

Annual Report and Accounts 2019/20

(for the year ended March 2020)

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FCO SERVICES

Part of the Foreign and Commonwealth Office



FCO Services
Annual Report
and Accounts 2019/20
(for the year ended March 2020)

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Overview

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



Foreword by Lord Ahmad of Wimbledon

Foreign Office Minister

I'm delighted to introduce this year's Annual Report and Accounts as the Minister responsible for overseeing the work and strategic objectives of FCO Services.

The Trading Fund has grown from strength to strength over the past year, generating record levels of revenue and further enhancing its place in the family of the Foreign and Commonwealth Office. On behalf of the Foreign Secretary and the staff of the FCO around the world, I thank FCO Services for delivering and maintaining the diplomatic platform through a pivotal moment in our country's history.

We have seen the benefit of our close partnership not just overseas, but also here in the United Kingdom, where FCO Services has built on its trusted relationships with our partners across Whitehall and countries around the world. As we begin a new relationship with our friends and colleagues in the EU, and respond to the COVID-19 pandemic, the expertise and skills within the organisation, combined with its ability to adapt quickly to changing circumstances, will be vital to our success.

The help and support FCO Services gave to colleagues negotiating the UK's future arrangements with the EU was invaluable. The specialist technical assistance provided to FCO and Department for International Trade colleagues in Brussels enabled the first round of UK-EU negotiations to be held in the early part of this year. The team's flexibility and quick thinking meant the negotiations were up and running against a tight deadline, ensuring secure discussions could take place across four venues.

In responding to the impact of the coronavirus, FCO Services has played an integral role in supporting the FCO from an early stage. From providing logistical and technical support to our embassies and high commissions around the world, to ensuring the highest levels of government had secure hardware and the digital infrastructure to work remotely and communicate with each other throughout the pandemic. FCO Services staff volunteered as part of the Rapid Deployment Team to Japan in January, as the crisis began to unfold. They helped the repatriation of British citizens in a challenging and distressing situation. I know FCO Services colleagues have been doing the same in other parts of the world and I am grateful to them all.

Responding quickly and working more closely across government is fundamental to the principles of the Integrated Review, the largest review of the UK's foreign, defence, security and development policy since the end of the Cold War. This review will identify how the FCO, and other government departments can meet the challenges – and opportunities – faced by Britain around the world. FCO Services is well-placed to assist the UK government, and countries around the world, to adapt to the modern ways of operating. I'm encouraged it is already planning future work in this space, and that this year saw wider relationships with the MoD and Home Office delivering world class services at home and abroad.

The wide-reaching work of FCO Services touches a great number of my colleagues within the Foreign and Commonwealth Office, around Whitehall and with our partners across the Five Eyes security community.

Whilst the next year will present challenges for us all, I know the leadership and staff of FCO Services are already looking ahead to how the business maintains and enhances its operations. I'm very much looking forward to my next visit to Hanslope Park and meeting the staff and the teams responsible for the incredible services the organisation delivers.

Lord (Tariq) Ahmad of Wimbledon
Minister of State

Foreword by Sir Simon Gass

Chair of the FCO Services Board



As Chair of the FCO Services Board, I would like to congratulate Danny Payne and all the FCO Services team, both in the UK and across the globe, for their contribution to another successful year. If we are able to point to good trading results, it is only because of their hard work. The successes of this last year have been all the more impressive given the challenges we have faced but the organisation has again shown its willingness to go to great lengths to serve the organisations we work with.

FCO Services has continued to build its reputation, maintaining a tight rein on its management of finances to ensure it offers the best value to its parent department, the FCO, and the taxpayer. In revenue terms, this has been its most successful year to date as a Trading Fund.

As I write this foreword, FCO Services is dealing with the multiple challenges of the Coronavirus pandemic. I've been hugely impressed by the way our organisation has responded to keep its staff and operations safe and to safeguard UK interests overseas. For the many people serving at posts, our logistics service plays a major part in ensuring vital supplies get to them. I'm pleased that staff have, once again, gone the extra mile to keep as many services operational as possible.

FCO Services staff have displayed their wide range of skills over the past 12 months, and a number of interesting and ambitious projects have been delivered in that time. They have supported the maintenance of the FCO's considerable global estate, including delivering projects for its Global Seismic Programme,

providing – via UK NACE – technical security to the NATO summit and have built on their relationship with the Ministry of Defence. Across the world, staff have helped deliver the organisation's strategic objectives to the satisfaction of their customers.

The Board is particularly pleased to see the improvements in workforce diversity in the last year, with an increase in under-represented groups across the organisation. Overall female representation rose to 29.3%, with increases in women taking up technical roles and in property and construction. Representation from ethnic minority backgrounds has also risen to 10.9%, and disability representation also increased to 6.8%. FCO Services has taken a strategic approach to diversity and inclusion and the results are having a positive impact on staff and building a more inclusive culture. This doesn't mean we can relax our efforts – there is still more to be done to build an organisation which fully reflects the make-up of the country we serve.

There have been seven formal FCO Services Board meetings this year, where members were able to chart the future course of the organisation and assess the progress being made against the Corporate Plan. In my role as Chair of the Nominations Committee I have been heartened to see that capability and continuity leadership is still a priority for FCO Services. This year a new process was introduced to identify and nurture future leaders. The development programme was put in place to build on much of the work that has gone before. This effort appears to be paying off and is

reflected in the annual staff survey, with an increased completion rate and higher engagement scores than last year, alongside improvements in inclusion and fair treatment.

Finally, this year I want to thank Sir Philip Barton, who stepped down in February as a Non-Executive Director on the Board. Philip was a key part of the Non-Executive team and his knowledge of the machinery of government, the diplomatic platform and his business skills will be missed. Having joined the FCO in 1986 he brought with him over 30 years' experience and a wealth of knowledge from his time as a career diplomat to the role. We wish Philip all the best for the future in his new role as High Commissioner to the Republic of India and thank him for his service.

Sir Simon Gass
Chair of the FCO Services Board



Foreword by Danny Payne

Chief Executive FCO Services

The last year has demonstrated the incredible ability of FCO Services and its dedicated staff in delivering world class operations in the most challenging of circumstances. 2019/2020 has generated the highest revenue in a 12 month period in the history of our organisation, which is testament to the incredible efforts of our experiences, and trusted teams that make up our organisation. Their expertise and agility mean that our business is well placed to adapt to the changing world we live in.

