2013

2 Iain Walker CETV at 7 December 2012

3 Geoffrey Adams CETV at 2 September 2012

4 Mark Sedwill CETV at 20 January 2013

5 Mark Sedwill CETV at 3 September 2012

6 Alison Currie CETV at 6 November 2012

### 4.3 Civil Service Pensions

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

Employee contributions are salary-related and range between 1.5% and 3.9% of pensionable earnings for classic and 3.5% and 5.9% for premium, classic plus and nuvos. Increases to employee contributions will apply from 1 April 2013. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is up-rated in line with Pensions Increase legislation. 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 Civil Service pension arrangements can be found at the website <http://www.civilservice.gov.uk/pensions>

#### **Cash Equivalent Transfer Values (CETV)**

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

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

#### **Real increase in CETV**

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

## Reporting of Civil Service and other compensation schemes - exit packages

Exit package cost band	Core Dept			Agencies			Departmental Group		
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	0 (0)	0 (2)	0 (2)	0 (0)	0 (0)	0 (0)	7 (14)	6 (17)	13 (31)
£10,000 - £25,000	0 (1)	13 (20)	13 (21)	0 (0)	0 (10)	0 (10)	9 (25)	19 (82)	28 (107)
£25,000 - £50,000	0 (0)	15 (33)	15 (33)	0 (0)	0 (8)	0 (8)	11 (18)	31 (116)	42 (134)
£50,000 - £100,000	0 (0)	9 (23)	9 (23)	0 (0)	0 (8)	0 (8)	11 (18)	16 (68)	27 (86)
£100,000 - £150,000	0 (0)	11 (7)	11 (7)	0 (0)	0 (3)	0 (3)	6 (1)	14 (17)	20 (18)
£150,000 - £200,000	0 (0)	5 (1)	5 (1)	0 (0)	0 (0)	0 (0)	10 (0)	5 (2)	15 (2)
£200,000 - £250,000	0 (0)	2 (0)	2 (0)	0 (0)	0 (0)	0 (0)	1 (0)	2 (0)	3 (0)
£250,000 - £300,000	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	1 (0)	0 (0)	1 (0)
Total number of exit packages	0 (1)	55 (90)	87 (118)	0 (0)	0 (29)	0 (29)	56 (76)	93 (302)	149 (378)
Total cost /£	0 (19629)	£4,016,911 (4,266,324)	£4,016,911 (4,285,954)	0 (0)	0 (1,433,000)	0 (1,433,000)	1,215,449 (7,199,946)	£5,641,064 (12,292,821)	£6,856,513 (19,492,767)

#### 4.4 Off payroll engagements

<b>Table 1: For off-payroll engagements at a cost of over £58,200 per annum that were in place as of 31 January 2012</b>	<b>Main Department</b>
No. in place on 31 January 2012	37
of which	
No. that have since come onto the organisation's payroll	0
of which	
No. that have since been re-negotiated/re-engaged, to include contractual clauses allowing the department to seek assurance as to their tax obligations	36
No. that have not been successfully re-negotiated, and therefore continue without contractual clauses allowing the department to seek assurance as to their tax obligations	1
No. that have come to an end	
Total	37

<b>Table 2: For all new off-payroll engagements between 23 August 2012 and 31 March 2013, for more than £220 per day and more than 6 months</b>	<b>Main Department</b>
No. of new engagements	10
of which	
No. of new engagements which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations	10
of which	
No. for whom assurance has been requested and received	9
No. for whom assurance has been requested but not received	1
No. that have been terminated as a result of assurance not being received	0
Total	10

#### Notes:

Table 1 – FCO has 1 worker who has not switched over to the Hays Managed Service Contract, although Tax Assurances have been received by the department in which he is employed.

Table 2 – Since August 2012 – FCO has engaged 1 worker outside of the Hays Managed Service Contract via another agency. Assurances are required to be obtained from the worker.

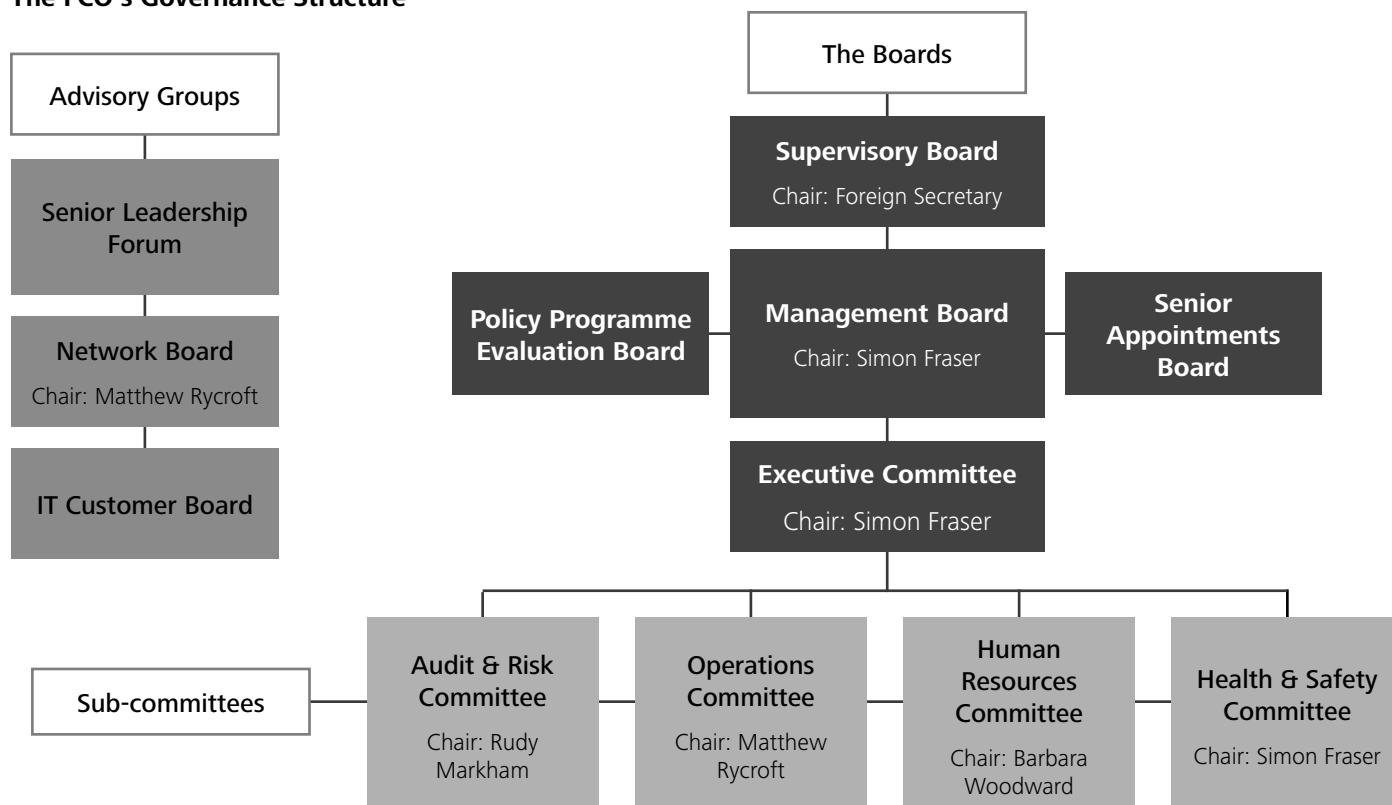
## 5 Public Interest and Other Matters

### 5.1 Payment of Suppliers

In May 2010 the government target to pay 90% of supplier invoices within ten working days was replaced with a new target to pay 80% of UK supplier invoices in five working days. The FCO supports this important Government initiative, paying 83.7% of supplier invoices within five working days of receipt of a valid invoice in the financial year ending March 2013.

## 6 Governance Statement

### The FCO's Governance Structure



In my statement last year I reported on the work we had done to strengthen the FCO's Governance Structure by setting up the new Supervisory Board, chaired by the Foreign Secretary, and restructuring and streamlining the architecture beneath that.

In 2012-13 we built on this work by defining more clearly the role of the Supervisory Board, still a relatively new body within the FCO's structure, and its relationship with the Management Board. The Supervisory Board's agenda has been developed to focus on: senior level oversight and scrutiny of the organisation's strategies to its three Foreign Policy Priorities (Security, Prosperity and Consular); overall performance, capability and reputation of the organisation; strategic level oversight of the FCO's major projects; and oversight of the FCO's management of top risks, including to the security of our staff overseas and from litigation.

In December 2012, we carried out an evaluation of the effectiveness of the Supervisory Board during its first year. Overall, the results demonstrated that the Supervisory Board was starting to play a prominent role in strengthening the FCO's long-term capability and developing the effectiveness of the FCO at the heart of Government. Frank and open discussions about the progress of the FCO between FCO Ministers and Senior Officials, with independent advice from Non-Executive Board Members, proved beneficial. The Board agreed to focus more on commercial sense (including risk management), talented people and FCO reputation within Board discussions. The Board also agreed that Non-Executives should have greater involvement in the FCO Engagement Strategy, particularly in supporting the external projection of the FCO.

The Management Board, which I chair, continued to provide the FCO's top official level leadership, taking decisions to ensure that the organisation had the capability: to achieve the Government's Foreign Policy Priorities; to motivate and manage staff; and to ensure that the organisation had the right skills, estate and IT.

Diplomatic Excellence, the FCO's reform and improvement agenda for 2011-15, sets our ambition of being the best Diplomatic Service in the world. The Management Board's objectives for 2012-13 centred on the three Diplomatic Excellence themes of policy, people and network. I would highlight in particular: the Board's increased focus on measuring the impact of the FCO's foreign policy through our business planning process and monthly reviews of progress against a list of annual policy priority outcomes; the suite of decisions we took to simplify and improve HR policies and process for talent and performance management; our focus on improving the FCO's IT systems; the decisions we took to regionalise delivery of our corporate support functions overseas; and our oversight of a large, complex estates project to consolidate our London Headquarters into one building. A more detailed list of the decisions taken by the Management Board can be found in the Annex to this Statement.

The Board also oversaw the work of the Operations Committee, chaired by the Chief Operating Officer, covering investment decisions on IT, estates and procurement, our network shift; and delivering £100m savings in the FCO's annual running costs.

We continued to focus on two overarching priorities: to monitor and evaluate the implementation and impact of the Board's decisions; and to improve the Board's own engagement with staff. Initiatives such as the Board observers scheme in which colleagues can observe Board meetings have contributed to engagement and transparency. The overall employee engagement score in the 2012 Staff Survey was 67%, an increase of one point on 2011, and 10 points above the Civil Service average benchmark. The 'Leadership and Managing change' category which has the strongest association with engagement improved by two points to 50%, nine points above the Civil Service average.

We have improved the Board governance of our major projects. The Supervisory Board has a role in the overall scrutiny and governance process for the major projects. The Management Board takes investment decisions at key stages in the Major Projects Authority process and monitors progress. Following a review of its performance during 2012, the Operations Committee's role on major projects, and on investment decisions more generally, is now set out clearly in its Terms of Reference and includes responsibility for improving the quality of the business cases it considers.

Looking ahead to 2013-14, the Management Board will focus on improving the FCO's performance in key areas identified in our Departmental Improvement Plan, including: strengthening our information and knowledge management; ensuring that our IT is easy to use, reliable and mobile; and shaping our workforce planning to ensure we have a workforce of the right size, shape and skills to meet current and future priorities. We will also ensure that the FCO: achieves the policy priority outcomes identified for the year; is prepared, structured and resourced to respond flexibly to crises and unexpected opportunities as well as dealing with business as usual; and delivers our ambitious vision for joining up the work of the whole of the British Government overseas.

### **Management Information**

The Supervisory Board's quarterly Management Information (MI) pack aims to provide a high level snapshot of key FCO data. Data sets include Legal, Finance, HR and Major Projects. We continue to develop this report, with advice and input from our non-executive Board members. The Management Board receives monthly finance and Human Resources MI and quarterly data on security and procurement performance.

Generally, the quality of the MI the Boards receive has improved over the course of the year but there is further work to do and this has been highlighted in the Departmental Improvement Plan. HR Directorate has realigned the past five years staffing figures to improve reliability of our data, in line with guidance from the Office of National Statistics. Finance Directorate has improved the MI available to our Boards by incorporating a new risk analysis methodology and developing a new report which makes Annually Managed Expenditure (AME) more visible. A new online dashboard will provide Directors General with instant access to the Finance data they need to oversee performance. In February 2012, the Management Board approved the FCO's Global Asset Management Plan, including essential data which will help us manage our global estate more effectively. We have appointed a senior MI champion who will drive forward further improvements.

### **Non-executive Board Members**

In 2012-13, we benefitted from our non-executive Board Members participating in FCO activities beyond the Board and Audit and Risk Committee (ARC) meetings. Their scrutiny and challenge has contributed to improved management and oversight of our discretionary programmes and our major projects. Their input into work to develop our Finance MI, our move to medium term financial planning and our business planning process has helped us to develop and improve those processes. They have brought challenge and external expertise to our Prosperity work. One of the members of the ARC, Stephen Hawker, led the senior management challenge that informed our Departmental Improvement Plan.

### **Cross Whitehall Collaboration through the Network Board**

The Network Board is chaired by the FCO's Chief Operating Officer and attended by his equivalents in the largest Government departments represented overseas, as well as HM Treasury and the Cabinet Office. It acts as a forum for coordinating Her Majesty's Government (HMG) activity overseas so that we are operating as effectively and efficiently as possible. In January the Board agreed that all Government departments represented overseas should go further on joining up our activity so that each Post is more than the sum of its parts. A joint programme is now underway to drive progress on 'One HMG Overseas'.

### **The Role of the FCO's Senior Leadership Forum (SLF)**

The SLF comprises the FCO's senior level global leadership, bringing together Executive and non-executive Board Members and our most senior heads of Post. The group meets physically in London twice a year to develop and inform corporate and policy initiatives. For example, during FY 2012-2013, SLF input helped to: improve recommendations to the Management Board on regionalisation of our corporate services and develop the FCO's thinking on UK Energy Policy; to provide challenge on whether our foreign policy is sufficiently evidence-based and focussed on outcomes.

We also seek SLF views on the main papers going to the Management Board each month, to improve the evidence base on which the Board makes its decisions.

## **FCO Compliance with the Corporate Governance in Central Government Departments: Code of Good Practice 2011**

I am satisfied that we have sound Governance arrangements in place.

On the whole, the FCO is compliant with the Code of Good Practice, except in one aspect of the Board composition principles. The FCO has not formed a Nominations and Governance Committee. We continue to believe that the functions of this Committee, as specified in the Code, are fulfilled by the Senior Appointments Board and the Senior Staff Remuneration Panel. The presence of Julia Bond, Non-Executive Member of our Supervisory and Management Boards, creates a reporting line to the Supervisory Board and ensures robust external challenge. The Senior Staff Remuneration Panel is chaired by Sir John Baker and consists of additional external members, adding further challenge to the process of determining starting salaries and reward arrangements for the most senior staff in the office. We recently carried out a review of our current process and frameworks for senior pay and grading and are considering a revised framework, which may include greater external engagement.

We are otherwise compliant with Board composition principles. The Foreign Secretary, Sir Richard Lambert and I have discussed the balance of skills and experience on the Supervisory Board and are considering whether to bring in a further non-executive with specific experience and expertise in oversight of large estates projects.

The review of the Supervisory Board's effectiveness identified some areas to be strengthened.

Details of the FCO's non departmental public bodies (NDPBs) and their governance arrangements can be found in Part 1 of this report. In December 2012, the Management Board reviewed these arrangements and considered proposals to improve the oversight role of the Management Board and Supervisory Board. They agreed that for each NDPB, the governance framework in place should be proportionate to the size of the NDPB. They also agreed that the Board should increase its oversight of these frameworks and asked Finance Directorate to adopt a light oversight role, reflecting the fact that NDPB accounts were now consolidated into the FCO's account.

### **The FCO's Risk and Control Framework**

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

- a Supervisory Board, which meets quarterly to consider FCO strategic direction;
- a Management Board which meets monthly (except August) to consider operational requirements for meeting strategic objectives and which delegates to an Operations Committee responsibility for taking investment decisions up to specified financial thresholds;
- an Audit and Risk Committee (ARC) which reviews aspects of governance, risk management and internal control;
- comprehensive budgeting systems with efficiency savings targets; and
- clearly defined capital investment control guidelines.

### **Risk Management in the FCO**

The FCO's global remit and operating platform present unique challenges in managing policy risks as well as the safety of our staff and protection of our buildings and information assets. The FCO's risk management framework is designed to: encourage awareness and ownership of risk at all levels of the organisation; provide assurance to the Supervisory and Management Boards that risk is being managed effectively; and identify and elevate to Board level the top policy and operational risks facing the Department. Each month, the Management Board examines a Top Risks Register (TRR) of operational and policy risks. A longer, quarterly review provides additional scrutiny and a retrospective assessment of risk management performance. Separately, the Board regularly examines financial risk and any risks to the security of our staff, estate or information.

Below Board level, risk management is embedded in the business planning process with risks to FCO objectives identified in Geographic and Corporate Directorate Business Plans and in Country Business Plans. Risks are identified and assessed, and appropriate mitigating actions agreed in consultation with stakeholders when business plans are first drawn up, and then at the relevant stages of individual programme and project management. Risk owners are clearly identified in FCO Business Plans and Risk Registers.

All Heads of Mission and Directors are required to make an annual assurance statement confirming that they have identified, managed and escalated risks as appropriate. Heads of Mission own their risks at Post and record them in their Country Business Plans. Directors own all cross-cutting risks in their area of responsibility: for Geographical Directors, this means risks with a regional or global impact; for functional Directors this means thematic risks; and for operational Directors this means operational risks affecting a number of Posts or the whole organisation. Risks that cannot be managed within existing Directorate resources are escalated to the TRR.

**For 2012-13, the risk framework has been strengthened in a number of ways:**

- The highest impact and probability risks from the TRR are subject to a rolling series of in depth sessions, led by Director Strategy (for policy risks) and the Chief Operating Officer (for operational risks). The risk owner is challenged by a panel of independent, often external, experts on how the risk is defined and mitigated. This provides additional challenge to support the Board in assessing the accuracy of risk assessments and the effectiveness of mitigating actions.
- Alongside the TRR, the Board also reviews a list of risks which have the potential to escalate to the TRR in the short to medium term.
- The TRR is reviewed in conjunction with an analysis of the impact the FCO has had on its foreign policy priority outcomes. Where possible, correlations are drawn between our impact and a corresponding reduction in risk.
- The Management Board reviews threat trends and the FCO's security performance every quarter, and a log of significant incidents every month. The Supervisory Board reviews security risks in the round every year. The Audit and Risk Committee (ARC) considers specific issues such as security vetting and breach performance.

The ARC, comprising three non-executive members, also oversees and challenges the FCO's management of operational risks. Directors and senior managers report regularly to the ARC on their activities. Areas covered by the committee in the last year include: Major Projects Assurance, Information Risk Management, Security, Health and Safety and the FCO Annual Report and Accounts. The committee also considers all aspects of internal control and counter-fraud, including reports from the internal and external auditors. FCO's Internal Audit function reviews risk management arrangements in home departments and at Posts as part of their programme of visits.

