

**FCO Services  
Annual Report  
and Accounts 2018/19**

(for the year ended March 2019)

HC 2253



**FCO SERVICES**

Part of the Foreign and Commonwealth Office

**FCO Services**  
**Annual Report**  
**and Accounts 2018/19**  
(for the year ended March 2019)

**FCO Services**  
**Annual Report and Accounts 2018/19**

Presented to Parliament pursuant to section 4(6)  
of the Government Trading Funds Act 1973 as amended  
by the Government Trading Act 1990

Ordered by the House of Commons  
to be printed 18 July 2019

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ISBN 978-1-5286-1439-9

CCS0619438782 07/19

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the APS Group on behalf of the Controller of Her Majesty's Stationery Office

# Overview

The overview section contains forewords by the Minister responsible for FCO Services, the Chair of the Board, the Chief Executive Officer and summary information about the organisation.

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## Foreword by the Rt Hon Dr Andrew Murrison MP

Minister of State

### **It is a great pleasure to introduce Foreign and Commonwealth Office Services' Annual Report and Accounts for 2018/19.**

In what has been a period of high demand for diplomats, both in the UK and overseas, it has been more important than ever that the UK Government overseas remains equipped to deliver a broad variety of outputs across multiple policy areas. In the Foreign and Commonwealth Office, our priorities remain pivoted around three pillars: Protect our People; Project our Influence and Demonstrate Diplomatic Leadership; and Promote our Prosperity. Delivery of key FCO outcomes, and those of our Partners in other Government departments operating overseas, continues to be supported commendably by FCO Services.

I know that the then Foreign Secretary was highly impressed by what he saw when visiting Hanslope Park in May 2018, receiving multiple briefings on FCO Services, including an illuminating introduction to the UK National Authority for Counter-Eavesdropping. He had the opportunity to speak to a broad cross-section of staff, and was very pleased to inaugurate a new facility to support the training of future generations of Technical Support Officers.

Across multiple customer accounts and specialisms, FCO Services remains a vital operational support

service to government around the world, working across Estates and Maintenance, Information Technology, Security, Logistics and Knowledge and Information Management. My ministerial colleague, Mark Field, had the pleasure of joining celebrations of the organisation's many outstanding achievements during 10 years as a Trading Fund of the FCO at a reception in Lancaster House last year. It is always gratifying to know that, while delivering integral services to facilitate the smooth and secure functioning of a global diplomatic platform, FCO Services is also able to share its expertise with other Government departments and other governments, thereby supporting both value for money and our bilateral relationships. Whether it is rapidly installing radomes to protect UK airspace, or supporting our alliances by providing logistics support for other governments on critical projects, FCO Services both advances UK national security and supports our bilateral relationships on a day to day basis.

The advantages of the Trading Fund model, where services are contracted rather than budgeted for within the departmental headcount, have continued to be evident in the financial performance of FCO Services in 2018/19. The £25m dividend to the FCO in 2018/19 was a significant contribution to facilitate the wider goals of the department, and was gratefully received.

Operational preparations for EU Exit are an imperative for FCO Services and the broader diplomatic network. I want to congratulate the organisation for preparing comprehensive implementation plans covering all eventualities, including the welcome measures put in place to ensure continuity of an effective logistics service to EU countries. These plans have provided the wider Government with assurance that, as diplomacy adapts to evolving circumstances, the operations that lie behind our work can rise to the challenge. In 2019/20 we shall seek to further reinforce global partnerships post-EU Exit, and to extend our engagement under Global Britain, including through the opening of new missions overseas. I look forward to the continued accomplishments of FCO Services in making these ambitions a reality.

**The Rt Hon Dr Andrew Murrison MP**  
*Minister of State*



## Foreword by Sir Simon Gass

Chair of the FCO Services Board

### **As Chair of the FCO Services Board, I congratulate Danny Payne and his Executive Team on another excellent year for the Trading Fund. Whilst adapting operational plans to accommodate new contexts, including EU Exit, the organisation has continued to deliver reliable and well-received services to the Foreign and Commonwealth Office, to its wider customer base within the UK Government, and to our allies around the world.**

FCO Services has done so whilst sustaining the efficiencies that it has worked so hard to achieve in recent years. That has allowed the payment of a £25m dividend to our parent department during 2018/19. Balancing the priorities of value for money for our customers with operational sustainability and adequate internal investments is critical for a Trading Fund, and I am pleased that this balance has been managed well as the scale of FCO Services' delivery has grown.

Particular highlights have included rollouts of new technical systems, continued efforts to support the maintenance of the global estate, and different pilots designed to trial innovative ways of operating efficient and quality technical services across the diplomatic platform. These pilots continue to be rolled-out in collaboration with the FCO's Corporate Capability Programme (CCP), and we look forward in 2019/20

to continuing the partnership between the FCO and FCO Services as it enters its next phase.

The Board's deliberations over the past year have been wide-ranging and thorough. Alongside our seven formal meetings, there have been two offsite days, both looking at how to support the implementation of FCO Services' key strategic objectives, and shaping the criteria for the prioritisation of opportunities. Whilst discharging its responsibilities to develop and sign-off the Corporate Plan and the Annual Report and Accounts, and maintaining oversight of the high-level direction of the organisation, the Board has also frequently scrutinised key areas of operational development. These include the further embedding of Health and Safety and Information Assurance processes, the preparation of EU Exit implementation plans, the development and implementation of our Diversity and Inclusion strategy, the progress of CCP pilots, and the further maturation of the organisation's regional hubs.

The Board's two sub-committees, the Audit and Risk Assurance Committee (ARAC) and the Nominations Committee, have offered additional capacity to give assurance in areas not visited in as much detail by the main Board. As Chair of the Nominations Committee I have valued the ability to look in more depth at the development of

senior talent in FCO Services and the drivers of staff engagement in different areas of the organisation. I look forward to the outputs from various action plans being developed in partnership with the Human Resources team.

We were delighted this year to introduce two Non-Executive Directors (Ann Tourle and Bill McCluggage) and two Executive Board Members (Yvonne Laird and Claire Shepherd) to our discussions. They are all very well qualified and are already bringing significant value to our organisation. We also thank Doug Umbers for his tenure as Chief Operating Officer, and recognise Rebecca Brigden and Tony Brotherhood for their contributions as interim executive members of the Board.

Finally, this year I pay particular tribute to Stephen Hawker, who stepped down after over nine years of service as a Non-Executive Director on the Board. Stephen, with his wisdom and deep experience of different aspects of government business, deftly guided the Board through many difficult decisions. His insights for both FCO Services and the FCO will be missed, and we thank him for his service.

**Sir Simon Gass**  
*Chair of the FCO Services Board*



## Foreword by Danny Payne

FCO Services Chief Executive

**FCO Services' 11th year as a Trading Fund has been another challenging but rewarding period. As you will discover in this Report, our financial fundamentals remain strong, and our customers continue to express strong levels of satisfaction with our delivery.**

At the core of our focus remains retaining the trust of the Foreign and Commonwealth Office to deliver services for the diplomatic platform. We have worked hard to sustain this during 2018/19 through strategic partnerships with FCO operations teams and ongoing delivery on their behalf. Of course, this is while we continue to nurture our portfolio of work for wider customers beyond the FCO, including other UK departments and allied governments. We are delivering more than ever, and have nevertheless maintained the efficiencies that we worked hard to attain in the early years of our 'Trusted, Agile, Global' strategy. I look forward to seeing our end-to-end customer experience develop further as we renew our focus on reliability, responsiveness and relationships.

We continue to invest seriously in the engagement of our staff and capabilities. In-step with the FCO, we are working hard to emulate some excellent departmental work that has been done to build an organisation that is more inclusive, with a detailed Diversity and Inclusion strategy being implemented, and a very successful programme of events throughout the year focused on wellbeing. I am also delighted to see the organisational

impact of local engagement plans, which are now embedded across the organisation. I am glad that this emphasis on workplace culture has managed to support improvements to overall engagement scores, as reflected in our ministerial targets.

More broadly, I want to pay tribute to all at FCO Services for remaining resilient to numerous pressures throughout 2018/19, including the need to plan for the different corporate and operational implications of EU Exit, and new demands presented by the expansion of the global estate through Global Britain. I am absolutely delighted that we have been able to recognise these and other contributions through an improved pay award for 2018/19, and through five recent MBE awards for some truly outstanding staff.

Before briefing a new Foreign Secretary in 2018, we welcomed the previous incumbent to Hanslope Park. As well as being, I hope, an enlightening insight into FCO operations for him, I know the visit was also a welcome piece of engagement for our staff and the wider community at the Park. I am often struck when I visit staff overseas that, while our Milton Keynes facilities are geographically separate to King Charles Street, our officers in missions always feel that they are truly part of the diplomatic family, and so the tribute paid by the Foreign Secretary to those who contribute so much from Hanslope Park was a welcome way to reinforce this sense of belonging. As we progress through 2019/20,

while continuing to invest in new approaches to service delivery, there is a broader imperative to ensure that our staff have the tools necessary to keep pace with evolving demand. There are numerous projects in train to catalyse more agile processes, making life easier for those who deliver our services around the world, and I look forward to supporting these efforts come to fruition.

FCO Services has grown in scale and capability over the past few years. While this shows confidence from our customers in our ability to deliver quality support in unique areas of capability, it will always be secondary to the value that we provide, both for the platforms and customers we support, and the taxpayer. The strategic journey underpinning our future direction as an organisation, manifested through exploratory pilots with the FCO's Corporate Capability Programme (CCP), is fundamental to the broader configuration of operational delivery of the diplomatic platform. As we foster new connections across the world, we will remain focused on this core endeavour, and will, I am confident, continue to rise to the challenge.

**Danny Payne**  
FCO Services Chief Executive



# Who We Are and What We Do

FCO Services is an Executive Agency and Trading Fund of the Foreign and Commonwealth Office.

We deliver secure, trusted services to the FCO, to Her Majesty's Government, and to other government customers worldwide, enabling them to meet their operational objectives and fulfil their responsibilities.

Our work directly supports the delivery of government services to the public in the UK and overseas. It underpins diplomacy and policy-making, consular aid, counter terrorism and security, and prosperity.

## Who We Are

The oldest part of FCO Services dates back to 1199, when the King's Messenger Service was created to carry secret information and deliveries for the King. Over 800 years later, the Queen's Messenger Service within FCO Services continues to support the UK with its most important communications and deliveries. The true establishment of our organisation came with the advent of the Second World War, and the creation of a specialist unit of radio technicians. Since then, our scope has continued to grow.

We were established as a Trading Fund by the FCO in 2008 to deliver core services to diplomatic missions around the world. Our highly-skilled staff keep people, property, information and assets safe through a range of secure products and services.

Our Trading Fund status enables us to deliver our service to a variety of government departments, both in the UK and overseas. This means we can work collaboratively and flexibly with our customers, and by innovating and investing in our people we seek to continually offer smart, leading-edge products and services, delivered by specialists.

Our exclusive position, as an Arm's-Length Body in government and a government partner, enables us to support cross-cutting initiatives that realise benefits and efficiencies for our customers, and ultimately for taxpayers.

## What We Do

Our staff operate and deliver worldwide in more than 250 embassies, high commissions and other critical government facilities across 168 countries, delivering local knowledge on a global scale.

We design and build highly-secure government facilities, including diplomatic and military premises, servicing their security, property, digital and logistics needs anywhere in the world.

Our scope of services includes Regional Technical Support Services (RTSS), protective security, estates and construction, secure cloud technology and hosting, communications and monitoring, secure logistics and disposals, diplomatic and ministerial vehicles, and translation and interpreting.

We have a global portfolio of infrastructure, property and security work and our RTSS officers provide technical support whenever FCO Rapid Deployment Teams are sent overseas to support the FCO's crisis management work. We also run the UK National Authority for Counter Eavesdropping (UK NACE), helping protect UK assets from physical, electronic and cyber attack.

## How We Are Organised

We have around 1,100 staff based in the UK at Hanslope Park and King Charles Street, and in our four regional hubs in Washington, Brussels, Pretoria and Bangkok. We work alongside staff at embassies

and missions and other government facilities around the world. Our UK-based teams support these activities.

Our regional structure was created in 2016/17, with each hub headed by a Regional Services Director. The structure is designed to bring us closer to those receiving our service, and enables us to be more responsive, build local supply chains, and tailor services to the needs of each region.

We are the largest supplier to the FCO and a truly global organisation, with around 70% of our products and services delivered to overseas customers. We have two service delivery groups that are revenue-generating areas:

- **Secure Global Services (SGS)** provides and maintains buildings for government staff to live and work in, and the physical and technical security that keeps people, information and assets safe. SGS is comprised of UK-based infrastructure, design and planning teams, including project and technical management. We deploy these teams worldwide to deliver customer services, co-ordinated and managed through our regional hub structure;
- **Global Digital Technology (GDT)** delivers secure digital services to our customers, enabling them to communicate and collaborate securely anywhere in the world. It also comprises UK NACE, and the Sensitivity Review Service, which ensures historic FCO documents released to the National Archives have been appropriately reviewed.

Our business areas are supported by five corporate groups, whose responsibilities include:

- **Business Services:** finance, audit, strategic sourcing, shared services;

- **Human Resources:** people, learning and development, welfare, apprenticeships;
- **Business Development:** business intelligence, customer experience, marketing, Diplomacy 20:20, commercial strategy, contract management;
- **Engineering and Technology:** innovation, product development, standards and quality management, security and health and safety;
- **Chief of Staff** CEO office, corporate communications, corporate projects, business continuity and accommodation.

## What We Aim to Achieve

*FCO Services continues to grow in strength and capability and we have a clear vision for our future, building on our unique partnership with the FCO and our cemented strategy of Trusted, Agile and Global.*

In 2018/19 our strategy has continued to be based on the three core objectives of Win, Invest and Grow.

## Win the trust and mandate of the FCO and one HMG partners to become the operational support service for the Diplomatic Platform:

We are working to demonstrate that we have the capability to deliver more, winning the trust and mandate of the UK Government as the leading support provider for the diplomatic platform.

We are fully-aligned to the FCO, supporting its work to transform the diplomatic platform by improving the delivery of services, making them simpler and easier to use, and ultimately freeing diplomats to concentrate on diplomacy.

We have also aligned the planned, periodical review of our position as an Arm's Length Body with the FCO's timetable, and are looking at the benefits of Trading Fund status versus other possible operating models.

## Invest in our people, our ways of working and our tools to become a world class government-owned business:

Our people are our greatest asset. We recruit and develop talented, qualified professionals and we provide a wide range of opportunities and development through our well-respected apprenticeship programmes. We continue to invest in our people and in the tools and processes we use to deliver our business, to further develop an agile, creative and expert workforce.

We have also invested in business development, innovation, and customer-facing teams to ensure we have a balanced and positive pipeline of future opportunities. Our key principles of service are speed and agility, global reach, value for money, customer service and security. We are committed to constant improvement and modernisation, driving out waste and cost, and ensuring we anticipate changes to technology, customer expectations, and the nature of security risks and threats.

## Grow FCO Services into a £200m Global business, by providing excellent customer service and demonstrating value and agility:

We aim to grow FCO Services into a £200m global organisation, increasing our business from existing and new customers by providing excellent customer service and demonstrating value and agility.

### Our Ambition

To be the world-class provider of operational support services across the globe

### Our Purpose

To deliver trusted, agile, global services to the FCO and other government customers

# Performance Analysis

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# Performance Analysis

## Summary

In the second year of the implementation of our Corporate Plan we retained our focus on becoming a Trusted, Agile and Global delivery organisation, enhancing our capabilities to deliver high-quality property, security, IT and logistics worldwide, at short notice, even in the most challenging locations. In summary, 2018/19 has been a good year for FCO Services. Finances are strong and, whilst we recognise the high level of uncertainty ahead, the pipeline for next year looks healthy and our operational performance remains positive. Wider market business development is now a key focus going into the next financial year.

New work with our principle customer, the FCO, has focussed on the delivery of the Corporate Capability Programme (CCP), part of the Diplomacy 20:20 agenda. We have played a significant role in the scoping and delivery of a number of subscription services and new contracts. The highlight of this has been a new Managed Service Agreement and two pilot projects in South Africa and Asia Pacific. Our approach to these projects and the evolving partnership will see us deliver an additional 20 pilots across Africa, the Middle East and India. CCP 'test and learn pilots' are progressing as we develop initiatives that create cost savings from deduplication. Alongside CCP, we have also been central to the delivery of the FCO's Global Britain uplift.

There are risks to the achievement of our KPIs and corporate objectives, which are being proactively managed through the process referenced in the Corporate Governance Statement. The conversion of opportunities, operational and supply chain management and workforce retention and wellbeing are all critical to our success and are being meticulously controlled. There is an operational requirement to plan for the UK's exit from the European

Union. Through a programme being led by an FCO Services Executive Director as Senior Risk Owner, our planning and preparations are well advanced. We have accelerated the delivery of our strategy to create a European Logistics Hub. With this new supply chain capability, we are ready to ensure continuity of service standards.

Ongoing focus on our capabilities continues to ensure that we are not only able to meet all immediate requirements, but that we are also ready to deliver quality services in the future. We have completed a detailed analysis which will inform a project to improve the effectiveness and efficiency of our core business process.

Our commercial strategy defines the approach the organisation takes to build relationships with our existing clients and develop fruitful relationships with new ones. Through our use of robust account management and playing to the strengths that make our organisation unique, other government departments are already seeing the potential benefit in partnering with us for both guidance and solutions.

Our workforce continues to be central to all of our successes. The approval of our pay flexibility business case and the planned implementation of a new skills-based pay structure, designed around job families and clear career progression, will have a positive impact on staff recruitment and retention. Our enviable apprenticeship schemes have contributed to the creation of a solid pipeline of skilled staff. Our focussed approach to leadership development and core skills training means that our staff capability and ability continues to grow.

At the end of the reporting period 40% of Board members are now women, which is a significant advancement on previous Board composition, and should allow for more inclusive and balanced discussions. Across our organisation, there has been a real step-change in the visibility of our Diversity and Inclusion agenda, with resource groups established across different minority areas, supported by Executive Board champions. We are encouraging more of the ideas that these groups come up with on how to create a more inclusive workspace that can attract and retain the very best talent.



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# Our Global Reach

# Focus On: The Middle East and Africa



**The Middle East and Africa (MEA) team has been focussed on building its regional delivery capability. This has allowed us to ensure continued high quality core operational delivery and also demonstrate to our customers that we can build and maintain new in-region solutions.**

This direction of growth has been both part of the long term strategic regional model and utterly essential in MEA due to the diversity of the regional environments, covering not only the high profile locations of the Gulf States but hostile environments as well.

The success of this local capability has been demonstrated in a number of key areas. During the last year our hardworking and dedicated team delivered 133 projects in 53 countries, across two continents, alongside routine work.

The Regional Technical Support Service (RTSS) network, in partnership with UK project teams, has been integral to the successful delivery of a number of high priority projects across the region. This partnership working has been incorporated into the everyday operational delivery activity of the team with great success, and has allowed us to drive efficiencies through the region and for the wider organisation.

As the FCO has expanded its overseas network adding new posts worldwide, the MEA project delivery team has developed strategic partnerships with in-region suppliers. This innovative approach allows us to further establish the region's delivery capability, building our reputation as a trusted and agile supplier to Government.

In our support of the FCO's Corporate Capability Programme (CCP) the team has worked closely with FCO colleagues to assist them in shaping the future platform. This has seen activity take place across the Southern Africa Network and five locations across the Gulf.

The MEA team has taken responsibility for CCP Estates pilot delivery across the globe, stretching our work to locations further afield, including in New Delhi and Brasilia where the pilots have demonstrated our ability to deliver differently for the FCO whilst working in partnership to shape the future of the platform, and service provision as a whole.

**Jonathan Pilling,**  
*Regional Director, Middle East and Africa*

# Our Global Reach

- FCO Services Post
- ⊙ Regional Hub



# Focus On: Europe and Central Asia



**2018/19 represents our region's first full financial year of operation and we are delighted to have met, or exceeded, all our targets, supporting Her Majesty's Government (HMG), and our global partners to maximise their diplomatic outcomes.**

We have met 100% of our Key Performance Indicators (KPIs) and exceeded our Customer Satisfaction targets in delivering core Service Level Agreements (SLAs) for the FCO and overseas platform. The team have worked hard to support and deliver a broad range of centrally-led programmes for the FCO, with over 3000 hours of regional staff time, delivering significant efficiencies resulting in central technical resource being deployed on other priorities.

We delivered in excess of 80 projects for customers across the region, offering expertise and high-quality service across a broad range of disciplines and locations.

This strong foundation allows us to build a sustainable partnership for the future based on a growing track record of trusted delivery.

We have built a range of new relationships with non-UK global partners across the region, delivering a number of important projects for these customers and building strong relationships and a diversified pipeline of future business.

The region has seen a range of challenges during the year and the team has stepped up on every occasion to support customers and ensure the platform continues to deliver our objectives. Our role in EU Exit preparations has been a key focus [read more on page 34].

Our response to the expulsion of diplomatic staff from the British Embassy in Moscow has been a crucial stand-out project. Following the event in March 2018, we reached out to our staff, Post and the lead FCO departments

to establish the full impact of the Russian measures. Several colleagues in Moscow were included in the expulsions, and new visa applications were initially frozen. We worked quickly and creatively to put in place strategies to maintain the core functions we provide to keep HMG people, information and assets safe at Post.

We made a strong commitment to support team members who were affected, those who remained at Post and those team members and their families, who returned to the UK.

Our pace and attention to detail in implementing innovative short and medium-term contingency plans has been recognised by Post and the FCO.

**Fraser Addiscott,**  
*Regional Director, Europe and Central Asia*

# Our Global Reach

# Focus On: Asia Pacific



**Asia-Pacific was the first region established by FCO Services and continues to go from strength to strength. During the last year we have built a new supply chain to improve responsiveness and reduce costs. Upgrading our process has enabled us to make improvements to British Embassies and High Commissions across the region. Other projects include a major pilot trialling a new way of working worldwide, and acting as lead region for FCO Services in the establishment of 12 new FCO posts.**

Our body of Regional Technical Support Service (RTSS) officers and Technical Works Officers (TWO) continue to provide an exemplary service to our customers in the Asia-Pacific region, helping to keep the UK government's people and properties safe and secure while allowing our diplomats to focus on front-line activity. All Key Performance Indicators (KPIs) have been met, and customer

satisfaction targets exceeded, with praise given for our professional expertise and contribution.

Basing our staff overseas has enabled more cost-effective delivery for our customers and a quicker response to local needs.

Highlights this year include two major global communications rollouts. The region has supported the FCO's Corporate Capability Programme (CCP) by running a highly successful IT pilot project, providing line management for FCO IT Support Officers. The pilot has been extended and we are now working with the wider FCO to define how this will take shape in the future.

Five-Eyes partners Australia and New Zealand are covered by the Asia-Pacific region, and our relationship with these respective governments is a priority for the regional hub in Bangkok. This is managed by the Regional Development Manager, who

acts as Account Manager for both governments, developing a strong partnership that continues to grow. Collaboration has included technical security expertise, project management of building works, a number of assignments in challenging locations and the global delivery of Accompanied Diplomatic Bags.

Our footprint and infrastructure – delivering in difficult locations using staff who are security-cleared to the highest levels – remains our biggest advantage.

**Evan Jones,**  
*Regional Director, Asia-Pacific*

# Our Global Reach

# Focus On: The Americas



**The Americas Region has proudly built on the successes of last year and has upheld the promise to do more and do it better for our FCO colleagues.**

Our professional approach to problem solving, coupled with our political awareness of regional issues, has enabled us to lead the way in devising, delivering and providing a comprehensive emergency communication system for the Dependent Territories in advance of the Hurricane Season. Hurricane Irma was devastating and the purpose of this project was to make sure our Governors have appropriate and robust communications equipment in the event of future hurricanes.

We didn't work alone of course; this was a real collaborative effort across the whole of our organisation and the FCO. We achieve so much when we work closely together to deliver a common output. Read more about our hurricane preparations in

the Cayman Islands on page 36. We are delighted that our approach to collective responsibility has been adopted so well. The entire team has a common focus and a drive to improve and succeed. Our staff engagement scores have increased significantly and so has our output. Our teams have found innovative ways to improve the delivery of services and projects, identifying efficiencies whilst improving our health and safety approach.

The dedication of the teams has meant that large projects such as our new platform for storing and communicating at higher classification, and the 11 new posts for the Region, has moved forward at pace, saving quantifiable sums of money and ensuring progress is continually being made. Feedback from our customers demonstrates that we are trusted to provide expert, practical advice. We resolve problems, improve the working environment and offer innovative and creative solutions.

Our relationship with Canada continues to move from strength to strength. In addition to the traditional project management we deliver, we are now part of their strategic planning and consultation, offering professional guidance and advice. Global Affairs Canada (GAC) has recently subscribed to our service for the movement of goods across their network, utilising the expertise, experience and dedication of our Logistics team.

We've raised the bar, and we intend to keep doing so.

**Andrew Bedforth,**  
*Regional Director, the Americas*



# Supporting the Overseas Platform

*We have extended our reach across the global network. Last year we increased the support we offer to the FCO and HMG in running the overseas platform, providing operational support services to provide a world-class platform from which diplomacy and government business can be delivered.*

Working on the global estate brings with it obstacles and privileges in equal measure. We are proud to work in some challenging environments where operational achievements can be highly rewarding, keeping people, information and assets safe on behalf of HMG.

The FCO's estate is as varied in character as the people who work on it. Our regional hubs in Washington, Brussels, Pretoria and Bangkok are now fully embedded, providing us with more opportunities to respond to our customers' needs locally with the right skills and people, along with value for money services. Our teams also deploy both in rapid response situations and when FCO needs us on planned global projects.

The excellence of our Logistics service continues to be recognised by foreign friendly governments, and our experts have been at the forefront planning for the UK's EU Exit.

Our core strength continues to be aligning with our customers to help them realise what they need before they've thought of it. Our teams' excellence has been recognised through the many staff and external awards won by our Secure Global Services (SGS) teams for their responsiveness, delivery and expert project management skills.

Our internal governance, planning and project management systems have gone from strength to strength this year, with the move to Projects online and Salesforce tools now fully-embedded across the business to enable us to keep bureaucracy to a minimum and as efficient as possible.

## Global Maintenance Programme

The 2018/2019 Global Maintenance Programme saw the successful implementation of an estates investment programme improving health and safety compliance across the FCO platform to the highest standard.

The far reaching programme involved more than 600 improvements across 75 posts. A key area of improvement and focus was on electrical and fire safety in not only offices, but residences and owned residential properties too.

£15.5 million has been invested in the estate, which includes planning and design works to continue the programme into the next financial year. FCO Services deployed a core project team of ten people to facilitate the works, engaged a further 35 professional services and procurement staff, and contracted over 50 suppliers internationally to ensure swift delivery. Senior civil servants overseas keen

to advance the working conditions of staff abroad kept a close eye on the project. Our dedicated team who worked hard to deliver the improvements across the globe were met with much gratitude. As a result of this year's achievements the FCO intends to grow the programme in 2019/2020 to obtain further positive outcomes and benefits for the overseas platform and those who work there.

## Seismic Strengthening

FCO Estates and Security Directorate (ESD) commissioned FCO Services to lead on the provision of its Global Seismic Programme. Through the deployment of a dedicated multidisciplinary seismic team we are successfully providing:

- Programme Planning and Project Management
- Building Compliance Assessments
- Design Development with Engineering Assurance
- Construction Procurement and Delivery
- Seismic Guidance
- Property Acquisition Advice

The Global Seismic Programme continues to progress with a £10.5 million spend administered and delivered by FCO Services during this financial year. At the end of this period 26 of the total 107 identified buildings have successfully been structurally retrofitted to a 'life safe' compliance standard. This represents 24% of the seismically-at-risk properties across the FCO global estate. Assessments and design developments have commenced for the remaining prioritised seismically non-compliant properties.

Notable projects have included the residences in Manila, featured in last year's annual report, Kingston, and Beirut, and the Belgrade Embassy Estate whilst challenging design developments have commenced for

the high profile Athens residence, and Rome Embassy office. (Read more about the Belgrade Embassy Estate on page 29).

## Modernising our Delivery Fleet

Much of our Accompanied Diplomatic Bag Service in Europe is transported by road. Delivery options for embassies vary from location to location.

This year we have made improvements to our loading methodology, making the process easier, safer and more efficient. This has included the arrival of a custom-

made trailer with fully retractable sides. The new trailer is both longer and wider than the current fleet, and the trailer specification also allows us to transport larger loads in excess of 2,000 kg and dimensions of more than three metres in length and width. The first delivery using the new trailer was a full sized airport x-ray machine, an item we previously had to transport by air or send dismantled to be put together upon arrival.

The new loading methodology also means that the whole delivery requires little to no manual handling. This not only makes loading and unloading faster but also reduces the risk of injury to the loading teams and drivers.





## Mayhew Theatre

In August 2018 we were commissioned to project manage construction of a 100-seater lecture theatre for the Diplomatic Academy based at the FCO's offices in King Charles Street (KCS), London.

