



FCO SERVICES

Part of the Foreign and Commonwealth Office

FCO Services Annual Report and Accounts 2017/18

(for the year ended March 2018)

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FCO Services

Annual Report and Accounts 2017/2018

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Foreword by the Rt Hon Mark Field MP

Minister of State, Asia and the Pacific

As Minister responsible for overseeing FCO Services, monitoring its achievements and setting its strategic objectives, I am pleased to introduce the organisation's tenth Annual Report and Accounts as a Trading Fund of the Foreign and Commonwealth Office.

As we move towards a new and very different relationship with the European Union, a key priority for this government is to create a truly global Britain and Northern Ireland. Alongside promoting an outward-looking UK as first choice for trade, education, investment and tourism, we also remain committed to improving people's lives at home - ensuring a secure and strong Union, building a strong economy for all, and developing a fairer society in which there is equal opportunity.

The FCO has a pivotal part to play in the achievement of these goals, articulated through its core aims: to protect our people, project our global influence, and promote our prosperity. As a trusted delivery partner, FCO Services continues to contribute essential services in support of these, and this report demonstrates how the organisation is enabling the diplomatic service to focus on achieving its aims.

Over the course of this year, FCO Services has supported the advancement of British interests overseas. For example, in preparation

for the UK-France Summit in January 2018, the organisation provided translation services for a new treaty between France and the UK as well as talented interpreters for meetings between ministers and their French counterparts during the Summit itself, a significant event in the relationship between the UK and France.

FCO Services' abilities to deliver emergency, rapid response under the most challenging of conditions were called upon by a devastating series of crisis situations in 2017. In the immediate aftermath of the bomb attack in the diplomatic quarter of Kabul in May, FCO Services' on-site teams quickly and expertly assessed the structural integrity of the British Embassy's office and residential accommodation, avoiding the need to evacuate the site, and, once the dust had settled, providing critical information to enhance protection against any future attacks of this kind. FCO Services assumed a number of vital support roles during the devastation caused by Hurricanes Irma and Maria in the Caribbean, restoring IT connectivity, telephony and building safety, reinstating critical communications and supporting the relief effort for British nationals and local residents.

The advantages of the organisation's regional hub model were clearly seen during these disasters - with much of its crisis response co-ordinated from its hub in Washington. More widely, the regionalisation

programme is driving efficiencies and reducing costs, and projecting a truly global face. The presence of four Regional Directors has enabled greater proximity to customers and increased FCO Services' global presence and, by association, that of the FCO. Indeed, on a visit to Bangkok in January 2018, I was able to experience first-hand the work being done in the Asia Pacific region to facilitate improved bilateral relations with Australia and New Zealand - relationships which will take on greater significance once we have left the EU.

This year, I am delighted to celebrate 10 years of FCO Services successfully operating as a Trading Fund and I would like to congratulate all those who have contributed to reaching this milestone. In September last year, I visited Hanslope Park and enjoyed meeting a number of staff in highly-skilled and diverse roles. The highlights of my visit included introductions to UK NACE, the secure data centres, a display of design and architecture examples from Embassy projects and work on seismic strengthening and global maintenance. It was truly fascinating to discover the strength and breadth of the support the teams offer to the Foreign Office worldwide and I look forward to seeing what FCO Services can accomplish over the next decade.

The Rt Hon Mark Field MP
Minister of State, Asia and the Pacific



Foreword by Sir Simon Gass

Chair of the FCO Services Board

I am delighted to have this opportunity, as the newly-appointed Chair of the FCO Services Board, to provide this foreword to the 2017/18 Annual Report and Accounts. Through a long career with the Foreign and Commonwealth Office I was able to see at first hand and in many different locations the excellent work which FCO Services staff do around the world to support HMG's overseas activities. I am proud to become Chair of an organisation which delivers high quality services in some of the most challenging locations around the globe.

As a Trading Fund we are reliant on our ability to compete with the private sector while still operating as a public sector body. Our trading results show that we are successfully managing the challenges and opportunities that this duality poses.

I have been impressed by the professionalism, commitment and enthusiasm of FCO Services staff, who recognise the need to balance financial success with first rate service for the FCO and our other government customers. We never forget that we are part of the FCO – or that while as a Trading Fund we must and do work with a much wider customer base, the FCO and other parts of HMG overseas are the reason for our existence.

The last year has been one of real achievement for FCO Services. We have pressed ahead with delivery of our strategic plan and in consequence are closer to our vision of an organisation that is truly Trusted, Agile and Global – it is these attributes that best explain the distinctive added value that FCO Services offers the FCO and other arms of government. As part of this strategy we have controlled costs rigorously and this has allowed us to deliver a surplus before dividends of £10.4m as well as significant cost savings to our customers and stronger taxpayer equity.

A major step has been consolidation of our new network of regional hubs which give our customers a single point of contact for services in their geographical area and a more responsive local partnership. We will continue to build on this next year – customer satisfaction must be at the heart of our business strategy.

Since I began chairing the Board in October 2017 I have been impressed by the partnership with the CEO and his executive team. The Board can and does challenge the executive to continuously improve FCO Services performance; but this is done in a frank, collegiate way which supports Danny Payne and his team in their ambition and vision.

We have had some planned changes in the Board this year. I want particularly to pay tribute to Richard Stagg, my predecessor as Chair, who led the Board wisely for a decade. We owe him a great deal for the outstanding role he played in making FCO Services the successful organisation it is today. Also during the year, Non-Executive Board members Stephen Barrett, Hugh Elliott and Glyn Smith stood down and we were fortunate to find two excellent replacements in Richard Gunning and Philip Barton. Executive Board members Steven Horder and Lizzie Hanna also left the organisation, and we welcomed Doug Umbers and Tony Brotherwood to the Board. I am confident that we have an excellent blend of skills and experience on the Board.

Trading conditions in the public sector are always demanding. But I am optimistic about the future for FCO Services. In the short term we see opportunities to provide additional services to HMG and to some trusted overseas governments. In the longer term we think we can play a substantial part in the FCO's vision of a less complex and more efficient overseas delivery network. One of our challenges in achieving this will be to ensure that the quality of our delivery is top notch.

Sir Simon Gass,
Chair of the FCO Services Board



Foreword by Danny Payne

FCO Services Chief Executive

FCO Services is well positioned as it continues to progress its organisational strategy with the aim of becoming the partner of choice to the FCO and other government departments overseas.

Several elements of this strategy have begun to mature this year which have contributed to us building our reputation as a trusted, agile and global organisation, with a portfolio that offers the latest property, security, logistics and digital products and services.

Our regional structure has mobilised, making us a truly global organisation. We have Regional Services Directors in our four hubs of Washington, Brussels, Pretoria and Bangkok, and they are building teams that are optimised to the needs of all our customers in each region. This structure enables us to deliver local knowledge, tailored to the requirements of our customers, on a global scale.

The regions are also playing a key role as we strengthen our role in Diplomacy 20:20 through the Corporate Capability Change Programme. The relationship we have developed with the

CCP team has enabled us to lay the foundations for significant opportunities across the business to demonstrate our value to FCO in meeting their Diplomacy 20:20 ambitions. These opportunities include pilot projects on estates and maintenance in Africa and on IT support provision in the Asia Pacific region in the coming year.

The high quality of our logistics service has ensured that we continue to support the FCO's network of 260 posts in 168 countries as well as its partners across Her Majesty's Government and our wider market customers. Our capabilities in this area are demonstrated by the Saxa Vord radome project which saw us enlist the services of an Antonov AN-124 airplane to fly four 40-foot containers from the US to Scotland, before going onwards to the Shetland Isles by road and ferry.

The depth and breadth of our skills are evidenced by our Professional Services Centre and the Technical Services Centre. Both have also gone the extra mile all over the world to ensure we continue to meet requirements and fulfil or exceed expectations. Their

work leaves us in a position of real confidence that we can fulfil our ambition to grow FCO Services into a £200m business.

Following significant change, our delivery structure is now well established and our newly-organised support functions are bedding in as well.

In 2018 we are celebrating 10 years of FCO Services as a Trading Fund. I am pleased to be able to report that this past year has been our most successful to date and we are in a position to deliver a substantial dividend to the FCO, our owner and shareholder.

There have been a number of changes at Board and Executive level. I would like to recognise the outstanding work of Sir Richard Stagg, who stepped down after 10 years as Chair. His guidance, support and challenge has been invaluable in our journey. Sir Simon Gass became Chair in September and we welcome the wealth of experience he brings as we continue with our ambitious plans for growth. We have two new non-executive directors, Richard Gunning and Philip Barton; and I want to recognise the services



of Stephen Barrett, Glyn Smith and Hugh Elliott who stepped down this year. The executive team was strengthened by the appointment of Nasrin Cobb as Business Development Director.

The relationship between the FCO and FCO Services is going from strength to strength, and one of our proudest moments

of this year was seeing our Queen's Messengers celebrated at an historic event at King Charles Street, attended by the Foreign Secretary. For this ever-increasing connection to realise its full potential for both organisations, we must ensure we continue to deliver excellence in project and service delivery. This is pivotal to

building trust and securing the mandate for operating secure support services globally. I have every confidence in our committed, high quality staff and I look forward to further successes across the whole business this year.

Danny Payne
FCO Services Chief Executive

Overview

FCO Services is a Trading Fund of the Foreign and Commonwealth Office (FCO), operating under the Government Trading Funds Act 1973. Our Framework Document sets out our Governance arrangements with the FCO.

Ultimate responsibility for FCO Services as an organisation, rests with the Secretary of State for Foreign and Commonwealth Affairs, who delegates the responsibility to an FCO Minister.

We operate from our UK bases in Hanslope Park near Milton Keynes and King Charles Street in London

Who we are and what we do

Who we are

We were established by the FCO to provide logistics, security, property and IT 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 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.

Since 2008 we have been a Trading Fund, enabling us to operate off-vote, and generate income from multiple customer sources. 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 which realise benefits and efficiencies for our customers, and ultimately for taxpayers.

Our ambition is to be a world-class provider of operational support services and a trusted, agile and global organisation, achieved by a close relationship with our customers and by developing and supporting our talented, committed staff.



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 offer 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 maintenance work and RTSS offers technical support whenever FCO Rapid Deployment Teams are sent overseas.

We are also the UK National Authority for Counter Eavesdropping (UK NACE), helping protect UK assets from physical, electronic and cyber attack.

Our ambition:

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

Our purpose:

To deliver trusted, agile, global services to the Foreign and Commonwealth Office and other government customers

How we are organised

We have around 1,050 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.

The 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 fully global business, with around 70% of our products and services delivered to our overseas customers. We have two service delivery groups which are our revenue-generating business areas:

- **Secure Global Services (SGS)** provides and maintains buildings for government staff to work and live 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, and deploys 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, business continuity, change programmes 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.

Our business strategy is to be trusted, agile and global.

It is based on three objectives: win, invest and grow.

To win the trust and mandate of the UK Government to become the Operational Support Service for the Diplomatic Platform:

We intend to demonstrate that we have the capability to take on more business from the FCO and other departments, winning the trust and mandate of the UK Government to become the leading operational support provider for the diplomatic platform.

We are fully aligned to the FCO's Diplomacy 20:20 programme, supporting its work to transform the diplomatic platform by improving the delivery of services, making them simpler and easier to use, and ultimately freeing staff to concentrate on policy and diplomacy.

We have also aligned the planned, periodical review of our position as an Arm's Length Body with the Diplomacy 20:20 timetable and are looking at the benefits of Trading Fund status versus other possible operating models.

To 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 in these aims. We develop and use talented, qualified professionals in all our work. We will continue to invest in them and in the tools and processes we use to deliver our business, to further develop an agile, creative and expert workforce.

We are also investing 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 as a lean organisation, and ensuring we anticipate changes to technology, customer expectations, and to the nature of security risks and threats, and build these into our business.

To 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.



An aerial photograph of a city, likely London, showing a dense urban landscape with a mix of historic and modern buildings. In the foreground, there is a large, lush green park with many trees and a winding path. A prominent feature is a tall, modern skyscraper with a glass facade, standing out among the older buildings. The sky is blue with scattered white clouds. A dark red semi-transparent box is overlaid on the right side of the image, containing the text '2 Performance Analysis' and '20 FCO Services overview summary'.

2 Performance Analysis

20 FCO Services overview
summary

FCO Services Performance Summary

Delivering world-class services in property, logistics, security and digital to our customers globally

We have concentrated on delivering a customer-centred global strategy. Having simplified our business structures, we then focused on streamlining our processes at the same time as enhancing our capabilities to meet both current and anticipated future needs of customers. We have further reduced our operational costs and improved our value for money proposition, and this ongoing rigour and control of both costs and investments underpins our growth.

The implementation of our Commercial Strategy, with its guidance on business development and account management, is helping us play to our strengths, making the most of our trusted, agile global characteristics. By strategically selecting markets and opportunities we are increasing our productivity. We have delivered excellent products and services across our specialist areas of property, security, logistics and digital, which support our customers

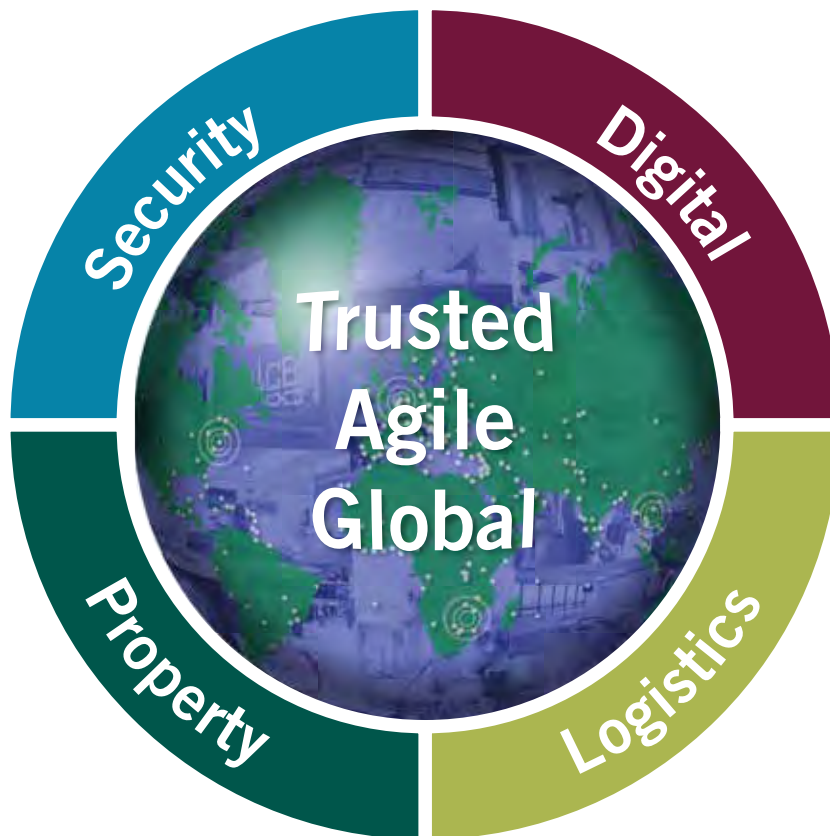
and partners in achieving their own strategic aims and reform, growth or policy objectives.

We continue to work closely with the FCO to ensure that the partnership between the organisations is based upon mutual principles of engagement and value creation. Governance structures are in place to direct and cultivate the partnership for the benefit of both organisations, and FCO Services' strategy is developed in close collaboration with key FCO counterparts to ensure the alignment of strategic objectives.

Proactive management of this partnership is particularly important in view of Diplomacy 20:20, the FCO's transformation programme. We have built key relationships in this area, working closely on developing joint ambitions and testing incremental enhancements to the overseas platform through pilot projects aimed at simplifying processes and making better use of FCO Services' skill sets to free up FCO staff for diplomacy.

Diplomacy 20:20 provides the framework for increasing our role with the FCO. Outside of our main customer, we continue our work with Partners Across Government (PAGs), including users of both the FCO's overseas platform and off-platform departments, identifying opportunities where we can provide a valuable service to Her Majesty's Government (HMG). Beyond this, we also continue to work with selected governments worldwide.

We are investing to support business growth as well as business as usual activities, together with refreshment or replacement of assets where appropriate. This includes investment in process and product development, internal IT, and leadership capability as well as in the right resources to support the Diplomacy 20:20 work which underpins our strategic objective. To ensure we have sufficient surplus for our investment plan, we continue to drive efficiencies throughout the business.



Our focus on a customer-centred strategy has led to an extremely successful year. Our final results show a reported revenue growth of 9% across both FCO and wider market customers. Furthermore, strengthening relationships at all levels has enabled our

customer satisfaction ratings to exceed target, reaching 88.9%.

These successes could not be achieved without our professional and committed Workforce. Our investment in our people continues to

deliver, with both leadership development and core skills training complementing our ongoing apprenticeship schemes, focus on health and safety, and commitments to inclusivity and mental health wellbeing.





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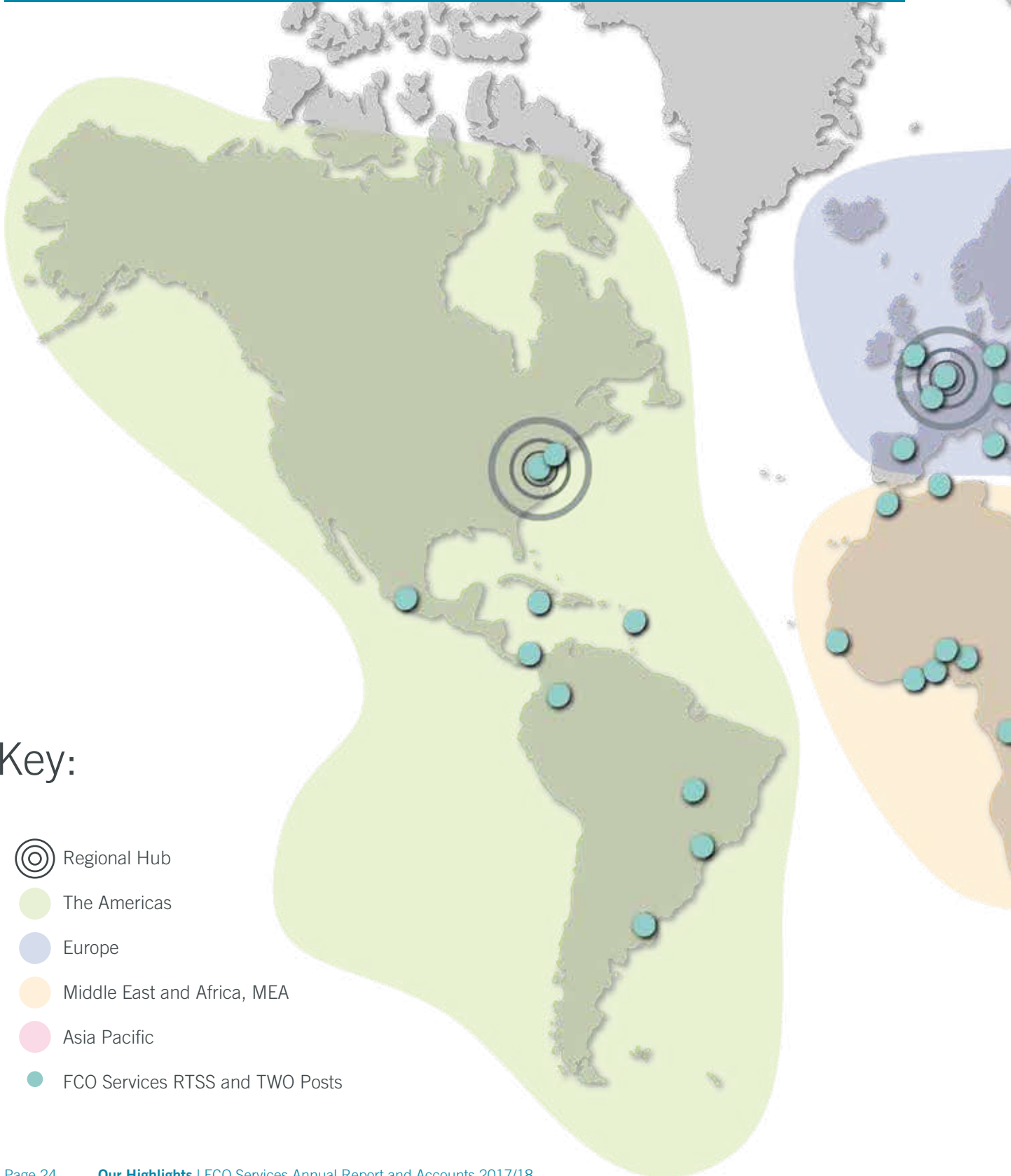
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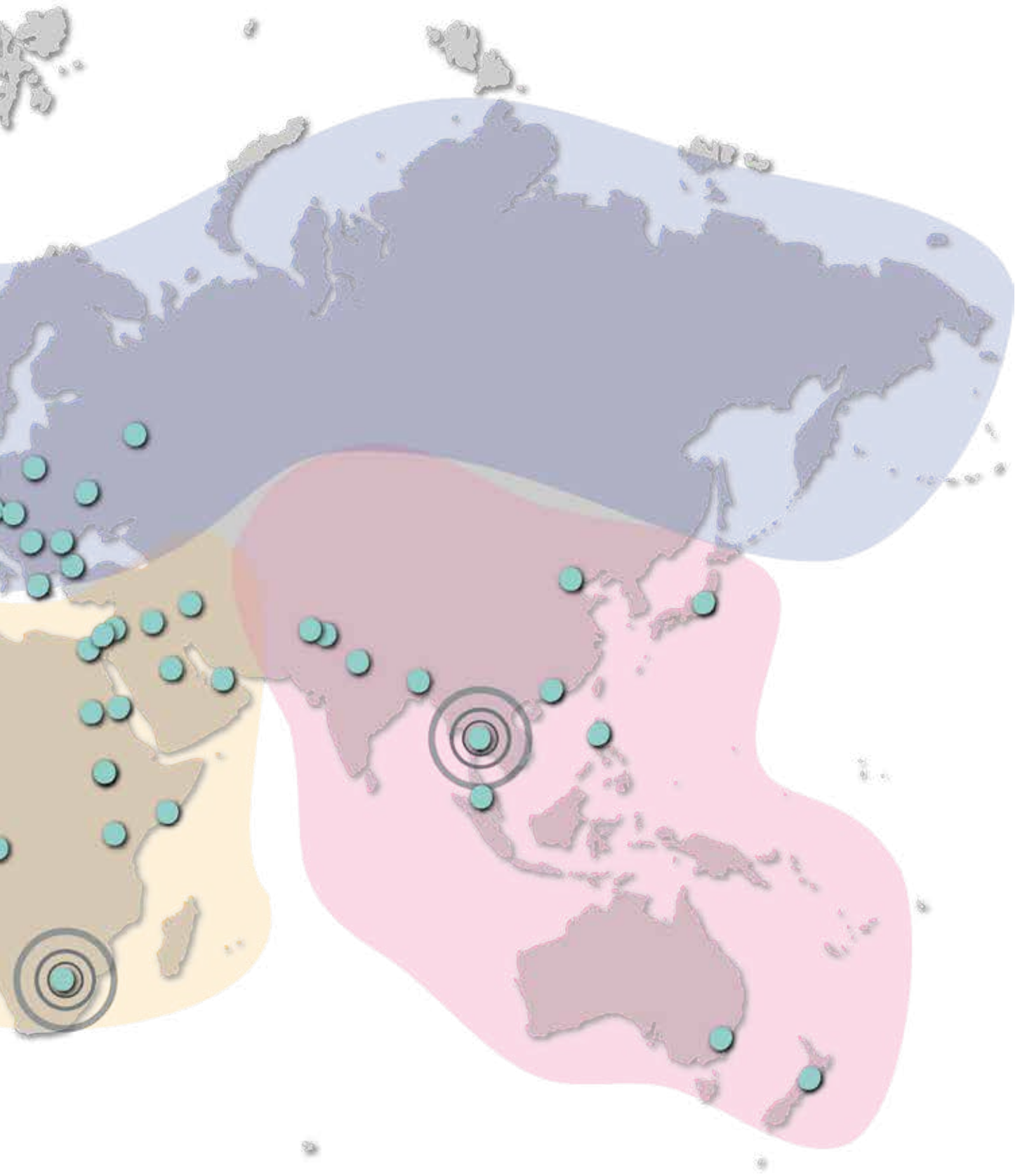
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Our Global Reach



Key:

- Regional Hub
- The Americas
- Europe
- Middle East and Africa, MEA
- Asia Pacific
- FCO Services RTSS and TWO Posts





Supporting the overseas platform

We have extended our reach across the global network and now represent the FCO's largest truly global supplier.