FCO Services has continued to support and enhance the UK's diplomatic platform throughout the last year, and, increasingly, the work of other government agencies and friendly governments overseas. With the world coming to terms with the impact of the COVID-19 pandemic, our extensive range of skills and services will be in demand as our customers look to change and adapt the way they work. We will be doing the same, and the success of the past year demonstrates how our organisation can do that.

As a trusted member of the Foreign and Commonwealth Office family, we have built on the extensive work we do with the organisation and have signed a new Terms of Business Agreement setting out an even closer partnership in the years ahead. We have delivered significant improvements to the diplomatic estate around the world, including the operational headquarters of the UK's negotiating team in Brussels, vital to our future relationship with our European partners as we prepare for our future outside of the European Union. Our staff have led the regeneration of embassies and high commissions

all over the globe, involving complex and technical upgrades to facilities to improve security and improve the digital communication network we have become so relied upon to deliver. Our logistics teams have delivered an exciting hub in Frankfurt which has improved the way we operate and benefitted our customers.

At the start of 2020, as the implications of the Coronavirus became clear, our teams reacted quickly to the developing situation and provided assistance to FCO colleagues in support of the effort to repatriate UK citizens back home, and to ensure the diplomatic effort was able to continue. I'm proud of the work our teams have done in ensuring our organisation was able to continue to deliver the significant support we give to the UK government in its technical, physical and digital requirements throughout this difficult period. As

our diplomatic premises around the world are drawn down, our teams on the ground have ensured our assets and our technology has not been compromised and our sites remain secure and open wherever possible.

As the Government moved to a different way of working, our teams worked around the clock to enable the new ways of operating remotely, and securely, including providing secure video conferencing facilities for the Foreign Secretary. Maintaining our highly secure digital platform for our customers through this period is, I know, appreciated at the highest levels.

FCO Services continues to expand the areas of work in which we excel, with major projects for our defence and security colleagues across Whitehall and overseas. From our base at Hanslope Park in Milton Keynes, our offices at the FCO in King Charles



CEO Danny Payne speaking at our all-staff forum in November 2019



CEO Danny Payne speaking to our FCO colleagues at our 'Working with you' customer event in 2019

Street and our hubs around the world, we have supported customers like the Home Office and Ministry of Defence on diverse projects from protecting our borders to delivering highly secure radar and communications installations, and provided exceptional consular support to colleagues from the 'Five Eyes' group of nations.

Increasing our work in the area of security and defence has been a priority for our organisation, and one which has seen new agreements signed with the RAF. As FCO Services explores how it can contribute to the Government's Integrated Review we have built on existing relationships with our partners across the sector and adjusted our business to meet their needs.

I'm encouraged by the results of our Your Say staff survey, which show a growing confidence among our staff and improvements in the way people feel valued and the opportunities they have for learning and development. Our award-winning apprenticeship scheme is entering its sixth decade and continues to develop young people into senior roles within the organisation and the wider civil service. Our staff are our greatest asset and our customers and partners recognise and trust the expertise they bring to our operations and services around the world.

As the financial year ends, the world we operate in is changing rapidly. Some of our operations and projects have needed to pause or be redesigned. Our teams across our

directorates have begun developing different services and planning new operations with our customers – old and new. Our most successful year has given us the confidence to approach this uncertain time with the knowledge we excel at change. Our advantage is the ability to adapt and adjust to our customers' needs. We will continue to rise to the challenge and support our partners to rise to theirs.

Danny Payne
Chief Executive FCO Services

Who we are and what we do

FCO Services is an Executive Agency and Trading Fund, owned by the Foreign and Commonwealth Office. We provide trusted, world-class services in property, logistics, security and digital to the FCO, other government departments and countries around the world.

Who we are

Our work directly supports the delivery of government services to the public in the UK and around the world. It underpins the diplomatic service, provides aid to embassies and high commissions and protects against counter-terrorism and espionage.

From our beginnings, we have always provided crucial security to the UK Government on an international level. Our Queen's Messengers continue an 800 year tradition of ensuring secure communications and deliveries. We have been experts in technical security since our first team was set up to keep radio communications between British embassies and the UK secure. We have a proud history of being part of the FCO, and supporting their diplomatic platform.

In 2008 we became a Trading Fund for the FCO, meaning we now offer our world-class services to several government departments, including the Ministry of Defence, the Home Office and the Department for International Development to name a few. Our Trading Fund status also helps us work more closely and flexibly with customers to find the best solutions for them.

Being a government partner and an Arm's Length Body in government means we can provide services efficiently, which ultimately benefits the taxpayer.

Our work keeping people, property, information and assets safe today continues to support diplomatic missions around the world. Highly-skilled, experienced staff develop, produce and deliver our innovative products and services.

What we do

We operate on a truly global scale, working in more than 250 missions across 168 countries.

We support a wide range of highly secure government facilities. From design and building, to providing ongoing support and consultation, we fulfil security, property, digital and logistics needs anywhere in the world.

The scope of the secure services we provide include estates and construction, logistics and disposals, specialist hosting and IT professional services, diplomatic and ministerial vehicles, regional technical support and protective security, and translation and interpreting. Within this scope, we offer consultation, testing, monitoring, product development, management, delivery and more.

We also run the UK National Authority for Counter-Eavesdropping (UK NACE), who are recognised as the national authority for technical security. Working alongside their partner organisations, GCHQ and MI6, they protect UK assets from physical, electronic and cyber attack.

How we are organised

Our staff are based in the UK and around the world, where they can offer the best support to customers. In the UK, staff are based at Hanslope Park and King Charles Street. Overseas, staff are based in our four regional hubs in Washington, Brussels, Pretoria and Bangkok, or in other posts.

We started using this regional structure in 2016/17 to bring us closer to our customers. It allows us to respond more quickly, build local supply chains and alter our approach based on the needs of each region. Each hub is headed by a Regional Services Director.

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

- Secure Global Services (SGS) provides and maintains buildings for government staff to live and work in, and the physical and technical security that keeps people, information and assets safe. SGS is comprised of UK based infrastructure, design and planning teams, including project and technical management. We deploy these teams worldwide to deliver customer services, coordinated 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;
- Global Government Partnering: business intelligence, customer experience, marketing, Diplomacy 20:20, commercial strategy, contract management;
- Engineering and Technology: innovation, product development, standards and quality management, security, business continuity and health and safety;
- Chief of Staff: CEO office, corporate communications and corporate projects.