**Particular risks faced in 2012-13, and our response to them:**

The Management and Supervisory Boards' priorities for risk management in the FCO during 2012-13 included:

- A series of live crises affecting British citizens overseas including Tajikistan (July); Nepal Air Crash (September); Gaza / Israel (November); Mali and Algeria (January 2013) and Egypt balloon crash (February 2013). Changes to the crisis management structure, the establishment of a more effective crisis centre and extensive crisis planning and exercising at all our Posts enabled the FCO to respond well to these crises, maintain a high level of crisis preparedness across the network and continue to deliver business as usual work.
- The Olympics and Paralympics, where we successfully managed the risks around: a large volume of high profile visitors; the difficulty of maintaining security and operational effectiveness from buildings surrounded by Olympic venues; and large numbers of FCO staff working from home.
- The continued high level and complexity of threats to the security of staff overseas due to terrorism, crime and civil / political unrest. The tragic attack against the US Consulate in Benghazi in September 2012 prompted a thorough review of the FCO's security regime. This concluded that our risk management strategy and physical security regime are robust and meet our duty of care obligation to provide reasonable security protection against reasonably foreseeable threats. Nevertheless, there are specific steps we are taking to enhance further our protective security in our highest threat Posts.
- Throughout the year, the Management Board reviewed the risk declining staff morale posed to delivery of the FCO's objectives. Staff Survey results in 2011 highlighted particular concerns around pay and workload. The Board took a number of steps during the year to mitigate this risk and 2012 Staff Survey results showed some improvement in overall engagement scores but the risk remains on our Top Risk Register. The Departmental Improvement Plan highlights the need for the Board to continue to do the best it can for staff in terms of remuneration and the totality of the offer to them, despite the difficult economic environment.
- Both the Management Board and Supervisory Board increased their awareness and oversight of the financial and reputational risks attached to the FCO's exposure to litigation. Both Boards now receive regular updates on the scale of the risks and on contingencies.
- Knowledge and Information Management was highlighted as an organisational weakness in the 2011 Capability Review, and the 2013 Departmental Improvement Plan indicates that it remains so. In October 2012, the Management Board approved a Knowledge Excellence Programme to improve the way we use, share, store and access information to enhance our knowledge and expertise. Technological barriers to good knowledge management should be addressed during the first two phases of this project but efforts so far to promote behavioural change have had limited impact. A programme of Information Management Health Checks has been implemented to provide assurance that the FCO is meeting its legal requirements e.g. compliance with the Public Records Act, Data Protection Act and Freedom of Information. The Management Board will also measure the impact of a new Information Strategy designed to focus on the human dimension.



- We have improved the senior governance of the UK Estate Reform Project. A Project Board, chaired by the Chief Operating Officer, and a Project Steering Group, led by the Project Director, have been established. The Estates and Security Director is the Senior Responsible Owner. The FCO Management Board regularly discusses the project and will approve the outline business case in May 2013. We have: enlarged the project team to ensure it contains the quantity and balance of skills needed to deliver the project; tested our proposed programme to ensure that it is ambitious but also realistic; put together a decant strategy; and produced a comprehensive risk register and risk management plan. We have continued to engage with stakeholders at all levels, to ensure that all staff are fully informed and engaged.
- Internal Audit provided me with regular reports on their findings and conclusions, including trends year to year and the most common control weaknesses identified overseas. Their 2012-13 audits identified improvements in the FCO's systems of control, particularly in respect of health & safety frameworks, procurement and IT management overseas. However, controls around personal data handling, emergency travel documents and satellite phones need to be strengthened.
- During the year the FCO continued to implement measures recommended by the Cabinet Office to help prevent and detect fraud and error. These included a "Fraud Awareness Week" with staff presentations in the UK and at overseas Posts. Further work will be needed in 2013-14 to ensure that all staff have completed the new counter-fraud online training.

No ministerial directions have been given during 2012-13.

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

25 June 2013

# Annex – FCO Corporate Governance Architecture, Membership and Attendance Record

## A. Supervisory Board

<b>Responsibilities</b>	Provides collective strategic leadership of the FCO, concentrating on advising on strategic and high level operational issues affecting the FCO's performance as well as scrutinising and challenging departmental policies and performance with a view to the long-term health and success of the FCO. It advises on 6 main areas: Strategic Clarity; Commercial Sense; Talented People; Results Focus; Management Information; and FCO Reputation.
<b>Summary of Discussions during 2011-12</b>	<p>The Board met 4 times during 2012-13. The Board discussed, endorsed and advised on: the objective of our work on the FCO Estate; the FCO's exposure to litigation and mitigating the risks related to liability; the FCO's Performance in 2011-12 against our policy and corporate priorities; tracked progress towards the Foreign Secretary's vision for the future of the FCO; progress and 2012-13 milestones on the UK Estate Reform Programme; tracked the formulation of the 2013-16 Consular Strategy; the Board's role in maintaining Staff Motivation and Morale; progress on the Future Prosperity agenda; and steps to achieve the vision of 'One HMG (Her Majesty's Government) Overseas'.</p> <p>Every meeting the Board received an update on key Management Information, this included FCO finance and legal data, an overview of FCO Major Projects, and key HR information.</p> <p>In its most recent meeting the Board discussed outcomes to the Board Effectiveness Evaluation. The evaluation proved the value of the Board: its Members, its role in shaping policy and the ability to have frank and open discussions about the progress of the FCO.</p>
<b>Frequency of meetings</b>	Quarterly

## Attendance

<b>Member</b>	<b>Tenure</b>	<b>No. of Meetings Attended during 2012-13</b>
The Rt Hon William Hague MP Secretary of State for Foreign Affairs (Chair)	From December 2011	3/4
Lord Green	From December 2011	1/4
Jeremy Browne MP	From December 2011 – to September 2012	0/1
David Lidington MP	From December 2011	4/4
Rt Hon Hugo Swire MP	From September 2012	3/3
Rt Hon Baroness Warsi	From September 2012	1/3
Sir Richard Lambert, Lead Non-executive Board Member	From December 2011	4/4
Rudy Markham, Non-executive Board Member and Chair of FCO Audit and Risk Committee	From December 2011	4/4
Julia Bond, Non-executive Board Member	From December 2011	3/4
Heather Rabbatts, Non-executive Board Member	From March 2012	3/4
Simon Fraser, Permanent Under-Secretary (PUS)	From December 2011	4/4

Member	Tenure	No. of Meetings Attended during 2012-13
Matthew Rycroft, Chief Operating Officer	From December 2011	3/4
Barbara Woodward, DG Economic and Consular	From December 2011	4/4
Alison Currie, Director Finance	From December 2011 to December 2012	2/2
Iain Walker, Director Finance	From January 2013	1/2

## B. FCO Management Board

<b>Responsibilities</b>	<p>The FCO Management Board forms the FCO's top, official level leadership. It brings together the senior FCO officials and Non-executives to take the decisions required to ensure that the FCO has the capability to achieve the Government's Foreign Policy Priorities; to motivate and manage staff; and to ensure that the organisation has the right skills, estate and IT. The Board's main vehicle to achieve this is the Diplomatic Excellence initiative, which has three themes: Policy, People and Network.</p> <p>The Executive members of the Board also meet weekly (except in the week of a Board meeting) as the Executive Committee.</p>
<b>Summary of Discussions during 2012-13</b>	<p>The Board met 11 times during 2012-13. Over the year the Board discussed, approved and reviewed: proposals to modernise and regionalise our Corporate and Consular Services; our Global Asset Management Plan; improvements to our Business Planning process and alignment with Medium Term Financial Planning; an IT Vision for the FCO and how to deliver it; governance and oversight of our Arms Length Bodies; FCO major projects (IT and Estates); proposals to reduce bureaucracy and streamline corporate processes; Diversity in the FCO; and proposals to 1) support the development, talent and performance of our global workforce; and 2) improve and simplify HR policies and processes for promotion, performance, postings and to develop the potential of our UK based workforce.</p> <p>Regular items on its agenda included: a monthly assessment of FCO impact against priority outcomes; monthly reviews of the FCO's Top Risk Register, with more detailed quarterly discussions of the organisation's top policy and operational risks; and a monthly analysis of Finance Management Information (MI), with more detailed reporting following more detailed quarterly budget reviews. Each quarter the Board reviewed HR MI; key performance indicators on the security of our staff, information and global estate; and procurement activities. No formal performance evaluation was carried out in 2012-13.</p>
<b>Frequency of meetings</b>	Monthly (except August)

## Attendance

Member	Tenure	No. of Meetings Attended
Simon Fraser, Permanent Under-Secretary (Chair)	From August 2010	11/11
Matthew Rycroft, Chief Operating Officer	From March 2011	11/11
Sir Geoffrey Adams, Director General Political	From October 2009 to Sep 2012	4/4
Mark Sedwill, Director General Political	From Oct to Dec 2012	1/3
Simon Gass, Director General Political	From Jan 2012	2/3
Robert Hannigan, Director General Defence and Intelligence	From April 2010	11/11

Barbara Woodward, Director General Economic and Consular	From October 2011	10/11
Nick Baird, Chief Executive UK Trade & Investment	From June 2009	8/11
Menna Rawlings, Director Human Resources	From September 2011	11/11
Alison Currie, Director Finance	From December 2010 to November 2012	7/7
Iain Walker, Director Finance	From December 2012	4/4
Shan Morgan, Deputy Permanent Representative to the EU	From April 2011	8/11
Rudy Markham, Non-executive Board Member	From January 2010	8/11
Julia Bond, Non-executive Board Member	From April 2011	11/11

### C. Senior Appointments Board

<b>Responsibilities</b>	The Senior Appointments Board meets every month except August to consider candidates for senior jobs at home and overseas in Pay Bands 2-4, and all Governorships.
<b>Membership</b>	PUS, Chief Operating Officer, DG Political, DG Defence and Intelligence, DG Economic and Consular, CEO UKTI, HR Director, Julia Bond (non-Executive Board Member)
<b>Summary of Discussions during 2012-13</b>	Discussions to decide shortlists, and subsequently recommend appointments, in respect of approximately 28 senior roles filled during the year. Other strategic discussions on workforce planning within the Senior Management Structure, diversity, talent management and UK candidates for European External Action Service roles. No formal performance evaluation was carried out in 2012-13. However, the Senior Appointments Board regularly reviews outcomes of its decisions, for example through strategic discussions on diversity, skills and talent management.
<b>Frequency of meetings</b>	Monthly (except August)

### D. Audit & Risk Committee

<b>Responsibilities</b>	The Audit & Risk Committee (ARC) helps the PUS and Management Board ensure that there are effective arrangements for governance, risk management and internal control across the whole departmental family. The ARC has no executive responsibilities but reviews the comprehensiveness, reliability and integrity of assurances provided to the Management Board, challenges the organisation's executive and promotes best practice across the FCO.
<b>Membership</b>	Rudy Markham, Chairman (Non- Executive Member of Management & Supervisory Board); Ann Cormack, Non-executive Member; and Stephen Hawker, Non-executive Member
<b>Summary of Discussions during 2012-13</b>	Evaluation of strategic processes for risk, control and governance, challenging the effectiveness of existing systems through the targeting of potential weaknesses. Review of risks and mitigation plans surrounding FCO security, health & safety, information management and major projects portfolio. Analysis of planned activity and results of both internal and external audit services and the outcome of fraud investigations. Consideration of FCO accounting policies and resource accounts prior to PUS signature. Regular effectiveness reviews of the Audit & Risk Committee are conducted, facilitated by the NAO, and action has been taken to address the matters arising. We propose to supplement this in 2013 with benchmarking amongst a number of Central Government Audit & Risk Committees with international operations and a review of the new HM Treasury Audit Committee Handbook.
<b>Frequency of meetings</b>	Six times during 2012-13, including two meetings to consider the Resource Accounts.

**E. Operations Committee**

<b>Responsibilities</b>	The Operations Committee exists to support the Management Board in its delivery of the Right Global Network strand of Diplomatic Excellence. The purpose of this Committee is to provide oversight and assurance of the FCO's Estates, IT and other investments, ensuring decisions provide value for money but also effectively deliver the FCO's business needs.
<b>Membership</b>	Chief Operating Officer (Chair), DG Ops Directors, Regional Director, Heads of Post, LE staff, UKTI, Consular Directorate and RMUs.
<b>Summary of Discussions during 2012-13</b>	Monitoring the implementation and evaluating the impact of the Network Shift and administrative savings programme. Overseeing delivery of the FCO's Global Asset Management Plan and IT portfolio, approving Estates and IT investment decisions and other major procurement projects. Overseeing the corporate elements of Diplomatic Excellence. A full evaluation of the performance of the Operations Committee was carried out in March 2013, by the Committee Secretary and in consultation with a range of stakeholders. The evaluation highlighted the effectiveness of the streamlined decision making process, and improvements in the quality of business cases and the Committee's oversight of the full Estates and IT portfolios.
<b>Frequency of meetings</b>	Fortnightly

**F. HR Committee**

<b>Responsibilities</b>	The HR Committee takes a corporate view of the Department's Human Resource policies and operations, ensuring that they contribute effectively to the delivery of the Department's needs, in line with the FCO Strategic Workforce Plan and the HRD Business plan. The HR Committee is responsible for decisions and recommendations to the FCO Board on policy and the use of resources in HRD. It also acts as a reality check for the interface between HR and the rest of the FCO and challenges the HR team to ensure that proposed policy changes make sense for the organisation as a whole.
<b>Membership</b>	5 Geographical/Thematic Directors; HR Director; HR Director (BIS); 5 Overseas representatives (D6-SMS); 5 Band representatives (1 for each of the delegated grades and the SMS); 5 Locally-Engaged representatives (LE2 and LE3); a 'Specialist Cadre' representative.
<b>Summary of Discussions during 2012-13</b>	<ul style="list-style-type: none"> <li>• The 'One Global Workforce' Review – including policy on Promotion, Postings, Talent Management, Performance Management and on the management of LE staff</li> <li>• The FCO's 'Strategic Workforce Plan'</li> <li>• Work experience schemes</li> <li>• Regionalisation of Corporate Services</li> <li>• The FCO's 'Diversity Strategy'</li> <li>• The FCO's 'L&amp;D Strategy'</li> <li>• Policy on Special Unpaid Paid Leave, London tour lengths and 'Corporate Pool' placements</li> <li>• No formal performance evaluation was carried out in 2012-13.</li> </ul>
<b>Frequency of meetings</b>	Monthly (except August)

**G. Health & Safety Committee**

<b>Responsibilities</b>	The FCO Health & Safety Committee is the strategic consultative and advisory body for matters of health and safety affecting FCO staff, contractors and visitors working in the UK and overseas, and is responsible for consulting, monitoring and reviewing health and safety arrangements and performance.
<b>Membership</b>	PUS, Chief Operating Officer, Director/Estates & Security Directorate, Director/National Security Directorate, Director/Americas Directorate, Director/Middle East & North Africa Directorate, Director/Overseas Territories Directorate, Director/Corporate Services Centre, Chief Information Officer/Information & Technology Directorate, Director/South Asia & Afghanistan Directorate, Director/Facilities Management Client Unit, Director/Eastern Europe & Central Asia, Director/Human Resources Directorate, Director/East Asia & Pacific Directorate, Director/Europe Directorate, Director/Africa Directorate, Senior Advisor/Legal Directorate, Director/Finance Directorate, Director/Consular Directorate, Head/Crisis Management Department/Consular Directorate, Head/Health & Welfare Policy Team/Human Resources Directorate, Head/Policy, Performance and Diversity/Human Resources Directorate, Head/Business Continuity/Operations Directorate, Head of Group/FCO Services, Director/Communications Directorate, Chair/TUS, TUS
<b>Summary of Discussions during 2012-13</b>	Discussions covered: steps being taken to embed a new safety culture in the FCO, accidents, ill-health and audit report findings. Papers endorsed: an updated version of Health and Safety roles and responsibilities that more clearly defined expectations: an Airline Travel Risk paper which set out the recommended approach on evaluating airline travel risk for staff. No formal performance evaluation was carried out in 2012-13.
<b>Frequency of meetings</b>	Twice a year

**H. Network Board**

<b>Responsibilities</b>	The role of the Network Board is to be the forum for coordinating network changes affecting Government representation overseas up to 2014-15. The Board promotes cooperation and a common understanding between departments on how to run the global network effectively.
<b>Membership</b>	Chief Operating Officer (Chair) and representatives from the Department for International Development, Ministry of Defence, UK Trade & Investment, Her Majesty's Revenue & Customs, British Council, Serious Organised Crime Agency, UK Border Agency and Her Majesty's Treasury.
<b>Summary of Discussions during 2012-13</b>	How Government departments could go further in joining up overseas structured around the five pillars of collaboration, co-location, regionalisation, consolidation and harmonisation. Changes to the global network, Enterprise Resource Planning & Shared Services and a framework for working together in highly challenging security environments.
<b>Frequency of meetings</b>	Quarterly

## 7 Disclosure of Relevant Audit Information

At the time of approval of this report, so far as the Permanent Under-Secretary is aware, there is no relevant audit information of which the FCO's auditor is unaware. The Permanent Secretary has taken all the steps that he ought to have taken as Accounting Officer in order to make himself aware of any relevant audit information and to establish that the FCO's auditor is aware of that information.

## 8 Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury has directed the FCO to prepare, for each financial year, consolidated resource accounts detailing the resources acquired, held or disposed of, and the use of resources, during the year by the department (inclusive of its executive agencies) and its sponsored non-departmental public bodies designated by order made under the GRAA by Statutory Instrument 2012 no HC32 (together known as the 'departmental group', consisting of the department and sponsored bodies listed after note 29 to the accounts). The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the department and the departmental group and of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows of the departmental group for the financial year.

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

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

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

The accounting officer of the department has also appointed the Chairmen and Chief Executives of its sponsored non-departmental public bodies as Accounting Officers of those bodies. The Accounting Officer of the department is responsible for ensuring that appropriate systems and controls are in place to ensure that any grants that the department makes to its sponsored bodies are applied for the purpose intended and that such expenditure and the other income and expenditure of the sponsored bodies are properly accounted for, for the purposes of consolidation within the resource accounts. Under their terms of appointment, the Accounting Officers of the sponsored bodies are accountable for the use, including the regularity and propriety, of the grants received and the other income and expenditure of the sponsored bodies. These appointments do not detract from the Permanent Under-Secretary's overall responsibility as Accounting Officer for the Departmental Accounts.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the department and non-departmental public body for which the Accounting Officer is responsible, are set out in Managing Public Money published by HM Treasury.

Simon Fraser  
Accounting Officer  
Foreign and Commonwealth Office  
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25 June 2013

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

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I certify that I have audited the financial statements of the Foreign and Commonwealth Office and of its Departmental Group for the year ended 31 March 2013 under the Government Resources and Accounts Act 2000. The Department consists of the core Department and its agencies. The Departmental Group consists of the Department and the bodies designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2012. The financial statements comprise: the Department's and Departmental Group's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

## **Respective responsibilities of the Accounting Officer and auditor**

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

## **Scope of the audit of the financial statements**

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

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

## **Opinion on Regularity**

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2013 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.



**Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the Department's and the Departmental Group's affairs as at 31 March 2013 and of the Department's net operating cost and Departmental Group's net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued there under.

**Opinion on other matters**

In my opinion:

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

**Matters on which I report by exception**

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

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

**Report**

I have no observations to make on these financial statements.