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

Supporting the overseas platform

Design, build, operate: Our overseas property programme

A global estate of 5,500 properties needs experts on hand to identify, plan and deliver modernisation investment, provide policy makers and occupants with guidance, and react with support to the unforeseen. FCO Services has unrivalled experience of working with the overseas diplomatic estate, across bespoke service lines developed alongside our customers' needs. We utilise our people's unique expertise across all professional and technical disciplines to design, build and operate office and residential property overseas.

In accordance with the Project Process Map methodology, our services follow the tasks and outputs required at key stages of a building lifecycle or project. Our core services include project and programme management; architectural, cost and engineering consultancy;

and property management. We tailor our offer to the individual customer need, whether that be a single service or an integrated engineer, procure and construct solution. The global maintenance programme is a case in point - our worldwide property inspections identify maintenance investment projects which are developed into packages of work and tendered, managed and quality assured through to completion on a continual cycle across the estate.

Seismic strengthening and interior refurbishment in Manila

The British Embassy in Manila is situated in a high seismic risk area, and was prioritised for assessment, strengthening and building refurbishment through the FCO's global seismic programme. Built in the 1970's, it predated established seismic codes for design and construction, so FCO Services engineers applied comprehensive

appraisal criteria to determine the compliance level and identify any structural weaknesses.

Our engineers developed a structural strategy that included strengthening the existing structure of the building while limiting impact on the existing buildings layout, introducing concrete shear walls to provide rigidity and resistance to the ground movement generated by earthquakes, and also improving foundations and roof structure to provide improved stability.

FCO Services' construction team reviewed the impact of the planned retrofit works, and recommended a complete interior design solution to finish the refurbishment. The modernised interior now subtly masks the intrusive structural interventions and services upgrades, and highlights the ability of FCO Services to deliver essential projects on time and to a high standard.



Refreshing new design in Islamabad

The High Commissioner's residence in Islamabad was filled with furniture from the closed residence in Karachi, the old capital. It has remained largely unchanged since this move, due to lack of budget. Outdated furniture, ageing curtain treatments and faded carpets did not reflect the aspirations behind the FCO's Global Britain agenda.

FCO Services were asked to bring the residence up to date. It was important for design elements to reflect our relationship with the host country and in doing so we were able to use special pieces provided by the UK Crafts Council, including a crafted bowl made by British-Pakistani artist Halima Cassell.

We designed a special circular rug, inspired by motifs in the Pakistani flag. An ornamental chest from the northern Swat

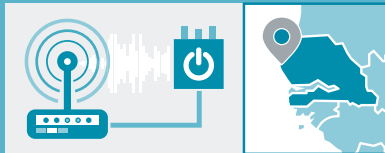
region reinforces the cultural selection and a mix of modern shapes and local motifs was achieved with careful specification of fabrics and furniture. The colour scheme was kept subtle to create a sense of calm. The project was received by all as a fresh, modern transformation, providing the High Commission with a whole new suite of reception rooms, fit to host all types of events and coinciding with celebrations to mark 70 years of UK-Pakistani relations.

Technical Security

2017/18 saw the completion of 104 projects across the Technical Security portfolio with a truly global reach from Paris to Pretoria and Mexico City to Manilla, exceeding our ministerial target for customer satisfaction along the way.

Our work continued to protect people, information and assets through emergency communication and perimeter security solutions in hostile territories that save lives; through to embedded security that has made our highest threat missions more secure from intrusion and espionage.

Vital work on the secure conference room program has enabled difficult negotiations to take place as we head towards our exit of the European Union and will enable trade negotiations to begin following that.



“FCO Services Radio Installers team was very professional and are the best I have worked with. They knew what they were doing. Working hard was part of their agenda. Excellent job and very well done!”

(Digital radio installation in Dakar, Senegal)

“Everything was carried out with the least possible disruption to the Embassy and they were always receptive to feedback and requests. It was also very helpful for us to have the new security procedures explained to us before they left.”

(Technical security fit out in Tallin, Estonia)



“The work conducted was of the highest quality and the team behaved in a thoroughly professional manner.”

(CCTV installation in Baghdad, Iraq)

“A very professional and collegiate team.”

(Secure Conference Room Installation in Gibraltar)



Enabling KTD to deliver on its FCO commitment

We continue to support the FCO's Knowledge and Technology Directorate (KTD) as it transforms service delivery and major IT for the department. FCO Services' Citrix environment ensured that older applications on the eagerly-awaited new Windows 10 laptops, part of the Tech Overhaul programme, worked seamlessly.

We have prepared and cleansed huge amounts of IT data ready for the migration from obsolete UK and global servers, to support modern cloud-based hosting and Office 365.

In addition to this major transformation activity, we continue to create, support and maintain more than 50 other projects and service enhancements, ensuring KTD's commitment to its users and customers remains fully achievable.

“ The team demonstrated unfaltering professionalism at every turn, remaining flexible and accommodating in meeting the challenges posed by the tasks and unforeseen logistic issues. ”

MOD Customer

Global secure communications for defence network

Last year we worked with the MOD team to deliver a secure communication system for Defence Attaches in more than 20 sites globally. The system enables MOD staff at British Embassy sites to communicate at higher levels securely and with unlimited access. Supply chain and visa issues throughout the project brought unanticipated delays, but these were overcome with help and careful co-ordination from the project team and the FCO.

A number of hard to reach posts on the programme required close working and co-operation of the project team and the MOD to complete the deliveries, demonstrating our flexibility and agile approach in the most challenging of locations.

Supporting the prevention and disruption of global organised crime

Our strategic partnership with the National Crime Agency (NCA) continues to develop, delivering tangible benefits to the support of prevention and disruption of organised crime across the world.

We provide the NCA with Next Generation Topaz (NGT), its core overseas solution for secure and effective communication with International Liaison Officers and locally engaged staff in 67 posts around the world, enabling communication, collaboration and intelligence-sharing at SECRET level. The solution's performance was far above service level agreements and industry best practice.

Building on this success, there is a desire to keep innovating. Working closely together, NCA and FCO Services are seeking continuous improvements which have real benefits. We will trial a new regional model for spares management in 2018/19, aiming to reduce or remove logistical challenges in the resolution of service disruptions.

Focus On: Our Regional Structure

Our Regional Hub in...the Americas

The Americas hub has had an exciting and challenging first eight months.

The creation of the hub and a new leadership model was the catalyst for a new vision and strategy, setting out how we will deliver more and better for our customers as well as how each of us will take personal and collective responsibility for our success.

The Americas hub is primarily based in Washington. The Regional Technical Support Service (RTSS), Technical Works Officer (TWO) and Portfolio Management functions work closely together. With such a vast region, we have deployed a Regional Development Manager to Sao Paulo to look after the needs of Latin America and Caribbean, and invested in a Key Account Manager for North America. This professional leadership and management team, backed by our high-quality operational team, are well placed to make a significant difference for the FCO family.

Hurricane Irma enabled us to immediately demonstrate the value of a regional leadership model. Being in the right time



zone and speaking directly to our skilled people on the ground enabled us to deliver significantly more and faster to the stricken Islands. Co-ordinating with the UK, we also established an FCO Services footprint in the Crisis Centre where we could add further guidance and leadership.

Our new team have already engaged our Latin America Posts to create a collaborative view of how FCO Services can deliver more: reducing the burden on end users and diplomats, and using our professional skills to improve the working environment.

Our work with the Canadian Government goes from strength to strength, having completed a testing co-location project in Baghdad. Our innovation, eye for detail and our team's determination to deliver high quality outcomes has been really valued.

Next year we'll be working hard to turn the vision into reality. Our goal is to do more for our FCO colleagues and do it better. Our region, and FCO Services as whole, has an important part to play in front line diplomacy.

Our Regional Hub in...Europe



The Europe hub, which also serves Central Asia, was the final of the four regional hubs to be established. Together, 64 FCO Services staff are helping to keep people, assets and information safe in 84 Posts across 49 countries.

Our goal is to help the region maximise its diplomatic outcomes, enabled by delivery of an agile, efficient and secure platform. A key part of this is being closer to the people receiving our services and more accessible and aligned to their needs.

We are also looking across our offer to ensure we are delivering

responsive and efficient services: how we can do things better and faster, while maintaining quality.

We've seen some excellent performance across our RTSS and TWO services – these are the people supporting Posts and key UK customers with in-region technical security, diplomatic bags, building services, maintenance and health and safety advice to ensure the FCO estate is fit for purpose and safe.

We've also delivered a range of often challenging and short notice projects across the region, stepping in and working quickly, quietly, behind the scenes to

resolve emergencies, allowing Posts to rapidly return to delivering their core work and priorities.

There are many highlights from our year, but typical examples of what we've done include work by the TWO and RTSS regional team to support the Embassy in Prague during a power outage. They collaborated to ensure Post infrastructure in the secure zone stayed operational and integrity was maintained. Separately, support by our TWO in Istanbul helped Post with the refurbishment of vacant, owned residential accommodation that will reduce rental overheads significantly.

With more than 100 projects already in the pipeline, it's shaping up to be another busy, demanding, but rewarding year.

We're attuned to how FCO Services can support Diplomacy 20:20 Platform goals, as well as our work to help reshape the FCO platform to meet the demands and challenges of Brexit.

We've put great foundations in place since the setup of our Hub, and we're focused on delivering even higher standards in pace, quality and value.

Our Regional Hub in...Middle East and Africa

The Middle East and Africa (MEA) team covers some of the most challenging locations on the planet, from remote sites such as St Helena in the middle of the Atlantic Ocean to hostile areas such as Mogadishu.

I am extremely proud to say that the team of 43 FCO Services staff consistently and tirelessly support these and all our other locations in business as usual tasks, new initiatives and projects, and in times of emergency.

The RTSS and TWO networks have worked closely with their customers to deliver a professional and accountable service across the network. As they start to come together as one SGS network in the region they will strengthen their position.

The creation of the MEA region has, in line with my vision for the region, allowed us to tailor our approach to service provision to ensure that we are reacting to our customers' needs appropriately. The knowledge and experience of the team enables us to act with focus and agility.

Over the course of the year we have supported both the FCO



and OneHMG partners to deliver their strategic outcomes. This support has ranged from assisting the Conflict, Stability and Security Fund team in meeting their ministerial objective in setting up a secure unit in Lagos, Nigeria, to supporting the establishment of the FCO platform in Tripoli.

As a region we have worked closely with colleagues in the UK to support both UK government and wider government customers'

initiatives. This collaborative approach is a fundamental building block in the ongoing success of the region.

As the region further establishes itself through the course of the coming year we will provide a single network covering all in region activity which will allow us to introduce a single point of contact for our customers.

Our Regional Hub in...Asia-Pacific



The Asia-Pacific hub was the first to be established and is now in its second year. This diverse region spans eight time zones ranging from the south Pacific across Asia.

Being closer to our customers geographically and through a strengthened relationship means we are quicker to both respond and deliver. Understanding their longer-term needs, having visibility of all projects, and more efficient processes allows us to use our regional resources most effectively, making us more cost-effective. The establishment of local supply chains and investment in regional non-subscription manpower is helping

to bring in new business, and to deliver more effectively and to customers' satisfaction.

Our projects vary enormously in size and complexity, from managing a full seismic structural strengthening and refurbishment of the Ambassador's Residence in Manila, to getting access to a security cabinet for an Embassy after the lock mechanism failed.

Both the RTSS and TWO cadres continue to make a significant contribution to diplomatic missions across the region. Vital health and safety compliance reporting by TWOs is helping HMG to stay safe overseas. Collaborations with facilities

management (FM) providers is proving instrumental in supporting the FM model to run more smoothly.

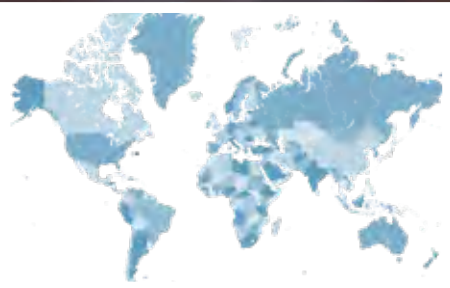
We've also worked hard to demystify FCO Services and make ourselves easier to do business with, explaining clearly the depth and breadth of our expertise, and what we can and can't do; and giving customers the option to deal with a sole point of contact - a one stop shop for all FCO Services-related enquiries. We're seeing the benefits of this through a greater number of direct business leads.

In addition, two of our four 'Five Eyes' partners, Australia and New Zealand, are in our region and we and maintain good relationships with their foreign ministries.

We're proud of our achievements since the establishment of the Asia-Pacific hub, but know that we can do even better. It's an exciting time in the FCO with the Corporate Capability Programme looking to change the way the global platform is delivered. A pilot project related to the IT support network is about to start in this region - we're delighted to be given the chance to show what we're capable of.

Delivering the FCO's global IT overhaul

Case Study



Project:	<i>Tech Overhaul deployment</i>
Customer:	<i>KTD, FCO</i>
Location:	<i>Worldwide</i>

The FCO's IT vision is to enable staff across the global network to be the best diplomatic service in the world by providing reliable and easy to use technology across its global network, enable mobile and flexible working, and providing customer interaction which is digital by default.

In 2017 it started to deliver this vision through an IT transformation programme which involves approximately 18,500 devices in more than 255 locations worldwide. FCO Services were asked to provide the hardware deployment. This included delivering Windows 10 laptops, desktops and secure smartphones, with the latest software

and enhanced Wi-Fi connectivity.

A successful pilot project in Europe was followed by continuous service improvements that enabled a full-scale global roll-out of the transformation programme.

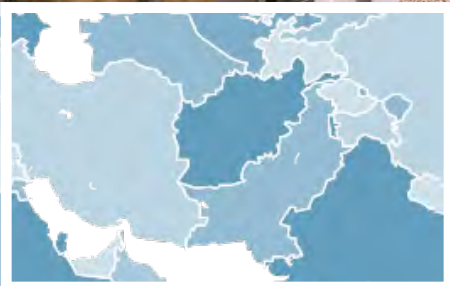
“ I couldn't be more grateful, or speak more positively, about the FCO Services Tech Overhaul deployment team, and their critical role in ensuring the overall device deployment has so far gone well. Working seamlessly with their KTD colleagues, feedback from across the network has only confirmed my own view that this has been a triumph. The deployment teams deserve real credit and congratulations not only for what they are achieving, but how they are achieving it. Flexible, proactive, resilient, user first. Outstanding work. Well done and keep it up! ”

Chief Information Officer, Knowledge and Technology Directorate, FCO

So far, we have deployed more than 12,000 Windows 10 laptops and moved more than 30,000 items of supporting infrastructure globally, meeting high expectations on equipment performance and installation. Users are already benefiting from systems that have greater speed, stability and reliability. They can also now work more flexibly whether that be on the road, home or office.

Emergency response during bomb attack

Case Study



Project:	<i>Emergency response after bomb attack</i>
Customer:	<i>ESD, FCO</i>
Location:	<i>Kabul</i>

Our track record of exceptional response in an emergency was demonstrated during the immediate aftermath of a large vehicle bomb 200m from the British Embassy in Kabul.

FCO Services staff were on-site when the attack took place and played a vital role in getting critical systems up and running and allowing embassy staff to keep working. Immediately after the explosion all staff were evacuated to a bunker for safety. Once the area had been checked, the team focused on getting the Embassy operational again, surveying damage, ensuring safety and prioritising the areas that could quickly be made operational again. Simultaneously our radio team started assessing systems to see what equipment could be salvaged and reused, to get Embassy communications functioning.

One of the buildings was so badly damaged by the explosion that it was placed out of bounds, but it contained a vital server which was in danger

of overheating. The team quickly ensured that the server room was made airtight again to keep the communications running.

“ We were extremely fortunate to have FCO Services at Post undertaking other works at the time of the blast. They were able to assess the immediate damage and confirm which offices and accommodation were safe for habitation, and then worked with the estates manager to prioritise a list of immediate repairs and security works to keep the Embassy safe and functioning. The team were able to deliver repairs across the Embassy compound including quality assurance on the repairs being undertaken as well as the construction of a new Visa/Consular office. Without the assessment and repairs the Embassy would have had to withdraw to an alternate site immediately ”

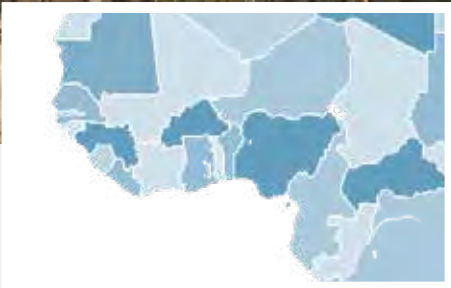
**FCO Deputy Head Corporate Services,
Kabul.**

Further inspections revealed extensive damage to parts of the mission, revealing much of the accommodation and working space was unusable. Despite a backdrop of civil unrest, with tense public protests outside the compound, small arms fire and a further bomb attack, we worked with local contractors, converting conference rooms into temporary offices, fitting IT and telephone communications, and boarding up windows so that embassy work could resume.

Embassy staff praised the way FCO Services responded in a difficult situation and going the extra mile when it really mattered. We provided a flexible and professional response so Embassy services were operational again, avoiding the impact of major disruption during this crisis.

A new secure zone in Abuja

Case Study



Project:	<i>Technical fit out of secure zone</i>
Customer:	<i>ESD and British High Commission</i>
Location:	<i>Abuja</i>

When the FCO commissioned the construction of a new build British High Commission in Abuja, FCO Services were appointed to design, supply, and install a site-wide technical fit out, and construction fit out of the new secure zone. Work included electrical and mechanical works, access control, an intruder detection system, CCTV, physical security, and a secure conference room.

FCO Services were fully engaged with the project team throughout the design period; this collaborative approach ensured our designs were coordinated with the whole building scheme and all requirements from FCO and our Partners Across Government (PAG) were consistent throughout the design.

“FCO Services was involved in technical delivery discussions with the PAGs from 2014, including close liaison with the UK construction project managers, Ridge Consultants, and these were key in establishing, clear specifications and overcame numerous technical issues. From project management to liaison and infrastructure installation, FCO Services were very professional. The PAGs were provided with an excellent, fit for purpose platform which will greatly benefit our future key objectives”

Project Manager – Global Network

“FCO Services played a crucial role in the move to our fantastic new building in Abuja. The appointment of a dedicated FCO Services Liaison Officer was a huge asset to senior management in Abuja. The Senior Point of Contact's extensive knowledge and willingness to go the extra mile helped identify problems that would otherwise have resulted in inferior finishing, delay in occupation and additional costs. An excellent co-ordinated approach from FCO Services was key to the overall success of this major project”

Director Corporate Services - Nigeria Network

The original plan was for FCO Services to begin works once the main contractor had left site, however in reality the site was shared through much of the construction period. This meant implementing a different site management approach to ensure a safe, secure and coordinated construction site.

Labour on our site peaked at 25 engineers which needed expert coordination and our team had a constant presence throughout the project.

The high level of workmanship demonstrated our capability in coordinating different specialisms and delivering projects to completion.



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

Enabling diplomacy

Maintaining the global estate - Our Technical Works Officers

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 have carried out vital health and safety compliance reporting, helping HMG to stay safe overseas. Their professional expertise and contribution has been recognised by FCO officials for several projects including complicated roofing work in Dhaka and crucial support to the confidential area during a 48-hour power outage in Prague.

Collaboration in Istanbul

Three residential properties on the embassy compound had been vacant for years and required major works to make them habitable. A full survey was carried out and a scope of works produced to make the electrical system safe and compliant and replace the unsafe electrical

panels. In addition, the water supply was reconfigured, repairs were made to the roof, and brand new windows, doors, wooden floors and an entry phone system were installed. Our Technical Works Officers worked closely with Technical Works Supervisors at post and closely monitored all work to ensure it complied to the highest safety standards.

Responsive, practical support – our Regional Technical Support Service

RTSS continues to assist Posts across the network, enabling our customers to focus on front line tasks. In addition to the subscription services provided to HMG overseas (including technical security, complex ICT support, perimeter security and the accompanied diplomatic bag service) our local teams have also provided emergency response to the FCO. Teams in the Americas region provided support during the Caribbean hurricanes and the earthquake in Mexico, while teams from Asia-Pacific delivered outstanding support to the FCO's Rapid Deployment Team following the eruptions of Mount Agung

and Mount Sinabung in Indonesia in January 2018. Due to the closure of the airport this entailed an 18-hour journey in order to ensure that the team were equipped with the right technical equipment to be able to provide effective consular support.