The scope was to deliver a complex steel frame structure built on four existing columns, and install it within an isolated courtyard. During the planning process, the construction team also had to take into account

conservation restrictions and noise management to minimise impact on the adjacent occupied offices.

Our team completed a trial build of the steel frame off site which was then transported to KCS where the pieces were welded together. These pieces were then lifted in sections into the final location by a mobile tower crane, weighing 150 tonnes. The crane itself took five hours to build and was used by the build team across four weekends, requiring the building to be closed.

Working closely with the building contractor, design team and the Health and Safety Advisor, we successfully delivered a state of the art learning and development facility, to benefit the Diplomatic Academy and the wider FCO community.

The new theatre is named after Cicely Mayhew, the second woman to work for the Foreign Office and its first female overseas diplomat. The official opening of the theatre was performed by H.R.H. Prince William, Duke of Cambridge in March 2019.



Case Study  
Boost for British Embassy  
in Belgrade

A key role played by our Professional Services Centre (PSC) is to carry out seismic survey and structural strengthening work to FCO embassies worldwide.

A seismic survey carried out at the British Embassy in Belgrade, identified the need for a retrofit to strengthen and support the buildings.

A scope of works was drafted in the aftermath of the survey including new road surfacing, removal of partition walls, new foundations, internal strengthening, and demolishing and rebuilding the garages. Once completed, these works would secure the site and make it safe in the event of seismic activity.

Part of the work included demolishing and rebuilding the retaining wall between the embassy and the neighbouring kindergarten, which had, over time, deteriorated.

Work at the Embassy began in June 2018 and included the replacement of the crumbling brick wall with a reinforced concrete wall that would both protect the embassy and crucially the neighbouring kindergarten in a seismic event.

Additional works carried out included a replacement soft-landscaped area for the kindergarten, refitting embassy toilets and other external works. During the construction period, extra care was taken to ensure minimum disruption to the kindergarten next door and surrounding properties.

The FCO's Corporate Services Manager and our Clerk of Works, worked closely with the kindergarten to agree a two hour period of 'no works' each day to allow for the children's nap time.

On visiting the Embassy, Danny Payne, CEO, FCO Services, said, "Credit for this complex project must go to our dedicated team who overcame several challenges during the course of the project. Additional hurdles included the use of translators as very little English

was spoken by staff at the kindergarten and navigating unexpected road works outside the embassy which occurred with little notice and affected the ability to get construction equipment to site. This demonstrates our team's ability to complete a challenging project and deliver at pace on time and to budget with minimum disruption to a busy working embassy."

Staff at the embassy and in FCO's Estates and Security Directorate are delighted with the results of this complicated project, expertly managed in a safe and efficient way.



"The FCO Services' Project Manager and Site Control Officer were brilliant and worked hard, even during weekends, to make sure the project was delivered on time. We are also grateful for the support we received from the FCO Services' team in the UK."

Corporate Services Manager, FCO

<b>Project:</b>	Structural retrofit for Belgrade Embassy Estate
<b>Customer:</b>	FCO
<b>Location:</b>	Belgrade, Europe



# Enabling Diplomacy

# Enabling Diplomacy

A key aim is to increase our abilities to respond to the needs of our owner and main customer whenever and wherever they need us, offering the skills, resilience and agility to ensure they can deliver their core business of diplomacy.

## Maintaining the Global Estate

Our Technical Works Officers (TWOs) are located around the global estate. They come from a range of professional disciplines including mechanical and electrical engineers, environmental and health and safety specialists. TWOs carry out vital health and safety compliance reporting, helping the UK Government to stay safe overseas.

Regional Technical Support Service (RTSS) officers continue to assist Posts across the network, enabling our customers to focus on front line tasks. In addition to

the subscription services provided to the UK Government overseas (including technical security, complex ICT support, perimeter security and the Accompanied Diplomatic Bag Service) our local teams have also provided emergency response support to the FCO.

## Delivering Managed WiFi Overseas

In 2016, as part of the Tech Overhaul Programme, we began to deliver an advanced secure WiFi system on behalf of the FCO, across the globe. We have now successfully completed installations

at 61 Posts, as well as across the entire UK estate including King Charles Street, Lancaster House, Carlton Gardens, Northgate House and Hanslope Park.

The project involved laying over 67km of cable and enabling communications for more than 4,000 staff, whilst ensuring the security and integrity of our data. Our advanced secure WiFi system allows staff to connect seamlessly across the global estate, supporting and improving flexible mobile working; allowing connectivity for workshops and conferences and increasing collaborative working, all in line with Knowledge and Technology Directorate's (KTD) #worksmarter principle.



## Tech Overhaul Update

We continued to support the FCO's Knowledge and Technology Directorate (KTD) by delivering a 12-month major IT deployment project across the globe in 223 offices and missions. As an organisation, we prepared and cleansed huge amounts of data ready for the migration from ageing UK and global servers, to modern cloud-based hosting and the introduction of Office 365.

'Tech Overhaul' users have benefitted from new, faster and more reliable systems - allowing them to become digital by default and offering more flexible ways of working.

The project varied between the largest single deployment in New Delhi, with over 500 devices deployed in two weeks, and Bilbao, which took under two hours to complete.

An earthquake in Mexico posed one of the greatest challenges, leading one of the deployment team to comment: "We visited Mexico City much earlier than planned; to help those users affected by the earthquake do their jobs - by issuing modern technology that allowed them to work flexibly."

Our Programme Manager reflected on the project: "Our busiest time was in January 2018, where the team had to work collaboratively to ensure the delivery and installation of Brussels, Sydney, Washington and two other UK missions simultaneously. The technical resource teams were able to flex to support us, meaning at one point we had 29 installers working across all four regions. It's fair to say that we've had to deal with a number of technical, security and logistical challenges to be expected in such



a global deployment. Despite all the challenges, we were able to get the job done whilst achieving excellent levels of customer satisfaction."

We deployed around 15,000 devices, with the final deployment taking place in Hanoi in September 2018. Embassy staff and our FCO customers commended us for our professional service and

support to ensure the secure transportation and efficient installation of kit at each post.

Following this major transformation activity, we continue to support and provide services on our collaborative projects, ensuring KTD's commitment to its users and customers remained fully achievable.

"Tech Overhaul was an excellent rollout by FCO Services. Each member was professional, courteous and knew their role. They all went the extra mile to accommodate last minute schedule changes. They were basically a great team of hard working individuals who did an excellent job. They really added to the success of the rollout at the Embassy. Well done to all involved."

**British Embassy, Paris.**

### Diplomacy 20:20 and the Corporate Capability Programme

We support the FCO's Diplomacy 20:20 agenda. As part of this agenda, the Corporate Capability Programme (CCP) has been working to streamline and enhance corporate delivery from London, through hubs out to post. The Programme objectives are to:

- Save time for front-line activity;
- Deliver value for money;
- Improve quality of service; and
- Reinforce the One HMG nature of the platform

To date, the Programme has adopted a methodical, evidence-based approach to ensuring

that any changes delivered are robust, sustainable and avoid unintended consequences. In practice this has meant an approach of testing and learning through pilots has been adopted, before implementing any larger-scale change. Over the last 12 months, the Business Development team has been leading our collaboration with CCP. We have scoped and delivered a number of new services and pilot projects across the globe, in the field of Estates & Maintenance and IT support.

### Planning for the UK's Exit from the European Union

Over the last 12 months, we have been working closely with the FCO

to undertake detailed planning in preparation for the UK's exit from the EU. We developed a robust operational delivery plan for the governance and management of our response to any EU Exit-related impacts. This will ensure continued smooth operational delivery of our services, as well as robust support for all our staff based in EU countries.

We have, for example, planned for ongoing distribution by road in the event of travel disruptions by basing logistics coordinators permanently at an EU Hub. Our planning also included a reprioritisation of staff to deliver adequate mission-critical support under any exit scenario. Our resource plans remain ready to support missions in the EU despite the changing timescales for the UK's departure.



## Focus On: Life at Post



Nairobi is the regional hub for East Africa. Working out of the regional hub means that we travel to posts across the region delivering critical services.

Being based permanently in the region helps in properly understanding local culture and methods, and building a solid network of contacts to help us get the job done efficiently. It is important to build a rapport with everyone, from our fantastic British High Commission drivers and IT Support Officers, to airport security guards, Heads of Cargo and Customs, baggage handlers and airline flight attendants.

Being 'in-country' also helps us understand the challenges faced on the ground, and allows us to factor those in. As an example Nairobi's roads are extremely busy at certain times of the day, and getting to the airport can take anything from 15 minutes to 3 hours.

Power cuts and government and airport authority requirements all impact on our work, alongside dust that can damage IT equipment and the obvious challenges that come with working in a hot and humid climate.

Nairobi itself is a vibrant, fun and dynamic city with great places to eat and drink. Kenya is also beautiful, with one of Africa's tallest peaks and an amazing coastline.

The most obvious benefit of having staff based regionally is that, as all the work we do is focussed on supporting the FCO to achieve its core objectives, we are right here to hand when physical help, from large problems to lesser ones is required.

**Technical Support Officer,  
Nairobi**

## Queen's Messengers

The Queen's Messenger Service is one of the most experienced and respected courier services in the world. It is responsible for the secure and effective delivery of the UK's classified diplomatic material around the world. The Queen's Messengers escort Accompanied Diplomatic Bags to posts globally, and ensure their safe arrival.

The rich history of the Queen's Messenger Service is over 800 years old, and whilst the modes of transport have changed, its core work has not. Today, the Queen's Messengers sit within and work closely with the Logistics team, to provide an efficient and safe Diplomatic Bag Service.

The Logistics team continue to work with Friendly Foreign Governments, providing mutual logistics support and fulfilling the needs of diplomats worldwide. The work of the Queen's Messengers is exemplified in the roll-out of IT equipment for the Australian Government in 2018. This close working relationship included supporting the Australian Government to deliver IT equipment to over 100 of their posts around the world. The Accompanied Diplomatic Bag Service, delivered by the Queen's Messengers, played a crucial role in the success of this project.

**Case Study**  
Supporting the Cayman Islands  
in Hurricane Season



Hurricanes in the Caribbean are a seasonal issue, with communications to and from the UK and other countries disrupted during these disasters.

Having been involved in the rapid response during the 2017 hurricane crisis involving Hurricanes Maria and Irma, our Secure Global Services (SGS) team were well aware of the limitations and challenges of the satellite communications equipment. Due to slow connection times and the complexity of set-up the kit wasn't fit for purpose.

Following these challenges the FCO contacted us for advice on how to better prepare for the 2018 hurricane season, which usually starts around July.

Using our knowledge, experience and expertise, we recommended provision of dedicated Expeditionary Diplomacy Kits to the Caribbean Overseas Territories to ensure all islands would have professional communication capabilities immediately available after any event.

Once given the go-ahead, the primary consideration was for the satellite communications equipment to be lightweight, robust and portable as well as easy to set-up and deploy.

We carefully selected equipment which fulfilled these criteria, weighing around 29 kg and supplied in two cases that are easy to carry-on to an aircraft. The equipment is configured specifically to access a secure, high-speed broadband satellite network. Most importantly, the user-friendly design allows operators with limited experience to access the satellite service within minutes. Once the equipment was procured we delivered training to our Regional Technical Support Service (RTSS) team based in America on how to use the satellite communications equipment. In the case of emergency this team would be deployed first to the Cayman Islands to provide technical support and restore communications to the UK and other countries.

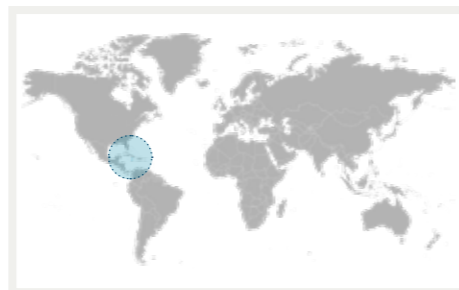
Next, a UK team was deployed to the Cayman Islands to train the FCO staff at post. Training was delivered at the Governor's Office in Anguilla, Grand Turk, Montserrat, Grand Cayman and Tortola.

Our RTSS Technical Lead said, "Hurricanes in this region are an annual seasonal issue that we will have to deal with, therefore investment now in dedicated kits ensures that all Islands (not just one) are able to have professional communications capabilities immediately available

after any event. The successful delivery of this project means that next time there is a crisis to hit the Cayman Islands communication can be set up quickly and easily by non-technical staff at post in order to support any relief efforts necessary."

"This helps to ensure that agencies in the UK and the region are able to coordinate with government teams on the ground and provide essential relief if necessary."

**Matthew Forbes,**  
Head of Governor's  
Office, Cayman Islands



<b>Project:</b>	Disaster Preparations
<b>Customer:</b>	FCO
<b>Location:</b>	Cayman Islands

**Case Study**  
SS Mendi - A Safe Pair of  
Hands for WW1 Relic



In 2018, FCO Services' Logistics teams played a vital part in the repatriation of a World War One relic which was involved in one of the twentieth century's worst maritime disasters over one hundred years ago.

The SS Mendi was chartered by the British Government as a troop carrier and set sail from Portsmouth on 21 February 1917 destined for France. Along with the crew, the ship was carrying members of the South African Native Labour Contingent (SANLC) to serve alongside many other British Empire forces on the Western Front. During the early hours of the morning and just a few miles off the coast of the Isle of Wight, the cargo ship SS Darro collided with the Mendi in dense fog. The Darro survived the collision however the Mendi sunk resulting in the loss of 607 black troops of the SANLC along with 9 of their fellow white countrymen and all 33 crew members.

The wreck of the Mendi was identified by divers decades later but the brass bell from the ship was never found. Last year the bell was anonymously handed in by a member of the public to a journalist.

Over the years the account of the Mendi has become a symbol of racial injustice in South Africa where annual Mendi Day commemorations were discouraged by white-led governments.

Once found, the British Government set about making arrangements for the bell to be returned to the South African people by Prime Minister Theresa May at an official ceremony in Cape Town.

In August 2018 we, along with our delivery partners, took on the responsibility to oversee the safe and secure transportation of the bell from Britain to South African soil.

The bell was accompanied by a Royal Naval Officer from the Southampton Sea City Museum to Hanslope Park on 7 August. From there, Logistics Goods In and Logistics Dispatch teams took over and made preparation for its onward journey by air freight to South Africa using our secure Diplomatic Bag service.

Two days later the bell was handed to the Defence Adviser at the British High Commission in Pretoria who was organising the handover event.

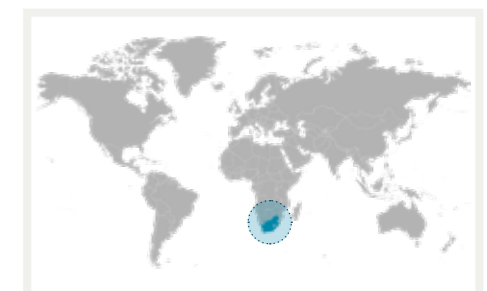
"The handover has generated a great deal of positive comment and reflection in the South African press and has considerably assisted our Defence Section's access and influence in the country as well as that of our FCO colleagues."

**Major General Giles Hill CBE**  
Assistant Chief of  
Defence Staff, MOD

Our Head of Supply Chain said, "This was a whole team effort requiring a great deal of preparation and work around the logistics due to the size of the bell which weighed around 39kg. We had to liaise with several organisations regarding the movement, tracking and paperwork for the shipment as the date of the official handover ceremony crept ever closer."

Following the successful delivery and handover of the ship's bell, Assistant Chief of Defence Staff at the Ministry of Defence, Major General Giles Hill CBE, praised the "patience, wise counsel and hard work" of FCO Services' teams "in the final journey of a significant piece of South African history."

Upon receiving the bell from the British Prime Minister, President Cyril Ramaphosa said, "The gift of this bell is like returning their souls (those who perished) to the land of their birth."



<b>Project:</b>	Logistics Support
<b>Customer:</b>	MOD
<b>Location:</b>	Pretoria, South Africa



# Working Together Across Government

# Working Together Across Government

By ensuring our strategic objectives are aligned with those of the FCO and other government customers, we have optimised opportunities for collaboration to add value and reduce cost.

## Delivering Innovative Digital Capability in Support of FCO Diplomacy and HMG Worldwide

Our Global Digital Technology (GDT) division continues to innovate, develop and grow business across the UK National Authority for Counter Eavesdropping (UK NACE), the IT Business and the Sensitivity Reviewer Service (SRS), delivering essential services for the FCO and for HMG partners on the global platform. GDT provides core functions for FCO Services in the form of the Office of the Senior Information Risk Owner (SIRO) and Internal IT.

There are strong technology, digital and information synergies across the three lines of business and the two internal functions that allow GDT to deliver cohesive and comprehensive services to both external and internal customers. We are data driven and customer led.

Across GDT we have driven improvement through targeted organisational change to underpin our efficiency targets and to enhance our delivery capabilities. Three pivotal programmes of activity are underway: NACE 2.0 will deliver a revised operating model for UK NACE including a reframed National

Technical Authority capability with new funding arrangements. Our IT Business will introduce a new operating model based on tightly focused customer teams and will introduce a Government Cloud Manager Service. The SRS will grow the digital sensitivity review team as an Initial Operating Capability to process digital records.

GDT will operate under three strategic themes that span the IT Business, UK NACE and SRS. We will also use these themes to guide the work of Internal IT and the Office of the SIRO.

**New Digital Capabilities** – secure big data and information analysis.

**Professional Services** – project and technical consultancy including managing cloud services for HMG customers.

**Specialist IT Infrastructure** – using our existing Government Secure Applications Environment (GSAE), at Tier1 (Official) and Tier 2 (Secret), and adding new technology capabilities (e.g. Azure Stack).

Working with our Engineering and Technology Directorate (ETD) we will innovate around our core IT products, both on-premise and cloud based, we will build our leading edge Digital Sensitivity Review capability and derive further services from its core capabilities, we will also continue to innovate our world class

in-place monitoring technologies.

Maintaining certification against ISO27000 (Security), ISO20000 (Service Management), ISO9000 (Quality) and Cyber Essentials Plus for our GSAE will underpin delivery for both internal and external customers. We will maintain and develop our positive relationships with Government Digital Service (GDS) and the Cabinet Office across a range of activities including; supply of digital services to the UK Government, development of a leading edge Digital Sensitivity Review Service and supporting UK government security through the cluster model, using the offices of NACE and its expanded National Technical Authority function.

## Adoption of the GDS Service Standard & Digital Data and Technology

Following the merge between the Global Digital Technology (GDT) IT Business Team and Operations, our new GDT Operations team was formed and this year we have embarked on an Agile Transformation to better align our IT teams to the GDS Service Standard. Our aim is to adopt customer-centric, agile ways of working, to enable us to iterate and continuously improve the service we provide our



customers. We are also adopting the Digital Data and Technology (DDaT) capability framework to help us develop communities of practice across professions and also to bring consistency to our job roles and our approach to specialist skills.

To implement this transformation, GDT Operations has introduced a Target Operating Model and although we are still in the early stages of the model, the commitment to operating in a new and dynamic way has been well received by the team. Our teams were spread across the office, so in April this year we setup and co-located new customer teams as well as new product & service teams allowing us to speed up and improve collaboration. Our GDT Operations colleagues are

now working in seven different teams focussed on either customer relationships or on the development of services. To support this we've reviewed all the services we currently offer our customers, updated them and added new services, all soon to be advertised on GCloud.

In the process of adopting the DDaT capability framework we are reviewing all the roles we need in order to deliver our services, and will soon setup new DDaT roles (such as Service Owner and Product Manager). Alongside these new roles, we have started setting up agile processes and begun introducing agile techniques to some of our teams which we will extend to other teams through the year. Our Target Operating Model will allow

for a consistent, cross-government approach and importantly enable us to iterate and improve the services we offer customers. Our aim is to adopt customer-centric, agile ways of working.

## Correspondence from the Public

In 2018/19 we received 24 Freedom of Information (FOI) and 11 Subject Access Requests (SAR) under the Data Protection Act. Four of the SAR's were under Data Protection Act 1998 and seven were under GDPR 2018. There was one internal review for 2018/19.

## Project Tartarus

In February 2018, immediately following the early completion of the radome delivery at Remote Radar Head (RRH) Saxa Vord, FCO Services was further engaged by the Royal Air Force (RAF) to continue to provide consultancy project and contract management services for the second, 'Full Operating Capability' (FOC) phase. This nine month programme took place between April 2018 and January 2019.

The project sought to develop a new concept for UK Air Defence Radar sites by designing, constructing and fully securing a remotely monitored Air Defence Radar site footprint at Saxa Vord, the first of its kind for the RAF and Ministry of Defence (MoD) on UK soil. Part of the project involved transporting a vital piece

of air defence equipment, known as a Large Vertical Aperture (LVA) from the manufacturer in Spain to the Shetlands. The LVA, measuring 7m wide and weighing nearly half a tonne, took five days for the team to transport by road and ferry including from Aberdeen to Lerwick, and then two inter-island ferries to Unst. Cross-government and private sector teams, including several Shetland-based businesses, worked together tirelessly to deliver a new, modern, high tech facility at one of the most remote, cold and windy places in the UK. Soil conditions and terrains were challenging, unknown underground legacy works brought complications, weather was unpredictable, logistics were complex and both timelines and budgets were tight. Security and safety of the site and teams, and the protection of the local environment were of paramount importance. The £10.3m project benefitted from strong combined FCO

Services, RAF and MoD leadership. Teamwork across the board was excellent and morale was high. Cross-governmental organisations played lead roles in the delivery of the programme and all involved learned from and supported each other when navigating the various policy, process, and regulations-adherence requirements.

Both phases of this project offered a 'perfect storm' of challenges in terms of design, construction and delivery. These challenges were all overcome, and RRH Saxa Vord demonstrates the 'art of the possible' for future projects. The two phases of works ultimately delivered a high quality, secure, remotely monitored site, without detriment to MoD operational capability at any stage of the journey. As a result of the success of this project, we have been commissioned to deliver remote operation and unmanning for seven other air defence radar sites over the next 2-3 years.

## Logistics Support Major Strategic Project by the Australian Government

Supporting the Australian Government's delivery of their new IT programme this year required an unprecedented volume of 360,000 kg of diplomatic freight to be delivered to over 100 destinations around the world.

Our Logistics team were able to provide the support necessary for the Department of Foreign Affairs and Trade (DFAT) to successfully deliver on their programme by using the Queen's Messenger service to deliver the freight. Further work is scheduled as the International Communications Network (ICN) Programme is a

five-year programme of work to modernise, replace and improve the core systems and infrastructure of the DFAT global communications network. This programme delivered by DFAT is of major strategic importance to the Australian Government and demonstrates the depth of trust they hold in FCO Services' Logistics team.

## Keeping the Door Ajar by Getting Exit Right

A customer leaving us is never a cause for celebration, however in 2017 and in-line with government strategy, the Department for Business, Energy and Industrial Strategy (BEIS) adopted a public cloud first policy and with our support migrated from FCO Services. Over the previous year this large and complex service has slowly been unravelled, with meticulous project management and coordination between BEIS and FCO Services, whilst in parallel, maintaining a business critical live service. Our Global Digital Technology project management and live services team worked hand-in-hand with BEIS' counterparts to get this right, which wasn't without its challenges.

Throughout, our team demonstrated commitment and perseverance to help BEIS towards their new digital journey. Each member of our team contributed to this success, providing technically sound updates, support and guidance. Open and regular communication meant expectations were met, difficult conversations were had and problems were jointly solved.

This collaborative focus with both teams working as one, has been exceptional and delivered success. Our reputation of professionalism, transparency and collaboration are strongly in place, keeping the door open for future conversations and opportunities.

The Head of IT Service Management, Digital, Data and Technology at BEIS, has provided encouraging feedback to the team: "FCO Services successfully unpicked a complicated service, the challenge was not easy and it was really well handled. Thank you, you've achieved a sterling job, that was professionally delivered to the end."

An IT Delivery Manager at BEIS, said: "Our huge appreciation to all of you at FCO Services who were so responsive and helpful throughout this one-year-plus exercise."

## UK NACE

The UK National Authority for Counter Eavesdropping (UK NACE) is the UK National Technical Authority for Technical Security. It works alongside the Centre for the Protection of National Infrastructure (CPNI) and the National Cyber Security Centre (NCSC) to holistically protect UK assets and information.

During the past year UK NACE has undergone an internal reorganisation



as part of the NACE 2.0 programme to strengthen its National Technical Authority responsibilities. Four areas of focus have been created: Threat and Intelligence; Research and Development; Engagement and Outreach and a development of the existing Technical Training School to create a UK NACE Academy.

UK NACE worked collaboratively with the Cabinet Office Government Security Group led by the Government Chief Security Officer to assist in the creation and development of the Government Security Profession framework. The framework is designed to facilitate career progression and movement between public sector organisations and enable transfer to and from the private sector.

The Head of Profession for Technical Security is a member of UK NACE. They are responsible for providing strategic direction, improving performance and building the capability required to ensure the effectiveness of new and existing technical security services across the UK Government.

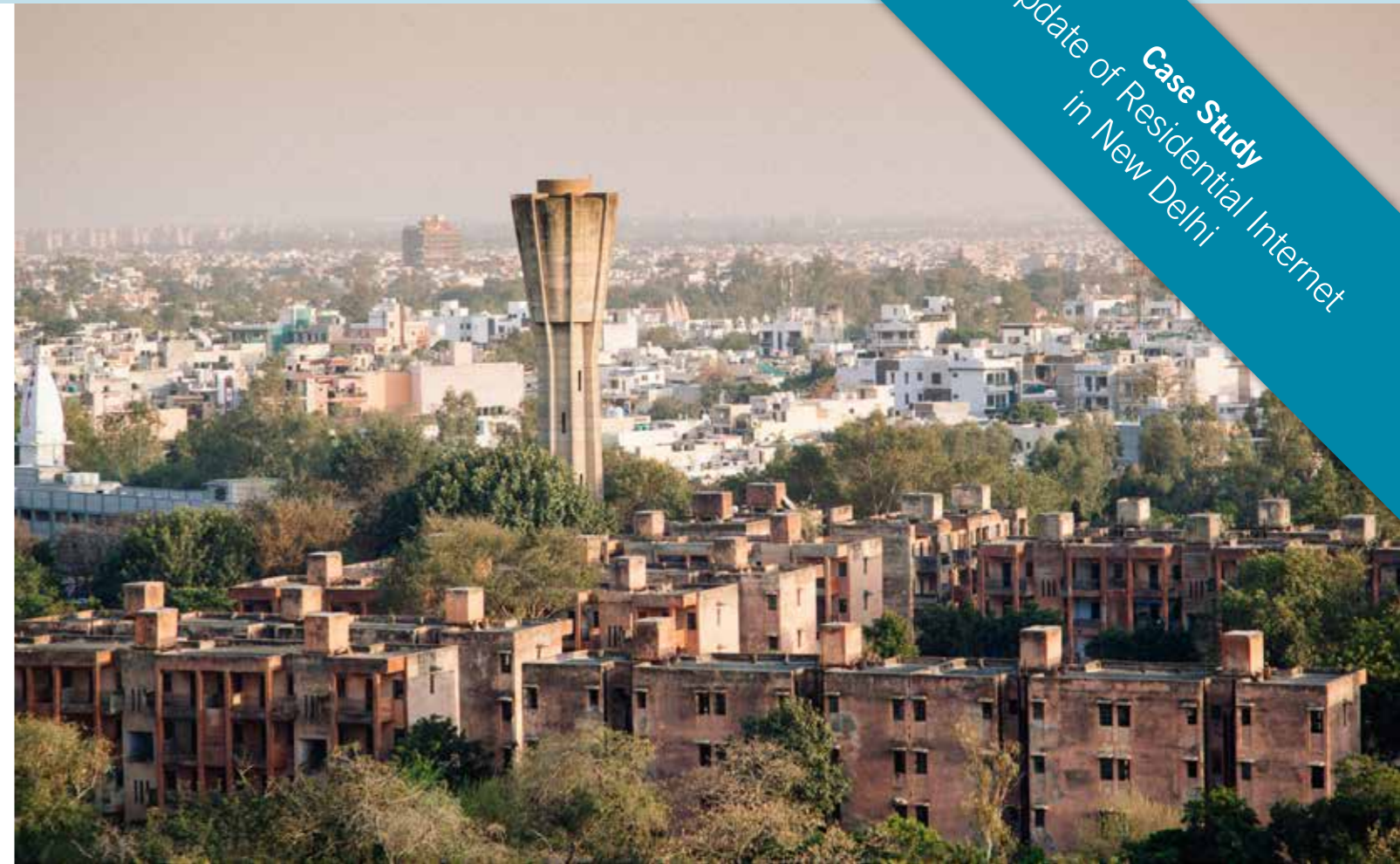
"The enduring partnership developed between the FCO Services' Diplomatic Logistics Team and ICN staff allowed the programme to achieve its goal. DFAT are grateful to the Logistics Team for their professionalism and significant contribution to the programme's success."