What we aim to achieve

FCO Services has a clear vision to be a trusted government partner that is agile in deployment and global in scale. We continue to see a constant improvement in our development and what we can provide to customers.

Our strategy in 2019/20 has shifted slightly, with the core objectives of Win and Invest being completed with Deliver.

Win

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

We will demonstrate our ability to increase what we can deliver and become the leading support provider for the diplomatic platform. Demonstrating what we can do will win the trust of UK Government departments across the overseas platform.

We work shoulder to shoulder with the FCO, aligning our services with its work to transform the diplomatic platform. We aim to make our services simpler and easier to use so that diplomats can concentrate on diplomacy.

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

Invest

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

We could not do what we do without the dedication, experience and expertise of our people. We are investing in recruitment to attract the committed and talented individuals who make FCO Services what it is. Our staff are encouraged to develop

their careers and skillset through mentoring, training and our respected apprenticeship programmes.

Investing in new opportunities is important for our continued growth. We are focusing on business development, innovation and customer-facing teams to support this.

Our key principles of service are speed and agility, global reach, value for money, customer service and security. In addition to this, we are always looking to constantly improve how we work and what we offer. By anticipating changes to technology, customer expectations and the nature of security risks and threats, we can adapt quickly. Driving out waste, cost and unsustainable practices will also strengthen our organisation.

Deliver

Deliver a £200m global business, by providing excellent customer service and demonstrating value and agility:

Through growth with existing customers and targeting new ones, we aim to increase our business.

We will scale up our capabilities to deliver more than ever before excellently and affordably.

Our ambition

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

Our purpose

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

FCO Services staff showing the equals sign in response to gender equality

Performance Analysis

The performance analysis section outlines our strategies and objectives, and how we measure performance. For FCO Services, a key part of this is investing in our people.

Performance summary

Now in its twelfth year as a Trading Fund, FCO Services has established itself as the FCO's supplier of choice for logistics, IT, property and security to its diplomatic missions around the world. It is trusted to deliver complex and secure services via its network of UK and overseas teams, with hubs across the globe.

Having prepared well for all eventualities involving the UK's future relationship with the European Union, the organisation delivered strong revenue growth for the fifth year in succession. As the impact of the Coronavirus becomes clearer, FCO Services is confident it has built a good base in reserves and, with the support of the FCO, is looking to help an even wider range of government departments across Whitehall and around the world. This will be a key focus of the next financial year.

Our strategies and objectives

Our "Trusted, Agile, Global" strategy is in its third year and at its heart is our

ambition to be the world-class provider of government support around the globe. Alongside this sit our strategic objectives for the Corporate Plan period (2017-2022), which are to:

Win the trust and mandate of the FCO and One HMG partners to become the operational Support Service for the Diplomatic Platform.

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

Deliver a £200m global business, by providing excellent customer service and demonstrating value and agility.

Measuring our performance

FCO Services is accountable ultimately to the Secretary of State for Foreign Affairs, via an appointed Minister, and has an oversight board (FCO Services Board) and an Executive Board. A more detailed explanation of our governance and oversight structures are set out in the in the Accountability report on page 62.

The main Board meets bi-monthly to review the strategic direction of FCO Services. Several monthly boards are convened to assess the performance of the organisation against its objectives. The Executive Board meets monthly to take ownership of the day-to-day management and ensuring FCO Services is following its key strategic aims and policies.

The Board receives regular reports detailing financial performance, sales and marketing plans, HR statistics and service delivery issues. Separately, the Investment Board meets to ensure all spend and investment across the organisation is in line with our strategic goals and is required in order to meet our Ministerial and organisational targets.

management and a sound Business Continuity Framework. Our strategic planning will look to enhance the work we do with organisations less affected by travel restrictions. The next stage in the negotiations with the European Union on the future relationship may impact on the existing arrangements, however good controls have been put in place to plan for all eventualities.

Our position as a going concern is detailed on page 86 of the Accountability report. We also have risk strategies in place across other areas of the organisation, including security, IT supply chain, operational delivery, workforce, financial and commercial management and health and safety. Details of all of these can be found on page 76 of this report.

Assessing our risks

The risks in achieving our Ministerial targets and our corporate objectives are managed proactively through our annual risk assessment, set out in detail in the Annual Governance Statement and with oversight from the Risk Review and Assurance Board, which meets monthly to assess the impact of current and future risks. Effectively identifying and managing these risks is fundamental to the success of the organisation and managed via a dedicated risk plan, updated on a monthly basis.

The COVID-19 pandemic presents a number of risks, which have been mitigated through careful crisis

Investing in our people

The staff of FCO Services are at the heart of everything we do. Our customers value their expertise, they are a trusted part of the diplomatic family and they are central to the success of the organisation. We have redesigned our talent management system to identify and develop leadership potential and concluded our bespoke Evolve programme in July 2019. We are now working on a new framework to build leadership and management capability across the organisation.

It is our ambition to become a consciously inclusive employer of choice. The final year of FCO



Achieving the return on capital employed (ROCE) of at least 3.5% (weighted average)



A productivity ratio of at least 80%, measuring actual billable hours versus available billable hours