In Europe, the RTSS operation comprises 46 staff. The team are held in high regard by customers who see them as “go to” technical experts and often the first point of contact when technical challenges arise – from switch failures in Berne to power supply issues in Brussels. In addition to delivering a high level of scheduled visits to posts, the region continue to react quickly and proactively when emergencies occur.

Technical support in the UK

Protecting against cyber attack

With more than two-thirds of large UK businesses suffering a cyber security breach or attack in the past year, effective cyber security has never been more important. We ensured our customers were protected as much as possible by introducing new platforms containing the most up-to-date software protection. As many of our customers' services are internet-facing, an appropriate security barrier is critical and all workstations and servers were upgraded accordingly.

This also enabled enhanced facilities for end users and a more secure approach to monitoring and administering support for FCO Services. Customers have told us they appreciate the proactive and continuous support FCO Services offer, and have commended our efforts to provide a first rate service at all times.

Digital signage

New services have been deployed throughout the year focusing on using technology to improve communications within the FCO.

An office-wide digital signage system has been implemented in both London and Milton Keynes, so that information,

messages and announcements can be displayed throughout the workplace. Signage screens have been installed at strategic points to capture the attention of staff with short, bite sized messages about events, reminders, new policies and other information, using engaging graphics. The system is proving very popular and there is an increasing demand for more screens.

Translation and Interpreting

Our Translation and Interpreting team have played a vital role in the government's preparations for the country's departure from the European Union. Official information on www.gov.uk on the future reciprocal rights of UK and EU citizens following Brexit was translated into eight European languages.

Their work on the UK-France Summit included rapid checking and amendments for the 'Le Touquet II' agreement signed at the Summit, working with translators at Post in Paris, as well as full interpretation for the Summit itself.

“*The interpreters were fantastic. Once we had welcomed them and shown them what was happening where and when, they were self-sufficient and organised themselves beautifully. They were attentive to Ministers' needs and were always in the right place at the right time. I know that Ministers and their officials were delighted with the service they received. It really was a first class display of professionalism. And last but not least, they were an absolutely delightful group of individuals who were a dream to work with and to be around.*”

Head of Operations, Protocol Directorate



Other highlights of their work included translating the Foreign Secretary's statement on the Iran Nuclear Deal into Arabic and providing full interpretation for the Spanish State Visit and the London Somalia Conference.

Supporting Diplomacy 20:20

We're working closely with the FCO on its Diplomacy 20:20 programme, which is building a more expert and agile organisation, supported by a world class platform for global diplomacy.

The vision for Diplomacy 20:20 is a platform that is professional, transparent and secure, and offers value for money, ease of use and is focused on all the people and partners using it.

We've established a core co-ordination team who are focusing on finding ways to improve the delivery of corporate services such as the management of estates and maintenance, support to IT services, and the planning of projects at Posts, making them simpler and easier to use, and ultimately freeing more staff time to concentrate on policy and diplomacy.

Delivering services that fulfil FCO requirements and meet its needs is fundamental to our long-term relationship and this work provides an exceptional opportunity to demonstrate this. It also supports our strategic objective of becoming the operational support service provider for the diplomatic platform.

Focus On: Logistics – Secure Disposals

Much of the waste produced by HMG departments and Overseas Posts cannot simply be recycled due to its confidential nature, and instead requires specialist destruction and disposal. The Secure Disposals team at Hanslope Park ensures all waste classified as Official Sensitive or higher is disposed of correctly and securely, through a process accredited to international best practice standards.

This year 34,000kg of waste was securely destroyed using one of two methods. Anything containing data of any kind - papers, media items, electronic items or batteries - is stripped down and sent for high temperature incineration in one of the country's largest rotary kiln incinerators, which heats materials to temperatures up to 1200°C.

Anything else, such as computer casings, printers and even cars, is sent to be destroyed at one of the UK's leading dedicated Waste Electrical and

Electronic Equipment (WEEE) processing and recycling facilities. Here, they are shredded down and then recycled into new materials.

The team also recycle all unclassified printer toner cartridges from Hanslope Park and King Charles Street, with the proceeds going to charity. This year £241.45 was raised for the Thames Valley Air Ambulance.

“ The complete end to end process for both incineration and shredding is carefully watched at every stage by members of our team, to ensure nothing is left behind. Each lorry load is escorted with a vehicle behind to ensure it is not compromised. Then when we arrive, each plant is closed down to allow us secure access. The entire process is highly secure and also environmentally safe. ”

Operations Manager, Logistics



Focus On: Sensitivity Review Service

On 1 April 2017 the Sensitivity Review Service transferred from the FCO to FCO Services. This included around 40 reviewers, mostly Senior Diplomats who are responsible for reviewing historical FCO records before they are transferred to the National Archives in Kew, in order to determine whether they should be released or withheld under the Freedom of Information Act (FOIA) and Public Record Act (PRA) exemptions.

This year reviewers have worked on records of the Lockerbie disaster, the first Gulf War, the fall of the Berlin Wall and the handover of Hong Kong to China, as well as a multitude of more routine issues recorded in the files. Historical material requested under the Freedom of Information Act is also reviewed, which can be from any time period and about any subject.

The role of the reviewers is to redact, within a legal framework, the minimum that protects not just UK interests abroad, but also intelligence services, defence interests and the personal data of individuals, while still allowing the historical record to give researchers a clear idea of how policy was formed. Metrics have recently been introduced enabling the team to measure the efficiency of this work for the first time, allowing them to improve accuracy and quality for the FCO.

Later this year the team will begin a review of the FCO digital archive, using state of the art technology. FCO Services are in a leading position on this exciting digital journey, and hope to be able to offer assistance to other departments in the future.

“ One widespread myth is that we are there to spare the blushes of past or present politicians or officials – but we are not. Another myth is that we exist to block as much information as possible from the public gaze. I argue the absolute contrary: our approach is to release as much as possible, and we think we block only about 1% of the historical record. ”

**Senior Sensitivity Reviewer,
Global Digital Technology.**



Hurricanes Irma, Jose and Maria – flexible, responsive skills and expertise

Case Study



Project:	<i>Rapid response after hurricanes</i>
Customer:	<i>FCO posts</i>
Location:	<i>Caribbean</i>

In September 2017 we gave extensive support and assistance to Caribbean islands in response to the longest-lasting category five storm ever recorded. Sustained wind speeds of 185mph and rainfall of 274mm per hour devastated the Caribbean Islands of Anguilla, British Virgin Islands, and Turks and Caicos.

More than 500,000 British people were affected by the worst hurricane to hit the Caribbean in 50 years. The FCO led the UK Government's response and we were on hand to get this assistance up and running.

Our multi-skilled Regional Technical Support Services (RTSS) and Technical Works teams restored essential infrastructure. This included power and IT and telephony connectivity to severely damaged buildings providing a safe working environment even within a crisis situation. Concerns that wiring damage had compromised building safety led to our specialists providing appropriate assessments for the FCO's offices on the islands, enabling the Governors to operate with confidence.

Using Bridgetown as a local base, we coordinated deployment of resources that ensured staff operated in a safe environment and put measures in place to ensure their protection.

These included:

- in the British Virgin Islands, our Technical Works Officers (TWO) restoring IT and telephony connectivity and providing satellite phones to restore capability
- vital generator repair and maintenance equipment to keep a failing power supply running
- re-establishing the IT network connection in Anguilla.
- deploying our Secure Technical Services Officer to Miami to restore IT connection and telephony services

In all, 42 FCO Services staff were involved across the whole crisis response effort, contributing in the London crisis centre, helping with the relief effort in the local community, inspecting and making local infrastructure buildings such as hospitals safe, and providing practical skills support in restoring power, water and communications.

“*The team from FCO Services worked every hour there was with great humour and determination to get a difficult job done.*”

Governor of Anguilla

Crisis management was coordinated between our office in London and regional base in Washington to help ensure the right resources were deployed to the region in the right timescales. This demanded flexibility, expertise and an innovative approach to cope with a lack of resources.

Responsive teamwork after earthquake

Case Study



Project:	<i>Structural assessment and repair</i>
Customer:	<i>FCO</i>
Location:	<i>Mexico City</i>

Our reputation for collaborative working was enhanced further when several teams worked together in response to the aftermath of the magnitude 7.1 earthquake in Mexico in September. Strong seismic shocks caused major damage to the Embassy in Mexico City, leaving it unfit for occupation.

Our seismic team initially deployed a structural engineer to conduct a full seismic structural survey.

A full team of an electrical engineer, architect and technical security systems engineer were able to travel within days of this assessment, to assess the loss of capability and respond to the loss of operational service from the ground.

Embassy staff were advised to vacate the building to ensure their safety. The team then considered several options for accommodation and serviced office space including the new Embassy site at Torre del Angel before choosing more suitable, temporary serviced office space. Under the seismic programme, FCO Services contractors used steel and timber shores to stabilise the structural damage to the Embassy.

The FCO's Estates team decided that the most effective way to restore capability was to deploy the Quick Deployment Office from FCO Services in Hanslope Park. This is a secure communications facility in a highly portable shipping container, designed specifically for major emergencies.

FCO Services recommissioned the facility, and prepared the unit for deployment, then contacted logistics for prompt shipment of the containerised office from Southampton docks to Veracruz port in Mexico.

“ This is one of the occasions when we are very much part of the FCO getting what needs to be done, and we prioritise it. We put in the extra hours to get the job done. ”

Programme Manager

The Quick Deployment Office arrived in the Embassy grounds and a Secure Technical Services Officer set to work to enable security, fencing, power connection and a data supply. Its ability to offer secure video conferencing using SecView™ technology helped Embassy staff to restore business services.

More widely, we contributed to the wider crisis response - making sure buildings were structurally safe and deploying our Mexico-based technical expert to restore critical IT in the Embassy as soon as possible. The agile response that resulted from this collaborative and flexible approach during a crisis was well received and is a clear demonstration of our ability to react promptly and without bureaucracy.



Working together across government to add value

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

Working together across government to add value

Supporting defence capabilities: Radome Replacement Programme

FCO Services were engaged in May 2015 by Air Defence and Electronic Warfare Systems Delivery Team (ADEWS), part of the MOD's Defence Equipment and Support (DE&S), to provide governance, programme and project management support for their radome replacement programme. The fleet of 11 radomes are nearing the end of their designed life expectancy and are being replaced to ensure the RAF's air defence radar systems are maintained at full operational capability in the British Isles, Cyprus and the Falkland Islands.

To date our teams have successfully delivered the first four radomes at Mount Olympus in Cyprus (autumn 2016), Benbecula in the Outer Hebrides (autumn 2016), Buchan in Aberdeenshire (August 2017) and the most challenging at Saxa Vord at the windiest and northern most point in the British Isles, on the island of Unst in Shetland during winter 2017/18 (see case study on page 55)

The fifth new radome is scheduled for installation at Staxton Wold in North Yorkshire in summer 2018 with planning underway for other locations in 2019.

New premises for NATO

When the FCO's Estates and Security Department needed to deliver a multi-platform diplomatic office inside the new NATO Headquarters in Brussels, FCO Services designed and fitted out the 1900m² floor space in this high-security international government stakeholder building.

FCO Services provided practical options to enhance the completed design including fully integrated architectural and interior design, mechanical and electrical design, project management, technical security design and installation.

Our technical experts ensured that the design incorporated the necessary infrastructure and technical security to support various diplomatic stakeholders and their differing technical requirements.

The design team planned an attractive working environment with fully-flexible open plan offices, conference facilities and meeting rooms, using furniture to break up the office space and enable flexible reconfiguration in the future.

The finished project was delivered under budget and on time, and has been commended by other NATO members in the building for the high quality of the reception design and of FCO Services' workmanship. The whole project is seen as a good example of high standards both in professionalism and efficiency of delivery.

Improved support for UK Visas and Immigration

This is the first year of a three-year contract extension and there is a strong working relationship between UKVI and FCO Services. The focus is on achieving business benefits for UKVI and an improved service for visa applicants.

The UKVI systems are critical to the immigration service. Over the year we exceeded

the service availability target of 99.50%, and resolved more than 98% of incidents within agreed timescales, also above target. This performance has contributed towards the customer satisfaction survey results consistently exceeding ministerial targets.

The UKVI team continues to support the Home Office's out-of-country visa system. The number of applicants continues to rise, increasing pressure on service delivery. The team has been re-organised to improve customer service and the delivery of change. We successfully completed a global release of Proviso, the overseas immigration case working application. Further enhancements this system are planned to provide a better user experience and make the visa case management system more flexible. We also expect to upgrade key components of the infrastructure and software that enables UKVI work overseas.

UKNACE

The UK National Authority for Counter Eavesdropping (UK NACE) is a recognised National Technical Authority working alongside the Centre for the Protection of National Infrastructure (CPNI) and the National Cyber Security Centre (NCSC) to help protect UK assets from hostile technical attack. They provide assurance that HMG assets are protected through staff education, technical security inspections, defensive security monitoring and provides advice on security vulnerabilities and recommendations for appropriate mitigation and protection.

Inspection services

UK NACE provides a range of inspections services across government and X-Listed companies to technically assure a range of working environments commensurate with the assets requiring protection.

Cyber Convergence capability

We have a Converged Security Operations Centre (CSOC) monitoring protective security systems and IT security networks. This functionality provides both a layered security approach to protecting assets and a rich picture of events in and around sensitive locations and activities. We invest in the development and deployment of new methodologies and technologies to maintain pace with evolving vulnerabilities and threats.

Technical Security Training

We provide technical security counter-measures training programmes to partner technical teams to maintain independent technical security capabilities. UK NACE is also responsible for the delivery of the National Cyber Security Centre Emissions Security (EMSEC) Fundamentals training delivered from the Hanslope Park Training Centre.



Focus On: Sustainability

Few people realise that FCO Services has two sustainability teams: one focuses on sustainability for our own business, and we also have a sustainability expert embedded within the Facilities Management Client Unit (FMCU).

The Head of Sustainability 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, our Head of Sustainability sits on the 1HMG 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. Their knowledge and expertise is also shared with the Department for Environment, Food & Rural Affairs (DEFRA). Our Head of Sustainability also chairs the cross-Whitehall Sustainability Group, making the FCO a leader in sustainability.

The recently-launched #BeyondPlastics program is an ambitious campaign to remove avoidable, single-use plastics from the FCO. It had the fastest timetable of any multinational

organisation globally, making the FCO the first Government department to ban these plastics. The team advised the Cabinet Office and FCO Protocol department on delivering a plastic-free Commonwealth Heads of Government Meeting (CHOGM), the largest meeting of Heads of State in London for many years.

“ 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.



Air Defence radar restoration

Case Study



Project:	<i>Delivery of a new radome</i>
Customer:	<i>MOD</i>
Location:	<i>Saxa Vord, Shetland</i>

RAF Air Command and the Air Defence and Electronic Warfare Systems Delivery Team (ADEWS DT) needed better radar coverage of the airspace north of Britain and out across the Norwegian Sea. FCO Services was commissioned in July 2017 to project manage delivery of a radar dome (radome) to protect a radar installation 935m above sea level, at the summit of a hill at Saxa Vord on Unst, the most northerly British island.

FCO Services were given seven months to complete the project, originally expected to take two years. A major part of our role was advance planning, logistics and then co-ordination and management of all on-site activities.

As well as being strategically important, the Saxa Vord installation proved to be one of FCO Services' most highly challenging projects. It required flexible working in demanding conditions, innovative thinking, extended planning capabilities, and co-ordination among a wide range of partners, suppliers and contractors.

Our logistics teams hired an Antonov AN-124 airplane to fly four 40-foot containers from the US radome manufacturer to Scotland, which then travelled to Unst by road and ferry, saving significant time over sea freight.

The timescale also meant much of the on-site work took place in autumn and winter, when the weather was at its worst. Winds were regularly more than 100mph and there were five 'named' storms during the work. Specific forecasting by the Mobile Meteorological Unit on site meant every window of good weather, day or night, could be exploited. This led to what is believed to be the first radome installation in the dark.

“ It has been a resounding success, and recognised as such by all up to the Chief of the Air Staff. The Programme, and how it was managed, are now cited as an exemplar model for the future ”

RAF Air Command Programme Director

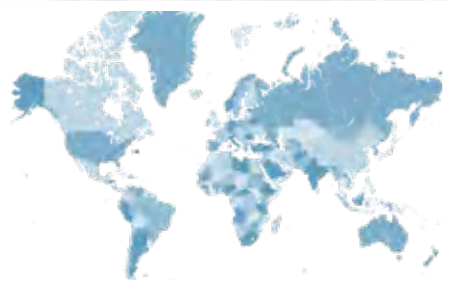
The radome was designed to withstand wind speeds of up to 183mph and just 36 hours after installation the wind strength was measured at 134mph, the highest since the project began.

Staff worked extended hours over a day and night shift pattern. Welfare facilities on site supported rest periods in the bitterly cold and physically demanding conditions. The site was operational in February 2018, just five days after the ambitious target date and 17 months ahead of the original plan.

FCO Services' programme team were recognised with an MOD, Defence Equipment and Support (DE&S) Chief Executive Officer Commendation Award - not usually given outside of DE&S - for their role.

Enabling government data transition

Case Study



Project:	<i>Facilitating migration</i>
Customer:	<i>BEIS</i>
Location:	<i>UK</i>

In line with the Government's strategy and best practice to adopt a public cloud first policy, in 2017 the Department for Business, Energy and Industrial Strategy (BEIS) decided to move and upgrade their end user technology.

This was from a laptop/desktop LAN service in a secure hosting environment with two separate legacy domains - to a laptop, mobile phone, Wi-Fi and Office365 service for e-mail and applications, with storage based in the cloud, using Microsoft Azure and Amazon Web-Services.

The upgrade centred on offering all BEIS users a single desktop environment, removing the need for the two separate domains. All users within BEIS (and the Department for International Trade) would receive a laptop and mobile phone, which enables them to access all the required services through Wi-Fi or tethered through their mobile.

BEIS requested assistance from FCO Services to set up and enable access to their mailboxes, sharepoint and file server data to facilitate the transfer of the data to the new solution. An FCO Services Project Manager was appointed

in October 2017 to manage the requirement which involved the development, set-up and management of additional servers to assist BEIS with their project and assist with a design to enable users to 'reachback' to business applications that would not be able to be migrated. Nine separate business change requests were received for FCO Services to impact assess, respond and facilitate.

The target for setting up the services to facilitate the BEIS migration plan was the end of December 2017. This was achieved successfully with effective collaboration

and responsiveness across BEIS and FCO Services. It was successfully tested with a pilot phase in December and BEIS's migration project commenced on the 8 January 2018. The service has remained stable and operational since and is on target to complete by the end of May 2018.

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Growing our business

In order to maximise the support we offer our customers, we targeted opportunities to grow our business, through raising our profile, innovating and improving our products and services

Growing our business

Innovation and development in our technology

We are innovating and improving our products and services, refreshing technology that underpins government and public services.

Big data and the internet of things (IoT)

In this-fast moving, ever-changing technology landscape customers are now challenged with the storing and processing of huge amounts of data. We have produced proofs of concept and explored opportunities to promote big data products and services.

This includes the use of cloud-based services to crunch publicly available, global environmental data; applying big data analytics technology to financial data to better understand credit card spend for the FCO; and seeing how big data technology components could support the Sensitivity Review Service as demand for its work increases.

We are also working with UK NACE to look at potential for cost savings by introducing IoT into the estate, aiming to improve maintenance and reducing energy costs

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 2018/19.

Azure Stack Platform

We have partnered with Hewlett Packard Enterprise and Microsoft to build an Azure Stack platform for UK Government use, targeting what we believe is a requirement for an Azure Stack at SECRET.

This supports any department or agency that is using Azure for development and testing, but needs to use our offer to access datasets not suitable for hosting on the public cloud. This will increase the speed and reduce the complexity and cost of building at SECRET. To ensure we can deliver this capability, Microsoft Cloud Solution Provider status has been registered and gained so Azure and Azure Stack can be licensed and sold to other organisations.

Delivering on a world stage – our work with other governments

In an age of heightened security our foreign government partners rely on our expert advice and capabilities and we have delivered projects for the governments of Canada, New Zealand and Australia for several years.

In the last year we have worked with the Canadian government to deliver a complex co-location project in Baghdad and provided technical specialists and supervision to seismic and security projects in Kabul and Islamabad, seconding one of our professional project managers directly into Global Affairs Canada (GAC). Our open and honest relationship - a prerequisite for operating in difficult environments - enables us to assist GAC to achieve their goals, reinforcing our bi-lateral work and delivering innovative and cost-effective solutions to global security issues.

Our Americas and Asia Pacific regions are now exploring opportunities to help the governments of Australia

and New Zealand with their estate environment, as well as discussing ways in which our skills and global footprint could be exploited to support the US government.

Our relationship with the Australian and New Zealand governments is a priority for our Asia-Pacific regional hub, and we have invested in a Government Relationship Manager, based in Canberra, who is responsible for the day-to-day contact with their Foreign Ministries. This role supports the Regional Development Manager in Bangkok who acts as the account manager. Collaboration to date has ranged from small works and maintenance to full project management, including

construction works in challenging locations, and the delivery of diplomatic bags, including a project to deliver 450,000kgs to 100 locations across the globe.

Raising our profile: Publicity and advertising

Clear and targeted communication is essential to make sure our target audiences understand what we do and how we do it. This is largely achieved through building and maintaining excellent relationships with our customers and stakeholders. Closer engagement with our partners has resulted in the Foreign Secretary, four ministers,

60 NATO representatives, and the FCO's Management Board visiting our headquarters in Milton Keynes in the last year. Earlier in the year we were honoured that the Foreign Secretary joined us at our event to celebrate our Queen's Messengers recognising the historical significance of the cadre and highlighting the critical role they play in delivering information safely around the world.

Publicity is also achieved through a variety of targeted channels, including exhibiting and speaking at specialist, relevant exhibitions and events, producing bespoke marketing collateral to promote specific offerings, and through our website.



Focus On: Innovation: from great idea to delivered product

We have a long history of developing solutions to meet a need, mitigate a risk, solve a problem or provide a product to a required specification.

The FCO Services Innovation and Development process has been redesigned to allow us to harness and take forward ideas coming from our technical officers at home and overseas, and other parts of the business, 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.