**Jodi Goldberg,**  
Director ICN Global Logistics and Analysis, DFAT Australia





Update of Residential Internet  
Case Study  
in New Delhi



Sensitivity Review at the Cutting Edge

The task of the Sensitivity Review Service within our Global Digital Technology division is to review FCO files prior to their transfer to The National Archive (TNA).

From the early 1990s FCO files began moving increasingly away from paper towards digital and TNA made it clear these would need to be transferred digitally.

A team of experts from FCO Services, external IT specialists and academic experts came together in 2018 to create a system to

review and transfer digital files. From the start it was realised that artificial intelligence techniques would be needed, not to replace the human reviewers but to give them support to work more quickly than is possible in paper review. It was also very quickly realised that the software required did not exist, therefore it had to be created, taking into consideration the right hardware platform for the system. The system had to be robust, and future-proof and have an effective interface for the Sensitivity Reviewers to operate. It also needed to satisfy a rigorous set of Government security protocols. All of these have been successfully met, and the initial system is in use, delivering our first digital sensitivity review service. A rapid expansion

in terms of scale and sophistication will be needed, to match the exponential increase in digital filing that took place in the 1990s, and the team is well prepared for this.

It is enormously satisfying for those involved to create something that no-one else has, and there is strong interest in the service across Whitehall.

Opportunities for collaboration will continue to be optimised in order to share the development and to reduce costs across Whitehall Departments. The service represents a significant commercial opportunity and demonstrates that we can deliver work successfully at the cutting edge.



In December 2017 when our Regional Technical Support Service (RTSS) team carried out a survey across the FCO staff community at the compound it was identified that staff needed more reliable internet connectivity, better WiFi coverage in order to meet their demands for streaming media and video conferencing and faster internet speeds were also a must to improve the ability to use the connection to work remotely.

In line with FCO's IT vision to enable flexible working, big changes were necessary to meet the requirements of staff living on site. The compound has 73 residential properties which are served internet access via an in-house system installed many years ago. Following the results of an audit and due to frequent outages and frustratingly slow internet speeds, the system was no longer fit for purpose or meeting staff needs.

After preparing a proposal of options to improve the internet provision it

was agreed that we would implement immediate interim fixes to improve the situation and bring a more up-to-date service to the community:

- replacing network components
- changing the configuration of other equipment in order to increase performance.
- replacing power supplies and battery backups with more reliable versions in order to prevent outages.

- Renegotiating the contract with the Post's internet supplier and upgrading from 100mbps to 300mbps without much additional cost, resulting in far better connection and speed.

An increased internet speed of 600% was delivered on time and under budget and provided an opportunity to audit our internal network and ensure we are complying with Standard Operating Procedures.

Staff on the compound are delighted with the improvements implemented with one community member commenting,

"I really appreciate the efforts you have made to improve what you can with very limited resources. Your work is much appreciated."

**Stephen Faerstrand**  
Immigration Liaison Officer  
for India / Nepal, FCO



<b>Project:</b>	Residential Internet Overhaul
<b>Customer:</b>	FCO
<b>Location:</b>	New Delhi, India

**Case Study**  
Supporting the MOD  
in Sierra Leone



FCO Services' End User Device (EUD) Team were recently called on to provide essential on-site IT support to the International Security Advisory Team (ISAT) of the Ministry of Defence (MoD) stationed in West Africa.

site visit was paramount to ensure all device and IT issues could be addressed properly in the shortest time available.

We were initially deployed to Freetown in 2015 at the height of the Ebola outbreak. Understandably the ISAT team and our personnel were restricted to the compound for their own safety. This time the team were able to travel around more freely.

Freedom of movement proved extremely useful to the team as it enabled them to travel between the High Commission, the Sierra Leone Police Headquarters and other office locations to provide additional IT support.

Our End User Computer Lead said, "I feel proud of the work that FCO Services do for the ISAT Team having witnessed first-hand the positive impact they have within the community." He added, "The great work of the ISAT team was reflected in the welcome and warmth from the locals in Freetown. They smiled and waved at the MoD vehicles wherever they travelled and it was clear the ISAT team are well respected having worked with the local communities and enforcement agencies during multiple crises."

The deployment to Sierra Leone is a fantastic example of the vital role

we play in keeping a global network running by delivering fit for purpose solutions and IT and communications support to government partners in often challenging countries and environments.

"I would like to express my enormous appreciation for facilitating the site visit. You not only provided the level of service agreed, but also went the extra mile by giving extra advice to the team and went out of his way to ensure the highest level of service... Comments from my colleagues have universally been of enormous praise for your professionalism, adaptability, expertise and flexibility."

**Will Smyth, Chief of Staff, International Security Advisory Team (ISAT)**



<b>Project:</b>	On-site IT Support
<b>Customer:</b>	MoD
<b>Location:</b>	Sierra Leone, Africa

The main purpose of the trip to the compound in Freetown, Sierra Leone was to provide replacement laptops to ISAT personnel whose devices had failed due to the extreme heat and humidity. Due to the high temperatures, some of the original laptops supplied four years previously had unfortunately failed, with screens literally melting in the heat!

FCO Services deployed a team to take a batch of refurbished laptops out to the compound, in order to get them back up and running to full capacity.

During the five-day visit our End User Computer Lead, along with colleagues based at Hanslope Park, successfully completed the instalment of the new devices enabling ISAT to continue to work without interruption. We facilitate the valuable work of the ISAT team, delivering IT and device support to them from our base at Hanslope Park. However the exceptionally slow internet speed at the Freetown compound makes remoting in from the UK to work on PC issues difficult, if not virtually impossible. The

**Case Study**  
First Hybrid Vehicle for  
British Embassy, Geneva



We are supporting the FCO's move to a low-energy diplomatic vehicle fleet. In early 2019 it enabled the British Embassy in Geneva to become the first Post to take delivery of one of Jaguar Land Rover's new plug-in hybrid electric vehicles.

Our Overseas Vehicle Procurement Services (OVPS) team worked closely with the FCO to secure and transport the new P400e Range Rover which delivers a much reduced carbon footprint in comparison to previous vehicles used at Post.

The Range Rover is powered by a conventional engine with an electric motor and battery pack which has ultra-low emissions, improved efficiency and an Electric Vehicle (EV) range of 26 miles.

The OVPS and FCO have worked together to bring out the recent changes to the FCO's 'Flag Car' policy.

The PHEV Range-Rover supplied to Geneva is a plug-in hybrid and delivers an output of 404hp, and CO<sub>2</sub>

emissions as low as 69g/km, using the combination of an advanced 2.0 litre 300hp Si4 Ingenium petrol engine and a high capacity 105kW electric motor.

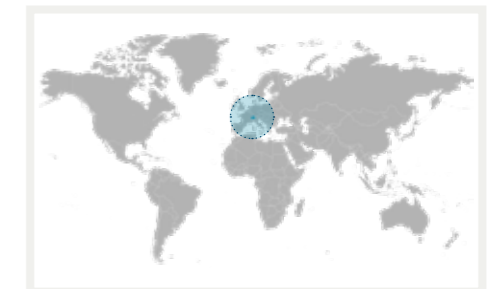
In addition to the environmental benefits, the PHEV Range Rover delivers an impressive cost saving over the long term. Lifecycle-cost analysis showed that the FCO can reduce costs by at least 30% by 2025 by replacing Flag Cars after 3 years, instead of the previous 6 years due. Our long standing relationship with Jaguar Land Rover enabled us to negotiate preferential rates and warranties

"We're working on a new scheme called Future Perfect – it aims to reduce our global energy bills as well as environmental impact. Transitioning to a clean vehicle fleet is a key part of this, and I'm delighted that we now have our first hybrid and electric Flag cars on route on their way to Posts"

**Ed Hobart, Director Estates and Security, FCO**

thus securing further cost savings. Jaguar Land Rover has attained status as a Carbon Neutral Manufacturer in the UK with all Jaguar vehicles designed to be 85% recyclable and 95% recoverable at the point of dismantling. These features fit well with our own sustainability and environmental ethos.

Over the coming months we will be supplying a Jaguar i-Pace to Oslo, and a PHEV Range-Rover to Sofia and Berne, with more expected in the near future.



<b>Project:</b>	Shift to a low-energy fleet
<b>Customer:</b>	FCO
<b>Location:</b>	Geneva, Europe



# Developing Our Commercial Capabilities

# Developing Our Commercial Capabilities

We have resourced and developed our business development and customer-facing capabilities to ensure we meet customer expectations, have a balanced and positive pipeline of future opportunities and retain our commercial edge.

## Engineering and Technology

In order to maximise the support we offer our customers, we have targeted opportunities to grow our business. We have addressed this through raising our profile, innovating and improving our products and services and refreshing technology that underpins government and public services.

It is our ambition to help government departments embrace the powers of Public Cloud for OFFICIAL data for both legacy and modern applications. To deliver this, we are using our long standing experience of security, project management, Information Technology Infrastructure Library (ITIL) operations, Software and architecture services in order to deliver cost savings, lower risk and improve security.

We have produced proof of concept systems and explored opportunities to promote big data, applying to both products and services.

Our ongoing work through UK NACE will look at potential cost savings by introducing Internet of Things (IoT) into the estate with the aim to improve maintenance and reduce energy costs while enhancing security.

We have set the foundation in the thinking and application of big data and analytics to position us for future growth and expansion across a wide range of customers during 2019/2021.

The UK Government faces continued challenges to improve user outcomes whilst making the best use of Government data in a secure operating model. FCO Services is innovating in both internal systems and saleable software solutions to meet these needs. Our goal is to take the unique requirements of FCO Services and the FCO across estates management, procurement, security, and secure networking to provide a range of software and hosting services across government. We have started on the journey of developing modern software internally with partners in an Agile Framework to allow us to take advantage of new service-based technologies.

We are constantly reviewing the security and technology landscape and welcome innovation from both niche and mature industry leaders. In 2018/2019 we have continued to engage with academia and organisations of all disciplines to help build our portfolio of products and services.

Our Innovation and Development process has been embedded into our operations, to allow us to harness and take forward ideas coming from our technical officers at home and overseas, and

other parts of the organisation, in addition to already well-understood product development. This provides an avenue to collect and review ideas, create formal business cases for Director review, justify funding for development (resources and materials) and then manage a package of work to deliver a catalogue of defined and standardised products/services.

We have successfully delivered a numbers of innovative products to our clients and have a strong pipeline of delivery for 2019/2020.

The goal of each new product in development is to meet the criteria needed to enter the FCO Services' Solutions Catalogue. Once a product passes the stringent User Acceptance testing and acceptance into service stage it is available in the FCO Services' Solutions Catalogue. The Catalogue helps us manage the full life cycle of our products and services and forms the base line of our extensive capability.

Our FCO Services' Lab concentrates on developing the next generation of Estates and Security solutions through in-house bespoke design and commercial partnerships. 2018/2019 has seen us strengthen our capability in prototype design and manufacturing through investment in skills, tooling and component management. A key phase of our development is building working prototypes we can deploy across the organisation that allow



us to engineer continuous early improvement. Our investment in training and equipment is expected to continue in 2019/20 as we focus on the launch of our next generation of secure systems for the FCO.

## Best Practice Standards

We are compliant with internationally recognised standards as a means of ensuring our operational capability. This provides our customers and stakeholders with assurance in how we deliver business and meet customer requirements.

Recent achievements include:

- ISO 27001:2013 certification against our Information Security Management System (SMS) in November 2018.

- And continued certification with:
  - ISO 9001:2015, for our Quality Management System. We passed the British Standards Institute (BSI) External Assessment as part of our three-year ongoing certification in September 2018
  - ISO 20000:2011, for our Service Management System within Global Digital Technology (GDT). During the visit, the assessor was impressed with the rigour evident in our processes.
  - ISO 20000:2018: in parallel, and as part of maintaining their certification, GDT have also begun work on transitioning to the updated standard, which it hopes to achieve in the coming year.
- ISO 22301:2012 for the Business Continuity (BC) International standard. The BSI completed their annual compliance review in ensuring our BC documents, procedures and awareness were compliant. Aside from a number of minor non-conformities raised, our BC Management System has continued to achieve its intended outcomes.
- Continued embedding of the Project Process Map (PPM), the project delivery methodology used by our delivery areas. Compliance is assessed through audit, supported by coaching from Subject Matter Experts.

We will continue to focus on the needs of the customer and to increase our standards, portfolio in line with our strategic direction and objectives.



### Health and Safety

The importance of keeping employees, customers, delivery partners and all affected by or involved in our activities safe and healthy, is our priority. Through the continued development of policies, governance and assurance, we set and measure our safety behaviours and performance, identifying areas of success and opportunities for improvement. The introduction of a reporting and analysis tool facilitates the provision of focussed information to our Board, and to our teams, giving them clear direction for continuing positive management of safety risks.

### Business Development

The focus of 2018/19 was the implementation of our Trusted, Agile and Global strategy. Our primary goals were to improve the services for the FCO and IHMG platform along with extending our partnerships with other government departments. Business Development has played a key role in facilitating these goals.

This year, the Business Development department's attention has been on the delivery and refinement of our 'Win' strategic objective. Our three main areas of focus have been to enable the FCO to deliver its transformation programme (Diplomacy 20:20 and Global Britain), embedding commercial excellence within our organisation and extending our partnerships with other parts of the UK Government and other governments globally.

Our commitment to our parent and biggest customer, the FCO, is paramount and the involvement of Business Development in this relationship has been as important as ever. Members of our team have been essential to two major projects within the FCO.

The first is the Corporate Capability Programme (CCP), designed to streamline and enhance corporate services at post. This has resulted in 11 pilots covering more than 50 posts across the globe. Our work has been fundamental in supporting the FCO deliver CCP objectives throughout the year.

Secondly, the FCO's Global Network Uplift programme (Global Britain) is one of the most significant expansions of the FCO estate for a considerable amount of time. The partnership between the FCO and FCO Services across three major categories (Europe, Africa uplift and 12 new small posts in the Pacific) will help Britain to continue to be a successful global foreign policy player.

Both the CCP and Uplift programmes continue to demonstrate how effective a truly collaborative approach can be, resulting in us supporting the FCO in more ways and across more locations.

With our commercially trained and experienced staff, we are responsible for implementing and developing commercial excellence across the organisation, providing transparency, openness and value for money. Ultimately this makes us an easier organisation to do business with. The latest result of this vital work and effort is a Terms of Business Agreement (TOBA) and a rate card that is consistent and transparent. This will give our customers reassurance in the money they spend and a greater understanding of the value that we deliver.

Working with other departments is vital to the success and growth of our organisation. We truly believe that we are a unique option for those customers who have specific need to keep certain assets safe and secure, above and beyond the normal standards. Being an in-government partner has already seen us establish a number of new relationships as well as build and develop our existing ones. Outside of the FCO, our reputation continues to grow. We continue to build upon our position and profile as the trusted and authoritative partner within our target markets.

We have achieved a healthy mix of commercial sector expertise with civil service understanding within the department and continue to invest in the team. This team investment and experience has led to the creation of a number of internal working groups - led by Business Development, with the aim of enhancing commercial focus for better delivery and customer experience.

None of this would be achievable without placing our focus on 'the customer' and driving a culture of placing the customer at the heart of everything we do. The introduction of the three 'Rs' framework (Reliability, Relationships and Responsiveness) for customer service excellence (which is being rolled out across the organisation) gives us focus and direction regarding how we deliver better and more consistently to all of our customers.

### Customer Experience

Putting the customer at the heart of all we do remains our priority. Our Customer Satisfaction Programme continues to demonstrate good engagement with our customers. We maintained a 55% participation rate and achieved

a customer satisfaction score of 89.3%, exceeding the ministerial target of 80%.

We have developed our customer experience strategy, which includes a more structured approach for gathering and responding to customer feedback, as well as ensuring new Heads and Deputy Heads of Mission are thoroughly briefed on our organisation in advance of their appointment. These activities have strengthened our core customer satisfaction programme, and have been well received by our customers at all levels.

To support our people, we are introducing a customer service framework and training package that aims to reinforce and embed the right customer-centric behaviours across the organisation.

### Strategic Sourcing

In 2018 the Strategic Sourcing team moved to a Category Management structure. This has enabled the team to use their skills in working on defined areas of spend and working with customers across the organisation in determining strategies which meet both FCO

Services and our customer's needs. This move will support the corporate plan in securing a global supply chain which will support the organisation on its strategic objective to deliver a global business.

### Finance

As part of our Strategic Finance programme, and with the appointment of a new Chief Finance Officer, we reviewed our operational finance structure and are implementing changes which will bring about improved alignment with the business and an increase in the number of apprenticeship opportunities, in addition to providing greater flexibility for finance staff to develop their skills and knowledge and a career roadmap for those starting their journey with us.

A number of the Finance team played an active role, as Subject Matter Experts (SMEs) and Business Process Owners (BPOs), in the ongoing 'Atlas' programme; an exciting and challenging joint project with the FCO for the implementation of a new Enterprise Resource Planning (ERP), Finance and HR system. This will see the replacement of the current Oracle PRISM system with Oracle Fusion, utilising Cloud technologies and thereby introducing up-to-date technologies to meet our global organisational requirements.

The billing team within Business Unit Support Services (BUSS) has amended their strategy and implemented a number of changes to our billing process. These have significantly improved the timeliness of our billing and, with newly established key customer contacts, have brought increased efficiency to our organisation and our customers in a year where we generated in excess of £200m of invoices, our highest volume to date.





# Investing in the Future

# Investing in the Future

Continuing to invest in our people around the world, our internal processes and our systems through continuous improvement practices ensures that we can operate as a dynamic, diverse and safe organisation.

## Investing in Our People

As part of our invest strategy, we continued to focus on developing leadership capability, improving the recruitment and retention of the right balance of employee and contractor skills, building our longer-term talent pipeline and better aligning workforce capacity with our Corporate Plan and customer requirements. We also made progress with improving business performance and productivity through a more diverse workforce and engaged workforce.

## Staff Engagement

We continue to strive to be an employer of choice. We achieved both Your Say staff survey related ministerial targets in 2018/19, achieving a 60% 'engagement' and 67% 'my manager' scores. Overall, the Your Say feedback was the most positive since becoming a Trading Fund against a backdrop of strong employee dissatisfaction and a delayed pay award when staff were surveyed last October.

We continued to make a significant investment to improve staff engagement with a focus on developing leadership and management capability. Over 80 of our leaders were on our

bespoke Evolve leadership programme, which started in 2017/18 and concludes in July 2019. It has 38 modules and is mainly delivered through WebEx to make it accessible to staff around the world. We also implemented a range of other initiatives to engage staff, including continuous improvements to local engagement action plans that address team level issues, promoting diversity and inclusion, a targeted approach to address bullying, harassment and discrimination, more senior management visibility, better internal communications and taking part in the Virgin Global Challenge focusing on employee health and wellness.

## Pay

Improving the competitiveness of our reward package through improved pay was our main priority. After complex and lengthy negotiations with the Cabinet and HM Treasury, we secured agreement to introduce additional pay flexibility and a new skill based pay structure to increase the competitiveness of salaries and location allowances for existing and future employees. In order to deliver the strategy, in 2019/20 we will be reviewing the skill requirements and career paths for all professions, including

for engineering and IT staff to align these to industry best practice for quality, performance and development. In 2018/19, the employee to contractor ratio increased by 1 to 82:18 and we are committed to addressing this further to manage the cost base of our workforce by 2020. This is projected to change to 90:10 by 2021/22.

## Recruitment

Employee recruitment activity remained high in 2018/19, with 172 appointments made. We had 156 new starters and 65 leavers, with an underlying staff turnover rate of 6.7% (0.4% down on 17/18). We recruited to a broad range of disciplines and increased skill sets across the whole business to roles in technical and construction engineering, finance, human resources, project management logistics and IT. We also strengthened leadership capability with Board level appointments. Our Chief Finance Officer and Chief Operating Officer started in October and November 2018 respectively. In June 2018, we implemented a hybrid SC/DV policy for new permanent employees which has significantly reduced recruitment timescales for about 40% of vacancies.

## Talent Management

We agreed changes to improve and streamline our talent management policy and process. The changes will be implemented in 2019/20 and will enable us to focus more on our leadership pipeline, under-represented workforce groups and developing the managerial skills of technical specialists.

A key component of building our longer-term talent pipeline is our apprenticeship scheme (see following article).

We continue to make a significant investment in the development of our workforce's capabilities through specialised in-house technical training, devolved professional and skills-based learning plans, and health and safety training. We have also delivered more corporate learning to develop management capability, business skills and address organisational priorities (e.g. customer service training). When the apprenticeship scheme is taken into account, our annual investment in developing capability, skills and talent totals well in excess of £2m.

## Apprenticeship Scheme

Our apprenticeship schemes are an integral part of our approach to talent management. We operate in a competitive market, and we work hard to secure the skills and capabilities we need in order to deliver for our customers. Managers across the organisation work with the HR Apprenticeship Team to identify expected future skills gaps so that we can recruit and source our longer-term talent pipeline. As well as being vital to the future health of FCO Services, our schemes enable us to support

and give back to the local area, both corporately and socially.

Many of our apprentices go on to enjoy long and successful careers after they qualify. Building on foundations laid in the 1960s, we continue to recruit many of our technical specialists through apprenticeships. We have broadened the range of apprenticeships we offer in recent years, including IT, logistics, project management, finance and vehicle mechanics. We will continue to review what apprenticeships we offer, looking for schemes which help us develop the skills we need so that the organisation can deliver whatever our customers need, wherever they need it.

In 2018/19, a total of 32 apprentices joined the organisation across nine different disciplines (varying from Level 2 to Level 7). In total, at the end of the financial year, we had 54 apprentices who were working and learning with us. Recognising that our schemes are important for our future capabilities, we invest significant sums of money in our apprenticeships. In the last year, we have spent around £175,000 on educational fees, exceeding the amount we are obliged to pay into the government's apprentice levy fund. This is on top of what we invest internally through in-house training and placements at home and overseas.

## Business Continuity

We have again retained the ISO 22301 standard for Business Continuity International Standard confirming that we continue to be compliant by British Standard Institute (BSI) requirements. We are now working positively towards the re-certification in March

2020. The Business Continuity Management System continues to support the business, ensuring continued compliance and embedment of Business Continuity throughout FCO Services.

## Office of SIRO and Data Protection Legislation

The EU General Data Protection Regulation (GDPR) and UK Data Protection Act 2018 (DPA) came into force in May 2018. Preparations and awareness in advance of this were led by the Office of the SIRO, and comprised of the following: quarterly newsletters; briefings/presentations to staff; attendance at cross-government and FCO-led Arms-Length Body data protection meetings; SIRO all staff communications; launch of data protection page on FCO Services' intranet containing guidance, policies and forms and the introduction of mandatory online learning using an application.

Preparations also included a review, refresh and publishing of revised supplier assurance processes; refresh of terms and conditions with suppliers on introduction of data protection clauses in contracts; working with customers on processing agreements to be established; completion of data mapping by all areas of the business which have been reviewed and now being added to new data protection tool; data cleansing to support better retention through spring clean campaign (paper), 'Tame Your Data Monster' campaign (digital), launch of FCO Services' paper archive and conducting of paper audits throughout the business.

## Sustainability

FCO Services has two sustainability teams: one focuses on sustainability for its own business, and the other is a team of sustainability experts embedded within the Facilities Management Client Unit (FMCU) of the FCO.

As Head of Sustainability, Alex Hilton provides advice and guidance to the FCO to ensure it complies with environmental regulations and policies, meets mandatory and voluntary environmental reporting requirements, and achieves government-wide targets for the Greening Government Commitments.

Alongside successfully monitoring all carbon emissions, greenhouse gases, water consumption and waste that the FCO produces in the UK, Alex also, sits on the IHMG International Estates and Security Board as the Sustainability Lead. Here, they work alongside departments represented on the overseas platform, such as the Department for International Development (DFID) on global sustainability standards for government.

The team are pushing further after successfully removing 97% of avoidable single-use plastics in the FCO's UK operations, and are looking at global solutions to reduce greenhouse gas emissions, including ambitious programmes for solar power, smart metering and ultra-low emission flag and fleet vehicles.

The outstanding work of the FCO Services' Sustainability team has been recognised by the 'BusinessGreen Leaders Awards 2019' in which the team is a finalist in four individual categories.

Employee Engagement Campaign of the Year and Environmental Awareness Campaign of the Year for the #BeyondPlastic campaign Sustainability Team of the Year jointly with FCO and finally Sustainability Executive of the Year for Alex Hilton, Head of Sustainability, FCO Services

## Security

The investment in our Engineering and Technology Directorate (ETD) security is showing positive results.

The Directorate's expanded security team plans to converge security knowledge and process internally to FCO Services and externally with Foreign and Commonwealth Office (FCO) and the UK Government security community. This increase in personnel and investment along with a strategic approach will lead to a richer more diverse dynamic understanding of both threat, opportunity and environment, further enhancing assurance levels for teams, clients and capabilities. Further assurance and efficiency levels are expected via the conclusion of our Solace travel app pilot.

## Anti-Corruption and Bribery

We tackle the risk of corruption and bribery with a business approach

"I have been impressed at the dedication and innovation of the FCO Services' team, and their success in dramatically improving our environmental sustainability. This is leading the way for other Departments, and FCO staff around the world are proud to be playing their part."

Foreign Secretary's Climate Envoy.

centred around openness and transparency, and we continually review our internal processes and systems to ensure they are simple, efficient and effective. We expect high quality standards from our supply chain, and ensure all of our procurement staff hold the Chartered Institute of Procurement and Supply (CIPS) Ethical Ethics accreditation.

## Modern Slavery / Ethics

The Strategic Sourcing team are dedicated to ethical procurement practices and are proud to have retained their Corporate Ethics Mark from the Chartered Institute of Procurement and Supply (CIPS).

The Modern Slavery Act 2015 requires that organisations with an annual turnover of over £36 million must produce and publish a slavery and human trafficking statement each financial year. This is published on our website and outlines the steps taken during the last financial year to ensure slavery and human trafficking is not taking place in any part of our business or supply chain.

Our Ethics Policy Statement, based on the Ethical Trade Initiative Base Code, sets out the core principles our suppliers and their sub-contractors must follow to maintain high standards of integrity and professionalism in their working practices.

## Personal Data

In 2018/19 there were 16 data incidents recorded. None of these required informing the Information Commissioner's Office.

## Wellbeing, Diversity and Inclusion

Inclusivity, wellness, and fostering an environment so our people can work at their best, is what we strive for. Our Diversity and Inclusion strategy which focuses on our organisation becoming an inclusive employer of choice, places wellbeing at its heart. We undertook an independent perceptions review of our organisation as an employer of choice taking into account the views of our internal employees and external groups. The review helped shape our thinking around ways to present ourselves as a more inclusive employer including the redevelopment of our careers and external websites.

Over the last year we have delivered a range of initiatives that focus on the following themes:

**Culture** - Creating an environment that respects our differences and promotes an inclusive workplace culture where employees from all backgrounds can give their best, be treated fairly and are valued for their contributions.

**Leadership** - Developing strong leadership and accountability, so our leaders consistently demonstrate inclusive leadership behaviours. Our leaders must be able to get the very best from our people. We don't want all our employees to think and sound alike.

**Talent** - To build a trusted, agile and global workforce, we need be able to attract, recruit and retain the very best, irrespective of background. We must appoint an individual on the basis of merit, ability to do the job and won't exclude people due to any protected characteristic.

## Diversity and Inclusion

We appointed Diversity Champions at Executive board level and deputies to help focus on diversity and inclusion matters, raise awareness and break down any potential barriers to bringing in and progressing talent from minority groups. To help achieve a workforce that is more representative of the UK we set workforce ambitions at the beginning of the financial year. Through continued focus and a range of initiatives we have improved representation across all minority groups, and have met our ambitions for female and BAME representation. The increase in female representation has also had a positive impact on closing our gender pay gap. We have promoted an inclusive culture by holding various events throughout the year with inspirational guest speakers. These have included celebrating inclusivity week, mental health awareness

week and our staff awards. Our new Attendance Management policy also supports employees with a range of diversity related issues.

## Wellbeing

We delivered the 'Wellbeing, Confident Leaders' training to 100 of our senior leaders and continued to focus on wellbeing with the launch of a mental health guidance pack.

We enhanced measures to tackle bullying, harassment and discrimination through improved policies (Dignity at Work, Dispute Resolution) and enhanced support to staff through a refreshed harassment advisor network and introduction of our own mediation service.

Our staff associations such as Women in Leadership and LGBT+ have held coffee mornings and well-received awareness sessions, all of which have played a huge role in helping to shape an inclusive culture. They have also provided valuable input into our updated policies, (resulting in published guidance to managers on menopause, dealing with mental health issues and trigger points for disabled staff.

"I am delighted to take up the baton as FCO Services' new Wellbeing Champion. Holistic wellbeing is a passion of mine, having been on my own personal health and wellness journey. I'm excited to be looking forward to the future where I will be championing a programme of events for colleagues covering several aspects of wellbeing; financial, physical and mental wellness, as well as looking at changes that we could make to build really positive working environments for everyone."

