Foreign &
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Office

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Annual Report and Accounts 2010-11
(For the year ended 31 March 2011)

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Annual Report and Accounts 2010-11

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Contents Annual Report and Accounts

Foreword

Over the last twelve months the Foreign and Commonwealth Office has played an indispensable role promoting Britain's national interest, prosperity and security and in building up our country's influence in the world. This report highlights our many achievements over the last year.

We have reacted swiftly and effectively to the changes sweeping the Middle East and North Africa, leading the transformation of the way Europe supports democracy, human rights and open markets in its Southern Neighbourhood and increasing Britain's bilateral support in this area. British diplomacy at the UN Security Council, the UN Human Rights Council and the European Union has made a crucial difference and has shaped the international response to events in the region. This is a reflection of the skill of our diplomats and the importance the Government attaches to a highly active British role in international multilateral institutions.

The Foreign and Commonwealth Office has led foreign policy thinking across government and played a vital role in the new National Security Council. The FCO has provided the connections and ideas that support the whole of British government overseas, and seized opportunities to promote Britain's prosperity and to advance democratic values.

We have injected new energy and focus into Britain's bilateral relations, reviving our ties with old established partners such as Japan, and building stronger relationships with countries in the fastest growing parts of the world in Asia, the Gulf, Latin America and parts of Africa.

We have set out plans to strengthen Britain's diplomatic network overseas, explaining how we will increase our diplomatic presence in India, China, Brazil, Turkey, Mexico, Indonesia and 19 other countries, and open some new Embassies and Consulates.

I have made it a priority to ensure that the Foreign and Commonwealth Office is a strong institution for the future. So our new Diplomatic Excellence Initiative is well underway, building up policy creativity, geographic and linguistic expertise and traditional diplomatic skills alongside essential management skills.

This year the FCO and UKTI helped 23,400 businesses, bringing over £6 billion to the UK economy, championing the UK as an excellent place to invest and do business and supporting the plan for sustainable growth for the UK set out in the recent Trade and Investment White Paper.

Over the same period the FCO dealt with over 1.6 million Consular enquiries including deaths, rapes and detentions. We helped over 6,000 British nationals leave Tunisia, Egypt and Libya in exceptionally difficult circumstances, and we provided consular advice to over 150,000 people affected by the tsumani in Japan and its aftermath.

As this report shows, the Foreign and Commonwealth Office and our Embassies and High Commissions are the essential infrastructure of our country's influence overseas and of our economic prosperity. They provide a vital service to British nationals and to British business. They promote our values of political freedom across the world and help craft vital international agreements from nuclear proliferation to climate change. We could do not do without the men and women of the Foreign and Commonwealth Office for a single day and I am immensely proud to lead their efforts.

Rt Hon William Hague

Secretary of State for Foreign Affairs
June 2011

Who we are, what we are aiming to achieve, and how we are organised

Who we are

We work at home and overseas to safeguard Britain's national security and build Britain's prosperity, as well as support British citizens overseas. We do this through a skilled team of over 14,000 people in nearly 270 diplomatic offices, with almost 10,000 members of staff employed from the 170 countries in which we operate.

What we are aiming to achieve

Our work has at its heart the Foreign Policy Priorities agreed by the Prime Minister and the Foreign Secretary in July 2010 of promoting Britain's enlightened national interest in a changing world.

We will pursue an active and activist foreign policy, working with other countries and strengthening the rules-based system in support of our values 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 our homeland, 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: our trained, expert staff has the local knowledge that British nationals can call upon in times of distress. The work that often grabs the headlines is our crisis response. But much of the work of the FCO is assisting with individual tragedies 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.

How we are organised

Our global network contains 140 sovereign posts and nearly 130 subordinate posts. Our network is our greatest asset, with 35% of our discretionary budget supporting the network from the UK, and a further 52% in the network itself.

We are embarking on a large-scale shift in network resources announced by the Foreign Secretary to shape a future network that reflects the shifting power dynamics in today's world. We will retain all of our 140 sovereign posts and will significantly increase our presence in India and China and work to transform Britain's relationship with their fastest growing cities and regions. In addition, we will open new posts in Kyrgyzstan, South Sudan, El Salvador and, when local circumstances permit, in Madagascar and Somalia. We will also strengthen our small and medium size posts across the Asia-Pacific region, in Latin America and in parts of Africa, the Middle East and Central and South Asia.

Our global diplomatic network protects and promotes UK interests, shaping a distinctive British foreign policy geared to the national interest. So we have maintained a strong, close and frank relationship with the United States that delivers concrete benefits for both sides, and advanced the British national interest through an effective EU policy in priority areas, engaging constructively while protecting our national sovereignty. We will maintain our active and substantial Embassy in Washington, our network of consulates across the US and our network of Embassies in Europe.

We have worked to deliver more effective and modernised international institutions, and to strengthen the Commonwealth as a focus for promoting democratic values, human rights, climate resilient development, conflict prevention and trade.

This is because in a networked world, we can only safeguard our people and our national security and build prosperity by acting internationally. We continue to do this as openly as we can, and in a way that provides the best possible service, value and return to the British taxpayer.

How we have performed

This section highlights the FCO's key achievements against the four strands of our priorities: Our Purpose, Prosperity, Security and Consular.

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

Use our global diplomatic network to protect and promote UK interests worldwide

Our diplomatic network of nearly 270 Posts is the essential infrastructure for our foreign policy and our influence overseas. It enables us to deliver a distinctive British foreign policy that extends our global reach and influence, that is agile and energetic in a networked world, that uses diplomacy to secure our prosperity, that builds up significantly strengthened bilateral relations for Britain, that harnesses the appeal of our culture and heritage to promote our values, and that sets out to make the most of the abundant opportunities of the 21st century systematically and for the long-term.

Our network allows us to use our bilateral relationships to achieve multilateral outcomes in relation to specific countries. To take two examples:

Iran: our network lobbied to maintain international pressure on Iran to comply with its international obligations. The UK was instrumental in securing new EU sanctions to target Iranian human rights offenders following the brutal crackdown by the Iranian regime on its own people. We forged comprehensive sanctions against Libya with the UN and delivered new sanctions through the EU including on Tunisia and Egypt as well as maintaining strong measures against Zimbabwe.

Pakistan: alongside work between UK and Pakistan to increase partnerships on aid, trade and security, we worked through our network with EU member states and the European Commission to secure a reduction on tariffs on 75 categories of Pakistani goods in September 2010.

Sometimes our network concentrates on a global rather than specific bilateral issue. For example, because of our global reach, we were able to lobby successfully to build a consensus which got international climate change negotiations at Cancun back on track. There is growing international recognition of the approach we have been pioneering in the FCO to strengthen the political conditions for success on climate. We are now working closely with Germany to replicate this with like minded partners including the European External Action Service. As part of this effort we have opened a debate with partners in the EU, East Asia, Latin America and elsewhere on the economic benefits, at a time of rising resource stresses, of low carbon growth.

The changes to the shape of our network announced by the Foreign Secretary on 11 May demonstrate the way the FCO is adapting to the changing world. For example, we have announced the opening of an Embassy in Juba, which will give us a footprint in a country rich in untapped resources, where we and our partners are leading to secure a smooth transition of power in a poor country which suffered from conflict. Our newest post in Benghazi puts us where we need to be to provide humanitarian, logistical and policy support to the Transitional National Council in Libya.

Taken together, these changes represent the biggest strategic diplomatic advance by Britain in decades.

Continue a strong, close and frank relationship with the United States

The UK-US relationship is built on solid foundations: our active pursuit of global prosperity and security based on common values such as democracy, the rule of law, respect for human rights, the importance of our economic links, and our promotion of an open, rules-based global economy; and the human links that bind us together. On the basis of our close partnership, we can be frank when we disagree, but will always look for constructive ways to collaborate.

The United States is our most important ally. Our pursuit of shared values and common interests sees UK and US diplomats and security and intelligence agencies work together every day. The British Embassy in Washington and our nine US Consulates have supported 33 visits to the US by UK Ministers in 2010-11, deepening our partnerships with the Obama Administration in a wide range of government business. Our investment in the Marshall scholarship programme continues to attract the best of the US's future leaders to the UK, and our engagement with the alumni in US Government, business and civil society continues to bring UK influence and access.

Our Congressional Delegations to the UK continue to expose US lawmakers to UK policy and commercial priorities, like clean energy. The Prime Minister visited Washington in July 2010; the Deputy Prime Minister in September 2010 and March 2011; and the Foreign Secretary in May and November 2010.

The frequency and closeness of our contact at all levels has enabled us to ensure convergence between UK and US policy on key international issues including Afghanistan, where our service personnel stand shoulder to shoulder as we work towards peace, stability and a political settlement there; Libya and the NATO campaign; and Sudan and the independence of South Sudan. As members of the E3+3 we have worked (with France, Germany, Russia and China) to maintain pressure on Iran over its nuclear programme, securing a further UN Security Council Resolution in June 2010. As permanent members of the UN Security Council, we take our responsibilities to global security seriously. Working together we were able to deliver two UN Security Council Resolutions on Libya in February and March 2011. On the Middle East Peace Process, UK and US diplomats have continued to urge all parties to return to dialogue.

We have also worked closely with the US in our roles as members of the G8, the key forum for the leading democratic economies to give proper strategic consideration to the big foreign policy and security issues leading to the Deauville Partnership agreeing assistance to Egypt, Tunisia and other North Africa nations that are reforming towards greater democracy. This included enabling the European Bank for Reconstruction and Development (EBRD) to lend to North Africa. The G8 also plays a vital role in helping the richer nations improve the future of the poorest, a goal we and the US share and one of the key elements of the 2010 G8 summit in Muskoka, Canada which agreed additional support on maternal and child health, the Millennium Development Goals most in need of resources.

The United Kingdom and the United States are each other's single largest foreign investors. In 2009 US investment stock in the UK was $471bn and UK investment stock in the US was $454bn – each others' biggest investor. There were 484 US investments in the UK in 2009-10, over a quarter of the total investment projects from overseas and more than the five next largest investors put together. In 2010, US investors put over a billion dollars of new venture capital into innovative UK companies. Overall, US investments support over a million jobs in the UK, and UK investments support almost a million in the US (across every US state). The US is the UK's single largest export destination - UK/US bilateral trade in 2010 was almost $200 billion for both goods and services, 3.2% up on 2009. The US network has actively engaged on a number of US Federal and State-level policies and regulations that could have potentially damaged UK interests.

An estimated 678,000 British citizens live in the US and around 130,000 US citizens live in the UK. In 2010 4.5 million Britons visited the US, and 2.87 million Americans visited the UK the previous year – whether as tourists, to study or to do business.

Advance the British national interest through an effective EU policy in priority areas

In Europe we have focused on building our bilateral relations with European capitals as well as working through the EU institutions in Brussels. This includes our commitment to double the trade relationship over five years, our strong support for Turkey's EU accession process, and our joint efforts to support reform in the Middle East and North Africa. We have developed and started to implement the UK/Turkey Strategic Partnership, signed in July 2010.

We have actively promoted the Government's growth agenda by focussing Europe on delivering practical measures to support growth, reform in the single market, innovation, trade and better regulation. The Eurozone crisis makes it even more urgent that Europe concentrate on delivering for families and business across the Union, and the FCO has worked closely on this with HMT and BIS.

We introduced a Bill to deliver the commitment on a referendum lock on any future EU Treaty changes or Passerelles which transfer power or competence from the UK to the EU, and on UK Parliamentary sovereignty in EU matters. This was introduced in November 2010 and cleared the Commons in March 2011 without any changes to our policy approach. The Bill received its Second Reading in the House of Lords on 22 March 2011.

We are also working to shape the long term EU response to the Arab Spring through the Southern Neighbourhood Policy and to ensure, more broadly, that the newly formed European External Action Service supports and complements the role of national diplomatic services. We have pursued our strategy of helping aspirant states move towards EU and/or NATO membership on the basis of clear conditionality being met whilst tackling ongoing challenges to stability in the region.

We have undertaken a range of projects to support aspirant states meet EU conditions, for example in Macedonia we have worked to enhance the capacity of Parliamentary Commissions, parliamentary staff and political parties to enable the smoother functioning of the Macedonian Parliament, We have spent £400,000 over 4 years on a variety of training and workshop activities. The project has played a crucial role in the Commission's recommendation of a date to start accession negotiations.

Finally, and importantly, we continue to insist that the EU does not exempt itself from the fiscal discipline which we have at home. So, along with other member states, we have reduced the EU budget proposal from the proposed €130.2bn (with the European Parliament advocating a ceiling of €134.2bn) to €126.5bn. We are building a strong coalition to ensure that fiscal discipline carries through to the next Multi Annual Financial Framework.

Deliver more effective and modernised international institutions

NATO

The FCO has played a leading role in 2010-11 in delivering a more effective and modernized North Atlantic Treaty Organisation (NATO). Allies agreed an ambitious new Strategic Concept for NATO which met the UK's vision for a united Alliance that remains committed to collective defence, but is also relevant and capable in responding to new threats and crises outside the Euro-Atlantic area where those operations contribute to our collective security.

The new Strategic Concept has been put into action through NATO command of operations in Libya. NATO demonstrated its ability to respond rapidly to new security crises in launching three military operations in March 2011 which have been fundamental to protecting the civilian population in Libya. The UK played a crucial role in securing these NATO decisions and in controlling to NATO's military effectiveness.

NATO and Russia set a positive course for closer co-operation and understanding, with agreement on practical steps to support Afghanistan and counter-narcotics operations and in the light of a new NATO territorial Missile Defence mission. The UK is encouraging significant reforms in NATO, including a reduced command structure and more streamlined financial processes.

NATO-led ISAF operations in Afghanistan made good progress during the reporting period. The insurgency's momentum was reversed in many areas, the Afghan National Security Forces grew by approximately 70,000 personnel and the transition to an Afghan security lead by the end of 2014 began in March 2011. Afghan and ISAF forces are now working to consolidate gains, which are not yet irreversible. The UK is the second largest troop contributor to the ISAF mission, the lead nation for the Helmand Provincial Reconstruction Team and fills several senior command positions.

United Nations

The UN is the pre-eminent global forum for directing the international community's response to challenges to international peace and security. The UN Security Council lies at the heart of this activity and the UK plays a leading role in ensuring it focuses on priority issues. We were strong advocates of UN Security Council Resolutions 1970 and 1973 on Libya that called for an end to the abuses of the Qadhafi regime and for the protection of civilians. We acted decisively within the Security Council to secure UNSCR 1975 on Cote d'Ivoire to encourage transition to the democratically elected President Ouattara: this resulted in decisive action from the UN Peacekeeping mission there. And we promoted Security Council action on the challenges facing Somalia, Sudan and Afghanistan.

The UK has argued consistently for Security Council reform. Alongside the Inter-Governmental Negotiations chaired by Ambassador Tanin, we have been clear that we support permanent membership for Brazil, India, Germany and Japan and permanent African representation in an expanded Security Council. We have also encouraged consideration of an intermediate model in the face of ongoing deadlock. At the UN General Assembly, we championed and helped secure a Global Field Support Strategy to improve the efficiency of UN Peacekeeping Operations.

We have been at the forefront of tough international lobbying for UN budgetary discipline, culminating in the UN Secretary General's call for a 3% reduction in the UN regular budget while maintaining mandates. We also helped UN efficiency with our robust contribution to an UN-wide agreement on common pay and conditions for staff, and achieved substantial reductions in anticipated additional costs.

We continue to support the efforts of the UN Secretary General to bring the Cyprus settlement negotiations to a successful conclusion.

Organisations for Security and Cooperation in Europe

We engaged fully across the political-military, economic and environmental and human 'Dimensions' of the OSCE, in the promotion of UK values and to strengthen implementation of OSCE political commitments, particularly in relation to human rights, democracy, fundamental freedoms and the rule of law. We influenced negotiations in the build up to and during the OSCE Summit in Astana, December 2010. The Summit Declaration strongly reaffirmed all OSCE principles and commitments and included clear language on Human Rights and Arms Control. We maintained a strong UK position in OSCE Budget negotiations, including through pushing for better prioritisation and allocation of resources, resulting in Zero Nominal Growth for the 2011 budget.

Council of Europe

We were successful in ensuring that the Interlaken conference on reform of the European Court of Human Rights set in train a meaningful process of reform. We have played a key role in the implementation of this, not least with our Permanent Representative chairing the relevant Council of Europe Committee. Court reform is now the main priority for our Chairmanship of the Council of Europe; we will ensure that this process delivers concrete results to the June 2012 deadline. The UK has been successful in budget negotiations in ensuring that Council of Europe activity focuses on the core values of protecting and promoting Human Rights, Democracy and Rule of Law. Our strong support for the Secretary General's programme of financial and organisational reforms has helped him push through difficult reforms. One result of this was a zero-real-growth budget for 2011. Our leadership role within the Council of Europe also helped to secure the adoption of a Recommendation advancing human rights protection for LGBT people.

Strengthen the Commonwealth as a focus for promoting democratic values, human rights, climate resilient development, conflict prevention and trade.

The Government is committed to strengthening the Commonwealth as a focus for promoting democratic values and development and the FCO's Commonwealth strategy focuses on upgrading the UK's relationship with the Commonwealth. As the largest contributor to the Commonwealth, we have positioned ourselves at the helm of the push to help the Commonwealth achieve its potential and ensure it meets the needs and aspirations of all its members.

We welcomed the appointment of Sir Malcolm Rifkind as a member of the Eminent Persons Group, the group tasked by Commonwealth Heads of Government to recommend how best to put the organisation on a firmer footing for the future. Our strong backing for this group has enabled it to focus on modernising the organisation and positioning the Commonwealth as a key voice on global issues.

The FCO and DFID are working with Commonwealth partners, including the Secretary-General, to improve the performance of the Commonwealth Secretariat and embed a results based management culture in the organisation. We have successfully convinced Commonwealth organisations to put better budget controls and strategic planning in place and are leading initiatives to promote prosperity and trade across the membership.

We are preparing for a transformational Commonwealth Heads of Government meeting in Perth, Australia, in October 2011. We will encourage Heads of Government to adopt concrete recommendations including appointing experts to advise members on strengthening democratic practices and helping to assess breaches of Commonwealth values. We will push for a Commonwealth Charter to define better what the Commonwealth stands for and contributes. The UK will lead celebrations marking Her Majesty The Queen's role as Head of the Commonwealth during her Diamond Jubilee in 2012.

Use soft power as a tool of UK foreign policy

We have confirmed final funding arrangements for the FCO's major soft power and public diplomacy partners and have worked closely with them to ensure their programmes of activities are in alignment with our foreign policy objectives. The British Council corporate plan has been approved by Ministers and can be found on www.britishcounci.org, while discussions with the BBC World Service about their funding and the shape of their service offer have continued throughout the year under intensive media, public and Parliamentary scrutiny.

Wilton Park has continued to run a series of effective conferences designed to support foreign policy objectives, details of which can be found on www.wiltonpark.org.uk. An example is the groundbreaking conference on Somalia: building stability, accepting reality, which brought together key actors, including Ministers, the United Nations Special Representative for Somalia and senior representatives from the Transitional Federal Government, Somaliland, Puntland, Kenya and Uganda, where they discussed strategic choices needed to deliver long-term political change.

We have reviewed and refocused the Chevening scholarships programme with clearer objectives and an evaluation framework. We are improving engagement with Chevening alumni.

During the year and working with Posts across the world, we have capitalised on major events such as the Shanghai Expo where the award-winning UK Pavilion proved one of the leading attractions and was visited by over 5 million people, Pope Benedict XVI visit to the UK which attracted the attention of many of the world's 1.2 billion Catholics, and other major milestones in the run up to the 2012 Olympics and Paralympics.

Human rights are an indivisible part of our foreign policy. Details of the practical steps we have taken in the last year to improve and strengthen our human rights work are found in our 2010 human rights report, available at www.fco.gov.uk/hrdreport. For example, the report details the important multilateral work undertaken by the UK with regards to Burma, including our role in securing the toughest and most comprehensive human rights resolution on Burma to date at the UN General Assembly in November 2010. This was followed by the UK helping to secure a robust resolution on Burma at the March Human Rights Council and in addition, in April, the UK was at the forefront of securing the renewal of the tough but targeted EU sanctions for a further 12 months.

The FCO was in the lead in pushing for the convening of a Special Session of the UN Human Rights Council on 25 February, which built momentum for the unprecedented suspension of Libya from the Council by the General assembly on 1 March.

The human rights report covers the calendar year 2010, but we are also improving our online human rights reporting by publishing quarterly updates in 2011 on key human rights events and actions that have taken place in each of the featured countries of concern. These quarterly updates can also be found at www.fco.gov.uk/hrdreport.

As part of strengthening our human rights work, the Foreign Secretary established an Advisory Group on Human Rights which consists of individuals with a broad range of human rights experience, drawn from NGOs, the legal and academic communities and international bodies. They provide external advice on human rights in foreign policy and on options for addressing human rights problems. The first meeting took place in December 2010 where the group discussed a wide range of human rights issues relating to conflict, security, counter-terrorism, and political and religious freedom as well as specific countries of concern and broader strategic trends.

Reform the UK machinery of government in foreign policy

The UK established the National Security Council in May 2010. This has provided collaborative and decisive government including: co-ordinating HMG's response to the Middle East crises and the campaign in Libya in spring 2011, our ongoing military, political and development strategies on Afghanistan, as well as increased engagement with the Emerging Powers. The FCO plays a leading role in the NSC and the Foreign Secretary chairs the Emerging Powers sub-committee.

The NSC agreed the National Security Strategy (NSS) and the Strategic Defence and Security Review (SDSR) in October 2010 – the first comprehensive review of the UK's strategic defence and security needs in over a decade. The NSS identified the country's security 'ends' or objectives, while the SDSR provided the 'ways' and 'means' to achieve them. They give clear direction. For the first time the NSS prioritised the security risks the UK faces as well as setting out the national security tasks the UK will carry out. The SDSR set out the size, shape and structure all our major capabilities to meet those tasks.

The NSC rejected any notion of the shrinkage of our influence and the SDSR committed the Governments to an 'adaptable' posture enabling the UK to secure its interests and shape a stable world.

SDSR prioritises those capabilities of greatest utility to the UK and our allies. Our armed forces will retain geographic reach and operate across the spectrum from high-intensity interventions to enduring stabilisation activity. Important innovations include:

- building new models of practical bilateral cooperation. In addition to reinforcing our pre-eminent relationship with the US, we will intensify our security and defence relationship with France through aligning our high-readiness forces, developing joint doctrine and training cooperating more on technology and equipment. Operations in Libya show how important such cooperation can be.
- make a strengthened commitment to Conflict Prevention, including a new FCO, DFID and MOD Building Stability Overseas Strategy to be published in July 2011, using 30% of Official Development Assistance by 2015, to support fragile and conflict affected states and tackle the drivers of instability; and new Stabilisation Response Teams to assist planning for the UK's response to conflict and instability upstream – with one already deployed to Benghazi.
- introducing integrated FCO-led whole of government country strategies to shape and elevate the UK's bilateral engagement with Emerging Powers to achieve the UK's national interests.
- ensuring affordable spending plans which will protect front-line capabilities and where necessary reduce capabilities that are of lower priority. The Future Force in 2020 will include inter alia a highly capable aircraft carrier, hunter-killer submarines, high-readiness and multi-role army brigades and two fleets of fast jets.

The National Security Strategy, the SDSR, and the Defence Engagement Strategy due to be completed in Autumn 2011, will build a UK foreign policy which is ready to exploit and respond to changing economic and political centres of gravity while protecting our security and upholding our values.

The Foreign Secretary also chairs the European Affairs Committee The Committee oversees delivery of the Government's active and activist EU agenda, bringing together all government departments with an interest, and ensuring a strategic engagement by Government with Europe.

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

The FCO helped safeguard Britain's national security in 2010-11 through leading delivery of the UK's counter terrorism strategy (CONTEST) overseas. Working closely with partners across Government, this included making sure counter terrorism concerns were adequately represented in wider diplomatic strategies for priority countries - such as Pakistan, Somalia and Yemen - and regions as well as through our dealings in multilateral fora.