A typical example of the innovation/development combination is project IRIS - an idea originally instigated by technical support staff. They recognised the need to wirelessly connect a number of remote residential properties at an overseas post to the mission incident alarm/public address system. The solution used the

existing digital radio system currently already deployed as the 'wireless' medium to extend the range of the wired PA system. The result; a single button press instigating audible incident alerting at remote properties. IRIS has now been taken through the complete ISO9001 accredited I&D process and has been successfully deployed, proving effective and good value and moreover providing front line staff with the safeguards they need.



Focus On: Apprentices

With civil service targets and the apprentice levy, many parts of government (and organisations up and down the country) have recently started taking on apprentices. However, apprenticeships have been an important part of FCO Services since the 1960s, and we are proud that many of our apprentices go on to long and successful careers with us for decades after they qualify.

This year, as part of National Apprenticeship Week, we welcomed the Member of Parliament for Milton Keynes North, Mark Lancaster, to meet with our current and former apprentices. The feedback from apprentices past and present, is that our programmes provide fantastic opportunities. In the past year alone they have worked on projects in London, the USA, Nigeria, Cyprus, Colombia and Latvia, learning how to safeguard and support our diplomatic missions.

At the visit, Mr Lancaster said “It was a pleasure to meet the young men and women who are

starting on their career path to support our diplomatic objectives and personnel overseas. As a well-respected and highly regarded organisation, FCO Services offer a wide range of diverse opportunities.”

Although the large majority of our apprentices are either in the technical or IT areas, we now have a broader set of schemes. In the past year, we have offered apprenticeships in ten areas (varying from Level 2 to Level 6), and covering different disciplines such as project management, logistics, building surveying and cyber security. At the end of the financial year,

we had 40 apprentices working and learning with us, above the civil service requirement.

We see our schemes as being vital to the future health of the organisation, helping us to grow the skills we need, as well as supporting and giving back to the local area, corporately and socially. We know from long experience the valuable contribution our apprentices make towards our success. As such, we will be broadening our offering further, ensuring that we continue to secure the talent needed to be the trusted partner of the FCO and HM Government overseas.



Facilitating the secure delivery of Canadian diplomatic bags

Case Study



Project:	<i>Canadian diplomatic bags</i>
Customer:	<i>Global Affairs Canada</i>
Location:	<i>Europe and Middle East</i>

Building on the close relationship between the UK and Canada, including an MOU to collaborate in missions overseas, Global Affairs Canada (GAC) wanted support to facilitate the safe and secure delivery of Canadian diplomatic bags to 65 destinations across Europe and the Middle East, some in extremely challenging locations.

FCO Services was commissioned to work with the GAC logistics team in Ottawa to develop an enhanced service leveraging the existing network established for the British Diplomatic Bag Service across the two geographic regions.

The service provided by FCO Services includes multi-stage facilitation, from packaging and preparation of consignments, storage and final delivery to the destination locations thereby ensuring a complete 'end to end' management of the logistics service for GAC. It also includes all relevant associated documentation for assured

continuity and integrity coupled with the most efficient use and deployment of resources.

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As well as being able to make best use of the economies of scale we can provide, the project demonstrates the unique attributes that FCO Services is able to bring. A combination of planning, pragmatism, constant communication with the customer in Ottawa and at the destination Post, lateral thinking and political will ensures an ongoing exemplar service.

GAC now has a cost effective approach to the delivery of diplomatic consignments across two significant geographic regions and also

benefits from the added security of the British Diplomatic Bag Service.

FCO Services also supports the Australian and New Zealand Governments in the global shipment of diplomatic consignments to a number of locations around the world.



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 the future

Investing in our people to become a world-class government owned business

Our organisation is only as good as the people who make it up. We continue to strive to be an employer of choice, so that we attract and retain passionate and capable people who together can deliver for our customers and stakeholders. In the last year, we have continued to embed our Culture 20:20 programme, which is creating a dynamic, diverse and safe high performing organisation.

Employee recruitment activity has remained consistently high in 2017/18, with 175 appointments made. 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.

Although underlying turnover remained fairly stable in FCO Services at 7.1%, attracting and

retaining the right skills and capability to replace leavers and fill new roles is still a significant challenge. We are reviewing our pay strategy to ensure we can offer a competitive reward package that helps us attract and retain and engage people with the skills and qualities we need to deliver our business objectives. Our pay strategy will focus on delivering improvements to career and pay progression opportunities, resolving in-grade pay inconsistencies, and improving relative market position.

On 1 April 2017, FCO Services took on the Sensitivity Review Service from FCO which involves the selection and review of material for release to the public archives. A team of 44 very experienced Sensitivity Reviewers transferred with the work into FCO Services. These are highly cleared experts in diplomacy, international policy and languages, and include many ex-ambassadors and senior diplomats with truly global experience.

Talent and development

We operate in a very competitive space, and securing a robust talent pipeline is crucial. We are improving our processes to identify and develop high potential talent to enhance succession management, particularly into senior management and leadership roles.

A key component to securing talent is apprentices, so that we acquire the skills we need in key areas. We are very proud of our apprentice schemes, which we have been running for over 50 years. Our apprentices often go on to have long and successful careers - in many cases, based overseas in the diplomatic network- and we have a 77% retention rate of apprentices recruited since we became a Trading Fund in 2008. Our recruitment plans for 2018 will generate 29 appointments to engineering, professional services and IT apprenticeships schemes and will once again exceed the annual Government target of 2.3% of the workforce.

We have continued to make a significant investment in the development of our workforce's capabilities through specialised 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 organisational priorities (e.g. stakeholder engagement training). We remain committed to creating a high performance culture and our Evolve programme to develop great leaders and managers will continue into 2019/20.

We have made significant progress in making learning more accessible to our people across the world, through digitally-based development and by increasing the content available through FCOS GLO (our app based system to deliver globally accessible and modern learning opportunities).

An agile and global workforce

As most of our work is carried out for HM Government overseas, we have been working on producing agile workforce plans. We are also working on improving the workforce planning process to better identify future capability, skills gaps and requirements. We have developed a job family framework and plan to evolve this for use as a model for mapping skills and career development opportunities.

Over the last twelve months, we have completed our overseas regionalisation model for SGS, with hubs in four regions. This now means that we are set up in such a way that we can take on more work, and be more agile and responsive at a local level. Each region now has its own senior leadership team, who are strengthening relationships with their overseas customers.

As we build our capacity and capabilities in region, we will look to have more specialist staff based overseas to carry out work on key projects. Having people on the ground in region will save us time and cost.

We continue to look for ways to be flexible, and to enable the FCO to focus on its diplomatic duties rather than spending energy on running its platform. As such, we are planning some pilots covering both estates management and IT support. These will enable us to explore how we can further broaden our capabilities so that we can deliver more for our key stakeholders overseas and in the UK.

A diverse and inclusive work culture

Creating an environment that values difference and promotes an inclusive workplace culture is a key objective. People can only give their best if they are treated fairly, respectfully, and are valued for the contributions that they make. Our long-term Diversity and Inclusion strategy aims to establish FCO Services as a consciously inclusive employer of choice, with an ambitious agenda in diversity set by the Board. Under this strategy we have taken several concrete steps to help underpin and build the right culture. This all helps us to support under-represented groups, and promotes wellbeing and dignity at work, including tackling bullying, harassment and discrimination.

We have promoted awareness of different cultures and backgrounds throughout the year by holding key events that focus on priority areas including events to mark International Women's Day and Mental Health Awareness Week. A programme of lunchtime talks and wellbeing

initiatives has enabled honest conversations to take place, empowering people so that they feel comfortable talking about mental health issues. We have made good progress on this historically difficult issue and recently achieved "Silver Status" with Mind's workplace wellbeing index.

To demonstrate to all staff that diversity and inclusion is important, we have worked to set the correct tone at the top. Diversity and inclusion is a key component of delivering against our leadership charter. All our leaders have a mandatory objective to fulfil the leadership charter and are required, at least once a year, to discuss with their manager how they bring this to life. All of our Executive and Senior Leaders have also undertaken unconscious bias training.

A large part of building a diverse and inclusive culture is about ensuring our recruitment practices are robust enough to enable us to appoint from a diverse applicant pool. We have reviewed and revised

our practices and processes, such as our approach to recruiting apprentices. Here we worked hard to ensure that the advertising appealed to a wide audience, and we used new channels whose target audiences are minority groups (such as the journal of the Women's Engineering Society).

To ensure we are able to attract, recruit and retain the very best, irrespective of background we will be developing our talent attraction strategy. This, coupled with other diversity and inclusion initiatives should enable us to improve representation of minority groups.

In line with recent legislative requirements, we have produced our Gender Pay Gap Report, and this has been published on our external website.

Achieving our ministerial targets for staff engagement and my manager Your Say scores

We achieved both staff engagement ministerial targets in November 2017, when the results of the annual staff survey were published. In particular we surpassed our target “My Manager” score by 5%.

The Evolve programme is playing a key role in not only building leadership and management capability, but in visibly demonstrating across FCO Services our commitment to improving capability in these cadres. A further key influence was the embedding of local engagement action plans, which responded to issues that could be addressed at a team level. Corporately, there was stronger focus on internal communications to demonstrate to staff that we had acted on their concerns. There was also a significant reduction in staff comments on poor information

technology, and this follows the Tech Overhaul programme which will have helped address some these concerns.

Investing in internal IT

Our Internal IT (IIT) team designs principles that drive a professional services function, concentrating on avoiding hidden costs and focusing on necessary detail and on the quality of outcomes. We minimise unnecessary process, liaison and reporting activity. We ensure clear accountabilities for information provision, process coordination and decision-making activity with FCO Services colleagues and supply chain partners.

Significant investment in our IIT portfolio is governed through the Investment Committee. Authorised business cases provide a clear statement of requirements, implementation approach and financial case for investment in solution development and deployment. The team oversees the development of an over-arching Enterprise / Solution Architecture framework (which includes MS

Projects Online, Salesforce CRM, ServiceNow and Oracle/Fusion) and each business application is configured, deployed and supported in live service.

Information, Communication and Telecommunications (ICT) will be embedded within the IIT team as part of the Service Enterprise Management function during the first quarter of 2018 as part of our next phase of development.

Correspondence from the public

In 2017/18 we received 19 Freedom of Information (FOI) and three Subject Access Requests (SAR) under the Data Protection Act. There were no internal reviews.

Of the 19 FOIs, two were reallocated to the FCO, and one closed through lack of clarity. Of the remaining 16, 14 were answered within statutory deadlines. All three SARs were answered within statutory deadlines.

Focus On: Wellbeing

A valued, supported and healthy workforce benefits both the employer and its staff. FCO Services, along with the Foreign and Commonwealth Office was awarded Silver in Mind's Workplace Wellbeing Index 2017/18, recognising that we are achieving impact within our workplace by strengthening the culture of wellbeing. Our participation in the Index is part of a long-term commitment to supporting the mental wellbeing of our staff.

To achieve the award our HR team work closely with managers to support individuals and increase understanding about mental health. Events and messages also raise awareness of wellbeing and inclusivity and the value of these to the workplace. In addition, 13 Mental Health First Aiders (MHFA) have been trained within King Charles Street and Hanslope Park, including one MHFA trainer. This gives us the expertise and support in-house to help staff in need of a listening ear and to keep raising awareness of mental health.

Wellbeing rooms have been introduced in both locations, and those using them tell us they appreciate having a quiet space to reflect, gather their thoughts or relax their minds.

Hanslope Park and London. Safe space sessions and relaxation craft lunches are a regular feature and are well attended. A highlight for the network was the signing of the Time to Change pledge by Danny Payne, committing to end the stigma and discrimination against people with experience of mental health problems.

“ Emotional wellbeing is important and needs to be looked after just like physical health. Too many people are afraid or ashamed to talk about mental health in the workplace. Getting people to talk about mental health and to seek professional support when needed is an important way to reduce the strain, on people, and on hidden costs to the organisation as a whole. ”

Mental Health First Aider

With a strong focus by the business on improving employee wellbeing and promoting and supporting mental health, this year the

internal staff survey saw levels of satisfaction increase by 17%.

FCO Services now has an active Mental Health Network, with regular activities taking place in



Focus On: Health and safety

Whatever we do and wherever it is being done, we all have a responsibility to ensure our own and others' safety and health at work. This year the Health and Safety team have worked across all functions to ensure this is at the forefront of everyone's minds both in the UK and overseas.

A key focus has been to strengthen duty holder roles and competencies within FCO Services in the design and delivery fields. This has been achieved through both general and project-specific training and support. By embedding Construction Design Management Regulations (CDM) into the new Project Process Map, health and safety compliance is considered right from the start of a project, and there is a full delivery framework for auditing safety compliance.

Health and safety is reported on and analysed throughout our governance hierarchy. Putting it at the top of the agenda of the Boards and Risk Committee has ensured increased visibility and transparency, and improved understanding and ownership.

The Health and Safety team has expanded with additional staff brought in to provide enhanced support, expertise and training in logistics, construction and safety risk management. Specific strategic and operational safety support has been provided to special projects, in locations globally, often in conditions where conventional risk mitigations are complex and variable.

The Health and Safety team have expanded their reach to support Foreign and Commonwealth Office Services staff overseas, taking CDM briefing and risk training to the regional hubs. They have also worked with the logistics team at Hanslope Park to improve their health and safety management of risk. This has helped to strengthen the bond between project delivery and regional delivery of FCO Services products and services. A priority for next year is to continue to grow health and safety governance overseas, providing full training for the regional cadre in international safety management.



Focus On: Finance

The strategic finance programme is in place to help improve financial support and decision-making processes across the business.

Key finance goals this year included improving forecasting and increasing the understanding of cost bases. The latter has been particularly effective in IT, with managers getting a complete understanding of IT product costs to enable easier and more flexible pricing.

The business improvement team have reviewed all the finance processes within FCO Services, looking at ways to make them more efficient. They have been monitoring and reporting against the twenty percent efficiency challenge set for the organisation, against

which the business has made great progress. The Finance Reporting team have also introduced dashboard reporting into the monthly accounts pack to improve the visibility of key information for the board.

Business Unit Support Services (BUSS), the transactional finance hub of FCO Services, have retained their BSI accreditation of ISO9001 Quality Management Systems in billing processes. The team work to a shared service concept and have 34 agreed individual Operating Level Agreements (OLA) with the business areas they support.

This year has been especially busy and successful for BUSS, which received and actioned 44,808 requests and achieved an OLA provision rate of 93%. This included billing where 1,346 new projects were created, and a total of 3,319 projects were maintained throughout the year. The team reduced the time of invoice processing with the FCO from five to three days, and in March alone processed 4,681 invoices. Across the year 88% of all valid supplier invoices were paid within five days, against the government target of 80%.





Developing our business capabilities

*We have resourced and developed
our business development and
customer-facing capabilities to ensure
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Developing our business 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

Customer Satisfaction

Our Customer Satisfaction Programme continues to engage with our customers, as we maintained a 54% participation and achieved a customer satisfaction score of 88.9%; again exceeding the Ministerial target of 80%.

But putting the customer at the heart of all we do is about more than figures. We have developed a customer experience strategy which provides for a more integrated approach to engaging with customers at all levels. This will ensure a more consistent, high quality experience. It includes a new training package for all staff, to embed the right behaviours across the business and ensure that we all understand how we contribute to customer service. We have a more structured process for gathering and

reacting to customer feedback, with more face to face and telephone interviews. We are now also undertaking an exercise with our FCO customers to better understand the current customer journey and identify where improvements can be made. Based on the results of this work we will be able to provide a more effective and efficient service in the future.

Procurement and supply chain

This has been a good year of operation for Strategic Sourcing within Business Services. Over the year we have worked with the business to understand their strategies and the needs of our customers. This work will continue with increased focus on supporting the organisation's strategic objectives and ensuring compliance with any regulatory obligations.

Achievements - enhancing value for our customers

- Exceeded our target in delivering cost savings and contributing to the organisation's financial success
- Made extensive use of existing government frameworks contracts, saving time and exploiting economies of scale
- Undertook procurement on a range of goods and services to ensure business and customer needs are met
- Ensured compliance with the reform to the intermediaries legislation

Modern Slavery/ethics

The Strategic Sourcing team has worked extensively on ethical procurement issues to eradicate modern slavery in our supply chain. All team members undertook the CIPS Ethical Procurement and Supply e-learning course and as a result FCO Services was awarded the CIPS Corporate Ethics mark. We were the first public body to appear on the CIPS Corporate Ethics register.

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 has been 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. The team work proactively with all current and new suppliers to ensure that they sign up to our Ethics base code to give the organisation assurance of their business practices.

Security

Security has been at the core of our business and our organisational values since we formed as an Executive Agency in 2006. We deliver security advice and technical and physical security solutions for the FCO throughout the UK and overseas and for a number of key foreign government partners including Australia, Canada and New Zealand.

We actively embed security awareness within FCO services through innovative and informative initiatives such as ad hoc security refresher campaigns and an annual Security Awareness Week. During this, external speakers deliver short presentations on current security issues such as phishing attacks and vulnerabilities while working overseas. In addition, we have introduced a new security culture questionnaire to measure the success of our activities. This enables us to maintain our security focus and ensure our success in the face of wide-ranging security threats.

Security falls under the governance of the Executive Board and the standards and assurance are set and implemented by the Engineering and Technology Directorate. The Chief Information Security Officer and Chief Technical Officer roles now sit within the same directorate, providing another level of confidence to the business. FCO Services continues work closely with FCO's Estate and Security Directorate with regard to security matters at home and abroad.

Best practice standards

To give our customers and stakeholders the confidence and assurance they need in relation to how we organise our business and deliver our products and services, we comply to international quality standards.

Recent achievements include:

- Being awarded the ISO 20000 certificate against our Service Management System (SMS) in January 2018. BSI's re-audit of our SMS is scheduled for September 2018
- Continued certification to ISO 9001:2015, ensuring that the processes within scope are compliant to the standard. In March, we passed the BSI External Assessment of our ISO 9001:2015 certification, the second external review since our recertification.
- Retaining ISO 22301 for the Business Continuity (BC) International standard. The British Standard Institution (BSI) completed their annual compliance review in April, ensuring our BC documents, procedures and awareness were compliant. The auditor concluded that whilst a number of minor non-conformities were raised during this visit, our BC Management System has continued to achieve its intended outcomes.
- Implementation of the Project Process Map (PPM) audit function within our Secure Global Services business area. Early audits completed and full year programme schedule for 2018/19 has been rolled out.

Focus On: The SIRO office

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. Part of this is making sure our people are aware of their responsibilities, and where to come for advice and support

The Office of the Senior Information Risk Owner (SIRO) was launched in 2017, and we held a series of SIRO days, where internal and external speakers gave presentations on the possible risks to our data and ways to handle and prevent it being compromised. Regular SIRO messages have been introduced to all staff and the Information Assurance (IA) community. We've also delivered workshops and training days to the IA community both internally and with the help of external training providers.

A major focus this year has been preparing for the new General Data Protection Regulations (GDPR), which came into force in May 2018. Quarterly newsletters and overview briefings for all staff have been created as well training and guidance material posted on the Intranet. Third Party Security Assurance meetings are in place to identify all the suppliers that are handling our information, and we're updating contracts and making sure process agreements are in place.

Last year we saw significant growth in cyber threats, with an increase in cybercrime and attacks. This reinforced the need to ensure that our approach to cyber security is capable of addressing these challenges.



Focus On: Our transformation programme

The Clarity Programme continues to deliver the changes we need to make to get us ready to meet the many challenges in 2018/19 and beyond. Working with the FCO and other partners across the UK government and wider markets, we have created a strong pipeline of work that will test our capabilities, capacity and agility if we are to successfully meet our ambitions for this year.

We are investing in our continuous improvement capability across the organisation to support efficient project and service delivery. We have appointed two full-time Business Improvement Managers to our central Business Improvement team and embedded another full-time role within SGS to drive local improvements in targeted areas and to co-ordinate the capture, review, prioritisation and implementation of employee-generated ideas. Our full-time business improvement professionals are supported by a growing community of people around the business who have been trained in the basics of

process improvement. This initiative has generated over 240 ideas, of which 29 have already been implemented and another 180 are in the process of being reviewed and actioned.

As well as supporting various strategic and tactical improvement initiatives, the central Business Improvement team mapped our 17 high level master processes. By creating a simple view of how our processes should work we are creating a framework for an ongoing programme of continuous improvement. Over the coming years this will enable us to optimise productivity, as

well as improving the quality and consistency of how we deliver service to our customers.

Building on the improvements made in 2017/18 the plan is to further strengthen our leadership and management skills in the organisation through investment in training and development. We have already made good progress in our adherence to health and safety policies and procedures with this now being evaluated through audit; the audits against project portfolio management compliance and functional safety performance are underway, with annual programmes for both scheduled in 2018/19.



Focus On: Business development

To ensure success and continual growth as a business we need to understand our customers better and enable them to achieve their objectives whilst making it easy for them to do business with us. Our new Business Development director, Nasrin Cobb, has been with FCO Services since March 2017.

The mix of commercial and civil service expertise makes for a fascinating environment in which to work; always balancing the commercial drive and the underlying Public Servant ethos in delivering public value to our Government customers.

Business Development group was created in April 2017 year and we have worked hard to develop a consistent integrated approach to engage with all our customers. Improving the customer experience is key to growing any successful organisation/business and FCO Services is no exception. In this period of change and opportunity in the UK and globally a strong and developing customer base is even more important.

In the past year, supporting the organisation's three strategic objectives, we have developed a new commercial strategy which provides the framework for our growth over the next three years. The strategy incorporates the customer experience strategy, marketing and group business plans, and improvements to our tools and processes to enable more effective delivery.

We have taken the UK based and regional commercial teams through account planning workshops and are using the new methodology within the organisation. We are working more closely with our FCO customers than at any time since

we became a Trading Fund ten years ago, supporting the FCO Diplomacy 20:20 programme, working with the Corporate Capability Programme on a number of pilot projects.

The next twelve months will be an exciting period for the Business Development team as we support the business to grow and strengthen its relationships - we will move to a new cloud based CRM system, agree the new Terms of Business Agreement (TOBA) with the FCO, support the growth of our IT business in the UK Government market through focused campaigns, and review and improve our commercial process.