Claire Shepherd, Chief Operating Officer and Wellbeing Champion





# Sustainability Report

This annual report provides an overview of FCO Services' performance against both the FCO Sustainability requirements and the Greening Government Commitments and targets (GGC) during 2018/19, and how we meet our obligations to report sustainability performance under the Annual Report and Accounts.

The report focuses on the key impacts of our operations, and measured against GGC targets. These targets are for reductions in Greenhouse Gas (GHG) emissions, waste arising, and water use. In addition, the travel and transportation carbon footprint as well as, where possible, increasing the procurement of more sustainable goods and services. These targets, which are scheduled to run until April 2020, are measured from a 2009/10 baseline:

- Reduce GHG from the whole estate and business;
- Zero Landfill;
- Reduce water consumption, report on office water use against best practice benchmarks;
- Reduce the number of domestic flights;
- Ensure that more sustainable and efficient products are bought and undertake engagement with suppliers to understand and reduce the impacts of the supply chain; and
- Reduce paper use

As a Trading Fund, we strive to be an equally sustainable and committed department of the FCO; looking beyond GCG targets to activities that support the creation a more sustainable organisation. This is in line with the FCO's Diplomacy 20:20, and supports FCO Services strategy to deliver a world-class platform by delivering a cost effective, environmentally efficient department.

## 1.1 Sustainability in FCO Services

Sustainability here is about being efficient in the use of assets and resources, our materials and supply chain; planning for the long term to take account of environmental and socio-economic risks and opportunities. Managing the environmental impacts and effects within our organisation supports the FCO in the achievement of its strategic objectives and contributes in numerous ways to these goals through its outputs and the management of the organisation.

We are committed to several programmes of work, Diplomacy 20:20 and the Corporate Capability Programme (CCP) being the biggest. A key focus in the organisation has been to drive improvements in our management information and ensure we are able to take account of opportunities and risks in decision-making. In parallel to this, we have continued to drive improvements to deliver the GGC targets and align with public sector reporting requirements.

## 1.2 Summary of Performance

1. Our Annual Report and Accounts 2018/19 highlights the activities that have contributed over the past year to achieving three key goals; from recyclable cardboard pallets to helping ensure the sustainable use of resources (Goal 1); the elimination of single use plastics, demonstrating and promoting sustainable approaches and initiatives to increase environmental accountability (Goal 2); the ongoing work to make the infrastructure more resilient and reduce carbon emissions from it (Goal 3).
2. Sustainability performance is monitored quarterly and reported to senior management; this is a key part of demonstrating our commitment, as well as increasing transparency, and accountability of our performance against Government targets and related expenditure.
3. All sustainability performance figures in this report relate to FCO Services only. The performance measurement is based on 2018-19 targets compared to a 2009/10 baseline, for the UK operations and non-wider market impacts. Financial figures are also aligned to our proportionate share (of the FCO's total figures), related impact as well as expenditure in some areas.



4. We continue to be a registered participant in the EU Code of Conduct for Data Centres; this reinforces our commitment to the Greening ICT Programme that aligns to the government's ICT Greening Strategy. In addition to the long term energy and cost savings, the rigorous reporting and compliance requirements give the relevant assurances to our customers, stakeholders, suppliers and employees of that commitment.
5. Our vehicle fleet is the other significant source of travel emissions within FCO Services. However, through the continued investment in our fleet, we strive to reduce the environmental impact of road travel. The 'Official' commercial fleet covered over 492,000 miles, completing over 466 UK and overseas journeys and conveying

over 500,000kg of diplomatic consignments. We have recently taken delivery of X2 new DAF XLT cab units which are fully Euro 6 (VI) compliant. These cab units not only meet, but exceed, many of the current environmental legislations currently enforced throughout Europe. By consolidating consignments for our European customers via the scheduled service, ad-hoc deliveries that impacted on posts resources have been reduced; this, in turn, has led to a reduction in the environmental impacts from unnecessary flights and vehicles being used to deliver consignments off schedule. The London fleet makes use of hybrid vehicles to reduce environmental impacts within central London and comply with Transport for London Ultra Low Emission Zones. To support this, we have also recently

6. The GGC targets for Greenhouse Gas Emissions, paper, and waste reduction for FCO Services contribution have been documented. The following table provides a summarised breakdown of performance in the key areas, direct and indirect GGC, as well as other indirect energy emissions.

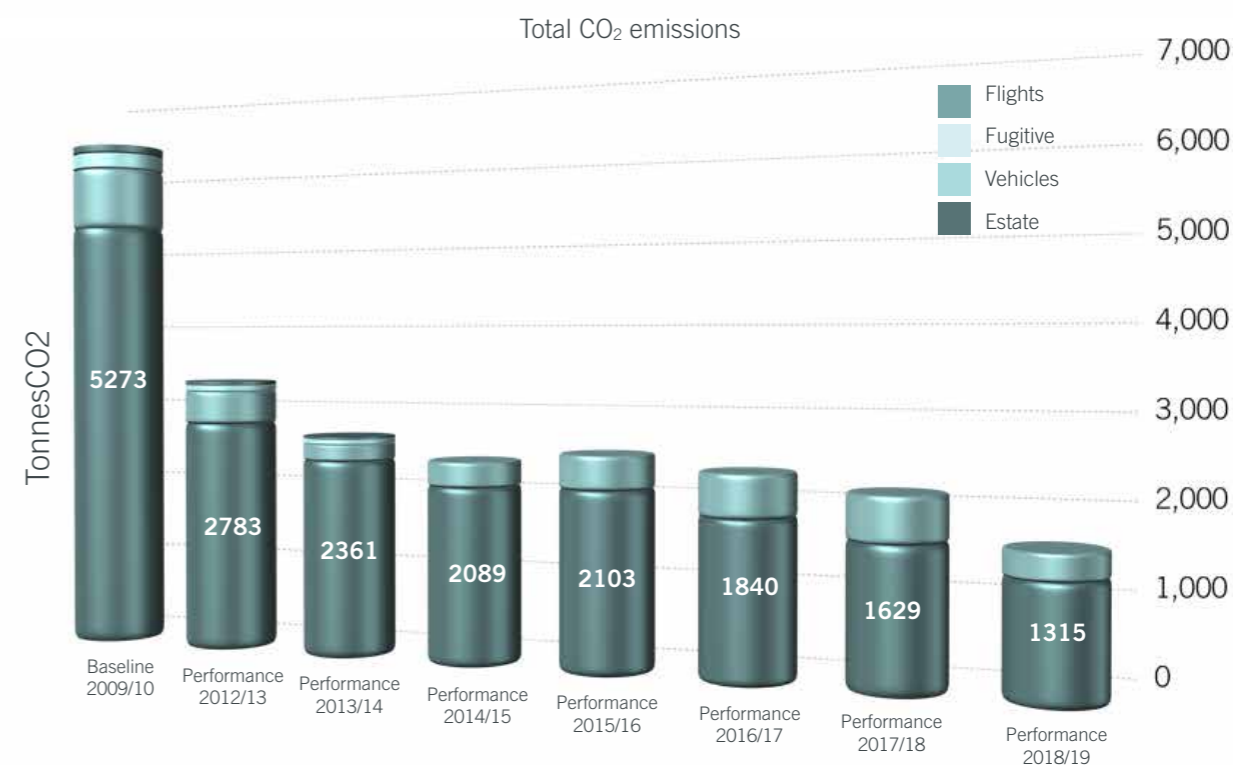
Impact	2018/19 Performance	FCO Greening Government Commitments Target for 2019/20 FCO Services contributes to these targets
Greenhouse gas emissions from UK estate, vehicles and domestic train and air travel	1256	Reduce greenhouse gas emissions by at least 49% from a 2009/10 baseline
Estate energy expenditure	£560,965	
CRC Energy Efficiency Scheme expenditure	£22,805	
No. of domestic flights	85	Reduce the number of domestic business flights by at least 30% from the 2009/10 baseline
Vehicle and domestic train and air travel expenditure	£150,930.90	
Office water consumption	5.7 cubic metres per Full Time Equivalent	Continue to further reduce water consumption. Each department will continue to improve on reductions they had made on 2014-15  6m <sup>3</sup> per FTE = good practice
Office water expenditure	£18,138	
Paper consumption	2,550 A4 reams equivalent	Reduce government's paper use by at least 50% from a 2009/10 baseline  Reduce the amount of waste going to landfill to less than 10%;
Waste arising	123 tonnes	Also to continue to improve our waste management by reducing the overall amount of waste generated and increasing the proportion which is recycled.
Total waste disposal expenditure	£22,745	

### 1.3 Normalised Performance

1. As a Trading Fund, FCO Services' emissions will always be predominantly driven by customer demand for its services. This may inevitably result in increased effects on the environment if customer demand drives additional activity in the future.
2. To allow like-for-like comparison between years and organisations, all data has been re-baselined (from 2009-10). In addition, environmental impacts have been normalised by dividing consumption by headcount; this produces simple indicators of like-for-like comparison for future years.
3. The expenditure figure is derived from our total spend, excluding wider market impacts. The Full Time Equivalent (FTE) staff number, excluding wider market impacts equals 838; this includes contractors and agency personnel as well as staff working on FCO premises in the UK plus FTE visitors to UK premises.

Impact	Per full time equivalent (FTE) (2017/18)	Per full time equivalent (FTE) (2016/17)
Greenhouse gas emissions	1.47 tonnes of CO <sub>2</sub> e per FTE	2.9 tonnes of CO <sub>2</sub> e per FTE
Office water consumption	5.7 cubic metres per FTE	7.5 cubic metres per FTE
Waste arising	144g per FTE	160g per FTE

Greenhouse Gas Emissions	kWh/miles/no.	tCO <sub>2</sub>	GBP (£)
Electricity	2,842,530	2,842,530	£419,955
Gas	220,670	41	£2,421
Heating Oil	226,326	62	£47,927
Biodiesel	338,621	1	£38,137
Biomass	30,647	0	0
District Heating	339,459	90	£52,526
Fugitive		11	-
Domestic Flights	17,060	4	£17,340
Train	79,738	6	£27,036
Private Mileage	246,030	49	£57,488
Fleet	42,310	14	
Car Hire	71,828	24	£115,572
Taxis	12,588	81	£26,422
<b>TOTALS:</b>	<b>4,467,752kWh 469,555 Miles</b>	<b>1256</b>	<b>£805,213</b>

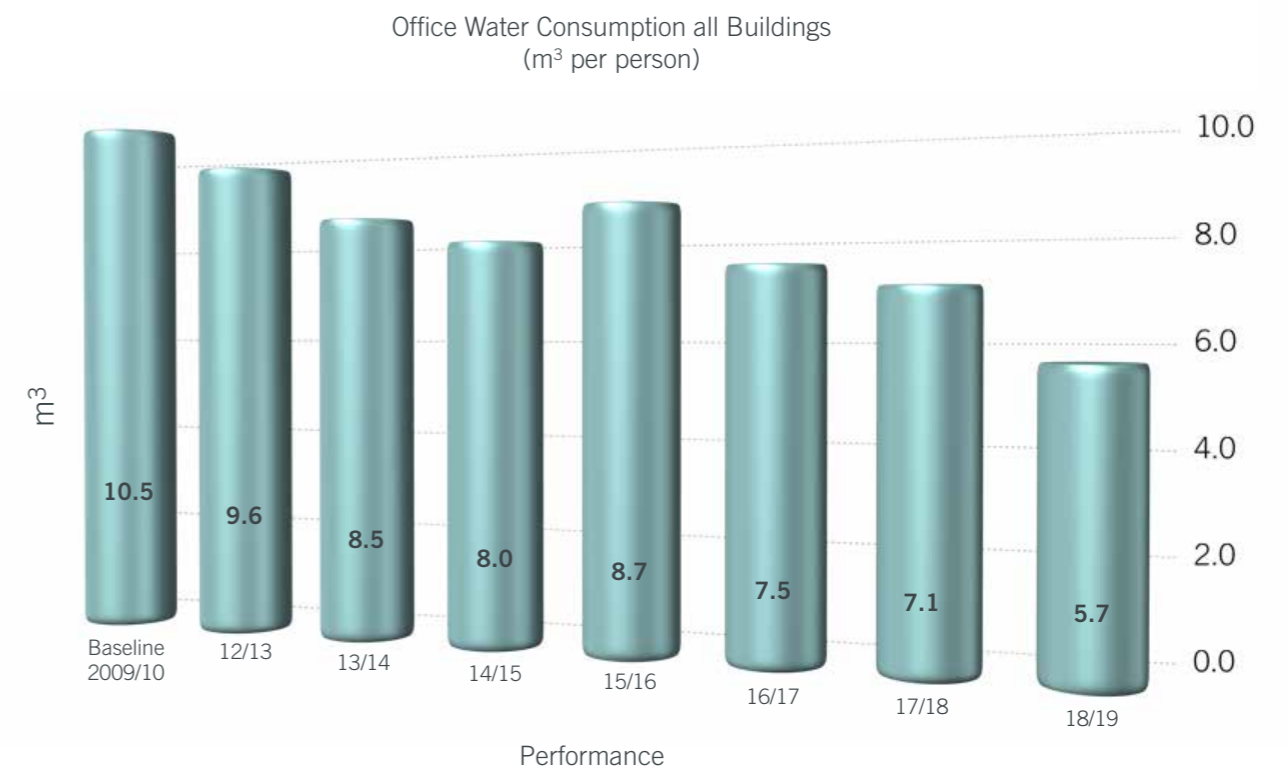
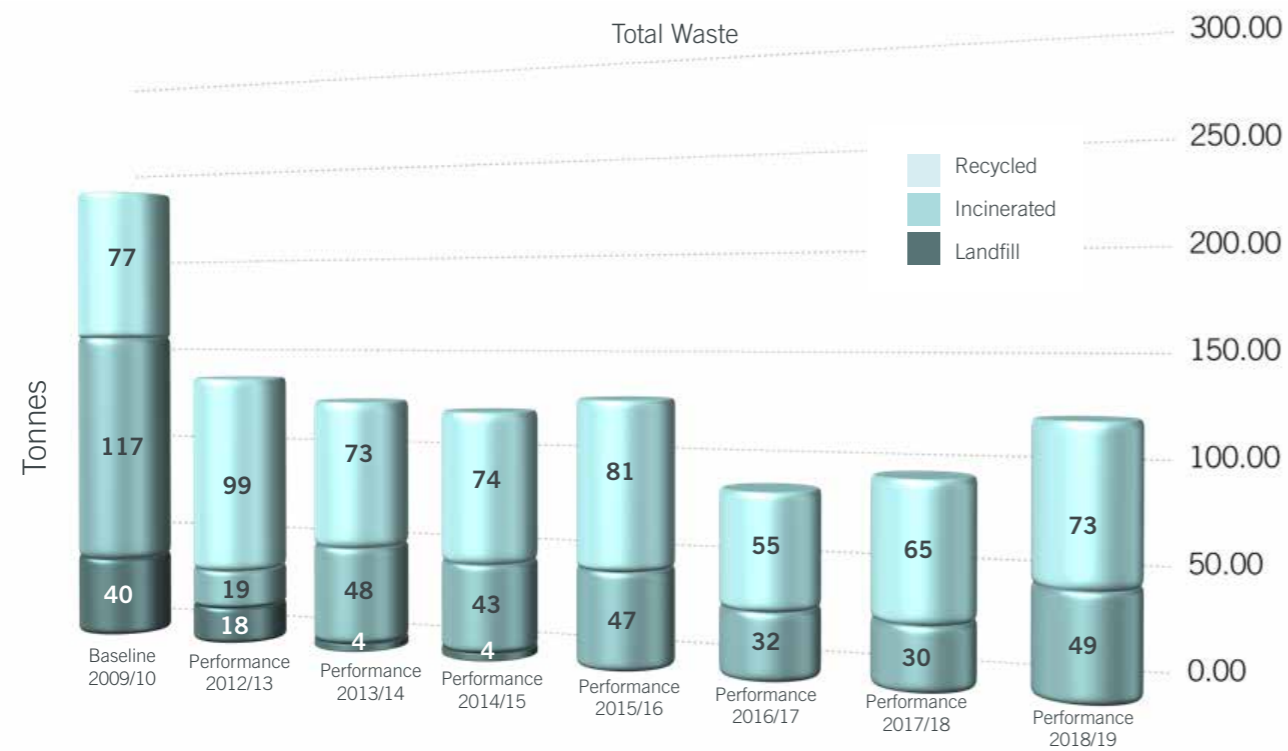


### Performance and Controllable Impacts Commentary

Our direct impacts are mainly from fossil fuels and electricity. These are consistently being reduced through a combination of initiatives; energy efficiency measures and the heating of the Hanslope Park site with biodiesel from waste and second generation oils as well as low sulphur fuel oil. In addition, the ongoing review, investment and expansion of the hybrid fleet continues to reduce emissions; this will be further aided by the Department for Transport's initiative. The significant energy efficiency of our containerised data centre also contribute to our improved performance results.

Waste	2018/19	
	Tonnes	GBP (£)
Total Waste	123	£31,524
Hazardous Waste	13	2,126
<b>Total waste by method of disposal</b>		
Landfill	0	0
Reused/Recycled	73	13,895
Incinerated (without energy recovery)	3	1,160
Incinerated (with energy recovery)	31	16,468

Finite Resource Consumption – Water (Supplied)	Cubic metres	GBP (£)
Office Water Consumption	4,550	11,441
Non-Office Water Consumption	2,664	6,697
Total	7,214	18,138



### Performance and Controllable Impacts Commentary

We have limited control over the waste aspect, as office accommodation and activities related to the estate are supplied by the FCO. However, through our own robust procurement processes, we ensure, where possible, the use of 100% recycled paper products, and encourages more sustainable waste solutions where possible. Our Secure Disposals make arrangements for printer cartridges to be recycled and this has contributed to us meeting our target of zero landfill.

### Performance and Controllable Impacts Commentary

Controllable impacts include water use in washrooms, canteens, evaporative cooling systems for data-centres as well as building cleaning. Meters have now been installed in all buildings and major water consuming units within buildings in an effort to reduce washroom water use at Hanslope Park.

## Corporate Social Responsibility

Our ultimate purpose is to serve the public around the world through the delivery of specialist products and secure services that help to ensure the world is safer, fairer and more prosperous.

Our staff and our partner organisations care about delivering our public duty whilst using our skills and creativity to minimise further harm to our fragile planet. We want to work together to secure a common good. Our contribution to this sustainable ambition and our sustainability approach make us happy. Specifically, we will:

- Source and sell with integrity through an ethical supply chain; we give our customers confidence in the products and services we sell and the way we sell them. We increase transparency in how our products and services have been sourced and made, because conducting fair business and customer relationships today will help us build a stronger FCO Services for tomorrow.

- Unlock staff potential; we create a diverse and inclusive culture, while nurturing our wellbeing and the wellbeing of our Civil Service and Public Service colleagues, because the future of our business depends on us, as staff, reaching our full potential.
- Deliver more with less; we innovate to use natural resources as efficiently as possible and reduce our environmental impact and emissions, because by delivering more with less, we'll protect our long-term financial sustainability.

As a responsible organisation, we respect the interests of our stakeholders (the FCO), our employees, and our customers. We take our responsibilities seriously; the activities and performance improvement during the year shows not only our commitment to maintaining this, but also increasing our impact in this area.

Following the launch of the #BeyondPlastic campaign which aligned to the Foreign Secretary's commitment: "The FCO will eliminate avoidable single use plastics from its UK operations by the end of this year, and from its global operations by 2020. It is the

first UK government to announce such a ban". This translates as products that are made wholly or partly of plastic and are typically used once or for a short period of time before being disposed and are technically, environmentally and economically practicable to avoid."

As a result of this the UK baseline figure set by the FCO (1.56 million) was reduced by 97% in the first ten months. By supporting and participating in this initiative, it is hoped that the use of single-use catering plastic in the UK will be reduced by 40% (on an annualised basis). Further action to remove avoidable single-use plastics will be taking place through to 2020.

We continued our collaborative initiative with the National Offender Management Service for another year; providing prisoners in HMP Bullingdon's laundry room with the opportunity to use their time productively to launder our Diplomatic Bags. As well as taking part in some meaningful activity, prisoners earn a small income and help FCO Services reduce the number of new bags required. New bags are currently sourced and shipped (India) from overseas and the effectiveness and efficiency of this is reviewed at intervals; however, aside from the

obvious carbon footprint associated with the bags' origin, this initiative has saved public funds and still reduced our environmental impact. In 2018-19 Bullingdon's inmates laundered 37,931 bags.

Cardboard crates have now been fully embedded and this has considerably reduced our footprint in this area; component parts are now also being recycled and purchased separately. This has led to the significant reduction in wooden crate production and as a result further efficiencies and waste reduction have been made this year; this has in turn led to obvious tangible financial benefits.

We have improved the efficient use of our fleet and the diversification into other areas of work around Hanslope Park and globally through the Regional Technical Support Services (RTSS). Lorries have been working smarter and this has reduced airfreight costs. Our resolve is further reinforced

by our continued participation in the EU Code of Conduct for Data Centres to making both energy and cost savings, as well as endorsing and improving the robustness of our environmental operations.

## Biodiversity and the Natural Environment

As tenants of the FCO, we are committed to enhancing and improving the biodiversity of the Hanslope Park site, not least because this is where the bulk of activities takes place. Active vegetation management is maintained through facilities management with designated areas for wild flowers; as well as an annual arboriculture survey. Tree maintenance is another ongoing activity, and ecological surveys are carried out prior to any works on site. Our on site nursery continues to promote habitats for birds and insects and staff in the wood

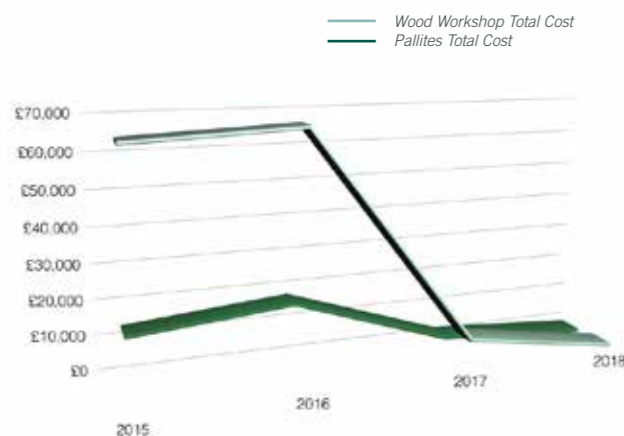
workshops are actively involved in building bird feeding tables on site.

In addition, and as part of Mental Health week, the carpenters ran several workshops for staff recycling wood offcuts to make planters; this proved extremely popular and as a result further activities are planned.

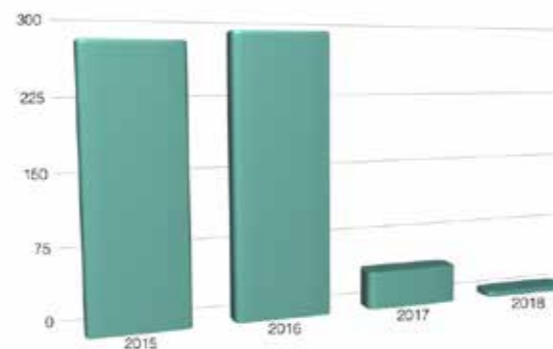
The Biodiversity Plan for Hanslope Park is reviewed annually. Potential impacts on existing habitats and species are factored into the management and landscaping of the Hanslope Park site and where possible, wildlife corridors and natural habitats have been enhanced. The bee hotels initiative has proved successful and will be extended, to maximise their potential.

FCO Services environmental impacts are managed under the FCO's Environmental Management System (EMS), which is formally accredited to the ISO 14001 standard, through Lloyds.

Workshop and Pallite Cost Reductions



Number of Crates Used 2018/19



## Sustainable Procurement

We adopt UK Government best practice in sustainable procurement. We also contribute to the FCO Greening Government Commitments for Sustainable Procurement; wherever possible, products are sourced via government framework contracts, which place up to date sustainability obligations upon our suppliers.

The sustainability credentials of our suppliers are examined and reviewed rigorously in the selection process. We also review the ongoing compliance with sustainability requirements by its suppliers; for example, Forest Stewardship Council chain of custody certification in respect of timber procurement is monitored. The emissions of our freight and private hire contractors are regularly reviewed as part of our ongoing contract management activity and where possible incorporate the use of hybrid or electric vehicles. Where bespoke contracts are placed, UK Buying Standards and government sustainability terms and conditions are incorporated.

Our Sustainable Procurement Policy reflects the strategic direction, as well as the commitment to change and improvement in this area. The implementation of key activities reinforces this; including:

- The move from a sustainability compliance approach to a sustainability performance approach with supply chain partners



- A Sustainability Action Plan against the DEFRA flexible framework to set targets for sustainable procurement has also been developed
- Sustainability risk in the supply chain will be identified through the addition of sustainability impact areas to contract risk registers and managed through the Supplier Relationship Management process
- A Sustainable Procurement Checklist has been embedded within existing procurement guidance to ensure sustainability is considered throughout the procurement cycle

As well as delivering sustainability through contracts, sustainable procurement is also about making opportunities accessible to a wide range of suppliers; particularly small and medium enterprises. Our supply base is over 25% SME suppliers; exceeding the Government's 2015 target. In addition, our staff hold the CIPS Corporate Ethics certification.

## People and Initiatives

Staff communication channels are used to promote activities periodically and to inform staff of performance. As a result, there has been increased awareness and participation in ongoing green initiatives, including the Latte Levy and the #BeyondPlastics campaign.

An annual budget is allocated for the management of our carbon footprint, and to help the organisation understand the costs and benefits of managing it.

Our staff form part of the joint organisational Environmental Volunteers.

**Danny Payne**  
Chief Executive and Accounting Officer  
28 June 2019

### Notes

\* This was addressed in 2012-13 financial year following an exemption case (to DEFRA) which now means that these emissions are not included in our formal reporting;

1. FCO Services (along with Wilton Park) are included in the figures of the FCO report because they are included in the FCO's sustainability targets. The sustainability impacts of FCO Services (or the FCO's) overseas operations are not included.
2. Fugitive emissions refer to the air conditioning, refrigerants and cooling systems for data centres.
3. The respective costs for energy, water and some waste are not paid for by FCO Services, but form part of our tenancy with the FCO. The tables in the report reflect FCO Services' proportion of these, as well as our carbon impact; this equates to 14.5% after allowing for wider market impacts.
4. The greenhouse gas figures exclude carbon emissions associated with one wider market server hosting service at the FCO's Hanslope Park site. With the agreement of DEFRA,

DECC and OGC, responsibility for reporting those emissions were contractually passed to the customer. Estate electricity consumption includes electricity consumed in charging FCO Services owned electric vehicles. Some emissions from official train and underground, bus or coach travel have not yet been base-lined or reported.

5. 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.
6. The greenhouse gas emission figures are non-weather corrected.
7. The expenditure figures relate to FCO Services' UK operations only and include VAT. FCO Services purchase fuel for the fleet (except electricity for electric vehicles).
8. The expenditure figure used for normalising the sustainability data includes all FCO Services' wider market (non FCO) revenue; this equates to £39,223,000.

9. This is the eighth operating year for the Containerised Data Centre (CDC); the considerable performance credentials (a maximum PUE = 1.3, which equates to very efficient), as well as utilisation of free air cooling 95% of the time). It has played a key part in supporting the organisation's performance data.
10. Under CRC Energy Efficiency Scheme rules, the FCO must purchase CRC allowances for all CRC qualifying emissions on its estate, including the emissions of its tenants. As a tenant FCO Services has made a provision to reimburse the FCO £22,805 for 2018-19.
11. The three scope areas for GHG emissions are:

**Scope 1** – Direct Greenhouse Gas Emissions (including gas usage, fuel oil, LPG and fuel from vehicles owned and operated by FCO Services)

**Scope 2** – Energy Indirect Emissions (usage of electricity supplied to FCO Services)

**Scope 3** – Other Indirect Emissions (includes business travel by air, rail, and hire/private car use)

# Accountability Report

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# Accountability Report

## Review of Financial Performance

### 2018/19 is FCO Services' eleventh year as a Trading Fund, recording our best year of trading yet.

We have further strengthened our leadership and management skills, by both appointing to two key leadership roles, and launching our Evolve programme which includes enhancement of financial and commercial skills.

We have continued to build our relationship with the FCO, as a key delivery partner for their Diplomacy 20:20 programme and One HMG agenda, accounting for over 15% of the FCO's annual third party spend.

We have made considerable investment in information technology and implemented best in class enterprise systems to improve our management of both risk and resources.

Value for money continues to be a theme within the business which has allowed us to effectively manage inflation and respond to competitive pricing pressures within the markets in which we operate.

### Financial outturn 2018/19

Total revenue delivered in 2018/19 was £181.4m, an increase of £21.3m (13.3%) on the revenue of £160.1m reported for 2017/18. Both the Secure Global Services (SGS) group and the Global Digital Technology (GDT) group recorded positive growth of

17.6% and 0.2% respectively. Revenue from the FCO (£142.1m) recorded an increase of £29.3m (26.0%), with the increase reflecting further growth in the Global Maintenance programme and a concerted focus on the FCO as our main customer, which resulted in a reduction in wider market activity. £4.5m of the increase related to price uplifts applied.