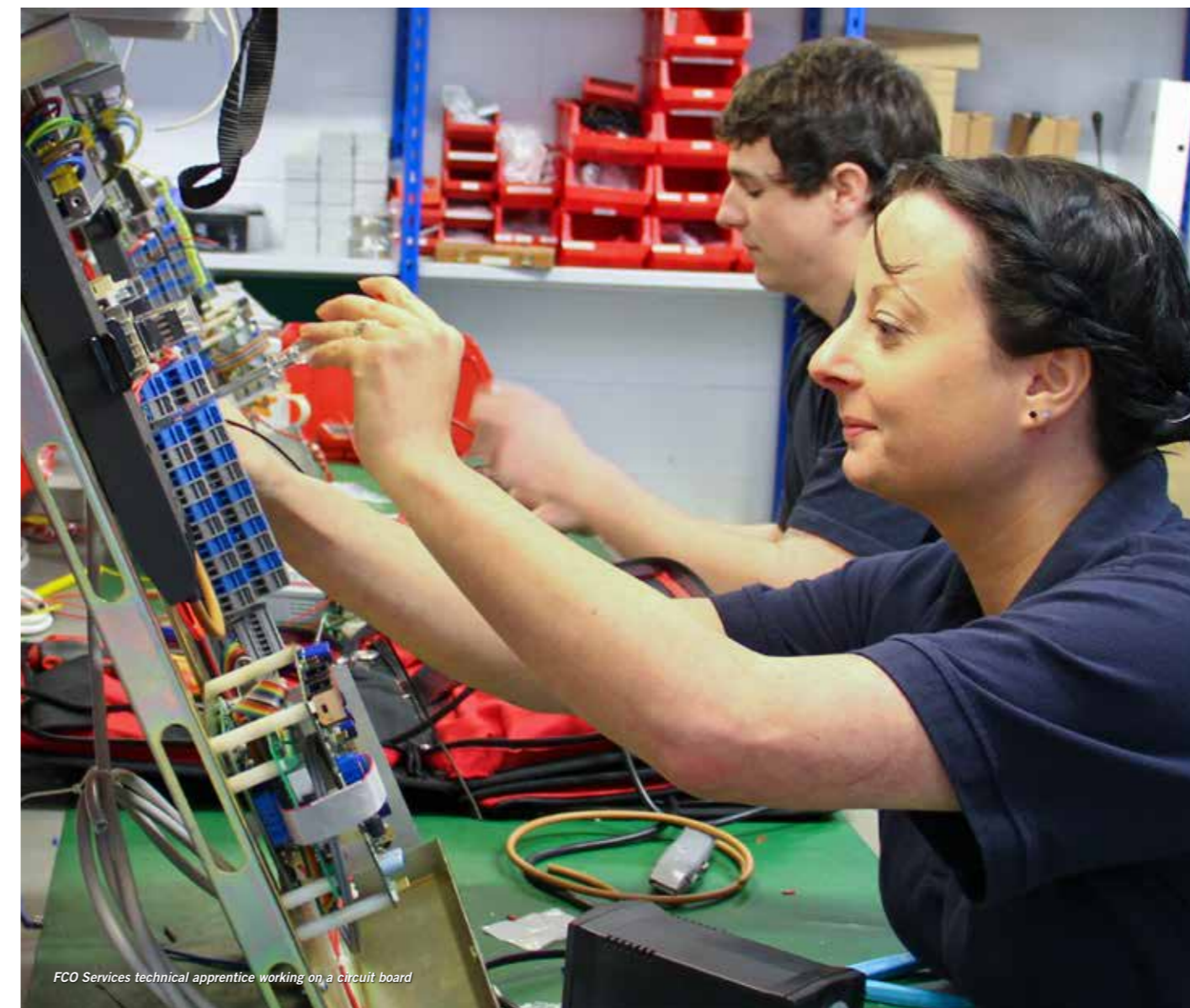
An in-year customer satisfaction score averaging at least 80%



An average Your Say score for Employee Engagement measuring 60%



An average Your Say score for My Manager measuring 63%



FCO Services technical apprentice working on a circuit board

Services' Diversity and Inclusion Strategy and Action Plan was implemented in 2019/20 and a new 3-year version is being drafted. In 2019/20, we saw improvements with representation across female, BAME and disability networks. Following wide consultation with under-represented groups, we launched a new careers website designed to promote diversity and inclusion by increasing applications from a wider field of candidates. The FCO Services Board comprises 4 women and 5 men, with parity having been achieved across our Executive Board.

We continue to make a significant investment in our apprenticeship scheme to build our longer-term talent pipeline, recruiting a further 30 people last year across a wider range of job areas. In addition to engineering and IT, we now have apprenticeships in finance, project management, cyber security and logistics.

We implemented stage 2 of the Pay Flexibility 2018/19 Business Case approved by the Cabinet Office and HM Treasury and continue to make good progress on stage 3, developing a new job family framework and career progression maps that will underpin implementation of a skills-based pay structure in 2020/21.

We seek feedback from our staff in a number of ways, with the most measurable being the annual Your Say survey, which forms part of our Ministerial targets. This year, the engagement in the survey rose to 63%, with the 'My Manager' rating at 66% - both figures exceeding our targets. Additionally, we publish internal 'pulse' surveys and seek targeted feedback, ensuring we are listening to our employees throughout the year rather than waiting for the annual survey.

Regular updates on our policies and organisational news are shared via a weekly bulletin, and during the COVID-19 period a Silver Command email, which has been issued daily. A weekly wellbeing email containing content supporting physical and mental health has also been introduced, with more information

contained on the FCO Services intranet, The Hub. Staff forums have also taken place, with a move towards holding them virtually over MS Teams now happening across the organisation. MS Teams has enabled a much greater flexibility in the workplace and its introduction made the move to Business Continuity during the pandemic much easier for staff.

Modern slavery and ethics

FCO Services takes a robust approach to slavery and human trafficking and is absolutely committed to preventing slavery and human trafficking in its corporate activities, and ensuring its supply chains are free from slavery and human trafficking. A statement on this matter is available on the corporate website.

Our Ethical Code aims to ensure all our people, employees or contractors, understand and abide by the highest ethical standards and Civil Service Code. The Ethical Code covers conduct, gifts and conflicts of interest, how we work with our colleagues, whistleblowing, how we handle information and work to eradicate unethical practices from our organisation. It also incorporates our Dignity at Work policy that sets out standards for ensuring our people receive fair treatment and respect, no matter their background, and make them able to fulfil their potential and avoid discrimination in the workplace.

FCO Services also has policies in place covering the use of contingency workers and best practice on monitoring the services provided to us by suppliers.

Whistleblowing, anti-corruption and bribery

FCO Services is committed to ensuring high standards of conduct in all that it does. For civil servants, these standards are reinforced by the Civil Service Code and in Diplomatic

Service Regulations (DSR) and Home Service Regulations (HSR). Our Raising a Concern policy, aligned with the Foreign and Commonwealth Office, is designed to make it easy for workers to make disclosures, without fear of retaliation. Details are available for staff on The Hub, FCO Services' intranet site.

Health and Safety

FCO Services focusses to keep our people safe at work. Our Health and Safety policy and management systems provide the structure and tools to design and deliver safety in all areas of our operations, both in the UK and overseas.