Sustainability report

This annual report provides an overview of the progress FCO Services has made against both the FCO Sustainability requirements and the Greening Government Commitments and targets (GGC) during 2017/18, and how we fulfil our obligations to report sustainability performance under the Annual Report and Accounts. As a Trading Fund of the FCO, FCO Services strives to be an equally sustainable and committed department. It also looks beyond the GGC targets, to wider activity that supports creating a more sustainable organisation; in line with the FCO's Diplomacy 20:20, FCO Services is developing a strategy that is working to support the delivery of a world-class platform by delivering a cost effective, environmentally efficient department.

1.1 Sustainability in FCO Services

Sustainability in FCO Services 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 FCO Services 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. With FCO Services committed to several programmes of work, Diplomacy 20:20 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. The FCO Services Annual Report and Accounts 2017/18 highlights some of the activities that have contributed over the past year to achieving three key goals; from recyclable cardboard pallets helping to ensure the sustainable use of resources (Goal 1); the latte levy demonstrating

and promoting sustainable approaches and initiatives to increase environmental accountability (Goal 2); the extension of Green Bays to staff cars, work to make the infrastructure more resilient and reduce carbon emissions from it (Goal 3).

2. Sustainability performance is monitored regularly 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 2019/20 targets compared to a 2009/10 baseline, for the UK operations and non-wider market impacts. Financial figures are also aligned to FCO Services' proportionate share, related impact as well as expenditure in some areas.

4. FCO Services continues to be a registered participant in the EU Code of Conduct for Data Centres; the acquisition of our 'green' data centre and the potential of another one continues to reinforce 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. The FCO Services 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 385,000 miles & conveyed over 420,000kgs of diplomatic consignments. FCO Services have just taken delivery of X2 new DAF XLT cab units which are fully Euro 6 (VI) compliant. These cab units meet & exceed many of the current environmental legislations currently enforce throughout Europe.

By consolidating our customers' European consignments via the scheduled service, we have reduced the ad-hoc deliveries that impacted on posts' resources and also reduced environmental issues when ad-hoc flights and vehicles were required to deliver consignments off schedule.

Our London fleet makes use of hybrid vehicles to reduce environmental impact within central London and comply with Transport for London emission zones.

6. The GGC targets for Greenhouse Gas Emissions, paper, and waste reduction for FCO Services contribution has been documented. The following table provides a

summarised breakdown of performance in the key areas, direct GGC, indirect and other indirect energy emissions:

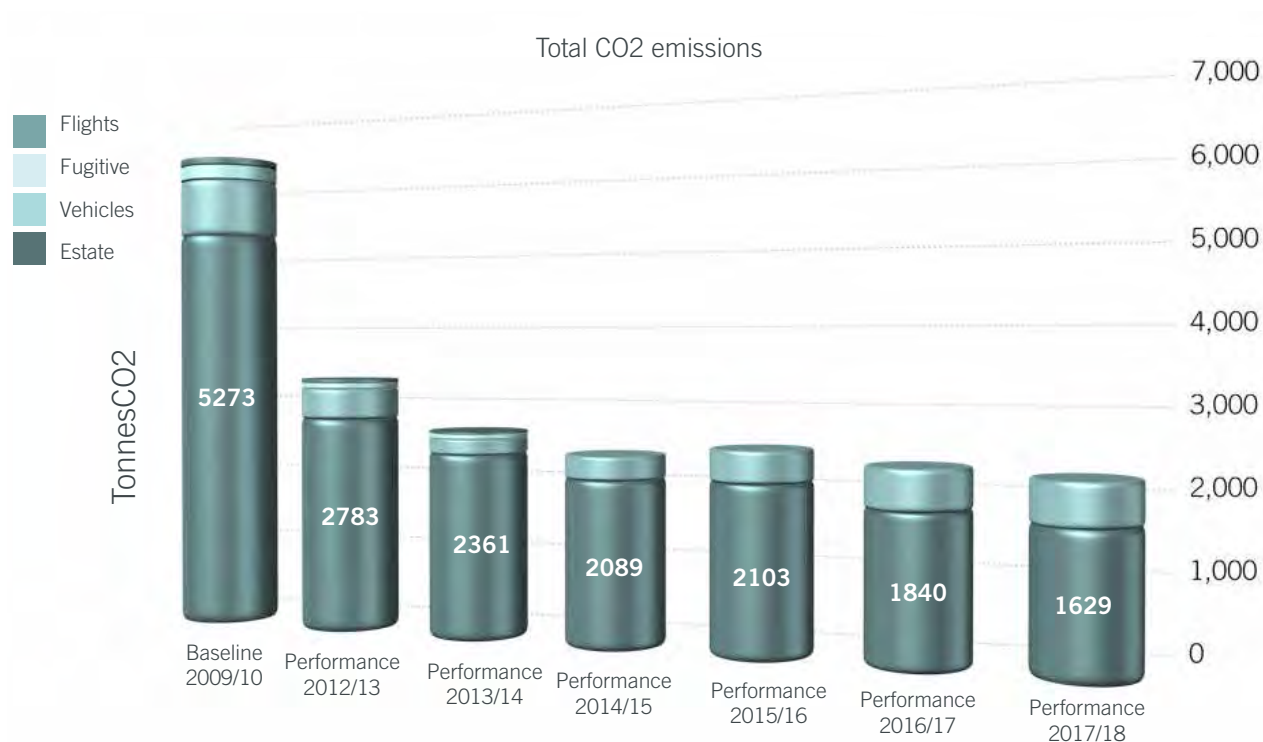
Impact	2017/18 Performance	FCO Greening Government Commitments Target for 2019/20 FCO Services contributes to these targets
Greenhouse gas emissions from UK estate, vehicles and domestic train and air travel	1,629 tCO2	Reduce greenhouse gas emissions by at least 46% from a 2009/10 baseline
Estate energy expenditure	£537,140	
CRC Energy Efficiency Scheme expenditure	£25,362	
No. of domestic flights	148	Reduce the number of domestic business flights by at least 30% from the 2009/10 baseline
Vehicle and domestic train and air travel expenditure	£229,579	
Office water consumption	7.1m ³ per Full Time Equivalent	Continue to further reduce water consumption. Each department will continue to improve on the reductions they had made by 2014/15. 6m ³ per FTE = good practice
Office water expenditure	£8,881	
Paper consumption	3,031 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	72 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	£16,162	

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 FCO Services' total spend, excluding wider market impacts. The Full Time Equivalent (FTE) staff number, excluding wider market impacts equals 660; 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	2.6 tonnes of CO ₂ e per FTE	2.9 tonnes of CO ₂ e per FTE
Office water consumption	7.1 cubic metres per FTE	7.5 cubic metres per FTE
Waste arising	109 g per FTE	160 g per FTE

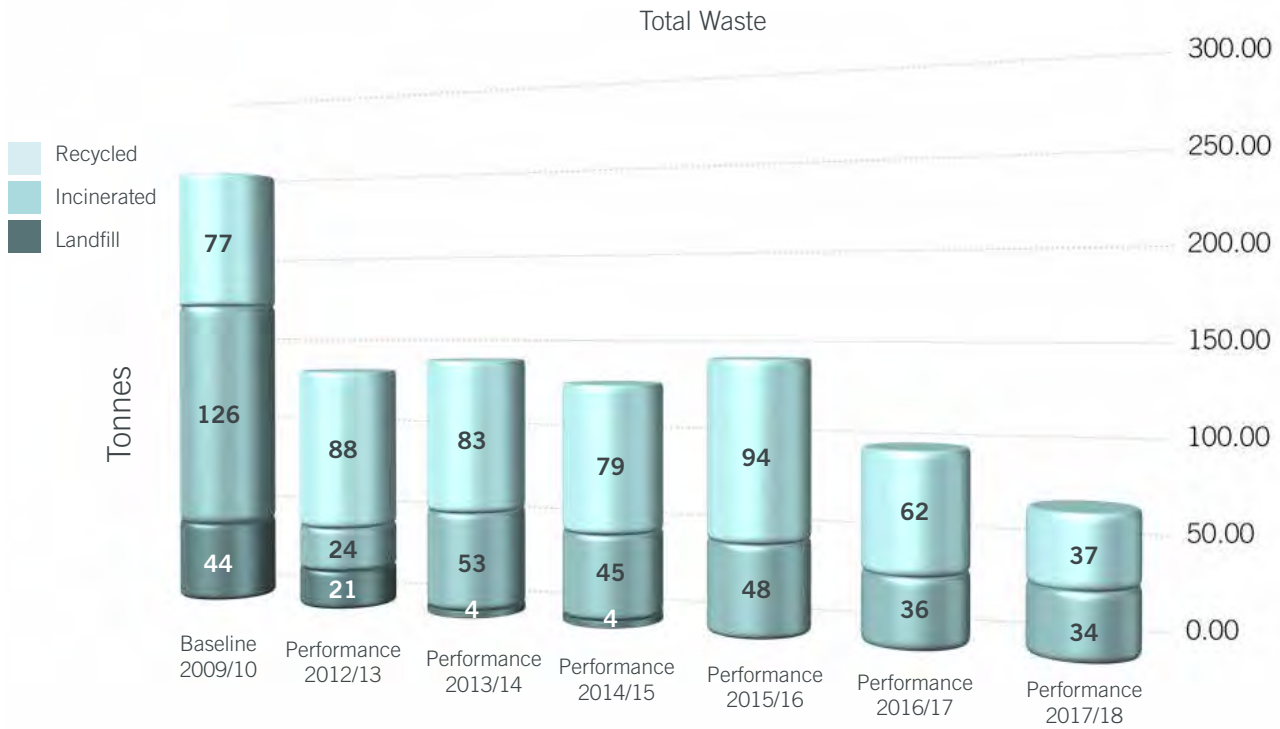
Greenhouse Gas Emissions	kWh/miles/no.	tCO2	GBP (£)
Electricity	2,910,499	1,119	£428,817
Gas	209,014	39	£2,952
Heating Oil	89,513	25	£3,909
Biodiesel	271,647	1	£38,663
Biomass	32,679	0	0
District Heating	318,260	84	£62,799
Fugitive	-	3	-
Domestic flights	23,496	9	£26,883
Train	42,664	3	£19,411
Private mileage	103,662	25	£44,273
Fleet	39,757	26	£72,601
Car Hire	47,428	14	£19,548
Taxis	39,034	281	£46,863
TOTALS:	3,831,612 kWh 296,041 miles	1,629	£766,719



Performance and controllable impacts commentary

FCO Services direct impacts are mainly from fossil fuels and electricity. These are being reduced through a combination of initiatives; energy efficiency measures and the heating of the Hanslope Park site with 100% biodiesel from waste and second generation oils. In addition, the continued review, investment and expansion of the hybrid fleet continues to reduce emissions. The energy efficient containerised data centre continues to contribute to performance results.

Waste	2016/17	
	Tonnes	GBP (£)
Total Waste	72	£16,162
Hazardous Waste	1	£645
Total waste by method of disposal		
Landfill	0	£6,400
Reused/Recycled	37	£6,400
Incinerated (without energy recovery)	2	£32
Incinerated (with energy recovery)	32	£9,085

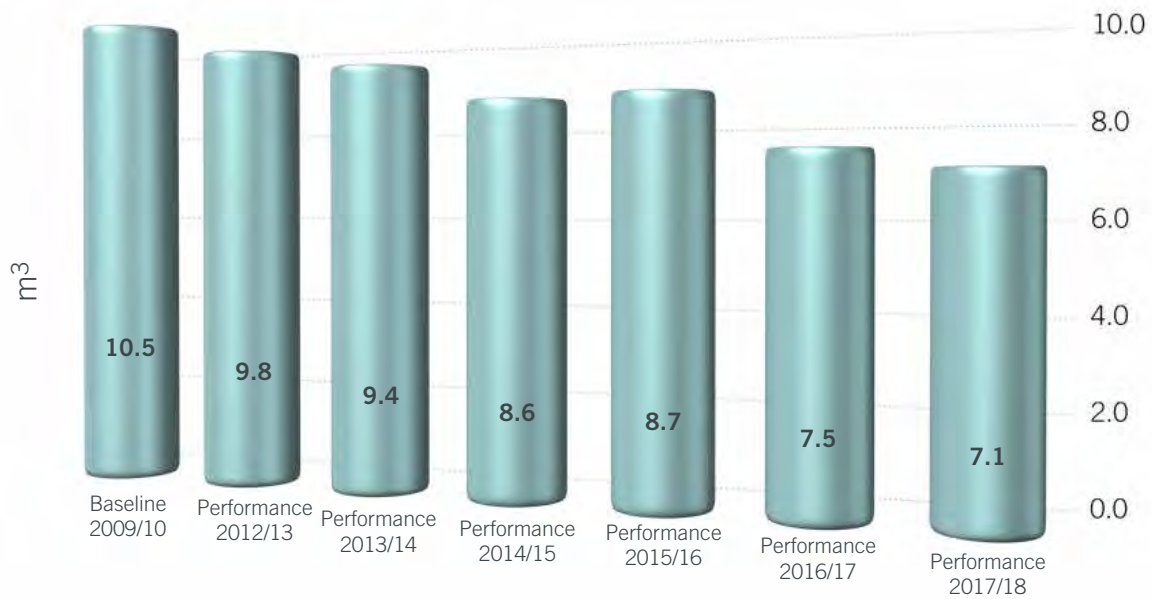


Performance controllable impacts commentary

FCO Services has limited control over the waste it uses as office accommodation is supplied by the FCO. However, through robust procurement process, it ensures the use of 100% recycled paper products, and encourages more sustainable waste solutions where possible. This has led to the significant reduction in our overall waste streams.

Finite Resource Consumption – Water (Supplied)	Cubic metres	GBP (£)
Office Water Consumption	4,350	£8,881
Non-Office Water Consumption	2,875	£5,869
Total	7,225	£14,750

Office Water Consumption all Buildings
(m³ per person)



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 been installed in all buildings and major water consuming units within buildings and opportunities have been identified to reduce washroom water use at Hanslope Park.

Corporate Social Responsibility

As a responsible organisation, we respect the interests of our stakeholders (the FCO), our employees, and our customers. FCO Services takes its 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 purchase of three electric vans, as well as greening the lifting equipment in our distribution centre in 2016/17, this initiative proved to be a catalyst for change and improving our green footprint further in Hanslope Park. A joint initiative business case, supported by the FCO, was agreed that green charging bays for staff vehicles would be installed.

The green bays were welcomed by staff, particularly those with compatible vehicles and it is hoped that, over time, this will encourage others to go green too. This initiative was only achieved through having a common goal and demonstrating the truly collaborative working across both FCO Services and the FCO.

One of the biggest, and high profile, initiatives has been that around plastics. As part of the FCO family, FCO Services has aligned itself to the FCO's #BeyondPlastic campaign following the Foreign Secretary's announcement (on 27 February) that "...avoidable single-use plastics from its [the FCO's] UK operations by the end of this year, and from

its global operations by 2020. It is the first UK government department 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".

Within two months of the Foreign Secretary's announcement, the following steps were implemented:

- Switched plastic cutlery and food containers to biodegradable alternatives.
- Switched single-use condiment sachets to refillable ones
- Switched plastic cups to glass/paper (285,600 items pa)
- Ended provision of plastic straws.
- Introduced china coffee cups, and
- A 50p latte levy (25p discount for using reusable mug, 25p surplus for use of disposable mug). This drove usage of reusable coffee cups from 3% to 46% within the first fortnight.

By supporting and participating in these actions, 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 in 2018, through to 2020.

Also in 2017/18 FCO Services, in conjunction with the National Offender Management Service, provided 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 also earned a small income and helped FCO Services reduce the number of new bags required. New bags are currently sourced and shipped from overseas; this initiative has saved further public funds and reduced our environmental impact. In this financial year Bullingdon's inmates laundered 39,892 bags.

The introduction of cardboard crates has significantly reduced our footprint in this area; this year has seen further efficiencies as we have now introduced the ability to purchase component parts and further reduce waste as well as making tangible financial benefits.

The efficient use of our fleet and the diversification into other areas of work around Hanslope Park and globally through the RTSS Lorries has highlighted better ways of working, as well as 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

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.

As tenants of the FCO, we are committed to enhancing and improving the biodiversity of the Hanslope Park site. There is active vegetation management with designated areas for wild flowers; as well as an annual arboriculture survey. Tree maintenance is an ongoing activity, and ecological surveys are carried out prior to any works on site. The FCO Services 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.

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 for the most positive impact on the surroundings.

Sustainable Procurement

FCO Services adopts UK government best practice in sustainable procurement. FCO Services also contributes 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. FCO Services also reviews 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 incorporating the use of Hybrids or electric vehicles. Where bespoke contracts are placed, UK Buying Standards and government sustainability terms and conditions are incorporated.

FCO Services 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. FCO Services supply base is over 25% SME suppliers; exceeding the Government's 2015 target. In addition, our staff are the only government department that hold the CIPS Corporate Ethics certification.

People and Initiatives

Staff awareness communications through the various channels are used to promote activities periodically and inform staff on performance and there is an increasing awareness as a result and participation in green initiatives, like the latte levy.

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.

FCO Services staff form part of the joint organisational Environmental Volunteers.

Danny Payne

Chief Executive and Accounting Officer
27 June 2018

Notes

* This was addressed in the latter half of 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 13% 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 £47.2m.
 9. This is the sixth operating year for the Containerised Data Centre (CDC); the considerable performance credentials it has (a maximum PUE = 1.3, which equates to very efficient), as well as utilisation of free air cooling 95% of the time). This means 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 £25,362 for 2017/18.
 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)

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Review of Financial Performance

2017/18 records FCO Services' tenth year as a Trading Fund, with another strong trading performance and both fiscal Ministerial Targets achieved.

During this year FCO Services has built upon the restructuring, simplification and streamlining that took place last year to provide a solid foundation to promote and support its business development and revenue growth ambition.

It has further strengthened its partnership approach with the FCO, in pro-actively supporting their Diplomacy 20:20 programme and One HMG agenda.

Further investments have also been made to improve products and services, whilst maintaining consistently high delivery standards.

As in prior years, continued focus on generating efficiency savings across the whole business has allowed us to offset the main adverse impacts of inflationary pressures and to either hold or respond to competitive pricing pressures within the markets in which we operate.

Financial outturn 2017/18

Total revenue delivered in 2017/18 was £160.1m, an increase of £13.5m (+9%) on the revenue of £146.6m reported for 2016/17. Adjusting for

Vetting Services revenue, which was transferred out of the business from 31 December 2016, the underlying increase was £19.1m. Of the increase, £2.0m reflected the inclusion of Sensitivity Reviewers, which joined the Global Digital Technology (GDT) group, from the FCO, at the start of the financial year. Both the Secure Global Services (SGS) group and the GDT group recorded positive growth on a normalised revenue basis of 16% and 1.2% respectively.

Revenue from the FCO (£112.8m) recorded an increase of £16.7m (17%), which rises to £17.8m adjusting for the Vetting Services transfer. The performance was underpinned by £12.8m improvement from ESD Estates, primarily reflecting growth in both the Seismic and Global Maintenance programmes and £1.2m FCO Tech Overhaul programme together with the Sensitivity Reviewers revenue of £2.0m.

This performance continues to underline the importance of the FCO as our main customer and underpins our value as a strategic delivery partner.

FCO Services achieved a gross surplus before operating expenses of £40.7m, a return of 25.4% on revenue. This compares with a gross surplus reported last year of £41.4m, a return of 28.2%. After adjusting for the Vetting Services

transfer and Sensitivity Reviewers, the absolute value of the gross surplus movement records an improvement of 2.3%. The reduction in the margin return on revenue reflecting the change in the overall business mix of the revenue performance.

During 2017/18 Other income of £0.1m was received as draw down of monies from the apprentices levy relating to recoverable training costs of eligible personnel (£nil 2016/17).

Our operating expenses at £30.5m are running at 19.0% of revenue compared to 18.2% in 2016/17, an increase of £3.9m, as compared to the prior year reported. This increase, not only reflects the impact of the revenue growth, but also investment in operating expenditure, new internal IT programmes, additional resources for Business Development and Business Services groups and Engineering and Technology Directorate, and increased training commitments in line with our strategic plan objectives.

SGS generated total revenue of £120.9m in the current year, £10.9m above 2016/17 reported performance of £110.0m, an increase of 10%. This was primarily driven through improved performances within Estates coupled with higher Bag service volumes and increased Overseas Vehicle sales. The SGS operating surplus performance of £9.2m (7.6% of total

revenue) compares to an operating surplus of £13.3m (12.0% of total revenue) for the prior year. This performance reflects the transfer of the Vetting Services margin and the effect of reduced margins from the revenue growth areas, impacting the overall business mix, together with increased investment costs in the Regional Hub network, and a central planning resource management tool to deliver work-force planning efficiencies and improved utilisation.

GDT total revenue was £40.9m, an increase of £3.2m from the 2016/17 reported performance of £37.7m, reflecting the Sensitivity Reviewers' revenue performance together with increased delivery on the FCO's Tech Overhaul programme. The operating surplus of £1.0m (2.6% of total revenue) compares to a surplus of £0.8m (2.2% of total revenue) for 2016/17, an improvement of £0.2m as a result of the revenue gains coupled with strong cost controls and efficiency benefits offsetting inflationary pressures.

Overall for 2017/18, FCO Services achieved an operating surplus, before financing and VES cost, of £10.3m; a return of 6.4% on revenue. This compares with a surplus before financing and VES for 2015/16 of £14.8m; a return of 10.1%.

Financing income and costs

Our net finance income of £104k, against a net finance income of £58k in 2016/17 reflects increased interest receipts of £39k, 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 year of £10.4m (£14.2m 2016/17) net of financing income and VES costs demonstrated a reduction on our return from 9.6% in 2016/17 to 6.5% in 2017/18, reflecting the impact of the reduction in the Operating surplus.

No discretionary dividend was charged in this financial year (2016/17 £nil), the statutory dividend charged of £2.1m (2016/17 £1.7m) enabled a retained surplus for the financial year of £8.3m (2016/17 £12.5m surplus).

Net assets

FCO Services has maintained investment in line with our strategy. Capital additions at £2.2m in plant, property and equipment reflected a doubling of the 2016/17 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 2018, FCO Services held total net assets of £61.4m against an opening year position of £53.0m. This positive movement of £8.4m is driven by the retained surplus of £8.3m for this financial year.

Net assets comprise: non-current assets £8.3m (2016/17 £9.0m); inventories £0.6m (2016/17 £0.9m); cash and cash equivalents £57.9m (2016/17 £36.7m); and other net liabilities of £5.4m (2016/17 £6.4m net assets).