FCO Services achieved a gross surplus before operating expenses of £45.9m, a return of 25.3% on revenue which is consistent with 2017/18.

During 2018/19 other income of £1.2m was received, being £0.2m of draw down of monies from the apprenticeship levy relating to recoverable training costs of eligible personnel (£0.1m 2017/18), together with £1.0m relating to other non-trading activity completed in the year.

Our operating expenses at £33.5m are running at 18.5% of revenue compared to 18.8% in 2017/18, an increase of £3.4m, as compared to the prior year reported. This increase reflects not only the impact of the revenue growth, but also continued investment in information technology and a full year of increased Business Development resource in line with our strategic plan objectives.

The Statement of Comprehensive Income includes a prior year restatement of cost of sales and

operating expenses in respect of a reclassification of depreciation as a result of changing the basis of recharges from the corporate areas to operations in 2018/19, so as to ensure the comparatives are presented on a like for like basis.

Two Voluntary Exit Scheme (VES) programmes ran during the year totalling £163k. As reported in 2017/18, the Civil Service Compensation Scheme terms implemented in November 2016 were repealed in July 2017 following a judicial review. As a result the 2010 terms were put back into place and the terms offered in our previous years' VES scheme recalculated. The charge of £186k includes £23k relating to a final calculation of these prior year schemes.

SGS generated total revenue of £142.2m in the current year, £21.2m above 2017/18 reported performance of £120.9m, an increase of 17.5%. This was primarily driven by growth in the Global Maintenance programme. The SGS operating surplus performance of £10.7m compares to an operating surplus of £9.2m for the prior year, which at 7.5% of total revenue is consistent with prior year performance in percentage terms.

GDT total revenue was £40.0m (2017/18 £41.0m), a decrease of £1.0m from the previous year which included delivery on the FCO's Tech Overhaul programme. The operating surplus of £2.7m

(6.8% of total revenue) compares favourably to a surplus of £1.0m (2.6% of total revenue) for 2017/18, an improvement of £1.7m as a result of price uplifts and a further year of cost controls and efficiency benefits.

Overall for 2018/19, FCO Services achieved an operating surplus, before financing and VES cost, of £13.6m; a return of 7.5% on revenue. This compares with a surplus before financing and VES for 2017/18 of £10.3m; a return of 6.4%.

### Financing income and costs

Our net finance income of £238k, against a net finance income of £104k in 2017/18, reflects increased interest receipts of £127k, due to the improved cash balance over the year, together with reduced finance lease charges year on year of £7k.

### Surplus for the year

Our reported surplus for the financial year before VES of £13.6m (£10.4m 2017/18) saw an increase on our return from 6.5% in 2017/18 to 7.5% in 2018/19, reflecting the impact of the increase in the operating surplus.

A discretionary dividend of £23.3m was charged in this financial year (2017/18 £nil), and along with the statutory dividend charged of £2.0m (2017/18 £2.1m) resulted in a retained deficit for the financial year of £11.7m (2017/18 £8.3m surplus).

### Net assets

FCO Services continues to maintain investment in line with our strategy with capital additions of £2.3m in property, plant and equipment consistent with 2017/18 expenditure. Our investment profile for 2017/18, for both capital and operating requirements, has continued to focus on restructuring our operational resource in SGS and GDT to position growth in line with our Corporate Plan. Over the

next three years, our Corporate Plan details further capital investment in our operational infrastructure. At 31 March 2019, FCO Services held net assets of £49.8m against an opening year position of £61.4m, with the movement of £11.7m driven by the discretionary dividend charged this financial year.

Net assets comprise: non-current assets of £8.1m (2017/18 £8.3m), inventories of £0.9m (2017/18 £0.6m), cash and cash equivalents of £43.1m (2017/18 £57.9m) and other net liabilities of £2.3m (2017/18 £5.4m of net liabilities).

### Cash generation

FCO Services generated a positive cash flow in year of £8.6m, before payment of discretionary dividends, with a cash position of £43.1m at 31 March 2019 (2017/18 £57.9m). This decrease in cash funded a £2.6m net investment in non-current assets and dividend payments totalling £25.2m, including payment of £0.2m relating to the 2017/18 year.

### Cash management

Debtor days outstanding were 26 days at the end of March 2019 (March 2018 24 days), reflecting continued effective customer credit management together with improved working relationships with the customer base.

In 2018/19, FCO Services sustained the average payment rate of 88% of suppliers paid within five working days of receipt against the government standard of 80%. This action recognises our dependency on good supplier relationships in addition to supporting the government's target for commercial debt.

Effective cash management ensured that liquidity remained strong, with a quick ratio of 2.5 at 31 March 2019 (2017/18 3.0).

### Financial performance targets

FCO Services' financial performance in 2018/19 continues to be measured against two key financial performance indicators: In year surplus before interest, and Return on Capital Employed (ROCE).

### In year surplus: Target achieved

In-year surplus before interest, tax and dividend result of £13.4m (2017/18 £10.3m)

### Return on Capital Employed (ROCE): Target achieved

The result for the year of 25.4% (2017/18 18.1%) compared against a weighted average target of 3.5%. Given the service based, non-capital intensive nature of the business, ROCE is likely to remain higher than 3.5%.



## Other ministerial targets

### Customer satisfaction: Target achieved

We achieved an 89.3% (2017/18 88.9%) customer satisfaction rating, exceeding our target of at least 80.0%. Our customer base is varied and includes FCO and other government customers. Our performance is in line with the previous year, and we are working closely with our customer base continuing to demonstrate our ongoing commitment to improving customer service and to building positive, strong and future-focused relationships.

### Productivity ratio: Target achieved

Our productivity ratio target of at least 80.0% has been exceeded, with an average productivity over the year of 89.0% achieved by revenue earning staff (2017/18 92.7%). This performance continues to reflect tight operational grip, good time-recording and accurate forward planning of work force requirements.

### People - Employee engagement: Target achieved

In 2018/19 the target was achieved with a resulting score of 60.0% (2017/18 58.4%) compared to the target of 58.0%.

### People - My Manager: Target achieved

In 2018/19 the target was achieved with a resulting score of 67.0% (2017/18 67.0%) compared to the target of 62.0%.

### Pensions

Information regarding pensions is provided in the Remuneration and Staff Report.

## Events after the reporting period

These Accounts have been audited by the Controller and Auditor General whose certificate and report appears on page 110. There have been no significant events after the reporting period, which need to be noted in these Accounts. The total audit fee for 2018/19 is £103k (2017/18 £103k).

As far as I, as the Accounting Officer, am aware, there is no relevant audit information of which the National Audit Office is unaware, and I have taken all reasonable steps to ensure that I have been kept informed of any relevant audit information and to establish that all such information has been brought to the attention of the Trading Fund's auditors.

**Danny Payne**

*Chief Executive and Accounting Officer*  
28 June 2019

## Table of performance against ministerial targets

KPI	Target 18/19	Result
In year surplus before interest & tax	An in-year surplus before interest, tax and dividend	7.4%
Return on capital employed	A Return on Capital Employed of at least 3.5% (weighted average)	25.4%
Customer satisfaction	Customer satisfaction rating of at least 80%	89.3%
Productivity	A Productivity ratio of at least 80% measuring Actual Billable hours v Available Billable hours	89%
Employee engagement	An overall improvement on the average 2017 index Your Say score for Employee Engagement above 58%	60%
Management	An overall improvement on the average 2017 index Your Say score for My Manager above 62%	67%

# Corporate Governance Report

## Directors' report

### FCO Services Board

Details of FCO Services' executive and non-executive directors for the period April 2018 to March 2019 are on page 82 (Board attendance table) of this report.

All Board members are required to declare any interests they may have to enable possible conflicts to be managed. We consider no Board member has any interests that conflict with their management responsibilities. In the case of each of the directors listed on page 82, there is no relevant audit information of which the National Audit Office is unaware. The directors have taken all steps to make themselves aware of any relevant audit information and to establish that the National Audit Office is aware of that information.

### FCO Services Board and Executive Board members



## Statement of FCO Services Agency's and Accounting Officer's Responsibilities

Under the section 4 (6) of the Government Trading Funds Act 1973, HM Treasury has directed FCO Services to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Trading Fund and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

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

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on a going concern basis; and
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

The HM Treasury has appointed the Chief Executive as Accounting Officer of FCO Services. 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 Trading Fund's assets, are set out in Managing Public Money published by the HM Treasury.

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the National Audit Office are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

**Danny Payne**

*Chief Executive and Accounting Officer*

28 June 2019

# Governance Statement

## 1. Scope of Responsibility

As Chief Executive (CEO) of FCO Services I am accountable to the Secretary of State for Foreign and Commonwealth Affairs for the performance of FCO Services in accordance with the Framework Document and our Corporate Plan, which is approved by our Minister.

My responsibilities as Accounting Officer are defined in a letter to me from the Permanent Secretary, HM Treasury. The letter confirms that I am responsible to the Secretary of State for Foreign and Commonwealth Affairs and accountable to Parliament for the Trading Fund's use of resources in carrying out its functions.

Overall responsibility for the strategic direction of our organisation rests with the Secretary of State for Foreign and Commonwealth Affairs, who delegates these responsibilities during the year to an FCO Minister.

## 2. Corporate Governance

FCO Services operates within the terms of its Framework Document, which takes primacy in determining the responsibilities and accountabilities of the Secretary of State for Foreign & Commonwealth Affairs, the FCO and FCO Services. First published in 2008 (when FCO Services became a Trading Fund), the Framework Document was reviewed in April 2014, and remains the overarching statement of the Trading Fund's governing principles, from which stem all agreements and arrangements between the FCO and FCO Services. As requested in an Internal Audit, the Framework Document will be

refreshed, subject to approval by the FCO Minister responsible for oversight of FCO Services, during 2019/20.

In addition to this, FCO Services' Corporate Governance Framework sets out the corporate governance structures applied within FCO Services (Section 3 below). The framework is frequently reviewed and internally assessed by the Board Secretary against two HM Treasury documents ('Corporate governance in central government departments - Code of Good Practice', published in April 2017, and 'Managing Public Money', published in July 2013 (annexes updated March 2018)), and the Cabinet Office Guidance 'Partnerships between Departments and Arm's-Length Bodies: Code of Good Practice' (published in February 2017). The most recent assessment, carried out in April 2019, concluded that FCO Services' corporate governance complied with the relevant aspects of the code.

## 3. The Governance Framework

The FCO Services Corporate Plan sets out our corporate strategy and Ministerial Targets. It seeks the input and support of the Partnership Board (combining the previous 'Owner' and 'Customer' boards), the FCO Management Board, the FCO Chief Operating Officer, the FCO Permanent Under-Secretary, and ministers prior to submission. Our Ministerial Targets are then declared to both Houses of Parliament in written ministerial statements.

The FCO Services Board is responsible for the strategic management of the organisation. It is chaired by a non-executive director, Sir Simon Gass, and comprises the Chief Executive, Chief

Finance Officer, the Chief Operating Officer, the Managing Director of Global Digital Technology and five part-time non-executive directors.

The Board receives regular comprehensive reports detailing financial performance, sales and marketing plans, HR statistics and service delivery issues, ensuring that it is comprehensively informed. The Board also receives regular reporting on risk management, health and safety, and (through the work of the Audit and Risk Assurance Committee (ARAC)) FCO Services' systems of internal control. The Board provides oversight and endorsement of the development of FCO Services' Corporate and Business Plans, and receives regular updates throughout the year on FCO Services' major strategic programmes. It also holds offsite meetings at appropriate intervals to help shape the future strategic direction of the organisation and mitigate key long-term risks.

The Board has an agreed Forward Agenda Planning timetable, detailing standing items at each meeting and those items requiring periodical or annual review. Standing items include: the CEO report, the ARAC Report; the Nominations Committee Report; approval of the Minutes of the previous meeting; discussion of the Board Action Log; the Health and Safety Report; the Finance Report; a corporate performance dashboard; and the Corporate Risk Report, among other management information. The information in these regular reports is detailed, giving a clear view of organisational performance against key performance indicators and controls.

All Board and Committee members are required to declare any interests they may have to enable possible conflicts to be managed. From 2019/20, all high-level FCO Services Boards and Committees will be required to dedicate an item on the agenda for each meeting to allow the opportunity for such declarations.

Alongside Corporate Governance items and papers for information, the Board discuss a small number of strategic items in each ordinary Board meeting. This will include, periodically: discussions about the draft Corporate Plan; the strategies of individual directorates; and customer satisfaction.

At the request of the Chair of the Board, FCO Services commissioned a formal Board effectiveness review at its meeting on 21st June 2019. The outcome of this review will be discussed at a Board meeting later in 2019. The year-end review scheduled to be carried out in 2018/19 was delayed as this was considered too proximate to the induction of four new Executive and Non-Executive members. An Internal Audit of governance in FCO Services, carried out in January 2019, also offered some valuable recommendations to further enhance Board processes, including those relating to the method for closing actions, declarations of conflicts of interest, and review of the granularity of information presented. FCO Services is monitoring the implementation of these recommendations on a monthly basis.

The Board has two sub-committees: the ARAC and the Nominations Committee. The Board, the ARAC, and the Nominations Committee, provide advice and support with regard to my responsibilities. They are committed to ensuring that FCO Services achieves and maintains high standards of corporate governance, risk management and internal control. Their purpose is outlined within the Boards and Committees table at 4.1.

The ARAC membership, at the end of the reporting period, consisted of five members. This was made up of three Non-Executive Directors, all of whom are also Board members - one serving as Chair - and two further members, one a Finance representative from the FCO. The increase in representation is in part due to a temporary handover period. Moving into the next reporting year the Committee will have four members. The following have a standing invitation to attend: FCO Head of Internal Audit; the National Audit Office; the Chief Finance Officer; the Accounting Officer; all Non-Executive Directors formally appointed to the Board; and the Chair of the Board. Members of the Executive Board and others attend by invitation, as required.

The Nominations Committee membership, at the end of the reporting period, consisted of three non-executive directors, the Chief Executive, and the Director of Human Resources. One of the Non-Executive members of the Committee is the Chair of the Board, who also chairs the Committee. The increase in representation to three non-executive directors is due to a temporary handover period. The Committee only met once in 2018/19 due to a period of uncertainty regarding the future membership of the Committee - this has now been rectified, and there are now placeholders to hold Committee meetings every four months from June 2019.

The Executive Board meets monthly; its purpose is outlined within the Boards and Committees table at 4.1.

**FCO Services Board attendance\* (1st April 2018 to 31st March 2019 inclusive)**

\*(Attendance record includes attendance at the scheduled June 2019 extraordinary meeting)

Board Member	Possible Board Attendance 2018/19	Actual Board Attendance 2018/19
<i>Sir Simon Gass KCMG CVO Non-Executive Director and Chair</i>	7	7
<i>Philip Barton CMG OBE Non-Executive Director</i>	7	4
<i>Stephen Hawker CB Non-Executive Director (until 31st March 2019)</i>	7	6
<i>Joy Hutcheon CB Non-Executive Director</i>	7	4
<i>Richard Gunning Non-Executive Director</i>	7	7
<i>Danny Payne Chief Executive &amp; Accounting Officer</i>	7	7
<i>Rebecca Brigden Interim Chief Operating Officer (from 1st September 2018 until 23rd November 2018)</i>	2	2
<i>Rob Eason Managing Director of Global Digital Technology</i>	7	7
<i>Doug Umbers Interim Chief Operating Officer (until 31st August 2018)</i>	3	3
<i>Tony Brotherwood Interim Director, Finance and Senior Finance Officer (until 23rd November 2018)</i>	5	4
<i>William McCluggage Non-Executive Director (from 1st November 2018)</i>	3	3
<i>Ann Tourle Non-Executive Director (from 1st November 2018)</i>	3	3
<i>Claire Shepherd Chief Operating Officer (from 12th November 2018)</i>	3	3
<i>Yvonne Laird Chief Finance Officer (from 15th October 2018)</i>	3	3

**Audit and Risk Assurance Committee (ARAC) attendance\* (1st April 2018 to 31st March 2019 inclusive)**

\*(Attendance record includes attendance at the scheduled June 2019 extraordinary meeting)

ARAC Member	Possible ARAC Attendance 2018/19	Actual ARAC Attendance 2018/19
<i>Richard Gunning Chair and Non-Executive Director</i>	5	5
<i>Stephen Hawker CB Non-Executive Director (until 31st March 2019)</i>	5	5
<i>Susan Graham FCO Deputy Finance Director (FCO Finance representative)</i>	5	5
<i>Joy Hutcheon CB Non-Executive Director (From 01 January 2019)</i>	1	1
<i>Steve Dunne Appointed Member, FCO Services (From 01 January 2019)</i>	1	1

**Nominations Committee attendance (1st April 2018 to 31st March 2019 inclusive)**

Nominations Committee Member	Possible Nominations Committee Attendance 2018/19	Actual Nominations Committee Attendance 2018/19
<i>Sir Simon Gass KCMG CVO Chair and Non-Executive Director</i>	1	1
<i>Danny Payne Chief Executive and Accounting Officer</i>	1	1
<i>Philip Worthington Director of Human Resources</i>	1	1
<i>Stephen Hawker CB Non-Executive Director (until 31st March 2019)</i>	1	1
<i>Ann Tourle Non-Executive Director (from 1st November 2018)</i>	1	1

**4. System of Internal Control**

Our assessment and management of risk is informed and supported by the system of internal control. This is built on a framework of regular management information, financial regulations and procedures, a system of delegations and accountability, and appropriate segregation of duties. Key elements of the system of internal control include:

## 4.1 Boards and Committees

Meetings	Frequency	Purpose
FCO Services Board	Bi-monthly	Responsible for agreeing our strategic agenda, setting corporate policy and monitoring corporate performance. Meeting at least six times a year, the Board supports the Chief Executive in the development of the vision and strategy, agreeing the broad allocation of resources, establishing key standards, managing risk and overseeing the change process.
Audit & Risk Assurance Committee (ARAC) (Board sub-committee)	Quarterly	Provides independent advice to the Board and Accounting Officer on strategic processes for internal control and governance. This is done by reviewing accounting policies and the effectiveness of risk management, oversight of assurance and the review provided by internal and external audits. Meetings are held at least four times per year. Within the membership of the Committee, two have recent and relevant financial experience. The design of the Committee draws upon the guiding principles published in the Audit and Risk Assurance Committee Handbook (HM Treasury, 2016).
Nominations Committee (Board sub-committee)	At least Bi-annually	The Nominations Committee is responsible for advising the Board on policy and issues relating to the appointment, development and reward of senior staff. Specifically, it scrutinises plans, processes and systems for: identifying and developing leadership and high potential talent; succession-planning for Board and senior leadership roles to ensure an appropriate balance of skills and experience; incentive and reward structures and policies for senior staff, and the extent to which these arrangements are effective in improving performance; the appointment of new Non-Executive Directors; and promoting diversity in Board membership
Risk Oversight Committee (ROC) (Executive sub-committee)	Monthly	The ROC oversees and advises the Executive Board on matters pertaining to internal control and risk. It provides a forum to ensure that risks are reviewed, monitored and, where appropriate, recommended for escalation to the Corporate Risk Report. The Committee members are nominated by the Executive and made up of the Senior Leadership cadre. The Accounting Officer and Executive Directors retain accountability for the management of risk within FCO Services.
Sales and Commercial Board (SCB) (Executive sub-committee)	Monthly	The SCB monitors the sustainability of the business. Revenue growth is overseen by ensuring that all commercial interests, processes and new business opportunities are strategically aligned, appropriately resourced and effectively managed. The SCB provides oversight of customer relationships, both within the FCO and across the wider market, and approves any significant commercial decisions undertaken by FCO Services.
Operational Management Board (OMB) (Executive sub-committee)	Monthly	The OMB monitors the consistency of performance reporting in the reporting month and over a period of time. It provides oversight of corrective action when targets are not being met and the conduit to drive performance improvements and develop best practice initiatives through sharing information. It also resolves any issues or disputes between or within areas of the business. Finally, it identifies points of escalation to be raised for further discussion at the Executive Board as required.
Investment Board (Executive Body)	Monthly	The Investment Board drives, oversees and approves investment across FCO Services, ensuring that it delivers in line with both the strategic direction and the required returns as outlined by the Corporate Plan. It ensures that FCO Services has appropriate investment strategies for key areas, including: Accommodation; Internal IT; Security; Product Development; Business Development; and other Corporate Initiatives. The Investment Board is responsible for approving all Capital and Research & Development expenditure. It monitors and reviews progress against the Corporate Plan in terms of investment performance and out-turn risk. The Investment Board discusses and agrees wider investment opportunities, and seeks assurance from the governance across FCO Services that all investment governance/controls are in place. Finally, it validates any adjustment to dividend, pricing or investment policy, provided the CEO is in attendance.
Executive Board (Executive Body)	Monthly	Supports the Chief Executive in developing the vision and strategy, and by taking ownership of day-to-day management, performance and delivery against targets as per an agreed business plan. It has responsibility for providing leadership and promoting a culture of information security awareness. This is undertaken by agreeing strategic aims, objectives and key policies, and by leading the delivery of the performance targets set out within the business plan.

## 4.2 Process

Process	Frequency	Purpose
Corporate Plan	Annual	An outline of the future direction of FCO Services' strategy and governance. Target and budget-setting are realised through the Corporate Plan process, covering both operational and capital investment requirements.
Revised Annual Plan (RAP)	Quarterly	Baselining of the annual plan against the known business position.
Monthly Trading Accounts	Monthly	A financial report providing timely information to the business. The information is used by management to control costs, monitor cash flow, compare budgets and forecasts, and review seasonal differences.

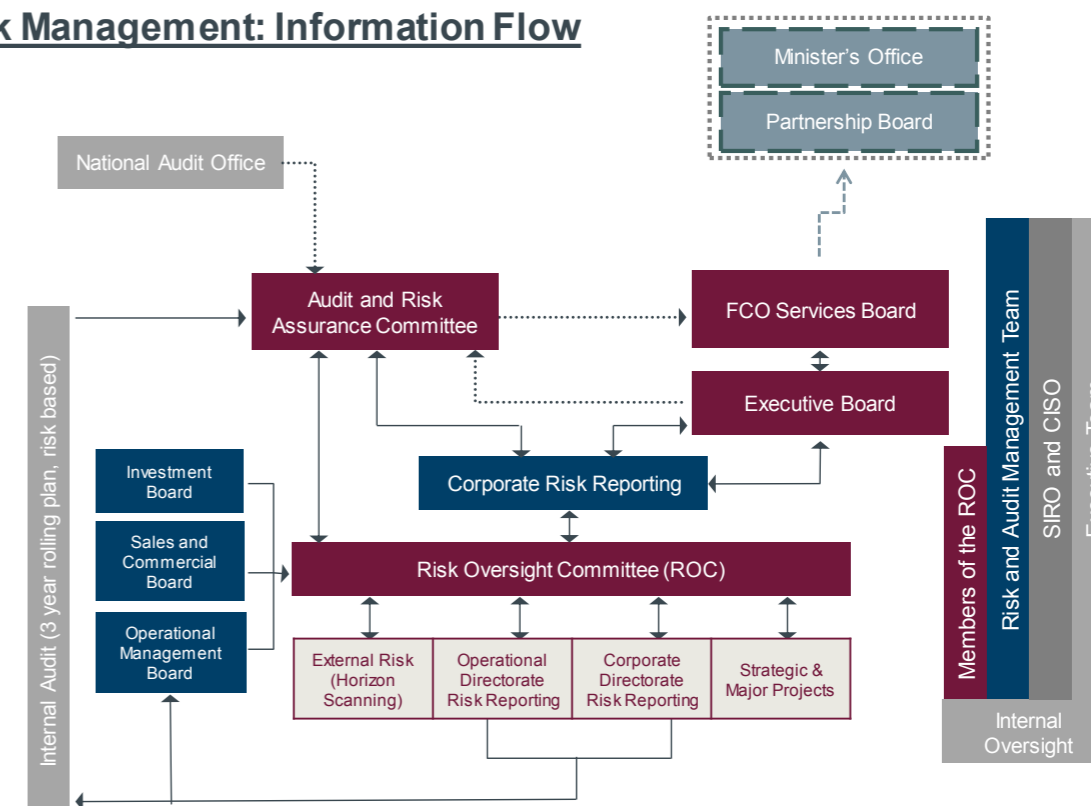
### 4.3 Assurance

Assurance	Frequency	Purpose
Executive team letters of assurance	Annual	Uniform, mandatory documents intended to clearly identify the responsibilities of key individuals. These letters are supported by documented assurances from senior managers and information asset managers, confirming compliance with operational risk management and internal control responsibilities, and identifying any perceived weaknesses and the actions recommended to address these.
Annual programme of internal audits	Annual	Delivered by independent auditors, to Public Sector Internal Audit Standards, providing regular reports and an overall annual opinion on risk management, control and governance within FCO Services.
NAO external audit	Annual	Providing internal control comments in its management letters and audit of the annual financial statements and value for money.
Business Continuity Management Steering Group (BCMSG)	Quarterly	Assurance to the Executive Board that plans are robust, resilient and effective against a range of disruptive scenarios; and ensuring all work is on track to maintain compliance with the International standard ISO 22301. The BCMSG is a key driver to implement changes and monitor delivery, thus ensuring that the business's plans and procedures, individually and collectively, are fit for purpose.
Occupational Safety and Health Committee (OSH Committee)	Quarterly	The OSH Committee provides direction to the organisation on matters of health and safety. Its purpose is to lead and influence FCO Services in the proactive delivery of the health and safety management system. Significant changes to OSH policies are considered and ratified. The Committee reviews recommendations and proposals to senior management on changes to policies, procedures, training, buildings and equipment which it believes will lead to higher standards. Also considered are accident statistics, analyses of trends, safety policies and Safe Systems of Work.
Information Assurance Declarations	Quarterly/ Annual	Assurance to the SIRO regarding risks and concerns raised from across all business groups on their Information Assets. Mitigations and controls are monitored to ensure the confidentiality, integrity and availability of information assets are maintained.
Senior Information Risk Officer (SIRO) Meeting	Weekly	To enhance SIRO oversight of Knowledge and Information Management and Corporate Information Assurance across the organisation.
SIRO Dashboard	Monthly	Assurance to the SIRO, Board and the ARAC on matters involving Information Management and Information Security. Stakeholders feeding in to the dashboard are the CISO (Chief Information Security Officer), the Corporate Information Assurance team, the Corporate Security Team, the Cyber Security Team and the Knowledge and Information Management Team.
Health and Safety internal audits	Periodically (Throughout the reporting period)	Statutory and policy compliance from within the business.
British Standards Institute (BSI) (BSI) ISO 9001 certification	Periodically (Throughout the reporting period)	A total of twenty-four processes across our key operational and functional areas are now formally recognised for their effectiveness.
Corporate Risk Report	Bi-monthly	A consolidated report of identified risks to FCO Services from across the delivery and corporate groups.
Cascaded delegations for capital and revenue expenditure	As appropriate	A system of cascaded delegations for capital and revenue expenditure and authority to contract, supported by clear mandate letters, and enforced through system controls and exception reports.
Executive approval of capital expenditure projects	As appropriate	Individual approval of capital (including research and development) expenditure projects, supported, with appropriate business cases, by the Executive.

## 5. The Risk and Control Framework (2018/19)

With the management of risk central to our organisation, we have in place a tiered risk management process, providing operational and strategic risk oversight.

### Risk Management: Information Flow



### 5.1 Risk management framework

Each of the operational and corporate groups has an overarching risk register, with accountability residing with the associated Executive Director. A named responsible risk owner for each risk is determined from within their team of senior leaders. This management control provides the first line of defence and a reporting structure to the second line.

The group risk reports are provided to the Risk Oversight Committee (ROC), who examine them for emerging and/or escalating risk. The ROC meets monthly and is made up of management representation from across the organisation. This Committee acts as a point of escalation

to the Operational Management Board and the Executive Board. Key items are notified to the FCO Services Board via either an entry within an On-Watch report or, if linked to one of top corporate risks (as defined by the Executive), within the Corporate Risk Report. Strategic risks and On-Watch items are reviewed regularly by the Executive Board, the FCO Services Board and the ARAC and each have a named Executive owner to ensure that controls are strengthened in areas of greatest exposure, and that risk management processes are operating effectively. Together this constitutes the second line of defence.

In support of this process, and as part of the third line of defence, the FCO's Internal Audit function undertakes a programme of work on a rolling

three-year basis to enable them to assess and advise on our capacity to manage risk. Planning includes one-to-one discussions with internal stakeholders and a risk based method of assessment to determine the audit plan. The plan is recommended to the FCO Services Board following review by the ARAC. As Accounting Officer, I am provided with an objective evaluation of, and opinions on, the effectiveness of our risk management, internal control, and governance arrangements (see section 6).

In addition to the above, in 18/19 the FCO Services Board developed and approved high-level appetite statements across each of the key corporate risk categories.

I am not aware of any evidence to suggest major deficiencies in our risk management process. However, we look for continuous maturity within our organisational processes and will continue to strengthen and embed those around the management of risk.