The UK was at the forefront of negotiations on the EU-US Terrorist Financing Tracking Programme which came into force in August 2010. Our diplomatic strategies were underpinned by a £38 million strategic programme fund that delivered capacity building and other projects focussed on South and South East Asia, Middle East, East Africa and North Africa. Counter terrorism units the UK has helped support in these regions were involved in the detention of terrorist suspects. We worked to ensure that we acted consistently with our human rights obligations both as a matter of law and policy. An extensive outreach programme has helped challenge misconceptions about British foreign policy in the UK and overseas. The FCO continued to provide timely and well-judged travel advice to British nationals about the risk of terrorism across the world, including the risk of kidnapping to adventure car ralliers and those attending music festivals in the Sahel.

The FCO has continued to tackle the proliferation of those weapons and their delivery systems that pose the greatest risks to UK national security. We have done this by improving chemical, biological, radiological and nuclear security measures overseas; disrupting proliferation networks; tackling proliferation finance; tackling weapons delivery systems and conventional weapons supply and promoting the peaceful use of nuclear energy. This work was supported by £36m of funding to the UK's Global Threat Reduction Programme and £2.7m of FCO programme funds spent on 50 projects around the world.

Notable successes over the last year include: securing renewal and reinvigoration of the Nuclear Non Proliferation Treaty (NPT) at the Review Conference in 2010 and the UNSC Resolution 1540; securing agreement among 47 countries on tangible nuclear security improvements at the 2010 Nuclear Security Summit in Washington; directly brokering an agreement that led to G8 Leaders agreeing the extension beyond 2012 of the Global Partnership Against the Spread of Weapons and Materials of Mass Destruction – the world's most successful vehicle for international threat reduction; leading international efforts to secure a successful Biological and Toxin Weapons Convention review conference in December 2011; promoting discussion of the Chemical Weapons Convention and the future role of the Organisation for the Prohibition of Chemical Weapons; started negotiating an international Arms Trade Treaty and producing an internationally acclaimed best practice guide on the export of Man-Portable Air Defence Systems.

In addition, the FCO has led cross-departmental efforts since the SDSR to overhaul the governance of UK Counter Proliferation policy and re-invigorate its strategic framework: the National Counter Proliferation Strategy was agreed in spring 2011 and Counter Proliferation delivery priorities have been firmly embedded within the government's wider foreign, security, defence and economic policies. The FCO is also co-ordinating cross-Departmental work to assess the national security impacts of climate change and resource competition, as requested by the SDSR, and we expect to report to Ministers in autumn 2011.

We have met Ministerial targets for quality in assessment of export licences despite the continued increase in numbers and the complexity of the issues raised by the Middle East crisis. We have also played an important role in the counter proliferation elements of the UK's response to the crisis, leading on work commissioned by the Foreign Secretary to review HMG's policy and practice with regard to equipment that might be used for internal repression, and also working with international partners to monitor the security of any weapons or materials held within the region.

Preventing and working to reduce conflict was at the core of FCO business in 2010-11. Working with other Whitehall departments, key foreign partners and international organisations, the FCO continued to play a leading role in tackling conflict throughout the world, through prevention, mediation, resolution, peacekeeping and peacebuilding. For example:

We have already mentioned the UK's lead in drafting UN Security Council Resolutions 1970 and 1973. The latter authorised a No-Fly Zone over Libya, enabling British and other forces to help prevent some of the appalling brutality that Colonel Qadhafi has been inflicting on his own people.

The FCO organised the London Conference on Libya in March 2011 bringing together more than 40 Foreign Ministers and representatives from key regional organisations to strengthen and broaden the international coalition and established the international Contact Group on Libya, in which the UK continues to play a key role.

2010-11 saw agreement between NATO and the Afghan Government to a process for transferring lead security responsibility in Afghanistan to Afghan National Security Forces and the announcement of the first provinces and districts to begin that process. They include Lashkar Gah in Helmand Province where UK forces have played a key role in preparing Afghan forces to take the lead role in security operations. Through the UN and EU, the FCO provided support to the Afghan Parliamentary elections in September 2010 and training for Afghan MPs.

On Sudan, the UK has been central to international efforts to support implementation of the Comprehensive Peace Agreement between North and South Sudan. The FCO also provided significant financial support for Southern Sudan's historic referendum on self-determination, held in January 2011, in which its people voted to secede. Our role since then has been to support the peaceful transition of power, including through upgrading our office in Juba to an Embassy.

We have used our lead on Somalia within the UN Security Council to drive international agreement on the way forward. We have contributed £3.5m to the UN Trust Fund for the African Union Mission in Somalia to provide vital equipment which is not covered by UN funding. Our commitment to building stability in Somalia has been further demonstrated by the establishment of a British Office for Somalia in Nairobi.

We worked with the UN and international partners, including France, to resolve the crisis in Cote d'Ivoire, ensuring that the UN Peacekeeping force was able to carry out its strong mandate to protect civilians, especially as violence intensified in the capital, Abidjan.

FCO-led projects within the tri-departmental (FCO, Ministry of Defence and Department for International Development) Conflict Pool supported programmes including a water supply project to improve local resilience to conflict in Yemen; police training in Liberia; the rehabilitation of child soldiers in Sri Lanka; and assisting the return of displaced persons in Kosovo.

Through the UK's Peacekeeping budget, we have met our international obligations to UN Peacekeeping and other multilateral interventions in, for example, Sudan, Cote D'Ivoire, the Democratic Republic of Congo and the Middle East. These have helped contain violence, stabilise fragile post-conflict situations and reduce the likelihood of hostilities resuming, without the need for direct UK military intervention and at comparably low cost.

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

We are laying the international foundations to deliver our prosperity priorities. Working with UK Trade and Investment (UKTI) we have promoted greater awareness of commercial work across the FCO through a targeted communication campaign and development of a new training programme which will build FCO capacity and ability to support trade and investment. For example, we worked with UKTI colleagues to help secure inward investment of £600 million in March 2011 from Thailand to purchase a steel producing plant in Teeside, saving at least 700 UK jobs. During the Prime Minister's visit to Qatar in February 2011, a major deal was announced whereby Centrica secured a £2 billion contract to take liquefied natural gas from Qatargas.

Working with the Department for Business, Innovation and Skills (BIS) we made progress on promoting an open, stable and growing world economy at the G8 Summit in Canada in June 2010 and the G20 Summits in Canada and Korea in June and November 2010 respectively. The FCO's influencing and negotiating work brought us closer to UK objectives on international development, economic policy cooperation and free trade. For example, activity to support progress on EU Free Trade Agreements, such as conclusion of the EU-Korea agreement in September 2010.

On climate change, our work across the network to create the right political conditions for a global deal paid dividends in helping to get the UN climate change process back on track at the 16th Conference of the Parties to the UN Framework Convention on Climate Change in Cancun in December 2010. But we have also agreed with the Department for Energy and Climate Change (DECC) on an HMG international energy strategy and an effective system to deliver it, helping to catalyse low carbon development in economies such as China and India. Energy now has higher priority in relationships with key consumers and producers, and we have new dialogues on energy with Brazil and China and close collaboration on off-shore wind energy with the US. We ran a skills development project with the Iraq Ministry of Oil, and deepened our relationship with Qatar on energy security. The FCO and DECC, also led the UK's international energy response to recent crises – for example, the Gulf of Mexico oil spill; instability in Libya and the region; and the Fukushima nuclear incident.

Carefully targeted use of Programme Funds has contributed significantly to achieving prosperity policy goals, with notable successes in India, China and Brazil. For example, the FCO funded campaign persuaded a group of Brazil's leading companies to become climate advocates and broadcast their commitment to reducing greenhouse gas emissions on live TV. This project was highlighted by Ban Ki-Moon at Copenhagen and contributed to the ambitious emission reduction targets announced by Brazil in November 2009.

The Indian Government publicly credited UK technical assistance as contributing to the Indian Cabinet's commitment on 24 June 2010 to an ambitious mandatory national trading scheme to incentivize energy efficiency. The UK subsequently agreed a joint UK/India statement on future collaboration on industrial energy efficiency.

On migration, the FCO continued to develop sustainable arrangements with foreign governments for the return of immigration offenders to UK Border Agency's (UKBA) priority countries. The FCO-managed migration officers' network and £6.5 million Returns and Reintegration Fund were core to this, increasing the capacity of partner Governments to reintegrate returnees and overcome obstacles to return. The FCO worked with UKBA to bring the outstanding visa waiver test to a conclusion in the Eastern Caribbean, resulting in strengthened local immigration and border control processes, contributing to our efforts to secure the UK's border. The FCO also helped introduce the Government's flagship policy to limit migration. Through its overseas network, the FCO encouraged overseas participation in consultation processes to support the Government objective of attracting the "brightest and best" overseas talent to the UK.

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

The Consular Service has continued to deliver high quality services to British Nationals overseas, dealing with nearly half a million face to face enquiries and helping in over 16,000 assistance cases, including distressing situations such as deaths or murders overseas, forced marriage or child abduction. Between February 2010 and February 2011, there were 9 million hits on the Travel and Living Abroad pages of the FCO website, from 7.2 million visitors.

In the latter part of 2010-11 the world faced an unprecedented number of natural disasters and civil unrest and we responded quickly and effectively to support British Nationals. We set up 24 – 7 crisis centres to help British nationals caught up in the unrest in Tunisia, Egypt, Libya and Bahrain. We ensured that British nationals had access to the latest travel advice (including through use of social media) and answered thousands of calls. We also sent Rapid Deployment Teams to help people directly on the ground and reinforced neighbouring staging posts and land border crossings with Regional Resilience Teams. In Libya, working closely with the MOD, UKBA and international partners, we evacuated 790 British Nationals and 373 people from EU and other countries. We are continuing to work, with partners, in other countries facing unrest in the region and to review our emergency and civil contingency plans. We set up crisis centres after the earthquakes in New Zealand and Japan, answering over 4000 and 9000 calls respectively, and again sent Rapid Deployment Teams to track details of missing people and help British Nationals with issues such as travelling away from the affected areas. We have reviewed our work during these crises and have implemented lessons learned so that we can continue to improve our response.

In June 2010 we launched our new "Strategy 2010-13" to continue to improve the quality of our consular services and the performance of our network. On 1 April 2011 we successfully transferred the overseas passport issuing operation to the Identity & Passport Service. This was a key milestone in a process which will reduce duplication of systems and produce considerable cost savings. This change, along with others such as streamlining our notarial services, will enable us to concentrate on our core assistance and crisis work, and improve the package of support we provide to the most vulnerable.

To support this we are making changes to our consular network, strengthening the 'regional' approach. For example in South East Asia last year, over 40 consular staff were re-deployed around the region to bolster our response during peak demand, such as the political crises in Bangkok and flooding in Brisbane. We are improving our use of technology to provide services and to communicate our travel advice, for example by providing a number of digital feeds which have encouraged the launch of travel advice Smartphone applications. We also set up a contact centre in Malaga to handle all consular telephone enquiries in Spain and Portugal and free up consular staff to focus on those in the most difficult situations.

How we have performed - Data Sources

Our Purpose

Other member states reports to subsidiary bodies of the UN Security Council www.un.org

- Reports by Secretaries-General of the UN, NATO, Commonwealth, OSCE and Council of Europe www.un.org, www.nato.int, www.thecommonwealth.org, www.coe.int, www.osce.org
- Reports made by individual member states, including to monitoring bodies, independent experts or to Representatives appointed by Secretaries-General of these institutions.
- NGO reporting on human rights situations in countries, and human rights thematic interests
- UN reports, including observations by Treaty Monitoring Bodies www.un.org
- Outcomes of UN Fifth Committee on budgets/finance www.un.org
- Human Rights and Democracy: The 2010 Foreign and Commonwealth Office Report www.fco.gov.uk
- The European Union Bill www.parliament.uk
- The UK/Turkey Strategic Partnership signed 27 July 2010 www.fco.gov.uk
- EU Enlargement Progress Reports October 2010 europa.eu
- Over 25 bilateral visits by FCO Ministers to European States since the new Government came to office.www.fco.gov.uk
- 18 December 2010 letter from the PM and other European leaders to the President of the European Commission www.number10.gov.uk
- NATO Strategic Concept, November 2010 www.nato.int
- NATO-Russia Council Joint Statement, November 2010 www.nato.int
- US Department of Defence report to Congress on operations in Afghanistan 3 May 2011 www.defense.gov
- NATO training mission figures on Afghan National Security Forces www.nato.int
- President Karzai's Now Ruz (New Year) speech of 22 March www.gmic.gov.af
- UKDEL press release of 16 March on the 10-11 March NATO Defence Ministerial www.uknato.fco.gov.uk
- London Conference on Libya outcome documents/statements www.nato.int and www.fco.gov.uk

Security

Non Proliferation Treaty Review Conference (RevCon)

- Written Ministerial Statement by the Foreign Secretary in Parliament on 14 June 2010 www.publications.parliament.uk
- Article on the Non Proliferation Treaty Review Conference (NPT RevCon) outcome in The Guardian newspaper, 28 May 2010 www.guardian.co.uk
- FCO article on Mr Burt, Parliamentary Under-Secretary of State, Foreign and Commonwealth Office, visit to NPT RevCon, May 2010 www.fco.gov.uk

Improving international Chemical, Biological, Radiological and Nuclear Security measures

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

Arms Trade Treaty

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

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

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

Export Controls

- www.fco.gov.uk
- Reporting by HM Diplomatic Posts; FCO; DfID; MoDwww.official-documents.gov.uk

Prosperity

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

Consular

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

Input and Impact Indicators

- Data indicators for 2011-12 will be available on the FCO website www.fco.gov.uk from July 2011.

Structural Reform Plan

Progress against the FCO Departmental Business Plan Structural Reform Priorities

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

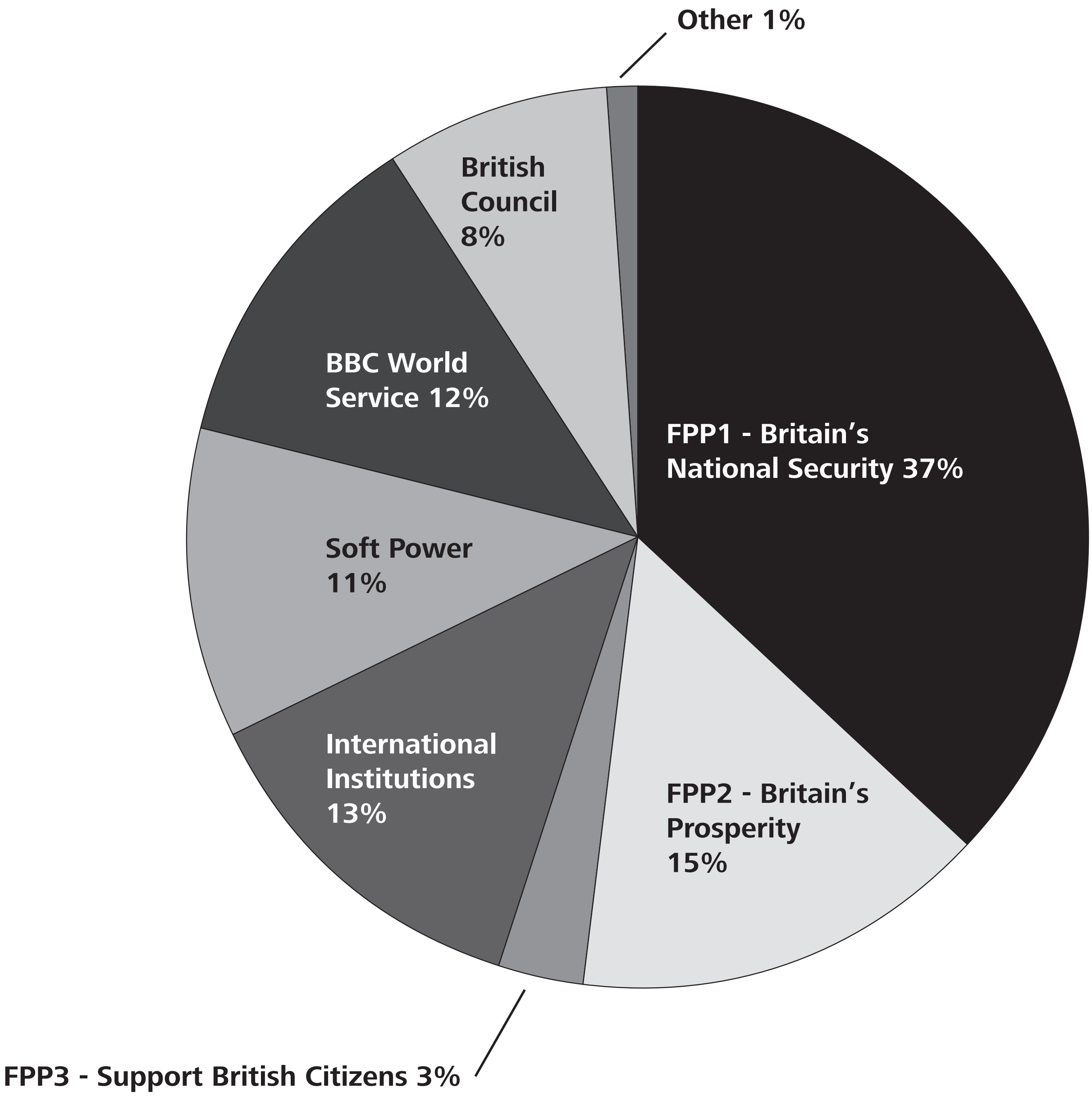
Note: although 37 out of 63 policy actions were completed by April 2011 others are long term, complex issues which remain work in progress and will be reviewed annually until 2015. For specific timelines of each of the SRP actions please refer to the FCO Departmental Business Plans found at www.number10.gov.uk.

Priority	No actions	No of actions met on time	No of actions missed by <1 month	No of actions missed by < 2 months	No of actions missed by >3 months	Comments and explanation of missed deadlines.
Protect and promote the UK's national interest	27	11	0	1	0	1.1 iii) (Publication of FCO Commercial Strategy) due in May 2011. 15 actions still ongoing – 1.2 ii), 1.3 ii) a), 1.3 ii) b), 1.3 iii) b), 1.4 i), 1.4 ii), 1.5 i), 1.5 iv), 1.6 i), 1.6 ii), 1.7 i), 1.7 ii), 1.8 i), 1.9 i), 1.9 ii).
Contribute to the success of Britain's effort in Afghanistan	11	7	0	0	1	2.3 i) a) (First round of UK Pakistan dialogue) was delayed until PM visit to Pakistan in April 2011. 3 actions still ongoing – 2.1.i), 2.1 iii), 2.3 i) c).
Reform the machinery of government in foreign policy	6	5	0	0	0	1 action still ongoing - 3.3
Pursue an active and activist policy in Europe	17	9	0	0	0	8 Actions still ongoing - 4.1, 4.3 i), 4.3 ii), 4.4 i) a), 4.4 i) d), 4.4 i) e), 4.4 ii), 4.4 iv)
Use "soft power" to promote British values, advance development and prevent conflict.	12	2	0	0	1	1 action - 5.1 v) a) (Conflict Prevention Strategy) delayed until June 2011. 9 actions still ongoing – 5.1 i), 5.1 ii), 5.1 iii) b), 5.1 iv), 5.vi), 5.2 i), 5.3 ii), 5.3 iii), 5.3 iv)
TOTAL	**73**	**34**	**0**	**1**	**2**	

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

Spend by Foreign Policy Priority

Expenditure % by Foreign Policy Priority



Common Core Tables (unaudited)

Total Departmental Spending

£m

	2005 - 06 Outturn	2006 - 07 Outturn	2007 - 08 Outturn	2008 - 09 Outturn	2009 - 10 Outturn	2010 - 11 Estimated Outturn	2011 - 12 Plans	2012 - 13 Plans	2013 - 14 Plans	2014 - 15 Plans
Section A: Administration and programme expenditure	928	806	818	909	949	984	995	959	941	911
Section B: Programme and international organisation grants	195	221	205	229	271	270	204	208	212	216
Section C: BBC World Service Broadcasting	208	209	222	234	240	238	231	226	222	-
Section D: British Council	181	183	186	195	193	187	173	165	157	149
Section G: Expenditure of NDPBs (Net)	6	6	6	6	6	6	6	6	6	6
Section H: Conflict Prevention Programme Grants[1]	44	44	54	87	110	106	104	-	-	-
Section I: Peacekeeping Grants[1]	252	301	316	367	358	408	419	-	-	-
Section J: Departmental Unallocated Provision	-	-	-	-	-	-	10	10	10	10
Total Resource DEL	**1,815**	**1,771**	**1,808**	**2,027**	**2,127**	**2,200**	**2,141**	**1,573**	**1,547**	**1,291**
Of which:										
Pay	386	385	393	415	462	476	454	447	440	440
Net current procurement[2]	642	552	583	651	629	647	659	634	611	611
Current grants and subsidies to the private sector and abroad	498	570	581	683	739	787	726	208	212	212
Depreciation[3]	109	82	73	82	105	103	119	110	118	118
Other	180	182	178	197	192	187	183	175	167	-89

Resource AME										
Section K: AME Programme	-4	42	11	-28	65	14	50	50	50	50
Section L: Reimbursement of certain duties taxes and licence fees[4]	18	20	14	18	21	21	25	25	25	25
Total Resource AME	**14**	**62**	**24**	**-10**	**86**	**35**	**75**	**75**	**75**	**75**
Of which:										
Current grants and subsidies to the private sector and abroad[w]	18	20	14	18	21	21	25	25	25	25
Take up of provisions	18	15	0	23	34	9	20	20	20	20
Release of provisions	-	-	15	-21	-21	-25	-20	-20	-20	-20
Depreciation[3]	-22	27	-4	-30	51	30	50	50	50	50
Total Resource Budget	**1,829**	**1,833**	**1,833**	**2,018**	**2,213**	**2,235**	**2,216**	**1,648**	**1,622**	**1,366**
Of which:										
Depreciation[3]	86	109	69	52	156	133	169	160	168	168
Capital DEL										
Section A: Administration and programme expenditure	95	107	174	175	149	102	67	59	61	69
Section B: Programme and international organisation grants	-	18	17	14	15	24	11	21	20	24
Section E: BBC World Service - Capital grant	31	31	33	31	29	27	22	16	16	-
Section F: British Council - Capital grant	8	5	3	6	8	2	7	6	5	5
Total Capital DEL	**133**	**161**	**228**	**227**	**201**	**155**	**107**	**102**	**102**	**98**
Of which:										
Net capital procurement[5]	95	107	174	175	149	102	67	59	61	69
Capital grants to the private sector and abroad	-	18	17	14	15	24	11	21	20	24
Capital support for public corporations	39	36	36	37	36	30	29	22	21	5

Capital AME										
Total Capital AME	-	-	-	-	-	-	-	-	-	-
Total Capital Budget	**133**	**161**	**228**	**227**	**201**	**153**	**107**	**102**	**102**	**98**
Total departmental spending[6]	**1,876**	**1,885**	**1,991**	**2,193**	**2,257**	**2,255**	**2,154**	**1,590**	**1,556**	**1,296**
Of which:										
Total DEL	1,840	1,850	1,963	2,173	2,223	2,252	2,129	1,565	1,531	1,271
Total AME	36	35	28	21	35	5	25	25	25	25

[1] *From 2012-13 plans are underestimated because HMT will make further resources available for conflict prevention and peacekeeping in-year.*

[2] *Net of income from sales of goods and services.*

[3] *Includes impairments.*

[4] *Reimbursement of certain duties taxes and licence fees were previously classified as non-budget items and so outside AME.*

[5] *Expenditure on tangible and intangible fixed assets net of sales.*

[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

£m

	2010-11 Original Budget	2010-11 Final Budget	2010-11 Estimated Outturn
Resource DEL	**2,032**	**2,235**	**2,200**
of which Administration Budget[1]	420	491	466
Resource AME[2]	20	40	14
Capital DEL	194	168	155

[1] *Administration and other budgets are on the 2010-11 budgeting basis and do not reflect reclassifications agreed at Spending Review 2010.*

[2] *Reimbursement of certain duties taxes and licence fees were classified up to 2010-11 as non-budget items and so outside AME.*

Capital Employed

£m

	2005 - 06 Outturn	2006 - 07 Outturn	2007 - 08 Outturn	2008 - 09 Outturn	2009-10 Outturn	2010 - 11 Estimated Outturn	2011 - 12 Plans	2012 - 13 Plans	2013 - 14 Plans	2014 - 15 Plans
Assets on balance sheet at end of year										
Fixed Assets										
Intangible[1]	1	2	1	4	4	2	2	2	2	2
Tangible	1,479	1,529	2,232	2,834	2,255	2,268	2,268	2,268	2,268	2,268
of which:										
Non-residential land and Buildings	592	623	1,130	1,443	1,026	1,032	1,032	1,032	1,032	1,032
Residential land and Buildings	696	643	765	974	888	876	876	876	876	876
Information Technology[3]	40	40	21	83	183	152	152	152	152	152
Plant and machinery	16	26	20	29	39	49	49	49	49	49
Vehicles	18	21	26	34	24	23	23	23	23	23
Antiques & works of art	20	20	20	20	20	20	20	20	20	20
Assets in the course of construction	97	156	249	251	75	116	116	116	116	116
Financial[2]				24	32	11	11	11	11	11
Receivables >1 year			60	59	38	39	39	39	39	39
Current Assets										
Stocks	8	12	10	10	8	8	8	8	8	8
Assets classified as held for sale					11	12	12	12	12	12
Debtors	232	220	259	294	154	121	121	121	121	121
Cash at Bank and in hand	117	99	30	36	30	42	42	42	42	42
Creditors <1 year	-299	-299	-225	-303	-278	-266	-266	-266	-266	-266
Creditors >1 year	-33	-33	-43	-54	-44	-40	-40	-40	-40	-40
Provisions4	-71	-69	-67	-71	-84	-69	-69	-69	-69	-69
Total Capital Employed	**1,434**	**1,461**	**2,257**	**2,833**	**2,126**	**2,128**	**2,128**	**2,128**	**2,128**	**2,128**

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

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

[3] *Reflects roll-out of F3G from 2008-09.*

[4] *Provisions are estimates of future liabilities.*

Administration budget

£m

	2005 - 06 Outturn	2006 - 07 Outturn	2007 - 08 Outturn	2008 - 09 Outturn	2009- 10 Outturn	2010 - 11 Estimated Outturn	2011 - 12 Plans	2012 - 13 Plans	2013 - 14 Plans	2014 - 15 Plans
Section A: Administration and programme expenditure	274	268	242	269	318	352	238	220	205	192
Section J: Departmental Unallocated Provision	-	-	-	-	-	-	10	10	10	10
Total administration budget[1]	**274**	**268**	**242**	**269**	**318**	**352**	**248**	**230**	**215**	**202**
Of which:										
Paybill	244	256	252	202	234	242	-	-	-	-
Expenditure	127	77	40	131	162	174	328	310	295	282
Income	-97	-65	-49	-63	-78	-64	-80	-80	-80	-80
Foreign Policy Priorities [2]										
Our Purpose										
International Institutions						102				
Soft Power						199				
Other						25				
FPP1 - Britain's National Security						233				
FPP2 - Britain's Prosperity						303				
FPP3 - Support British Citizens						77				
Total						**938**				

[1] £114m for the costs of security staff overseas and UK located staff with representative roles were reclassified to front line programme expenditure at Spending Review 2010. Around £400m of costs associated with front-line staff were reclassified to programme in CSR07.