Cash generation

FCO Services generated a positive cash flow of £21.2m in year with a year-end exit cash position of £57.9m at 31 March 2018 (2016/17 £36.7m). This increase, inclusive of the cash inflow generated from the surplus and other non-cash items of £13.3m together with a net reduction in net current assets of £12.2m, funded a net investment in non-current assets of £2.2m and the payment of statutory dividends of £2.1m, which includes payment of £1.9m relating to the 2017/18 year.

Cash management

Debtor days outstanding reduced by nine days to 24 days at the end of March 2018 (March 2017 33 days), reflecting the impact of effective customer credit management together with improved working relationships with the customer base.

In 2017/18, FCO Services successfully achieved an average payment rate of 88% (2016/17 87%) 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 3.0 at the end of March (2016/17 3.3).

Financial performance targets

FCO Services' financial performance in 2017/18 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 £10.3m

Return on Capital Employed (ROCE): Target achieved

The result for the year of 18.1% (2016/17 30.0%) 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 88.9% customer satisfaction rating, exceeding our target of at least 80%. 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% has been exceeded, with an average productivity over the year of 92.7% achieved by revenue earning staff. Whilst marginally below last years' 94.4%, 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 2017/18 the target was achieved with a resulting score of 58.4% compared to the target of 58%. In 2016/17 the Employee Engagement target was based upon the Your Say score for My Manager, which is commented on below.

People - My Manager: Target achieved

In 2016/17 the target for My Manager was not met and acted as a catalyst for the reprioritisation of our People Agenda, with key programmes launched to refresh our corporate values and further investment in our leadership capability through the Evolve Programme to support our top 100 leaders across the business. These actions have supported an improvement from 62% to 67% in the 2017 Your Say survey score, thereby meeting the target of an overall improvement on the 2016/17 score.

Pensions

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

Events after the reporting period

These Accounts have been audited by the Comptroller and Auditor General whose certificate and report appears on page 128. There have been no significant events after the reporting period, which need to be noted in these Accounts. The total audit fee for 2017/18 is £103k (2016/17 £99k).

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
27 June 2018

Table of performance against ministerial targets

Long term goal	Short term Objective	Key Performance Indicator	Target 2017/18	Result
We will be a financially successful sustainable business	To be a financially successful and commercially sustainable business for Government, delivering value through maximising opportunities with the FCO and expanding non FCO customer base	In year surplus before interest & tax	An in-year surplus before interest, tax and dividend	6.5%
		Return on Capital Employed	A Return on Capital Employed of at least 3.5% (weighted average)	18.1%
To put the customer at the heart of everything we do, driving innovation and delivery	To continually improve customer satisfaction in all aspects of our products and service delivery.	Customer satisfaction rating derived from an internal surveying package	Customer satisfaction rating of at least 80%	88.9%
Processes, efficiency and effectiveness	To implement process improvements that enable effective measurement, understanding and control of the business	Productivity rate for revenue earning staff (including work on customer bids and R&D)	A Productivity ratio of at least 80% measuring Actual Billable hours v Available Billable hours	92.7%
People	To continually invest in staff to build a high performance, customer focussed and innovative culture	Employee engagement in FCO Services using Civil Service survey	An overall improvement of on the average 2016 index Your Say score for Employee Engagement above 58%	58.4%
		Management in FCO Services using Civil Service survey	An overall improvement of on the average 2016 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 2017 to March 2018 are on page 103 (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 103, 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.

Personal data

In 2017/18 there were six data incidents recorded. None of these required informing the Information Commissioner's Office.

FCO Services Board and Executive Board members



Sir Simon Gass
KCMG CVO
Non-Executive Director
and Chair of the FCO
Services Board



Stephen Hawker CB
Non-Executive
Director



Joy Hutcheon CB
Non-Executive
Director



Philip Barton CMG OBE
Non-Executive
Director



Richard Gunning
Non-Executive
Director



Danny Payne
Chief Executive and
Accounting Officer



Rob Eason
Managing Director
of Global Digital
Technology



Doug Umbers
Managing Director of
Secure Global Services
and Interim Chief
Operating Officer



Tony Brotherhood
Interim Senior
Finance Officer



George Hickerton
Engineering and
Technology Director



Phil Worthington
Human Resources
Director



Nasrin Cobb
Business Development
Director

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

Under 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, changes in taxpayers' equity, 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.

The 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.

The Accounting Officer is required to confirm that, as far as he is aware, there is no relevant audit information of which the entity's auditors are unaware, and the Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

The Accounting Officer is required to confirm that the accounts as a whole are fair, balanced and understandable and that he takes personal responsibility for the accounts and the judgments required for determining that they are fair, balanced, and understandable.

Danny Payne

Chief Executive and Accounting Officer

27 June 2018

Governance Statement

1. Scope of Responsibility

As Chief Executive 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.

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)).

This assessment 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 business. It is chaired by a non-executive director, Sir Simon Gass, and comprises the Chief Executive, the Managing Director of Business Services (currently the interim Senior Finance Officer), the Chief Operating Officer, the Managing Director of Global Digital Technology and four, part-time, independent 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 engages in bespoke informal meetings 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 ARAC Report; the Nominations Committee Report (as applicable when the Committee has met since the previous Board meeting); the Minutes of the previous meeting; 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. Alongside Corporate Governance items and papers for information, the Board will discuss a small number of strategic items in each ordinary Board meeting. This will include, periodically, discussions about the Corporate Plan, the strategies of individual directorates; and customer satisfaction.

In the wake of the appointment of a new Chair of the Board, a major review of corporate governance processes and structures, including the work and effectiveness of the Board, is planned in the early part of 2018/19. In anticipation of this, there was no formal review of Board effectiveness in 2017/18, though the quality of information presented to the Board is under regular review.

The Board, the ARAC, and the newly-instated 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. All Board and Committee members are required to declare any interests they may have to enable possible conflicts to be managed.

The ARAC membership consists of three Non-Executive Directors, two of whom are also Board members, one serving as Chair, and one a Finance representative from the FCO. The following have a standing invitation to attend: FCO Head of Internal Audit; the National Audit Office; the Senior 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 consists of two 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 Partnership Board oversees the work of FCO Services both from the perspective of the FCO as owner, and the FCO as customer. The Chair of the Partnership Board remains the FCO's Chief Operating Officer

(COO). This layer of governance provides continuous improvement to the partnership between the two organisations, enabling them to support each other's strategic aims.

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

FCO Services' Board attendance (1 April 2017 to 31 March 2018 inclusive)

Board Member	Possible Board Attendance 2017/18	Actual Board Attendance 2017/18
<i>Sir Richard Stagg KCMG, Non-Executive Director and Chair (Until 30 September 2017)</i>	3	3
<i>Sir Simon Gass KCMG CVO Non-Executive Director and Chair (from 1 October 2017)</i>	3	3
<i>Stephen Barrett, Non-Executive Director (until 31 October 2017)</i>	3	3
<i>Hugh Elliott, Non-Executive Director (until 28 February 2018)</i>	5	4
<i>Philip Barton CMG OBE Non-Executive Director (from 1 March 2018)</i>	1	0
<i>Stephen Hawker CB, Non-Executive Director</i>	6	6
<i>Joy Hutcheon CB, Non-Executive Director</i>	6	3
<i>Glyn Smith, Non-Executive Director (until 31 January 2018)</i>	5	5
<i>Richard Gunning Non-Executive Director (from 1 February 2018)</i>	1	1
<i>Danny Payne, Chief Executive & Accounting Officer</i>	6	6
<i>Rob Eason, Managing Director of Global Digital Technology</i>	6	6
<i>Steven Horder, Managing Director of Secure Global Services & Chief Operating Officer (until 8 December 2017)</i>	4	3
<i>Doug Umbers Managing Director of Secure Global Services & Chief Operating Officer (From 4 December 2017)</i>	2	2
<i>Tony Brotherwood, Interim Senior Finance Officer (From 14 August 2017)</i>	4	4
<i>Lizzie Hanna, Managing Director of Business Services (Until 11 August 2017) (Including the role of Senior Finance Officer)</i>	2	2

Audit and Risk Assurance Committee (ARAC) attendance (1 April 2017 to 31 March 2018 inclusive)

^ Attendance record includes attendance at the scheduled June 2017 extraordinary meeting

Audit and Risk Assurance Committee Member	Possible Audit and Risk Assurance Committee Attendance 2017/18^	Actual Audit and Risk Assurance Committee Attendance 2017/18
<i>Glyn Smith, Chair and Non-Executive Director (Until 31 January 2018)</i>	4	4
<i>Richard Gunning, Chair and Non-Executive Director (From 1 February 2018)</i>	1	1
<i>Stephen Hawker CB, Non-Executive Director</i>	5	5
<i>Stephen Barrett, Non-Executive Director (Until 31 October 2017)</i>	3	2
<i>Susan Graham, FCO Deputy Finance Director (FCO Finance representative)</i>	5	4

Nominations Committee attendance (1 April 2017 to 31 March 2018 inclusive)

Nominations Committee Member	Possible Nominations Committee Attendance 2017/18	Actual Nominations Committee Attendance 2017/18
<i>Sir Simon Gass KCMG CVO Chair and Non-Executive Director (from 1 October 2017)</i>	3	3
<i>Danny Payne Chief Executive and Accounting Officer</i>	3	3
<i>Philip Worthington Director of Human Resources</i>	3	3
<i>Stephen Hawker CB Non-Executive Director</i>	3	3

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 and 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. There are three members, of which 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	Base-lining of the annual plan against the present 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, 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 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, ensuring all work is on track to maintain compliance with the International standard ISO 22301. 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, analysis of trends, safety policies and Safe Systems of Work.
Information Asset Reporting Committee	Quarterly	To enhance SIRO oversight of the Information Asset Registers and quarterly exception reports. The membership consists of Lead Information Asset Coordinators (LIACs).
Health and Safety internal audits	Periodically (Throughout the reporting period)	Statutory and policy compliance from within the business.
British Standards Institute (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 business 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, 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 (2017/18)

Capacity to identify and manage internal and external risk.

FCO Services has documented a risk approach that sets out responsibilities throughout the organisation, defines what is meant by risk and risk management and outlines the key principles underpinning our approach to the management of risk.

Operational risks are predominantly managed within the business, enabling recognised ownership at group level and shared accountability at corporate level. Risk management

guidance is freely available to staff through our intranet. Strategic risks and on-watch items are reviewed regularly by the Executive Board, the FCO Services Board and the ARAC. This is to ensure that controls are strengthened in areas of greatest exposure, and that risk management processes are operating effectively.

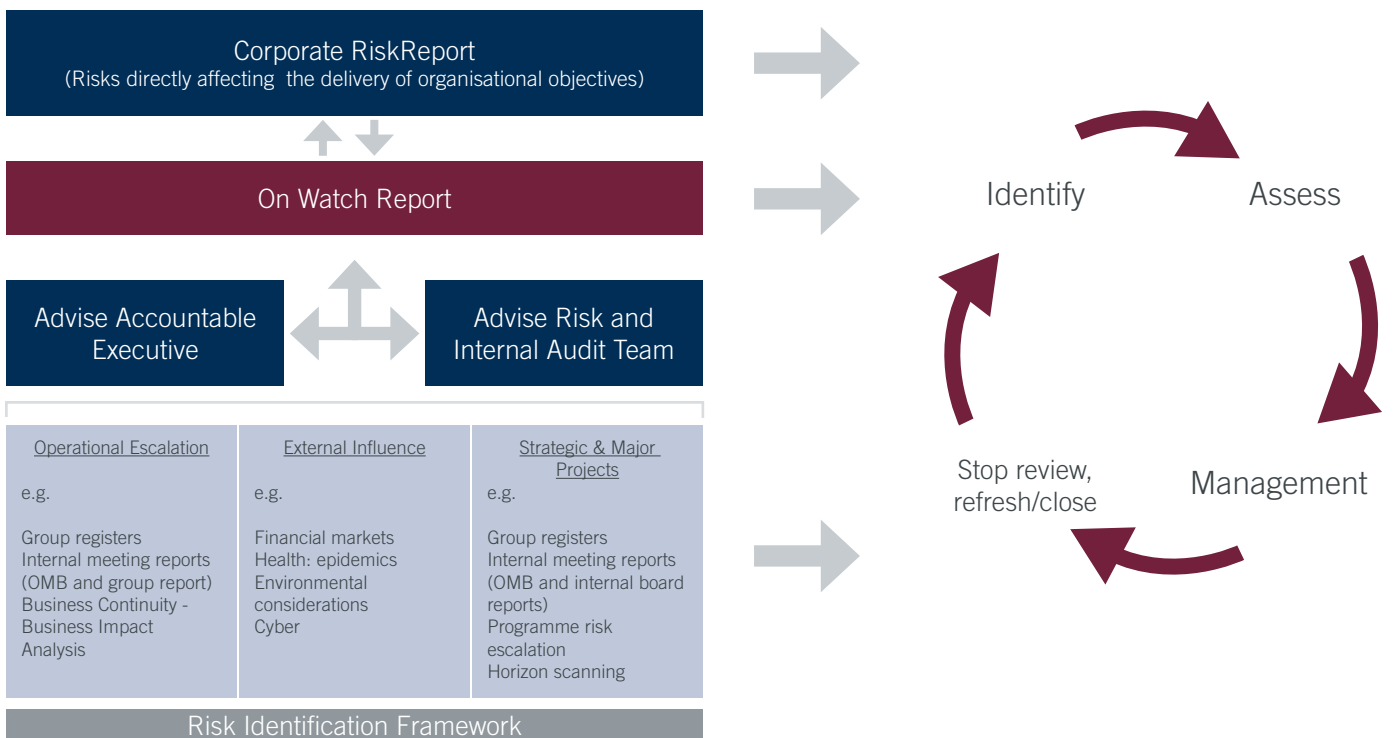
The Board has developed and approved a statement of risk appetite across each of the corporate risk categories for 2017/18.

Internal Audit has undertaken a programme of work which was planned to enable them to assess and advise on our capacity to manage risk. As Accounting Officer, I have been provided with an objective evaluation of, and opinions on, the effectiveness of our risk management, internal control, and governance arrangements (section 6).

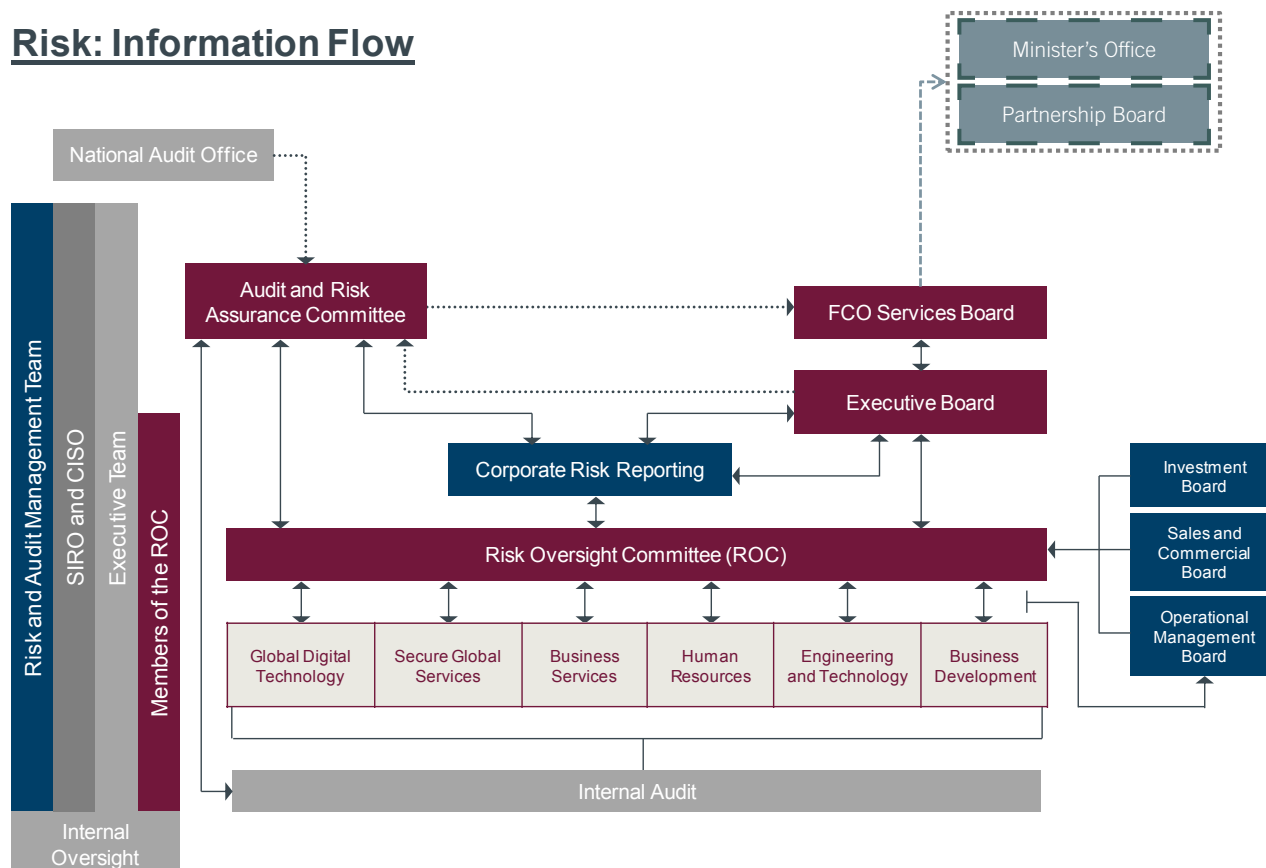
5.1 Risk management framework

Our risk management approach is designed to achieve a cost-effective balance between mitigation and acceptance of risk. Our Internal Auditors use one-to-one discussions with internal stakeholders and a risk based method of assessment to determine the forward audit plan. The plan is recommended to the Board following review by the ARAC. It is regularly reviewed.

The following is a high level illustration of the FCO Services process of identification, review and escalation of risk:



Risk: Information Flow



5.2 Management of information risk

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 a 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 with 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 e-learning 'Responsible for information' course provided by Civil Service Learning on an annual basis. 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.

The Office of the SIRO was launched in 2017, and started a series of SIRO days, where internal and external speakers have given presentations on the possible risks to our data and methods to handle and prevent it being compromised. Regular formal SIRO messages have been introduced through this office to all staff and the Information Assurance (IA) community. Workshops and training days to the IA community have also been undertaken with the help of external training providers.

A work programme took place to prepare for the new General Data Protection Regulations (GDPR), which came into effect on 25 May 2018. Quarterly newsletters and overview briefings for all staff were created, as well as training and guidance material posted on the Intranet. 3rd Party Security Assurance meetings are in place to identify all the suppliers that are handling our information. Contracts have been updated and process agreements put in place.

2017/18 saw significant 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 is currently being implemented within one part of the organisation to improve customer assurance and information security practices. The intention is to roll out this programme of work to cover the entire organisation.

Priorities for 2018/19 are recognised as:

- Assure the Executive of the strategy for Cyber Security, enabling work on the delivery of the strategy to commence.
- A complete refresh of all information security policies in line with the ISO27001 project, which will be communicated to all staff to ensure awareness.
- Continue with GDPR implementation, including a compliance/auditing regime, and an update to customer and supplier contracts and processing agreements.
- Introduction of new information architecture based on SharePoint.
- 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

The Audit and Risk Assurance Committee provides advice on the strategic processes for control, governance and risk management, and the adequacy and effectiveness of processes for leadership to manage risk. It 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 audit. 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 myself as the Accounting Officer.

The Committee has, within the period of this report, undertaken a change of membership. The membership presently consists of three members, a reduction of one from the 2016/17 report. The Chair and one further member departed upon completion of

their contracts. Timely recruitment has ensured that the Chair's position was provided for and the Committee has at all times remained quorate.

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. In recognition of the changing membership within the Committee, and in agreement with the NAO, a full effectiveness review has not been undertaken this year. Assurance has been given that this shall be scheduled and will take place within the next reporting period.

It is noted that one member of the Committee has recent and relevant financial experience, and is a qualified accountant.

When assessing the year end accounts, the Committee considered in detail areas subject to management judgement and received reports from the Senior Finance Officer, on each area, setting out the methodology and key assumptions. These reports were subject to scrutiny by the NAO. There were no material discrepancies between the views of management and those of the external auditor.

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.

During 2017/18 thirteen internal audit reports have been published. In addition, one audit was deferred for delivery into the next reporting period due to specialist resource requirements. Of those published, two returned Substantial (Green) audit opinions, nine returned Moderate (Amber) audit opinions and two returned Limited (Red) audit opinions. In both instances of Limited opinions, the exposure was deemed Moderate. The Head of Internal Audit has advised that, in his opinion, this represents an overall audit status of Moderate.

2017/18 was the inaugural year in the introduction of a three-year rolling programme of audits. This was supported with a mid-year review to confirm the business and assurance requirements. The Committee was content with the visibility afforded by the program and has opted to maintain this view into the next planning period.

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 has been one investigation undertaken by AFCU on behalf of FCO Services during this period. In this instance I was advised that the issues addressed were determined as unfounded, and the investigation was noted as closed.

7. Annual Risk Assessment:

Below is a reflection of the 2017/18 key risks that have been addressed or remain under management.

Information Risk:

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. 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.

Data Security standards and assurance:

We are engaged with the ISO (International Organisation for Standardisation) to provide assurance to our customers of our commitment to security standards and quality. This commitment provides evidence of a standard of adherence and a commitment to ongoing development/improvement. In 2017/18 a total of twenty-four processes across our key operational and functional areas were formally recognised for their effectiveness, an increase of two from 2016/17.

In 2018/19, we plan to bring our ISO 9000 and 20000 accredited business areas, alongside 27000, (which is in progress, evaluation to be undertaken late 2018) together into a single integrated management system. We intend to progressively expand the scope of these accreditations across FCO Services to deliver a widespread standards-based approach to quality, incident and service management and security.

FCO Services has enacted a comprehensive plan to ensure compliance with General Data Protection Regulations that came into force in May 2018. The risk of reputational damage through the loss of personal and sensitive data has been significantly mitigated.

Security (Physical, Personal, Technical and Cyber):

FCO Services is committed to the physical protection of its personnel and assets through identifying and mitigating against the threats and vulnerabilities they face. Staff are briefed on security risks from joining the organisation and throughout their

time within it. As tenants on an FCO site, FCO Services is reliant on the landlord to approve and implement the majority of physical security measures that protect it.

2017/18 saw significant 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. ISO27001 is being implemented initially within one part of the organisation to improve customer assurance and information security practices. It is intended for this to be rolled-out to cover the entire organisation.