## 5.2 Management of information risk (2018/19 report)

FCO Services 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.

The risk profile of the management of information is reported to the FCO Services Board through the Corporate Risk Report. The Senior Information Risk Officer (SIRO) is an FCO Services Board member, and provides a monthly oversight report to the Executive Board on information risk management activities. This is further supported in the form of assurance provided to the ARAC through a SIRO report on the activities underway across the organisation to manage information risk.

Changes to the reporting regime on security status have ensured that the SIRO and Executive Board have an improved and more in-depth view of the risks and assurance status of systems and services under their charge.

All staff and contractors are required to complete the mandatory GDPR Sorted! E-learning course available on the training platform. Executive Directors, as Information Asset Owners (IAOs), have been issued with Terms of Reference for their role and made accountable through quarterly and annual reporting for their Information Assets.

There are regular formal communications through the Office of the SIRO to all staff and the Information Assurance (IA) community. Workshops and training days for the IA community have also been undertaken with the help of external training providers. New IA community members receive briefings from the Corporate IA Manager on their roles and responsibilities.

Quarterly Data protection newsletters, training and guidance material are posted on the Intranet to raise awareness around the changes to the UK's Data Protection laws. A revised Supplier Assurance process, checklists and updated declarations were put in place to tighten up controls and to gain assurance from 3rd Party suppliers who are handling our information. Contracts have been updated and processing agreements put in place.

2018/19 saw continued growth in the cyber threat landscape. The continued rise and variable nature of cybercrime, along with the increased use of cyber-attack and subversion as tools for domestic and foreign policy, reinforced the need to ensure that our approach to cyber security continues to be capable of addressing these challenges.

FCO Services achieved ISO20000 certification in 2017. ISO27001 has been implemented within one part of the organisation (GDT) to improve customer assurance and information security practices. This will be rolled out to cover the entire organisation.

There have been no significant lapses of protective security in, or referrals to the Information Commissioner's Office (ICO) from, FCO Services in 2018-19.

Priorities for 2018/19 were:

- Delivery of the Cyber Security strategy, providing regular reporting and assurance to the Executive;

- A complete refresh of all information security policies, and a mechanism to report on compliance with these policies, in line with ISO27001;
- Embedding of data protection practices, focussing on privacy/data protection by design, introduction of a compliance/auditing regime, customer and supplier contracts and processing agreements;
- Campaigns on digital and paper data cleansing and retention to prepare for the introduction of new information architecture based on SharePoint;
- Launch of knowledge management to exploit the value of information and gain benefits;
- Work with our suppliers to support and encourage them to manage and mitigate their cyber vulnerabilities.

## 6. Report of the Audit and Risk Assurance Committee 2018/19

The Audit and Risk Assurance Committee provides advice on the strategic processes for control, governance and risk management, as well as on the adequacy and effectiveness of processes for the leadership of managing risk. The Committee reviews our accounting policies and financial accounts, including the process for their review prior to submission for audit.

All Internal Audit, Anti-Fraud and Corruption Unit and National Audit Office (NAO) activity falls within the scope of the Committee. This includes NAO value for money reports, the NAO annual Audit Management Letter, and the adequacy of responses to issues identified. It also encompasses the planned activity and results of both internal and external audits. The Committee will also consider assurances and information relating to other areas of risk (including security, information and cyber threats, business continuity, environmental audit and health and safety) as requested by me as the Accounting Officer.

It is noted that, as per the guidance provided by the Audit and Risk Assurance Committee handbook (HM Treasury, 2016), at least one member of the Committee has recent and relevant financial experience, and is a qualified accountant. The Committee has, within the period of this report, undertaken a change of membership. The changes are set out in the table at section 3 above (Governance Framework). The Committee has been quorate throughout the year.

The Committee met five times in the year. On each occasion the Board was provided with a summarised written report and a verbal update by the Chair. An effectiveness review was facilitated by the NAO. The concluding remarks of

the review stated that 'All respondents thought the Committee was effective but recognised some small areas for improvement.' All actions raised are to be managed through the action plan of the Committee.

When assessing the year end accounts, the Committee considered in detail areas subject to management judgement, and received reports from the Chief Finance Officer on each area, setting out the methodology and key assumptions. The NAO, who receive these papers, have assessed that there were no material differences between the views of management and the NAO on the appropriateness of the accounting policies adopted by FCO Services for 2018-19.

FCO Services continues to enjoy a strong relationship with the NAO. Close working relations were maintained formally, through the ARAC and at Executive working level. The Committee oversaw the development of the Annual Governance Statement and was grateful for the guidance and advice of the NAO.

The Head of Internal Audit's annual report provided an overall Moderate assurance level. The report assessed that FCO Services' governance and risk management framework has good policies in place. An overall improvement would stem from a more consistent and rigorous approach to the implementation of these policies. However, the report also noted that good progress has been made with the implementation of internal audit recommendations. In particular, the report highlighted no actions as outstanding from a total of 77 recommendations made in 2017/18.

The management of a risk-based programme of audits was supported with a mid-year review to confirm the business and assurance requirements. The Committee was content with the visibility afforded by the programme.

The Anti-Fraud and Corruption Unit (AFCU) has provided the Committee with reports and advice on matters relating to the investigation and prevention of fraud, and has continued to represent FCO Services on the Government's 'Counter-Fraud Champions' Network. There have been no credible concerns or suspected frauds reported to me by the Anti-Fraud & Corruption Unit during this period.

## 7. Annual Risk Assessment:

On the next page is a reflection of the key risks that have been addressed in 2018/19 or remain under management.

## Opportunity Management

There is a risk that, if we were unable to maximise opportunities this may lead to a failure in the achievement of the Corporate Plan targets, resulting in financial underperformance.

Primary factors considered	Key controls in place	Planned further mitigation (2019/20)
<ul style="list-style-type: none"> <li>Market presence: targeted marketing of our product and services portfolio to a selected customer base</li> <li>Competitive pricing strategy: delivering value for money to customers whilst ensuring that the financial needs of the organisation are met</li> </ul>	<ul style="list-style-type: none"> <li>Governance structure, including monthly Board meetings and weekly opportunity reviews overseeing market scope and presence</li> <li>Competitive and benchmarked pricing analysis</li> <li>System-generated workflows, escalations and standardised reporting</li> <li>A commercial strategy is in place for further proactive development of the market.</li> <li>Opportunities are reviewed In the Sales and Commercial Board to ensure quality bids and solutions are developed.</li> </ul>	<ul style="list-style-type: none"> <li>Enhancement of the Enterprise Resource Planning (ERP) systems that were implemented in 2018/19</li> <li>FCO Services will be refining the Major Opportunities Qualification process to ensure it gains Executive commitment for qualified opportunities.</li> </ul>

## Operational Delivery:

If robust co-ordination of delivery activities are not undertaken this may result in inefficiencies and inconsistency in the standard of delivery resulting in financial, operational and, potentially, reputational losses.

Primary factors considered	Key controls in place	Planned further mitigation (2019/20)
<ul style="list-style-type: none"> <li>Clearly-defined customer requirements: imperative that both parties understand scope of delivery and agree expectations</li> <li>Co-ordination and scheduling: proactively managed to ensure projects and services run to time, budget and the highest quality.</li> <li>Operational processes and procedures: to safeguard against errors and potential instances of fraud or non-compliance with statutory regulations</li> </ul>	<ul style="list-style-type: none"> <li>Governance structure, made up of regular review of activities, including quarterly forecasting and annual review of the Corporate Plan, monthly Operational Management Board scrutiny and review of project delivery and pipelines</li> <li>System-generated workflows, escalations and standardised reporting</li> <li>Certification to internationally recognised standards, including ISO 9001, ISO 27001, and ISO 22301</li> </ul>	<ul style="list-style-type: none"> <li>Continuous improvement of processes and procedures, including full review of the Business Lifecycle Process</li> <li>Maturation of our Central Planning function to support active Business Intelligence of projects and services</li> <li>Enhancement of ERP systems</li> <li>Implementation of the next phase of the overseas regionalisation model</li> <li>Broadening of ISO accreditations</li> <li>Broadening of the Operational Management Board to cover the incorporation of new tools and processes</li> </ul>

## Supply Chain:

If a high-quality, compliant and global supply chain is not sustained, this may affect the quality of products and services and the timeliness of delivery to our customers, resulting in a poor customer experience and cost overruns.

Primary factors considered	Key controls in place	Planned further mitigation (2019/20)
<ul style="list-style-type: none"> <li>High-quality relationships with our partners and suppliers: robust on-boarding and contract management to ensure we have an ethical, compliant supply chain</li> <li>Value for money and reliable delivery: engagement of suppliers with a global reach who have sufficient capacity to deal with our demand</li> </ul>	<ul style="list-style-type: none"> <li>Governance structure, including segregation of duties, delegated authorities and standardised reporting</li> <li>Tenders submitted using existing government frameworks</li> <li>Skilled strategic sourcing teams with Chartered Institute of Procurement and Supply (CIPS) Ethical Ethics accreditation</li> </ul>	<ul style="list-style-type: none"> <li>Continuous improvement of processes and procedures, including full review of the Business Lifecycle Process</li> <li>Further investment in e-sourcing, with improved data flows and links to operational datasets</li> </ul>

## Financial Control:

If we do not adequately control revenue, costs and assets, this may result in poor commercial decisions being taken, error or fraud in financial results and reduced-quality forecasts, potentially leading to increased losses, an inability to demonstrate value for money, and an adverse effect on the organisation's reputation and ability to continue as a trading fund.

Primary factors considered	Key controls in place	Planned further mitigation (2019/20)
<ul style="list-style-type: none"> <li>Financial processes and procedures: safeguarding against errors and potential instances of fraud or non-compliance with statutory regulations</li> <li>Compliance with commercial processes and procedures: risk-aware culture reflected in leadership and management behaviours</li> <li>An operational understanding of IFRS15: both finance and non-finance staff likely being aware of how the standard is applied in practice and why it is important to get it right</li> </ul>	<ul style="list-style-type: none"> <li>Financial governance, including quarterly forecasting, annual review of the Corporate Plan, segregation of duties, delegated authorities, internal audits, review of financial reports by a number of Boards, and independent review and approval of investment business cases</li> <li>Monthly management accounts process, including review of performance against budget and forecasts and production of standardised financial reports</li> <li>Skilled and trained finance and strategic sourcing teams</li> </ul>	<ul style="list-style-type: none"> <li>Complete the implementation of the Strategic Finance programme to further improve our understanding of operational drivers</li> <li>Continuous improvement of processes and procedures, including full review of the Business Lifecycle Process</li> <li>Enhancement of ERP systems</li> </ul>



### Skills, Capability and Retention:

An ability to attract, retain and engage a skilled and diverse workforce is essential. If we fail to do these things, the long-term health of the organisation and delivery of the Corporate Plan may be adversely affected.

Primary factors considered	Key controls in place	Planned further mitigation (2019/20)
<ul style="list-style-type: none"> <li>• Current and future skills and capability requirements: reinforcing medium and longer-term resource planning, and enhancing internal staff development</li> <li>• Staff engagement: focusing upon the motivation and productivity of the workforce</li> <li>• Diversity and inclusion: enabling a diverse range of skills and capabilities, brand recognition as a diverse and inclusive employer, and staff wellbeing</li> </ul>	<ul style="list-style-type: none"> <li>• Achievement of Bronze in MIND's Workplace Wellbeing Index, being a Member of Employers for Carers, and signing up to the Time to Change pledge</li> <li>• An enhanced pay award agreed in 2018/19 that improves relative market position</li> <li>• Executive diversity champions and deputy champions from the wider leadership cadre</li> <li>• Significant investment in leadership, management, and professional and skills development through corporate and devolved learning plans</li> <li>• Building a long-term talent pipeline through apprenticeship schemes, growing our own skills and capabilities in shortage skill areas</li> <li>• Targeted recruitment campaigns, hybrid security clearance policy and market allowances use to facilitate appointments to difficult to fill skill sets</li> </ul>	<ul style="list-style-type: none"> <li>• Development of a new skill-based pay structure using job families to enable clearer career progression</li> <li>• Improving global capacity planning and recruitment</li> <li>• Implementation of an updated wellbeing strategy, new careers website and other diversity initiatives</li> <li>• Development of the 3-year rolling apprenticeship recruitment plan and career development plans across a broad range of schemes</li> <li>• Enhancement of our management development programme for aspiring and new managers</li> <li>• Implementation of our plan to reduce reliance on contractors and to reduce workforce costs</li> </ul>

### Health and Safety:

If we fail to identify, mitigate and manage health and safety and personal security risks, this may result in injury, financial loss, legal action and penalty, and reputational damage.

Primary factors considered	Key controls in place	Planned further mitigation (2019/20)
<ul style="list-style-type: none"> <li>• Identification and management of operational health and safety risks: preventing injury and loss</li> <li>• Compliance with regulatory requirements: averting legal action, financial and reputational loss</li> <li>• Safe environment: for staff, contractors and customers, safeguarding against unacceptable risk due to lack of knowledge, skills and competence</li> </ul>	<ul style="list-style-type: none"> <li>• Health and safety policies, procedures and management tools supported by internal governance</li> <li>• A Travel Risk Management System</li> <li>• Risk management tools including assessment, audit and inspection</li> <li>• Regulatory and internal compliance assurance through inspection and routine audit</li> </ul>	<ul style="list-style-type: none"> <li>• Enhanced staff competence through training and personal accreditation to recognised safety schemes</li> <li>• The Travel Risk Management System pilot expanded to include all travelling staff, supported by a specialist internal travel management team</li> <li>• Health and Safety Management Information tool launched for recording, analysis and reporting of accidents, incidents and near misses to improve performance and prevent injury and loss.</li> </ul>

### Data Protection (GDPR):

If we fail to comply with data protection legislation this may result in financial loss, legal action and penalty, and reputational damage.

Primary factors considered	Key controls in place	Planned further mitigation (2019/20)
<ul style="list-style-type: none"> <li>• Legal obligations understood: ensuring that we have the ability to respond appropriately, and to confirm compliance with legal requirements</li> <li>• Data protection clauses: making sure that, where practicable, suppliers have appropriate data protection clauses in place</li> <li>• Customer agreements: addressing consistency of commercial documents</li> </ul>	<ul style="list-style-type: none"> <li>• Education and Awareness of data protection guidance, policies and templates, regular communications and GDPR training</li> <li>• Governance controls: the Data Protection Officer; the Senior Information Risk Owner; and the Data Governance Board</li> <li>• Supplier assurance guidance, policy and process</li> </ul>	<ul style="list-style-type: none"> <li>• Introduction and embedding of a data protection tool</li> <li>• Maturing compliance monitoring regime</li> <li>• Embed data protection, by default, into business processes</li> </ul>

## Business Continuity:

In the event of a Business Continuity incident, the impact may disrupt prioritised activities and the processes, systems, information, people, assets, suppliers and other resources that support them.

Primary factors considered	Key controls in place	Planned mitigation (2019/20)
<ul style="list-style-type: none"> <li>Critical business processes and activities: ensuring vulnerabilities, which extend recovery times following an incident, are identified and addressed on a timely basis</li> <li>Quality Business Impact Analysis: minimising business disruption, and enabling contractual obligations and customer expectations to be met. Protecting revenue and the delivery of organisational objectives.</li> </ul>	<ul style="list-style-type: none"> <li>An internal governance structure with Management and Champion Boards and Business Continuity Plans (BCPs). Assessing, across the organisation, the response to a disruption.</li> <li>Maintained, functional Business Impact Assessments (BIAs) and plans</li> <li>Cyclical review of the Business Continuity process</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of a software tool to centrally manage BCPs, BIAs, exercise schedules and central management of emergency contact information</li> <li>Enhance visibility of Business Continuity and Organisational Resilience throughout FCO Services</li> <li>Implementation of regular exercising of BC Plans at Gold, Silver and Bronze</li> </ul>

## EU Exit:

An exit from the EU may result in disruption to the maintenance of the platform, leading to legal, financial, operational, resource, and security implications.

Primary factors considered	Key controls in place	Planned mitigation (2019/20)
<ul style="list-style-type: none"> <li>Timely identification of future delivery requirements and revenue projections consequent from EU Exit: to enable the timely provision of resources and equipment globally</li> <li>Recognition of contractual implications: to determine if new contract terms are required with European suppliers</li> <li>Timely transportation of goods to/from Europe (ports and airports): avoidance of a short-term impact on operational delivery and projects</li> <li>Transfer of UK data in and out of the country in relation to EU regulations (GDPR): European countries may consider defining their own terms and requirements</li> </ul>	<ul style="list-style-type: none"> <li>Close working relationships with the FCO's central EU Exit preparations teams. Our Implementation Plan and delivery governance process are overseen by a Deputies Board.</li> <li>Security &amp; Information Governance processes overseen by the Senior Information Risk Officer and the Engineering and Technology Director's assurance teams</li> <li>Central logistics co-ordinators based permanently at the EU hub to ensure operational implementation is delivered effectively</li> <li>Reprioritised personnel recognised who can be redirected to the EU in phases to deliver mission-critical support</li> <li>Critical suppliers contacted to assess the impact of EU Exit and provide assurance declarations</li> </ul>	<ul style="list-style-type: none"> <li>A projects and programme plan, prioritised in relation to EU Exit priorities guidance</li> <li>Legal and contractual advice to be sought, as required, to provide assurance in relation to overseas personnel healthcare, GDPR and secure data transfer</li> </ul>

## Going Concern

There are no material uncertainties that may cast significant doubt about FCO Services' ability to continue as a going concern.

## 8. Overall summary

FCO Services' 11th year as a Trading Fund has been both an opportunity to look back on past achievements and another period of hard work, with more delivery going on than ever across our service areas. Record revenues have been achieved, leading to a strong financial performance. I'm also delighted to say that all of our ministerial targets for 2018/19 have been exceeded.

The Board has seen some notable changes in its composition. At the end of March 2019 we said farewell to Stephen Hawker after over 9½ years of valued service, and we have also benefitted greatly from the contributions of three interim directors: Doug Umbers, Rebecca Brigden, and Tony Brotherhood. Finally we welcomed two new Executive Directors (Yvonne Laird, Chief Finance Officer and Claire Shepherd, Chief Operating Officer) and two new Non-Executive Directors (Ann Tourle and William McCluggage) to the Board. I wish each of them the best of luck and look forward to the insights and provocations they will offer.

Our strategic focus in 2018/19 has been on collaboration with the FCO's Corporate Capability Programme, thereby advancing our parent department's ambition to ensure a world-class overseas platform where diplomats can remain focused on diplomacy. This collaboration has included working on piloting new capabilities and ways of working. A key priority for FCO Services continues to be obtaining maximal value out of the Trading Fund model, offering stability in service provision and a sustainable Arms-Length Body that helps, rather than adds risk to, its parent. I look forward to continuing to realise

improvements to the management of the HMG overseas platform as this piloting phase progresses, and to further solidifying the footing on which FCO Services operates.

As an organisation we continue to focus on internal capabilities, including an upgrade to our resource planning, the implementation of project software, striving for consistency in great customer service, work on greater Health and Safety embeddedness across the organisation, and the advancement of strategic sourcing capability. While great progress has been made, we accept that there is still room for improvement in our agility. A working group will be established in 2019/20 to look in a disciplined way at how this can be done most effectively, while leveraging achievements to date. Our relationships with customers and FCO stakeholders are strong, and serve as a solid foundation for closer collaboration for service improvements. I hope to see them continue to thrive and develop through 2019/20.

I note that the Head of Internal Audit has given a Moderate assurance opinion for the year as a whole. I look forward to continue working closely with our Internal Audit colleagues to identify areas of potential risk, and to seeking assurance from both the ARAC and the National Audit Office that our systems of internal control are working effectively.

Finally, FCO Services has been working hard to support the FCO in implementing preparatory measures for all possible forms of EU Exit. Working with our customers to understand how evolving diplomatic and other priorities may alter required service provision for the overseas platform, we have also ensured internal preparedness, including on data protection compliance, the continuity of our logistics service, and assurance to members of FCO Services staff who live and work in the European Union. After an extensive period of planning, including building a comprehensive implementation manual, we now stand ready to support the Government with any eventuality.

**Danny Payne**  
*Chief Executive and Accounting Officer*  
 28 June 2019

# Remuneration and staff report

## Remuneration report

This report provides details of the remuneration, compensation payments, service contracts and pensions of FCO Services Board members for the year ended 31 March 2019. The Board is comprised of both Non-Executive and Executive Directors and the relevant disclosures of each are set out below.

### Remuneration policy for senior civil servants

The remuneration of senior civil servants that are executive members of the FCO Services Board is designed to attract, retain, engage and motivate senior leaders, professionals and specialists of the right calibre in order to improve performance and deliver business objectives.

The Cabinet Office sets the policy for senior civil servant remuneration, including the minimum and maximum for each pay band. FCO Services' base pay and allowances are set determined by the policy. Annual base pay and performance payments are also reviewed in accordance with the policy and the FCO's pay award framework.

The remuneration for each senior employee is determined taking a range of factors into account, including:

- the need to recruit, retain and motivate suitably able and qualified people to exercise the responsibilities of the role;
- government policies for improving the public services, including the requirement on departments to meet the output targets for the delivery of departmental services;

- affordability and likely funds available to FCO Services from its trading relationship with the FCO and wider markets and the need to provide appropriate levels of service to customers in accordance with SLA and contractual agreements; and
- individual performance, capability and competence as assessed through annual appraisals.

Delivery against stretching objectives agreed at the start of the reporting period is a key determinant of the pay award within the prevailing Government policies. At the end of the performance year, individual contribution is assessed by the line manager and validated by a countersigning manager. The assessments underpin annual pay reviews and bonus decisions and are also used to evaluate talent and potential.

### Employment contracts for Executive Directors who are civil servants

Civil Service appointments, including executive members of the FCO Services Board, are made in accordance with the Civil Service recruitment principles. Appointments are made on merit and offers are made to the most suitable person for the job. This policy incorporates practices for ensuring equal opportunities and appointments are made on an objective basis and solely on the candidate's suitability for appointment.

The following executive members of FCO Services' Board are civil servants and hold appointments as Board members as follows:

**Rebecca Brigden** (Interim Chief Operating Officer). Appointed Interim Chief Operating Officer on 1 September 2018. Rebecca stepped down from the board on 23 November 2018. There was a short period of handover with the Chief Operating Officer from 12 November. Rebecca held an open-ended appointment until retirement.

**Tony Brotherwood** (Interim Director, Finance and Senior Finance Officer). Appointed Interim Director of Finance and Senior Finance Officer on 14 August 2017. Tony stepped down from the board on 23 November 2018. There was a short period of handover with the Chief Finance Officer from 15 October. Tony held an open-ended appointment until retirement.

**Rob Eason** (Global Digital Technology Director) holds an open-ended appointment until retirement.

**Yvonne Laird** (Chief Finance Officer). Yvonne was appointed on 15 October 2018 on a four year fixed-term contract.

**Danny Payne** (Chief Executive and Accounting Officer). Danny was appointed Chief Executive and Accounting Officer on 1 July 2015 on a four year fixed-term contract. This has been extended to 30 June 2021.

**Claire Shepherd** (Chief Operating Officer). Claire was appointed on 12 November 2018 on a four year fixed-term contract.

Early termination by FCO Services, other than for misconduct or early retirement on ill health grounds, would result in the above individuals receiving compensation as set out in the Civil Service Compensation Scheme.

### Contracts for Executive Directors who are not civil servants

**Douglas Umbers** (Interim Chief Operating Officer) was appointed on 30 November 2017 for six months, his contract was extended for a further

three months. Douglas stepped down from the board on 31 August 2018. IRG Advisors LLP (T/A Odgers Interim) provided the services of Douglas Umbers during this period.

No compensation is payable for early termination.

### Executive Members' and Key Management Personnel Remuneration and Pensions (Subject to Audit)

	Salary £000		Performance Related payment £000		Pension Benefits (to nearest £000) (Note 1)		Total £000	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
Rebecca Brigden (from 1 September to 23 November 2018) (Note 2)	20-25 (100 - 105 full year equivalent)	N/A	0-5	N/A	23	N/A	45-50 (125-130 full year equivalent)	N/A
Tony Brotherwood (to 23 November 2018) (Notes 2 and 3)	60-65 (100-105 full year equivalent)	60-65 (95-100 full year equivalent)	5-10	Nil	24	24	95-100 (130-135 full year equivalent)	80-85 (115-120 full year equivalent)
Rob Eason	100-105	95-100	10-15	10-15	11	1	120-125	110-115
Yvonne Laird (from 15 October 2018)	50-55 (110-115 full year equivalent)	N/A	Nil	N/A	20	N/A	70-75 (130-135 full year equivalent)	N/A
Danny Payne	135-140	125-130	10-15	10-15	52	49	200-205	190-195
Claire Shepherd (from 12 November 2018)	50-55 (140-145 full year equivalent)	N/A	Nil	N/A	21	N/A	75-80 (160-165 full year equivalent)	N/A
Douglas Umbers (to 31 August 2018) (Note 4)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
					2018/19		2017/18	
Band of Highest Paid Director's Total Remuneration (£'000)					220-225		220-225	
Median Total Remuneration £					38,816		36,690	
Ratio (Note 5)					5.7		6.1	

**Note 1.** The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decrease due to a transfer of pension rights.

**Note 2.** Tony Brotherhood and Rebecca Brigden worked for FCO Services before and after they stepped down from the board. For 2018/19 their total salary, performance related payments and pension benefits amounted to £130k-£135k and £120k-£125k respectively.

**Note 3.** Tony Brotherhood was paid two Performance Related Payments in 2018/19, each relating to different prior financial years.

**Note 4.** IRG Advisors LLP (T/A Odgers Interim) provided the services of Douglas Umbers in the role as Interim Chief Operating Officer. Douglas was appointed on 30 November 2017 for six months, his contract was extended for a further three months. Douglas stepped down from the board on 31 August 2018. The total fees paid in 2018/19 amounted to £125k-£130k which would equate to £265k-£270k for a full year. (2017/18 £100k-£105k which would equate to £265k-£270k for a full year). The total fees stated here includes the additional element relating to the agency fees paid to IRG Advisors LLP (T/A Odgers Interim), producing the variance from the band of £220k-£225k used in the ratio calculation in the table above for the total remuneration band for the highest paid director.

**Note 5.** FCO Services is required to disclose the relationship between the remuneration of the highest-paid director in the organisation and the median remuneration of the organisation's workforce. The basis for the median pay calculation for both financial years is based on the requirements specified in the Hutton

Review of Fair Pay – Implementation Guidance. The guidance requires the calculation to be based on the pay of full-time equivalent staff (including contractors in line positions and excluding the highest paid director) of FCO Services, at the reporting end date, on an annualised basis. The annualised remuneration of staff includes, salary, non-consolidated performance-related pay, benefits in kind, allowances etc. matching the remuneration report disclosures for the directors.

The banded remuneration of the highest paid director in FCO Services in both 2018/19 and 2017/18 was £220k-£225k. This was 5.7 times (2017/18, 6.1) the median remuneration of the workforce, which was £38,816 (2017/18 £36,690). In both 2018/19 and 2017/18 no employees received remuneration in excess of the highest paid director. Remuneration ranged from £15,296 to £170,500 (2017/19 £14,332 to £143,000). The median pay ratio has decreased by 0.4 due to the increase in the remuneration of the permanent workforce following the 2018 Pay Flex agreement and also increases in agency remuneration. In both 2018/19 and 2017/18 the highest paid director was an interim on contract.

### Salary

'Salary' includes gross base salary; overtime, location allowance; recruitment and retention allowances and any other allowance to the extent that it is subject to UK taxation.

This report is based on accrued payments made to members of the FCO Services Board and key management personnel and thus recorded in these accounts.

### Performance Related Payments

Senior civil servant staff appraisals are validated for both base pay and performance related pay. They are subject to validation in line with Cabinet Office guidance.

For base pay, staff across the FCO are validated across three tranches with the following forced distribution (with 1 being the highest): 1 – 25%; 2 – 65%; 3 – 10%. The criteria for assessment are:

- i. The quality of leadership provided by the jobholder—taking account of what the jobholder's team has achieved and how it has been done;
- ii. Ability to learn and develop—taking account of competence growth through improved skills rather than volume of development activity; and
- iii. Corporate contribution, including towards agreed annual Ministerial targets.

People in the top tranche consistently perform significantly above the requirements set out in their objectives. In practice, this means that they exceed a set of very challenging objectives by going beyond expectations, or by delivering extra work of recognised value in addition to their objectives, which was not foreseen at the start of the appraisal period and which contributes to FCO Services business plans. Those with significant development needs in key areas (especially leadership and learning and development), are likely to be assessed as Tranche 3.

For performance related pay, ratings reflect an individual's overall in-year performance in FCO Services compared with others in the grade. They take into account factors like achievement against agreed objectives, complexity, behaviours, challenging environment and availability and quality of resources. Following validation, 25% of senior civil servant staff can be allocated a bonus. The

performance related bonus value is set at £11,400 for all senior civil servant staff regardless of grade. This will not necessarily mean that a staff member has achieved Tranche 1, but may reflect a single exceptional example of performance within the year. Staff may be ineligible for a bonus if their appraisal is not received in time.