Safe working and compliance is supported through engagement with all colleagues from frontline delivery teams through to Board level officers. We work with customers and contractors to deliver collaborative safety solutions for often complex work activities and environments.

Safety audits and inspections have been undertaken throughout the year enabling effective measurement of performance. This assists us in our continuous improvement in safety behaviours, culture and compliance.

Our increased focus on safety risk identification and management enables identification and use of effective hazard controls and activities. Over the last 12 months Health and Safety KPIs have been introduced which provide information to the organisation on safety performance. We recognise the importance of safety competency in our teams and over the last year we have increased learning opportunities to support safe delivery by safe staff.

We continue to work across government and industry specialists to deliver suitable and effective safety tools including those embedded in our project delivery systems.

During the COVID-19 pandemic we have brought together safety skills

and knowledge to deliver safe working practices to ensure the ongoing safety of our staff and customers.

Personal data

There have been no significant lapses of protective security, or referrals to the Information Commissioner's Office (ICO) in 2019/20.

Security

FCO Services has further enhanced its security culture through combining internal security teams. Collaborative working and a dedicated security education function has been established to support continuous aligned improvements. Performance and compliance monitoring and measurement influences both proactive and reactive training, education and communications amongst our workforce. Collaboration between departments during the COVID-19 pandemic helped to create a range of efficient and agile processes including remote eLearning modules to ensure our important security function and training could continue to be delivered.

An updated Information Security Strategy and the establishment of a full project governance structure across the organisation, in collaboration with other security teams, has ensured that security is considered during all aspects of our projects and operations. We have carried out and established a routine number of checks and tests to ensure risks are reported regularly and, working with colleagues across the organisation, establish action plans to reduce any risks and issues found.

Risk management and governance, in conjunction with cyber defence, security health checks and new major systems security initiatives, are contributing to safeguarding our staff, information, technology and other assets proportionate to organisational risk. At the same time, our understanding of threat and opportunity has grown through sustained external engagement with the FCO and our partners across government.

Business Continuity

We have worked across the whole organisation to retain certification to ISO 22301, the international standard for Business Continuity. This reflects

our continued focus on business continuity planning, exercise and delivery which underpin our ability to maintain resilience during critical moments. This has been reflected in our structured and comprehensive business continuity approach during the COVID-19 pandemic. Our commitment to effective business continuity activities continues to support our delivery to customers.

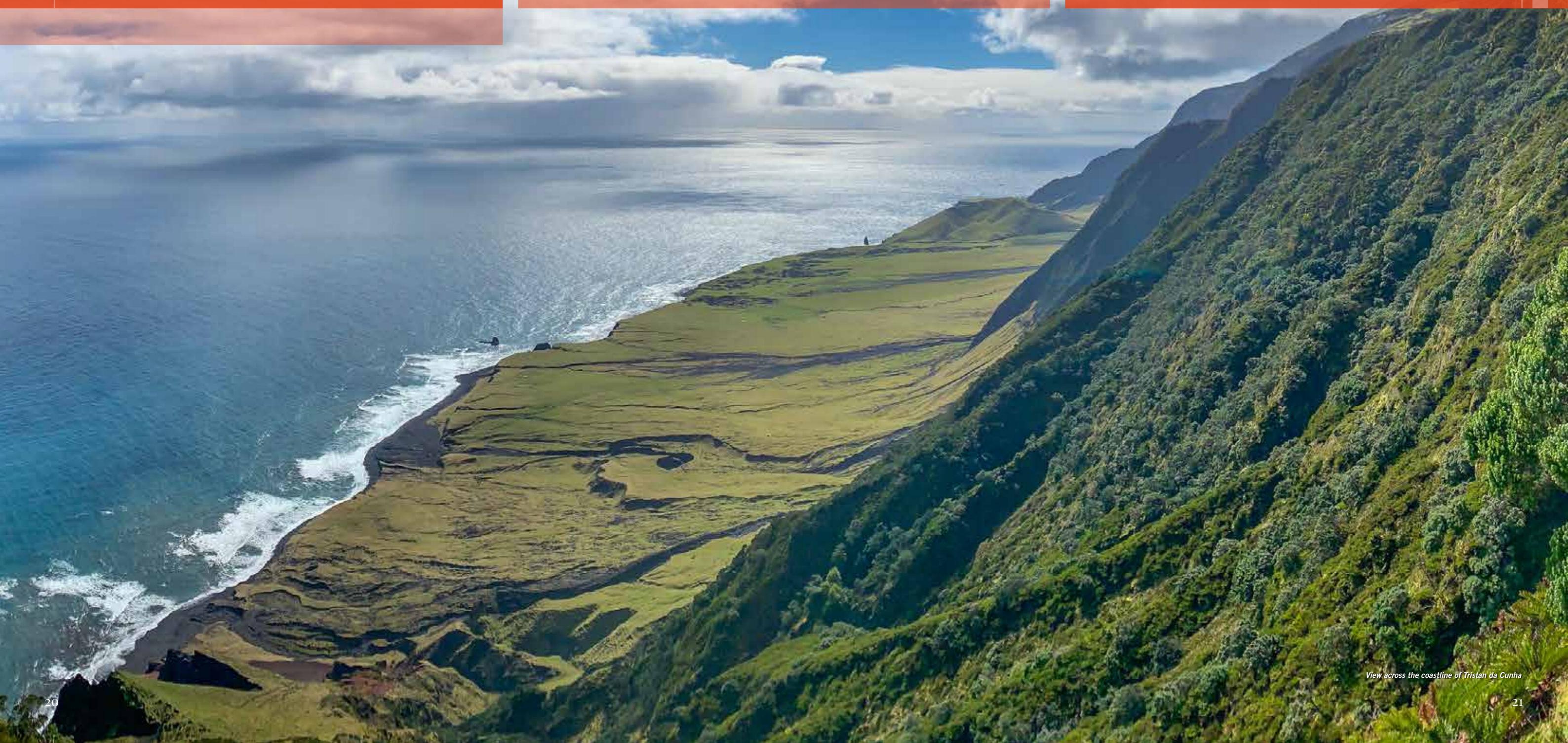
Performance in responding to correspondence from the public

As a public organisation, FCO Services is subject to the Freedom of Information Act (FOI) which creates a public "right of access" to information held by public authorities. Individuals also have the right to obtain a copy of their personal data held by the organisation as well as other supplementary information, known as a Subject Access Request (SAR). Under this Act, FCO Services must provide answers to the public when they submit an FOI request. In the last 12 months, FCO Services received 22 FOI requests and three SARs.