**Amyas C E Morse**

27 June 2013

Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria, London, SW1W 9SP

## Statement of Parliamentary Supply

## Summary of Resource and Capital Outturn 2012-13

£000	Estimate			Outturn			2012-13	2011-12
							Voted outturn compared with Estimate: saving/ (excess)	Outturn
	Note	Voted	Non-Voted	Total	Voted	Non-Voted	Total	Total
<b>Departmental Expenditure Limit</b>								
-Resource	2.1	2,163,383	-	2,163,383	2,152,409	-	2,152,409	2,175,214
-Capital	2.2	108,000	-	108,000	36,992	-	36,992	115,219
<b>Annually Managed Expenditure</b>								
-Resource	2.1	153,500	-	153,500	88,011	-	88,011	61,072
-Capital		-	-	-	-	-	-	-
<b>Total Budget</b>		<b>2,424,883</b>	-	<b>2,424,883</b>	<b>2,277,412</b>	-	<b>2,277,412</b>	<b>2,351,505</b>
<b>Non-budget</b>								
-Resource		-	-	-	-	-	-	-
<b>Total</b>		<b>2,424,883</b>	-	<b>2,424,883</b>	<b>2,277,412</b>	-	<b>2,277,412</b>	<b>2,351,505</b>
Total Resource	2.1	2,316,883	-	2,316,883	2,240,420	-	2,240,420	2,236,286
Total Capital	2.2	108,000	-	108,000	36,992	-	36,992	115,219
<b>Total</b>		<b>2,424,883</b>	-	<b>2,424,883</b>	<b>2,277,412</b>	-	<b>2,277,412</b>	<b>2,351,505</b>

## Net cash requirement 2012-13

£000	Note	2012-13 Estimate	2012-13		2011-12
			Outturn	Outturn compared with Estimate: saving/ (excess)	Outturn
	4	<b>2,186,387</b>	<b>2,130,852</b>	<b>55,535</b>	<b>2,189,168</b>

## Administration Costs 2012-13

Note	2012-13 Estimate	2012-13 Outturn	2011-12 Outturn
3.2	<b>229,998</b>	<b>124,143</b>	<b>167,685</b>

Figures in the areas outlined in bold are voted totals subject to Parliamentary control. In addition, although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

Explanations of variances between estimate and outturn are given in Note 2 and in the Management Commentary

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

Consolidated Statement of Comprehensive Net Expenditure  
for the year ending 31 March 2013  
£000

		2012-13			2011-12 (restated <sup>1</sup> )		
	Note	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
<b>Administration Costs</b>							
Staff costs	7	476,276	476,674	476,674	447,906	448,326	449,594
Other costs	8	656,341	657,374	656,387	696,824	697,898	698,437
Income	10	(61,887)	(62,841)	(62,841)	(58,777)	(59,724)	(63,893)
Consular costs allocated to programme		(117,487)	(117,487)	(117,487)	(121,415)	(121,415)	(121,415)
Other costs allocated to programme		(872,535)	(872,535)	(872,535)	(758,916)	(758,916)	(758,916)
Total Admin Costs		80,708	81,185	80,198	205,622	206,169	203,807
<b>Programme Costs</b>							
Staff Costs	9	26,991	29,407	107,791	555	2,835	85,675
Other Costs	9	1,999,265	1,998,520	2,213,757	1,997,364	1,998,429	2,174,673
Income	10	(194,914)	(196,848)	(210,242)	(183,222)	(186,818)	(191,558)
Programme Costs		1,831,342	1,831,079	2,111,306	1,814,697	1,814,446	2,068,790
Grant in Aid to designated Arms Length Bodies	9	249,964	249,964	-	260,860	260,860	-
Total Programme Costs		2,081,306	2,081,043	2,111,306	2,075,557	2,075,306	2,068,790
<b>Net operating cost for the year</b>		<b>2,162,014</b>	<b>2,162,228</b>	<b>2,191,504</b>	<b>2,281,179</b>	<b>2,281,475</b>	<b>2,272,597</b>
Total expenditure		2,418,815	2,421,917	2,464,587	2,523,178	2,528,017	2,528,048
Total income		(256,801)	(259,689)	(273,083)	(241,999)	(246,542)	(255,451)
<b>Net operating cost for the year</b>		<b>2,162,014</b>	<b>2,162,228</b>	<b>2,191,504</b>	<b>2,281,179</b>	<b>2,281,475</b>	<b>2,272,597</b>
<b>Other Comprehensive Net Expenditure</b>							
Net (gain)/loss on:							
- revaluation of property, plant and equipment	11	(46,088)	(46,088)	(46,088)	(108,557)	(108,557)	(108,557)
- revaluation of intangibles	13	(490)	(490)	(490)	(1,069)	(1,069)	(1,069)
- revaluation of assets held for sale	12	476	476	476	1,967	1,967	1,967
Actuarial (gain)/loss on defined benefit pension schemes	21	3,611	3,611	3,611	21,217	21,217	21,217
<b>Total comprehensive expenditure for the year</b>		<b>2,119,523</b>	<b>2,119,737</b>	<b>2,149,013</b>	<b>2,194,737</b>	<b>2,195,033</b>	<b>2,186,155</b>

<sup>1</sup> Restated for the inclusion of BBC World Service in the FCO Departmental Group Boundary (see Note 28).

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

Consolidated Statement of Financial Position  
as at 31 March 2013

£000		2013			2012 (restated <sup>1</sup> )			2011 (restated <sup>1</sup> )
Note	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group	Departmental Group	
<b>Non-current assets</b>								
	Property, plant and equipment	2,257,532	2,258,679	2,375,049	2,311,593	2,312,781	2,449,876	2,402,962
11	Intangible assets	1,567	1,589	3,234	3,357	3,374	6,098	6,302
13	Financial assets	11,254	11,254	11,254	7,832	7,832	7,832	11,415
14	Retirement benefit schemes asset	1,432	1,432	1,432	975	975	975	1,819
21	Other non-current assets	37,234	37,234	37,234	37,037	37,037	37,037	37,406
17	<b>Total non-current assets</b>	<b>2,309,019</b>	<b>2,310,188</b>	<b>2,428,203</b>	<b>2,360,794</b>	<b>2,361,999</b>	<b>2,501,818</b>	<b>2,459,904</b>
<b>Current assets</b>								
	Assets classified as held for sale	16,494	16,494	16,495	14,245	14,245	14,245	12,237
12	Inventories	6,392	6,420	6,420	5,333	5,362	5,362	5,760
16	Trade and other receivables	158,385	158,824	172,227	113,279	113,955	122,683	128,976
17	Financial assets	10,318	10,318	10,318	63	63	63	5,062
14	Cash and cash equivalents	55,524	56,032	62,644	47,117	47,932	58,584	54,953
18	<b>Total current assets</b>	<b>247,113</b>	<b>248,088</b>	<b>268,103</b>	<b>180,037</b>	<b>181,557</b>	<b>200,937</b>	<b>206,988</b>
	<b>Total assets</b>	<b>2,556,132</b>	<b>2,558,276</b>	<b>2,696,306</b>	<b>2,540,831</b>	<b>2,543,556</b>	<b>2,702,755</b>	<b>2,666,892</b>
<b>Current liabilities</b>								
	Trade and other payables	(276,727)	(277,612)	(291,299)	(283,973)	(284,660)	(300,739)	(265,928)
19	Financial liabilities	(321)	(321)	(321)	(9,364)	(9,364)	(9,364)	(12,834)
14	Provisions	(30,184)	(30,184)	(38,290)	(22,151)	(22,225)	(27,925)	(18,064)
20	<b>Total current liabilities</b>	<b>(307,232)</b>	<b>(308,117)</b>	<b>(329,910)</b>	<b>(315,488)</b>	<b>(316,249)</b>	<b>(338,028)</b>	<b>(296,826)</b>
	<b>Total assets less current liabilities</b>	<b>2,248,900</b>	<b>2,250,159</b>	<b>2,366,396</b>	<b>2,225,343</b>	<b>2,227,307</b>	<b>2,364,727</b>	<b>2,370,066</b>
<b>Non-current liabilities</b>								
	Provisions	(50,739)	(50,739)	(56,839)	(47,584)	(47,585)	(49,087)	(75,765)
20	Other payables	(34,219)	(34,219)	(34,219)	(35,292)	(35,292)	(35,292)	(38,097)
19	Financial liabilities	(1,953)	(1,953)	(1,953)	(6,496)	(6,496)	(6,496)	(2,353)
14	Retirement benefit schemes liability	(27,418)	(27,418)	(27,418)	(9,357)	(9,357)	(9,357)	(347)
21	<b>Total non-current liabilities</b>	<b>(114,329)</b>	<b>(114,329)</b>	<b>(120,429)</b>	<b>(98,729)</b>	<b>(98,730)</b>	<b>(100,232)</b>	<b>(116,562)</b>
	<b>Total Assets less Total Liabilities</b>	<b>2,134,571</b>	<b>2,135,830</b>	<b>2,245,967</b>	<b>2,126,614</b>	<b>2,128,577</b>	<b>2,264,495</b>	<b>2,253,506</b>
<b>Taxpayers' equity and other reserves</b>								
	General fund	978,250	979,509	1,089,646	974,948	976,911	1,112,829	1,178,189
CSCTE	Revaluation reserve	1,156,321	1,156,321	1,156,321	1,151,666	1,151,666	1,151,666	1,075,317
CSCTE	<b>Total equity</b>	<b>2,134,571</b>	<b>2,135,830</b>	<b>2,245,967</b>	<b>2,126,614</b>	<b>2,128,577</b>	<b>2,264,495</b>	<b>2,253,506</b>

<sup>1</sup> Restated for the inclusion of BBC World Service in the FCO Departmental Group Boundary (see Note 28).

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

Signed:

Simon Fraser, Accounting Officer

Date: 25 June 2013

**Consolidated Statement of Cash Flows  
for the year ended 31st March 2013**

		2012-13 £000		Restated <sup>1</sup> 2011-12 £000	
Note	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group	
<b>Cash flows from operating activities</b>					
	CSCNE	(2,162,228)	(2,191,504)	(2,281,475)	(2,272,597)
	8,9	117,759	163,677	164,000	180,789
	16	(1,058)	(1,058)	298	398
	17	(45,067)	(49,741)	2,711	6,662
		59,661	59,661	-	-
	19	(8,121)	(10,513)	29,158	32,006
		(22,228)	(22,492)	(13,749)	(14,392)
	20	(22,787)	(25,213)	(18,314)	(30,114)
	21	28,057	28,057	(2,060)	(2,060)
<b>Net cash outflow from operating activities</b>		<b>(2,056,012)</b>	<b>(2,049,126)</b>	<b>(2,119,431)</b>	<b>(2,099,308)</b>
<b>Cash flows from investing activities</b>					
	11	(93,493)	(104,491)	(96,662)	(119,364)
	13	(22)	(35)	(2,468)	(2,468)
	8,9,11&12	18,295	18,380	27,435	27,535
		2,951	2,951	2,951	2,951
<b>Net cash outflow from investing activities</b>		<b>(72,269)</b>	<b>(83,195)</b>	<b>(68,744)</b>	<b>(91,346)</b>
<b>Cash flows from financing activities</b>					
	CSCTE	2,140,482	2,140,482	2,194,015	2,194,015
	CSCTE	-	-	-	-
		(994)	(994)	(993)	(1,193)
<b>Net financing</b>		<b>2,139,488</b>	<b>2,139,488</b>	<b>2,193,022</b>	<b>2,192,822</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b>					
	5	11,207	7,167	4,847	2,168
	5	4,713	4,713	8,310	8,310
	5	(7,820)	(7,820)	(6,847)	(6,847)
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>					
		8,100	4,060	6,310	3,631
<b>Cash and cash equivalents at the beginning of the period</b>					
	18	<b>47,932</b>	<b>58,584</b>	<b>41,622</b>	<b>54,953</b>
<b>Cash and cash equivalents at the end of the period</b>					
	18	<b>56,032</b>	<b>62,644</b>	<b>47,932</b>	<b>58,584</b>

<sup>1</sup> Restated for the inclusion of BBC World Service in the FCO Departmental Group Boundary (see Note 28).

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

**Consolidated Statement of Changes in Taxpayers' Equity for the year ended 2013**

Note	Core Department			Core Department & Agencies			Departmental Group		
	General Fund	Revaluation Reserve	Total	General Fund	Revaluation Reserve	Total	General Fund	Revaluation Reserve	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
28	1,046,133	1,075,317	2,121,450	1,048,312	1,075,317	2,123,629	1,049,489	1,075,317	2,124,806
	-	-	-	-	-	-	128,700	-	128,700
	<b>1,046,133</b>	<b>1,075,317</b>	<b>2,121,450</b>	<b>1,048,312</b>	<b>1,075,317</b>	<b>2,123,629</b>	<b>1,178,189</b>	<b>1,075,317</b>	<b>2,253,506</b>
CSCNE	(2,281,179)	-	(2,281,179)	(2,281,475)	-	(2,281,475)	(2,272,597)	-	(2,272,597)
CSCNE	(21,217)	107,659	86,442	(21,217)	107,659	86,442	(21,217)	107,659	86,442
	<b>(2,302,396)</b>	<b>107,659</b>	<b>(2,194,737)</b>	<b>(2,302,692)</b>	<b>107,659</b>	<b>(2,195,032)</b>	<b>(2,293,814)</b>	<b>107,659</b>	<b>(2,186,155)</b>
	2,194,015	-	2,194,015	2,194,015	-	2,194,015	2,194,015	-	2,194,015
	(45,905)	-	(45,905)	(45,905)	-	(45,905)	(45,905)	-	(45,905)
	41,058	-	41,058	41,058	-	41,058	41,058	-	41,058
	9,493	-	9,493	9,493	-	9,493	9,493	-	9,493
	245	-	245	265	-	265	265	-	265
8	31,310	(31,310)	-	31,310	(31,310)	(0)	31,310	(31,310)	-
	995	-	995	1,055	-	1,055	(1,782)	-	(1,782)
CSoFP	<b>974,948</b>	<b>1,151,666</b>	<b>2,126,614</b>	<b>976,911</b>	<b>1,151,666</b>	<b>2,128,578</b>	<b>1,112,829</b>	<b>1,151,666</b>	<b>2,264,495</b>
CSCNE	(2,162,014)	-	(2,162,014)	(2,162,228)	-	(2,162,228)	(2,191,504)	-	(2,191,504)
CSCNE	-	46,088	46,088	-	46,088	46,088	-	46,088	46,088
CSCNE	-	490	490	-	490	490	-	490	490
CSCNE	-	(476)	(476)	-	(476)	(476)	-	(476)	(476)
CSCNE	(3,611)	-	(3,611)	(3,611)	-	(3,611)	(3,611)	-	(3,611)
	<b>(2,165,625)</b>	<b>46,102</b>	<b>(2,119,523)</b>	<b>(2,165,839)</b>	<b>46,102</b>	<b>(2,119,737)</b>	<b>(2,195,115)</b>	<b>46,102</b>	<b>(2,149,013)</b>
	2,140,482	-	2,140,482	2,140,482	-	2,140,482	2,140,482	-	2,140,482
	(55,537)	-	(55,537)	(55,537)	-	(55,537)	(55,537)	-	(55,537)
	45,905	-	45,905	45,905	-	45,905	45,905	-	45,905
	(1,575)	-	(1,575)	(1,575)	-	(1,575)	(1,575)	-	(1,575)
	245	-	245	265	-	265	265	-	265
8	41,444	(41,444)	-	41,444	(41,444)	-	41,444	(41,444)	-
	(2,037)	(3)	(2,040)	(2,547)	(3)	(2,550)	948	(3)	945
CSoFP	<b>978,250</b>	<b>1,156,321</b>	<b>2,134,571</b>	<b>979,509</b>	<b>1,156,321</b>	<b>2,135,831</b>	<b>1,089,646</b>	<b>1,156,321</b>	<b>2,245,967</b>

Balance at 31 March 2011  
 Prior period adjustment to reflect inclusion of BBC World Service  
**Restated Balance as at 1 April 2011<sup>1</sup>**

Net operating cost for the year  
 Other comprehensive (net expenditure) / Income  
**Total comprehensive expenditure for the year**

Net Parliamentary Funding - drawn down  
 Supply receivable adjustment  
 Net Parliamentary Funding - deemed  
 Forward contracts unrealised losses adjustment  
 Non-cash charges - auditors remuneration  
 Transfers between reserves  
 Consolidation and other in-year adjustments

**Balance at 31 March 2012 (restated<sup>1</sup>)**

Net operating cost for the year  
 Other comprehensive (net expenditure) / Income:  
 Net Gain/(loss) on revaluation of property, plant and equipment  
 Net Gain/(loss) on revaluation of intangibles  
 Net Gain/(loss) on revaluation of assets held for sale  
 Actuarial (gain)/loss on defined benefit pension schemes  
**Total comprehensive expenditure for the year**

Net Parliamentary Funding - drawn down  
 Supply receivable adjustment  
 Net Parliamentary Funding deemed  
 CFERS payable to the Consolidated Fund  
 Non-cash charges - auditors remuneration  
 Transfers between reserves  
 Consolidation and other in-year adjustments

**Balance at 31 March 2013**

<sup>1</sup> Restated for the inclusion of BBC World Service in the FCO Departmental Group Boundary (see Note 28).  
<sup>2</sup> The revaluation reserve includes movements due to market fluctuations and unrealised foreign exchange movements.  
 The notes following these main schedules form part of these financial statements

## Notes to the Accounts

### 1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2012-13 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Department for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Department are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

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

#### 1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and inventories where material, and certain financial assets and liabilities.

#### 1.2 Basis of consolidation

These accounts comprise a consolidation of the core department, its departmental agency and those other arm's length bodies which fall within the departmental boundary as defined in the FReM and make up the 'departmental group'. Transactions between the entities included in the consolidation are eliminated. A list of all those entities within the departmental boundary is given in the Note 26.2 to the Accounts.

In accordance with SI 2012 No 717, BBC World Service (BBCWS) becomes a designated body of the FCO and is consolidated in these accounts for the first time this year. It will remain a designated body of the FCO for two years until the end of 2013-14.

Adjustments have been made for certain accounting policies of BBCWS to bring them into line with those of the Department. Property, plant and equipment (PPE) is stated at cost less accumulated depreciation in BBCWS accounts. Plant and equipment represents the major element of BBCWS PPE and is revalued for the consolidated accounts in line with FCO policy. The value of elements of PPE are not considered significant and have therefore not been revalued. In addition, BBCWS capitalise Furniture and fittings but as the value is not material to these accounts they have not been written down in accordance with FCO policy and remain within PPE.

BBCWS also capitalise the premium on land leases and amortise it over the life of the lease. The FCO policy is to recognise the premium paid on land elements of non-perpetual leases within prepayments under other non-current/current assets as per note 17, which are then amortised over the life of the lease. The effect of the difference in treatment is not material to these accounts and remains unadjusted on consolidation.

#### 1.3 Property, plant and equipment (PPE)

On initial recognition property, plant and equipment are measured at cost including any costs such as installation directly attributable to bringing them into working condition. PPE are subsequently included in the accounts at the valuation applicable as at the balance sheet date; any movements in valuation during the year are taken to Other Comprehensive Net Expenditure in the Consolidated Statement of Comprehensive Net Expenditure (CSCNE) and to the revaluation reserve, or are treated as impairments where appropriate. The revaluation is contributed to by both market and foreign exchange movements.

In accordance with the requirements of the FReM, any impairments in value that reflect a permanent diminution in the value of an asset as a result of a clear consumption of economic benefits or service potential are taken to Net Operating Cost in CSCNE.

Any revaluation increase for an asset is credited to revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset that was previously recognised as an expense, in which case the increase is credited to Net Operating Cost. To the extent that any decrease upon revaluation takes the asset value to below its historical cost carrying amount, that decrease is taken to Net Operating Cost.

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

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

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

Buildings and land held on short term leases are regarded as operating leases and rental payments are recorded in the CSCNE. Short term

leases are defined as those where the lease is less than seven years or marked to market at no more than five-yearly intervals. The premium paid for the land element of a non-perpetual lease is recognised within prepayments. Prepayments are amortised over the life of the lease.

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

Antiques and works of art are grouped and valued on a market value basis by professional valuers. The frequency of valuations takes into account the value of assets and the cost associated with carrying out the valuations.