For fixed-term senior civil servant appointments, the contract of employment apply the same terms as above or could include specific terms for determining annual performance related payments. In determining awards, FCO Services

will be mindful of diversity (including those in under-represented groups – women, BME staff, LGBT and those with a declared disability).

Where interim directors, who are on the board for part of the year, have previously been part of FCO Services' delegated grade cadre, their performance related payments made in year related to their prior year's performance. Therefore, be based on the payment structure for the delegated grades and will be typically lower than the senior civil servant performance related payments detailed above.

The table on page 97 shows the performance related payments paid in 2018-19 and are related to Director's performance in the prior year.

### Benefits in kind

The monetary value of benefits in kind covers any taxable benefits not given to the individual as cash. No executive member or key management personnel received any benefits in kind in 2018/19.

### Executive members' and key management personnel pension benefits (Subject to Audit)

	Accrued pension at pension age as at 31 March 2019 and related lump sum (Note 1)	Real increase in pension and related lump sum at pension age	CETV at 31 March 2019 (Note 1)	CETV at 31 March 2018 (Note 1)	Real increase in CETV (Note 1)	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	Nearest £100
Rebecca Brigden (from 1 September to 23 November 2018)	20-25 plus a lump sum of 45-50	0-2.5 plus a lump sum of 0-2.5	330	285	15	-
Tony Brotherhood (to 23 November 2018)	10-15 plus a lump sum of nil	0-2.5 plus a lump sum of nil	180	143	20	-
Rob Eason	35-40 plus a lump sum of 115-120	0-2.5 plus a lump sum of 0-2.5	857	766	6	-
Yvonne Laird (from 15 October 2018)	0-5 plus a lump sum of nil	0-2.5 plus a lump sum of nil	11	0	7	-
Danny Payne	25-30 plus a lump sum of nil	2.5-5 plus a lump sum of nil	328	253	24	-
Claire Shepherd (from 12 November 2018)	0-5 plus a lump sum of nil	0-2.5 plus a lump sum of nil	11	0	8	-

**Note 1.** Where officers have transferred from the PCSPS scheme to Alpha, the two values for each of accrued pension, real increase in CETV and opening and closing CETV values have been combined together in the table above.

## Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

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, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate

defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of 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 0.5% 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, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website: [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

## Cash Equivalent Transfer Values

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

## Real increase in CETV

This is effectively the element of the increase in accrued pension funded by the employer. It excludes increases 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.

## Non-Executive Directors

The following section provides details of the appointment, service contracts and remuneration of the Non-Executive members of FCO Services.

The Non-Executive Directors, (excluding the Chair), are appointed by the FCO Services Chief Executive in his capacity as Accounting Officer on fixed appointments. The FCO as sponsor, appoints the Chair. Their remuneration and terms are agreed at the time of their appointment, which is normally for three years with the option to be extended under mutually agreed terms. No compensation is payable for early termination.

FCO Services' Non-Executive Directors are not FCO Services employees or civil servants, except for Philip Barton and Joy Hutcheon, and are not members of the Alpha Pension Scheme.

No pay or pension costs are included in FCO Services' accounts in respect of Philip Barton or Joy Hutcheon, who are civil servants employed by the Foreign and Commonwealth Office and Department for International Development respectively. Travel expenses may be payable by FCO Services for Joy Hutcheon's attendance at Hanslope Park meetings. The Non-Executive Directors, (excluding Philip Barton and Joy Hutcheon), are paid through the FCO Services payroll.

The following have been Non-Executive Members of the FCO Services Board during the year:

**Philip Barton CMG OBE**, appointed on a three year contract as a Non-Executive Director on 1 March 2018.

**Sir Simon Gass KCMG CVO**, appointed as Non-Executive chair on a four year contract from 1 April 2018.

**Richard Gunning** (Chair of the Audit and Risk Assurance Committee), appointed on a three year contract as a Non-Executive Director on 1 February 2018.

**Stephen Hawker CB**, appointed on a three year contract commencing on 1 September 2009 as a Non-Executive Director which was extended to 31 March 2019.

**Joy Hutcheon CB**, appointed on a three year one month contract as a Non-Executive Director on 1 March 2016. Extended until 31 March 2022.

**William McCluggage**, appointed on a three year contract as a Non-Executive Director on 1 November 2018.

**Ann Tourle**, appointed on a three year contract as a Non-Executive Director on 1 November 2018.

Member of the Audit and Risk Assurance Committee who is not a Non-Executive Director:

**Susan Graham**, (FCO's Deputy Finance Director), attends the Audit and Risk Assurance Committee, Susan is not a Non-Executive Director. No pay or pension costs are included in FCO Services' accounts in respect of Susan Graham who is a civil servant employed by the Foreign and Commonwealth Office.

## Remuneration payments to Non-Executive Directors (Subject to Audit)

	2018/19	2017/18
	£000	£000
Philip Barton CMG OBE (Note 1)	-	-
Sir Simon Gass KCMG CVO (Note 2)	20-25 (30-35) full year equivalent)	15-20 (30-35) full year equivalent)
Richard Gunning (Note 2)	10-15 (15-20) full year equivalent)	0-5 (15-20 full year equivalent)
Stephen Hawker CB (Note 2)	10-15 (15-20) full year equivalent)	15-20
Joy Hutcheon CB (Note 1)	-	-
William McCluggage (Note 2)	0-5 (15-20) full year equivalent)	N/A
Ann Tourle (Note 2)	0-5 (15-20) full year equivalent)	N/A

**Note 1.** No pay or pension costs are included in FCO Services' accounts in respect of Philip Barton or Joy Hutcheon, who are civil servants employed by the Foreign and Commonwealth Office and Department for International Development respectively. (2017/18 £nil).

**Note 2.** The Q4 fees for all the fee earning Non-Executive Directors were not processed or paid until April 19. The values were accrued in 2018/19.

## Staff Report

## Number of senior civil service staff (or equivalent) by band (Subject to Audit).

Details provided as at 31 Mar 2019

Pay Band	Number of Senior Civil Service Staff
SMS 1	4
SMS 2	2

## Staff Report (Subject to Audit)

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

Staff numbers	2018/19		Total
	Permanent	Other*	
Service Delivery	758	206	964
Corporate Services	126	27	153
<b>Total Staff Numbers</b>	<b>884</b>	<b>233</b>	<b>1,117</b>
Capitalised Staff**	(2)	-	(2)
<b>Net Staff Numbers</b>	<b>882</b>	<b>233</b>	<b>1,115</b>

Staff numbers	2017/18		Total
	Permanent	Other*	
Service Delivery	707	206	913
Corporate Services	112	22	134
<b>Total Staff Numbers</b>	<b>819</b>	<b>228</b>	<b>1,047</b>
Capitalised Staff**	(3)	(1)	(4)
<b>Net Staff Numbers</b>	<b>816</b>	<b>227</b>	<b>1,043</b>

\*Other comprises agency staff and fee paid officers.

\*\* No single resource is dedicated to working on capital projects. The figures for capitalised staff are whole-time equivalent for the hours of labour charged to capital projects

**Danny Payne**  
Chief Executive and Accounting Officer  
28 June 2019

**Staff costs for the above persons (Subject to Audit)**

			2018/19
	Permanent* £000	Other** £000	Total £000
Salaries / agency staff and fee paid officers	42,274	21,374	63,648
Social security costs	3,752	144	3,896
Apprenticeship Levy***	273	-	273
Other pension costs****	6,467	197	6,664
<b>Total staff costs</b>	<b>52,766</b>	<b>21,715</b>	<b>74,481</b>
Capitalised staff costs	(104)	(19)	(123)
<b>Total net staff costs</b>	<b>52,662</b>	<b>21,696</b>	<b>74,358</b>

			2017/18
	Permanent* £000	Other** £000	Total £000
Salaries / agency staff and fee paid officers	38,124	19,041	57,165
Social security costs	3,454	141	3,595
Apprenticeship Levy***	150	-	150
Other pension costs****	5,746	183	5,929
<b>Total staff costs</b>	<b>47,474</b>	<b>19,365</b>	<b>66,839</b>
Capitalised staff costs	(147)	(100)	(247)
<b>Total net staff costs</b>	<b>47,327</b>	<b>19,265</b>	<b>66,592</b>

\* Inward Seconded Staff costs have been included in agency staff cost.  
 \*\* Other comprises agency staff and fee paid officers.  
 \*\*\* Apprenticeship Levy began in May 2017.  
 \*\*\*\* 2018/19 variance in value of £1k to pension note below relates to opening and closing accruals (2017/18 £2k).

**Pensions**

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) - known as "alpha" are unfunded multi-employer defined benefit schemes but FCO Services is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the PCSPS as at 31 March 2012. You can find details in the resource accounts of the

Cabinet Office: Civil Superannuation ([www.civilservicepensionscheme.org.uk/about-us/resource-accounts](http://www.civilservicepensionscheme.org.uk/about-us/resource-accounts)).

For 2018/19, employers' contributions of £6,538,125 were payable to the PCSPS (2017/18 £5,835,615) at one of four rates in the range 20.0% to 24.5% of pensionable earnings, based on salary bands. The scheme actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet

the cost of the benefits accruing during 2018/19 to be paid when the member retires and not the benefits paid during this period to existing pensioners. Pension contributions for Inward Seconded Staff have been included in agency staff costs.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £120,714 (2017/18 £93,217) were paid to one or more of the panel of

three appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75%. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £3,681 (2017/18 £2,949), 0.5% 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. Pension contributions for Inward Seconded Staff have been included in agency staff costs.

Contributions due to the partnership pension providers at the Statement of Financial Position date were £nil (2017/18 £nil). Contributions prepaid at that date were £nil (2017/18 £nil).

In the 12 months to March 2019 no individual (2017/18 one individual) retired early on ill health grounds; the total additional accrued pension liability in the year amounted to £nil (2017/18 £12,333).

**Staff composition**

- Executive Grades: 43% were female
- Delegated Grades 26.4% were female

Historically, female representation has remained fairly static at around 25% with the exception in 2017 where we saw a drop to 23.2% due to the transfer of our vetting team to MOD which had a high proportion of females.

As part of our diversity strategy, we have remained focussed on improving representation of female staff which poses a challenge due to a shortage of females working in STEM industry. Through a range of positive actions including focus on diversity in advertising setting, workforce ambitions, anonymised recruitment, diverse selection panels

and unconscious bias training to name but a few, we have seen just over a 3% rise in female representation in the last 2 years to 26.4%.

**Sickness Absence Data**

The average number of working days lost per employee due to sickness absence was 4.3 days in 2018/19. This compared to 3.7 days in 2017/18. We have updated our attendance management policy to improve support to staff on a range of issues such as menopause, disability and mental health. As detailed earlier, we have continued to promote staff wellbeing with a number of initiatives applied throughout 2018/19.

**Staff Policies applied during the financial year**

For giving full and fair consideration to applications for employment by disabled persons, initiatives applied in FCO Services included the following:

- FCO Services is committed to providing an accessible website for all of its users. Our site has been created to comply with the World Wide Web Consortium's Web Content Accessibility Guidelines 2.0 (WCAG2.0) in accordance with the Equality Act 2010. The pages comply with level one of these guidelines (A).
- To promote diversity and fairness FCO Services has implemented anonymised recruitment, where the personal details are withheld from managers / assessment panel until after candidates are shortlisted.
- Applicants are asked on their application form to disclose whether they have a disability and if so, advise if they require any reasonable adjustments for the interview or assessment(s), access to the venue etc.

- There is a guaranteed interview scheme (GIS) for candidates with disabilities who meet the minimum selection criteria.

For continuing the employment of, and for arranging appropriate training for, employees of the company who have become disabled persons during the period when they were employed by the company;

- If staff become disabled during the course of their employment we will refer them to our Occupational Health provider who can provide workstation assessments or advice on reasonable adjustments for the workplace. We can also refer them to OH Assist through the DWP contract, who can undertake psychological assessments for learning differences e.g. dyslexia.

Otherwise for the training, career development and promotion of disabled persons employed by the company;

- We work in close partnership with the Civil Service Workplace Adjustment Service and promote the use of the single disability passport forms which capture workplace adjustment plans and support staff moving between PAG's.
- New starters and hiring managers are mandated to undertake the unconscious bias e-learning on CSL.

### Facility Time Publication Requirements\*

**Table 1: Relevant Union Officials**

Number of employees who were relevant union officials during 1 April 2018 – 31 March 2019	Full-time equivalent employee number
10	3

**Table 2: Percentage of time spent on facility time**

Number of employees who were relevant union officials employed during 1 April 2018 – 31 March 2019 that spent a) 0%, b) 1%-50%, c) 51%-99% or d) 100% of their working hours on facility time?

Percentage of time	Number of Employees
0%	0
1-50%	10
51-99%	0
100%	0

**Table 3: Percentage of pay bill spent on facility time**

	Figures
The total cost of facility time	£95,315
The total pay bill	£378,461,367
The percentage of the total pay bill spent on facility time	0.03%

**Table 4: Paid trade union activities**

Percentage of time spent on paid trade union activities as a percentage of total paid facility time hours	0.53%
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\*This data includes FCO, FCO Services and Wilton Park. The TU officials represent members from all 3 organisations

### Expenditure on consultancy

FCO Services' expenditure on consultancy during 2018/19 was nil.

### Off-payroll engagements

**Table 1: For all off-payroll appointments as of 31 March, for more than £245 per day and that last longer than six months:**

(a) The total number of such engagements as of 31 March:	167
(b) The number that have existed for less than one year at time of reporting:	63
(c) The number that have existed for between one and two years at time of reporting:	30
(d) The number that have existed between two and three years at time of reporting:	20
(e) The number that have existed between three and four years at time of reporting:	11
(f) The number that have existed for four or more years at time of reporting:	43

**Table 2: For all new off-payroll appointments, or those that reach six months in duration, between 1 April 2018 and 31 March 2019, for more than £245 per day and that will last for longer than six months:**

(a) The number of new engagements or those that reached six months during the period:	100
(b) The number of these engagements which were assessed as caught by IR35:	1
(c) The number of these engagements which were assessed as not caught by IR35:	99
(d) The number that were engaged directly (via PSC contracted to department) and are on the departmental payroll:	0
(e) The number that were reassessed for consistency / assurance purposes during the year whom assurance has been requested but not received:	0
(f) The number that saw a change to IR35 status following the consistency review	0

**Table 3: For any off-payroll engagements of board members and/or senior officials with significant financial responsibility between 1 April and 31 March departments must also disclose:**

(a) The number of off-payroll engagements of board members and/or senior officials with significant financial responsibility, during the financial year:	1
(b) Details of the exceptional circumstances that led to each of these engagements: The Chief Operating Officer is a critical position for the successful delivery of FCO Services' Corporate Plan and immediate business priorities. Continuity in the role is important to the delivery of work streams that could be at risk without it, such as pilot projects for the FCO. The successful delivery of these has reputational implications that could impact on FCO Services' strategic objectives. The off-payroll member continued in the role until the end of August 2018 and was replaced by an internal on-payroll employee on an interim basis pending the completion of external employee recruitment. A permanent on-payroll employee started as COO in November 2018.	Five months (April - August 2018) during the reporting period.
(c) Details of the length of time each of these exceptional engagements lasted: (April-August 2018) during the reporting period.	
(d) The total number of individuals both on and off-payroll that have been deemed "board members and/or senior officials with significant financial responsibility", during the financial year. This total figure must include engagements which are ON PAYROLL as well as those off-payroll.	7



## Exit packages (Subject to Audit)

The table below provides details of exit packages included within the financial statements:

Exit Package Cost Band	Number of Compulsory Redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2018/19	2017/18	2018/19	2017/18	2018/19*	2017/18
<£10,000	-	-	-	-	-	-
£10,000 - £25,000	-	-	-	-	-	-
£25,000 - £50,000	-	-	-	1	-	1
£50,000 - £100,000	-	-	2	-	2	-
£100,000 - £150,000	-	-	-	-	-	-
£150,000 - £200,000	-	-	-	-	-	-
Total number of exit packages by Type	-	-	2	1	2	1
Total resource cost (£'000)	-	-	163	38	163	38

\*The value on the statement of comprehensive income of £186k includes net additional £23k of cost relating to prior year schemes to comply with the 2017 Judicial Review Ruling.

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 that departure was agreed. Where the department has agreed early retirements, the additional costs are met by the department and not by the Civil Service Pension Scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

# Parliamentary accountability and audit report

## Regularity of Expenditure (Subject to Audit)

In spending public money, FCO Services operates in accordance with the principles of HM Treasury's Managing Public Money (MPM).

### Losses and special payments

Losses Statement	2018/19	2017/18
	£000	£000
Total number of losses	15	8
Total value of losses*	256	105
Claims Waived / Abandoned	-	-
Store Losses	18	-
Fruitless Payments**	1	74
Constructive Loss	-	-
Other	237	31

\* There were no individual losses over £300,000 in either 2018/19 or 2017/18. All losses are disclosed on an accruals basis.

\*\*The total loss value for the Fruitless Payments category in 2017/18 relates to the current year proportion of loss identified and disclosed as part of the 2016/17 financial statements.

## Special Payments and Gifts

In 2018/19 the costs falling into the category special payments and gifts was £nil (2017/18 £nil).

## Fees and Charges (Subject to Audit)

As a Trading Fund, FCO Services manages its operations so that the revenue of the fund is sufficient to cover general running costs and the cost of capital, which are chargeable to the Statement of Comprehensive Income. Charges are set to recover full costs and to achieve the required rate of return on capital employed, before interest and dividends of at least 3.5% (weighted average).

Refer to Note 3 of the Notes to the accounts on page 124 for FCO Services Segmental analysis, which provides details of fees and charges for 2018/19

## Remote contingent liabilities (Subject to Audit)

FCO Services has reviewed its liability under the Late Payment of Commercial Debts (Interest) Act 1998 and Late Payment of Commercial Debts Regulations 2002 and 2013. Following analysis of statement of account reconciliations with our suppliers, no material contingent liability has been recognised.

**Danny Payne**  
Chief Executive and Accounting Officer  
28 June 2019

# The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

## Opinion on financial statements

I certify that I have audited the financial statements of FCO Services for the year ended 31 March 2019 under the Government Trading Funds Act 1973. The financial statements comprise: the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of FCO Services' affairs as at 31 March 2019 and of its total comprehensive deficit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions issued thereunder.

## Opinion on regularity

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

## Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of FCO Services in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on FCO Services' ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions

may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

## Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

## Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Trading Funds Act 1973.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the

financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the FCO Services' internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

## Other Information

The Chief Executive as Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Trading Funds Act 1973;
- in the light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I report by exception

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

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

## Report

I have no observations to make on these financial statements.

## Gareth Davies

3 July 2019

*Comptroller and Auditor General*

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

# Financial Statements

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## Statement of Comprehensive Income

for the year ended 31 March 2019

	Note	2018/19 £000	2017/18 £000
Revenue	2	181,371	160,090
Cost of sales	5	(135,468)	(119,702)
<b>Gross surplus</b>		<b>45,903</b>	40,388
Other Income	2	1,219	100
Operating expenses	5	(33,548)	(30,162)
<b>Operating Surplus</b>		<b>13,574</b>	10,326
Profit/(loss) on disposal of intangible assets and property, plant and equipment		7	(21)
<b>Surplus for the financial year before voluntary exit scheme</b>		<b>13,581</b>	10,305
<b>Voluntary exit scheme</b>		<b>(186)</b>	(51)
<b>Surplus before financing</b>		<b>13,395</b>	10,254
Financing income		240	113
Financing costs		(2)	(9)
<b>Net financing</b>		<b>238</b>	104
<b>Surplus for the financial year</b>		<b>13,633</b>	10,358
Dividend	6	(25,317)	(2,067)
<b>Retained (deficit) / surplus for the financial year</b>		<b>(11,684)</b>	8,291
<b>Other comprehensive net income</b>			
Net gain on the revaluation of property, plant and equipment		33	96
<b>Total comprehensive (deficit) / income for the financial year</b>		<b>(11,651)</b>	8,387

All income and expenditure are derived from continuing operations.

The notes on pages 118 to 136 form part of these accounts.

## Statement of Financial Position

as at 31 March 2019

	Note	2018/19 £000	2017/18 £000
<b>Non-current assets</b>			
Intangible assets	7	515	660
Property, plant and equipment	8	7,587	7,673
<b>Total non-current assets</b>		<b>8,102</b>	8,333
<b>Current assets</b>			
Inventories	9	853	583
Trade and other receivables	10	24,101	22,179
Cash and cash equivalents	11	43,134	57,856
<b>Total current assets</b>		<b>68,088</b>	80,618
<b>Total assets</b>		<b>76,190</b>	88,951
<b>Current liabilities</b>			
Trade and other payables	12	(24,833)	(26,140)
Provisions due within one year	14	(1,599)	(1,402)
<b>Total current liabilities</b>		<b>(26,432)</b>	(27,542)
<b>Total Assets less current liabilities</b>		<b>49,758</b>	61,409
<b>Non-current liabilities</b>			
Other Payables	13	-	-
Provisions due after one year		-	-
<b>Total non-current liabilities</b>		<b>-</b>	-
<b>Assets less liabilities</b>		<b>49,758</b>	61,409
<b>Taxpayers' equity</b>			
Public dividend capital		4,981	4,981
General reserve		995	841
Revaluation reserve		199	320
Income and expenditure account		43,583	55,267
<b>Total taxpayers' equity</b>		<b>49,758</b>	61,409

**Danny Payne**  
Chief Executive and Accounting Officer  
28 June 2019

The notes on pages 118 to 136 form part of these accounts.

## Statement of Cash Flows

for the year ended 31 March 2019

	Note	2018/19 £000	2017/18 £000
<b>Cash flows from operating activities</b>			
Surplus on ordinary activities before dividend payable		<b>13,633</b>	10,358
Adjustments for non-cash transactions	15	<b>2,875</b>	2,975
Net interest receivable		<b>(238)</b>	(104)
(Increase) / decrease in inventories	9	<b>(270)</b>	302
(Increase) / decrease in trade and other receivables	10	<b>(1,922)</b>	3,884
<i>less movements in receivables relating to items not passing through the income statement</i>			
- Accrued deposit interest		<b>3</b>	12
(Decrease) / increase in trade and other payables	12 & 13	<b>(1,307)</b>	7,551
<i>less movements in payables relating to items not passing through the income statement</i>			
- Dividend payable	12	<b>(150)</b>	15
(Decrease) / Increase in provisions	14	<b>197</b>	402
<b>Net cash inflow from operations</b>		<b>12,821</b>	25,395
<b>Cash flows from investing activities</b>			
Purchases of intangible assets	7	<b>(358)</b>	(38)
Purchases of property, plant and equipment	8	<b>(2,268)</b>	(2,178)
Disposals of property, plant and equipment		<b>15</b>	5
<b>Net cash outflow from investing activities</b>		<b>(2,611)</b>	(2,211)
<b>Cash flows from financing activities</b>			
Interest paid		<b>(2)</b>	(9)
Interest received		<b>237</b>	101
Dividend paid	6 & 12	<b>(25,167)</b>	(2,082)
<b>Net financing</b>		<b>(24,932)</b>	(1,990)
<b>Net (decrease) / increase in cash and cash equivalents in the period</b>		<b>(14,722)</b>	21,194
<b>Cash and cash equivalents at the beginning of the period</b>	11	<b>57,856</b>	36,662
<b>Cash and cash equivalents at the end of the period</b>	11	<b>43,134</b>	57,856

The notes on pages 118 to 136 form part of these accounts.

## Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2019

	Public Dividend Capital £000	General Reserve £000	Revaluation Reserve £000	Income and Expenditure Account £000	Total Reserves £000
Balance at 1 April 2017	4,981	616	449	46,976	53,022
<b>Changes in taxpayers' equity for 2017/18</b>					
Unrealised net surplus on revaluation of property, plant and equipment			96		96
General reserve transfer - depreciation charge difference in year on revalued cost basis compared to historic cost basis		225	(225)		
Retained surplus for the financial year				8,291	8,291
Total recognised income and (expense) for 2017/18		225	(129)	8,291	8,387
Balance at 31 March 2018	4,981	841	320	55,267	61,409
<b>Changes in taxpayers' equity for 2018/19</b>					
Unrealised net surplus on revaluation of property, plant and equipment			33		33
General reserve transfer - depreciation charge difference in year on revalued cost basis compared to historic cost basis		154	(154)		
Retained surplus for the financial year				(11,684)	(11,684)
Total recognised income and (expense) for 2018/19		154	(121)	(11,684)	(11,651)
<b>Balance at 31 March 2019</b>	<b>4,981</b>	<b>995</b>	<b>199</b>	<b>43,583</b>	<b>49,758</b>

The Public Dividend Capital Reserve records the investment made in the Trading Fund by the Secretary of State for Foreign and Commonwealth Affairs.

The General Reserve is used to account for movements on reserves which do not pass through the income and expenditure account.

The Revaluation Reserve records the unrealised profit on the cumulative indexation and revaluation adjustments to non-current assets.

The Income and Expenditure Account is used to account for the accumulated surplus of the Trading Fund.

**Danny Payne**

Chief Executive and Accounting Officer  
28 June 2019

The notes on pages 118 to 136 form part of these accounts.

# Notes to the Accounts

## 1. Accounting policies

### 1.1 Basis of accounting

These financial statements have been prepared in accordance with the Accounts Direction issued by HM Treasury on 19 December 2018, pursuant to section 4(6)(a) of the Government Trading Funds Act 1973, which requires the Trading Fund to comply with the accounting principles and disclosure requirements of the 2018-19 Government Financial Reporting Manual (FReM) and Trading Funds Accounts Guidance, as 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 is judged to be most appropriate to the particular circumstances of FCO Services for the purpose of giving a true and fair view has been selected. The particular policies adopted by FCO Services are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

### 1.2 Accounting Convention

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

### 1.3 Revenue

Revenue represents the fair value of consideration received or receivable from clients for goods and services provided, net of discounts, VAT and other sale related taxes.

For these FY 18/19 Statutory Accounts revenue is recognised under IFRS15 “Revenue from contracts with customers” – The new Standard applies to revenue from contracts with customers and replaces all of the revenue standards and interpretations currently in IFRS. The review of customer contracts identified that FCO Services’ existing contracts already contain distinct performance obligations in line with IFRS15 and the revenue recognition is aligned to these requirements.

For each of our delivery groups and project types the following IFRS15 revenue recognition is applied:

#### **Secure Global Services (SGS):**

Subscription and Call-off Projects: contracts have monthly or regular performance obligations recognised as the customer consumes the service or takes receipt of goods.

Fixed Price and Time and Materials Projects: The majority of projects are delivered at the customer site. FCO Services uses performance over time to recognise revenue, as the customer asset is enhanced and or the customer derives benefit from the service.

Typical project contracts are broken down into the following performance obligations:

- Design (including Surveys, Feasibility Studies): Revenue is recognised when the customer takes delivery of the report.
- Hardware / Materials: Revenue is recognised when the customer takes receipt.

- Project Management: Revenue is recognised on completion of agreed milestones with the customer – usually monthly.
- Installation: Revenue is recognised when the installation is complete. Costs incurred beyond the latest completed performance obligation are transferred to the balance sheet as work in progress, to be recognised when the performance obligation is completed.

#### **Global Digital Technology (GDT):**

Subscription Projects: Contracts have monthly or regular performance obligations, which are recognised as the customer consumes the service.

Time and Materials Service Projects: Contracts have daily performance obligations as customers consume the service.

Fixed Price Projects: A service delivery notification is provided to the customer and is utilised to confirm the successful completion of the performance obligation. Costs incurred beyond the latest completed performance obligation are transferred to the balance sheet as work in progress, to be recognised when the performance obligation is complete.

FCO Services’ previous accounting for revenue and profit of fixed price contracts and construction contracts was to recognise on a percentage of completion basis when the outcome of a contract could be estimated reliably. If a contract outcome could not be estimated reliably, revenues were recognised equal to costs incurred, to the extent that costs were expected to be recovered. The stage of contract completion was usually determined by reference to the cost incurred to date as a proportion of the total estimated cost.

Revenue from the sale of software products or hardware with no significant service obligation was recognised 100% on delivery. Revenue from the sale of software products or hardware requiring significant modification, integration or customisation was recognised using the percentage of completion method. Provision, where relevant, would be made for all contract losses where the conditions of IAS 11 and IAS 37 were met.

### 1.4 Dividend

An annual statutory dividend is payable to the Foreign and Commonwealth Office. The charge is calculated at a rate set by HM Treasury on the average capital employed during the year less interest on the Vesting Day Loan. In 2018/19 the interest was £nil.

A discretionary dividend may be paid to the Foreign and Commonwealth Office, after taking into account the future investment needs of the Trading Fund.

### 1.5 Value added tax

FCO Services is separately registered for VAT and applies normal commercial VAT rules to accounting for output and input tax.