Our Highlights

In this section we concentrate on our work with the FCO and other Partners Across Government. We look back over the last year though our key strategic objectives: Trusted, Agile and Global.



View across the coastline of Tristan da Cunha



Trusted

FCO Services has, throughout the last year, continued to provide world class support across a wide range of disciplines to the great offices of state, security agencies and countries around the world. Our ability to deliver high quality and reliable services, frequently at short notice, has been further enhanced this year with several high-profile operations which have had significant impact on our customers' and partners' successes. Our core services remain the maintenance of the diplomatic platform, delivering the most secure communications facilities, ensuring our country's embassies and high commissions are of the best quality and providing secure and efficient logistics support around the world.

Our close relationship with the Foreign and Commonwealth Office is the backbone of our operations. We are a trusted part of the FCO family, and as a Trading Fund have the ability to support their operations in a unique way. Growing our revenues for the fifth year in succession, our position to develop our platform and create new business is better than ever. Some of the most successful work undertaken by FCO Services in the last 12 months has been to deliver high quality projects and operations for the FCO, which have helped to shape the future relationships of the United Kingdom.

As we embark on a new relationship with our partners in the European Union, FCO Services was on hand to provide excellent consular assistance

to our mission in Brussels. Creating the space for the UK's negotiation teams to operate securely in their discussions with the European Union was something our teams were able to set up quickly and under considerable time pressure. Their dedication to the project was commended by our FCO and Department for International Trade colleagues, and ensured that when negotiators arrived they were able to hold their meetings across four separate locations.

FCO Services has over the last 12 years come to be relied upon by agencies across the UK government but also by many countries overseas. This year saw further strengthening of our relationships with the Canadian and Australian governments with



Our mailroom in King Charles Street bagging up our Diplomatic Bags

the signing of agreements on future projects. Our reputation for delivering unparalleled consular support has seen our services used by countries across the world, and we are one of the few organisations with the capacity to do this in every region of the globe at such short notice.

With our future operations likely to reflect the changing nature of global security, our work with the UK's Ministry of Defence and the Home Office is an area of growth for FCO Services. We have enabled the UK Government to operate effectively through a time of crisis through the work of our digital and technical teams. With the design and delivery of secure hardware, and installation of highly sensitive equipment, we have assisted the highest levels of government and our civil service to continue to communicate in times of need. The response from our technical teams during the COVID-19 pandemic has been exceptional, and has given our partners a deeper resilience to managing this difficult time.

Our domestic operations include extending current work with civil security services, counter terrorism

activities and working with the Home Office on tracking freight movements from UK ports. In each case, our clients rely on our ability to deliver these services to an exceptionally high standard in challenging circumstances.

We're proud our team of specially trained reviewers have adapted their extremely technical and sensitive work to the digital space. The advances we have made in these operations, including the use of artificial intelligence, have been expanded to cover even more government departments. This, in turn, has allowed even more sensitive information from the national archives to be safely made public, and available to more people.

The National Authority for Counter-Eavesdropping (known as UK NACE) is the leading government technical security organisation, ensuring the UK Government's most sensitive classified areas in its estate are protected from hostile agents. It works closely with other government security agencies to provide operational support to the Government and its partners, including support of the NATO summit in the UK at the end of 2019.

Aside from its practical protection work, UK NACE is also a world leader in research and development, using its extensive historic knowledge of tradecraft and countermeasures in the design of new detection and threat mitigation measures.

Current research is focussing on the use of autonomous drones and electromagnetic detection. More details are available in the Focus on UK NACE article on the next page of this report.

FCO Services has also been developing a highly secure public address system designed to meet the unique building requirements of the Foreign and Commonwealth Office in their premises around the world. The system will provide live safety alerting and critical communications to FCO Services staff wherever they are based. Our staff are designing this critical solution in partnership with the FCO, with engineers ready to design, install and support the new solution over the next five years and beyond. Initial UK trials are due to take place later this year.



Getty image – freight container ship at Felixstowe port



UK NACE

In conjunction with the two other National Technical Authorities (NTA), the Centre for the Protection of National Infrastructure (CPNI) and the National Cyber Security Centre (NCSC) we provide practical advice and guidance as well as operational support to the UK Government and its partners.

Our highly skilled teams within UK NACE Services are trained on the latest equipment and techniques. Their aim is to ensure our most sensitive classified areas within the UK Government estate are protected from hostile actors using a number of highly sophisticated threat techniques.

The UK NACE NTA provides policy, guidance and advice and is the lead for the technical security profession across the UK Government. The Security Discipline is composed of four core specialisms; physical security, personnel security, cyber security and technical security. The Deputy Director role within the National Technical Authority doubles up as the Head of Profession for the technical security discipline.

The origins of UK NACE

After World War 2 it became apparent that there was a need to protect British Embassies located in the newly formed Communist Eastern Europe from the threat of technical espionage attack. It started (for the organisation that later became UK NACE) with a letter from Ernest Bevin, the then Secretary of State for Foreign Affairs. The letter dated 25 September 1945 facilitated the proposal to second a group of Post Office engineers to the Diplomatic Wireless Service, Hanslope Park, to undertake "conservative electrical maintenance" on the telephone and telegraphy systems in missions abroad and "some preventative work such as anti-eavesdropping."

On the 31 September 1946, 24 Post Office Engineers were seconded to the Foreign Office as the Foreign Office Maintenance Engineers Service (FOMS). This service was subsequently integrated with the Diplomatic Wireless Service. The maximum salary for a Junior Inspection Officer (ET5) in 1952 was just £410 per annum.

The UK National Authority for Counter-Eavesdropping (UK NACE) is mandated by the UK Cabinet Office as the lead government organisation in the field of Technical Security across the UK Government.





Ernest Bevin, who, as Foreign Secretary, set in motion the creation of UK NACE in 1945

In 1958 a Cabinet Office paper made the following statement regarding the now titled Foreign Service Technical Maintenance Service; "FSTMS are the only UK department who have the authority, skill and knowledge to undertake security searches and are the UK authority on counter-eavesdropping." The title UK NACE was later developed as a result of this paper.