[2] Spend by Foreign Policy Priorities before 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.

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Staff numbers

	2005 - 06 Actual	2006 - 07 Actual	2007 - 08 Actual	2008 - 09 Actual	2009- 10 Actual	2010 - 11 Actual	2011 - 12 Plans	2012 - 13 Plans	2013 - 14 Plans	2014 - 15 Plans
CS FTEs [1]	6,850	6,880	5,890	5,140	5,140	5,000	4,875	4,750	4,625	4,500
Overtime [2]	170	103	83	56	42	45	0	0	0	0
Casuals [3]	19	22	20	19	1	0	0	0	0	0
Total	**7,039**	**7,005**	**5,993**	**5,215**	**5,183**	**5,045**	**4,875**	**4,750**	**4,625**	**4,500**

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

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

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

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

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

Note: At 1st April 2011 (revised) there were a further 8,500 (approximately) locally engaged staff overseas.

Consultancy and temporary staff

Total spend by the Foreign and Commonwealth Office for 2010-11 on consultancy was £19.2m and spend on other temporary staff was £7.2m.

Recruitment Practice

On 24 May 2010, the Coalition Government announced a freeze on all civil service recruitment, allowing us to recruit to fill business-critical roles and those vital to the provision of frontline services only. The Civil Service Fast Stream Programme (FCO Grade C4) and other business-critical roles fall under the umbrella of exemptions from the current freeze.

Exceptions to fair and open competition 2010-11

Our fundamental principle for recruitment is that selection for appointment is made on merit within a framework of fair and open competition. However, certain exceptions to this principle are allowed by the Office for the Civil Service Commissioner. The allowable exceptions are listed below in table 1 along with the number of appointments of each type made by the FCO in 2010-11.

Table 1

Type of Exception	Number appointed
Short term appointments for up to two years	11*
Permanent appointments to administrative grades	0
Appointment of specialists for up to two years	0
Secondments for up to two years	74
Re-appointment of former civil servants	0
Transfer of Organisations into the Civil Service	1
Transfer of individuals into the Civil Service	20
Recruitment of Disabled people under the FCO's Guaranteed Interview Scheme	6**

*Includes appointments whose contracts would have been extended during the FY 2010-11

**Figures also included in table 2 below.

As background, table 2 shows our recruitment figures for 2010-11 which are under the terms of the principle of fair and open competition as laid down by the Civil Service Commissioners

Recruitment Campaign	Number appointed
Band A	39***
Band B	0
Band C	21
Band D	0

*** This figure represents those who had applied before the government-wide freeze came into force and who joined the FCO during the FY 2010-11.

Payband	Number of staff
4	3
3	27
2	90
1	280
Total	400

Publicity and Advertising

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

All spending proposals for 2010-11 in this area required the approval of the FCO Director of Communications, and those above £25,000 (£100,000 with effect from 22 February 2011) also required approval from the Efficiency and Reform Group (ERG), via the Cabinet Office.

In line with the spirit of 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.

Nine requests for marketing and advertising expenditure (totalling £10.6 million) have been approved by the Efficiency Reform Group and have been published on the FCO website www.fco.gov.uk.

Sponsorship details (unaudited)

Post / UK	Description of Project	Total Forecast Project Costs	Name of Sponsor/s	Value of Sponsorship	
				Cash (£)	**In-Kind (£)**
Vienna	Queen's Birthday Party	£15,000	Coutts	5,240	
			BT	5,240	
Warsaw	Reception at HMA's Residence	£6,233	RBS Coutts Bank	6,232	
	Reception at HMA's Residence	£5,429	Lloyds Poland	5,429	
Dubai	Britain in the Region - UKTI Event	£17,000	Ernst & Young	11,788	
	High Growth Market - UKTI Event	£29,000	British Offset	5,204	
			PriceWaterhouseCooper	5,204	
			Lloyds TSB	5,204	
			Pinsent Mason	5,204	
			British Airways		10,500
Brasilia	Queen's Birthday Party	£32,240	HSBC Brazil	11,446	
Gaborone	Queen's Birthday Party	£7,348	Standard Chartered Bank Botswana	7,348	
Saudi Arabia	South East/Invest Northern Ireland Trade Mission	£6,296	Greater London Enterprise Market and Inverst Northern Ireland/INI South East	6,296	
	Queen's Birthday Party	£32,473	M Y Naghi Est Motors	10,403	
Shanghai	UK Pavilion Event	Not Available	Grosevenor Asia Pacific		9,857
			Vodaphone		5,057
			Grosvenor Asia Pacific		10,443
			Diageo		102,568
UK	Enabling Innovation	Not Available	ARM		5,000
			Sony Ericsson		5,000
Paris	16 Various Events	Not Available	Not Available	100,070	

Total	£151,019	**Sub Totals**	£260,238	£148,425
		Total Sponsorship	**£408,663**	

Details above reflect sponsorships indicated to central FCO Finance. It is not a full list as some sponsors wish to remain anonymous.

Non-Departmental Public Bodies

The FCO works with the following non-departmental public bodies:

British Council

(www.britishcouncil.org)

Foreign Compensation Commission

(Foreign Compensation Commission, Old Admiralty Building, London, SW1A 2PA)

Great Britain-China Centre

(www.gbcc.org.uk)

Marshall Aid Commemoration Commission

(www.marshallscholarship.org)

Westminster Foundation for Democracy

(www.wfd.org)

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

Public Accounts Committee Recommendations

PAC Reports on the Foreign and Commonwealth Office - Progress against recommendations.

Name of Report: Financial Management in the Foreign and Commonwealth Office	
The Department needs to ensure completion of the 5* Finance Project by July 2010 and that momentum is maintained.	The National Audit Office carried out an independent assessment last autumn of the FCO's progress in financial management under the 5* Finance Programme, and their final Assessment Report confirms that the FCO is broadly operating at the 4.5* level (our target during 2010) although this level of performance is not entirely consistent throughout the organisation. This is a significant achievement, recognising substantial improvement in our financial management performance over the course of the 5* Finance Programme. We have developed our Financial Excellence programme to take over from the 5* programme. We will use this to improve our financial management operating model across the whole of the FCO during 2011-12.
The Department should increase further the level of qualified finance staff and monitor its progress in increasing financial awareness throughout the organisation, especially across its global network.	General recruitment into the Civil Service outside the Fast Stream is suspended. Consequently the FCO has not recruited further trainee accountants since May 2010. Some specialist financial recruitments have been made. The 5* Programme reinforced accountability among all levels of staff for resource management.
The Department should aim to move to the next level of good practice, where mis-postings are rare and its staff become more confident in the financial forecasts they produce.	We continue to emphasise the importance of accurate forecasting throughout the organisation.
The FCO should take further action to implement a workable and effective system of costing activity in all locations to enable it to make informed decisions about its operational priorities in a very tight fiscal situation. The Department should also benchmark costs and identify regional variations to help drive efficiency, and should make its charges to other government departments for the use of its facilities more transparent and understandable to help encourage joined-up working overseas.	Activity Recording captures staff activity on each of our objectives. We adjusted the activity recording codes to reflect our new Foreign Policy Priorities. Costed activity recording was made available for the first time and linked to Country Business Plans. This enabled comparison between posts on the basis of cost and activity by Foreign Policy Priorities and by management and support. We recently agreed a system for charging other government departments on the FCO platform. It will reduce the amount and cost of bureaucracy and promote a joined up approach to management of posts overseas. We believe it will encourage more departments onto our platform and dissuade some from leaving. Financially, it gives more certainty to both us and the major departments, over the lifetime of the CSR.
The FCO, with input from the Treasury, should work alongside other departments, such as the Ministry of Defence and Department for International Development, to identify the most effective way to manage exchange rate risk for the government as a whole.	The SR10 settlement restored a system of exchange rate protection for the FCO and we no longer forward purchase our foreign currency requirements. The Ministry of Defence, on behalf of the FCO and Department for International Development, continue to forward purchase to meet the foreign currency needs of the Conflict budget.
The FCO should identify what other data it could gather to monitor the extent to which the social background of its employees is representative of the wider population.	The FCO does not monitor education/ qualifications or socio economic background with the exception of our Fast Stream intake. We are looking into recording and monitoring of the 9 characteristics protected under the Equality Act 2010.

Name of report: Adapting the Foreign and Commonwealth Office's global estate to the modern world	
The Public Accounts Committee made 8 recommendations in March 2010 on improvements to the way the FCO runs its global estate covering: estates strategy, professional estates support available to FCO staff overseas, the quality and collection of property information, improvements to delivery of major projects, and the need for a new charging mechanism for other government departments using the diplomatic estate, in order to encourage co-location of departments overseas and improve value for money.	All the Committee's recommendations have been actioned and changes to the FCO's procedures put in place. The full response to the PAC report can be found on page 68 of the document at: www.official-documents.gov.uk A further written update will be provided to the Committee in September 2011.

Performance in responding to correspondence from the public

The Foreign and Commonwealth Office (FCO) received 76,223 pieces of correspondence from members of the public in 2010. Of these 10,770 were answered by FCO departments direct to the correspondent, of which 10,112 (94%) received replies within our 20 day deadline. The remainder largely comprised identical campaign postcards, emails or letters, which were answered in the form of a reply to the originating organisation, or were items of correspondence which did not require a reply.

Ombudsman's Queries Relating to Complaints against the FCO

The Parliamentary Ombudsman

The Parliamentary Ombudsman undertakes independent investigations into allegations that Central Government Departments have acted improperly, unfairly, or have provided a poor service. During 2010-11, the Foreign and Commonwealth Office (FCO) was contacted by the Ombudsman regarding 12 separate cases. The table below was produced by the FCO with assistance from the office of the Ombudsman. However, the table may not include all of the complaints that the Ombudsman declined at an early stage. For example, the complaint may have been outside their jurisdiction; the complaint may not have been correctly made; or the complaint may have been premature (e.g. the FCO's internal complaints procedure had not been exhausted).

Queries from Parliamentary Ombudsman Relating to Complaints Against the FCO	2010-11
Total Number of Cases	12 (100%)
Cases Closed Following a Preliminary Assessment	5 (42%)
Cases Closed Following a Further Assessment	6 (50%)
Cases Where a Full Investigation was Launched	0 (0%)
Cases Still On-Going	1 (8%)

In 2010-11, the Ombudsman concluded in respect of the FCO that:

- 0 complaints required a full investigation
- 6 complaints were closed after further assessment and required no further action.
- 5 complaints were closed at the preliminary assessment stage, either because they were premature (e.g. Not exhausted FCO's internal complaints procedure) or fell outside the Ombudsman's jurisdiction.
- 1 complaint is still on-going and currently at the further assessment stage.

During 2010-11, 8 of the complaints (66%) received by the Ombudsman about the FCO were related to our Consular services. We take complaints seriously and endeavour to learn from them in order to provide a high quality of service. As part of our Consular Strategy 2010-13 we made a commitment to develop and use customer feedback as an essential tool for managing and improving our services. We record and examine all the complaints we receive, and have a system in place for analysing the complaints and spotting trends in order to tackle areas for improvement and identify priorities for resources.

Sustainability report

FCO commentary on sustainability performance: 2010-11

1. This is the first year in which Government Departments, including the FCO, have reported sustainability 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.

2. Reporting 2010-11 sustainability performance in Departments Annual Reports and Accounts is a dry run and not compulsory. The FCO is voluntarily reporting. A decision on mandatory inclusion of sustainability reporting will be taken after the dry run.

Summary of performance

3. The FCO implemented a substantial programme of carbon reduction activities in 2010-11 which resulted in significant reductions in emissions. Measures were put in place which substantially reduced water consumption and increased recycling rates. The FCO developed a sustainable procurement strategy and engaged selected suppliers on carbon emissions in the supply chain. Numerous measures were implemented to enhance biodiversity at the FCO's Hanslope Park site.

4. Like all Government Departments, in 2010-11 the FCO was subject to the Sustainable Operations on the Government Estate (SOGE) targets. We reduced carbon emissions on our office estate by 17% compared to 2009-10, a cut of 2,291 tonnes and in doing so met our 2010-11 SOGE Carbon from Offices target. The associated avoided energy costs helps meet higher energy tariffs and the premium for using biodiesel rather than heating oil, and contributes towards funding future energy saving projects. The FCO cut emissions from road vehicles by 26% in 2010-11 or 140 tonnes but remained above the 2010-11 SOGE target of 302 tonnes. Waste arisings increased in 2010-11 but at 1,584 tonnes remained substantially below the 2010-11 target level of 1,765 tonnes. Recycling rates increased from 34% in 2009-10 to 43%, exceeding the 2010-11 recycling target. Water consumption in 2010-11 reduced by 8,274 cubic metres or 12% but is still above the 2004-05 baseline. The FCO's performance against the SOGE targets is summarised in the table below:

Impact	2010-11 Performance	Target For 2010-11 (Unless Other Year Stated)
Carbon dioxide emissions from offices	11,214 tonnes of CO2 (tCO2)	11,449 tCO2 (a reduction of 12.5% on 1999-2000 emissions)
Energy expenditure in offices	£3,073,378	
Carbon dioxide emissions from vehicles	404 tCO2	302 tCO2 (a reduction of 15% on 2005-06 emissions)
Vehicle travel expenditure	£225,221	
Water consumption	61,117 cubic metres	45,554 cubic metres (by 2020 – a reduction of 25% on 2004-05 consumption)
Water expenditure	£91,211	
Waste arising	1,584 tonnes	1,765 tonnes (a reduction of 5% on 2004-05 waste arising)
Total waste disposal expenditure	£321,500	
Recycling	43% of waste arising	40% of waste arising
Expenditure on recycling	£66,509	
Expenditure on GCOF carbon offsets	£291,000	

5. The SOGE targets apply to the FCO's UK operations only and cover the collective sustainability impacts from the FCO; FCO Services (the FCO's Trading Fund); and the FCO's Wilton Park conference centre. All sustainability figures in this report therefore include FCO Services and Wilton Park impacts, whenever those bodies are within the scope of the SOGE target. Financial figures relate to the FCO's expenditure only.

6. In addition to the SOGE targets, in 2010 the FCO voluntarily signed up its UK operations to the civil society led 10:10 commitments to reduce carbon emissions from air travel, road travel, electricity and fossil fuels by 10% in 2010. Total FCO emissions from these sources in 2010 were 19% less than in 2009, a cut of 13,623 tonnes of CO2, largely due to a 24% reduction in emissions from air travel.

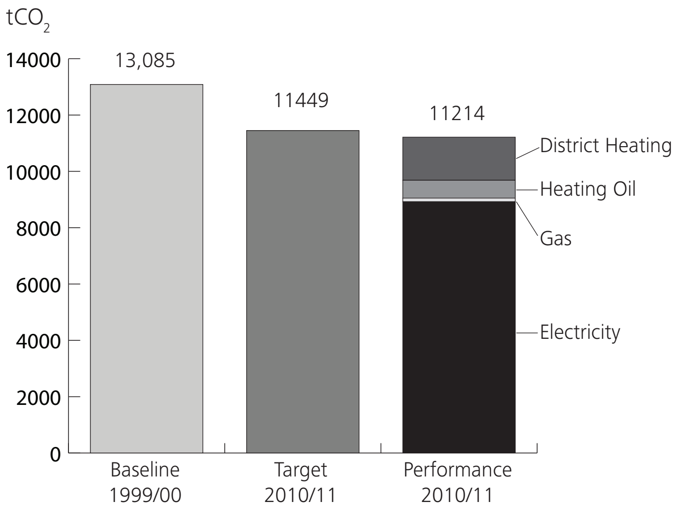
7. The FCO's overseas operations are not subject to formal sustainability targets. However, 82 of our overseas missions also voluntarily signed up to the 10:10 commitments, in many cases achieving in year reductions in CO2 emission of between 10 and 60%.

Normalised Performance

8. To allow comparison between years and organisations, the following table normalises sustainability impacts by expenditure and staff numbers. The expenditure figure is derived from the FCO's and Wilton Park's total administration spend plus FCO Services' wider market revenue: a total of £558,895,000. The Full Time Equivalent staff number equals 3,908 and includes contractors and agency personnel as well as staff working on FCO, FCO Services and Wilton Park premises in the UK only. The FTE figure for the reduced scope of the Carbon from Offices target is 3,834.

Impact	Per £ Expenditure	Per Full Time Equivalent (Fte)
Carbon dioxide emissions from offices	20 grams CO2 per £ of expenditure	2.9 tonnes of CO2 per FTE
Carbon dioxide emissions from vehicles	0.7 gram CO2 per £ of expenditure	103 kg per FTE
Water consumption	0.0001 cubic metre per £ of expenditure	15.6 cubic metres per FTE
Waste arising	3 grams per £ of expenditure	405 kg per FTE

Greenhouse Gas Emissions		**2010-11**		
		kWh	tCO2	GBP (£)
Carbon from Offices: (Scope 1 & 2 Emissions)	Electricity (Non-Renewable)	16,502,014	8,920	1,553,417
	Electricity (Renewable)	0	0	0
	Gas	715,660	131	20,216
	Heating Oil	2,510,161	633	187,907
	Biodiesel	1,172,340	0	121,116
	District Heating	6,280,547	1,530	1,190,722
Totals		**26,983,425**	**11,214**	**£3,073,378**



Performance Commentary (Incl Targets)

The FCO achieved its target to cut Carbon emissions from Offices by 12.5% by 2010-11 compared to 1999-2000 levels; achieving a reduction of 14.3%. A new combined greenhouse gas emission target for all UK operations for 2014-15 will be set.

Controllable Impacts Commentary

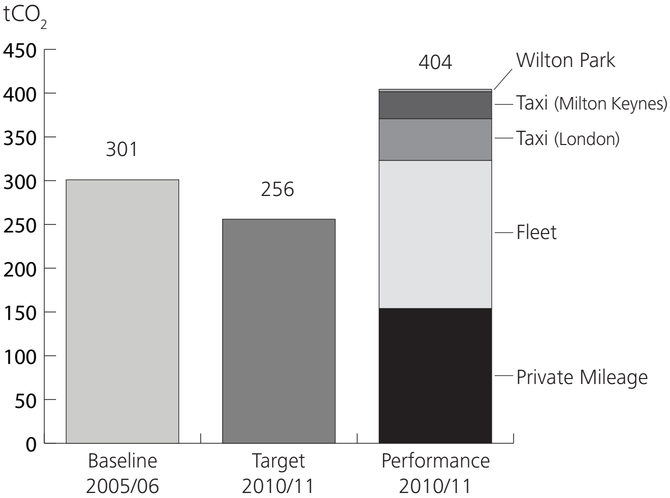
The FCO's main direct impacts are from electricity and fossil fuel use. These are being reduced through a combination of energy efficiency measures and converting some boilers to run off non-fuel crop biodiesel.

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. We also encourage suppliers to investigate and disclose their emissions through the Carbon Disclosure Project. The FCO influences global carbon emissions by promoting low carbon growth in international fora and working in countries across the world to influence political conditions with the ultimate aim of securing a binding global agreement to tackle climate change.

Greenhouse Gas Emissions		**2010-11**		
		Miles	tCO2	GBP (£)
Admin Vehicles: (Scope 3 Emissions)	Mileage	378,730	153.86	37,276
	Fleet	513,586	169.23	0
	Taxi (London)	155,200	47.61	164,304
	Taxi (Milton Keynes)	86,762	30.86	23,641
	Wilton Park	7,238	2.86	0
Totals		**1,141,516**	**404.42**	**£ 225,221**

Waste		**2010-11**	
		Tonnes	GBP (£)
Total Waste		1,584	321,500
Hazardous waste		203	
Total waste by method of disposal	Landfill	152	59,966
	Reused/ Recycled	674	66,509
	Incinerated/ Energy from waste	758	195,025



Performance Commentary (Incl Targets)

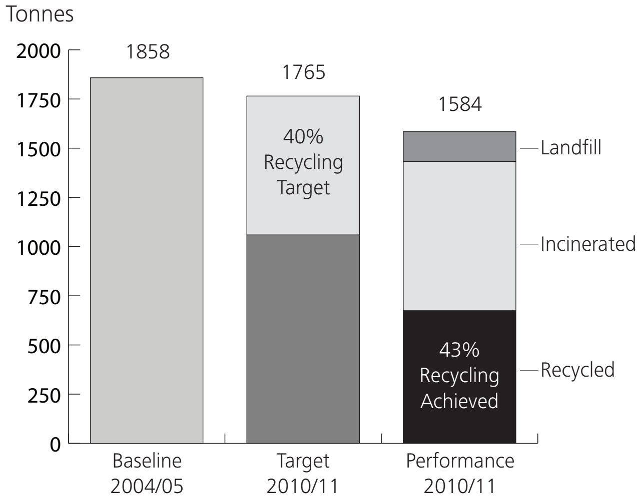
The FCO reduced its emissions from road vehicles by 25% in 2010-11 to 404 tonnes of CO2 but this was insufficient to meet its 2010-11 target of 302 tonnes CO2.

Controllable impacts commentary

The largest road vehicle impact is from owned fleet emissions. Purchase of electric vehicles has reduced fleet emissions.

Overview of influenced impacts

The FCO contributes to wider market signals for low energy transport solutions by specifying for low energy vehicles in procurement and energy efficient taxi fleets.