#### **1.4 Depreciation**

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

Freehold buildings	-	up to 60 years
Leasehold land and buildings	-	term of lease
Information technology and communications	-	up to 8 years
Transport equipment	-	2 to 8 years
Plant and machinery	-	3 to 25 years

#### **1.5 Disposal of tangible non-current assets**

Non-current assets are reclassified as held for sale if it is highly probable that their carrying amount will be recovered principally through a sales transaction rather than continuing use. This will be the case when the FCO has made a firm decision to sell a non-current asset and it is actively marketed. When assets are classified as held for sale, they are reclassified as current assets and valued at the lower of their carrying amount and their fair value less costs to sell. No further depreciation is applied.

#### **1.6 Intangible assets**

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

#### **1.7 Financial assets - investment in other public sector bodies**

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

#### **1.8 Inventories**

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

#### **1.9 Operating income**

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

#### **1.10 Income collected as agent for the Consolidated Fund**

Income collected by the FCO where it was acting as agent for the Consolidated Fund rather than as principal is excluded from the Consolidated Statement of Comprehensive Net Expenditure. Details of the amount and balance held on trust at the year end date are given in note 5.

#### **1.11 Administration and programme expenditure**

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

#### **1.12 Notional costs - audit fees**

In accordance with the requirements of the FReM, the external audit fees for the core department and its agency are charged to Net Operating Cost although they are notional costs to the FCO and are borne by the National Audit Office. As the amounts are not actually paid, they are reversed by a credit to the General Fund. In addition to these notional audit fees, operating expenditure for the Departmental Group includes £186k of cash audit fees paid by designated ALBs.



### 1.13 Foreign currency transactions

Transactions denominated in foreign currencies are translated into sterling at corporate rates of exchange determined on the first day of the month in which the transaction occurs (as an approximation of the actual exchange rate at the date of the transaction). Monetary assets and liabilities denominated in foreign currencies at the year end are translated to sterling using the corporate rates of exchange at 31 March. Differences on translation are dealt with in the Consolidated Statement of Comprehensive Net Expenditure in accordance with IAS 21 The Effects of Changes in Foreign Exchange Rates. The foreign exchange element of revaluations of property, plant and equipment is accounted for as part of the revaluation amount.

### 1.14 Leases

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

### 1.15 Service concessions (PFI)

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

### 1.16 Foreign currency forward purchase contracts

The FCO has foreign currency forward purchase contracts for US Dollars and Euros in order to gain greater budget certainty for its peacekeeping expenditure obligations. The contracts are accounted for as derivatives, initially at a nil cost, and classified as Held for Trading financial instruments. Subsequently, open contracts are measured at fair value with movements in fair value being charged or credited to the Consolidated Statement of Comprehensive Net Expenditure (CSCNE). The fair value is measured as the difference between the currency's mid-market forward rate at the date of valuation (provided by the Bank of England) and the rate stipulated in the contract multiplied by the number of contracted units of currency. Once each contract has been settled it is removed from the Consolidated Statement of Financial Position with any further gain or loss, calculated by comparing the contract proceeds translated at the corporate rate of exchange at maturity with the purchase cost at the rate stipulated in the contract, taken to the CSCNE. Details of open and settled contracts are at Note 14.2.

### 1.17 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.

### 1.18 Provisions

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

### 1.19 Bad Debt Provision

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

### 1.20 Staff costs

"In accordance with IAS 19 Employee Benefits, all short-term staff costs accrued at the year end are recognised in the Consolidated Statement of Comprehensive Net Expenditure. These short-term benefits largely relate to bonuses announced but not paid and accrued leave. Longer-term benefits, such as pensions provided to staff, are recognised in line with IAS 19 as modified by the FReM."

### 1.21 Pensions - UK employees

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

### 1.22 Early departure costs

For early departures under the Civil Service Compensation Scheme (CSCS) in 2010-11 and earlier years, the FCO met the additional costs of benefits, beyond the normal PCSPS benefits in respect of employees who retired early, by paying the required amounts annually to the PCSPS, over the period between early retirement and normal retirement date. The FCO provided for this in full, when the early retirement programme became binding on the Department, by establishing a provision for the estimated payments discounted by HM Treasury pension discount rate of 2.35% (2011-12 2.8%) in real terms.

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

### 1.23 Overseas pensions and terminal benefits

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

### 1.24 Value Added Tax

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

### 1.25 Contingent liabilities

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

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

### 1.26 Cash and cash equivalents

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

### 1.27 Accounting for the costs of the Carbon Reduction Commitment Energy Efficiency Scheme

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

### 1.28 Accounting estimates and judgements

"The preparation of the department and group financial statements requires management to make significant judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure. The estimates and assumptions are continually evaluated, based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However the actual results may differ from these estimates.

The key areas in which estimates and judgements have been used are:"

- the valuation of property, plant and equipment, including depreciation and estimated useful lives (see notes 1.3, 1.4 and 11).
- the allocation of expenditure between administration and programme classifications (see note 1.11).
- the estimation of provisions for terminal benefits for local staff (see note 1.23).
- the valuation of defined benefit pension schemes (see notes 1.23 and 21).

### 1.29 Impending application of newly issued accounting standards not yet effective

The following changes to IFRS may affect the FCO and will be adopted by the FCO when they are adopted by the FReM and subject to any interpretations or adaptations applied by the FReM. The effective dates of the IFRS changes noted below relate to the financial years beginning on or after the date and are also subject to EU adoption of the changes.

Revisions to IAS 1 Presentation of Financial Statements will require items of Other Comprehensive Income to be grouped on the basis of whether or not they might at some point be reclassified to profit. Effective date 1 July 2012, application required by the FReM for 2013-14.

Revisions to IAS 19 Employee Benefits will impact on the measurement of components representing movements in defined pension obligations and associated disclosures. It also affects the recognition, measurement and disclosure of termination benefits including distinguishing benefits provided in exchange for service from those for termination of employment. Effective date 1 January 2013, application required by the FReM for 2013-14. IFRS 9 Financial Instruments, which will replace IAS 39 Financial Instruments: Recognition and Measurement, will modify the accounting and disclosure requirements relating to financial assets and liabilities. Effective date 1 January 2015.

IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities will affect the consolidation and reporting of subsidiaries, associates, joint ventures and investment entities, superseding IAS 27 Consolidated and Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures. IFRS 10 amends the definition of control, while IFRS 11 provides a definition of joint arrangements and requires equity accounting for joint ventures. IFRS 12 requires more disclosure of the financial effects on, and risks to, the consolidating entity. Effective date 1 January 2013, EU adoption from 1 January 2014.

IFRS 13 Fair Value Measurement may impact the measurement of fair value for certain assets and liabilities as well as the disclosures, requiring fair value to be measured using the most reliable data and inputs available to determine the exit price for an asset / liability. Effective date 1 January 2013.

Revisions to IAS 16 Property, Plant and Equipment will require servicing equipment such as spare parts, stand-by equipment and servicing equipment to be recognised under IAS 16 when they meet the definition of property, plant or equipment, or otherwise be classified as inventory under IAS 2. Effective date 1 January 2013, application required by the FReM expected for 2013-14.

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

The International Accounting Standards Board is also planning to revise IAS 17 Leases and issued an exposure draft in May 2013 (ED/2013/6 - Leases) which proposes that the current operating / finance lease distinction will be abolished and assets and liabilities will be recognised on a "right of use" basis. Implementation of these proposals would have a significant effect on the FCO's financial statements in that many operating leases would require "right of use" assets and corresponding liabilities to be recognised

2 Net Outturn  
2.1 Analysis of net resource outturn by section  
£000

	2012-13										2011-12 Outturn
	Outturn						Estimate				
	Administration			Programme			Net total	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements	Total	
Gross	Income	Net	Gross	Income	Net	Total					
Spending in Departmental Expenditure Limits (DEL)											
Voted											
A: Administration and programme expenditure	182,627	(58,484)	124,143	1,153,064	(210,242)	942,822	1,066,965	996,761	(70,204)	-	1,049,200
B: Programme and international organisations grants	-	-	-	163,409	-	163,409	163,409	237,300	73,891	3,233	173,906
C: BBC World Service Broadcasting	-	-	-	267,050	-	267,050	267,050	266,596	(454)	-	233,200
D: British Council	-	-	-	165,500	-	165,500	165,500	165,500	-	-	179,370
G: Net Funding for NDPBs	-	-	-	5,627	-	5,627	5,627	5,693	66	66	5,476
H: Conflict Prevention Programme Expenditure	-	-	-	123,311	-	123,311	123,311	129,033	5,722	5,722	131,733
I: Peacekeeping	-	-	-	360,547	-	360,547	360,547	362,500	1,953	1,953	402,329
Total Spending in DEL	182,627	(58,484)	124,143	2,238,508	(210,242)	2,028,266	2,152,409	2,163,383	10,974	10,974	2,175,214
Annually Managed Expenditure (AME)											
Voted											
J: AME Programme	-	-	-	46,968	-	46,968	46,968	112,900	65,932	63,382	35,156
K: Reimbursement of certain duties, taxes and licence fees	-	-	-	33,493	-	33,493	33,493	35,600	2,107	2,107	25,916
L: BBC World Service Broadcasting	-	-	-	7,550	-	7,550	7,550	5,000	(2,550)	-	-
Total Spending in AME	-	-	-	88,011	-	88,011	88,011	153,500	65,489	65,489	61,072
<b>Total</b>	<b>182,627</b>	<b>(58,484)</b>	<b>124,143</b>	<b>2,326,519</b>	<b>(210,242)</b>	<b>2,116,277</b>	<b>2,240,420</b>	<b>2,316,883</b>	<b>76,463</b>	<b>76,463</b>	<b>2,236,286</b>

2.2 Analysis of net capital outturn by section  
£000

	2012-13					2011-12 Outturn
	Outturn			Estimate		
	Gross	Income	Net	Net	Net total compared to Estimate	
Spending in Departmental Expenditure Limits (DEL)						
Voted						
A: Administration and programme expenditure	93,526	(85,994)	7,532	65,000	57,468	71,695
B: Programme and international organisations grants	12,460	-	12,460	21,000	8,540	20,394
E: BBC World Service - Capital	11,000	-	11,000	16,000	5,000	22,000
F: British Council - Capital grant	6,000	-	6,000	6,000	-	1,130
Total Spending in DEL	122,986	(85,994)	36,992	108,000	71,008	115,219

<sup>1</sup> The FCO does not have any Capital Annually Managed Expenditure.

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

3.1 Reconciliation of net resource outturn to net operating cost

Note	2012-13	2011-12
	£000	£000
	<b>Outturn</b>	<b>Outturn</b>
2.1	2,240,420	2,236,286
21	(15,282)	
21	5,627	
8	(52,705)	
28		13,821
2.2	15,678	21,524
5.1	(1,575)	
	(659)	966
<b>CSCNE</b>	<b>2,191,504</b>	<b>2,272,597</b>
	<b>2012-13</b>	<b>2011-12</b>
	<b>£000</b>	<b>£000</b>
SPS	229,998	247,880
2.1	182,627	231,578
2.1	(58,484)	(63,893)
	124,143	167,685
CSCF	(15,282)	
8	(52,705)	
	898	855
2.2	(2,782)	
5.1	(1,575)	
8	1,070	(1,256)
8	(28,213)	15,797
8, 20	80,516	38,074
20	(25,213)	(18,314)
	(659)	966
	80,198	203,807

3.2 Outturn against final Administration Budget and Administration net operating cost

Estimate - Administration costs limit

Outturn - Gross Administration costs  
Outturn - Gross income relating to administration costs

Outturn - Net administration costs

Reconciliation to net operating costs

Add / Deduct:

Contribution to defined benefit pension scheme

Profit on disposal of property, plant and equipment

Depreciation of donated assets to AME

Receipts included in Capital income

Consolidated Fund extra receipts

Loss/(Gain) Unrealised foreign exchange gains to AME

Loss/(Gain) Unrealised losses on forward contracts to AME

Impairments and provisions movements to AME

Provisions utilised to AME

PFI adjustments

Administration Net Operating Costs

## 4 Reconciliation of Net Resource Outturn to Net Cash Requirement

	2012-13			2011-12
	Estimate £'000	Outturn £'000	Net total outturn compared with Estimate: saving/(excess) £'000	Outturn £'000
<b>Resource Outturn</b>	2,316,883	2,240,420	76,463	2,236,286
<b>Capital Outturn</b>	108,000	36,992	71,008	115,219
<b>Accruals to cash adjustments:</b>				
Adjustments to remove non-cash items:				
Depreciation / Amortisation	8	(159,977)	(123,627)	(36,350)
New provisions and adjustments to previous provisions	8	(82,900)	(33,754)	(49,146)
New impairments and adjustments to previous impairments	8	-	(40,645)	40,645
other non-cash items (except profit on disposal of PPE)	8	-	27,562	(27,562)
Adjustments for designated ALBs:				
Remove voted resource and capital		(293,289)	(291,227)	(2,062)
Add cash grant-in-aid	CSCNE	247,670	249,964	(2,294)
Adjustments to reflect movements in working balances				
Increase/(decrease) in inventory	CSCF	-	1,058	(1,058)
Increase/(decrease) in receivables	CSCF	-	(14,594)	14,594
(Increase)/decrease in payables	CSCF	30,000	30,349	(349)
Use of provisions	CSCF	20,000	22,787	(2,787)
Adjustments re pension schemes			(37,713)	37,713
Adjustment for PPE disposal proceeds receivable			61,934	(61,934)
Other Adjustments		-	1,346	(1,346)
		2,186,387	2,130,852	55,535
<b>Removal of non-voted budget items:</b>				
Consolidated Fund Standing Services		-	-	-
Other Adjustments		-	-	-
<b>Net Cash Requirement</b>		2,186,387	2,130,852	55,535

## 5 Income payable to the Consolidated Fund / Consolidated Fund income

## 5.1 CFER Income

In addition to income retained by the FCO, the following income relates to the FCO and is payable to the Consolidated Fund

	2012-13		2011-12	
	Income	Receipts	Income	Receipts
Operating income outside the ambit of the Estimate	1,575	1,575	-	-
Total income payable to the Consolidated Fund	1,575	1,575	-	-

## 5.2 Consolidated Fund income

Income collected by the FCO acting as agent of the Consolidated Fund rather than as principal. The amounts collected as agent for the Consolidated Fund (which is otherwise excluded from these financial statements) were:

	2012-13 £000	2011-12 £000
Consular fees	4,689	4,364
Miscellaneous income	25	3,946
Amount payable to the Consolidated Fund	4,713	8,310
Balance held at the start of the year	2,027	564
Payments into Consolidated Fund	6,740	8,874
	(6,245)	(6,847)
<b>Balance held on trust/due from Consolidated Fund at the end of the year</b>	<b>495</b>	<b>2,027</b>

## Notes to the accounts

## 6. Statement of costs by Operating Segments

	2012-13			Restated		2011-12
	£000 Gross	£000 Income	£000 Net	£000 Gross	£000 Income	£000 Net
<b>Foreign Policy Priorities</b>						
<b>Our Purpose</b>						
International Institutions and Soft Power	573,331	(65,455)	507,877	554,738	(57,413)	497,324
BBC World Service	282,955	(9,300)	273,655	251,760	(4,740)	247,021
British Council	171,500	-	171,500	180,500	-	180,500
Other**	64,537	(41,960)	22,577	107,920	(30,401)	77,519
	1,092,323	(116,715)	975,609	1,094,918	(92,554)	1,002,364
<b>FPP1 - Britain's National Security</b>	849,020	(57,026)	791,995	894,737	(42,881)	851,856
<b>FPP2 - Britain's Prosperity</b>	440,310	(83,483)	356,828	416,979	(67,646)	349,334
<b>FPP3 - Support British Citizens</b>	82,934	(15,862)	67,072	121,415	(52,372)	69,043
<b>Net Operating Costs* (CSCNE)</b>	<b>2,464,587</b>	<b>(273,086)</b>	<b>2,191,504</b>	<b>2,528,048</b>	<b>(255,453)</b>	<b>2,272,597</b>

## Description of segments

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

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

We further divide Our Purpose to cover the following areas:

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

The Foreign Policy Priorities are at the heart of everything the FCO does and guide our foreign policy. They underpin FCO business planning and prioritisation processes and frame policy decisions. More detailed policy actions for each foreign policy priority are set out in the FCO Business Plan. Progress is reported monthly on the FCO website and projected expenditure by segment was reported to the May Board through the monthly management accounting reporting pack (the KPR).

The FCO's methodology for segmental reporting uses a costing model to allocate total FCO expenditure to the foreign policy priorities. The main determinant of this allocation is the data provided by all FCO staff on a quarterly basis showing the proportion of time spent supporting different objectives. Overheads and management and support costs are distributed according to staff numbers.

\* FCO income and costs are disclosed per segment. It is not possible to accurately allocate assets and liabilities to operating segments and thus such

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

## Notes to the accounts

## 7 Staff numbers and related costs

Staff costs comprise:

						2012-13	2011-12
	Permanent staff		Others	Ministers	Special advisers	£000	restated
	Local staff £000	UK staff £000	£000	£000	£000	Total	Total
Wages and Salaries	196,466	275,845	13,076	256	124	485,767	445,228
Social Security costs	-	19,542	11	23	12	19,588	18,038
Other pension costs	32,429	48,743	97	50	27	81,346	74,689
<b>Sub total</b>	<b>228,895</b>	<b>344,130</b>	<b>13,184</b>	<b>329</b>	<b>163</b>	<b>586,701</b>	<b>537,955</b>
Less recoveries in respect of outward secondments		(2,236)				(2,236)	(2,686)
<b>Total net costs</b>	<b>228,895</b>	<b>341,894</b>	<b>13,184</b>	<b>329</b>	<b>163</b>	<b>584,465</b>	<b>535,269</b>

Of which:

	2012-13			Restated 2011-12		
	Charged to Administration Budgets £000	Charged to Programme Budgets £000	Total £000	Charged to Administration Budgets £000	Charged to Programme Budgets £000	Total £000
<b>Core department</b>	476,276	26,991	503,267	447,906	555	448,461
<b>Agency - Wilton Park</b>	398	2,416	2,814	420	2,280	2,700
<b>Other designated bodies</b>	-	78,384	78,384	1,268	82,840	84,108
<b>Total</b>	<b>476,674</b>	<b>107,791</b>	<b>584,465</b>	<b>449,594</b>	<b>85,675</b>	<b>535,269</b>

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

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

The following staff figures are calculated on a different basis to those reported in Part 1 of the Annual Report. The figures in Part 1 reflect staffing levels at the year end, while the figures below are calculated on a monthly average basis.

Departmental Activity	Number		Others	2012-13	2011-12
	Permanent staff Local	UK staff		Total	restated Total
	Our Purpose	2,526	3,686	255	6,467
FPP 1 Britain's National Security	423	1,387	186	1,996	2,167
FPP 2 Britain's Prosperity	3,863	941	126	4,930	4,900
FPP 3 Support British Citizens	1,275	451	61	1,787	2,698
<b>Total</b>	<b>8,087</b>	<b>6,465</b>	<b>628</b>	<b>15,180</b>	<b>15,499</b>
Of which:					
<b>Core department</b>	8,087	4,594	628	13,309	13,694
<b>Agency - Wilton Park</b>	-	73	-	73	66
<b>Other designated bodies</b>	-	1,799	-	1,799	1,739
	<b>8,087</b>	<b>6,465</b>	<b>628</b>	<b>15,180</b>	<b>15,499</b>

In addition to the above numbers there were 6 (2011-12-6) ministers and 2 (2011-12- 3) special advisers whose portfolios can cover all Foreign Policy Priorities and who therefore have not been allocated in the table.