During the cold war and its aftermath UK NACE worked predominantly within the FCO Estate mainly located at Hanslope Park, London and in UK missions overseas. Between 2006 and 2008 FCO Services evolved from a Government Executive Agency within the Foreign and Commonwealth Office, to become a Government Trading Fund. This resulted in the services that were previously only available to the FCO and its agencies now being available to all government departments and some List X companies.

In 2019 an internal reorganisation of UK NACE entitled "NACE 2.0" was carried out to separate the operational tasking carried out by NACE Services from the policy and advice work of the National Technical Authority (NTA).

UK NACE today

The work UK NACE carries out today is controlled within the strictest of confidences of our customers. In the past 12 months we have completed work for 62 different organisations who all have roles within or are working for the British Government.

The pie chart below illustrates the diversity of customers who have requested the services of UK NACE within the past 12 months.

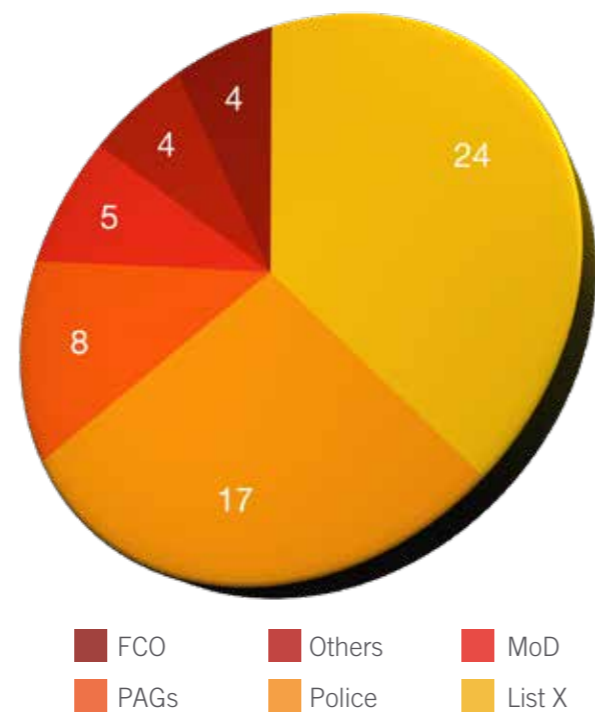
An example of the importance of our role was demonstrated while supporting the NATO summit held in The Grove, Watford, in December 2019. UK NACE assisted the NATO Office of Security and the FCO to ensure their technical security requirements were met to their full satisfaction.

NTA research and development role

UK NACE has a track record of identifying, developing and implementing innovative tools and countermeasures over the past 75 years. Now, with operational technology reaching new heights in its accessibility, capability and concealment, UK NACE looks to work collaboratively on tackling modern technical threats. Using the historic knowledge of tradecraft and active field deployment, alongside the application of scientific principles, we endeavour to evolve our detection and mitigation techniques for the modern threats we face.

From the applied scientific theory and proof of concept stages through to engineering partnerships to create products and countermeasures techniques that meet the challenges of modern technical vulnerability exploitation. Combining multiple

UK NACE Customers 2019/20



disciplines such as psychology and computer machine learning is the key to evolving previously successful techniques to match and mitigate current operational attack methods.

There are currently two research and development projects overseen and funded through FCO Services/UK NACE in contribution to a UK Government Sponsored Postdoctoral Fellowship Programme with UK Universities.

'Risk Sensitive Robot Swarms for Effective Environmental Monitoring and Anomaly Detection' is to investigate how autonomous drones and robotic platforms can be applied to improve monitoring and early

detection of potentially disruptive events across the FCO estate.

'RF and Microwave Trapped Ion Quantum Sensor for Counter-Eavesdropping' is to investigate how quantum technology can lead to novel and high sensitivity sensing of electromagnetic fields for technical security applications.

UK NACE Academy

As part of the National Technical Authority for Technical Security, UK NACE Academy offers training to UK government and law-

enforcement personnel tasked with assessing and managing technical security risk to sensitive assets within protected environments.

The Academy offers a range of training from awareness to practitioner level. Courses delivered are designed to provide security education awareness for technical threats and vulnerabilities, to enable effective risk mitigation strategies. The Academy also delivers practical skills training to equip government partners and agencies with an effective in-house Technical Surveillance Countermeasures (TSCM) capability.



The history of FCO Services dates back to our origins as the Diplomatic Wireless Service



One of our Digital Sensitivity Reviewers analysing a document before submission to The National Archives (TNA)

Digital Sensitivity Review process now live and operational

Government departments are obliged by the Public Records and Freedom of Information Acts to select, review for sensitivity, and transfer public records to The National Archives (TNA). Our Sensitivity Reviewers review all FCO files prior to their transfer to TNA to ensure they are safe for publication and wider public distribution.

Government departments are obliged by the Public Records Acts to transfer historical public records to The National Archives (TNA) on an agreed timescale. Our Sensitivity Reviewers examine all FCO files prior to their transfer to TNA, and redact as necessary to ensure they are safe for publication. From the mid-nineties, FCO files were being stored digitally as well as on paper, and digital files must also be reviewed and transferred.

In 2018 a team of experts from Global Digital Technology (GDT) and the private sector came together to create a system to review and transfer these digital files, since one did not exist already. From the beginning it was clear that we should take advantage of Artificial Intelligence (AI) to allow our human reviewers to work more quickly than is possible in paper review. We established a multi-phase development plan, agreed with our FCO customer.

The system needed to be robust, future-proof, provide an effective interface for the reviewers through state of the art hardware and software, and meet rigorous government security protocols. We achieved all of these and

the first viable system became operational in April 2019.

Risk and efficiency

Reducing risk and improving efficiency are key to developing a system capable of managing a digital record collection that expanded exponentially from its early beginnings.

Through experimentation, we have increased the speed at which our Sensitivity Reviewers can find the information they're looking for. Using their experience, and by uploading the decisions they've made in the past, we created guidance that could be understood by a computer. When we apply this to our current records, it helps answer questions and speeds up the review process.

We continue to experiment with rule-based digital sensitivity review and regularly evaluate its implementation to assess how we can improve.

New tools continue to be developed to ensure that topics in the FCO records collections are found and recognised as historically relevant for transfer to TNA.

Fast moving technology

Over the last year, our team have introduced robotic applications to further reduce the risk of human error by standardising repeatable business processes, and to accelerate manual tasks such as gathering relevant information.

