

**EXPLANATORY MEMORANDUM TO
THE FCO SERVICES TRADING FUND ORDER 2008**

2008 No. 590

1. Introduction

1.1 This explanatory memorandum has been prepared by the Foreign and Commonwealth Office (“the FCO”) and is laid before the House of Commons by Command of Her Majesty.

2. Description

2.1 The FCO Services Trading Fund Order 2008 provides for the establishment from 1 April 2008 of a fund from public money under the Government Trading Funds Act 1973 for the operations of the FCO undertaken by FCO Services.

3. Matters of special interest to the Select Committee on Statutory Instruments

3.1 None.

4. Legislative Background

4.1 The Government Trading Funds Act 1973 enables Ministers to decide that certain services provided by Government Departments may be financed by means of trading funds.

4.2 The operations financed by a trading fund must be managed so that the revenue of the fund consists principally of payments for goods and services and is sufficient to finance the operations concerned.

5. Territorial Extent and Application

5.1 This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights.

6.1 The Secretary of State for Foreign and Commonwealth Affairs has made the following statement regarding Human Rights: “In my view the provisions of the FCO Services Trading Fund Order 2008 are compatible with the Convention.”

7. Policy Background

7.1 The change of status to a trading fund will allow FCO Services to undertake its operations with an independent capital base.

7.2 FCO Services will recover the cost of operations through charges levied for its services, thereby allowing more effective financial and business management

along commercial lines. Trading fund status will negate the need to seek funding from Parliament every year for FCO Services. The financial disciplines imposed by trading fund status will contribute to the overarching government objective of achieving best value for money for the taxpayer.

- 7.3 As a trading fund, FCO Services will be able to offer services to customers outside the FCO, such as other government departments. Additional business income will lead to economies of scale and other benefits for the Foreign and Commonwealth Office and thus ultimately for the taxpayer.
- 7.4 There has been extensive consultation with key stakeholders within and outside the FCO since FCO Services began preparing for this change in September 2005.
- 7.5 In order to consult more widely a public consultation exercise was carried out between July and October 2007 in accordance with Cabinet Office guidelines. The consultation confirmed that a change of status to trading fund will have no significant impact on the public. In total 16 responses to the consultation exercise were received, none of which raised material issues with the move to Trading Fund status. An analysis of the responses has been laid before the House.

8. Impact

- 8.1 An Impact Assessment has been completed and has been laid before the House.

9. Contact

- 9.1 In the first instance questions regarding the Instrument may be put to Mr Martin Garrett at the Foreign and Commonwealth Office on 0207 008 8986 or e- mail Martin.Garrett@fco.gov.uk