Performance Commentary (Including Targets)

FCO waste arisings increased from 1,198 tonnes in 2009-10 to 1,597 tonnes but remained below the 2010-11 target of 1,765 tonnes. The recycling rate increased from 34% in 2009-10 to 43%, above the 2010-11 target recycling rate of 40%. This was largely due to increased re-use of furniture, increased re-use and recycling of some categories of IT waste and a new initiative to compost green waste at our Hanslope Park site.

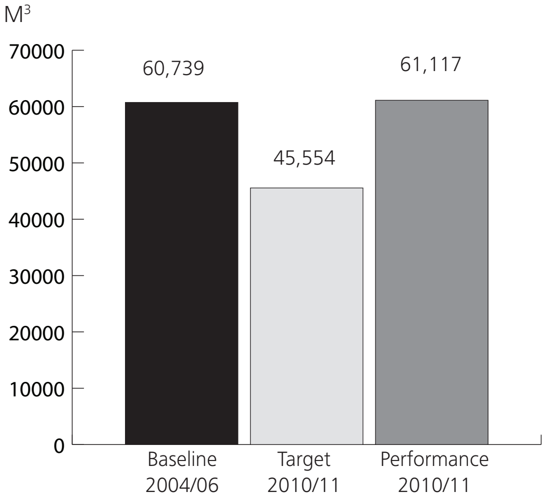
Controllable Impacts Commentary

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 measures to increase recycling and reduce waste to landfill, the FCO adds to market signals for encouraging more sustainable waste solutions.

Finite Resource Consumption - Water		2010-11	
		Cubic metres	GBP (£)
Water Consumption	Supplied	61,117	91,211
	Abstracted	0	0



Performance commentary (incl targets)

The FCO's SOGE target was to reduce its water consumption by 25% by 2020 compared to 2004-05. The FCO's water consumption was 61,117 in 2010-11, a reduction of 12% on 2009-10 but still higher than the 2004-05 baseline of 60,739 cubic metres.

Controllable impacts commentary

Controllable impacts include water use in washrooms, canteens, evaporative cooling for a data-centre and building and vehicle cleaning. A water audit has been conducted to identify further opportunities for water saving.

Overview of influenced impacts

As a first step in engaging suppliers on their own water impacts, in 2010-11 we asked bidders for a major contract to identify the water impacts, including embedded water, in their offers.

Biodiversity

9. Having no Site of Special Scientific Interest on its estate, the FCO had no formal SOGE biodiversity target in 2010-11. The FCO has, however, improved its commitment to biodiversity in 2010-11, particularly at our Hanslope Park site in Buckinghamshire where there is most opportunity. We have actively increased the meadow areas and habitats for species at the site, and have an integrated programme of biodiversity projects. A new marshland area is planned to enhance biodiversity. The site maintains a pond full of flora and fauna which attracts butterflies, dragon flies and birds. The stone walls and wild flora of 'ha-ha' trench of the Grade II listed Park House on the site, are a haven for great crested newts, small frogs, grass snakes and field mice.

Sustainable Procurement

10. In October 2010 the FCO published its Sustainable Procurement Strategy detailing how the FCO is developing its capability and capacity to procure sustainably, plus studies of benefits delivery. The Strategy incorporates a Delivery Plan detailing specific activities under the work-streams of People, Policy, Process, Suppliers and Measurement/Results. The FCO made progress against Sustainable Procurement Action Plan targets during 2010-11.

Governance

11. Sustainable Operations within the FCO was overseen in 2010-11 by a Sustainability Board chaired at Director level, with participation from key FCO business units with influence on sustainability impacts and from partner organisations. Staff trained in environmental auditing audit data collection methods and controls annually.

Notes

1. Although FCO Services and Wilton Park are Executive Agencies with their own Annual Reports and Accounts, their sustainability impacts are included in the figures in this report because they are included in the FCO's sustainability targets. Also, FCO and FCO Services are largely co-located. The sustainability impacts of the FCO's overseas operations are not included.
2. The Carbon from Offices figures relate to energy consumption from the FCO's office estate only. It does not include emissions from its non-office estate which includes the data-centres at the FCO's Hanslope Park site. Office electricity consumption includes electricity consumed in charging FCO Services owned electric vehicles.
3. The expenditure figures relate to the FCO's UK operations only and include VAT. FCO Services purchase fuel for their fleet (except electricity for electric vehicles) and that expenditure is recorded in the FCO Services Accounts and sustainability reporting.
4. The expenditure figure used for normalising the FCO's sustainability data includes all FCO and Wilton Park Administration spend, including Administration spend on the FCO's overseas estate; plus FCO Services wider market revenue ie revenue not received from the FCO
5. Some utility expenditure is accrued expenditure, reflecting estimates for energy bills not yet received. The accruals total:

Electricity:	£379,629
Gas:	£2,435
Whitehall District Heat:	£373,894
Water:	£6,381

   The actual utility expenditure may therefore differ.

6. Defra conversion factors have been used to calculate carbon emissions. Some totals include estimates where actual readings could not be taken. The methodology and calculations for each estimate is documented.
7. Expenditure on GCOF carbon offsets represents carbon offsets purchased to offset FCO air travel originating in the UK in 2010-11. The requirement for offsets for the last quarter of 2010-11 was estimated on a straight line basis.
8. 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.

Accounts: Foreign and Commonwealth Office

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

1. Management Commentary

1.1 Key relationships with stakeholders

We worked closely with:

- Foreign governments and international organisations, which we sought to influence and work with in partnership in order to promote UK interests.
- Other UK government departments, with 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, 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.
- 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 2010–11 Efficiencies and Savings

The FCO has continued to work to become more efficient and make savings. 2010-11 was the last year of our 3 year Value for Money savings programme. The FCO family (comprising FCO core, BBC World Service and the British Council) exceeded our target of £144 million by £32 million.

In 2010-11 the FCO made additional in-year savings of £55 million. These were achieved by cutting waste and inefficiency, and reducing lower priority spend including through:

- Reduced spend on consultancy and support functions;
- More collaborative procurement with other Departments who have a presence overseas, such as the Department for International Development;
- Increasing asset sales in less-used parts of FCO's overseas estates;
- A review of the FCO's programme spend led by the Foreign Secretary.

The FCO understands that value for money is more important than ever therefore we are looking at immediate actions and longer term strategies. We are:

- Strengthening financial management and accountability.
- Ensuring savings achieved from reprioritisation will help the Department live within its settlement.
- Replacing top down target culture with democratic accountability and transparency.
- Using the new transparency framework to publish performance and spending information to allow the public to form their own view on use of resources.
- We have published our business plan setting out details of reform plans. All Departments will be required to produce figures based on a common set of metrics and the results published.

1.3 Financial Review

In this last year of the Comprehensive Spending Review 2007 (CSR07) we have continued to adapt our network, adjusting to the ever-changing operational environment including responding to various political and consular crises in the Middle and Far East. We put in place savings programmes which will allow the Department to live within its budget allocation while preserving the network and front line activity. As a result the FCO is well placed to meet the challenge of the new Spending Round during which we estimate the Department's overall resources will reduce by 10% in real terms over four years.

At the start of the year the Department set aside £30 million of budget to cover foreign exchange pressures in the overseas network. By the end of the year £24 million had been utilised (£7 million to fund losses on contracts for the forward purchase of foreign currency, £14 million to cover the losses resulting from the allocation of budgets in local currency to overseas posts and £3 million for other foreign exchange translation losses).

During the year agreement was reached with HM Treasury on the Foreign Currency Mechanism (FCM) which will take effect from 2011-12 through to 2014 -15 and is designed to help the FCO manage the effects of foreign currency movements on its budget. HM Treasury will increase or decrease the FCO's budget each year to take account of movements in exchange rates. The FCM does not completely remove the FCO's foreign currency risk but should ensure that the FCO budget is not materially affected by large swings in purchasing power in either direction. On HMT instruction and because of agreement on FCM the FCO ceased forward purchase of foreign currency in August 2010 meaning that our last contract will mature in July 2012.

A recruitment freeze and voluntary exit schemes were put in place in 2010-11. A total of 131 staff left on early retirement schemes agreed with H M Treasury.

Locally engaged staff numbers also reduced by 166 voluntary and agreed early retirements and severances and 574 compulsory severances and retirements. This was achieved through a combination of staff restructuring at post and outsourcing of facilities management activities at a number of posts.

The Five Star Finance programme to improve financial management concluded in 2010-11 with an NAO assessment that the FCO had achieved four and a half stars status. The continued improvement in financial management throughout the Department helped the FCO to stay within its financial targets and re-allocate funds effectively to priority areas in year. The progress achieved in financial management will be taken forward in 2011-12 in a new Financial Excellence programme.

Comparison of 2010-11 Outturn against Estimate (see Note 2 to the accounts).

In 2010-11 the FCO was voted resources under two main headings, Request for Resources 1 (RfR1): Promoting internationally the interests of the UK and contributing to a strong world community, and Request for Resources 2 (RfR2): Conflict Prevention. The overall outturn against Estimate for the year is disclosed in the Statement of Parliamentary Supply.

Net total resources expended for both RfR 1 and RfR 2 was £2,285 million against the Estimate of £2,375 million, resulting in an overall underspend of resources of £90 million. The detailed figures are in Note 2 to the accounts. Note 2 shows that RfR1 comprises seven main headings, A to G, and explanations of significant movements and all overspends and underspends exceeding 10% on individual headings are shown below.

- Heading A: Administration, programmes, international organisations and subscriptions - expenditure was £37.2 million below Estimate (2.8%) of which non-cash comprised £11.2 million (0.85%). Lower than planned expenditure on travel, consultancy, IT and recruitment costs combined with savings from negotiating down the cost of our international subscriptions produced savings. These allowed the FCO to meet the costs of the various consular and political crises in the Middle and Far East at the end of the year and fund additional foreign policy priorities and spend to save initiatives.
- Headings B to E: BBC World Service and British Council – the outturn of £455.5 million running cost and capital grant expenditure represents an excess of £5.0 million above Estimate (1.11%). The £3.0 million excess on BBC World Service heading B and £4.9 million excess on British Council heading C were due to the provision of additional Grant in Aid (GIA) to assist withrestructuring costs following scrutiny of the business cases. HM Treasury also agreed that the British Council could vire £2.9 million from their Capital GIA underspend, heading E, arising in part from increased capital receipts,to support their additional GIA restructuring running costs heading C.
- Heading F: 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 £13.8 million in 2010-11 was £56.2 million below Estimate (80.31%). Revaluations are by their nature difficult to forecast, especially since the FCO property portfolio is global and subject to fluctuating exchange rates. During the year impairments (being decreases in the value of our estate) were £21.0 million less than anticipated while reversals of impairments (being

increases in the value of our estate) were £19.3 million and provisions in year (for such things as early retirements) were £10.5million less than planned.

- Heading G: Non-Budget Reimbursements - running cost and capital grant expenditure was £0.1 million above Estimate (0.31%). This reflected a small overspend on reimbursement of certain duties and taxes including VAT on diplomatic missions hosted in the UK and includes Climate Change Levy fees.

Note 2 also shows that RfR2 comprises two main headings, which are both managed tri-departmentally between the FCO, DFID and MOD:

- Heading A: Conflict Prevention (DFID lead) - expenditure was £0.04 million below Estimate (0.00%).
- Heading B: Peacekeeping (FCO lead) - expenditure was £1.2 million below Estimate (0.3%).

The combined underspend of £1.2 million on RfR2 is in line with the figures agreed with HM Treasury at the Spring Supplementary Estimate stage.

The Statement of Parliamentary Supply shows that there was a net total saving on the net cash requirement of £41 million. The details are provided in Note 4.

1.4 Resources available to the FCO

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

In the financial year 2010 - 11 we:

- Disposed of estates assets worth approximately £19 million and reinvested the net proceeds into the estate;
- Agreed a process for the brigading and centralisation of maintenance budgets. These will in future be managed by the FCO's Facilities Management Unit;
- Put in place comprehensive Facilities Management contract for Asia Pacific Region;
- Agreed a strategy for the transfer of Old Admiralty Building (OAB) to the Government Property Unit (GPU);
- Delivered a major capital investment programme with a value of £59 million. New projects delivered include – Tbilisi new offices, Baku offices, Kingston office refurbishment, Washington major plant replacement.

1.5 Major contractual arrangements

Company	Type of Contract
Global Crossing	IT infrastructure
Hewlett-Packard	Strategic Partnering Agreement
Consortium led by Bilfinger Berger Project	PFI for the build and operate of the British Embassy Berlin
Investments ISS Global A/S	Facilities management services (Asia Pacific)
Interserve PLC	Facilities management services (Europe)
Capgemini	Financial ERP system development and support
Cable & Wireless	Communications infrastructure framework
Garda World	Guarding
DHL	Air freight shipping services
Crown Relocations	Relocation services
Mace Ltd	Build New Offices in Jakarta and refurbish British Embassy in Tel Aviv
Hays	Temporary labour
Logica CMG	Support contract for external website
Oracle	Support contract for Financial ERP solution
G4S Secure Solutions	UK Security guarding and Reception services

1.6 Personal data losses

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

One data loss was formally reported to the Information Commissioner in 2010-11.

Summary of other personal data related incidents in 2010-11:

Incidents deemed by the Data Controller not to fall within the criteria for reporting to the Information Commissioner but recorded centrally within the department are set out in the table below. Small, localised incidents are not recorded centrally and are not cited in these figures. Figures for 2009-10 are shown in brackets.

Category	Nature of incident	Total 2010-11
I	Loss of inadequately protected electronic equipment, devices of paper documents from secured Government premises	2 (-)
II	Loss of inadequately protected electronic equipment, devices of paper documents from outside secured Government premises	0 (5)
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0 (1)
IV	Unauthorised disclosure	6 (9)
V	Other	3 (5)

1.7 Risk

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

2. Corporate Governance

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

- Ensuring the organisation delivered the Foreign Policy Priorities (FPPs), Business Planning targets and Service Delivery targets set by Ministers;
- Taking strategic decisions on the FCO's corporate agenda, including change;
- Effectively allocating and managing resources, in line with the FPPs;
- Communicating the FCO's purpose, priorities and vision to staff and other stakeholders;
- Monitoring and improving performance and accountability;
- Protecting and enhancing the FCO's reputation for professionalism, effectiveness, integrity and efficiency.

2.2 The FCO Board was made up of twelve members: the Permanent Under-Secretary of State (PUS) who chairs, Directors-General for Finance (until 10 December 2010), Political, Operations, Europe and Globalisation, and Defence and Intelligence, the Chief Information Officer (until May 2010), the Director of Human Resources and Director Finance (from December 2010), the Chief Executive of UK Trade & Investment, and three independent Non-Executive Board Members (up to 31 December 2010 and one from 1 January to 31 March 2011). The FCO's Senior Appointments Board ("the No. 1 Board") appointed Board members and decisions were ratified by the Foreign Secretary..

2.3 Recruitment of independent Non-Executive Board Members is done openly and transparently. They were appointed by Simon Fraser, after the approval of the Foreign Secretary. The three Non-Executive Board Members were involved in a range of FCO corporate activities: one chaired the Audit and Risk Committee and another sat on the Senior Appointments Board. All gave advice to the organisation's corporate functions when solicited. Induction procedures, including finance training are in place for new Board members, including non-executives, and for newly appointed members of FCO senior management.

2.4 The Board allocated budgets to Directorates-General prior to the beginning of the financial year, and reviewed those allocations quarterly. It monitored financial performance monthly through a Key Performance Report (including budgets, expenditure to date, resource accounting and position management).

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

2.6 The Board agreed and published a schedule of reserved decisions. The Board also had six Sub-Committees: Human Resources; Finance; Change; Estates; Information & Communication Technology; Audit and Risk. These acted as a filter for the Board and, with the exception of Audit and Risk, took executive decisions on issues that did not need to go to the Board, and advised on issues that did. All Board sub-committees were chaired by a full Board member and have terms of reference setting out their delegated authority. The Board received a monthly record of sub-committee decisions, and Board sub-committee chairs regularly briefed the full Board on the work of their sub-committees. There were also meetings for all Directors with the whole Board usually monthly but at least quarterly.

2.7 The Board reported on how it operated through an annual Board Assessment. It measured performance against its published priorities. The Board regularly considers the FCO's corporate governance structures as a whole.

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

2.9 Audit & Risk Committee

The Audit & Risk Committee (ARC) was created in 2002 to provide support to the FCO Board. It is chaired by an independent Non-Executive Board Member. Formal terms of reference for the ARC are available on the FCO web site (www.fco.gov.uk) together with details of the Committee's membership.

2.10 During the year, two members of the ARC stepped down (one after seven years as a non-executive member and the other, executive, as he was leaving the FCO) and as such there was no quorate meeting held in December 2010, whilst a recruitment process was completed. However, two new Non-Executive members were recruited in March 2011 through an open competition, and in total the committee met four times during the financial year.

2.11 The ARC is responsible for reviewing the work of Internal Audit and the National Audit Office (NAO) in providing advice on the adequacy of FCO risk management, governance and internal controls – both to the FCO Board and personally to the PUS as the FCO's Principal Accounting Officer. The ARC also keeps under review FCO counter-fraud measures (e.g. whistleblowing) and the work of the FCO's counter-fraud team, the Financial Compliance Unit (FCU).

2.12 On risk, the ARC reviewed the FCO Operational Risk Register on a quarterly basis, prior to the top operational (and strategic) risks being escalated to the FCO Board. Reports from the FCO's Senior Information Risk Owner (SIRO) on information risk and assurance were also considered, but will be more regular from 2011. The ARC encouraged an appropriate and proportionate approach to handling operational risks that balanced the extent of the controls with the magnitude of the risk they were designed to address. Certain technical assurance work (e.g. security and health & safety) fell outside of their scope, therefore these risk areas were only considered to the extent that they featured in the Operational Risk Register and Internal Audit's findings.

2.13 The ARC continued to receive regular updates on the Five Star Finance Programme, including the FCO self-assessments and external validation by the NAO. Particular attention was also given to financial risks surrounding overseas defined benefit pension schemes for locally engaged staff and new Foreign Currency Mechanism for the management of exchange rate fluctuations.

2.14 Finally, the Committee was pleased to note an improvement in the time taken for overseas Posts and home Departments to implement internal audit recommendations. Against a target of two months, save for those cases where Internal Audit confirmed that a longer timescale was justified, as at March 2011 there are 8 open audits compared with 15 last year.

3. Senior Management

3.1 Ministers

Ministerial portfolios and responsibilities at 31 March 2011 were as follows:

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

(from 12 May 2010; David Miliband MP until 11 May 2010)

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

Parliamentary Under-Secretary of State: Henry Bellingham MP

(from 14 May 2010; Minister of State: Baroness Kinnock of Holyhead until 6 May 2010)

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

Minister of State: Jeremy Browne MP

(from 14 May 2010)

Far East and South East Asia; Australasia and Pacific; South and Central America (including Argentina/Falklands); Caribbean; India, Nepal, Bangladesh and Maldives; Human Rights; Consular Policy; Migration; Emerging Powers co-ordination; Olympics; Public Diplomacy; Drugs and International Crime.

Minister of State for Europe: David Lidington MP

(from 13 May 2010; Parliamentary Under-Secretary of State: Chris Bryant MP until 11 May 2010)

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

Parliamentary Under-Secretary of State: Alistair Burt MP

(from 14 May 2010; Minister of State: Ivan Lewis MP until 6 May 2010)

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

Minister of State: The Rt Hon Lord Howell of Guildford

(from 14 May 2010)

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

Minister of State for Trade and Investment: The Rt Hon Lord Green of Hurstpierpoint

(from 11 January 2011; Lord Davies of Abersoch CBE until 6 May 2010)

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.

Baroness Taylor of Bolton was Parliamentary Under-Secretary of State for International Security and Defence until 11 May 2010, joint Minister with the Ministry of Defence. The Minister for International Security Strategy is now appointed for the Ministry of Defence.

3.2 Members of the FCO Board

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

Simon Fraser

(from 29 August 2010; Martin Donnelly from 11 May until 28 August 2010; Peter Ricketts from 1 April until 10 May 2010)

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

Nick Baird

Director General Europe and Globalisation

Robert Hannigan

Director General Defence and Intelligence

Geoffrey Adams

Director General Political

Matthew Rycroft

(from 26 March 2011; James Bevan from 1 January 2011 until 25 March 2011 (until 31 December 2010 DG Change and Delivery)

Chief Operating Officer

Alison Currie

(from 11 December 2010; Keith Luck, Director General Finance until 10 December 2010)

Director Finance

Susan le Jeune

Director Human Resources

Susan Haird

(from 10 January 2011; Andrew Cahn until January 2011)

Acting Chief Executive, UK Trade & Investment

Rudy Markham

Non-executive Director

Tony Mather served as Chief Information Officer from April 2010 until 30 June 2010.

Alistair Johnston and Alison Platt served as Non-executive Directors from 1 April 2010 until 17 December 2010.

3.3 Senior Official Appointments

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

4. Remuneration report

The Remuneration Report is subject to audit.

4.1 Remuneration policy

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

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

The salary of the Chief Executive of UK Trade & Investment was set by the Department for Business, Innovation and Skills.

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

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

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

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

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

4.2.1 Remuneration

Ministers	2010-11 Salary £	2009-10 Salary £
Rt Hon William Hague MP (from 12 May 2010)	61,056[1]	-
Rt Hon David Miliband MP (until 11 May 2010)	8,847[2]	73,356
Henry Bellingham MP (from 14 May 2010)	20,894[3]	-
Baroness Kinnock of Holyhead (until 11 May 2010)	44,853[4]	67,588[5]
Jeremy Browne MP (from 13 May 2010)	29,187[6]	-
David Lidington MP (from 13 May 2010)	29,187[7]	-
Chris Bryant MP (until 11 May 2010)	3,483[8]	25,024[9]
Alistair Burt MP (from 13 May 2010)	20,894[10]	-
Ivan Lewis MP (until 11 May 2010)	4,589[11]	33,081[12]
Rt Hon Lord Howell of Guildford (from 1 August 2010)	24,244[13]	-
Lord Green of Hurstpierpoint (from 7 January 2011)	-[14]	-
Lord Davies of Abersoch CBE (until 11 May 2010)	-[15]	-
Baroness Taylor of Bolton (until 11 May 2010)	-[16]	-

In addition to the above, severance payments were made to Rt Hon David Miliband MP, Ivan Lewis MP and Christopher Bryant MP.

This report is based on accrued payments made by the Department and thus recorded in these accounts. In respect of Ministers in the House of Commons, departments bear only the cost of the additional ministerial remuneration; the salary for their services as an MP (£65,738 from 1 April 2010) and various allowances to which they are entitled are borne centrally. However, the arrangement for ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their Ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the Department and is therefore shown in full in the figures above.