Priorities for 2018/19 are recognised as:

1. A complete refresh of all information security policies in line with the ISO27001 project, which will be communicated to all staff to ensure awareness.
2. GDPR: A compliance/auditing regime.
3. Supporting and encouraging suppliers to manage and mitigate their cyber vulnerabilities.

Health and Safety:

FCO Services recognises the Health and Safety risks associated with the design and delivery of its wide range of products and services. Operating in challenging and diverse environments adds different weightings to risks, requiring a flexible and often dynamic approach to risk management. The adoption of a Project Process Map, which facilitates safety compliance, has been supported by extensive construction safety management training.

Internal safety governance continues to mature and strengthen with

engagement and visibility throughout the organisation, providing clarity on accountability and responsibility. The improved reporting of accidents, incidents and near misses has provided a clear view of safety strengths and areas for improvement. The expansion and embedding of safety management tools across the international platform, supported by local governance arrangements, will further strengthen safety behaviours and culture.

Workforce Management and Vetting:

Improving staff engagement and developing workforce capacity, capability and diversity are ongoing challenges. Factors such as Government pay policy, location, national under-representation in technical and engineering roles, timescales for security clearance and growing competition for some skills, continue to be key concerns as they present risk to both our workforce model and cost base.

Service levels for vetting fell below targets due to delays from the vetting provider. To mitigate the associated risks, we have implemented a revised workforce policy and have supported UK Security Vetting to conduct c100 Investigating Officer Developed Vetting interviews, starting in March 2018.

A new Diversity and Inclusion Strategy was tabled at the Board in 2017/18. Mental health wellbeing has become a focus area. We plan to implement a broader range of initiatives over the next 2-3 years covering multiple areas, including Diversity & Inclusion and Bullying, Harassment and Discrimination.

We exceeded the Ministerial Targets relating to engagement and management in 2017/18 after making significant investments, including in skills and capability through our leadership programme, and by improving local engagement action plans. Investment will continue in this area.

Work that started last year on a job family framework will be developed further as part of a broader global workforce strategy, aligning skills and capability to business development and future pipeline. The focus is on developing a broader approach to talent acquisition and development, alongside increasingly using work packages to deliver capability. In 2017 29 new apprentices joined the organisation, mainly in technical and IT schemes, and we are aiming to recruit another 32 in 2018 to a wider range of professions (e.g. Finance and Project Management).

Products and Services:

A previous lack of a single-source Product Solutions catalogue limited interaction with customers. This has been remedied with the launch of a verified listing of 200+ existing products and services from across FCO Services.

To ensure the implementation of industry standards across engineering and digital project processes, a project process map (PPM) was approved as our Quality Assurance Framework. It provides a single umbrella commitment to new product and service development and project excellence. This delivers improvements to process and governance around products and services management.

The focus for 2018/2019 will be to expand our understanding of government market trends to support current and future product and service innovations. This includes industry 'Mega Trend' guidance. We will align all future innovations to the strategies of the UK Government, the FCO and core FCO Services delivery divisions.

In this, we will be supported by the innovation capture process, enhancing our ability to innovate with suppliers across the industry and pursuing improvement in order to identify suitable new ways of working to support the needs of FCO Services' customers.

Projects

FCOS continues to grow its business with project work representing a significant proportion of total revenue. In two years the business has grown from c£136m to c£160m, with further growth expected in the coming year. This growth has, however, put an inevitable strain on the delivery side of the business, which we have been addressing with urgency.

Our customers require us to be agile and maintain quality at an affordable cost, ensuring projects are well-planned and well-executed. The forward order book for projects in 2017/18 proved to be healthy, despite concerns in the previous year. Risk of project/programme failure in FCO Services will be mitigated by the application of a rigorous process of standards, which includes subjecting projects to internal audit and review against these standards.

We have been taking pro-active measures within the business to ensure that this growth is delivered safely and at a quality that our customers expect:

- Firstly, we have invested in our regional presence globally, giving us an ability to both deliver more locally and better oversee and influence what is happening in region.
- Secondly we have been investing in staff at all levels to build capacity and capability, giving existing staff real development opportunities alongside bringing in new capacity to the business.

- Thirdly we have sought to further professionalise our approach to running programmes and projects: we have introduced a new project process into the business, incorporating Construction Design Management requirements; we have started using business tools to both help manage projects and plan the resourcing across our project portfolio; a central Project Management Office function, which will provide additional oversight, has also been instated.

Financial:

As a Trading Fund, FCO Services is required to generate its own funds. As our global service value proposition is focussed on the FCO and other government customers, there is some financial risk attached to customer funding levels or commercial decisions that may alter the timing or pipeline of sales revenue. This was clearly demonstrated early in 2017/18, when delays in funding from the sale of the Bangkok embassy placed restrictions on work for our biggest customer, the FCO. This not only impacted on sales revenue, but also adversely impacted on operational efficiency and utilisation within FCO Services' work-force. This was resolved in the latter part of the year, as funds became available.

A similar timing issue arose with the system re-design and installation schedules of the FCO Technology Overhaul programme, which created uncertainty. The programme will be completed in the 2018/19 financial year.

There is currently a level of uncertainty over the impact that Brexit decisions may have, both favourably and/or adversely, on the customer base of FCO Services.

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

2017/18 has been a year focused on delivery of an ambitious Corporate Plan, including a large number of internal transformation initiatives. Our delivery teams remain focused on secure, high-quality and efficient service for our customers, all the while adapting to a new regional services model, which provides more local support and oversight.

I am very proud to report that all ministerial targets for 2017/18 have been exceeded, along with impressive revenue growth and financial return. In particular, our leadership programme, Evolve, and improved Local Engagement Action Plans, have helped drive up engagement across the organisation. I look forward to further progress being made in implementing our Culture 20:20 agenda, including the opportunity to benefit from an ambitious Diversity and Inclusion Strategy.

Reforms to our internal governance structure through 2017/18, including the tighter scrutiny of expenditure provided by our Investment Board, and the creation of a Board sub-committee focused on the appointment, development and reward of senior staff (Nominations Committee), have been beneficial. In the aftermath of the four-year appointment of a new Chair of the Board at the start of 2018/19, I look forward to a more in-depth review of our corporate governance structure, thereby continuing to ensure correct responsibilities are vested in the appropriate areas of the business, and ensuring ongoing compliance with our obligations. Some of these changes, along with others, will also be reflected in an updated Framework Document, setting the terms of our relationship with the FCO as one of its Arms-Length Bodies.

I note that the Head of Internal Audit has given a Moderate assurance opinion for the year as a whole. We have agreed a three-year audit programme with governance and risk-based audits at its heart. I look forward to 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 controls are working effectively.

Our strategic focus through our Business Development Directorate has been to collaborate closely with the FCO's Diplomacy 20:20 Corporate Capability Programme, thereby advancing our parent department's ambition to ensure a world-class overseas platform where diplomats can remain focused on diplomacy. Our hope is that this process will help simplify, and provide efficiencies to, the delivery of operational support services for government around the world. Through 2018/19, we will be launching various pilots of service models across the world, exploring ways in which these outcomes can be achieved in the medium to long term. Our relationships with customers and FCO stakeholders are strong, and serve as a solid foundation for this closer collaboration. I hope to see them continue to thrive and develop through 2018/19.

Danny Payne

Chief Executive and Accounting Officer
27 June 2018

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 2018. 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 FCO Services 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 minimum and maximum for each pay band and determines the overall annual base pay and performance pay award, and this is applied in accordance with the FCO's agreed pay policies and structures. In setting such remuneration for each senior member of staff, the following considerations have been taken into account:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- 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;

- the requirement to meet agreed efficiency or headcount targets; 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 award 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 senior executive members of FCO Services 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 are conducted on an objective basis, dealing solely with 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:

Tony Brotherwood (Interim Director, Finance and Senior Finance Officer). Appointed Interim Director of Finance and Senior Finance Officer on 14

August 2017. Tony holds an open-ended appointment until retirement.

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

Lizzie Hanna (Managing Director Business Services) appointed on 14 December 2016 on a four year fixed-term contract. Lizzie resigned on 11 August 2017.

Steven Horder (Chief Operating Officer) held an open-ended appointment until retirement. Steven resigned on 8 December 2017.

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.

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. There was a period of handover from Steven Horder between 30 November and 8 December when Steven left FCO Services and Douglas Umbers started in the role of Interim Chief Operating Officer. 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

	Salary £000		Performance Related payment £000		Pension Benefits (to nearest £000) (Note 1)		Total £000	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
Tony Brotherwood (from 14 August 2017) (Note 2)	60-65 (95-100 full year equivalent)	10-15 (85-90 full year equivalent)	Nil	Nil	24	0	80-85 (115-120 full year equivalent)	15-20 (90-95 full year equivalent)
Rob Eason	95-100	95-100	10-15	Nil	1	97	110-115	195-200
Lizzie Hanna (to 11 August 2017) (Note 3)	80-85 (115-120 full year equivalent)	30-35 (115-120 full year equivalent)	Nil	Nil	16	13	95-100 (130-135 full year equivalent)	45-50 (125-130 full year equivalent)
Steven Horder (to 8 December 2017)	90-95 (125-130 full year equivalent)	125-130	10-15	10-15	33	47	135-140 (170-175 full year equivalent)	185-190
Danny Payne	125-130	125-130	10-15	5-10	49	51	190-195	185-190
Douglas Umbers (from 30 November 2017) (Note 4)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2017/18				2016/17			
Band of Highest Paid Director's Total Remuneration (£'000)	220-225				135-140			
Median Total Remuneration £	36,690				36,697			
Ratio (Note 5)	6.1				3.8			

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. 2016/17 MyCSP have provided a revised value for the pension benefit for Tony Brotherwood.

Note 3. A payment in lieu of notice of £35k-£40k is included in Lizzie Hanna's salary figure in the table above.

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. The total fees paid in 2017/18 amounted to £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 (£220k-£225k) used in the ratio calculation in the table above for the total remuneration paid to the 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 2017/18 was £220k-£225k (see Note 4) (2016/17 £135k-£140k).

This was 6.1 times (2016/17, 3.8) the median remuneration of the workforce, which was £36,690 (2016/17 £36,697). In 2017/18, no (2016/17, 3) employees received remuneration in excess of the highest paid director. Remuneration ranged from £14,332 to £143,000 in both years.

The median pay ratio has increased by 2.3 due to the significant increase in the remuneration band of the highest paid director, in 2017/18 the highest paid director was an interim on contract, in 2016/17 the highest paid director was a permanent officer.

The above table and notes have been subject to audit.

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

SMS 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:

1. The quality of leadership provided by the jobholder—taking account of what the jobholder's team has achieved and how it has been done;
2. Ability to learn and develop—taking account of competence growth through improved skills rather than volume of development activity; and
3. 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 SMS staff can be allocated a bonus. The performance related bonus value is set at £11,400 for all SMS 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 SMS 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).

The table above shows the performance related payments paid in 2017/18.

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 2017/18.

Executive members' and key management personnel pension benefits

	Accrued pension at pension age as at 31 March 2018 and related lump sum (Note 1)	Real increase in pension and related lump sum at pension age	CETV at 31 March 2018 (Note 1)	CETV at 31 March 2017 (Note 1)	Real increase in CETV (Note 1)	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	Nearest £100
Tony Brotherwood (from 14 August 2017) (Note 2)	5-10 plus a lump sum of nil	0-2.5 plus a lump sum of nil	143	120	18	-
Rob Eason	35-40 plus a lump sum of 110-115	0-2.5 plus a lump sum of 0-2.5	766	718	0	-
Lizzie Hanna (to 11 August 2017)	0-5 plus a lump sum of nil	0-2.5 plus a lump sum of nil	18	8	7	-
Steven Horder (to 8 December 2017)	5-10 plus a lump sum of nil	0-2.5 plus a lump sum of nil	73	52	13	-
Danny Payne	20-25 plus a lump sum of nil	2.5-5 plus a lump sum of nil	253	216	19	-

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.

Note 2. MyCSP have provided a revised value for the CETV at 31 March 2017 for Tony Brotherwood.

The above table has been subject to audit.

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

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, Hugh Elliott and Joy Hutcheon, and are not members of the Principal Civil Service Pension Scheme.

No pay or pension costs are included in FCO Services' accounts in respect of Philip Barton, Hugh Elliott 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, Hugh Elliott 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:

Stephen Barrett, appointed on a three year contract as a Non-Executive Director on 1 November 2014. Stephen's contract ended on 31 October 2017.

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

Hugh Elliott, appointed on a three year contract as a Non-Executive Director on 1 March 2015. Hugh's contract ended on 28 February 2018.

Sir Simon Gass KCMG CVO, appointed as temporary Non-Executive chair from 1 October 2017 to 31 March 2018. 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 has been extended to 31 August 2018.

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

Glyn Smith (Chair of the Audit and Risk Assurance Committee), appointed on a three year contract as a Non-Executive Director on 1 September 2014 which was extended to 31 January 2018. He was appointed as Chair of the Audit and Risk Assurance Committee on 1 January 2015. Glyn's contract ended on 31 January 2018.

Sir Richard Stagg KCMG (Non-Executive Chair), appointed on a three year contract commencing on 1 June 2007 which was extended to 30 September 2017. Richard's contract ended on 30 September 2017.

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

	2017/18	2016/17
	£000	£000
Stephen Barrett	5-10 (15-20 full year equivalent)	15-20
Philip Barton CMG OBE (Note 1)	-	-
Hugh Elliott (Note 1)	-	-
Sir Simon Gass KCMG CVO	15-20 (30-35 full year equivalent)	N/A
Richard Gunning	0-5 (15-20 full year equivalent)	N/A
Stephen Hawker CB	15-20	15-20
Joy Hutcheon CB (Note 1)	-	-
Glyn Smith	10-15 (15-20 full year equivalent)	15-20
Sir Richard Stagg KCMG	15-20 (30-35 full year equivalent)	30-35

Note 1. No pay or pension costs are included in FCO Services' accounts in respect of Philip Barton, Hugh Elliott or Joy Hutcheon, who are civil servants employed by the Foreign and Commonwealth Office and Department for International Development respectively. (2016/17 £nil). Details of their remuneration are disclosed in their parent departments' annual reports and accounts.

The above table and notes have been subject to audit.

Danny Payne

Chief Executive and Accounting Officer

27 June 2018

Staff report

Number of senior civil service staff (or equivalent) by band (audited)

As at 31 March 2018 the number of senior civil service staff and their pay bands are:

Pay Band	Number of Senior Civil Service Staff
SMS2	2
SMS1	3

Staff numbers and costs (audited)

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

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

	2016/17		
Staff numbers	Permanent	Other*	Total
Service Delivery	724	204	928
Corporate Services	107	18	125
Total Staff Numbers	831	222	1,053
Capitalised Staff**	-	-	-
Net Staff Numbers	831	222	1,053

*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

Staff costs for the above persons (audited)

	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
Total staff costs	47,474	19,365	66,839
Capitalised staff costs	(147)	(100)	(247)
Total net staff costs	47,327	19,265	66,592

	2016/17		
	Permanent** £000	Other* £000	Total £000
Salaries / agency staff and fee paid officers	36,909	19,486	56,395
Social security costs	3,360	18	3,378
Other pension costs	5,793	18	5,811
Total staff costs	46,062	19,522	65,584
Capitalised staff costs	-	-	-
Total net staff costs	46,062	19,522	65,584

*Other comprises agency staff and fee paid officers.

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

***Apprenticeship Levy began in May 2017.

****2017/18 variance in value of £2k to pension note overleaf relates to opening and closing accruals.

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).

For 2017/18, employers’ contributions of £5,835,615 were payable to the PCSPS (2016/17 £5,785,135) 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 2017/18 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 £93,217 (2016/17 £26,022) 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 £2,949 (2016/17 £788), 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 (2016/17 £nil). Contributions prepaid at that date were £nil (2016/17 £nil).

In the 12 months to March 2018 one individual (2016/17 one individual) retired early on ill health grounds; the total additional accrued pension liability in the year amounted to £12,333 (2016/17 £7,453).

Staff composition

As at 31 March 2018:

- Executives: 14.3% were female
- Delegated Grades A-D: 25.15% 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.

Over the last year we have seen an almost 2% rise back to previous levels of 25.1%. The rise could be attributed to positive action taken during this period such as anonymised recruitment, diverse selection panels, unconscious bias training and a focus on diversity in advertising. We remain focussed on improving representation which still poses a challenge due to a shortage of females working in STEM industry.

Sickness absence data

The average number of working days lost per employee due to sickness absence was 3.7 in 2017/18. This compared to 4.1 days in 2016/17. We are currently reviewing our absence policies and guidance to provide more clarity and improved support to our staff. As detailed earlier, a number of initiatives were applied throughout 2017/18 to promote staff wellbeing and increase awareness of mental health conditions and available support.

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 reasonable 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. Section 4 Performance Analysis and Accountability Report

Facility Time Publication Requirements*

Table 1: Relevant Union Officials

Number of employees who were relevant union officials during 1 April 2017 – 31 March 2018	Full-time equivalent employee number
10	4.5

Table 2: Percentage of time spent on facility time

Number of employees who were relevant union officials employed during 1 April 2017 – 31 March 2018 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%	1
1-50%	9
51-99%	0
100%	0

Table 3: Percentage of pay bill spent on facility time

	Figures
The total cost of facility time	£107,808.97
The total pay bill	£341,113,539
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	0.26%
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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 2017/18 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:	150
(b) The number that have existed for less than one year at time of reporting:	60
(c) The number that have existed for between one and two years at time of reporting:	27
(d) The number that have existed between two and three years at time of reporting:	16
(e) The number that have existed between three and four years at time of reporting:	8
(f) The number that have existed for four or more years at time of reporting:	39

Table 2: For all new off-payroll appointments, or those that reach six months in duration, between 1 April 2017 and 31 March 2018, 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:	101
(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:	100
(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 pending the outcome of the employee recruitment process and to the delivery of current work streams that could be at risk without it, such as pilot projects for the FCO. The successful delivery of these has reputational implications and will impact on FCO Services' strategic objectives.	
(c) Details of the length of time each of these exceptional engagements lasted: Four months 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.	6

Exit packages (audited)

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	
	2017/18	2016/17	2017/18	2016/17	2017/18**	2016/17*
<£10,000	-	-	-	-	-	-
£10,000 - £25,000	-	-	-	-	-	-
£25,000 - £50,000	-	-	1	1	1	1
£50,000 - £100,000	-	-	-	3	-	3
£100,000 - £150,000	-	-	-	4	-	4
£150,000 - £200,000	-	-	-	-	-	-
Total number of exit packages by Type	-	-	1	8	1	8
Total resource cost (£'000)	-	-	38	746	38	746

*Following a Judicial Review, the 2016 amendments to the Civil Service Compensations Scheme were quashed, resulting in some compensation payments made during 2016/17 being revised. The revised payments (£695k) made to people who left with a compensation payment in 2016/17 are noted below.

**Lizzie Hanna resigned on 11 August 2017. She received a payment in lieu of notice of £35k-£40k as per her contractual agreement.

The value on the statement of comprehensive income of £51k relates to additional payments for the 2016/17 exit scheme.

2016/17 the value on the statement of comprehensive income of £667k includes £28k of released accrual which related to 2015/16

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.

This report has been subject to audit.

I authorise the Accountability Report, including the Parliamentary Accountability and Audit Report, for issue.

Danny Payne

Chief Executive and Accounting Officer

27 June 2018

Parliamentary Accountability and Audit Report

Regularity of Expenditure (Audited)

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	2017/18	2016/17
Total number of losses	8	9
	£000	£000
Total value of losses*	105	313
Claims Waived / Abandoned	-	4
Store Losses	-	-
Fruitless Payments**	74	177
Constructive Loss***	-	132
Other	31	-

* There were no individual losses over £300,000 in either 2017/18 or 2016/17. 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.

***2016/17 relates to stock write down fully provided for in prior financial years.

Special Payments and gifts

In 2017/18 the costs falling into the category special payments and gifts was £nil (2016/17 £nil).

Fees and Charges (Audited)

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 141 for FCO Services Segmental analysis, which provides details of fees and charges for 2017/18.

Remote contingent liabilities (Audited)

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.

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 2018 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 2018 and of its surplus 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.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of FCO Services Agency's and 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 FCO Services' internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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. 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.