Of the total, nil has been charged to capital.

The figures above include front line activity only. A management and support element has been proportionately distributed across these activities.

## 7.1 Reporting of Civil Service and other compensation schemes exit packages- UK Staff

Exit package cost band - Figures in brackets refer to 2011-12 figures

Exit package cost band - Figures in brackets refer to 2011-12 figures	Number of compulsory redundancies		Number of other departures		Total	
<£10,000	0	(0)	0	(2)	0	(2)
£10,000-£25,000	0	(1)	13	(20)	13	(21)
£25,000-£50,000	0	(0)	15	(33)	15	(33)
£50,000-£100,000	0	(0)	9	(23)	9	(23)
£100,000-£150,000	0	(0)	11	(7)	11	(7)
£150,000-£200,000*	0	(0)	5	(1)	5	(1)
£200,000-£250,000	0	(0)	2	(3)	2	(3)
£250,000-£300,000	0	(0)	0	(1)	0	(1)
<b>Total number of exit packages</b>	<b>0</b>	<b>(1)</b>	<b>55</b>	<b>(90)</b>	<b>55</b>	<b>(91)</b>

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

## Notes to the accounts

	2012-13 £000			2011-12 £000		
	Core Department	Core Department & Agencies	Core Departmental Group	Core Department	Core Department & Agencies	Core Departmental Group
<b>8 Other administration costs</b>						
<b>Rentals under operating leases</b>						
Hire of plant and machinery	4,613	4,627	4,627	4,815	4,828	4,828
Property rentals	84,944	85,150	85,150	86,830	87,006	87,078
	89,557	89,777	89,777	91,645	91,834	91,906
<b>Interest charges</b>						
Finance leases	-	-	-	-	-	-
On-balance sheet PFI contracts	2,648	2,648	2,648	2,822	2,822	2,822
	2,648	2,648	2,648	2,822	2,822	2,822
<b>PFI and other service concession arrangements service</b>						
Off-balance sheet contracts	22,971	22,971	22,971	26,542	26,542	26,542
Service element of on-balance sheet contracts	1,864	1,864	1,864	1,987	1,987	1,987
	24,835	24,835	24,835	28,529	28,529	28,529
<b>Non-cash items</b>						
Depreciation: Property, Plant and Equipment	121,003	121,275	121,275	115,454	115,719	115,734
Amortisation: Intangible Assets	2,337	2,352	2,352	2,338	2,351	2,354
Non-Perpetual Leasehold Land prepayment release	386	386	386	387	387	387
Profit on disposal of property, plant and equipment	(52,705)	(52,705)	(52,705)	(14,026)	(14,026)	(14,026)
Impairments - (Departmental Expenditure Limit)	3,561	3,561	3,561	5,432	5,432	5,432
Impairments - Tangibles (Annually Managed Expenditure)	55,655	55,655	55,655	32,626	32,626	32,626
Impairments - Intangibles (Annually Managed Expenditure)	(5)	(5)	(5)	7	7	7
Reversal of Impairments - (Annually Managed Expenditure)	(18,566)	(18,566)	(18,566)	(14,253)	(14,253)	(14,253)
Auditors' remuneration and expenses	245	265	265	245	265	289
Provisions: Provided in year	32,981	32,906	32,906	19,242	19,316	19,316
Provisions: Unwinding of discount	848	848	848	378	378	378
Unrealised (gains) / losses on forward contracts	(28,213)	(28,213)	(28,213)	15,797	15,797	15,797
	117,526	117,759	117,759	163,627	164,000	164,043
<b>Other expenditure</b>						
(Gain)/loss on exchange - realised	840	839	839	8,087	8,103	8,103
Loss/(Gain) on exchange - unrealised	1,070	1,070	1,070	(1,256)	(1,256)	(1,256)
Training, medical, travel, representation and other allowances	79,026	79,026	79,026	96,473	96,473	96,579
Estate, security and capital related costs	209,693	210,079	209,092	198,929	199,280	199,312
IT and communications	81,561	81,561	81,561	83,254	83,254	83,280
Consular	2,702	2,702	2,702	813	813	813
Information and commercial services	6,982	6,982	6,982	8,841	8,841	8,857
Other	39,901	40,096	40,096	15,060	15,206	15,450
	421,775	422,355	421,368	410,201	410,713	411,137
<b>Total Other Administration costs</b>	<b>656,341</b>	<b>657,374</b>	<b>656,387</b>	<b>696,824</b>	<b>697,898</b>	<b>698,437</b>
<b>8.1 Allocation of Administration Costs (Staff costs and Other Administration Costs) to programme.</b>						
Consular operations worldwide allocated to programme as frontline services	117,487	117,487	117,487	121,415	121,415	121,415
UK Border Agency operations worldwide allocated to Programme as frontline services <sup>1</sup>	144,500	144,500	144,500	108,332	108,332	108,332
Other administration costs allocated to Programme reflecting frontline service delivery	728,035	728,035	728,035	650,584	650,584	650,584
Total	990,022	990,022	990,022	880,331	880,331	880,331

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



## Notes to the accounts

9 Programme costs  
Current grants and other current expenditure:

Note	2012-13 £000			Restated 2011-12 £000		
	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
Subscriptions to international organisations						
FCO programmes	163,409	163,409	163,409	173,906	173,906	173,906
Consular operations	157,855	157,110	165,407	180,686	181,751	189,002
UK Border Agency recharges <sup>1</sup>	117,487	117,487	117,487	121,415	121,415	121,415
Front line service delivery costs allocated from administration costs	144,500	144,500	144,500	130,850	130,850	130,850
Re-imbursements of duties to other governments	728,035	728,035	728,035	650,584	650,584	650,584
British Council	33,493	33,493	33,493	25,916	25,916	25,916
Conflict Prevention and Peacekeeping	171,500	171,500	171,500	180,500	180,500	180,500
Peacekeeping Foreign Exchange Rate Loss	475,378	475,378	475,378	533,507	533,507	533,507
BBC World Service	7,608	7,608	7,608	-	-	152,126
Audit Fees for ALB's	-	-	186	-	-	121
Non-cash Items:						
Depreciation: Property, Plant and Equipment	-	-	35,009	-	-	21,706
Amortisation: Intangible Assets	-	-	1,206	-	-	1,503
Impairments - Tangibles	-	-	-	-	-	-
Provisions	-	-	9,603	-	-	(6,500)
Loss on disposal of property, plant and equipment	-	-	100	-	-	37
	1,999,265	1,998,520	2,213,757	1,997,364	1,998,429	2,174,673
Staff costs	26,991	29,407	107,791	555	2,835	85,675
Grant in Aid to BBC World Service	244,200	244,200	-	255,200	255,200	-
Grant in Aid to other Arms Length Bodies	5,764	5,764	-	5,660	5,660	-
<b>Total Programme Costs</b>	<b>2,276,220</b>	<b>2,277,891</b>	<b>2,321,548</b>	<b>2,258,779</b>	<b>2,262,124</b>	<b>2,260,348</b>

9.1 Subscriptions to International Organisations

	2012-13 £000			Restated 2011-12 £000		
	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
United Nations	94,270	94,270	94,270	98,144	98,144	98,144
NATO	19,580	19,580	19,580	23,017	23,017	23,017
Council of Europe	25,043	25,043	25,043	26,534	26,534	26,534
Organisation for Economic Cooperation and Development	11,562	11,562	11,562	12,451	12,451	12,451
Commonwealth Secretariat	5,236	5,236	5,236	5,743	5,743	5,743
Organisation for Security and Cooperation in Europe	4,340	4,340	4,340	4,919	4,919	4,919
Western European Union	1,232	1,232	1,232	1,636	1,636	1,636
Others	2,146	2,146	2,146	1,462	1,462	1,462
	163,409	163,409	163,409	173,906	173,906	173,906

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

## Notes to the accounts

## 10 Income

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

	2012-13 £000			2011-12 £000		
	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
<i>Administration income</i>						
Running Cost Receipts	31,235	32,188	32,188	9,291	10,238	13,843
EU Grants	-	-	-	-	-	564
Fees and charges to external customers	-	-	-	10	10	10
Consolidated Fund extra receipts	1,575	1,575	1,575	-	-	-
Income from Other Government Departments relating to indirect costs incurred by the FCO as platform provider overseas	58,308	58,308	58,308	81,139	81,139	81,139
Dividend receivable - FCO Services	916	916	916	734	734	734
Interest on loans - FCO Services	117	117	117	293	293	293
Other external interest	260	260	260	330	330	330
Allocated to Consular Fees as Programme Income	(30,523)	(30,523)	(30,523)	(33,020)	(33,020)	(33,020)
	61,887	62,841	62,841	58,777	59,724	63,893
<i>Programme income</i>						
Consular fees (programme income and allocated from administration)	50,414	50,414	50,414	52,372	52,372	52,372
UK Border Agency recharges	144,500	144,500	144,500	130,850	130,850	130,850
Wilton Park	-	1,934	1,934	-	3,596	3,596
Great Britain China Centre	-	-	1,149	-	-	-
Westminster Foundation for Democracy	-	-	2,850	-	-	-
Marshall Aid Commission	-	-	94	-	-	-
BBC WS	-	-	9,300	-	-	4,740
Total Programme Income	194,914	196,848	210,242	183,222	186,818	191,558
<b>Total</b>	<b>256,801</b>	<b>259,689</b>	<b>273,083</b>	<b>241,999</b>	<b>246,542</b>	<b>255,451</b>

The UK Border Agency recharges includes: the fixed monthly charge as set out in the Memorandum of Understanding; the FCO Migration Directorate charge; and recharges to FCOS for UKBA related ITD work. In 2011-12 the FCOS ITD recharges were included in Income from OGDs relating to indirect costs incurred by the FCO as platform provider overseas. In 2012-13 they have been moved to UK Border Agency recharges to increase transparency. If the 2011-12 recharges were stated on the same basis as 2012-13, the comparative would be £148,866k.

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

	Income	Full cost	2012-13 Surplus/ (deficit)	Income	Full cost	2011-12 Surplus/ (deficit)
	£000	£000	£000	£000	£000	£000
Passport and consular income	50,414	50,666	(252)	52,372	52,633	(262)

Notes to the accounts

11 Property, plant and equipment

Consolidated 2012-13

	Non-residential Land	Buildings Excluding Dwellings	Residential Land	Dwellings	Information Technology	Transport Equipment	Plant and Machinery	Antiques and Works of Art	Construction Assets	Payments on Account & Assets under Assets	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>											
At 1 April 2012	374,637	1,142,850	468,436	589,192	287,620	93,559	415,497	19,640	150,139	-	3,541,570
Additions	652	3,503	1,866	7,091	929	2,522	11,558	-	76,370	-	104,491
Donations	-	-	-	-	-	-	-	-	-	-	-
Disposals	(303)	(88,344)	(641)	(5,844)	(1,713)	(14,310)	(75,740)	(11)	-	-	(186,906)
Impairments	(11,964)	(27,190)	(3,862)	(8,925)	-	-	-	(3,753)	(8,410)	-	(64,105)
Reversal of Impairments	2,004	5,604	1,560	4,048	12,387	20	156	120	-	-	25,900
Reclassification <sup>1</sup>	(2,756)	(5,670)	(5,137)	(3,404)	1,244	2,903	39,283	-	(64,250)	-	(37,787)
Revaluation	(45,238)	101,626	(56,471)	77,338	28,894	3,069	28,197	259	-	-	137,675
<b>At 31 March 2013</b>	<b>317,032</b>	<b>1,132,379</b>	<b>405,751</b>	<b>659,496</b>	<b>329,361</b>	<b>87,763</b>	<b>419,951</b>	<b>16,255</b>	<b>153,849</b>	<b>-</b>	<b>3,520,838</b>
<b>Depreciation</b>											
At 1 April 2012	-	415,138	-	173,093	154,571	71,979	276,874	-	-	-	1,091,655
Charged in year	-	40,246	-	17,390	47,802	7,403	43,452	-	-	-	156,294
Charged in year - donated assets	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	(87,439)	-	(5,339)	(1,669)	(13,860)	(75,703)	-	-	-	(184,010)
Donations - disposals	-	-	-	-	-	-	-	-	-	-	-
Impairments	-	(4,310)	-	(578)	-	-	-	-	-	-	(4,889)
Reversals of Impairments	-	1,212	-	955	5,143	4	19	-	-	-	7,334
Reclassification <sup>1</sup>	-	(3,572)	-	(5,259)	-	-	-	-	-	-	(8,831)
Revaluation	-	32,451	-	17,436	16,896	2,223	19,230	-	-	-	88,237
<b>At 31 March 2013</b>	<b>-</b>	<b>393,726</b>	<b>-</b>	<b>197,698</b>	<b>222,743</b>	<b>67,749</b>	<b>263,872</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,145,788</b>
<b>Net book value</b>											
At 31 March 2012	374,637	727,673	468,436	416,099	133,049	21,580	138,623	19,640	150,139	-	2,449,876
<b>Net book value</b>	<b>317,032</b>	<b>738,653</b>	<b>405,751</b>	<b>461,798</b>	<b>106,618</b>	<b>20,014</b>	<b>155,079</b>	<b>16,255</b>	<b>153,849</b>	<b>-</b>	<b>2,375,049</b>
<b>Asset financing:</b>											
Owned	265,204	550,622	303,071	338,130	106,618	20,014	155,079	16,255	153,849	-	1,908,842
Leased	42,642	174,194	102,680	123,668	-	-	-	-	-	-	443,184
On-balance sheet (SoFP) PFI contracts and other service concession arrangements	9,186	13,837	-	-	-	-	-	-	-	-	23,023
<b>Net book value</b>	<b>317,032</b>	<b>738,653</b>	<b>405,751</b>	<b>461,798</b>	<b>106,618</b>	<b>20,014</b>	<b>155,079</b>	<b>16,255</b>	<b>153,849</b>	<b>-</b>	<b>2,375,049</b>
Of the total:											
Department	317,032	727,261	405,751	461,798	106,537	19,989	58,778	16,255	144,131	-	2,257,532
Agencies	-	192	-	0	80	25	732	-	118	-	1,147
ALBs	-	11,200	1	-	1	-	95,569	-	9,600	-	116,370
<b>Net Book value at 31 March 2013</b>	<b>317,032</b>	<b>738,653</b>	<b>405,751</b>	<b>461,798</b>	<b>106,618</b>	<b>20,014</b>	<b>155,079</b>	<b>16,255</b>	<b>153,849</b>	<b>-</b>	<b>2,375,049</b>

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

<sup>1</sup> Some assets have been reclassified to assets held for sale (note 12).

Notes to the accounts

11 Property, plant and equipment (continued)

Consolidated 2011-12 (Restated)

	Non-residential Land	Buildings Excluding Dwellings	Residential Land Dwellings	Information Technology	Transport Equipment	Plant and Machinery	Antiques and Works of Art	Payments on Account & Assets under Construction	Total
<b>Cost or valuation</b>									
At 1 April 2011	347,763	1,053,177	456,120	263,273	88,559	399,308	20,078	137,818	3,350,018
Additions	-	34,762	429	25,756	10,371	17,501	-	19,656	119,364
Donations	-	-	-	-	-	-	-	-	-
Disposals	-	(142)	(86)	(707)	(5,713)	(1,721)	-	-	(8,368)
Impairments	(2,157)	(17,613)	(2,686)	(302)	(8)	(449)	(428)	(3,835)	(39,750)
Reversal of Impairments	2,926	4,922	5,096	2,491	10	0	-	-	15,445
Reclassification <sup>1</sup>	12,257	(395)	(28,216)	(13,405)	-	3,500	-	(3,500)	(29,759)
Revaluation	13,848	68,100	37,693	16,653	340	(1,642)	(11)	(0)	134,582
<b>At 31 March 2012</b>	<b>374,637</b>	<b>1,142,811</b>	<b>468,436</b>	<b>287,620</b>	<b>93,559</b>	<b>415,497</b>	<b>19,640</b>	<b>150,139</b>	<b>3,541,532</b>
<b>Depreciation</b>									
At 1 April 2011	-	352,512	165,136	114,235	65,265	249,908	-	-	947,056
Charge for the year	-	40,100	16,621	41,355	11,913	27,445	-	-	137,434
Charge for the year - donated assets	-	-	-	-	-	-	-	-	-
Disposals	-	(105)	(86)	(686)	(5,349)	(1,578)	-	-	(7,804)
Donations - disposals	-	-	-	-	-	-	-	-	-
Impairments	-	(933)	(600)	(53)	-	(107)	-	-	(1,693)
Reversal of Impairments	-	634	556	-	2	(0)	-	-	1,192
Reclassification <sup>1</sup>	-	3,729	(16,667)	-	-	-	-	-	(12,938)
Revaluation	-	19,201	8,133	(280)	148	1,206	-	-	28,408
<b>At 31 March 2012</b>	<b>-</b>	<b>415,138</b>	<b>173,093</b>	<b>154,571</b>	<b>71,979</b>	<b>276,874</b>	<b>-</b>	<b>-</b>	<b>1,091,655</b>
<b>Net book value</b>									
at 1 April 2011	347,763	700,665	456,120	149,038	23,294	148,400	20,078	137,818	2,402,962
<b>Net book value</b>	<b>374,637</b>	<b>727,673</b>	<b>468,436</b>	<b>133,049</b>	<b>21,580</b>	<b>138,623</b>	<b>19,640</b>	<b>150,139</b>	<b>2,449,876</b>
<b>Asset financing:</b>									
Owned	320,634	567,212	355,538	133,049	21,580	138,523	19,640	150,139	2,011,150
Leased	44,911	146,246	112,898	-	-	100	-	-	415,419
On-balance (SoFP) sheet PFI	9,092	14,215	-	-	-	-	-	-	23,307
<b>Net book value</b>	<b>374,637</b>	<b>727,673</b>	<b>468,436</b>	<b>133,049</b>	<b>21,580</b>	<b>138,623</b>	<b>19,640</b>	<b>150,139</b>	<b>2,449,876</b>
Of the total:									
Department	374,637	714,304	468,436	132,957	21,553	52,628	19,640	111,339	2,311,593
Agencies	-	206	-	81	27	874	-	-	1,188
ALBS	-	13,163	-	11	-	85,121	-	38,800	137,095
<b>Net Book value at</b>	<b>374,637</b>	<b>727,673</b>	<b>468,436</b>	<b>133,049</b>	<b>21,580</b>	<b>138,623</b>	<b>19,640</b>	<b>150,139</b>	<b>2,449,876</b>

<sup>1</sup> Some assets have been reclassified to assets held for sale (note 12).

**Notes to the accounts**

**Property, plant and equipment (continued)**

**Notes to Property, plant and equipment**

Due to the requirement of FReM 5.4.37 we now disclose land and buildings separately in addition to the non-residential and residential land split.

**Non-Specialised Properties:**  
Valuations of non-specialised properties were carried out as follows:

<b>Property Location</b>	<b>Valuer</b>	<b>Effective Valuation Date</b>
European Union; Wider Europe and Russia; Caucasus; Central Asia	Colliers CRE	30 September 2012
Americas	Knight Frank	30 June 2009
Middle East; North Africa	Knight Frank	30 September 2011
Sub-Saharan Africa	Colliers International	30 September 2010
South Asia; Asia Pacific	Knight Frank	30 June 2009

Desk reviews for revaluation purposes were carried out for all properties as at 30th September 2012 with the exception of European Union, Wider Europe, Russia, Caucasus and Central Asia. These desk valuations were carried out for Sub-Saharan Africa by Colliers International, Middle East and North Africa by Knight Frank, and all other regions by District Valuer Services of the Valuation Office Agency. Full inspections and valuations for European Union, Wider Europe, Russia, Caucasus and Central Asia, with a valuation date of 30 September 2012, were undertaken by Colliers International. End of year impairments were assessed by District Valuer Services of the Valuation Office Agency. The total fees payable to the valuers in all cases represent less than 5% of the total fee income of the valuing firm/body.