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1 *Figure quoted is for the period 12 May 2010 to 31 March 2011. The full year equivalent is £68,827.*

2 *Figure quoted is for the period 1 April 2010 to 11 May 2010. The full year equivalent is £73,356.*

3 *Figure quoted is for the period 14 June 2010 to 31 March 2011. The full year equivalent is £23,697.*

4 *Figure quoted is salary of £9,376 the period 1 April 2010 to 11 May 2010. The full year equivalent is £83,043. Allowances of £35,478, for the period 8 June 2009 to 11 May 2010, were paid in 2010-11.*

5 *Figure quoted is for the period 8 June 2009 to 31 March 2010. The full year equivalent is £83,043.*

6 *Figure quoted is for the period 13 May 2010 to 31 March 2011. The full year equivalent is £33,002.*

7 *Figure quoted is for the period 13 May 2010 to 31 March 2011. The full year equivalent is £33,002.*

8 *Figure quoted is for the period 1 April 2010 to 11 May 2010. The full year equivalent is £30,851.*

9 *Figure quoted is for the period 9 June 2009 to 31 March 2010. The full year equivalent is £30,851.*

10 *Figure quoted is for the period 13 May 2010 to 31 March 2011. The full year equivalent is £23,697*

11 *Figure quoted is for the period 1 April 2010 to 11 May 2010. The full year equivalent is £40,646.*

12 *Figure quoted is for the period 8 June 2009 to 31 March 2010. The full year equivalent is £40,646.*

13 *Figure quoted is for the period 8 June 2009 to 31 March 2010. The full year equivalent is £36,366.*

14 *Lord Green of Hurstpierpoint was an unpaid Minister.*

15 *Lord Davies of Abersoch was an unpaid Minister.*

16 *Baroness Taylor of Bolton was remunerated by the Ministry of Defence.*

Members of the FCO Board

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

Board Member	**2010-11** Salary £000	**2010-11** Bonus	**2009-10** Salary £000	**2009-10** Bonus
Simon Fraser (from 29 August 2010)	105-110[1]	-	10-15[2]	-
Martin Donnelly (11 May to 28 August 2010)	40-45[3]	5-10	-	-
Peter Ricketts (until 10 May 2011)	15-20[4]	-[5]	175-180	-[5]
Nick Baird (from 25 June 2009)	125-130	5-10	105-110[6]	5-10
Robert Hannigan (from 29 March 2010)	130-135	10-15	-	-
Mariot Leslie (until 1 March 2010)	-	-	110-115[7]	10-15
Geoffrey Adams (from 30 October 2009)	130-135	-	55-60[8]	-
Mark Lyall Grant (until 30 October 2009)	-	-	75-80[9]	10-15
Matthew Rycroft (from 26 March 2011)	5-10[10]	-	-	-
James Bevan (until 25 March 2011)	140-145[11]	5-10	135-140	5-10
Tony Mather (until 30 June 2010)	30-35[12]	5-10	135-140	5-10
Alison Currie (from 11 December 2010)	30-35[13]	-	-	-
Keith Luck (until 10 December 2010)	140-145[14]	-	190-195	5-10
Susan le Jeune (from 25 September 2009)	105-110	5-10	45-50[15]	10-15
Susan Haird (from 3 January 2011)	-[16]	-	-	-
Andrew Cahn (until 2 January 2011)	-[16]	-	-	-
Non-executive:				
Alistair Johnston (until 31 December 2010)	5-10	-	5-10	-
Alison Platt (until 31 December 2010)	5-10	-	5-10	-
Rudy Markham (from 1 January 2010)	-	-	-	-

1. *Simon Fraser full year equivalent salary was £180-185k in 2010-11.*
2. *Simon Fraser served on the Board in 2009-10 as Director, Strategy. Full year equivalent salary was £115-120k.*
3. *Martin Donnelly full year equivalent salary was £140-145k in 2010-11.*
4. *Peter Ricketts full year equivalent salary was £175-180k in 2010-11.*
5. *Permanent Secretaries decided not to accept individual non-consolidated performance related pay awards (bonuses) in relation to the 2008-09 and the 2009-10 performance years.*
6. *Nick Baird full year equivalent salary was £120-125k in 2009-10.*
7. *Mariot Leslie full year equivalent salary was £120-125k in 2009-10.*
8. *Geoffrey Adams full year equivalent salary was £130-135k in 2009-10.*
9. *Mark Lyall Grant full year equivalent salary was £130-135k in 2009-10.*
10. *Matthew Rycroft full year equivalent salary was £105-110k in 2010-11.*
11. *James Bevan full year equivalent salary was £145-150k in 2010-11.*
12. *Tony Mather full year equivalent salary was £135-140k in 2010-11.*
13. *Alison Currie full year equivalent salary was £105-110k in 2010-11.*
14. *Keith Luck full year equivalent salary was £185-190k in 2010-11.*
15. *Susan le Jeune full year equivalent salary was £90-95k in 2009-10.*
16. *Susan Haird and Andrew Cahn were remunerated by the Department for Business, Innovation and Skills and relevant disclosures can be found in the Accounts of that department.*

Salary

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

Bonus Payments

Bonuses 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 2010-11 relate to performance in 2009-10, and bonuses paid in 2009-10 relate to performance in 2008-09.

Benefits in kind

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

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

4.2.2 Pension Benefits

Ministers

	Accrued pension at age 65 £000	Real increase in pension at age 65 £000	CETV at 31 March 2011 £000	CETV at 31 March 2010* £000	Real increase in CETV £000
Rt Hon William Hague MP (from 12 May 2011)	10-15	0-2.5	168	142	8
Rt David Miliband MP (until 11 May 2011)	5-10	0-2.5	86	85	1
Henry Bellingham MP (from 17 May 2011)	0-5	0-2.5	10	-	6
Baroness Kinnock of Holyhead (until 6 May 2011)	[1]-	-	-	-	-
Jeremy Browne MP (from 14 May 2011)	0-5	0-2.5	7	-	2
David Lidington MP (from 13 May 2011)	0-5	0-2.5	12	-	8
Chris Bryant MP (until 11 May 2011)	0-5	0-2.5	7	7	-
Alistair Burt MP (from 13 May 2011)	0-5	0-2.5	69	57	4
Ivan Lewis MP (until 6 May 2011)	5-10	0-2.5	63	62	-
Rt Hon Lord Howell of Guildford (from 1 August 2011)	[2]-	-	-	-	-
Lord Green of Hurstpierpoint (from 7 January 2011)	[3]-	-	-	-	-
Lord davies of Abersoch CBE (until 11 May 2011)	[4]-	-	-	-	-
Baroness Taylor of Bolton (from 5 June 2009)4	[5]-	-	-	-	-

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1. *Baroness Kinnock of Holyhead opted out of the pension scheme.*
2. *Rt Hon Lord Howell of Guildford was an unpaid Minister.*
3. *Lord Green of Hurstpierpoint was an unpaid Minister.*
4. *Lord Davies of Abersoch was an unpaid Minister.*
5. *Pension benefit disclosures for Baroness Taylor of Bolton are included in the Resource Accounts of the Ministry of Defence.*

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

Ministerial pensions

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

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

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

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

The Cash Equivalent Transfer Value (CETV)

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

The real increase in the value of the CETV

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

Members of the FCO Board	Accrued pension at age 60 at 31 March £000	Related lump sum at 31 March £000	Real increase in pension at age 60 £000	Real increase in lump sum at age 60 £000	CETV at 31 March 2011 £000	CETV at 31 March 2010* £000	Real increase In CETV £000
Simon Fraser (from 29 August 2010)	60-65	185-190	2.5-5	12.5-15	1,124	1,014	77
Martin Donnelly (12 May to 28 August 2010)	50-55	150-155	0-2.5	2.5-5	886	830	22
Peter Ricketts (until 11 may 2010)	80-85	240-245	(2.5)-0 [1]	(2.5)-0) [1]	1,720	1,702	-1[1]
Nick Baird (from 25 June 2009)	40-45	120-125	0-2.5	5-7.5	621	541	31
Robert Hannigan (from 29 March 2010)	15-20	50-55	2.5-5	7.5-10	238	184	37
Geoffrey Adams (from 30 October 2009)	50-55	150-155	5-7.5	20-22.5	933	746	126
Matthew Rycroft (from 26 March 2010)	25-30	-	0-2.5	-	291	291	-
James Bevan (until 25 March 2011)	40-45	130-135	0-2.5	0-2.5	763	696	9
Tony Mather (until 30 June 2010)	5-10	-	0-2.5	-	80	74	5
Alison Currie (from 11 December 2010)	5-10	-	0-2.5	-	105	93	9
Keith Luck (until 10 December 2010)	10-15	-	0-2.5	-	171	134	23
Susan le Jeune (from 25 September 2009)	30-35	90-95	2.5-5	7.5-10	445	368	44
Susan Haird (from 3 January 2011)	[2]-	-	-	-	-	-	-
Andrew Cahn (until 2 January 2011)	[2]-	-	-	-	-	-	-

Non- Executive

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

1 *Taking account of inflation, the CETV funded by the employer has decreased in real terms.*

2 *Susan Haird and Andrew Cahn were remunerated by the Department for Business, Innovation and Skills and relevant disclosures can be found in the Accounts of that department.*

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

4.3 Pension Schemes

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

Civil Service Pension

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

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

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

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

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

Cash Equivalent Transfer Values

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

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service Pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits arising from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

4.4 Other information

Pension benefits are provided through the Principal Civil Service Pension Scheme (PCSPS) which is an unfunded multi-employer defined benefit scheme but the FCO is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. You can find details in the accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/my-civil-service/pensions). For 2010-11, contributions of £41,103,000 were paid to the PCSPS (2009-10: £41,440,000) at one of four rates in the range of 16.7% to 24.3% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2010-11 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

5. Public interest and other matters

5.1 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.

5.2 Equal opportunities

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

5.3 Sickness absence

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

	2010-11	**2009-10**
Working days lost (short-term absence)	15,652	14,608
Working days lost (long-term absence)	10,903	413
Total working days lost	26,555	15,021
Average annual working days lost per employee	4.6	3.3

5.4 Payment of Suppliers

In May 2010 the HMG target to pay 90% of supplier invoices within 10 working days was replaced with a new target to pay 80% of supplier invoices in 5 working days. The FCO supports this important government initiative, paying 88.6% of supplier invoices within 5 working days of receipt of a valid invoice in the financial year ending March 2011.

In 2009-10 payment within 10 days was achieved in 91.9% of cases, higher than the 84.8% of cases in March 2009.

5.5 Disclosure of relevant audit information

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

6. Post balance sheet events

On 18th April 2011, Julia Bond, replacing Alison Platt as a Non-Executive Director, and Shan Morgan, Head of Mission, Buenos Aires joined the FCO Management Board.

In May 2011, Nick Baird was appointed as UK Trade & Investment's new Chief Executive. He will take up post in September 2011.

7. Auditors

The Comptroller and Auditor General is the statutory auditor for the accounts of the Foreign and Commonwealth Office.

Simon Fraser 24 June 2011

Accounting Officer

Foreign and Commonwealth Office

King Charles Street

London

SW1A 2P

Statement of Accounting Officer's Responsibilities

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

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

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

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

Statement on internal control

1. Scope of responsibility

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

Sponsored Body	Accounting Officer	FCO Oversight
FCO Services	Chris Moxey	Keith Luck James Bevan Matthew Rycroft
Wilton Park Executive Agency	Richard Burge	Ian Hargreaves Conrad Bird/Carl Newns David Frost/Alex Ellis Andrew Whyte
BBC World Service	Peter Horrocks	Ian Hargreaves Conrad Bird/Carl Newns Andrew Whyte
British Council	Martin Davidson	Ian Hargreaves Conrad Bird/Carl Newns Andrew Whyte
Great Britain-China Centre	Katie Lee	Scott Wightman Peter Wilson
Marshall Aid Commemoration Commission	Linda Duffield	Anwar Choudhury

1.2 My relationship with these Accounting Officers and FCO Directors/Heads of Post is set out in statements contained in the respective Framework Documents, Financial Memoranda and the FCO's Delegated Authorities. The Foreign Secretary and FCO Ministers met with the Board twice in the financial year 2010-11 to set the strategic direction of the Department. The Supervisory Board, chaired by the Foreign Secretary will fulfil this role in the future and will meet four times a year. The Foreign Secretary receives regular updates from the Director of Strategy on key strategic issues.

2. The purpose of the system of internal control

2.1 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of FCO policies, aims and objectives, to evaluate the likelihood of those risks being realised, the impact should they be realised, and to manage them efficiently and effectively. The system of internal control has been in place in the FCO for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

3. Capacity to handle risk

3.1 Strong leadership is a cornerstone of the FCO's Risk Management Framework. The Board plays a proactive role in managing risk, setting standard and spreading good practice in a way that is tailored to the FCO, including by regularly reviewing the way in which we manage risk. The Board leads by example in systematically considering the risks faced by the organisation by examining top risks each month. Improvements to the Risk Management Framework are overseen by the Audit and Risk Committee and Chief Operating Officer (Director-General Change and Delivery until 31 December 2010).

3.2 In March 2011, the Board approved the introduction of a new risk management framework that seeks to further embed good practice, maintain robust oversight and control of risk management throughout the FCO, increase the efficiency and effectiveness of our risk management processes, ensure those responsible for managing risks are accountable for their actions, and direct risk management decisions to the most appropriate forum for action. The new framework came into effect on 18 April 2011 and will be reviewed for its effectiveness in September 2011.

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

3.4 The FCO is committed to protecting and using its information securely and effectively, in compliance with its legal obligations and with the standards and requirements set out by the Cabinet Office. This includes protecting the personal data of members of the public that the FCO holds in its role as public service provider. The Board recognises its responsibility in providing leadership and promoting a culture of information security awareness throughout the FCO. The Chief Information Officer provides a formal Annual Report to FCO's Audit and Risk Committee and Directors are accountable and responsible for their information assets. An independent assessment of June 2011, confirmed that the FCO is compliant with the mandatory requirements set out in the Cabinet Office Data Handling Review, and the mandatory information assurance measures set out in the Security Risk Management Overview.

3.5 The FCO is committed to managing financial risk. Working practices such as the segregation of duties, reconciliations, banking, budget delegations, independent audits and foreign exchange controls all contribute to managing this risk. The Five Star Finance Programme and improvements to business planning have helped to drive the quality of management information which allows us to better manage our risks.

4. The risk and control framework

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

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

4.2 Risk management is embedded in the business planning process with risks to FCO objectives identified in Geographic and Corporate Directorate and Country Business Plans for 2010-11. Risks are identified, assessed and appropriate mitigating actions agreed in consultation with stakeholders when business plans are drawn up and at the relevant stage of individual programme and project management. Risk owners are clearly identified in FCO Business Plans and Risk Registers. Throughout the financial year 2010-11 the Risk Management Framework had six main components designed to facilitate appropriate identification, assessment and mitigation of risks and to provide a system for reviewing, reporting and escalating them:

- Top Risks Register (TRR): captures the top risks to the FCO's strategy and operations. It is updated and considered quarterly by the Board, who decide whether sufficient mitigating action is being taken to reduce the likelihood and impact of the risk materialising. To facilitate this process the Board chooses two risks to interrogate each quarter and invites the relevant risk owner to outline their mitigation, though particular risks may be discussed at any

Board meeting. Board decisions are logged in the register, which is then circulated to risk owners, Board members, Directors and the Senior Leadership Forum.

- Strategic Risks Register (SRR): captures the major, high-level strategic risks – risks associated with the delivery of the FCO's Foreign Policy Priorities (FPPs) that have the potential to impact seriously on the FCO's reputation, resources and/or operations. It is updated quarterly, with input from DSO Owners and Directors, for consideration by the Directors-General Political, Defence and Intelligence, and Europe and Globalisation. Directors-General also have a quarterly opportunity to challenge risk owners on mitigation strategies. Risks which require Board attention are elevated to the Top Risks Register.
- Operational Risks Register (ORR): captures the major, high-level risks to FCO operations or service delivery. It is updated quarterly for consideration by the Audit and Risk Committee, with input from overseas posts through the Risk in the Network exercise outlined below. Those risks requiring Board attention are elevated to the Top Risks Register.
- Risk in the Network: a quarterly exercise, which enables operational risks from overseas posts to be reported and elevated, as appropriate, for attention / action at the right level. Posts identify key operational risks through their Country Business Plans and use the Risk in the Network exercise to report progress and developments to Regional Directors, who in turn flag up common themes and significant risks to the Director General Change & Delivery. The most serious, high-level risks from the network can then be included in the Operational Risks Register and brought to the attention of the Audit & Risk Committee. If appropriate, they may then be elevated to the Top Risks Register for consideration by the FCO Board.
- Self-Audit: FCO Internal Audit facilitates an annual programme of control risk self-assessments for all overseas Posts. All Home Departments, Groups and Teams also undertake detailed self-audit once every four years.
- Supply-Risk: The FCO is reviewing and augmenting its supplier risk assessment processes and has already incorporated financial risk measures for top suppliers to its monthly reports. In due course other measures of supply chain risk will be included within contract and supplier management processes.
- Board meeting. Board decisions are logged in the register, which is then circulated to risk owners, Board members, Directors and the Senior Leadership Forum.

4.3 In 2010-11 the operational risk priorities for the FCO were to manage the risks to the security of our staff, buildings and information, the ongoing risk of a major consular crisis emerging, the overall risk to our resources and risks to the effective operation of our IT Systems and business continuity. The strategic risk priorities for this period were to manage the impact of global economic risks on the UK, risks of instability in regions of strategic importance to the UK, and threats to national security, which could have had an impact on British nationals overseas. Our work was supported by improvements to business continuity planning. The FCO now faces a risk to the delivery of our Foreign Policy Priorities as a consequence of a challenging Spending Review settlement. This has created uncertainty and an associated risk concerning staff morale. Following a series of political and consular crises in a number of parts of the world in the early part of 2011, we are now implementing lessons learned in order to improve our crisis response capabilities.

4.4 Throughout the financial year 2010-11 our Risk Management Framework provided a strong process for identifying risks, assigning responsibility for their management, documenting the actions taken to mitigate the risks and ensured that risk management is well embedded into normal FCO business. However we recognised that we could improve both the efficiency and effectiveness of our Risk Management Framework. On 18 April 2011 I launched a new Risk Management Framework designed to streamline the processes by which risks are reviewed, reported and escalated. Risks continue to be identified, assessed and managed by our global network of posts and by our Directorates in London. However we have reduced the number of high level risk registers from three to one. We no longer maintain separate Operational and Strategic Risk Registers, with the most significant risks identified being escalated directly to the Top Risk Register. The Board considers a Top Risk Register Summary every month and the full Top Risk Register every quarter. The Audit and Risk Committee also considers the Top Risk Register every quarter in advance of the Board and is empowered to make recommendations to the Board. In addition we no longer ask Directorates to make Risk in the Network returns, instead our posts are expected to escalate operational risks directly to appropriate Corporate Directorate. The new process enables risks to be escalated for Board attention on a monthly rather than a quarterly basis. All Heads of Mission in our overseas posts and all Directors now have to make an annual assurance statement confirming that they have identified, managed and escalated risks as appropriate. This ensures accountability for risk management is embedded throughout our senior leadership.

5. Review of effectiveness

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

5.2 OOur overall corporate governance structures are described in the Management Commentary section of the resource accounts. All Heads of Post and Directors are accountable for the effective management of the resources allocated to them to deliver the foreign policy priorities. Senior budget holders are required to:

- Manage the expenditure within their allocation through regular monitoring, reprioritisation and redeployment adhering to Treasury guidance on Managing Public Money and FCO financial guidelines.
- Ensure that the correct procurement procedures appropriate to the value (and type) of transaction were followed, sought to achieve value for money by ensuring that functions were discharged with due regard to economy, efficiency and effectiveness.
- Ensure that they have not exceeded any of the FCO spending limits delegated by the Treasury, or approved any Gifting payments or those that might be considered novel, contentious or repercussive expenditure, without seeking proper advice and Treasury approval where necessary.

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

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

5.5 Last year the NAO conducted a review of the FCO's arrangements for producing our Statement on Internal Control (SIC). In their report the NAO stated, "from our review of the governance arrangements to oversee the production of the SIC we can conclude that there is a solid framework in place to oversee the production of the SIC within the Department." However the report also made a number of recommendations, which the FCO has sought to implement as appropriate.

5.6 The NAO carried out an independent assessment last autumn of the FCO's progress in financial management under the 5 Star Finance Programme, and their final Assessment Report confirms that the FCO is broadly operating at the 4.5 Star level. With the closure of this Programme, work will continue in order to further embed a collective culture of engagement and accountability, where senior managers take responsibility for the resources they use to deliver our Foreign Policy Priorities and those dealing with finance on a daily basis have the right systems and skills to support decision makers. The NAO also published a report into spending reductions made in 2009-10 in response to financial pressures caused by a decline in the exchange rate between sterling and key overseas currencies. The report was broadly positive and made a number of recommendations, particularly on taking a strategic and structured approach to further cost reductions.

5.7 Like most government departments the FCO has been asked to make efficiency savings throughout the current spending review period. We have taken the decision to protect our core diplomatic work by seeking to find the entirety of the savings we must make from our administrative functions. While this is an ongoing piece of work, we have put in place effective governance structures to ensure accountability for delivering the savings. We have established an Operations Committee with a remit to oversee all operational matters in the FCO. Each business area with responsibility for delivering against an efficiencies target will be accountable to the Operations Committee for their savings programme.

5.8 The FCO continued to face the major challenge of maintaining effective physical security at our missions and residential properties overseas in 2010-11. This was particularly challenging towards the latter part of the financial year because of the uprisings across the Middle East. Despite the diversion of resources to protect staff in that region, the FCO has kept Government assets secure in its missions abroad and in its premises in the UK in accordance with the Government Security Policy Framework.

5.9 Over the past year, the FCO has continued to improve its risk management and internal control environment, but there are a number of areas where we need to improve our compliance with established procedures. A Health and Safety Committee, chaired by the Accounting Officer, was established in June 2010. This Committee requested Internal Audit to include coverage of Health and Safety framework controls in their work. During the financial year 2010-11 Internal Audit identified weaknesses in the Health and Safety framework in the majority of the posts they inspected. There has been good progress in addressing these weaknesses: closure of audits of posts has confirmed improvements, which was reflected in the Annual Consolidated Certificate of Assurance returns, where the majority of posts reported conformity with the FCO Health and Safety framework.

5.10 FFCO Internal Audit has highlighted a number of control issues this year including the use of ICT post implementation reviews, VAT coding, checks on overseas travel expenses, armoured vehicles procurement, inventory and disposal and the transition arrangements surrounding the former FCO Approved Pension Administration Centre. Good progress has been made in most areas and follow-up audits will be conducted in 2011-12.

5.11 Overseas, the monitoring of costs associated with utilities and phones, including our administration of satellite phones, was highlighted by Internal Audit as requiring further improvement. Work is also required to address weaknesses in the reconciliation of consular fees, particularly in countries where online credit card payments are accepted, comply with procurement controls and ensure that contractual arrangements with third parties respect personal data handling requirements.

5.12 Over the last year, the FCO discovered a vulnerability around paper records held at Hanslope Park. While we are confident that files originally produced by the FCO are properly stored, a large number of files which had originated elsewhere but had nevertheless become the responsibility of the FCO had not been catalogued appropriately. We have taken measures to address this and now know exactly what we are currently storing. A programme of work is underway to review these papers, most of which will be transferred to The National Archives.

5.13 Further to its work on transparency and expenditure analysis, our Corporate Procurement Group has set up three workstreams designed to investigate and deliver additional assurance mechanisms for both the external supply chain and internal processes. These workstreams will specifically aim to address the areas where improvements can be made to our procurement processes such as overall compliance with procurement policies and processes. A new compliance board has been set up within the Operations Directorate General and delegated responsibilities have been amended and are in the process of being rolled out to all posts and Directorates with procurement activity. Thresholds for central approval have also been changed to bring more visibility of commercial activity to the centre.

5.14 During the year, FCO made a number of extra-contractual or special payments to employees which were not referred in advance to HM Treasury for approval in line with the requirements of Managing Public Money. FCO therefore applied to HM Treasury for retrospective approval, which was granted in all cases except for one severance payment. FCO have taken a number of steps agreed with HMT to prevent a recurrence including reminding budget holders of the requirements concerning such payments, and tightening the way such payments can be authorised.

5.15 The first three months of 2011 saw the FCO come under considerable strain as a result of a series of consular and political crises across the globe. The political crises in Tunisia, Egypt, Libya and other countries across the Middle East and North Africa and the major earthquakes in New Zealand and Japan tested our ability to respond to simultaneous crises. Overall the FCO responded well to this test, and our systems coped with the additional strain that was placed on them. However there are always lessons that can be learned, so our Consular Directorate has carried out a review of its crisis preparedness and is in the process of implementing the lessons we have learned from the review.

Simon Fraser 24 June 2011

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

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

I certify that I have audited the financial statements of the Foreign and Commonwealth Office for the year ended 31 March 2011 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, Consolidated Statement of Comprehensive Net Expenditure and the Consolidated Statement of Financial Position, the Consolidated Statement of Cashflows, the Consolidated Statement of Changes in Taxpayers' Equity 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 circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Department; 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.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on Regularity

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

Opinion on Financial Statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2011 and of its net cash requirement, net resource outturn and net operating cost, for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Management Commentary and 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
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have one observation to make on these financial statements with regard to a severance payment of some £57,326 which has not been authorised by HM Treasury and is therefore deemed to be irregular expenditure. More details are set out in my following Report.

Amyas C E Morse 28 June 2011

Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria, London, SW1W 9SP

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

1. Under Section 6 (1) of the Government Resources and Accounts 2000 Act, I am required to satisfy myself that, in all material respects, the expenditure and income shown in the Accounts have been applied to the purposes intended by Parliament and conform to the authorities which govern them.