### 1.6 Leases

Leases are regarded as operating leases, unless substantially all risks and rewards of ownership of a lease are borne by FCO Services. Lease payments under operating leases are recognised as an expense on a straight-line basis over the term of the lease.

Leases are regarded as finance leases, when substantially all risks and rewards of ownership of a lease are borne by FCO Services. At the commencement of the lease term, finance leases are recognised as assets and liabilities at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate used is the higher of the real rate and rate intrinsic in the lease. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The depreciation policy for depreciable leased assets is consistent with that for owned assets and is calculated in accordance with IAS16 and IAS 38. Finance charges are recognised and expensed as a Financing Cost.

## 1.7 Inventories, Work in Progress and Contracts

Inventories of raw materials and components are valued at the lower of cost or net realisable value. Obsolete and damaged stock is written down to net realisable value.

Work in progress is valued at the lower of cost, including appropriate overheads and net realisable value.

Contract balances included in stocks comprise costs incurred, net of amounts transferred to cost of sales, after deducting contract losses and related payments on account.

Costs include all direct material and labour costs incurred in bringing a contract to its state of completion at the year end, including an appropriate proportion of indirect overheads.

The excess of payments received over amounts recorded as turnover is classified under trade and other payables. Amounts recoverable on contracts, being the amount by which recorded turnover is in excess of payments on account, is classified under receivables.

## 1.8 Property, plant and equipment

Property, plant and equipment are stated at fair value at the Statement of Financial Position date using appropriate indices or at valuation. Depreciation is restated proportionately with any change in the gross carrying amount so that the carrying amount after revaluation equals its revalued amount. The minimum level for capitalisation of a single property, plant and equipment asset is £3,000, subject to grouping conventions where appropriate. Furniture and fittings are not capitalised. Fixtures are defined as substantial modifications to buildings occupied by FCO Services which enhance the economic usefulness of the building.

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 valuation applicable at the Statement of Financial Position date; any movements in valuation during the year are taken to the revaluation reserve or treated as impairments where appropriate.

Costs incurred in creating internally constructed assets are capitalised as property, plant and equipment assets. Internal charges for labour costs include an appropriate recovery of overheads.

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

Information technology	- 2 to 8 years
Transport equipment	- 2 to 8 years
Plant and machinery	- 5 to 20 years
Fixtures	- 10 to 25 years

All assets (except Fixtures) are revalued monthly using the Producer Price Inflation - MM2 indices from the Office of National Statistics.

Property, plant and equipment assets are reviewed annually for impairments and any impairment is charged to the Statement of Comprehensive Income.

There were no assets acquired during 2018/19 funded by government grant, donation or lottery funding.

## 1.9 Intangible assets

Intangible assets are valued at cost.

Where an active market does not exist, income generating assets are valued at the lower of depreciated replacement cost and value in use. This valuation method is considered to be a proxy for fair value.

Future economic benefit has been used as the criteria in assessing whether an intangible asset meets the definition and recognition criteria of IAS 38 where assets do not generate income. IAS 38 defines future economic benefit as, 'revenue from the sale of products or services, cost savings, or other benefits resulting from the use of the asset by the entity.'

Costs incurred in creating internally constructed intangible assets are capitalised as intangible assets. Internal charges for labour costs include an appropriate recovery of overheads.

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. Assets under development are not amortised or revalued until the asset is brought into use. Asset lives have been set in the following range:

Software licences	- 3 to 5 years
Research & Development	- 3 to 5 years

Intangible assets are reviewed annually for impairments and any impairment is charged to the Statement of Comprehensive Income.

### 1.10 Research and development

Research and development costs exclude those incurred on behalf of a customer as part of a specific project which are directly chargeable to the customer on whose behalf the work is undertaken. Internally funded development expenditure is capitalised in the Statement of Financial Position where there is a clearly defined project, the expenditure is separately identifiable, the project is technically and commercially feasible, all costs are recoverable by future revenue and the resources are committed to complete the project. Such capitalised costs are amortised over the forecast period of sales resulting from the development (taken to be 3-5 years). All other research and development costs are expensed to the Statement of Comprehensive Income in the period in which they are incurred. If the research phase cannot be clearly distinguished from the development phase, the respective project-related costs are treated as if they were incurred in the research phase only and expensed.

### 1.11 Government grants

Government grants relate to property, plant and equipment and are recognised at fair value in the government grant reserve. The grant is recognised as income over the life of the asset.

### 1.12 Impairment of accounts receivable

Specific provision is made under IFRS 9 for the impairment of accounts receivable where there is an expected credit loss.

### 1.13 Provisions

FCO Services provides for legal and constructive obligations which are of uncertain timing or amount at the Statement of Financial Position date on the basis of best estimate of the expenditure required to settle the obligation. Previously where the effect of the time value of money was significant, the estimated risk-adjusted cash flows were discounted using the Treasury discount rates in real terms. From this financial year onwards, HM Treasury has issued nominal rates. Nominal rates do not take account of inflation, unlike real rates, therefore where significant, inflated cash flows would be used (reference PES (2018) 12 Revised):

		Nominal Rates
Short-term	Between 0 and up to and including 5 years from the statement of financial position (SOFP) date	0.76%
Medium-term	After 5 years and up to and including 10 years from the SOFP date	1.14%
Long-term	After 10 years and up to and including 40 years from the SOFP date	1.99%
Very long term	Exceeding 40 years from the SOFP date	1.99%

		Inflation Rates
Year 1	Between 0 and up to and including 1 year from the SOFP	2.00%
Year 2	After 1 year and up to and including 2 years from the SOFP date	2.00%
Into perpetuity	Exceeding 2 years from the SOFP date	2.10%

### 1.14 Pension Costs

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) - known as "alpha" which are described in the Remuneration and Staff Report. PCSPS and CSOPS are unfunded multi-employer defined benefit schemes. FCO Services recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payments to the pension scheme of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS and CSOPS. In respect of the defined contribution schemes, FCO Services recognises the contributions payable for the year.

### 1.15 Foreign exchange gains and losses

Transactions 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 Statement of Financial Position date are translated at the rates ruling at that date. These translation differences are dealt with in the Statement of Comprehensive Income.

### 1.16 Contingent liabilities

Contingent liabilities are disclosed in accordance with IAS 37. Where the time value of money is material, contingent liabilities 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.

In addition FCO Services 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.

### 1.17 Jointly controlled assets

Jointly controlled assets are those assets which involve joint control and ownership by FCO Services and other venturers of assets contributed to or acquired for the purpose of the joint venture, without the formation of a corporation, partnership or other entity. FCO Services accounts for its share of the jointly controlled assets, its share of any liabilities jointly incurred with other ventures and its share of income and expenditure arising from these assets.

## 1.18 Financial Instruments

FCO Services adopted IFRS 9 'Financial Instruments' in 2018/19. IFRS 9 specifies how an entity should classify and measure financial assets, financial liabilities, and some contracts to buy or sell non-financial items. FCO Services' financial assets and liabilities are not complex and relate to cash, trade debtors and creditors with accruals and prepayments calculated on an accrual basis. FCO Services does not make use of financial instruments (with the exception of those noted above) and therefore this IFRS has no material effect on our financial statements.

## 1.19 Effects of future accounting policies

IFRS 16 'Leases' is effective for financial reporting periods beginning on or after 1 January 2019 and is expected to be adopted by the public sector in 2019/20. IFRS 16 represents a significant change in lessee accounting by largely removing the distinction between operating and finance leases and introducing a single lessee accounting model. FCO Services has undertaken an assessment of the impact that it will have. All new leased contracts in each business area have been reviewed. The majority of areas have been deemed not material. The treatment of FCO Services' accommodation MoTO with the FCO is being worked through with the cross department working group and Treasury, to agree a common rationale for its accounting treatment.

## 2. Revenue and Other Income

### 2a. Revenue\*

	2018/19 £000	2017/18 £000
Foreign and Commonwealth Office	142,149	112,818
Other UK Government bodies and other UK and International organisations (Non FCO)	39,222	47,272
<b>Total Revenue</b>	<b>181,371</b>	<b>160,090</b>

\* Application of IFRS15 produced changes in values for both 2018/19 and 2017/18 that were not material. The costs of such contracts are recorded as an adjustment in inventories, refer to note 9 for the Work in Progress adjustment made in 2018/19. FCO Services will review the materiality each financial year and if it becomes material FCO Services will make full disclosure as set out in the standard and relevant disclosure checklist.

### 2b. Other Income\*

	2018/19 £000	2017/18 £000
Other Income	1,219	100
	<b>1,219</b>	<b>100</b>

\* Other income relates to the Apprenticeship Scheme and other non-trading activities completed in the year.



### 3. Segmental Reporting

FCO Services is organised on two service delivery providers, Secure Global Services and Global Digital Technology:

**Secure Global Services Group** manages all commercial and delivery aspects of multiple, project-based programmes including installations, technical architecture and project management construction. It delivers the Regional Technical Support Service and Queen's Messengers services across the UK and internationally, translation and interpreting and logistics.

**Global Digital Technology Group** delivers global secure technical services, technical security and ICT operations services across the UK and internationally.

Analysis of Operating Surplus by Service Delivery Group*	Secure Global Services £000	Global Digital Technology £000	Total £000
<b>2018/19</b>			
External revenue	141,913	39,458	181,371
Internal revenue - Charged to Secure Global Services	-	354	354
Internal revenue - Charged to Global Digital Technology	237	-	237
Internal revenue - Charged to Corporate Areas	1	159	160
Total revenue	142,151	39,971	182,122
Cost of sales	(104,933)	(27,898)	(132,831)
Depreciation	(655)	(1,519)	(2,174)
Amortisation	(39)	(428)	(467)
Impairments & Revaluation	1	3	4
Internal cost charges	(354)	(237)	(591)
Total cost	(105,980)	(30,079)	(136,059)
Gross surplus	36,171	9,892	46,063
Other Income	675	544	1,219
Operating expenses	(26,021)	(7,693)	(33,714)
Allocated internal cost charges	(125)	(35)	(160)
Depreciation	-	-	-
Amortisation	(10)	(3)	(13)
Total Operating Expenses	(25,481)	(7,187)	(32,668)
Surplus before financing	10,690	2,705	13,395

\* Inter-segment sales and transfers within the Trading Fund are at cost.

### 3. Segmental Reporting continued

Analysis of Operating Surplus by Service Delivery Group*	Secure Global Services £000	Global Digital Technology £000	Total £000
<b>2017/18</b>			
External revenue	120,722	39,368	160,090
Internal revenue - Charged to Secure Global Services	-	413	413
Internal revenue - Charged to Global Digital Technology	250	-	250
Internal revenue - Charged to Corporate Areas	3	1,190	1,193
Total revenue	120,975	40,971	161,946
Cost of sales	(87,271)	(29,503)	(116,774)
Depreciation**	(598)	(2,153)	(2,751)
Amortisation	(39)	(136)	(175)
Impairments and Revaluation	2	(4)	(2)
Internal cost charges	(413)	(250)	(663)
Total cost	(88,319)	(32,046)	(120,365)
Gross surplus	32,656	8,925	41,581
Other income	53	47	100
Operating expenses	(22,588)	(7,630)	(30,218)
Allocated internal cost charges	(900)	(293)	(1,193)
Depreciation**	-	-	-
Amortisation	(12)	(4)	(16)
Total Operating Expenses	(23,447)	(7,880)	(31,327)
Surplus before financing	9,209	1,045	10,254

\* Inter-segment sales and transfers within the Trading Fund are at cost.

\*\* Indirect depreciation reclassified to Cost of Sales.

## 3. Segmental Reporting continued

Analysis of Assets less Liabilities by Service Delivery Group	Secure Global Services £000	Global Digital Technology £000	Corporate £000	Total £000
<b>2018/19</b>				
<b>Segment Assets</b>				
Intangible assets	59	57	59	175
Intangible additions in year	-	317	23	340
Property, plant and equipment	1,787	2,369	1,163	5,319
Property, plant and equipment additions in year	674	1,571	23	2,268
Inventories	751	102	-	853
Trade and other receivables	15,997	6,956	1,148	24,101
Cash and cash equivalents	-	-	43,134	43,134
<b>Segment Liabilities</b>				
Current liabilities	(16,667)	(3,121)	(6,644)	(26,432)
Non current other payables	-	-	-	-
Non current provisions	-	-	-	-
Non current financial liabilities	-	-	-	-
<b>Segment assets less liabilities</b>	<b>2,601</b>	<b>8,251</b>	<b>38,906</b>	<b>49,758</b>

Analysis of Assets less Liabilities by Service Delivery Group	Secure Global Services £000	Global Digital Technology £000	Corporate £000	Total £000
<b>2017/18</b>				
<b>Segment Assets</b>				
Intangible assets	90	483	49	622
Intangible additions in year	-	23	15	38
Property, plant and equipment	1,320	3,178	997	5,495
Property, plant and equipment additions in year	1,081	604	493	2,178
Inventories	583	-	-	583
Trade and other receivables	14,818	7,130	231	22,179
Cash and cash equivalents	-	-	57,856	57,856
<b>Segment Liabilities</b>				
Current liabilities	(14,289)	(4,303)	(8,950)	(27,542)
Non current other payables	-	-	-	-
Non current provisions	-	-	-	-
Non current financial liabilities	-	-	-	-
<b>Segment assets less liabilities</b>	<b>3,603</b>	<b>7,115</b>	<b>50,691</b>	<b>61,409</b>

## 4. Staff costs

2018/19	Permanent* £000	Other** £000	Total £000
Salaries / agency staff and fee paid officers	42,274	21,374	63,648
Social security costs	3,752	144	3,896
Apprenticeship Levy***	273	-	273
Other pension costs	6,467	197	6,664
<b>Total staff costs</b>	<b>52,766</b>	<b>21,715</b>	<b>74,481</b>
Capitalised staff costs	(104)	(19)	(123)
<b>Total net staff costs</b>	<b>52,662</b>	<b>21,696</b>	<b>74,358</b>

2017/18	Permanent* £000	Other** £000	Total £000
Salaries / agency staff and fee paid officers	38,124	19,041	57,165
Social security costs	3,454	141	3,595
Apprenticeship Levy***	150	-	150
Other pension costs	5,746	183	5,929
<b>Total staff costs</b>	<b>47,474</b>	<b>19,365</b>	<b>66,839</b>
Capitalised staff costs	(147)	(100)	(247)
<b>Total net staff costs</b>	<b>47,327</b>	<b>19,265</b>	<b>66,592</b>

\* Inward Seconded Staff costs have been included in agency staff cost.

\*\* Other comprises agency staff and fee paid officers.

\*\*\* Apprenticeship Levy began in May 2017.

## 5. Cost of Sales and Operating expenses

	2018/19			2017/18		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
	£000	£000	£000	£000	£000	£000
Net staff costs	31,736	20,837	52,573	28,881	18,446	47,327
Net Agency staff and fee paid officers*	18,524	3,172	21,696	16,613	2,652	19,265
Training and recruitment	953	1,056	2,009	878	914	1,792
Travel	16,134	1,191	17,325	15,746	1,486	17,232
Professional services*	10,569	1,865	12,434	8,089	1,427	9,516
Legal Services	18	43	61	24	57	81
Work Packages	852	1,809	2,661	780	1,657	2,437
Managed Service**	920	-	920	-	-	-
Communications	986	270	1,256	971	302	1,273
Other supplies, services & facilities management	3,741	368	4,109	3,993	160	4,153
Management charges from the FCO	1,487	236	1,723	1,325	194	1,519
IS Hardware	5,825	217	6,042	3,857	180	4,037
IS Software	1,956	113	2,069	3,283	75	3,358
Other Machinery and Equipment Under £3k	959	95	1,054	1,098	109	1,207
Security Equipment	3,428	35	3,463	4,447	45	4,492
Work in progress decrease***	(235)	-	(235)	-	-	-
Freight	9,984	-	9,984	10,817	-	10,817
Maintenance	23,731	327	24,058	14,679	426	15,105
Operating leases - land & buildings	-	8	8	-	8	8
Operating leases - other	(0)	57	57	(0)	57	57
Accommodation charges****	907	1,419	2,326	916	1,433	2,349
Loss/(profit) on currency exchange	-	8	8	-	(10)	(10)
Other	-	238	238	-	350	350
Insurance	356	68	424	396	75	471
Insurance Compensation	-	-	-	(19)	-	(19)
Depreciation*****	2,174	-	2,174	2,751	-	2,751
Amortisation of intangible assets	467	13	480	175	16	191
Impairment losses on PPE assets	-	-	-	2	-	2
Revaluation (Write Back) / Charge	(4)	-	(4)	-	-	-
Auditors' remuneration and expenses (no non-audit work)	-	103	103	-	103	103
<b>Total costs</b>	<b>135,468</b>	<b>33,548</b>	<b>169,016</b>	<b>119,702</b>	<b>30,162</b>	<b>149,864</b>

\* Agency staff, fee paid officers, and professional services charged to cost of sales are fee earning

\*\* New cost category for 2018/19. In 2017/18 expenditure would have been included in the category of Net Agency staff and fee paid officers.

\*\*\* Work in progress relates to IFRS cost adjustments.

\*\*\*\* Accommodation charges are payable to the FCO.

\*\*\*\*\* 2018/19 All depreciation charged to Cost of Sales, prior year restated

The total amount of research and development expenditure recognised as an expense during the period was £64,000 (2017/18 £3,000). This includes staff costs and an appropriate recovery of overheads.

## 6. Dividend

	2018/19 £000	2017/18 £000
Statutory dividend charged	2,017	2,067
Discretionary dividend	23,300	-
<b>Dividend</b>	<b>25,317</b>	<b>2,067</b>

The dividend is payable to the Foreign and Commonwealth Office.

## 7. Intangible assets

	Assets under development £000	Research and Development £000	Software licences £000	Total £000
<b>2018/19</b>				
<b>Cost or valuation</b>				
At 1 April 2018	38	827	2,259	3,124
Additions	340	11	7	358
Reclassification to PPE	(17)	-	-	(17)
Assets brought in to use	(15)	-	15	-
Disposals	-	-	(9)	(9)
Capitalisation adjustment*	(6)	-	-	(6)
As at 31 March 2019	340	838	2,272	3,450
<b>Amortisation</b>				
At 1 April 2018	-	826	1,638	2,464
Provided during the year	-	1	479	480
Disposals	-	-	(9)	(9)
As at 31 March 2019	-	827	2,108	2,935
<b>Net book value</b>				
As at 31 March 2019	340	11	164	515
As at 31 March 2018	38	1	621	660
Owned as at 31 March 2019	340	11	164	515

\* Previously capitalised expenditure in Assets Under Construction (£6k) charged to Operating Expenses.

## 7. Intangible assets continued

	Assets under development £000	Research and Development £000	Software licences £000	Total £000
<b>2017/18</b>				
<b>Cost or valuation</b>				
At 1 April 2017	14	827	2,269	3,110
Additions	38	-	-	38
Assets brought in to use	(14)	-	14	-
Disposals	-	-	(24)	(24)
As at 31 March 2018	38	827	2,259	3,124
<b>Amortisation</b>				
At 1 April 2017	-	825	1,467	2,292
Provided during the year	-	1	190	191
Disposals	-	-	(19)	(19)
As at 31 March 2018	-	826	1,638	2,464
<b>Net book value</b>				
As at 31 March 2018	38	1	621	660
As at 31 March 2017	14	2	802	818
Owned as at 31 March 2018	38	1	621	660

## 8. Property, plant and equipment

	Assets under construction £000	Fixtures £000	Information technology £000	Transport equipment £000	Plant and machinery £000	Total £000
<b>2018/19</b>						
<b>Cost or valuation</b>						
At 1 April 2018	1,374	2,212	17,340	1,553	7,938	30,417
Additions	681	17	952	200	418	2,268
Assets brought in to use	(396)	60	149	91	96	-
Reclassification to Intangible Assets	17	-	-	-	-	17
Capitalisation adjustment*	(226)	-	-	-	-	(226)
Disposals	-	-	(1,597)	(111)	(305)	(2,013)
Revaluation	-	-	127	35	44	206
As at 31 March 2019	1,450	2,289	16,971	1,768	8,191	30,669
<b>Depreciation</b>						
At 1 April 2018	-	605	14,625	1,043	6,471	22,744
Provided during the year	-	156	1,318	156	459	2,089
Provided for leased asset during the year	-	-	85	-	-	85
Disposals	-	-	(1,593)	(108)	(304)	(2,005)
Revaluation	-	-	109	23	37	169
As at 31 March 2019	-	761	14,544	1,114	6,663	23,082
<b>Net book value</b>						
As at 31 March 2019	1,450	1,528	2,427	654	1,528	7,587
As at 31 March 2018	1,374	1,607	2,715	510	1,467	7,673
Owned/Leased as at 31 March 2019	1,450	1,528	2,427	654	1,528	7,587

FCO Services operates from buildings owned by the FCO. FCO Services pay an annual sum for their use as agreed in the MOTO between FCO and FCO Services.

All assets (except fixtures) have been revalued at 31 March 2019 using appropriate indices.

\* (£218k) relates to logistics software that was superseded due to the change in Cabinet Office policy for the replacement to the confidential tier, this is also recorded under Losses and Special payments. The remaining (£8k) concerns previously capitalised expenditure in Assets Under Construction charged to Operating Expenses.

## 8. Property, plant and equipment continued

	Assets under construction £000	Fixtures £000	Information technology £000	Transport equipment £000	Plant and machinery £000	Total £000
<b>2017/18</b>						
<b>Cost or valuation</b>						
At 1 April 2017	161	2,002	16,774	1,592	7,592	28,121
Additions	1,318	204	186	158	312	2,178
Assets brought in to use	(95)	6	62	-	27	-
Capitalisation adjustment*	(10)	-	-	-	-	(10)
Disposals	-	-	(12)	(252)	(18)	(282)
Revaluation	-	-	330	55	25	410
As at 31 March 2018	1,374	2,212	17,340	1,553	7,938	30,417
<b>Depreciation</b>						
At 1 April 2017	-	446	12,516	1,102	5,874	19,938
Provided during the year	-	159	1,751	133	594	2,637
Provided for leased asset during the year	-	-	114	-	-	114
Disposals	-	-	(12)	(231)	(18)	(261)
Impairments	-	-	2	-	-	2
Revaluation	-	-	254	39	21	314
As at 31 March 2018	-	605	14,625	1,043	6,471	22,744
<b>Net book value</b>						
As at 31 March 2018	1,374	1,607	2,715	510	1,467	7,673
As at 31 March 2017	161	1,556	4,258	490	1,718	8,183
Owned/Leased as at						
31 March 2018	1,374	1,607	2,715	510	1,467	7,673

\* Previously capitalised expenditure in Assets Under Construction (£10k) charged to Operating Expenses.

## 9. Inventories

	2018/19 £000	2017/18 £000
Raw materials and consumables	618	583
Work in progress*	235	-
	853	583
Amount of inventory write back	18	36

\* 2018/19 value represents the costs transferred to Work in Progress due to the application of IFRS15 revenue recognition.

## 10. Trade receivables and other current assets

## Analysis by type

	2018/19 £000	2017/18 £000
<b>Amounts falling due within one year:</b>		
Trade receivables	12,974	10,599
Other receivables	114	54
Prepayments and accrued income*	11,013	11,526
	24,101	22,179

\* Included within prepayments and accrued income is £5,935,000 relating to the FCO (2017/18 £5,738,000).

## 11. Cash and cash equivalents

	2018/19 £000	2017/18 £000
Balance at 1 April	57,856	36,662
Net change in cash and cash equivalents	(14,722)	21,194
Balance at 31 March	43,134	57,856

The above balances were within the Government Banking Service. FCO Services does not have any cash equivalents.

## 12. Trade payables and other current liabilities

## Analysis by type

	2018/19 £000	2017/18 £000
<b>Amounts falling due within one year:</b>		
Trade payables	4,023	4,083
Accruals *	11,530	13,676
Payments on account **	7,463	4,827
Other payables ***	(6)	861
VAT	1,506	2,526
Dividends payable****	317	167
	24,833	26,140

\* Included within accruals is £500,000 (2017/18 £852,000) due to FCO in respect of payroll.

\*\* Included within payments on account is £6,529,000 from the FCO (2017/18 £4,461,000).

\*\*\* Included in other payables is £nil (2017/18 £768,000) due to FCO in respect of management charges and accommodation.

\*\*\*\* Included in other payables is £nil (2017/18 £95,167) finance lease creditor.

\*\*\*\*\* These values represent the balance of the unpaid elements of the statutory dividend for that financial year

## 13. Trade payables and non-current liabilities

### Analysis by type

	2018/19 £000	2017/18 £000
Amounts falling due after one year:*	-	-

\*2017/18 Prior year adjustment for reclassification of provisions.

## 14. Provision for liabilities and charges

	2018/19 £000	2017/18 £000
Balance at 1 April*	1,402	1,000
Provided in the year**	350	402
Provisions not required written back	-	-
Provisions utilised in the year**	(153)	-
Balance at 31 March***	1,599	1,402

\*2018/19 £700k - The Regional Technical Support Service contract was a five year flat price agreement with the FCO. The terms of the contract are that FCO Services operate within a tolerance against contribution of +/- 2.5%. This tolerance was exceeded in the first two years of the contract generating the provision to cover the forecast commitments in years three to five of the contract. The contract has been extended under the same terms for an additional year. The provision has been carried forward on the same basis.

\*\* 2018/19 £350k - Represents IS licences and dual workplace provisions. IS licences provision £153k was utilised in year.

\*\*\*2017/18 Prior year adjustment for reclassification of provisions.

## 15. Adjustments for non-cash transactions

	Note	2018/19 £000	2017/18 £000
(Profit)/loss on disposal of Intangible assets and property, plant and equipment	7&8	(7)	21
Amortisation	7	480	191
Adjustment to prior year intangible asset cost	7	6	-
Depreciation	8	2,174	2,751
Capitalisation Adjustment	8	226	10
Impairment of property, plant and equipment	8	-	2
Revaluation (Write Back) / Charge	5	(4)	-
		2,875	2,975

## 16. Capital commitments

Contracted capital commitments not provided in these accounts

	2018/19 £000	2017/18 £000
Property, plant and equipment	365	341
	365	341

## 17. Other financial commitments

The Trading Fund has not entered into any non-cancellable contracts (which are not leases or PFI contracts).

## 18. Contingent liabilities disclosed under IAS 37

At 31 March 2019 contingent liabilities existed in respect of employment £95,336 (2017/18 £28,040). While the outcome of these matters cannot be precisely foreseen it is anticipated the matters will be resolved within the next financial year. FCO Services has 3 legal cases in respect of employment where liabilities cannot reasonably be quantified.

## 19. Financial instruments

For FCO Services financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. FCO Services treasury operations are governed by the FCO Services Trading Fund Order 2008 (SI 2008 No 590) as supplemented by the Framework document 2008. FCO Services' financial instruments comprise cash deposits and other items such as trade debtors and trade creditors. The main purpose of the financial instruments is to finance the trading fund's continuing operations.

### Credit risk

Exposures to credit risk are as a result of transactions in FCO Services' ordinary course of business, the major risks being trade debtors and cash. Customers are mainly The Foreign and Commonwealth Office, other government bodies and other central government bodies. These risks are managed through a robust credit management process.

### Liquidity risk

The Trading Fund is not exposed to a liquidity risk as long as its annual surplus is sufficient to clear any outstanding loans and interest repayments (at the end of both 2018/19 and 2017/18 no loans or interest repayments were outstanding). The level of capital expenditure payments are managed to be met from available cash balances. Further borrowing requirements should they arise will be met by loans from the Secretary of State for Foreign and Commonwealth Affairs.

### Interest rate risk

Under the FCO Services Trading Fund Order 2008 the Trading Fund may only borrow from the Secretary of State for Foreign and Commonwealth Affairs.

Should the Trading Fund borrow, the Interest rates on the loan would be fixed for the period of the loan. Cash not immediately required would be invested with the Government Banking Service. The interest rate earned on cash deposits would vary and would offset the interest, to some extent, on any loans in place.

### Foreign currency risk

The majority of assets and liabilities are denominated in sterling. There are, however, some non-material transactions that are subject to currency fluctuations. Any gains or losses are taken to the Statement of Comprehensive Income in the year.

## 20. Related Party Transactions

FCO Services is a Trading Fund of the FCO who is the sole shareholder. The FCO (the Department) is regarded as a related party. During the year FCO Services had various material transactions with the Department which is a major customer of the Trading Fund.

In addition, FCO Services has had various material transactions with other Government Departments and other Central Government bodies. Most of these transactions have been with the Home Office, Ministry of Defence, Department of Business, Energy and Industrial Strategy and National Crime Agency.

With the exception of the above, no Board member, key manager or other related party has undertaken any material transaction with FCO Services during the year.

Compensation benefits for key management personnel are detailed in the Remuneration Report.

## 21. Events after the reporting period

There were no reportable events after the date of the Statement of Financial Position.

The Accounting Officer authorised these Financial Statements for issue on the date on which the accounts are certified by the Comptroller and Auditor General.

**Danny Payne**  
*Chief Executive and Accounting Officer*  
28 June 2019