**Specialised Properties:**

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

All the valuations have been prepared in accordance with both International Valuation Standards, and the Royal Institution of Chartered Surveyors Valuation Standards 8th Edition. All valuers are experienced and qualified Chartered Valuation Surveyors and Registered Valuers with relevant knowledge, skill and understanding.

The desk valuations have been undertaken by way of a desk review of the valuations previously supplied by external Chartered Valuation Surveyors. Where possible, in arriving at an opinion of Market Value and/or Fair Value, observable prices and market data relating to actual transactions involving comparable properties has been utilised. For a number of properties, however, it has been necessary to rely on information obtained from market indices and benchmarks, informal advice received from local estate professionals and valuer judgement. These valuations are valid as at the date reported, 30th September 2012, and due to current global market volatility should not be published or otherwise relied upon beyond that date, without referring to the valuers.

The FCO also holds a number of cemeteries across the world which are classified as non-operational assets, and as such, have de minimis carrying value.

**Leased Properties**

The leased properties disclosed constitute two elements: 1) Leasehold buildings £257.5 million (2011-12 £257.5 million) ; 2) Leases for ground rent held in perpetuity £157.8million (2011-12 £157.8 million) treated as freehold land. Neither category is regarded as a finance lease.

**12 Assets held for sale**

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

When the FCO makes the decision to sell a non current asset and it is actively marketed, the asset is valued at the lower of its carrying amount and its fair value less costs to sell and transferred to assets held for sale. No further depreciation is applied.

The following assets are classified as held for sale:

**Overseas properties**

	2012-13 £000	2011-12 £000
<b>Balance as at 1 April</b>	14,245	12,237
Reclassification to Assets Held For Sale at carrying value	27,481	16,857
Revaluation to fair value less costs to sell	(476)	(1,967)
Disposals	(24,755)	(12,882)
<b>Balance as at 31 March</b>	16,495	14,245

## Notes to the accounts

## 13 Intangible Assets

## Consolidated 2012-13

## Cost or valuation

	Software Licences	Website Design	Information Technology	Total
	£000		£000	
At 1 April 2012	8,891	43	14,800	23,734
Additions	16	19	-	35
Disposals	(10)	(40)	(7,355)	(7,405)
Impairments	-	-	-	-
Reversal of Impairments	7	-	-	7
Revaluation	1,382	-	1,044	2,426
Reclassification	50	-	-	50
<b>At 31 March 2013</b>	<b>10,336</b>	<b>22</b>	<b>8,489</b>	<b>18,847</b>

## Amortisation

At 1 April 2012	5,410	26	12,200	17,636
Charged for the year	2,343	14	1,200	3,557
Impairments	2	-	-	2
Reversal of Impairments	-	-	-	-
Disposals	(10)	(40)	(7,298)	(7,348)
Revaluation	779	-	987	1,766
Reclassification	-	-	-	-
<b>At 31 March 2013</b>	<b>8,524</b>	<b>-</b>	<b>7,089</b>	<b>15,613</b>

## Net book value

At 31 March 2012	3,481	17	2,600	6,098
<b>At 31 March 2013</b>	<b>1,812</b>	<b>22</b>	<b>1,400</b>	<b>3,234</b>

## Of the total:

Department	1,567	-	-	1,567
Agencies	-	22	-	22
ALBs	245	-	1,400	1,645
	-	-	-	-
<b>At 31 March 2013</b>	<b>1,812</b>	<b>22</b>	<b>1,400</b>	<b>3,234</b>

## Asset financing

Owned	1,812	22	1,400	3,234
Finance Leased	-	-	-	-
<b>Net Book Value at 31 March 2013</b>	<b>1,812</b>	<b>22</b>	<b>1,400</b>	<b>3,234</b>

## Consolidated 2011-12 (Restated)

## Cost or valuation

	Software Licences	Website Design	Information Technology	Total
	£000		£000	
At 1st April 2011	9,286	-	14,900	24,186
Additions	2,438	30	-	2,468
Disposals	-	-	(100)	(100)
Impairments	(7)	-	-	(7)
Reversal of Impairments	-	-	-	-
Revaluation	(2,826)	13	-	(2,813)
Reclassification	-	-	-	-
<b>At 31 March 2012</b>	<b>8,891</b>	<b>43</b>	<b>14,800</b>	<b>23,734</b>

## Amortisation

At 1st April 2011	6,884	-	10,800	17,684
Charge for the year	2,341	13	1,400	3,754
Impairments	-	-	-	-
Reversal of Impairments	-	-	-	-
Disposals	-	-	-	-
Revaluation	(3,815)	13	-	(3,802)
Reclassification	-	-	-	-
<b>At 31 March 2012</b>	<b>5,410</b>	<b>26</b>	<b>12,200</b>	<b>17,636</b>

## Net book value

At 31 March 2011	2,402	-	4,100	6,502
<b>At 31 March 2012</b>	<b>3,481</b>	<b>17</b>	<b>2,600</b>	<b>6,098</b>

## Of the total:

Department	3,357	-	-	3,357
Agencies	-	17	-	17
ALBs	124	-	2,600	2,724
	-	-	-	-
<b>Net book value at 31 March 2012</b>	<b>3,481</b>	<b>17</b>	<b>2,600</b>	<b>6,098</b>

## Asset financing

Owned	3,481	17	2,600	6,098
Finance Leased	-	-	-	-
<b>Net Book Value at 31 March 2012</b>	<b>3,481</b>	<b>17</b>	<b>2,600</b>	<b>6,098</b>

## Notes to the accounts

## 14 Financial instruments

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

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

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

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

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

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

## Summary of Financial Instruments:

Note	2012-13 £000	2011-12 £000	2010-11 £000
<b>Non-current financial assets</b>			
Investment in other public sector bodies	14.1	6,881	7,832
Forward currency contracts	14.2	4,373	-
		<b>11,254</b>	<b>7,832</b>
			<b>11,415</b>
<b>Current financial assets</b>			
Forward currency contracts	14.2	10,318	63
			<b>5,062</b>
<b>Current financial liabilities</b>			
Forward currency contracts	14.2	(321)	(9,364)
			<b>(12,834)</b>
<b>Non Current Financial Liabilities</b>			
Forward currency contracts	14.2	(1,953)	(6,496)
			<b>(2,353)</b>
<b>Total</b>		<b>19,298</b>	<b>(7,965)</b>
			<b>-</b>
			<b>1,290</b>

## 14.1 Investment in other public sector bodies

The FCO holds an investment in FCO Services.

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

The Vesting Day Loan attracts interest of 4.03% per annum. In addition, a Working Capital Loan of £10,000,000 was made to FCO Services on 1 April 2008, which was repaid in instalments from April 2009 to October 2012, and attracted interest of 4.01% per annum.

	Public Dividend Capital £000	Vesting Day Loan £000	Working Capital Loan £000	Total £000
Balance at 1 April 2010	4,981	4,753	4,000	13,734
Additions	-	-	-	-
Disposals	-	-	-	-
Loan Repayments	-	-	-	-
Revaluations	-	-	-	-
Loans repayable within 12 months transferred to receivables	-	(951)	(2,000)	(2,951)
<b>Balance at 31 March 2011</b>	<b>4,981</b>	<b>3,802</b>	<b>2,000</b>	<b>10,783</b>
Additions	-	-	-	-
Disposals	-	-	-	-
Loan Repayments	-	-	-	-
Revaluations	-	-	-	-
Loans repayable within 12 months transferred to receivables	-	(951)	(2,000)	(2,951)
<b>Balance at 31 March 2012</b>	<b>4,981</b>	<b>2,851</b>	<b>-</b>	<b>7,832</b>
Additions	-	-	-	-
Disposals	-	-	-	-
Loan Repayments	-	-	-	-
Revaluations	-	-	-	-
Loans repayable within 12 months transferred to receivables	-	(951)	-	(951)
<b>Balance at 31 March 2013</b>	<b>4,981</b>	<b>1,900</b>	<b>-</b>	<b>6,881</b>

Notes to the accounts

14.2 Forward Currency Contracts

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

Forward purchases contracts matured as follows:

	2012-13			2011-12			2010-11		
	Foreign currency 000	Sterling cost £000	Exchange Rate	Foreign currency 000	Sterling value £000	Exchange Rate	Foreign currency 000	Sterling value £000	Exchange Rate
Euro	21,000	18,428	1.14	145,250	129,746	1.12	199,000	177,725	1.12
US Dollar	584,000	372,952	1.57	831,000	525,509	1.58	940,000	614,088	1.53
Japanese Yen	-	-		758,250	5,395	140.55	1,387,200	9,347	148.41
Swiss Franc	-	-		-	2,266	1.61	-	3,007	1.64
	<b>391,380</b>			<b>662,916</b>			<b>804,167</b>		

For contracts maturing in 2012-13, purchases resulted in a realised net loss of £4.9 million (2011-12: net loss of £10.7 million) over the potential cost had the purchases been made at the FCO central rate of exchange on the date of delivery.

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

2012-13

	Foreign currency value		Sterling value		Unrealised gains £000	Unrealised losses £000	Maturing in
	£000	£000	£000	£000			
<b>Current assets and liabilities</b>							
Euro	22,000	18,636			305	(321)	2013-14
US Dollar	491,000	313,386			10,013	-	2013-14
Sub total	-	<b>332,022</b>			<b>10,318</b>	<b>(321)</b>	
<b>Non-current assets and liabilities</b>							
Euro	14,200	12,082			181	(203)	2014-15
US Dollar	283,100	182,460			4,191	(393)	2014-15
Sub total	-	<b>194,542</b>			<b>4,373</b>	<b>(596)</b>	
Euro	7,200	6,304			-	(170)	2015-16
US Dollar	136,000	90,551			-	(1,187)	2015-16
Sub total	-	<b>96,855</b>			-	<b>(1,357)</b>	
<b>Total</b>		<b>623,419</b>			<b>14,691</b>	<b>(2,274)</b>	

2011-12

	Foreign currency value		Sterling value		Unrealised gains £000	Unrealised losses £000	Maturing in
	£000	£000	£000	£000			
<b>Current assets and liabilities</b>							
Euro	35,880	30,969			33	(1,097)	2012-13
US Dollar	600,900	384,316			30	(8,266)	2012-13
Japanese Yen	37,250	284			0	(1)	2012-13
Sub total	-	<b>415,569</b>			<b>63</b>	<b>(9,364)</b>	
<b>Non-current assets and liabilities</b>							
Euro	12,500	10,866			-	(448)	2013-14
US Dollar	304,000	193,991			-	(3,729)	2013-14
Sub total	-	<b>204,857</b>			-	<b>(4,177)</b>	
Euro	7,500	6,537			-	(286)	2014-15
US Dollar	134,000	85,899			-	(2,034)	2014-15
Sub total	-	<b>92,436</b>			-	<b>(2,319)</b>	
<b>Total</b>		<b>712,862</b>			<b>63</b>	<b>(15,860)</b>	



## 15 Revaluation and Impairments

	2012-13								
	Core Department			Core Department & Agencies			Departmental Group		
	CSCNE	Revaluation Reserve	Total	CSCNE	Revaluation Reserve	Total	CSCNE	Revaluation Reserve	Total
Impairment/Revaluation losses/(gains)									
Land, Buildings and Dwellings	36,004	(27,369)	8,636	36,004	(27,369)	8,636	36,004	(27,369)	8,636
IT Equipment	(7,244)	(11,998)	(19,242)	(7,244)	(11,998)	(19,242)	(7,244)	(11,998)	(19,242)
Transport Equipment	(16)	(846)	(862)	(16)	(846)	(862)	(16)	(846)	(862)
Plant and Machinery	(137)	(5,617)	(5,754)	(137)	(5,617)	(5,754)	(137)	(5,617)	(5,754)
Antiques and Works of Art	3,633	(259)	3,374	3,633	(259)	3,374	3,633	(259)	3,374
Assets Under Construction	8,410	-	8,410	8,410	-	8,410	8,410	-	8,410
Intangible Assets	(5)	(490)	(495)	(5)	(490)	(495)	(5)	(490)	(495)
Assets Held for Sale	-	476	476	-	476	476	-	476	476
Profit on disposal of Property, Plant and Equipment	(52,705)	-	(52,705)	(52,705)	-	(52,705)	(52,705)	-	(52,705)
Impairments transferred from General Fund to Revaluation Reserve	-	-	-	-	-	-	-	-	-
Realised Elements of Revaluation Reserve transferred to General Fund	-	41,444	41,444	-	41,444	41,444	-	41,444	41,444
Total	(12,060)	(4,659)	(16,718)	(12,060)	(4,659)	(16,718)	(12,060)	(4,659)	(16,718)

	2011-12								
	Core Department			Core Department & Agencies			Departmental Group		
	CSCNE	Revaluation Reserve	Total	CSCNE	Revaluation Reserve	Total	CSCNE	Revaluation Reserve	Total
Impairment/Revaluation losses/(gains)									
Land, Buildings and Dwellings	18,951	(108,960)	(90,009)	18,951	(108,960)	(90,009)	18,951	(108,960)	(90,009)
IT Equipment	249	119	368	249	119	368	249	119	368
Transport Equipment	(1)	(192)	(193)	(1)	(192)	(193)	(1)	(192)	(193)
Plant and Machinery	342	465	807	342	465	807	342	465	807
Antiques and Works of Art	428	11	439	428	11	439	428	11	439
Assets Under Construction	3,835	-	3,835	3,835	-	3,835	3,835	-	3,835
Intangible Assets	7	(1,069)	(1,062)	7	(1,069)	(1,062)	7	(1,069)	(1,062)
Assets Held for Sale	0	1,967	1,967	-	1,967	1,967	-	1,967	1,967
Profit on disposal of Property, Plant and Equipment	(14,026)	-	(14,026)	(14,026)	-	(14,026)	(14,026)	-	(14,026)
Impairments transferred from General Fund to Revaluation Reserve	-	-	-	-	-	-	-	-	-
Realised Elements of Revaluation Reserve transferred to General Fund	-	31,310	31,310	-	31,310	31,310	-	31,310	31,310
Total	9,785	(76,349)	(66,564)	9,785	(76,349)	(66,564)	9,785	(76,349)	(66,564)

## Notes to the accounts

## 16 Inventories

	2012-13			Restated 2011-12			Restated 2010-11		
	£000			£000			£000		
	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
Total Physical Stock	6,392	6,420	6,420	5,333	5,362	5,362	5,616	5,660	5,760
Total	6,392	6,420	6,420	5,333	5,362	5,362	5,616	5,660	5,760

## 16.1 Inventory by Category

	2012-13			2011-12			2010-11		
	£000			£000			£000		
	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
Fuel (Oil, Diesel, Gas)	957	957	957	684	684	684	776	776	776
Maintenance Stock	872	872	872	824	824	824	618	618	618
Medical Supplies	795	795	795	581	581	581	726	726	726
Motor Parts	604	604	604	761	761	761	907	907	907
Stationary	495	495	495	440	440	440	514	514	514
Other inc. Emergency Travel Documents	2,669	2,697	2,697	2,043	2,072	2,072	2,074	2,118	2,218
Total	6,392	6,420	6,420	5,333	5,362	5,362	5,616	5,660	5,760

## 17 Trade receivables, financial and other assets

	2012-13			Restated 2011-12			Restated 2010-11		
	£000			£000			£000		
	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
<b>Amounts falling due within 1 year</b>									
Trade receivables	29,455	29,850	31,679	40,163	40,768	42,822	41,249	41,536	49,647
Deposits and Advances	8,004	8,004	8,004	8,495	8,495	8,495	6,476	6,476	6,476
Other receivables	2,199	2,199	8,369	1,920	1,920	4,477	5,333	5,338	7,076
Leasehold land (non-perpetual) prepayments	386	386	386	386	386	386	386	386	386
Other prepayments and accrued income	118,341	118,385	123,789	62,315	62,386	66,503	62,528	62,560	65,391
	<b>158,385</b>	<b>158,824</b>	<b>172,227</b>	<b>113,279</b>	<b>113,955</b>	<b>122,683</b>	<b>115,972</b>	<b>116,296</b>	<b>128,976</b>
<b>Amounts falling due after more than 1 year</b>									
Leasehold land (non-perpetual) prepayments	28,224	28,224	28,224	28,409	28,409	28,409	28,868	28,868	28,868
Other receivables	9,010	9,010	9,010	8,628	8,628	8,628	8,539	8,539	8,539
	<b>37,234</b>	<b>37,234</b>	<b>37,234</b>	<b>37,037</b>	<b>37,037</b>	<b>37,037</b>	<b>37,406</b>	<b>37,406</b>	<b>37,406</b>
<b>Total</b>	<b>195,619</b>	<b>196,058</b>	<b>209,461</b>	<b>150,316</b>	<b>150,992</b>	<b>159,720</b>	<b>153,378</b>	<b>153,702</b>	<b>166,382</b>

## 17.1 Intra-government balances

	Amounts falling due within 1 year			Amounts falling due after more than 1 year		
	2012-13	2011-12	2010-11	2012-13	2011-12	2010-11
	£000	£000	£000	£000	£000	£000
Balances with other central government bodies	25,356	20,122	42,785	-	-	-
Balances with Local Authorities	219	502	897	6	-	-
Balances with public corporations and trading funds	4,366	6,086	8,384	300	-	-
<b>Subtotal: intra-government balances</b>	<b>29,941</b>	<b>26,709</b>	<b>52,066</b>	<b>306</b>	<b>-</b>	<b>-</b>
Balances with bodies external to government	142,286	95,974	76,910	36,928	37,037	37,406
<b>Total receivables at 31 March</b>	<b>172,227</b>	<b>122,683</b>	<b>128,976</b>	<b>37,234</b>	<b>37,037</b>	<b>37,406</b>

## 18 Cash

	2012-13			Restated 2011-12		
	£000			£000		
	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
<b>Balance at 1 April</b>	<b>47,117</b>	<b>47,932</b>	<b>58,584</b>	<b>40,315</b>	<b>41,622</b>	<b>54,953</b>
Net change in cash balances	8,407	8,100	4,060	6,803	6,310	3,631
Balance at 31 March 2013	<b>55,524</b>	<b>56,032</b>	<b>62,644</b>	<b>47,117</b>	<b>47,932</b>	<b>58,584</b>
The following balances and overdrafts at 31 March 2013 were held at:						
<i>Balances</i>						
Government Banking Service	2,343	2,343	2,343	13,017	13,017	13,017
Commercial banks and cash in hand UK and overseas	53,181	53,689	60,301	34,100	34,914	45,567
Balance at 31 March 2013	<b>55,524</b>	<b>56,032</b>	<b>62,644</b>	<b>47,117</b>	<b>47,932</b>	<b>58,584</b>

## 19 Trade payables and other current liabilities

	Note	2012-13			2011-12			2010-11		
		Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
		£000			£000			£000		
Analysis by type										
<b>Amounts falling due within one year</b>										
Bank overdrafts		-	-	-	-	-	-	248	248	248
Other taxation and social security		1,134	1,278	1,290	901	901	901	964	964	964
Payments on account		-	341	341	-	306	306	-	237	237
Trade payables		37,370	37,616	40,927	34,061	34,198	37,626	21,501	21,830	24,200
Other payables		40,777	40,783	45,610	40,567	40,576	44,793	47,822	47,825	50,662
Accruals and deferred income		140,338	140,486	145,923	159,516	159,750	167,884	138,935	139,079	146,802
Current part of finance leases	22.2.2	-	-	100	-	-	300	27	27	227
Current part of imputed finance lease element of on-Statement of Financial Position PFI contracts	22.3.2	1,076	1,076	1,076	997	997	997	966	966	966
<b>Total excluding amounts due to the Consolidated Fund</b>		<b>220,695</b>	<b>221,580</b>	<b>235,267</b>	<b>236,042</b>	<b>236,728</b>	<b>252,807</b>	<b>210,463</b>	<b>211,176</b>	<b>224,306</b>
Amounts issued from the Consolidated Fund for supply but not spent at year end		55,537	55,537	55,537	45,905	45,905	45,905	41,058	41,058	41,058
Consolidated Fund income due to be paid to the Consolidated Fund	5	495	495	495	2,027	2,027	2,027	564	564	564
<b>Amounts falling due after more than 1 year</b>		<b>276,727</b>	<b>277,612</b>	<b>291,299</b>	<b>283,973</b>	<b>284,660</b>	<b>300,739</b>	<b>252,085</b>	<b>252,798</b>	<b>265,928</b>
Finance leases	22.2.2	-	-	-	-	-	-	4	4	4
Imputed finance lease element of on-Statement of Financial Position PFI contracts	22.3.2	34,219	34,219	34,219	35,292	35,292	35,292	37,992	37,992	38,092
		<b>34,219</b>	<b>34,219</b>	<b>34,219</b>	<b>35,292</b>	<b>35,292</b>	<b>35,292</b>	<b>37,996</b>	<b>37,996</b>	<b>38,097</b>
<b>Total</b>		<b>310,946</b>	<b>311,831</b>	<b>325,518</b>	<b>319,265</b>	<b>319,952</b>	<b>336,031</b>	<b>290,081</b>	<b>290,794</b>	<b>304,025</b>

## 19.1 Intra-government balances

	Amounts falling due within 1 year			Amounts falling due after more than 1 year		
	2012-13 £000	Restated 2011-12 £000	Restated 2010-11 £000	2012-13 £000	2011-12 £000	2010-11 £000
Balances with other central government bodies	81,641	67,594	59,976	-	-	-
Balances with Local Authorities	42	67	220	-	-	-
Balances with public corporations and trading funds	5,644	3,622	9,017	-	-	-
<b>Total intra-government balances</b>	<b>87,327</b>	<b>71,283</b>	<b>69,213</b>	<b>-</b>	<b>-</b>	<b>-</b>
Balances with bodies external to government	203,972	229,456	196,715	34,219	35,292	38,097
<b>Total payables</b>	<b>291,299</b>	<b>300,739</b>	<b>265,928</b>	<b>34,219</b>	<b>35,292</b>	<b>38,097</b>

The Amount issued from Consolidated Fund for supply but not spent at year end have previous been included in the Balances with bodies external to government. They are now within the Balances with other central government bodies.