2. In voting money or passing specific legislation, Parliament does not and cannot approve special payments outside the normal range of departmental activity. Special severance payments are those paid to employees beyond or above normal statutory or contractual requirements when leaving employment in public service whether they resign, are dismissed or reach an agreed termination of contract. The relevant HM Treasury guidance, Managing Public Money, stipulates that special severance payments should be exceptional and will always require Treasury approval.

3. The Losses and Special Payments (Note 27) of the Foreign and Commonwealth Office's Accounts refers to one severance payment made during 2010-11 of some £57,326 to a senior member of staff. The payment was subject to a legally binding compromise agreement between the Department and the individual, including a confidentiality clause.

4. The Department made this payment believing, at the time, that it had discretion to do so. As such, it did not seek HM Treasury approval before making the payment.

5. My staff questioned whether the employee was contractually entitled to the severance payment, and whether the Department had the discretion to make such a payment without recourse to HM Treasury. On reconsidering this matter, the Department agreed that in fact there was no contractual entitlement, as such it did not have the discretion to make the payment and therefore should have sought Treasury approval at the time. In June 2011, the Department wrote to HM Treasury and requested retrospective approval for the payment, however HM Treasury declined to give approval.

6. The Department is reviewing the lessons learned from this case to prevent any repeat of this situation and to ensure that authority is always sought in advance for any proposed special payments. It has taken a number of steps, agreed with HM Treasury, to prevent a recurrence, including reminding budget holders of the requirements concerning such payments, and tightening the way such payments can be authorised.

7. Although I have not qualified my opinion on regularity, I consider this severance payment of £57,326 to a senior staff member to be irregular expenditure and, because of its nature, I have decided to specifically bring it to the attention of Parliament.

Amyas C E Morse

Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria, London, SW1W 9SP

28 June 2011

Statement of Parliamentary Supply

Summary of Resource Outturn 2010-11

								2010-11	2009-10
				Estimate			Outturn		Outturn
Request for Resources	**Note**	**Gross expenditure**	**A-in-A**	**Net Total**	**Gross expenditure**	**A-in-A**	**Net Total**	**Net total outturn compared with Estimate: Saving/ (excess)**	**Net Total**
		£000	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
RfR 1	2	**2,242,237**	**(383,000)**	**1,859,237**	**2,084,094**	**(313,244)**	**1,770,850**	**88,387**	**1,877,298**
RfR 2	2	**515,423**	**-**	**515,423**	**514,226**	**-**	**514,226**	**1,197**	**467,809**
Total resources		**2,757,660**	**(383,000)**	**2,374,660**	**2,598,320**	**(313,244)**	**2,285,076**	**89,584**	**2,345,107**
Non-operating cost Appropriations-in-Aid				**(25,000)**			**(20,227)**	**(4,773)**	**(9,584)**

The Statement of Parliamentary Supply has not been restated for the removal of Cost of Capital in prior years. See Note 3 for the reconciliation.

Net cash requirement 2010-11

				2010-11	2009-10
	Note	**Estimate**	**Outturn**	**Net total outturn compared with Estimate: Saving/ (excess)**	**Outturn**
		£000	*£000*	*£000*	*£000*
Net cash requirement	4	**2,335,254**	**2,294,196**	**41,058**	**2,237,413**

Summary of income payable to the Consolidated Fund

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

		Forecast 2010-11		Outturn 2010-11	
	Note	**Income**	**Receipts**	**Income**	**Receipts**
		£000	*£000*	*£000*	*£000*
Total	5.1	**9,000**	**9,000**	**10,294**	**10,294**

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

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

	Note	£000 Expenditure	£000 Income	2010-11 £000 Total	2009-10 Restated £000 Total
Administration Costs					
Staff costs	7	475,700	-	475,700	461,893
Other administration costs	8	740,764	-	740,764	781,843
Operating income	10	-	(83,914)	(83,914)	(103,891)
Consular net costs allocated to programme	8,10	(140,067)	2,412	(137,655)	(138,035)
Other net costs allocated to programme	8,10	(546,596)	17,900	(528,696)	(568,915)
Total administration costs		529,801	(63,602)	466,199	432,895
Programme Costs					
Request for Resources 1					
Programme costs	9	1,554,293	-	1,554,293	1,606,689
Income	10	-	(249,642)	(249,642)	(245,133)
Request for Resources 2					-
Staff costs	7,9	443	-	443	595
Programme costs	9	513,783	-	513,783	467,214
Total programme costs		2,068,519	(249,642)	1,818,877	1,829,365
Totals		**2,598,320**	**(313,244)**		
Net operating cost for the year ended 31 March 2011				**2,285,076**	**2,262,260**

Other Comprehensive Expenditure
for the year ended 31 March 2011

	Note	2010-11 £000	2009-10 £000
Net gain/(loss) on revaluation of Property, Plant and Equipment [2]	11	34,556	(560,290)
Net gain/(loss) on revaluation of Intangibles	12	(403)	632
Net gain/(loss) on revaluation of Assets Held for Sale	13	(2,653)	(3,022)
Total Comprehensive expenditure for the year ended 31 March		**2,253,576**	**2,824,940**

[1] The Consolidated Statement of Comprehensive Net Expenditure includes the outturn for Wilton Park Executive Agency, excluding intra-group transactions and notional costs. See Note 30.

[2] The significant net loss in 2009-10 resulted from the HM Treasury adoption of existing use value as the appropriate basis for assessing fair value under International Financial Reporting Standards.

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

Consolidated Statement of Financial Position

as at 31 March 2011

	Note	31 March 2011 £000	31 March 2010 £000	31 March 2009 £000
Non-current assets				
Property, plant and equipment	11	2,267,424	2,255,184	2,833,760
Intangible assets	12	2,195	3,654	4,459
Financial assets	14	11,415	32,146	24,111
Retirement benefit schemes asset	20	1,472	-	-
Other non-current assets	16	37,406	37,938	58,744
Total non-current assets		**2,319,912**	**2,328,922**	**2,921,074**
Current assets				
Assets classified as held for sale	13	12,237	10,967	-
Financial assets	14	5,062	18,261	83,238
Inventories	15	8,359	7,847	10,472
Trade and other receivables	16	116,296	135,580	210,874
Cash and cash equivalents	17	41,870	29,648	35,776
Total current assets		**183,824**	**202,303**	**340,360**
Total assets		**2,503,736**	**2,531,225**	**3,261,434**
Current liabilities				
Financial liabilities	14	(12,834)	(12,446)	(11)
Trade and other payables	18	(252,798)	(265,414)	(303,399)
Total current liabilities		**(265,632)**	**(277,860)**	**(303,410)**
Non-current assets less net current liabilities		**2,238,104**	**2,253,365**	**2,958,024**
Non-current liabilities				
Financial liabilities	14	(2,353)	(1,783)	-
Provisions	19	(68,428)	(84,174)	(70,548)
Other payables	18	(37,997)	(39,287)	(40,569)
Retirement benefit schemes liability	20	-	(3,147)	(12,550)
Total non-current liabilities		**(108,778)**	**(128,391)**	**(123,667)**
Assets less liabilities		**2,129,326**	**2,124,974**	**2,834,357**
Taxpayers' equity				
General fund	SCTE	1,003,645	1,104,913	1,215,297
Revaluation reserve	SCTE	1,022,073	915,668	1,502,854
Donated asset reserve	SCTE	101,124	101,824	116,206
Government Grant Reserve	SCTE	2,484	2,569	-
Total taxpayers' equity		**2,129,326**	**2,124,974**	**2,834,357**

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

Simon Fraser
Accounting Officer
24 June 2011

Consolidated Statement of Cash Flows
for the year ended 31 March 2011

	Note	2010-11 £000	Restated [1] 2009-10 £000
Cash flows from operating activities			
Net Operating Cost		(2,285,076)	(2,262,260)
Adjustments for non-cash costs	8	133,134	189,734
Adjustment for Government Grant Release	10	(86)	-
(Increase)/decrease in inventories	15	(512)	2,625
(Increase)/decrease in trade and other receivables	16	45,426	154,291
Less movements in receivables relating to items not passing through the SCNE	14	(30,980)	(67,158)
Increase/(decrease) in trade payables	18	(29,179)	(45,960)
Less movements in payables relating to items not passing through the SCNE	14	(958)	11,721
IFRS adjustment to property, plant and equipment		-	(30,560)
Use of provisions	19	(24,965)	(20,853)
Retirement benefit schemes	20	(4,577)	(5,059)
Net cash outflow from operating activities		**(2,197,773)**	**(2,073,479)**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(84,424)	(248)
Additions to assets in the course of construction	11	(40,412)	(161,561)
Government Grant receipts	SCTE	-	2,569
Proceeds from disposal of property, plant and equipment		20,227	9,584
Movement on long term loans to other bodies	14	2,951	2,000
Net cash outflow from investing activities		**(101,658)**	**(147,656)**
Cash flows from financing activities			
From the Consolidated Fund (Supply) - current year	SCTE	2,335,254	2,262,243
From the Consolidated Fund (Supply) - prior year	SCTE	(24,829)	(36,551)
Advances from the Contingencies Fund		-	90,000
Repayments to the Contingencies Fund		-	(90,000)
Capital element of payments of finance leases and on-balance sheet (SoFP) PFI contracts		1,226	1,725
Net financing		**2,311,651**	**2,227,417**
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		12,220	6,282
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		12,220	6,282
Cash and cash equivalents at the beginning of the period	17	29,402	23,120
Cash and cash equivalents at the end of the period	17	**41,622**	**29,402**

[1] Restated to remove Cost of Capital

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

Consolidated Statement of Changes in Taxpayers' Equity
for the year ended 31 March 2011

	General Fund	Revaluation Reserve [1]	Donated Asset Reserve	Government Grant Reserve [2]	Total Reserves
	£000	*£000*	*£000*	*£000*	*£000*
Balance at 1 April 2009	**1,215,297**	**1,502,854**	**116,206**	**-**	**2,834,357**
Changes in taxpayers' equity for 2009-10					
Net gain on revaluation of property, plant and equipment	-	(576,498)	(13,627)	-	(590,125)
Unrealised gain on foreign exchange - forward contracts	(66,933)	-	-	-	(66,933)
Unrealised gain on foreign exchange - other	(23,926)	-	-	-	(23,926)
Government Grant receipts	-	-	-	2,569	2,569
Release of reserves to the Statement of Comprehensive Net Expenditure	-	-	(755)	-	(755)
Non-cash charges - auditors remuneration	265	-	-	-	265
Transfers between reserves	10,688	(10,688)	-	-	-
Leasehold land prepayment adjustment	(17,490)	-	-	-	(17,490)
Consolidation and other in-year adjustments	7,693	-	-	-	7,693
Pension movement through Reserves	4,346	-	-	-	4,346
Net operating cost for the year	(2,262,260)	-	-	-	(2,262,260)
Total recognised income and expense for 2009-10	**(2,347,617)**	**(587,186)**	**(14,382)**	**2,569**	**(2,946,616)**
Net Parliamentary Funding - drawn down	2,225,692	-	-	-	2,225,692
Supply receivable adjustment	(24,829)	-	-	-	(24,829)
Prior year Consolidated Fund creditor	36,551	-	-	-	36,551
CFER adjustment relating to prior year	(181)	-	-	-	(181)
Balance at 31 March 2010	**1,104,913**	**915,668**	**101,824**	**2,569**	**2,124,974**
Changes in taxpayers' equity for 2010-11					
Net gain/(loss) on revaluation of property, plant and equipment	-	31,180	320	-	31,500
Unrealised loss on foreign exchange - forward contracts	(31,938)	-	-	-	(31,938)
Unrealised loss on foreign exchange - other	(4,970)	-	-	-	(4,970)
Release of reserves to the Statement of Comprehensive Net Expenditure	-	-	(842)	(85)	(927)
Non-cash charges - auditors remuneration	245	-	-	-	245
Transfers between reserves	(75,047)	75,225	(178)	-	0
Consolidation and other in-year adjustments	920	-	-	-	920
Pension movement through Reserves	403	-	-	-	403
Net operating cost for the year	(2,285,076)	-	-	-	(2,285,076)
Total recognised income and expense for 2010-11	**(2,395,463)**	**106,405**	**(700)**	**(85)**	**(2,289,843)**
Net Parliamentary Funding - drawn down	2,310,424	-	-	-	2,310,424
Supply payable/(receivable) adjustment	(41,058)	-	-	-	(41,058)
Prior year Consolidated Fund creditor	24,829	-	-	-	24,829
Balance at 31 March 2011	**1,003,645**	**1,022,073**	**101,124**	**2,484**	**2,129,326**

[1] The revaluation reserve includes movements due to market fluctuations and unrealised foreign exchange movements.

[2] In 2010 the Government Grant Reserve was included in the General Fund. This was restated to disclose separately.

[3] The financial statements were restated following the requirement of FReM to remove the Cost of Capital. There was no impact to the opening balance at 1 April 2009. The prior year net operating cost was reduced by £83m. The cost of capital was removed from the changes in tax payers' equity above, resulting in a nil net impact to the closing balance.

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

Notes to the Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2010-11 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Department for the purpose of giving a true and fair view has been selected. The Department's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

In addition to the primary statements prepared under IFRS, the FReM also requires the Department to prepare The *Statement of Parliamentary Supply* and supporting notes. This shows 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, at their value to the FCO by reference to their current costs or fair value as appropriate.

1.2 Basis of consolidation

These accounts comprise a consolidation of the FCO and Wilton Park Executive Agency, which falls within the Departmental accounting boundary as defined in the FReM. Transactions between the entities included in the consolidation are eliminated, see Note 30. A list of all those entities within the Departmental accounting boundary is given in the Notes to the Accounts.

1.3 Property, plant and equipment (PPE) - Property

Buildings which are owned or held on long term leases, and perpetual leasehold land, are recorded within Property, Plant and Equipment (PPE) and stated at fair value 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. Buildings and land held on short term leases are regarded as operating leases and rental payments are recorded in the consolidated statement of comprehensive net expenditure. 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. With effect from 2010-11, property valuations are carried out as at a 30 September valuation date. An impairments review is undertaken as at 31 March to assess whether there are significant movements in the intervening period, and, where material, property values are updated.

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

1.4 PPE - Other assets

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

Antiques and works of art are grouped and valued on a market value basis by professional valuers and are included where the valuations equate to or exceed £3,000. 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.

1.5 Non-perpetual leasehold land

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.

1.6 Donated asset reserve

Donated property, plant and equipment and intangible assets are capitalised at their current value on receipt, and this value is credited to the donated asset reserve. Subsequent revaluations are also taken to this reserve. Each year, an amount equal to the depreciation charge on the asset is released from the donated asset reserve to the Consolidated Statement of Comprehensive Net Expenditure. Restricted right-to-use privileges over property granted to HM Government are treated as donated assets and capitalised at fair value, or value in use, if appropriate. Restrictions prevail over the use and rights of disposal.

1.7 Depreciation and amortisation

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

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

1.8 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.

Notes to the Accounts

1.9 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.

1.10 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. It includes both income appropriated-in-aid and income to the Consolidated Fund which HM Treasury has agreed should be treated as operating income. Operating income is stated net of VAT.

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

1.12 Foreign exchange
Transactions which are denominated in foreign currency are translated into sterling at the exchange rate ruling on the date of each transaction, except where rates do not fluctuate significantly, in which case an average rate for the period is used. Monetary assets and liabilities denominated in foreign currency at the month end are translated at the rates ruling on that date. Differences on translation of realised balances are recognised in the Consolidated Statement of Comprehensive Net Expenditure.

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

1.14 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 the infrastructure asset is recognised as a non-current asset. The service element and the interest charge are recognised in the Consolidated Statement of Comprehensive Net Expenditure as incurred over the term of the concession arrangement.

Where the balance of risks and rewards of ownership of the PFI property is borne by the FCO, the property 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 for service performance and finance cost.

1.15 Financial instruments
IFRS 7, financial Instruments: Dislosures 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.

In order to gain greater budget certainty the FCO mitigates against potential falls in the value of sterling by taking out forward currency contracts with the Bank of England. The contracts are held in the Statement of Financial Position at fair value. Gains or losses are recognised through the Consolidated Statement of Comprehensive Net Expenditure on maturity of the contract. FCO policy on forward purchase is agreed with HM Treasury.

The FCO enters into indemnities on behalf of the British Council for art exhibitions overseas. None of these are 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, financial Instruments.

1.16 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.

1.17 Provisions
The FCO provides for legal and constructive obligations which are of uncertain timing or amount at the balance sheet date on the basis of best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury discount rate of 2.2% (2009-10 2.2%) in real terms. Early departure costs (see below) are discounted at a different rate.

1.18 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 and the debt written back to the consolidated statement of net expenditure. As the overall value of the provision is not material, it is not separately disclosed.

Notes to the Accounts

1.19 Pensions

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 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' scheme, the FCO recognises the contributions payable for the year.

1.20 Early departure costs

The FCO meets the additional costs of benefits, beyond the normal PCSPS benefits in respect of employees who retire early, by paying the required amounts annually to the PCSPS, over the period between early retirement and normal retirement date. The FCO provides for this in full, when the early retirement programme becomes binding on the Department, by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.9% (2009-10 1.8%) in real terms.

1.21 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 the Consolidated Statement of Changes in Taxpayers' Equity (CSCTE) in accordance with paragraph 93A of IAS 19.

1.22 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.

1.23 Contingent liabilities

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

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

1.24 Third party assets

The FCO holds monies for disbursement on behalf of the United Nations Compensation Commission. Neither the Department nor the government more generally has a direct beneficial interest in these balances. See Note 31.

1.25 Consolidated Fund Extra Receipts

Income which the Department receives, but which does not arise from the normal course of FCO business, is paid over to HM Treasury in the form of Consolidated Fund Extra Receipts (CFERs). CFERs are reflected through the Statement of Financial Position.

1.26 Changes in Accounting Policy

The financial statements have been restated following the requirement of FReM (Chapter 11) to remove the Cost of Capital. This has reduced 2009-10 net operating cost by £83m. The Consolidated Statement of Comprehensive Net Expenditure, The Consolidated Statement of Changes in Taxpayers' Equity and all supporting notes have been restated to reflect this change. As required by FReM the Statement of Parliamentary Supply has not been restated.

The 2010-11 FReM (Chapter 8) adapts IAS 36 Impairment of Assets to allow the scoring of all impairments that are due to the consumption of economic benefit straight to expenditure, rather than scoring these against any positive revaluation reserve balance applicable to that asset.

HM Treasury announced from 2010-11 Departments were to adopt IFRS 8, Operating Segments in full and without interpretation or adaptation. The FCO considers its Purpose and Foreign Policy Priorities to be its Operating Segments and has implemented it in full.

1.27 Effects of future accounting policies

The following changes to IFRS or the FReM will take effect for future accounting periods:

The introduction of IFRS 9 Financial Instruments will represent a significant change to the accounting and disclosure requirements relating to all financial assets and liabilities.

Changes to IFRS 7 Financial Instruments may necessitate increased disclosures with regards to credit risk from 2011-12.

From 2011-12 FReM will require that Estimates are based on departmental budgets and reflect the split between Departmental Expenditure Limit (DEL) and Annually Managed Expenditure (AME), with consequential adjustments to the Statement of Parliamentary Supply.

From 2011-12 FReM, as a result of the Alignment Project, will reflect proposed changes to the treatment of income in Estimates, whereby voted totals will be net of income and the concept of Appropriations-in-Aid will be discontinued.

From 2011-12 FReM will change the treatment of capital grants so that non-exchange revenue relating to capital items will be recognised immediately, except where funding is subject to a condition.

Notes to the accounts

2 Analysis of net resource outturn by section

	Admin	Other current	Grants	Gross resource expenditure	A-in-A	Outturn net total	Estimate net total	2010-11 Outturn compared with Estimate	2009-10 Restated Outturn net total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Request for Resources 1: Promoting internationally the interests of the UK and contributing to a strong world community									
Spending in Departmental Expenditure Limits (DEL)									
Central Government spending									
A: Administration, programmes and international organisations subscriptions	529,801	840,784	223,158	1,593,743	(313,244)	1,280,499	1,317,731	37,232	1,253,394
B: BBC World Service Broadcasting	-	238,223	-	238,223	-	238,223	235,223	(3,000)	239,543
C: British Council	-	187,487	-	187,487	-	187,487	182,583	(4,904)	192,963
D: BBC World Service - Capital grant	-	-	27,300	27,300	-	27,300	27,300	-	28,500
E: British Council - Capital grant	-	-	2,496	2,496	-	2,496	5,400	2,904	7,800
Spending in Annually Managed Expenditure (AME)									
Central Government spending									
F: Administration, programmes and international organisations subscriptions	-	13,780	-	13,780	-	13,780	70,000	56,220	51,144
Non-budget									
G: Reimbursement of certain duties, taxes and licence fees	-	-	21,065	21,065	-	21,065	21,000	(65)	21,107
Total	529,801	1,280,274	274,019	2,084,094	(313,244)	1,770,850	1,859,237	88,387	1,794,451
Resource for Resource 2: Conflict prevention									
Spending in Departmental Expenditure Limits (DEL)									
Central Government spending									
A: Conflict Prevention Programme	-	-	106,413	106,413	-	106,413	106,452	39	110,237
B: Peacekeeping expenditure	-	-	407,813	407,813	-	407,813	408,971	1,158	357,572
Total	-	-	514,226	514,226	-	514,226	515,423	1,197	467,809
Resource outturn	529,801	1,280,274	788,245	2,598,320	(313,244)	2,285,076	2,374,660	89,584	2,262,260

Approval was received from HMT confirming within RfR1, the BBC World Service overspend of £30,000,000, the British Council overspend of £4,904,000 and the overspend of £65,000 on Reimbursements of certain duties taxes and licence fees can be corrected by virement from the underspend on the DEL programme grants element of Administration, programmes and international organisations.

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

3.1 Reconciliation of net resource outturn to net operating cost

	Note	2010-11 Outturn	Supply Estimate	Outturn compared with Estimate	2009-10 Outturn
		£000	£000	£000	£000
Net Resource Outturn	2	2,285,076	2,374,660	89,584	2,345,107
Prior Period Adjustment - Cost of Capital Removal	1.26	-	-	-	(82,847)
Net operating cost		**2,285,076**	**2,374,660**	**89,584**	**2,262,260**

3.2 **Outturn against final Administration Budget**

	Note	2010-11 Outturn	Budget	Outturn compared with Budget	2009-10 Outturn
		£000	£000	£000	£000
Gross Administration Budget	2	529,801	570,127	40,326	525,257
Income allowable against the Administration Budget	10	(63,602)	(81,000)	(17,398)	(78,915)
Net outturn against final Administration Budget		466,199	489,127	22,928	446,342

Notes to the accounts

4 Reconciliation of net resource outturn to net cash requirement

	Note	Outturn	Supply Estimate	2010-11 Net total outturn compared with estimate	2009-10 Restated Outturn
		£000	*£000*	*£000*	*£000*
Resource Outturn	2	2,285,076	2,374,660	89,584	2,262,260
Capital					
Acquisition of Property, Plant and Equipment	11	124,836	130,644	5,808	161,809
FCO Services Trading Fund Loan Repayment	14.1	(2,951)	-	2,951	(2,000)
Government Grant Receipt	SCTE	-	-	-	(2,569)
Non-operating Appropriations-in-Aid					
Proceeds of non-current asset disposals	Cash Flow	(20,227)	(25,000)	(4,773)	(9,584)
Accruals adjustments					
Non-cash items	8, 10	(133,048)	(175,050)	(42,002)	(189,735)
Changes in working capital other than cash	Cash Flow	16,268	-	(16,269)	(44,291)
Changes in payables falling due after more than 1 year	18	(1,291)	-	1,291	1,281
Use of provisions	19	24,965	30,000	5,036	20,853
Non-Supply Income	5	(4,009)	-	4,009	3,770
Retirement benefit schemes	20	4,577	-	(4,577)	5,058
IFRS adjustment to property, plant and equipment	11	-	-	-	30,561
Net cash requirement		**2,294,196**	**2,335,254**	**41,058**	**2,237,413**

5 Analysis of Income Payable to the Consolidated Fund

5.1 Consolidated Fund income is made up of amounts collected by the FCO where it was acting as agent for the Consolidated Fund rather than as principal. The amounts collected as agent for the Consolidated Fund (which are otherwise excluded from these financial statements) are detailed below.