- 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, other than 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

Sir Amyas C E Morse

5 July 2018

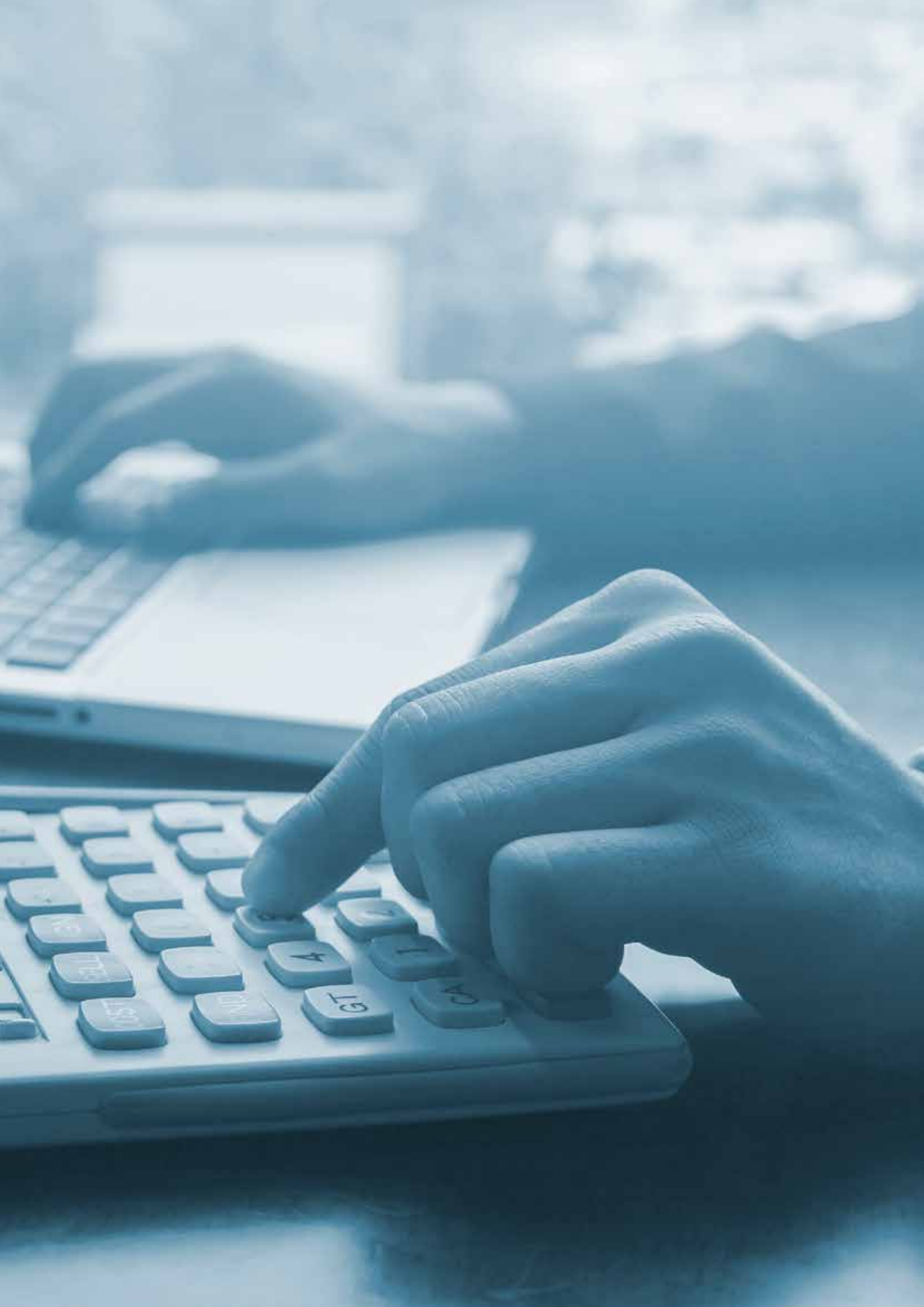
Comptroller and Auditor General

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

5 Financial Statements

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Statement of Comprehensive Income

for the year ended 31 March 2018

	Note	2017/18 £000	2016/17 £000
Revenue	2	160,090	146,615
Cost of sales	5	(119,379)	(105,210)
Gross surplus		40,711	41,405
Other Income	2	100	0
Operating expenses	5	(30,485)	(26,626)
Operating surplus		10,326	14,779
(Loss)/profit on disposal of intangible assets and property, plant and equipment		(21)	(5)
Surplus for the financial year before voluntary exit scheme		10,305	14,774
Voluntary exit scheme		(51)	(667)
Surplus before financing		10,254	14,107
Financing income		113	74
Financing costs		(9)	(16)
Net financing		104	58
Surplus for the financial year		10,358	14,165
Dividend	6	(2,067)	(1,682)
Retained surplus for the financial year		8,291	12,483
Other comprehensive net income			
Net gain on the revaluation of property, plant and equipment		96	393
Total comprehensive income for the financial year		8,387	12,876

All income and expenditure are derived from continuing operations.

The FCO Services Vetting operation transferred to the Ministry of Defence from 1 January 2017. Refer to Note 3 of the Notes to the accounts

The notes on pages 136 to 153 form part of these accounts.

Statement of Financial Position

as at 31 March 2018

	Note	2017/18 £000	2016/17 £000
Non-current assets			
Intangible assets	7	660	818
Property, plant and equipment	8	7,673	8,183
Total non-current assets		8,333	9,001
Current assets			
Inventories		583	885
Trade and other receivables	9	22,179	26,063
Cash and cash equivalents	10	57,856	36,662
Total current assets		80,618	63,610
Total assets		88,951	72,611
Current liabilities			
Trade and other payables	11	(26,842)	(18,792)
Provisions due within one year		(700)	(700)
Total current liabilities		(27,542)	(19,492)
Total Assets less current liabilities		61,409	53,119
Non-current liabilities			
Other Payables	12	-	(97)
Total non-current liabilities		-	(97)
Assets less liabilities		61,409	53,022
Taxpayers' equity			
Public dividend capital		4,981	4,981
General reserve		841	616
Revaluation reserve		320	449
Income and expenditure account		55,267	46,976
Total taxpayers' equity		61,409	53,022

Danny Payne

Chief Executive and Accounting Officer
27 June 2018

The notes on pages 136 to 153 form part of these accounts.

Statement of Cash Flows

for the year ended 31 March 2018

	Note	2017/18 £000	2016/17 £000
Cash flows from operating activities			
Surplus on ordinary activities before dividend payable		10,358	14,165
Adjustments for non-cash transactions	13	2,975	3,555
Net interest receivable		(104)	(58)
Decrease / (increase) in inventories		302	(402)
Decrease / (increase) in trade and other receivables	9	3,884	(2,589)
<i>less movements in receivables relating to items not passing through the income statement</i>			
- Accrued deposit interest		12	(3)
Increase in trade and other payables	11 & 12	7,953	429
<i>less movements in payables relating to items not passing through the income statement</i>			
- Dividend payable		15	1,110
(Decrease) / Increase in provisions		-	(500)
Net cash inflow from operations		25,395	15,707
Cash flows from investing activities			
Purchases of intangible assets	7	(38)	(27)
Purchases of property, plant and equipment	8	(2,178)	(1,062)
Disposals of intangible assets	7	-	3
Disposals of property, plant and equipment	8	5	35
Net cash outflow from investing activities		(2,211)	(1,051)
Cash flows from financing activities			
Interest paid		(9)	(16)
Interest received		101	77
Dividend paid		(2,082)	(2,792)
Net financing		(1,990)	(2,731)
Net increase in cash and cash equivalents in the period		21,194	11,925
Cash and cash equivalents at the beginning of the period	10	36,662	24,737
Cash and cash equivalents at the end of the period	10	57,856	36,662

The notes on pages 136 to 153 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2018

	Public Dividend Capital £000	General Reserve £000	Revaluation Reserve £000	Income and Expenditure Account £000	Total Reserves £000
Balance at 1 April 2016	4,981	424	248	34,493	40,146
Changes in taxpayers' equity for 2016/17					
Unrealised net surplus on revaluation of property, plant and equipment			393		393
General reserve transfer - depreciation charge difference in year on revalued cost basis compared to historic cost basis		192	(192)		-
Retained surplus for the financial year				12,483	12,483
Total recognised income and expense for 2016/17	-	192	201	12,483	12,876
Balance at 31 March 2017	4,981	616	449	46,976	53,022
Changes in taxpayers' equity for 2017/18					
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

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.

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 2017, 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 2017-18 Government Financial Reporting Manual (FRoM) and Trading Funds Accounts Guidance, as issued by HM Treasury.

The accounting policies contained in the FRoM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FRoM 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 Machinery of Government changes

Following the 2015 Strategic Defence and Security Review it was decided that there would be a single vetting organisation and this would be aligned to the Ministry of Defence. Consequently, the FCO Services Vetting operation transferred across to the Ministry of Defence from 1 January 2017. This has been accounted as a transfer by absorption in accordance with the FRoM section 4.2. Refer to Note 3 in the Notes to the accounts.

1.4 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.

Revenue from the sale of software products or hardware with no significant service obligation is recognised 100% on delivery. Revenue from the sale of software products or hardware requiring significant modification, integration or customisation is recognised using the percentage of completion method.

The revenue and profit of fixed price contracts and construction contracts are recognised on a percentage of completion basis when the outcome of a contract can be estimated reliably. If a contract outcome cannot be estimated reliably, revenues are recognised equal to costs incurred, to the extent that costs are expected to be recovered. The stage of contract completion is usually determined by reference to the cost incurred to date as a proportion of the total estimated cost.

Provision is made for all contract losses where the conditions of IAS 11 and IAS 37 are met.

1.5 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 2017/18 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.

1.6 Value added tax

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

1.7 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.

1.8 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.

1.9 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. This represents a change to the asset life for Information Technology from Financial Year 16/17 from 2 to 5 years to 2 to 8 years following an internal review of Useful Economic Lives. This range reflects a more realistic life for this asset category:

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 2017/18 funded by government grant, donation or lottery funding.

1.10 Intangible assets

Intangible assets are valued initially at cost and subsequently at fair value using the revaluation model.

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.

1.11 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.

1.12 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.

1.13 Bad debts provision

Specific provision is made for any debts where recovery is considered to be doubtful.

1.14 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. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury discount rates in real terms (reference PES (2017) 10 Revised):

Short-term*	Between 0 and up to and including 5 years from the statement of financial position date (SOFP)	-2.42%
Medium-term*	After 5 years and up to and including 10 years from the SOFP date	-1.85%
Long-term*	Exceeding 10 years from the SOFP date	-1.56%

* The real rate is only applied where the cash flow is in current prices, i.e. not inflated in the calculation.

1.15 Pension Costs

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which are described in the Remuneration Report. PCSPS defined benefit schemes are unfunded. 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 payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, FCO Services recognises the contributions payable for the year.

1.16 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.

1.17 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.

1.18 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.

1.19 Effects of future accounting policies

IFRS 9 'Financial Instruments' is to be effective for financial reporting periods beginning on or after 1 January 2018, but will not be adopted by the public sector until 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 and therefore believe that this new IFRS will have no effect on our financial statements.

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. It is effective for financial reporting periods beginning on or after 1 January 2018, but will not be adopted by the public sector until 2018/19. FCO Services has performed an assessment of the impact that it will have, by reviewing and assessing its impact on relevant contracts operating within the business at the year-end. The review identified that FCO Services' existing contracts already contain distinct performance obligations in line with IFRS15. As such, the majority of FCO Services' revenue already meets the recognition criteria set out in IFRS15 and the impact of the new standard is considered to be immaterial.

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 is currently assessing the impact that it will have.

2. Revenue

2a. Total Revenue / Other Income

	2017/18 £000	2016/17 £000
Foreign and Commonwealth Office*	112,818	96,071
Other UK Government bodies and other UK and International organisations (Non FCO)*	47,272	50,544
Other Income**	100	-
	160,190	146,615

* Normal Trading Fund revenue

** Other income relates to the Apprenticeship Scheme

2b. Construction Contracts

	2017/18 £000	2016/17 £000
Contract revenue recognised in the period	174	-
Costs incurred and recognised profits (less losses) to date	82	-
Advances received	60	-
Retentions	-	-

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
2017/18			
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	(354)	(2,074)	(2,428)
Amortisation	(39)	(136)	(175)
Impairments and Revaluation	2	(4)	(2)
Internal cost charges	(413)	(250)	(663)
Total cost	(88,075)	(31,967)	(120,042)
Gross surplus	32,900	9,004	41,904
Other income	53	47	100
Operating expenses	(22,588)	(7,630)	(30,218)
Allocated internal cost charges	(900)	(293)	(1,193)
Depreciation	(244)	(79)	(323)
Amortisation	(12)	(4)	(16)
Total Operating Expenses	(23,691)	(7,959)	(31,650)
Surplus before financing	9,209	1,045	10,254

* 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
2016/17			
External revenue	109,728	36,887	146,615
Internal revenue - Charged to Secure Global Services	-	329	329
Internal revenue - Charged to Global Digital Technology	269	-	269
Internal revenue - Charged to Corporate Areas	14	484	498
Total revenue	110,011	37,700	147,711
Cost of sales	(75,607)	(26,378)	(101,985)
Depreciation	(368)	(2,527)	(2,895)
Amortisation	(86)	(231)	(317)
Impairments and Revaluation	(15)	2	(13)
Internal cost charges	(329)	(269)	(598)
Total cost	(76,405)	(29,403)	(105,808)
Gross surplus	33,606	8,297	41,903
Other income	-	-	-
Operating expenses	(19,736)	(7,243)	(26,979)
Allocated internal cost charges	(373)	(125)	(498)
Depreciation	(227)	(77)	(304)
Amortisation	(11)	(4)	(15)
Total Operating Expenses	(20,347)	(7,449)	(27,796)
Surplus before financing	13,259	848	14,107

* In 2016/17 the Vetting Operation within Secure Global Services transferred to the Ministry of Defence from 1 January 2017. Revenue of £5.65m is included within the External Revenue figure.

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

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
2017/18				
Segment Assets				
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
Segment Liabilities				
Current liabilities	(14,289)	(4,303)	(8,950)	(27,542)
Non current other payables	-	-	-	-
Non current provisions	-	-	-	-
Non current financial liabilities	-	-	-	-
Segment assets less liabilities	3,603	7,115	50,691	61,409

Analysis of Assets less Liabilities by Service Delivery Group	Secure Global Services* £000	Global Digital Technology £000	Corporate £000	Total £000
2016/17				
Segment Assets				
Intangible assets	113	601	77	791
Intangible additions in year	9	7	11	27
Property, plant and equipment	1,244	4,658	1,219	7,121
Property, plant and equipment additions in year	437	519	106	1,062
Inventories	885	-	-	885
Trade and other receivables	17,194	8,628	241	26,063
Cash and cash equivalents	-	-	36,662	36,662
Segment Liabilities				
Current liabilities	(13,530)	(2,810)	(3,152)	(19,492)
Non current other payables	-	(97)	-	(97)
Non current provisions	-	-	-	-
Non current financial liabilities	-	-	-	-
Segment assets less liabilities	6,352	11,506	35,164	53,022

* In 2016/17 the Vetting Operation within Secure Global Services transferred to the Ministry of Defence from 1 January 2017. Intangible assets with a net book value of £3k and a property plant and equipment asset with a net book value of £13k were transferred to the Ministry of Defence at this time.

4. Staff Costs

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
Total staff costs	47,474	19,365	66,839
Capitalised staff costs	(147)	(100)	(247)
Total net staff costs	47,327	19,265	66,592

2016/17	Permanent** £000	Other* £000	Total £000
Salaries / agency staff and fee paid officers	36,909	19,486	56,395
Social security costs	3,360	18	3,378
Other pension costs	5,793	18	5,811
Total staff costs	46,062	19,522	65,584
Capitalised staff costs	-	-	-
Total net staff costs	46,062	19,522	65,584

*Other comprises agency staff and fee paid officers.

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

*** Apprenticeship Levy began in May 2017

5. Cost of sales and operating expenses

	2017/18			2016/17		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
	£000	£000	£000	£000	£000	£000
Net staff costs	28,881	18,446	47,327	28,379	17,683	46,062
Net Agency staff and fee paid officers*	16,613	2,652	19,265	17,175	2,347	19,522
Training and recruitment	878	914	1,792	607	632	1,239
Travel	15,746	1,486	17,232	12,758	969	13,727
Professional services*	8,089	1,427	9,516	5,367	947	6,314
Legal Services	24	57	81	19	44	63
Work Packages**	780	1,657	2,437	-	-	-
Communications	971	302	1,273	924	329	1,253
Other supplies, services & facilities management	3,993	160	4,153	4,213	184	4,397
Management charges from the FCO	1,325	194	1,519	1,521	206	1,727
IS Hardware	3,857	180	4,037	3,399	19	3,418
IS Software	3,283	75	3,358	1,769	163	1,932
Other Machinery and Equipment Under £3k	1,098	109	1,207	1,479	146	1,625
Security Equipment	4,447	45	4,492	4,898	49	4,947
Freight	10,817	-	10,817	9,579	-	9,579
Maintenance	14,679	426	15,105	8,595	721	9,316
Operating leases - land & buildings	-	8	8	-	8	8
Operating leases - other	(0)	57	57	(0)	51	51
Accommodation charges***	916	1,433	2,349	916	1,433	2,349
Profit on currency exchange	-	(10)	(10)	-	(1)	(1)
Other	-	350	350	-	200	200
Insurance	396	75	471	407	78	485
Insurance Compensation	(19)	-	(19)	(20)	-	(20)
Depreciation	2,428	323	2,751	2,895	304	3,199
Amortisation of intangible assets	175	16	191	317	15	332
Impairment losses on PPE assets	2	-	2	22	-	22
Revaluation (Write Back) / Charge	-	-	-	(9)	-	(9)
Auditors' remuneration and expenses (no non-audit work)	-	103	103	-	99	99
Total costs	119,379	30,485	149,864	105,210	26,626	131,836

* Agency staff, fee paid officers, and professional services charged to cost of sales are fee earning.

** New cost category for 2017/18. Expenditure would have been part of either Net Agency staff and fee paid officers or Professional Services in 2016/17.

*** Accommodation charges are payable to the FCO.

The total amount of research and development expenditure recognised as an expense during the period was £3,000 (2016/17 £0). This includes staff costs and an appropriate recovery of overheads.

6. Dividend

	2017/18 £000	2016/17 £000
Statutory dividend charged	2,067	1,682
Discretionary dividend	-	-
Dividend	<u>2,067</u>	<u>1,682</u>

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
2017/18				
Cost or valuation				
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	<u>38</u>	<u>827</u>	<u>2,259</u>	<u>3,124</u>
Amortisation				
At 1 April 2017	-	825	1,467	2,292
Provided during the year	-	1	190	191
Disposals	-	-	(19)	(19)
As at 31 March 2018	<u>-</u>	<u>826</u>	<u>1,638</u>	<u>2,464</u>
Net book value				
As at 31 March 2018	<u>38</u>	<u>1</u>	<u>621</u>	<u>660</u>
As at 31 March 2017	<u>14</u>	<u>2</u>	<u>802</u>	<u>818</u>
Owned as at 31 March 2018	<u>38</u>	<u>1</u>	<u>621</u>	<u>660</u>

7. Intangible assets continued

	Assets under development £000	Research and Development £000	Software licences £000	Total £000
2016/17				
Cost or valuation				
At 1 April 2016	41	827	2,311	3,179
Additions	10	-	17	27
Reclassification from PPE	20	-	-	20
Assets brought in to use	(57)	-	57	-
Disposals	-	-	(116)	(116)
As at 31 March 2017	14	827	2,269	3,110
Amortisation				
At 1 April 2016	-	823	1,249	2,072
Provided during the year	-	2	330	332
Disposals	-	-	(112)	(112)
As at 31 March 2017	-	825	1,467	2,292
Net book value				
As at 31 March 2017	14	2	802	818
As at 31 March 2016	41	4	1,062	1,107
Owned as at 31 March 2017	14	2	802	818

8. Property, plant and equipment

	Assets under construction £000	Fixtures £000	Information technology £000	Transport equipment £000	Plant and machinery £000	Total £000
2017/18						
Cost or valuation						
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
Depreciation						
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
Net book value						
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

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 2018 using appropriate indices.

*Previously capitalised expenditure in Assets Under Construction (£10k) 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
2016/17						
Cost or valuation						
At 1 April 2016	368	1,866	15,717	1,447	6,737	26,135
Additions	160	36	218	283	365	1,062
Assets brought in to use	(341)	100	-	-	241	-
Reclassification to Intangible Assets	(20)	-	-	-	-	(20)
Capitalisation adjustment*	(6)	-	-	-	-	(6)
Disposals	-	-	(76)	(211)	(184)	(471)
Revaluation	-	-	915	73	433	1,421
As at 31 March 2017	161	2,002	16,774	1,592	7,592	28,121
Depreciation						
At 1 April 2016	-	291	9,684	1,081	5,074	16,130
Provided during the year	-	155	2,170	140	624	3,089
Provided for leased asset during the year	-	-	110	-	-	110
Disposals	-	-	(76)	(193)	(164)	(433)
Impairments	-	-	3	19	-	22
Revaluation	-	-	625	55	340	1,020
As at 31 March 2017	-	446	12,516	1,102	5,874	19,938
Net book value						
As at 31 March 2017	161	1,556	4,258	490	1,718	8,183
As at 31 March 2016	368	1,575	6,033	366	1,663	10,005
Owned/Leased as at 31 March 2017	161	1,556	4,258	490	1,718	8,183

* Previously capitalised expenditure in Assets Under Construction (£6k) charged to Operating Expenses.

9. Trade receivables and other current assets

Analysis by type

	2017/18 £000	2016/17 £000
Amounts falling due within one year:		
Trade receivables	10,599	13,352
Other receivables	54	33
Prepayments and accrued income*	11,526	12,678
	22,179	26,063

*Included within prepayments and accrued income is £5,738,000 relating to the FCO (2016/17 £5,111,000).

10. Cash and cash equivalents

	2017/18 £000	2016/17 £000
Balance at 1 April	36,662	24,737
Net change in cash and cash equivalents	21,194	11,925
Balance at 31 March	57,856	36,662

The above balances were within the Government Banking Service. FCO Services does not have any cash equivalents.

11. Trade payables and other current liabilities

Analysis by type

	2017/18 £000	2016/17 £000
Amounts falling due within one year:		
Trade payables	4,083	1,423
Accruals *	13,978	8,691
Payments on account **	4,827	7,538
Other payables ***	1,261	944
VAT	2,526	14
Dividends payable	167	182
	26,842	18,792

* Included within accruals is £852,000 (2016/17 £321,000) due to FCO in respect of payroll.

** Included within payments on account is £4,461,000 from the FCO (2016/17 £3,551,000).

*** Included within payments on account is £60,000 from construction contracts (2016/17 £nil).

*** Included in other payables is £768,000 (2016/17 £536,000) due to FCO in respect of management charges and accommodation.

*** Included in other payables is £95,167 (2016/17 £118,121) finance lease creditor.

12. Trade payables and non current liabilities

Analysis by type

	2017/18 £000	2016/17 £000
Amounts falling due after one year:		
Finance Lease	-	97

13. Adjustments for non-cash transactions

	Note	2017/18 £000	2016/17 £000
Loss/(profit) on disposal of intangible assets and property, plant and equipment	7 & 8	21	5
Amortisation	7	191	332
Depreciation	8	2,751	3,199
Capitalisation Adjustment	8	10	6
Impairment of property, plant and equipment	8	2	22
Revaluation (Write Back)/Charge	5	-	(9)
		2,975	3,555

14. Capital commitments

Contracted capital commitments not provided in these accounts

	2017/18 £000	2016/17 £000
Property, plant and equipment	341	395
Intangible assets	-	-
	341	395

15. Other financial commitments

The Trading Fund has not entered into any non-cancellable contracts (which are not leases or PFI contracts).

16. Contingent liabilities disclosed under IAS 37

At 31 March 2018 contingent liabilities existed in respect of employment £28,040 (2016/17 £83,000). While the outcome of these matters cannot be precisely foreseen it is anticipated the matters will be resolved within the next financial year.

17. 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 2017/18 and 2016/17 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.

Interest rates on the loans are fixed for the period of the loans. Cash not immediately required is invested with the Government Banking Service. The interest rate earned on cash deposits varies and will offset the interest on loans to some extent.

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.

18. 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 for International Development and Department of Business, Energy and Industrial Strategy.

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.

19. 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
27 June 2018