## Notes to the accounts

## 20 Provisions for liabilities and charges

The Notes to the Accounts set out the statement of accounting policy for early departure costs (note 1.22) and terminal benefits for locally engaged staff (note 1.23). Other Staff Provisions relate to the costs of compensation claims. Other Provisions relate to possible back-rental demands and other estate commitments.

## Departmental Group

	Early departure costs £000	LE staff terminal gratuities £000	Other staff provisions £000	Other provisions £000	Total £000
<b>Balance at 1 April 2011</b>	<b>27,886</b>	<b>36,649</b>	<b>22,399</b>	<b>6,894</b>	<b>93,829</b>
Provided in year	-	9,282	2,297	14,565	26,144
Provisions not required written back	(144)	(2,531)	(5,272)	(5,381)	(13,328)
Provisions utilised in the year	(7,606)	(6,437)	(12,931)	(3,140)	(30,114)
Unwinding of discount	378	-	-	-	378
<b>Balance at 1 April 2012</b>	<b>20,514</b>	<b>36,964</b>	<b>6,494</b>	<b>12,938</b>	<b>76,910</b>
Provided in year	1,054	9,255	6,886	30,626	47,821
Provisions not required written back	-	(1,506)	(1,817)	(1,914)	(5,237)
Provisions utilised in the year	(6,856)	(5,401)	(2,324)	(10,632)	(25,213)
Unwinding of discount	848	-	-	-	848
<b>Balance at 31 March 2013</b>	<b>15,560</b>	<b>39,312</b>	<b>9,239</b>	<b>31,018</b>	<b>95,129</b>

## Analysis of expected timing of discounted cash flows

	Early departure costs £000	LE staff terminal gratuities £000	Other staff provisions £000	Other provisions £000	Total £000
Not later than one year	559	3,574	9,039	25,118	38,290
Later than one year and not later than five years	10,414	14,295	200	5,900	30,809
Later than five years	4,587	21,443	-	-	26,030
<b>Balance at 31 March 2013</b>	<b>15,560</b>	<b>39,312</b>	<b>9,239</b>	<b>31,018</b>	<b>95,129</b>

	2012-13		
	£000		
Core Department	Core Department & Agencies	Departmental Group	
Not later than one year	30,184	30,184	38,290
Later than one year and not later than five years	24,709	24,709	30,809
Later then five years	26,030	26,030	26,030
<b>Balance at 31 March</b>	<b>80,923</b>	<b>80,923</b>	<b>95,129</b>

	2011-12		
	£000		
Core Department	Core Department & Agencies	Departmental Group	
Not later than one year	22,151	22,225	27,825
Later than one year and not later than five years	25,492	25,492	26,992
Later then five years	22,093	22,093	22,093
<b>Balance at 31 March</b>	<b>69,736</b>	<b>69,810</b>	<b>76,910</b>

## Notes to the accounts

## 21 Retirement benefit schemes

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

**Principal Civil Service Pension Scheme**

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

For 2012-13, employers' contributions of £33,788,000 were paid to the PCSPS (2011-12: £34,186,000) at one of four rates in the range of 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2012-13 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution.

Employers' contributions of £154,400 (2011-12: £89,000) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of 0.8% of pensionable pay, 2012-13: £8,640, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

**Other defined contribution schemes**

The FCO operates defined contribution schemes in: Barbados, Belgium, Bolivia, Canada, Cyprus, Denmark, Israel, Jamaica, Jordan, Mauritius, Namibia, Nepal, The Netherlands, Nigeria, Peru, Portugal, the Republic of Ireland, Serbia, South Korea, Taiwan, Trinidad and Tobago, USA, Uganda and Zambia. The value of contributions in 2012-13 was £1,979,466.75 (2011-12: £1,564,421).

**Other defined benefit schemes**

The FCO operates defined benefit schemes in the countries as shown below which are based on final salary and provide for pensions at retirement and for benefits on death or disablement in service.

With effect from 1 April 2012 the FCO took on the obligations of the British East Mediterranean Relay Service Pension Scheme in Cyprus in respect of former staff of the BBC World Service operating on the island and these are included below. The scheme is unfunded and benefits are being paid out of current resources. Also, during the year, the US Network pension scheme was bought out by a commercial pension provider, and the obligations and assets of the scheme were transferred out in full, for a consideration of £42,010,000. This amount is included in the table below under Matched by annuity contracts.

All of the defined benefit schemes are closed to new members, other than for a scheme in The Netherlands which is not listed below because, as an insurance-based scheme operated by a life company, there are no assets and obligations to report and it is therefore treated as a defined contribution scheme. Estimated employer contributions to schemes in 2013-14 are £1.8 million.

Many of the BBC World Service employees are members of the BBC Group's pension schemes which comprise the BBC Pension Scheme (a defined benefit scheme which is now closed to new members), a small unfunded plan (the unfunded scheme, which is closed to new members) and defined contribution schemes (LifePlan and the Group Personal Pension Scheme). Details of these schemes are contained in the published accounts of the BBC World Service.

**Defined benefit schemes recognised in the Statement of Financial Position****Present value of unfunded obligations**

Cyprus

(25,515) - -

**Present value of funded obligations**

Canada

(8,797) (7,577) (7,671)

Republic of Ireland

(3,439) (2,534) (2,158)

Jamaica

(1,279) (1,179) (962)

Mauritius

(160) (150) (137)

South Africa

(2,523) (2,416) (5,206)

USA

0 (38,200) (33,306)

Colombia

(694) (527) (586)

Belgium

(1,117) (1,025) (246)

**(18,010) (53,608) (50,272)****Fair value of plan assets**

Canada

10,127 8,387 8,750

Republic of Ireland

2,717 2,214 2,146

Jamaica

1,381 1,347 1,197

Mauritius

131 116 87

South Africa

1,991 2,321 5,167

USA

(0) 29,685 33,804

Colombia

555 481 593

Belgium

637 675

**17,538 45,226 51,744****Total****(25,987) (8,382) 1,472****Summary**

Liabilities

(27,418) (9,357) (347)

Assets

1,432 975 1,819

**Net asset/(liability)****(25,987) (8,382) 1,472****Amounts recognised in operating costs**

Current service cost

(49) 496 1,856

Interest on obligation

2,014 2,609 2,792

Curtailment / settlement cost

5,627 - -

Exchange differences on foreign plans

501 - -

Cyprus scheme taken on in year

26,119 - -

Expected return on plan assets

(1,690) (3,964) (3,846)

Total included in employee benefits expense

**32,522 (859) 802****Actual return on plan assets: gain/(loss)****1,837 2,066 5,924****Actuarial loss/(gain)****3,611 21,217 (403)**

	2012-13 £000	2011-12 £000	2010-11 £000
<b>Defined benefit schemes recognised in the Statement of Financial Position</b>			
<b>Present value of unfunded obligations</b>			
Cyprus	(25,515)	-	-
<b>Present value of funded obligations</b>			
Canada	(8,797)	(7,577)	(7,671)
Republic of Ireland	(3,439)	(2,534)	(2,158)
Jamaica	(1,279)	(1,179)	(962)
Mauritius	(160)	(150)	(137)
South Africa	(2,523)	(2,416)	(5,206)
USA	0	(38,200)	(33,306)
Colombia	(694)	(527)	(586)
Belgium	(1,117)	(1,025)	(246)
	<b>(18,010)</b>	<b>(53,608)</b>	<b>(50,272)</b>
<b>Fair value of plan assets</b>			
Canada	10,127	8,387	8,750
Republic of Ireland	2,717	2,214	2,146
Jamaica	1,381	1,347	1,197
Mauritius	131	116	87
South Africa	1,991	2,321	5,167
USA	(0)	29,685	33,804
Colombia	555	481	593
Belgium	637	675	
	<b>17,538</b>	<b>45,226</b>	<b>51,744</b>
<b>Total</b>	<b>(25,987)</b>	<b>(8,382)</b>	<b>1,472</b>
<b>Summary</b>			
Liabilities	(27,418)	(9,357)	(347)
Assets	1,432	975	1,819
<b>Net asset/(liability)</b>	<b>(25,987)</b>	<b>(8,382)</b>	<b>1,472</b>
<b>Amounts recognised in operating costs</b>			
Current service cost	(49)	496	1,856
Interest on obligation	2,014	2,609	2,792
Curtailment / settlement cost	5,627	-	-
Exchange differences on foreign plans	501	-	-
Cyprus scheme taken on in year	26,119	-	-
Expected return on plan assets	(1,690)	(3,964)	(3,846)
Total included in employee benefits expense	<b>32,522</b>	<b>(859)</b>	<b>802</b>
<b>Actual return on plan assets: gain/(loss)</b>	<b>1,837</b>	<b>2,066</b>	<b>5,924</b>
<b>Actuarial loss/(gain)</b>	<b>3,611</b>	<b>21,217</b>	<b>(403)</b>

## Notes to the accounts

**Changes in the present value of the defined benefit obligation**

Opening defined benefit obligation	(53,608)	(50,272)	(49,520)
Unfunded scheme in Cyprus taken on in year	(26,119)	-	-
Pensioners in payment exactly matched by annuity contracts	41,988	(22)	(117)
Service cost	49	(495)	(1,856)
Curtailement / settlement cost	(5,627)	-	-
Interest cost	(2,014)	(2,609)	(2,792)
Contributions by participants	(214)	(258)	(531)
Actuarial (losses)/gains	(601)	(17,889)	(1,300)
Exchange differences on foreign plans	(402)	880	1,893
Benefits paid	6,214	18,587	4,326
Changes in assumptions underlying the present value of the scheme liabilities	(3,191)	(1,530)	(375)
<b>Closing defined benefit obligation</b>	<b>(43,525)</b>	<b>(53,608)</b>	<b>(50,272)</b>

**Changes in the fair value of plan assets are as follows**

Opening fair value of plan assets	45,226	51,744	46,373
Pensioners in payment exactly matched by annuity contracts	(41,988)	22	117
Expected return	1,690	3,965	3,846
Actuarial gains (losses)	147	(1,899)	2,078
Contributions by employer	15,282	10,500	4,815
Contributions by participants	207	258	531
Exchange differences on foreign plans	(99)	(877)	(1,690)
Benefits paid	(2,962)	(18,587)	(4,326)
Changes in assumptions underlying the present value of the scheme assets	35	101	-
<b>Closing fair value of plan assets</b>	<b>17,538</b>	<b>45,226</b>	<b>51,744</b>

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

	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>
Equities	43.60%	56.51%	48.28%
Bonds	33.65%	37.73%	35.32%
Other	22.75%	5.76%	16.40%

**Principal actuarial assumptions as at 31 March (expressed as weighted averages)**

Discount rate	6.17%	7.31%	5.79%
Expected return on plan assets	6.65%	3.24%	6.98%
Future salary increases	5.58%	3.18%	4.19%
Future pension increases	2.31%	3.77%	3.26%

## Estimated Future Life Expectancies

These pension figures have been derived from actuarial calculations based upon life expectancies of 83 to 93 years for females (average (87 years) and 79 to 90 years for males (average 83 years))

**Amounts for the current and previous four years**

	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2009-10</b>	<b>2008-09</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Defined benefit obligation	(43,525)	(53,608)	(50,272)	(49,520)	(44,097)
Plan assets	17,538	45,226	51,744	46,373	31,547
Surplus/(Deficit)	(25,987)	(8,382)	1,472	(3,147)	(12,550)
Experience adjustments on plan liabilities	(601)	(17,889)	(1,300)	(4,258)	1,405
Experience adjustments on plan assets	147	(1,899)	2,078	7,757	(13,633)

## Notes to the accounts

## Analysis of movements in obligations and assets

	2012-13									2012-13
	Brought forward	Matched by annuity contracts	Exchange	Service cost, Curtailment / settlement costs	Interest, Finance income	Changes in assumptions, Employer Contributions	Participants contributions	Benefits paid	Actuarial gains/ (losses)	Carried forward
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Present value of unfunded obligations</b>										
Cyprus introduced in year	-									(26,119)
Cyprus	-		(458)	464	(1,196)	(1,264)	(7)	3,251	(186)	604
<b>Total</b>	-	-	(458)	464	(1,196)	(1,264)	(7)	3,251	(186)	(25,515)
<b>Present value of funded obligations</b>										
Canada	(7,577)		(299)	(106)	(376)	(1,060)	(59)	680		(8,797)
Republic of Ireland	(2,534)		(50)	(80)	(93)	(714)	(21)	22	31	(3,439)
Jamaica	(1,179)	(22)	94	(84)	(99)	1	(51)	64	(3)	(1,279)
Mauritius	(150)		4	(6)	(15)				7	(160)
South Africa	(2,416)		346	(81)	(198)	(142)	(76)	301	(257)	(2,523)
USA	(38,200)	42,010		(5,627)				1,817		0
Colombia	(527)		(23)	(58)		(49)		27	(64)	(694)
Belgium	(1,024)		(16)		(37)	37		52	(129)	(1,117)
<b>Total</b>	(53,608)	41,988	56	(6,042)	(818)	(1,927)	(207)	2,963	(415)	(18,010)
<b>Fair value of plan assets</b>										
Canada	8,387		344		440	1,461	59	(680)	116	10,127
Republic of Ireland	2,214		39		89	186	21	(22)	190	2,717
Jamaica	1,347	22	(100)		86	65	51	(64)	(26)	1,381
Mauritius	117		(3)		12	10			(5)	131
South Africa	2,321		(273)		237	50	76	(301)	(119)	1,991
USA	29,685	(42,010)	(133)		779	13,496		(1,817)		(0)
Colombia	675		18		22	(129)		(28)	(3)	555
Belgium	481		9		25	180		(52)	(6)	637
<b>Total</b>	45,226	(41,988)	(99)	-	1,690	15,319	207	(2,964)	147	17,538
	(8,382)	-	(501)	(5,578)	(324)	12,128	(7)	3,250	(454)	(25,987)

## Analysis of movements in obligations and assets

	2011-12									2011-12
	Brought forward	Matched by annuity contracts	Exchange	Service cost	Interest, Finance income	Changes in assumptions, Employer Contributions	Participants contributions	Benefits paid	Actuarial gains/ (losses)	Carried forward
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Present value of funded obligations</b>										
Canada	(7,671)	-	179	(114)	(422)	(303)	(77)	970	(140)	(7,577)
Republic of Ireland	(2,158)	-	125	(60)	(100)	(417)	(21)	216	(120)	(2,534)
Jamaica	(962)	(22)	12	(57)	(84)	-	(45)	39	(60)	(1,179)
Mauritius	(137)	-	2	(6)	(13)	-	-	-	4	(150)
South Africa	(5,206)	-	600	(72)	(348)	-	-	2,532	78	(2,416)
USA	(33,306)	-	(108)	(165)	(1,604)	-	(115)	14,830	(17,732)	(38,200)
Colombia	(246)	-	69	-	(38)	(810)	-	-	-	(1,024)
Belgium	(586)	-	-	(21)	-	-	-	-	80	(527)
<b>Total</b>	(50,272)	(22)	880	(495)	(2,609)	(1,530)	(258)	18,587	(17,889)	(53,608)
<b>Fair value of plan assets</b>										
Canada	8,750	-	(205)	-	423	716	77	(970)	(404)	8,387
Republic of Ireland	2,146	-	(125)	-	104	167	21	(216)	117	2,214
Jamaica	1,197	22	(15)	-	94	61	45	(39)	(18)	1,347
Mauritius	87	-	(2)	-	10	25	-	-	(4)	117
South Africa	5,167	-	(595)	-	357	230	-	(2,532)	(306)	2,321
USA	33,804	-	110	-	2,470	9,300	115	(14,830)	(1,284)	29,685
Colombia	593	-	(45)	-	26	101	-	-	-	675
Belgium	-	-	-	-	481	-	-	-	-	481
<b>Total</b>	51,744	(22)	(877)	-	3,965	10,600	258	(18,587)	(1,899)	45,226
	1,472	0	3	(495)	1,356	9,070	0	0	(19,788)	(8,382)

The FCO's defined benefit schemes have been subject to actuarial valuation or review as at 31 March 2013.