	Forecast 2010-11		Outturn 2010-11	
	Income	***Receipts***	***Income***	***Receipts***
	£000	***£000***	***£000***	***£000***
Other operating income and receipts - not classified as A-in-A	9,000	9,000	10,294	10,294
Total income payable to the Consolidated Fund	**9,000**	**9,000**	**10,294**	**10,294**

	Forecast 2009-10		Outturn 2009-10	
	Income	***Receipts***	***Income***	***Receipts***
	£000	***£000***	***£000***	***£000***
Other operating income and receipts - not classified as A-in-A				
Total income payable to the Consolidated Fund	9,000	9,000	11,131	11,131
	9,000	**9,000**	**11,131**	**11,131**

5.2 Balance of income payable to the Consolidated Fund

	2010-11	2009-10	2008-09
	£000	*£000*	*£000*
Balance at 1 April	4,573	803	(188)
Receipts due to Consolidated Fund	10,294	11,131	8,566
Payments into Consolidated Fund	(14,303)	(7,361)	(7,575)
Balance held at 31 March	**564**	**4,573**	**803**

6 Consolidated Statement of Net Operating Costs by Foreign Policy Priorities for the year ended 31 March 2011

			2010-11	2009-10 Restated
	£000 Gross	£000 Income	£000 Net	£000 Net
Foreign Policy Priorities				
Our Purpose				
International Institutions	286,069	-	**286,069**	**278,418**
Soft Power	260,594	(12,310)	**248,284**	**297,611**
BBC World Service	265,523	-	**265,523**	**268,043**
British Council	189,983	-	**189,983**	**200,763**
Other	256,990	(231,662)	**25,328**	**22,994**
FPP1 - Britain's National Security	**851,900**	**(1,973)**	849,927	760,329
FPP2 - Britain's Prosperity	**347,194**	**(4,365)**	342,829	366,588
FPP3 - Support British Citizens	**140,067**	**(62,934)**	77,133	67,514
Net Operating Costs	**2,598,320**	**(313,244)**	**2,285,076**	**2,262,260**

Following the change of Administration in May 2010 Departmental Strategic Objectives (DSOs) were abolished and replaced by Foreign Policy Priorities (FPPs). In 2010-11 HM Treasury announced Departments were to adopt IFRS 8, Operating Segments in full and without interpretation or adaptation. The FCO considers its Purpose and Foreign Policy Priorities to be its Operating Segments and has reported against them under IFRS 8. The purpose and three priorities are at the heart of everything the FCO does and guide its foreign policy effort. They form the basis for future business planning systems, and used for internal reporting. Operating costs for 2009-10 have been reallocated to the relevant FPP as shown in the table above.

Notes to the accounts

7 Staff and related costs

7.1 Staff costs comprise:

	Permanent staff		Others	Ministers	Special advisers	2010-11 Total	2009-10 Total
	Local staff *£000*	UK staff *£000*	*£000*	*£000*	*£000*	*£000*	*£000*
Wages and Salaries	145,779	246,101	7,173	247	162	399,462	396,012
Social Security costs	-	11,143	-	23	16	11,182	10,730
Other pension costs	34,259	33,405	-	5	30	67,699	58,110
Sub total	180,038	290,649	7,173	275	208	478,343	464,852
Less recoveries in respect of outward secondments	-	(2,643)	-	-	-	(2,643)	(2,959)
Total net costs	**180,038**	**288,006**	**7,173**	**275**	**208**	**475,700**	**461,893**
Allocated to Programme [1]							
RfR2 Salaries	-	408	-	-	-	408	476
RfR2 Social Security costs	-	35	-	-	-	35	119
	-	**443**	-	-	-	443	**595**

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

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

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

	2010-11 Total	2009-10 Total
Permanent Staff		
Local Staff	8,575	8,792
UK Staff	4,335	4,863
Other	402	720
Ministers	6	4
Special Advisers	3	5
Total	**13,321**	**14,384**
Representing		
Core FCO	**13,255**	**14,316**
Wilton Park Executive Agency	**66**	**68**
Total	**13,321**	**14,384**

7.3 Reporting of Civil Service and other compensation schemes exit packages

Exit package by cost band	Compulsory redundancies	Other departures	2010-11 Total	2009-10 Total
<£10,000	-	4	4	2
£10,000-£25,000	-	15	15	9
£25,000-£50,000	-	28	28	29
£50,000-£100,000	-	36	36	30
£100,000-£150,000	-	19	19	32
£150,000-£200,000	-	19	19	22
£200,000-£250,000	-	17	17	23
Total number of exit packages	-	138	138	147
Total resource cost (£000)	-	**8,539**	**8,539**	**15,482**

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.

Notes to the accounts

8 Other administration costs

	Notes	2010-11 £000	2009-10 Restated [1] £000
Rentals under operating leases			
Hire of plant and machinery		5,233	5,565
Property rentals		90,633	90,281
		95,866	95,846
Interest charges			
Finance leases		3	34
On-balance sheet (SoFP) PFI contracts		2,906	3,115
		2,909	3,149
PFI service charges			
Off-balance sheet (SoFP) contracts	23	31,525	26,980
Service element of on-balance sheet (SoFP) contracts	23	2,347	1,845
		33,872	28,825
Non-cash items			
Depreciation: Property, Plant and Equipment	11	100,867	97,652
Amortisation: Intangible Assets	12	1,057	3,328
Non-Perpetual Leasehold Land prepayment release		249	-
Profit on disposal of property, plant and equipment		(10,093)	(3,353)
Loss on disposal of property, plant and equipment		799	2,258
Impairments - RfR 1: Line A (Delegated Expenditure Limit)	11	1,266	3,958
Impairments - RfR1: Line F (Annually Managed Expenditure)	11	48,793	55,901
Reversal of Impairments - RfR1: Line F (Annually Managed Expenditure)	11	(19,267)	(4,757)
Auditors' remuneration and expenses		245	265
Provisions: Provided in year	19	9,276	33,888
Provisions: Unwinding of discount	19	(58)	593
		133,134	189,733
Other expenditure			
(Gain)/loss on exchange		4,455	(31,093)
Training, medical, travel and other allowances		112,892	111,979
Estate, security and capital related costs		213,604	204,910
IT and communications		98,749	117,142
Consular		9,667	4,935
Information and commercial services		10,530	17,547
Other		25,086	38,869
		474,983	464,289
Other administration costs		**740,764**	**781,842**
Administration cost of Consular operations worldwide allocated to programme as frontline services	9	140,067	145,111
Administration cost of UK Border Agency operations worldwide allocated to Programme as frontline services [2]		156,931	152,731
Other administration costs allocated to Programme reflecting frontline service delivery [3]		389,665	434,084

[1] Cost of capital has been removed from Prior Year Non Cash due to a Change in Accounting Policy (Note 1.26)

[2] 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).

[3] The programme costs transfer is agreed with HM Treasury and is included in Estimates.

Notes to the accounts

9 Programme costs

Current grants and other current expenditure:	Note	2010-11	2009-10 Restated
		£000	*£000*
Request for Resources 1:			
Subscriptions to international organisations		167,900	177,412
FCO programmes		193,381	183,688
Consular operations	8	140,067	145,111
UK Border Agency recharges [1]	10	186,709	176,481
Front line service delivery costs allocated from administration costs	8	389,665	434,084
Re-imbursements of duties to other governments	2	21,065	21,107
BBC World Service	2	265,523	268,043
British Council	2	189,983	200,763
		1,554,293	1,606,689
Request for Resources 2:			
Staff costs	7	443	595
Programme costs		513,783	467,214
	2	514,226	467,809
		2,068,519	2,074,498
RfR1 Programme income		(249,642)	(245,133)
Net programme costs		**1,818,877**	**1,829,365**
Subscriptions include the following over £1 million:			
United Nations		93,386	97,353
North Atlantic Treaty Organization		21,705	22,170
Council of Europe		26,592	26,383
Organisation for Economic Cooperation and Development		13,210	14,987
Commonwealth Secretariat		5,505	5,045
Organisation for Security and Cooperation in Europe		3,910	6,634
Western European Union		2,153	3,212
Others		1,439	1,628
		167,900	177,412

[1] UK Border Agency Programme costs reflect operating costs embedded within the FCO overseas network. These costs represent charges for locally engaged staff and other administration costs (see Note 8), and are re-charged and included in Income from Fees and Charges to Other Departments (see Note 10).

Notes to the accounts

10 Income

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

	2010-11	2009-10
	£000	*£000*
Request for Resources 1:		
Administration income		
General	19,930	29,072
Fees and charges to external customers	10	11
Fees and charges to other departments	62,395	70,327
Dividend receivable - FCO Services	572	3,447
Interest on loans - FCO Services	648	755
Other external interest	273	279
	83,828	103,891
Non-Cash Administration Income		
Capital Grant Reserve release	86	-
	86	-
Less		
Allocated to UK Border Agency	(17,900)	(17,900)
Allocated to Consular fees as programme income	(2,412)	(7,077)
	63,602	78,914
Programme income		
Consular fees (programme income and allocated from administration)	62,933	68,652
UK Border Agency recharges	186,709	176,481
	249,642	245,133
Total for Request for Resources 1	313,244	324,047
Request for Resources 2:		
Programme income	-	-
Total	**313,244**	**324,047**

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	2010-11 Surplus/ (deficit)	Income	Full cost	2009-10 Surplus/ (deficit)
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Passport and consular income	62,934	(63,248)	(314)	68,653	(68,996)	(343)

Notes to the accounts

11 Property, plant and equipment

	Non-residential Land; Buildings; Dwellings	Residential Land; Buildings; Dwellings	Information technology	Transport equipment	Plant and machinery	Antiques and works of art	Assets under construction	Total
	£000	***£000***	***£000***	***£000***	***£000***	***£000***	***£000***	***£000***
Cost or valuation								
At 1 April 2010	1,279,855	1,035,160	278,780	80,191	65,363	20,237	75,057	2,834,643
Additions	25,592	9,942	22,588	11,325	14,977	0	40,412	124,836
Disposals	-	(408)	(152)	(2,816)	(809)	-	-	(4,185)
Impairments	(32,573)	(6,396)	(15,948)	(23)	(202)	(159)	(2,641)	(57,942)
Reversal of Impairments	8,480	9,804	-	-	7	6	3,290	21,587
Revaluation	44,115	10,412	(16,953)	(165)	3,902	(5)	-	41,306
Reclassification [1]	(219)	(17,472)	-	-	-	-	-	(17,691)
At 31 March 2011	**1,325,250**	**1,041,042**	**268,315**	**88,512**	**83,238**	**20,079**	**116,118**	**2,942,554**
Depreciation								
At 1 April 2010	254,247	147,239	95,607	55,695	26,671	-	-	579,459
Charged in year	35,177	14,639	31,043	12,451	7,557	-	-	100,867
Charged in year - donated assets	54	650	-	-	-	-	-	704
Disposals	-	(72)	(150)	(2,784)	(537)	-	-	(3,543)
Impairments	(2,222)	(1,178)	(4,437)	(1)	(45)	-	-	(7,883)
Reversals of Impairments	581	1,738	-	-	1	-	-	2,320
Revaluation	5,603	5,647	(5,757)	(139)	1,396	-	-	6,750
Reclassification [1]	(17)	(3,527)	-	-	-	-	-	(3,544)
At 31 March 2011	**293,423**	**165,136**	**116,306**	**65,222**	**35,043**	**-**	**-**	**675,130**
Net book value								
At 31 March 2011	**1,031,827**	**875,906**	**152,009**	**23,290**	**48,195**	**20,079**	**116,118**	**2,267,424**
At 31 March 2010	1,025,608	887,921	183,173	24,496	38,692	20,237	75,057	2,255,184
Asset financing:								
Owned	837,689	663,977	152,009	23,290	48,195	20,079	116,118	1,861,357
Leased	172,617	211,929	-	-	-	-	-	384,546
On-balance sheet (SoFP) PFI contracts	21,521	-	-	-	-	-	-	21,521
Net book value								
At 31 March 2011	**1,031,827**	**875,906**	**152,009**	**23,290**	**48,195**	**20,079**	**116,118**	**2,267,424**

[1] Some assets have been reclassified to assets held for sale (Note 13).

Notes to the accounts

11 Property, plant and equipment (continued)

	Non-residential Land; Buildings; Dwellings	Residential Land; Buildings; Dwellings	Information technology	Transport equipment	Plant and machinery	Antiques and works of art	Assets under construction	Total
	£000	***£000***	***£000***	***£000***	***£000***	***£000***	***£000***	***£000***
Cost or valuation								
At 1 April 2009	1,500,063	980,006	133,928	74,192	48,476	20,237	250,862	3,007,764
Additions	70	-	60	-	118	-	161,562	161,810
Disposals	(10,018)	(21,616)	-	(2,236)	(58)	-	-	(33,928)
Impairments	(54,440)	(4,621)	-	-	-	-	(3,959)	(63,021)
Reversal of Impairments	-	-	15,110	24	61	-	-	15,195
Revaluation	(316,512)	35,509	24,243	2,321	1,336	-	-	(253,103)
Reclassification [1]	160,692	45,882	105,439	5,890	15,430	-	(333,408)	(75)
At 31 March 2010	**1,279,855**	**1,035,160**	**278,780**	**80,191**	**65,363**	**20,237**	**75,057**	**2,834,643**
Depreciation								
At 1 April 2009	56,887	5,723	50,778	40,768	19,848	-	-	174,004
Charge for the year	30,587	13,204	31,752	15,827	6,282	-	-	97,652
Charge for the year - donated assets	106	649	-	-	-	-	-	755
Disposals	(2,957)	(2,832)	-	(2,138)	(21)	-	-	(7,948)
Impairments	(1,613)	(1,717)	-	-	-	-	-	(3,330)
Reversal of impairments	-	-	10,911	31	3	-	-	10,944
Revaluation	171,237	132,018	2,166	1,207	559	-	-	307,187
Reclassification [1]	-	194	-	-	-	-	-	194
At 31 March 2010	**254,247**	**147,239**	**95,607**	**55,695**	**26,671**	**-**	**-**	**579,459**
Net book value								
At 31 March 2010	**1,025,608**	**887,921**	**183,173**	**24,496**	**38,692**	**20,237**	**75,057**	**2,255,184**
At 31 March 2009	1,443,176	974,283	83,150	33,424	28,628	20,237	250,862	2,833,760
Asset financing:								
Owned	825,824	685,530	183,173	24,496	38,692	20,237	75,057	1,853,009
Leased	184,090	202,391	-	-	-	-	-	386,481
On-balance sheet (SoFP) PFI contracts	15,694	-	-	-	-	-	-	15,694
Net book value								
At 31 March 2010	**1,025,608**	**887,921**	**183,173**	**24,496**	**38,692**	**20,237**	**75,057**	**2,255,184**

[1] Some Land assets have been reclassified to operating lease prepayments (Note 16).

Notes to the accounts

11 Property, plant and equipment (continued)

Notes to Property, plant and equipment

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

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

Desk reviews for revaluation purposes were carried out by in-house valuers for all properties as at 30th September 2010 with the exception of Sub-Saharan Africa. Full inspections and valuations for Sub-Saharan Africa, with a valuation date of 30 September 2010, were undertaken by Colliers International.

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 an in-house desk review of the remaining 80% at the same date by Valuation Office Agency 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 than the value now reported on a DRC basis. In cases where DRC valuations have been applied, Market Values are also supplied for comparison purposes.

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

The valuations have been undertaken by way of an internal desk review of the valuations previously supplied by external Chartered Valuation Surveyors. Where possible, in arriving at an opinion of Market Value and/or Fair Value, observable prices and market data relating to actual transactions involving comparable properties 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 2010, and due to current global market volatility should not be relied upon beyond that date without referring to the valuers.

Leased Properties:
The leased properties disclosed constitute two elements: 1) Leasehold buildings £235.9 million (2009-10 £237 million) ; 2) Leases for ground rent held in perpetuity £148.7million (2009-10 £149 million) treated as freehold land. Neither category is regarded as a finance lease.

Notes to the accounts

12 Intangible assets

	Total Software licences
	£000
Cost or valuation	
At 1 April 2010	10,208
Revaluation	(1,134)
At 31 March 2011	**9,074**
Amortisation	
At 1 April 2010	6,553
Charged for the year	1,057
Revaluation	(731)
At 31 March 2011	**6,879**
Net book value	
At 31 March 2011	**2,195**
At 31 March 2010	*3,654*
Cost or valuation	
At 1 April 2009	8,257
Reversal of Impairments	1,114
Revaluation	837
At 31 March 2010	**10,208**
Amortisation	
At 1 April 2009	3,798
Charge for the year	1,942
Reversal of Impairments	608
Revaluation	205
At 31 March 2010	**6,553**
Net book value	
At 31 March 2010	**3,654**
At 31 March 2009	*4,459*

13 Assets held for sale

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

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

The following assets are classified as held for sale:

Overseas properties	**2010-11**	**2009-10**
	£000	*£000*
Balance as at 1 April	10,967	-
Additions to Assets Held For Sale at carrying value	14,213	13,989
Revaluation to market value on recognition	(2,653)	(3,022)
Disposals	(10,290)	-
Balance as at 31 March	12,237	10,967

Notes to the accounts

14 Financial instruments

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

A new Foreign Currency Mechanism (FCM) which will help the FCO manage the uncertainty created by currency movements, was agreed with HM Treasury in the 2010 Spending Review, and will take effect in the 2011-12 financial year. The Treasury will increase or decrease the FCO's budget each year in the Spring Supplementary Estimate to take account of movements in the top 20 currencies where we 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 since September 2010 and will not enter into any further contracts to cover core expenditure. Any losses or gains on the existing contracts which will expire in 2011-12 and 2012-13 will be offset against the FCM adjustment to ensure that the FCO neither benefits nor loses twice from the same exchange rate change.

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

Summary of Financial Instruments:

	Note	2010-11	2009-10	2008-09
		£000	*£000*	*£000*
Non-current financial assets				
Investment in other public sector bodies	14.1	10,783	13,734	17,961
Forward currency contracts	14.2	632	18,412	6,150
		11,415	**32,146**	**24,111**
Current financial assets				
Forward currency contracts	14.2	**5,062**	**18,261**	**83,238**
Current financial liabilities				
Forward currency contracts	14.2	**(12,834)**	**(12,446)**	**(11)**
Non Current Financial Liabilities				
Forward currency contracts	14.2	**(2,353)**	**(1,783)**	**-**
Total		**1,290**	**36,178**	**107,338**

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) provides for Public Dividend Capital (PDC) of £4,981,000. A Vesting Day Loan amount of £4,754,000 represents the remaining balance of the assets less liabilities of FCO Services as at 1 April 2008. The Vesting Day Loan attracts interest of 4.03% per annum, and the amount is scheduled for repayment in equal annual instalments from October 2011 to October 2015.

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

	FCO Services Public Dividend Capital	FCO Services Vesting Day Loan	FCO Services Working Capital Loan	Total
	£000	*£000*	*£000*	*£000*
Balance at 1 April 2009	4,981	4,980	8,000	17,961
Revaluations	-	(227)	-	(227)
Loans repayable within 12 months transferred to receivables	-	-	(4,000)	(4,000)
Balance at 31 March 2010	**4,981**	**4,753**	**4,000**	**13,734**
Loans repayable within 12 months transferred to receivables	-	(951)	(2,000)	(2,951)
Balance at 31 March 2011	**4,981**	**3,802**	**2,000**	**10,783**

The current tranche of the working capital loan repayable on 1 October 2011 is included in deposits and advances under Trade receivables and other current assets (Note 16).

14.2 Forward Currency Contracts

Forward purchases covers up to 90% of the forecast net exposure in the most significant currencies in which the department operates.

Forward purchases contracts matured as follows:

		2010-11		Restated 2009-10
	Foreign currency	Sterling cost	Foreign currency	Sterling value
	000	*£000*	*000*	*£000*
Euro	199,000	177,725	201,570	170,090
US Dollar	940,000	614,088	819,970	504,481
Japanese Yen	1,387,200	9,347	1,387,200	9,956
Swiss Franc	4,935	3,007	-	-
		804,167		**684,527**

For contracts maturing in 2010-11, purchases resulted in a realised net loss of £8.2 million (2009-10: net gain of £32.3 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:

	Foreign currency value	Sterling value	Unrealised gains	Unrealised losses	Maturing in
Current assets and liabilities		*£000*	*£000*	*£000*	
Euro	141,250	126,135	841	(1,932)	2011-12
US Dollar	680,550	431,764	3,682	(10,898)	2011-12
Japanese Yen	758,250	5,395	316	(4)	2011-12
Swiss Franc	3,652	2,267	223	-	2011-12
		565,561	5,062	(12,834)	
Non-current assets and liabilities					
Euro	14,880	12,541	632	-	2012-13
US Dollar	54,900	36,598	-	(2,350)	2012-13
Japanese Yen	37,250	284	-	(3)	2012-13
Swiss Franc	-	-	-	-	2012-13
		49,423	632	(2,353)	
Total		**614,984**	**5,694**	**(15,187)**	

Notes to the accounts

14.3 Fair values

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

Primary financial instruments:	Note	2010-11 Book value £000	2010-11 Fair value £000	2009-10 Book value £000	2009-10 Fair value £000	2008-09 Book value £000	2008-09 Fair value £000
Financial assets							
FCO Services Trading Fund		10,783	10,783	13,734	13,734	17,961	17,961
Forward currency contracts		5,694	5,694	36,673	36,673	89,388	89,388
Cash at bank and in hand	17	41,870	41,870	29,648	29,648	35,776	35,776
		58,347	**58,347**	**80,055**	**80,055**	**143,125**	**143,125**
Financial liabilities							
Forward currency contracts		(15,187)	(15,187)	(14,229)	(14,229)	(11)	(11)
Bank overdrafts	17	(248)	(248)	(246)	(246)	(12,656)	(12,656)
Provisions	19	(68,428)	(68,428)	(84,174)	(84,174)	(70,548)	(70,548)
		(83,863)	**(83,863)**	**(98,649)**	**(98,649)**	**(83,215)**	**(83,215)**

Where relevant, cash flows in respect of Early Retirement provisions have been discounted at the HM Treasury discount rate of 2.9% (2010 1.8%)

14.4 Non-interest bearing financial assets/liabilities by currency

An analysis of non-interest bearing financial assets/liabilities by currency is shown where the total held exceeds £1 million.

Currency	2010-11 Non-interest bearing financial assets £000	2010-11 Non-interest bearing financial liabilities £000	2009-10 Restated Non-interest bearing financial assets £000	2009-10 Restated Non-interest bearing financial liabilities £000	2008-09 Restated Non-interest bearing financial assets £000	2008-09 Restated Non-interest bearing financial liabilities £000
Sterling	19,736	(31,779)	19,665	(47,601)	21,827	(41,891)
Sri Lanka Rupee	1,262	(94)	2,149	-	584	(90)
Euro	5,671	(8,505)	3,867	(8,555)	24,102	(5,871)
Japanese Yen	454	(4,400)	697	(4,488)	21	(4,571)
US Dollar	12,031	(13,509)	40,563	(11,634)	76,788	(499)
Chinese Yuan Renminbi	540	(195)	545	(192)	-	-
Hong Kong Dollar	10	(1,353)	5	(1,512)	-	(1,597)
Saudi Riyal	38	(1,393)	453	(1,409)	-	(1,772)
Turkish New Lira	22	(1,334)	51	(1,252)	53	(609)
South Korean Won	50	(934)	25	(1,317)	7	(994)
Egyptian Pound	459	(1,695)	31	(1,206)	111	(1,205)
Israeli Shekel	3	(1,080)	5	(1,116)	26	(1,018)
Thai Baht	254	(950)	432	(1,187)	27	(1,056)
Nigerian Naira	988	(869)	1,248	(582)	876	(861)
UAE Dirham	899	(847)	879	(901)	-	(1,218)
Australian dollar	1,571	(488)	394	(344)	-	-
Bosnia and Herzegovinian Marka	19	-	9	-	1,808	-
South African Rand	194	-	723	-	1,077	-
Mexican Nuevo Peso	2	-	30	-	8	(1,938)
Other	14,144	(14,438)	8,284	(15,353)	15,810	(18,025)
Gross financial assets/(liabilities)	**58,347**	**(83,863)**	**80,055**	**(98,649)**	**143,125**	**(83,215)**

Notes to the accounts

15 Inventories

	2010-11 £000	2009-10 £000	2008-09 £000
Inventories	8,359	7,847	10,472

16 Trade receivables and other current assets

	2010-11 £000	2009-10 £000	2008-09 £000
16.1 Amounts falling due within one year			
Trade receivables	41,536	63,287	92,360
Deposits	2,947	3,051	4,318
Advances	3,529	4,196	5,277
Other receivables	5,338	4,570	2,911
Leasehold land (non-perpetual) prepayments	386	522	522
Other prepayments and accrued income	62,560	59,954	105,486
	116,296	**135,580**	**210,874**
Amounts falling due after more than one year			
Leasehold land (non-perpetual) prepayments	28,868	28,981	49,884
Other receivables	8,538	8,957	8,860
	37,406	**37,938**	**58,744**
Total	**153,702**	**173,518**	**269,618**

16.2 Intra-government balances

	Amounts falling due within one year			Amounts falling due after more than one year		
	2010-11 £000	2009-10 Restated £000	2008-09 Restated £000	2010-11 £000	2009-10 £000	2008-09 £000
Balances with other central government bodies	41,884	49,740	48,202	-	-	-
Balances with Local Authorities	897	607	1,070			
Balances with public corporations and trading funds	2,284	6,273	8,203	-	-	-
Total intra-government balances	**45,065**	**56,620**	**57,475**	**-**	**-**	**-**
Balances with bodies external to government	71,231	78,960	153,399	37,406	37,938	58,744
Total receivables at 31 March	**116,296**	**135,580**	**210,874**	**37,406**	**37,938**	**58,744**

17 Cash and cash equivalents

	Note	2010-11 £000	2009-10 £000	2008-09 £000
17.1 Balance at 1 April		**29,402**	**23,120**	**3,050**
Net change in cash and cash equivalents balances		12,220	6,282	20,070
Balance at 31 March 2011		**41,622**	**29,402**	**23,120**

The following balances and overdrafts at 31 March 2011 were held at:

	Note	2010-11 £000	2009-10 £000	2008-09 £000
Balances				
Government Banking Service		2,266	437	-
Commercial banks and cash in hand UK and overseas		39,604	29,211	35,776
		41,870	**29,648**	**35,776**
Overdrafts				
Government Banking Service		-	-	(11,898)
Commercial banks overseas	18	(248)	(246)	(758)
		41,622	**29,402**	**23,120**

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

	Note	2010-11 £000	2009-10 Restated £000
Net cash requirement	4	(2,294,196)	(2,237,413)
From the Consolidated Fund (Supply) - current year	4	2,335,254	2,262,243
From the Consolidated Fund (Supply) - prior year	SCTE, 5	(29,402)	(23,121)
Amounts due to the Consolidated Fund and not paid over	5	564	4,573
Increase/(decrease) in cash		**12,220**	**6,282**

Notes to the accounts

18 Trade payables and other current liabilities

18.1 Analysis by type

	Note	2010-11	2009-10	2008-09
		£000	*£000*	*£000*
Amounts falling due within one year				
Bank overdrafts	17	248	246	12,656
Other taxation and social security		964	819	203
Payments on account		237	164	114
Trade payables		21,830	18,585	24,286
Other payables		47,825	24,583	36,596
Accruals and deferred income		139,079	190,687	190,548
Current part of finance leases	22.2	27	25	804
Current part of imputed finance lease element of on-balance sheet (SoFP) PFI contracts	23.2	966	903	838
Total excluding amounts due to the Consolidated Fund		211,176	236,012	266,045
Amounts issued from the Consolidated Fund for supply but not spent at year end		41,058	24,829	36,551
Consolidated Fund extra receipts due to be paid to the Consolidated Fund	5.2	564	4,573	803
		252,798	**265,414**	**303,399**
Amounts falling due after more than one year				
Finance leases	22.2	4	33	81
Imputed finance lease element of on-balance sheet (SoFP) PFI contracts	23.2	37,993	39,254	40,488
		37,997	**39,287**	**40,569**
Total		**290,795**	**304,701**	**343,968**

18.2 Intra-government balances

	Amounts falling due within one year			Amounts falling due after more than one year		
	2010-11	2009-10 Restated	2008-09 Restated	2010-11	2009-10	2008-09
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Balances with other central government bodies	43,039	33,176	10,101	-	-	-
Balances with local authorities	220	712	34			
Balances with public corporations and trading funds	9,017	10,315	13,642	-	-	-
Total intra-government balances	**52,276**	**44,203**	**23,777**	-	-	-
Balances with bodies external to government	200,522	221,211	279,622	37,997	39,287	40,569
Total payables at 31 March	**252,798**	**265,414**	**303,399**	**37,997**	**39,287**	**40,569**

19 Provisions for liabilities and charges

The Notes to the Accounts set out the statement of accounting policy for early departure costs (note 1.20) and terminal benefits for locally engaged staff (note 1.21).

Other Staff Provisions relate to the estimated cost of Senior Management Service performance bonuses to be paid in the following year, and the costs of compensation claims. Other provisions relate to other estates commitments

	Early departure costs	Local staff terminal gratuities	Other staff provisions	Other provisions	Total
	£000	*£000*	*£000*	*£000*	*£000*
Balance at 1 April 2009	**25,893**	**37,655**	**2,900**	**4,100**	**70,548**
Provided in year	20,374	5,922	3,778	8,240	38,314
Provisions not required written back	-	(3,881)	(547)	-	(4,428)
Provisions utilised in the year	(14,457)	(3,123)	(2,353)	(920)	(20,853)
Unwinding of discount	593	-	-	-	593
Balance at 1 April 2010	**32,403**	**36,573**	**3,778**	**11,420**	**84,174**
Provided in year	10,083	7,580	78	1,050	18,791
Provisions not required written back	-	(1,776)	(609)	(7,129)	(9,514)
Provisions utilised in the year	(14,542)	(5,727)	(1,748)	(2,948)	(24,965)
Unwinding of discount	(58)	-	-	-	(58)
Balance at 31 March 2011	**27,886**	**36,650**	**1,499**	**2,393**	**68,428**

Analysis of expected timing of discounted cash flows

	Early departure costs	LE staff terminal gratuities	Other staff provisions	Other provisions	Total
	£000	*£000*	*£000*	*£000*	*£000*
Not later than one year	13,108	3,332	1,499	125	18,064
Later than one year and not later than five years	12,890	13,327	-	2,268	28,485
Later than five years	1,888	19,991	-	-	21,879
Balance at 31 March 2011	**27,886**	**36,650**	**1,499**	**2,393**	**68,428**

Notes to the accounts

20 Retirement benefit schemes

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

Principal Civil Service Pension Scheme

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

For 2010-11, employers' contributions of £41,103,000 were paid to the PCSPS (2009-10: £41,440,000) at one of four rates in the range of 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. From 2010-11, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2010-11 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 some £73,000 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, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Other defined contribution schemes

The FCO operates defined contribution schemes in: Barbados, Belgium, Bolivia, Cyprus, Ecuador, Denmark, Jamaica, Mauritius, Namibia, Nigeria, Peru, Portugal, Republic of Ireland, Serbia, South Korea, Trinidad and Tobago, USA, Uganda and Zambia. A defined benefit multi-user scheme is operated in Holland,. Where the individual insurer's assets cannot be identified the scheme is treated as a defined contribution scheme. The value of contributions in 2010-11 was £1,939,000 (2009-10: £1,753,000).

Other defined benefit schemes

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

	2010-11	2009-10	2008-09
	£000	*£000*	*£000*
Defined benefit schemes recognised in the Statement of Financial Position			
Present value of funded obligations			
Canada	(7,671)	(7,123)	(6,976)
Republic of Ireland	(2,158)	(2,233)	(1,529)
Jamaica	(962)	(807)	(541)
Mauritius	(137)	(185)	(164)
South Africa	(5,206)	(4,741)	(4,012)
USA	(33,306)	(34,431)	(30,875)
Colombia	(586)	-	-
Belgium	(246)	-	-
	(50,272)	**(49,520)**	**(44,097)**
Fair value of plan assets			
Canada	8,750	7,552	5,284
Republic of Ireland	2,146	1,985	1,283
Jamaica	1,197	899	705
Mauritius	87	162	133
South Africa	5,167	5,133	4,193
USA	33,804	30,642	19,949
Colombia	593	-	-
	51,744	**46,373**	**31,547**
Total	**1,472**	**(3,147)**	**(12,550)**
Summary			
Liabilities	(347)	(4,063)	(12,895)
Assets	1,819	916	345
Net asset/(liability)	**1,472**	**(3,147)**	**(12,550)**

	2010-11	2009-10	2008-09
	£000	*£000*	*£000*
Amounts recognised in operating costs			
Current service cost	1,856	966	1,478
Interest on obligation	2,792	3,015	2,871
Expected return on plan assets	(3,846)	(2,592)	(3,201)
Total included in employee benefits expense	**802**	**1,389**	**1,148**
Actual return on plan assets: gain/(loss)	**(1,768)**	**5,165**	**(16,834)**

	2010-11	2009-10	2008-09
	£000	*£000*	*£000*
Changes in the present value of the defined benefit obligation			
Opening defined benefit obligation	(49,520)	(44,097)	(34,688)
Converted into Defined Contribution Scheme during the year	-	-	469
Pensioners in payment exactly matched by annuity contracts	(117)	(141)	-
Service cost	(1,856)	(966)	(1,478)
Interest cost	(2,792)	(3,016)	(2,870)
Contributions by participants	(531)	(724)	(670)
Actuarial (losses)/gains	(1,300)	(4,258)	1,405
Exchange differences on foreign plans	1,893	(343)	(10,132)
Benefits paid	4,326	3,178	3,867
Changes in assumptions underlying the present value of the scheme liabilities	(375)	847	-
Closing defined benefit obligation	**(50,272)**	**(49,520)**	**(44,097)**
Changes in the fair value of plan assets are as follows			
Opening fair value of plan assets	46,373	31,547	34,025
Converted into defined contribution scheme in year	-	-	(655)
Pensioners in payment exactly matched by annuity contracts	117	141	-
Expected return	3,846	2,592	3,201
Actuarial gains (losses)	2,078	7,757	(13,633)
Contributions by employer	4,815	6,096	1,629
Contributions by participants	531	724	670
Exchange differences on foreign plans	(1,690)	694	10,177
Benefits paid	(4,326)	(3,178)	(3,867)
Closing fair value of plan assets	**51,744**	**46,373**	**31,547**

The FCO expects to contribute an additional £1.5 million to its defined benefits plans in 2011-12

Notes to the accounts

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

	2010-11	**2009-10**	**2008-09**
Equities	48.28%	56.11%	46.42%
Bonds	35.32%	31.28%	34.06%
Other	16.40%	12.61%	19.52%
Principal actuarial assumptions as at 31 March (expressed as weighted averages)			
Discount rate	5.79%	6.38%	7.16%
Expected return on plan assets	6.98%	7.40%	6.25%
Future salary increases	4.19%	4.22%	5.05%
Future pension increases	3.26%	3.40%	3.45%

Amounts for the current and previous four years

	2010-11	**2009-10**	**2008-09**	**2007-08**	**2006-07**
	£000	***£000***	***£000***	***£000***	***£000***
Defined benefit obligation	(50,272)	(49,520)	(44,097)	(34,688)	(38,308)
Plan assets	51,744	46,373	31,547	34,025	35,728
Surplus/(Deficit)	1,472	(3,147)	(12,550)	(663)	(2,580)
Experience adjustments on plan liabilities	(1,300)	(4,258)	1,405	5,006	754
Experience adjustments on plan assets	2,078	7,757	(13,633)	(3,113)	942

Analysis of movements in obligations and assets

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

Analysis of movements in obligations and assets

	2008-09									**2009-10**
	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***
Present value of funded obligations										
Canada	(6,976)	-	(1,199)	(188)	(432)	1,397	(106)	381	-	(7,123)
Republic of Ireland	(1,529)	(141)	57	(45)	(92)	(550)	(23)	226	(136)	(2,233)
Jamaica	(541)	-	34	(29)	(70)	-	(38)	51	(214)	(807)
Mauritius	(164)	-	(6)	(7)	(18)	-	-	-	10	(185)
South Africa	(4,012)	-	(927)	(96)	(380)	-	-	321	353	(4,741)
USA	(30,875)	-	1,698	(601)	(2,024)	-	(557)	2,199	(4,271)	(34,431)
	(44,097)	**(141)**	**(343)**	**(966)**	**(3,016)**	**847**	**(724)**	**3,178**	**(4,258)**	**(49,520)**
Fair value of plan assets										
Canada	5,284	-	908	-	312	352	106	(381)	971	7,552
Republic of Ireland	1,283	141	(48)	-	78	218	23	(226)	516	1,985
Jamaica	705	-	(44)	-	95	54	38	(51)	102	899
Mauritius	133	-	5	(1)	15	15	-	-	(5)	162
South Africa	4,193	-	968	-	549	195	-	(321)	(451)	5,133
USA	19,949	-	(1,095)	-	1,544	5,262	557	(2,199)	6,624	30,642
	31,547	**141**	**694**	**(1)**	**2,593**	**6,096**	**724**	**(3,178)**	**7,757**	**46,373**
Total	**(12,550)**	**-**	**351**	**(967)**	**(423)**	**6,943**	**-**	**-**	**3,499**	**(3,147)**

The FCO's defined benefit schemes have been subject to actuarial valuation or review as at 31 March 2011.

Notes to the accounts

21 Capital commitments

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

	2010-11 *£000*	2009-10 *£000*	2008-09 *£000*
Estates projects	42,222	78,389	84,064
IT infrastructure	15,522	15,501	43,700
	57,744	**93,890**	**127,764**

22 Commitments under leases

22.1 Operating leases

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

	2010-11 *£000*	2009-10 *£000*	2008-09 *£000*
Obligations under operating leases comprise			
Land and buildings:			
Not later than one year	75,004	75,447	62,581
Later than one year and not later than five years	209,056	214,035	118,898
Later than five years	9,817	10,783	15,394
	293,877	**300,265**	**196,873**
Other:			
Not later than one year	435	441	1,288
Later than one year and not later than five years	676	501	2,444
Later than five years	1	4	7
	1,112	**946**	**3,739**

22.2 Finance leases

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

	2010-11 *£000*	2009-10 *£000*	2008-09 *£000*
Obligations under finance leases comprise			
Land and buildings: nil			
Other:			
Not later than one year	27	29	845
Later than one year and not later than five years	4	33	96
Later than five years	-	-	-
	31	62	941
Less: interest element	(1)	(4)	(56)
	30	**58**	**885**
The above liability is disclosed under Payables (Note 18) as follows:			
Amounts falling due within one year	25	25	804
Amounts falling due after more than one year	5	33	81
	30	**58**	**885**

23 Commitments under PFI contracts

23.1 Off-balance sheet (SoFP)

Worldwide telecommunications network

The Global Crossing contract was for a term of ten years from 10 May 2000. The Global Crossing contract has been extended to allow for transition to the replacement contract, which is expected to be complete by May 2012. 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 £31.5 million (2009-10 full year £27.0 million).

The replacement contract, run under Project Echo, was awarded to Cable & Wireless Worldwide and signed on 13 September 2010. The replacement contract is designed to eventually provide coverage for 265 government locations worldwide. Implementation is being introduced on a phased basis. Pilot sites switched over to the new service arrangements in March and April 2011. Staged rollout will continue until May 2012.

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.

23.2 On-balance sheet (SoFP)

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 a finance lease obligation.

	2010-11 *£000*	2009-10 *£000*	2008-09 *£000*
Total obligations under on-balance sheet (SoFP) PFI contracts comprises:			
Not later than one year	3,921	3,951	4,080
Later than one year and not later than five years	15,684	15,803	16,319
Later than five years	55,876	60,250	65,277
	75,481	80,004	85,676
Less: interest element	(36,522)	(39,847)	(44,350)
Present Value obligations	**38,959**	**40,157**	**41,326**
The above liability is disclosed under Payables (Note 18) as follows:			
Amounts falling not later than one year	966	903	838
Amounts falling due later than one year and not later than five years	37,993	39,254	40,488
	38,959	**40,157**	**41,326**

The service element of the contract remains an operating cost. In 2010-11 this amounted to £1,834,005 (2009-10: £1,871,948).

Notes to the accounts

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

The total amount charged to the statement of net expenditure in respect of off-balance sheet (SoFP) PFI transactions and the service element of on-balance sheet PFI transactions for the year ended 31 March 2011 was £33,872,000 (2009-10: £28,825,000).

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

	2010-11 *£000*	2009-10 *£000*	2008-09 *£000*
Not later than one year	19,334	31,872	31,259
Later than one year and not later than five years	7,336	24,988	5,036
Later than five years	26,158	28,572	17,957
	52,828	**85,432**	**54,252**

24 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:

	2010-11 *£000*	2009-10 *£000*	2008-09 *£000*
Not later than one year	617	27,204	31,250
Later than one year and not later than five years	1,048	4,513	8,127
Later than five years	-	4	8
	1,665	**31,721**	**39,385**

25 Financial instruments: Indemnities

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.

	1 April 2010 *£000*	Obligation in year *£000*	31 March 2011 *£000*
Indemnities	17,148	25,769	42,916

The significant increase in indemnities during the year reflects additional works loaned to galleries. Of the contingent liabilities at 31 March 2011, the main component relates to works by Gilbert & George exhibited in six European countries between January 2010 and November 2011.

26 Contingent liabilities disclosed under IAS 37

	2010-11 *£000*	2009-10 *£000*	2008-09 *£000*
Potential obligations	47,975	6,716	8,760

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

27 Losses and special payments

	2010-11 *Number*	2010-11 *£000*	2009-10 *Number*	2009-10 *£000*
Losses and special payment total	**159**	**8,779**	**162**	**11,761**
Cash losses	26	3	35	4
Claims abandoned	-	-	1	2
Administrative write-offs	91	1,163	103	632
Fruitless payments and constructive losses	18	2,132	3	10,839
Stores losses	14	17	6	16
Losses total	**149**	**3,315**	**148**	**11,493**
Special payments total	**10**	**5,464**	**14**	**268**

Tripoli Chancery Building Project - Write off £760,738.19

The loss was due to the abandonment of the project to add additional offices to the Chancery Building in Tripoli. The decision to abandon the project was caused by the deterioration of the political situation in Libya, which saw the closing the of the UK Embassy. At this point £463,812.57 in 2010-11 and £296,925.62 in 2009-10 had already be committed in capital expenditure.

New Delhi restack - Building project - Write off £1,021,362.57

This results from the abandonment of a project to refurbish the British High Commission offices in New Delhi which would have allowed the co-location of DFID offices within the building. The refurbishment was abandoned in October 2010 due to escalating costs largely down to increased security requirements. At the time of the decision to abandon, £1.02million had already been committed to the project for design team consultants.

Compensation payments and settlements for 2010-11 amount to £5.5m. Of this total £57,326 relates to an amount for which retrospective Treasury approval was declined. A further £423,122 relates to a claim for which a Provision was created in 2009-10, as disclosed under Note 19.

28 Related party transactions and potential conflicts of interest

The Foreign and Commonwealth Office (FCO) is the parent Department of FCO Services, Wilton Park Executive Agency, the British Council and the following Executive Non Departmental Public Bodies (NDPBs): Westminster Foundation for Democracy, Great British China Centre and Marshall Aid Commemoration Commission. It also sponsors the BBC World Service.

These bodies are regarded as related parties with which the FCO has had transactions during the year. In addition, the FCO has had regular transactions with Partners across Government.

None of the Ministers, Board members, key managerial staff or other related parties has undertaken any material transaction with the FCO during the year. Potential conflicts of interest are listed as follows:

Notes to the accounts

KPMG
Alistair Johnston (non-executive Board member to 31 December 2010), was a Global Vice-Chairman for KPMG. KPMG have provided advisory services for the FCO in the UK and Overseas. The FCO have transacted with three KPMG entities: KPMG Advisory Service PVT LTD at a cost of £16,162; KPMG Fiduciaire at a cost of £3,442,239 and; KPMG LLP at a cost of £3,106,518. Total costs were £6,564,919.

BUPA
Alison Platt (non-executive Board member to 31 December 2010), was the Group Development Director at BUPA. BUPA have provided healthcare to local staff overseas, and medical insurance services totalling £147,677. Ms Platt had no role in the decision to engage BUPA, nor any role in the organisation's proposal or provision of services to the FCO.

REED
Michelle Luck, wife of Keith Luck (Director-General Finance to 12 December 2010) worked at Elsevier, which is a subsidiary of Reed Elsevier. Other subsidiaries include Reed Business Information and Reed Exhibitions. The FCO have transacted with four Reed entities during 2010-11: Reed Specialist Recruitment (cost £93,057); Reed Business LTD (cost £2,995) and Reed Business Information (cost £10,473) and Reed Exhibitions Ltd (cost £525). Total costs were £107,050.

29 Entities within the Departmental accounting boundary

29.1 The entities within the boundary during 2010-11 were:

- Wilton Park Executive Agency - the Annual Report and Accounts of Wilton Park is published separately. See www.wiltonpark.org.uk

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)
- Diplomatic Service Appeals Board (Advisory NDPB)
- Government Hospitality Advisory Committee for the Purchase of Wine (former Advisory NDPB and now an ad hoc advisory committee)
- UK India Round Table (Advisory NDPB)

On 14 October 2010, the Cabinet Office announced proposals arising from their Review of Public Bodies. Of the bodies above, the status of the Foreign Compensation Commission is under review. The Diplomatic Service Appeals Board was disbanded on 28 February 2011 . The Government Hospitality Advisory Committee is no longer an NDPB, now an ad hoc advisory committee.

29.2 Associated entities outside the Departmental accounting boundary

FCO programmes include payments to:

- BBC World Service (Public Corporation)
- British Council (Executive NDPB, charity established by Royal Charter, Public Corporation)
- Great Britain-China Centre (Executive NDPB)
- Marshall Aid Commemoration Commission (Executive NDPB)
- Westminster Foundation for Democracy Limited (Executive NDPB)

With effect from 2011-12, the Great Britain-China Centre, the Marshall Aid Commemoration Commission and the Westminster Foundation for Democracy will be within the FCO Departmental accounting boundary. This change is part of the Treasury Alignment (Clear Line of Sight) project.
See www.hm-treasury.gov.uk/psr_clear_line_of_sight_intro.htm

30 Wilton Park Executive Agency

Wilton Park Executive Agency is consolidated into the FCO Accounts. The outturn is consolidated after eliminating intra-group transactions and notional costs.

	2010-11	2009-10
	£000	*£000*
Operating Income	(4,110)	(4,740)
Staff Costs	2,681	2,652
Other Administration Costs	1,034	988
Net Programme Costs	889	1213
Wilton Park Executive Agency Net Operating Cost	494	113
Less Notional Costs		
External Audit Costs	(20)	(23)
Internal Audit Costs	(16)	(19)
Pay Section Costs	(5)	(5)
FCO Core Funding	1,100	1,125
Additional FCO Funding	404	462
Net Cost to the FCO	1,957	1,653

The FCO also funded Wilton Park for capital expenditure of £355,000 (2009-10 £248,000). Wilton Park has total assets of £2,967,000 and Liabilities of £787,000 consolidated into the FCO accounts.

31 Third-party assets

	2010-11	2009-10	2008-09
	£000	*£000*	*£000*
Funds held by the FCO at 31 March in designated bank accounts for disbursement to individual beneficiaries on behalf of the United Nations Compensation Commission	274	273	276
Overall UNCC liability	274	273	276

32 Events after the reporting date

32.1 Overseas Passport Service

On 1st April 2011 the Overseas Passport Service passed from the Foreign and Commonwealth Office to the Identity and Passport Service (an agency of the Home Office). This encompassed the responsibility for processing and issuing UK passports outside of the UK and was transferred through a 'Machinery of Government' change. From the 1st April 2011 the Overseas Passport Service will be managed by an Overseas Passport Management Unit on behalf of IPS and accountable to them for a transition period lasting a minimum of 12 months and a maximum of 24 months. The costs calculated for providing this service in the Financial Year 2010-11 came to a total of £36,435,000 . The Income relating to Passport Fees taken in that period came to £44,126,000.

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