The estimated amount of contributions expected to be paid to the schemes during the current financial year is £1.8 million

## Notes to the accounts

## 22 Capital commitments

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

	2012-13 £000			2011-12 £000		
	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
Estates projects	5,698	5,698	25,544	24,556	24,556	50,378
IT infrastructure	3	3	3	0	0	0
	<b>5,701</b>	<b>5,701</b>	<b>25,547</b>	<b>24,556</b>	<b>24,556</b>	<b>50,378</b>

## 22.1 Commitments under leases

## 22.2.1 Operating leases

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

	2012-13 £000			2011-12 £000		
	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
<b>Obligations under operating leases comprise</b>						
Land and buildings:						
Not later than one year	67,899	68,106	69,118	78,198	78,198	87,952
Later than one year and not later than five years	163,819	164,647	165,280	198,117	198,117	198,485
Later than five years	122,241	122,241	122,241	12,557	12,557	12,557
Total	<b>353,959</b>	<b>354,994</b>	<b>356,639</b>	<b>288,872</b>	<b>288,872</b>	<b>298,994</b>
Other:						
Not later than 1 year	592	592	592	349	349	349
Later than 1 year and not later than 5 years	526	526	526	385	385	385
Later than 5 years	-	-	-	0	0	0
Total	<b>1,118</b>	<b>1,118</b>	<b>1,118</b>	<b>734</b>	<b>734</b>	<b>734</b>

The majority of the Operating Lease payments represent rentals for buildings within the FCO's overseas estate. Lease terms and rentals vary depending on local circumstances

The figures displayed represent the FCO liability for the total length of any operating lease contracts and does not take into account any associated break clauses

## 22.2.2 Finance leases

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

**Obligations under finance leases for the following periods comprise**

	2012-13 £000			2011-12 £000		
	Core Department	Core Department & Agencies	Departmental Group	Core Department	Core Department & Agencies	Departmental Group
Land and buildings: nil						
Other:						
Not later than one year	-	-	100	-	-	300
Later than one year and not later than five years	-	-	-	-	-	-
Later than five years	-	-	-	-	-	-
	-	-	100	-	-	300
Less: interest element	-	-	-	-	-	-
Present Value of Obligations	-	-	100	-	-	300
The above liability is disclosed under Payables (Note 19) as follows:						
Amounts falling due within one year	-	-	100	-	-	300
Amounts falling due after more	-	-	-	-	-	-
	-	-	100	-	-	300

## 22.3 Commitments under PFI contracts and other service concession arrangements

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

Worldwide telecommunications network

The Global Crossing contract was for a term of ten years from 10 May 2000 but has been extended to allow for transition to the replacement contract, which is expected to be completed in 2013-14. The estimated capital value of the contract was £250 million, but it is considered by the Board that the equipment brought into use under the contract is not an asset of the Department. Payments under the contract charged to the statement of net expenditure in the year amounted to £14.2 million (2011-12 £25.7 million).

The replacement contract, run under Project Echo, was awarded to Cable & Wireless Worldwide and signed on 13 September 2010. The replacement contract is designed to eventually provide coverage for 265 government locations worldwide. Pilot sites completed switch over to the new service arrangements in March and April 2011. Staged rollout has continued through 2011-12 and 2012-13 and is due to end in September 2013.

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



## Notes to the accounts

## 22.3.2 On-balance sheet (included within Consolidated Statement of Financial Position)

	2012-13 £000	Restated 2011-12 £000	Restated 2010-11 £000
Total obligations under on-balance sheet PFI contracts comprises:			
Not later than one year	3,746	3,745	3,921
Later than one year and not later than five years	14,983	14,981	15,684
Later than five years	45,884	49,626	55,876
	64,613	68,352	75,481
Less: interest element	(29,318)	(32,064)	(36,522)
Present Value of obligations	<b>35,295</b>	<b>36,288</b>	<b>38,959</b>
The above liability is disclosed under Payables (Note 19) as follows:			
Amounts falling not later than one year	1,076	997	966
Amounts falling due later than one year	34,219	35,292	37,993
	<b>35,295</b>	<b>36,289</b>	<b>38,959</b>

The service element of the contract remains an operating cost. In 2012-13 this amounted to £1,864,000 (2011-12 £1,987,000).

## Berlin Embassy

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

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

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

The total amount charged to the Consolidated Statement of Comprehensive Net Expenditure in respect of off-balance sheet PFI transactions or other service concessions transactions and the service element of on-balance sheet PFI or other service concession transactions for the year ended 31 March 2012-13 was £24,835,000 (2011-12 £28,529,000).

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

	2012-13 £000			2011-12 £000		
	Core Department	Core Department & Agencies	Core Departmental Group	Core Department	Core Department & Agencies	Core Departmental Group
Not later than one year	1,897	1,897	1,897	1,818	1,818	1,818
Later than one year and not later than five years	7,587	7,587	7,587	7,272	7,272	7,272
Later than five years	23,235	23,235	23,235	24,088	24,088	24,088
	<b>32,719</b>	<b>32,719</b>	<b>32,719</b>	<b>33,178</b>	<b>33,178</b>	<b>33,178</b>

## 22.4 Other financial commitments

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

	2012-13 £000			2011-12 £000		
	Core Department	Core Department & Agencies	Core Departmental Group	Core Department	Core Department & Agencies	Core Departmental Group
Not later than one year	662	662	662	596	596	26,496
Later than one year and not later than five years	-	-	-	663	663	663
Later than five years	-	-	-	-	-	-
	<b>662</b>	<b>662</b>	<b>662</b>	<b>1,259</b>	<b>1,259</b>	<b>27,159</b>

## 23 Financial Guarantees, Indemnities and Letter of Comfort

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

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

	01 April 2012 £000	Increase in year £000	Liabilities crystallised in year £000	Obligation expired in year £000	31 March 2013 £000
Indemnities	25,912	910	-	(15,397)	11,425

## 24 Contingent liabilities disclosed under IAS 37

	2012-13 £000	2011-12 £000	2010-11 £000
Potential obligations	47,489	51,246	47,975

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

Notes to the accounts

25 Losses and special payments

25.1 Losses Statement

	2012-13			No of cases	2011-12	
	Core Department	Core Department & Agencies	Departmental Group		£000	No of cases
<b>Losses and Special payments total</b>	<b>2,017</b>	<b>2,025</b>	<b>2,025</b>	<b>123</b>	<b>437</b>	<b>103</b>
Cash losses	14	14	14	34	151	30
Claims abandoned	-	-	-	-	-	-
Administrative write-offs	687	687	687	51	109	46
Fruitless payments	342	342	342	1	-	-
Constructive losses	30	30	30	17	93	7
Losses arising from overpayment	-	-	-	-	-	-
Stores losses	1	1	1	4	49	9
Losses total	<b>1,074</b>	<b>1,074</b>	<b>1,074</b>	<b>107</b>	<b>402</b>	<b>92</b>

25.2 Special payments total

	<b>943</b>	<b>951</b>	<b>951</b>	<b>16</b>	<b>35</b>	<b>11</b>
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Losses in the year included £342,000 costs in respect of a FCO funded TV series commissioned in support of the FCO's National Security objective. The series was not completed before the production company was dissolved and funds already paid could not be recovered.

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

26.1 Related parties

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

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

26.2 Entities within the departmental accounting boundary and associated entities

Associated entities inside the Departmental accounting boundary  
The entities within the boundary during 2012-13 were:

- Wilton Park Executive Agency - the Annual Report and Accounts of Wilton Park is published separately. See [www.wiltonpark.org.uk](http://www.wiltonpark.org.uk)
- The Great Britain-China Centre (Executive NDPB). See [www.gbcc.org.uk](http://www.gbcc.org.uk)
- The Marshall Aid Commemoration Commission (Executive NDPB). See [marshallscholarships.org](http://marshallscholarships.org)
- The Westminster Foundation for Democracy Limited (Executive NDPB). See [www.wfd.org](http://www.wfd.org)
- BBC World Service (Public Sector non-market entity).

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

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

26.3 Associated entities outside the Departmental accounting boundary

FCO programmes include payments to British Council (Executive NDPB, charity established by Royal Charter, Public Corporation).

27 Events after the reporting date

The FCO is not aware of any material events arising after the reporting date but before the signing date that have not already been adequately covered in these financial statements.

The Accounting Officer authorised these financial statements for issue on the same date as the Comptroller and Auditor General's Audit Certificate.

**28 Restatement of Statement of Financial Position and Statement of Comprehensive Net Expenditure due to reclassifications and the inclusion of BBC World Service into the FCO's Departmental Group Boundary.**

Following a reclassification, by the Office for National Statistics, of the status of the BBC World Service (BBCWS) to "Public Sector Non-Market Entity", it has been listed in the Designation Order for inclusion in the FCO's group accounts for 2012-13.

Consequently the departmental group figures within these accounts include the assets and liabilities and income and expenditure of the BBCWS and the comparative amounts published in the FCO's 2011-12 Annual Report and Accounts have been restated in these accounts. There were also reclassification adjustments made to prior year figures within provisions and retirement benefit scheme balances to present current and non-current provisions and scheme balances as gross. These adjustments achieve consistency with the 2012-13 treatment of these items (there was no effect on the CSCNE).

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

**Departmental Group**

	<b>As published in 2011-12 accounts £'000</b>	<b>Statement of Financial Position reclassifications £'000</b>	<b>Inclusion of BBCWS £'000</b>	<b>Restated £'000</b>
<b>Non-current assets:</b>				
Property, plant and equipment	2,312,793	-	137,083	2,449,876
Intangible assets	3,378	-	2,720	6,098
Financial assets	7,832	-	-	7,832
Retirement benefit schemes asset	-	975	-	975
Other non-current assets	37,037	-	-	37,037
<b>Total non-current assets</b>	<b>2,361,040</b>	<b>975</b>	<b>139,803</b>	<b>2,501,818</b>
<b>Current assets:</b>				
Assets classified as held for sale	14,245	-	-	14,245
Inventories	5,362	-	-	5,362
Trade and other receivables	115,083	-	7,600	122,683
Financial assets	63	-	-	63
Cash and cash equivalents	49,484	-	9,100	58,584
<b>Total current assets</b>	<b>184,237</b>	<b>-</b>	<b>16,700</b>	<b>200,937</b>
<b>Total assets</b>	<b>2,545,277</b>	<b>975</b>	<b>156,503</b>	<b>2,702,755</b>
<b>Current liabilities:</b>				
Trade and other payables	(286,039)	-	(14,700)	(300,739)
Financial liabilities	(9,364)	-	-	(9,364)
Provisions	-	(22,224)	(5,701)	(27,925)
<b>Total current liabilities</b>	<b>(295,403)</b>	<b>(22,224)</b>	<b>(20,401)</b>	<b>(338,028)</b>
<b>Total assets less current liabilities</b>	<b>2,249,874</b>	<b>(21,249)</b>	<b>136,102</b>	<b>2,364,727</b>
<b>Non-current liabilities</b>				
Provisions	(69,810)	22,224	(1,501)	(49,087)
Other payables	(35,292)	-	-	(35,292)
Financial liabilities	(6,496)	-	-	(6,496)
Retirement benefit scheme liability	(8,382)	(975)	-	(9,357)
<b>Total non-current liabilities</b>	<b>(119,980)</b>	<b>21,249</b>	<b>(1,501)</b>	<b>(100,232)</b>
<b>Assets less liabilities</b>	<b>2,129,894</b>	<b>-</b>	<b>134,601</b>	<b>2,264,495</b>
<b>Taxpayers' equity and other reserves:</b>				
General fund	978,228	-	134,601	1,112,829
Revaluation reserve	1,151,666	-	-	1,151,666
<b>Total equity</b>	<b>2,129,894</b>	<b>-</b>	<b>134,601</b>	<b>2,264,495</b>

**Consolidated Statement of Financial Position as at 31 March 2011**  
**Departmental Group**

	<b>As published in the 2011-12 accounts £'000</b>	<b>Statement of Financial Position reclassifications £'000</b>	<b>Inclusion of BBCWS £'000</b>	<b>Restated £'000</b>
<b>Non-current assets:</b>				
Property, plant and equipment	2,264,458	-	138,504	2,402,962
Intangible assets	2,202	-	4,300	6,502
Financial assets	11,415	-	-	11,415
Retirement benefit schemes asset	1,472	347	-	1,819
Other non-current assets	37,406	-	-	37,406
<b>Total non-current assets</b>	<b>2,316,953</b>	<b>347</b>	<b>142,804</b>	<b>2,460,104</b>
<b>Current assets:</b>				
Assets classified as held for sale	12,237	-	-	12,237
Inventories	5,660	-	100	5,760
Financial assets	5,062	-	-	5,062
Trade and other receivables	116,976	-	12,000	128,976
Cash and cash equivalents	43,853	-	11,100	54,953
<b>Total current assets</b>	<b>183,788</b>	<b>-</b>	<b>23,200</b>	<b>206,988</b>
<b>Total assets</b>	<b>2,500,741</b>	<b>347</b>	<b>166,004</b>	<b>2,667,092</b>
<b>Current liabilities</b>				
Trade and other payables	(254,328)	-	(11,600)	(265,928)
Financial liabilities	(12,834)	-	-	(12,834)
Provisions	-	(18,064)	-	(18,064)
<b>Total current liabilities</b>	<b>(267,162)</b>	<b>(18,064)</b>	<b>(11,600)</b>	<b>(296,826)</b>
<b>Total assets less current liabilities</b>	<b>2,233,579</b>	<b>(17,717)</b>	<b>154,404</b>	<b>2,370,266</b>
<b>Non-current liabilities</b>				
Provisions	(68,429)	18,064	(25,400)	(75,765)
Other payables	(37,997)	-	(100)	(38,097)
Financial liabilities	(2,353)	-	-	(2,353)
Retirement benefit scheme liability	-	(347)	-	(347)
<b>Total non-current liabilities</b>	<b>(108,779)</b>	<b>17,717</b>	<b>(25,500)</b>	<b>(116,562)</b>
<b>Assets less liabilities</b>	<b>2,124,802</b>	<b>-</b>	<b>128,904</b>	<b>2,253,706</b>
<b>Taxpayers' equity and other reserves:</b>				
General fund	1,049,486	-	128,904	1,178,389
Revaluation reserve	1,075,317	-	-	1,075,317
	<b>2,124,802</b>	<b>-</b>	<b>128,904</b>	<b>2,253,706</b>

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

	As published in the 2011-12 accounts £'000	Inclusion of BBCWS £'000	Restated £'000
<b>Administration Costs</b>			
Total Administration Costs	<b>203,807</b>	-	<b>203,807</b>
<b>Programme Costs</b>			
Staff Costs	2,835	82,840	85,675
Other Costs	2,260,953	(86,279)	2,174,674
Income	(186,818)	(4,740)	(191,558)
Grant in Aid	-	-	-
<b>Total Programme Costs</b>	<b>2,076,970</b>	<b>(8,179)</b>	<b>2,068,791</b>
<b>Net operating cost for the year</b>	<b>2,280,777</b>	<b>(8,179)</b>	<b>2,272,598</b>
Total expenditure	2,531,488	(3,439)	2,528,049
Total income	(250,711)	(4,740)	(255,451)
<b>Net operating cost for the year</b>	<b>2,280,777</b>	<b>(8,179)</b>	<b>2,272,598</b>
<b>Other Comprehensive Net Expenditure</b>			
Net (gain)/loss on:			
revaluation of property, plant and equipment	(108,557)	-	(108,557)
revaluation of intangibles	(1,069)	-	(1,069)
revaluation of assets held for sale	1,967	-	1,967
Actuarial (gain)/loss on defined benefit pension schemes	21,217	-	21,217
<b>Total comprehensive expenditure for the year</b>	<b>2,194,335</b>	<b>(8,179)</b>	<b>2,186,156</b>

# Annex A

## Number of UK Based staff in each Post overseas

Post	Staff	Post	Staff	Post	Staff	Post	Staff
Abidjan	*	Bangalore	*	Castries	*	Grand Turk	7
Abu Dhabi	15	Bangkok	19	Chandigarh	*	Guangzhou	9
Abuja	23	Banjul	*	Chennai	*	Guatemala City	*
Accra	11	Beijing	60	Chicago	*	Hamilton	*
Addis Ababa	18	Beirut	12	Chisinau	*	Hanoi	11
Al Khobar	*	Belgrade	9	Chongqing	6	Harare	11
Alexandria	*	Belmopan	*	Colombo	9	Havana	*
Algiers	11	Berlin	20	Conakry	*	Helsinki	*
Almaty	*	Berne	*	Copenhagen	6	Ho Chi Minh	*
Amman	26	Bishkek	*	Dakar	*	Holy See	*
Amsterdam	*	Bogota	19	Dar es Salaam	6	Hong Kong	20
Anguilla	*	Boston	*	Denver	*	Honiara	*
Ankara	16	Brasilia	15	Dhaka	19	Houston	*
Antananarivo	*	Bratislava	*	Doha	11	Islamabad	59
Ascension	*	Bridgetown	*	Dubai	21	Istanbul	15
Ashgabat	*	Brussels (Embassy)	6	Dublin	11	Jakarta	24
Asmara	*	Brussels (NATO)	17	Dushanbe	*	Jedda	*
Astana	7	Brussels (UK Representation)	76	Dusseldorf	*	Jerusalem	14
Asuncion	*	Bucharest	8	Erbil	*	Johannesburg	*
Athens	10	Budapest	6	Freetown	6	Juba	*
Atlanta	*	Buenos Aires	11	Gaborone	*	Kabul	77
Auckland	*	Cairo	22	Geneva (Consulate General)	*	Kampala	11
Baghdad	21	Calgary	*	Geneva (UK Mission)	18	Karachi	6
Bahrain	6	Canberra	12	Georgetown	*	Kathmandu	*
Baku	9	Cape Town	*	Gibraltar	*	Khartoum	12
Bamako	*	Caracas	7	Goma	*	Kiev	11
Bandar Seri Begawan	*	Casablanca	*	Grand Cayman	*	Kigali	*
						Kingston	8

<b>Post</b>	<b>Staff</b>	<b>Post</b>	<b>Staff</b>	<b>Post</b>	<b>Staff</b>	<b>Post</b>	<b>Staff</b>
Kinshasa	6	New Delhi	41	San Jose	*	Tunis	8
Kolkata	*	New York (Consulate General)	*	San Salvador	*	Ulaanbaatar	*
Kuala Lumpur	14	New York (UK Mission)	36	Sana'a	11	Valetta	*
Kuwait	12	Nicosia	9	Santiago	6	Vancouver	*
La Paz	*	Osaka	*	Santo Domingo	*	Victoria	*
Lagos	9	Oslo	7	Sao Paulo	*	Vienna (Embassy)	15
Lilongwe	*	Ottawa	9	Sarajevo	8	Vienna (OSCE)	10
Lima	*	Panama City	*	Seoul	14	Vienna (UK Mission)	8
Lisbon	*	Paris (Embassy)	26	Shanghai	10	Vientiane	*
Ljubljana	*	Paris (OECD)	*	Singapore	15	Vilnius	*
Los Angeles	*	Phnom Penh	*	Skopje	*	Warsaw	7
Luanda	6	Pitcairn	*	Sofia	6	Washington	47
Lusaka	*	Plymouth	*	St Helena	*	Wellington	7
Luxembourg	*	Podgorica	*	St Petersburg	*	Windhoek	*
Madrid	14	Port Louis	*	Stanley	*	Yaounde	*
Manila	9	Port Moresby	*	Stockholm	10	Yekaterinburg	*
Maputo	*	Port of Spain	*	Strasbourg	*	Yerevan	*
Melbourne	*	Prague	6	Suva	*	Zagreb	*
Mexico City	16	Pretoria	25	Sydney	*		
Miami	*	Pristina	6	Taipei	7		
Milan	*	Pyongyang	6	Tallinn	7		
Minsk	*	Quito	*	Tashkent	*		
Monrovia	*	Rabat	11	Tbilisi	*		
Monterrey	*	Rangoon	9	Tel Aviv	10		
Montevideo	*	Reykjavik	*	The Hague	10		
Montreal	*	Riga	*	Tirana	*		
Moscow	35	Rio de Janeiro	*	Tokyo	23		
Mumbai	6	Riyadh	23	Toronto	*		
Munich	*	Rome	11	Tortola	*		
Muscat	13	San Francisco	*	Tripoli	15		
Nairobi	48			Tristan da Cunha	*		

\* Post with 5 or fewer staff.











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ISBN 978-0-10-298309-8



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