We continue to improve digital assistance applications to increase efficiency. These help our highly-skilled reviewers to simplify the execution of complex tasks.

We have made progress on other applications that enhance our core capability by providing relevant insights, reducing the time required to analyse material. We have also introduced semi-automation to remove human effort where it makes sense to do so.



The team looking at the Process Monitoring Dashboard

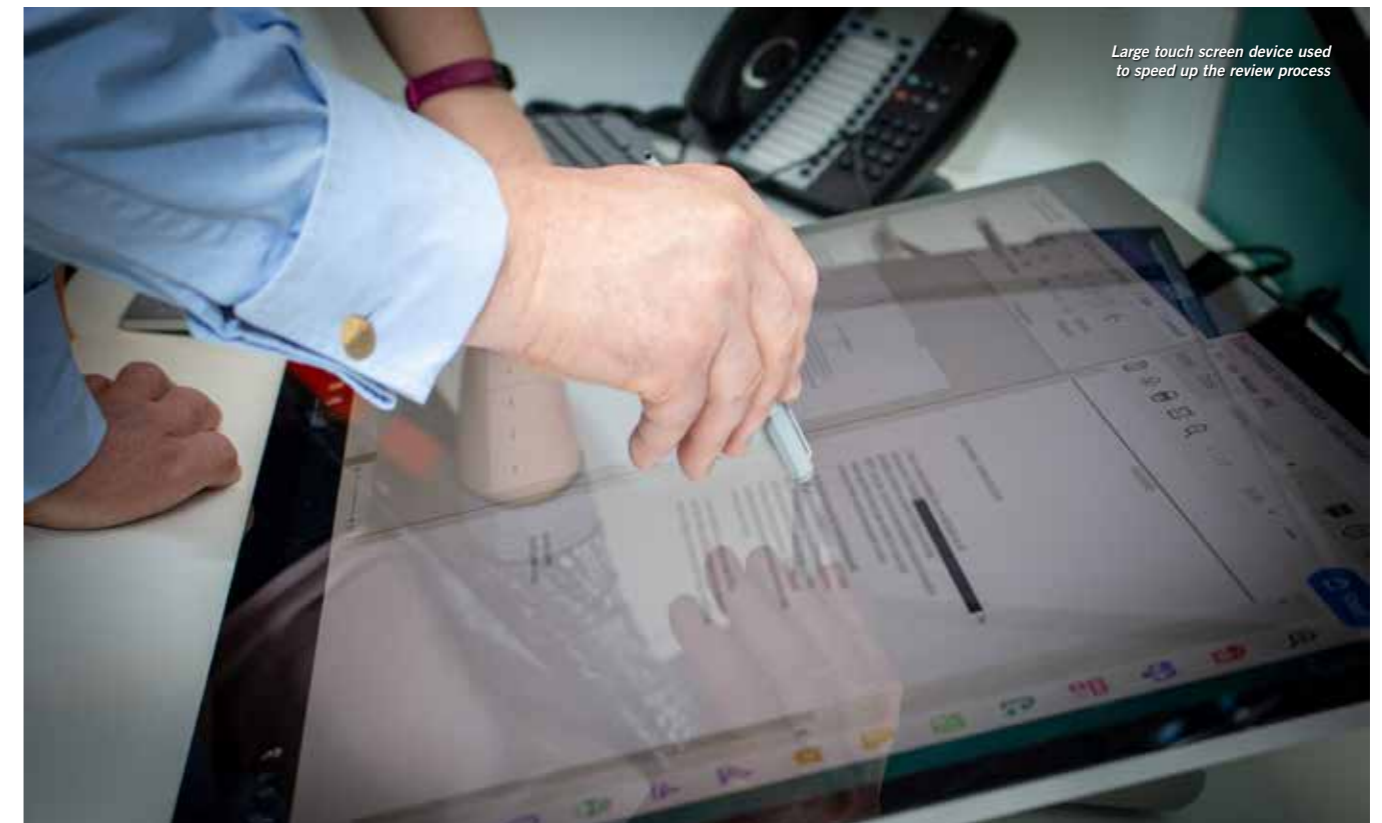
Future potential

We value collaboration and have expanded our consortium to include a trusted community of experts across different disciplines to ensure we remain at the leading edge of technology.

Mindful of the commercial potential, our modular approach builds

in the ability to take advantage of emerging technologies to continue leading the way.

Interest across HMG remains extremely high. In the last year, we have briefed a number of Government Departments on our progress, and started work on a feasibility study for HM Treasury. We expect to expand our activities as it becomes clear that we have the right solution for Whitehall Departments.



Large touch screen device used to speed up the review process

Agile

The nature of the work FCO Services does requires us to plan for change and expect all eventualities. We are able to react quickly when circumstances alter, and our planning teams are experienced in ensuring all possibilities are factored into our strategies. Our partners and customers rely on our ability to deliver in high pressure environments and maintain our services when the situation changes.

Our structure, including our trusted suppliers and our extensive global network of hubs around the world, means we can support a wide range of projects and operations in different fields. We are able to provide support in a range of areas for each project, removing the risk and uncertainty for our customers.

The skills and expertise of FCO Services' staff is wide, and we are often called upon to assist in crisis situations. When the travel agent Thomas Cook went into administration, a technical officer deployed at an overseas post in Turkey volunteered to assist the repatriation of British citizens as part of the FCO's Rapid Deployment Team. He worked closely with our FCO colleagues over four days helping manage a difficult situation with thousands of people in distress. Our staff regularly travel at short notice to difficult locations around the world and go the extra mile to help our posts overseas, particularly in times of crisis.

As the spread of Coronavirus began in the early part of 2020, the impact across the Asia Pacific region meant our teams there were called upon to undertake a variety of operations at short notice and requiring significant

logistical planning. Wuhan, in China, was one of the first consulates to draw down some staff, with FCO Services staff on site to remove equipment and move it back to the UK. Across the region our teams helped get IT services up and running to assist consular staff in their duties of getting people home, and our teams provided practical support in those operations as well, assisting with the public and taking on crisis roles.

In New Delhi, our team was able to help the on-site nursery which had closed to provide virtual classes and stories, helping parents to educate their children from home. We were thanked for helping those families to maintain their "normal" routine in difficult circumstances and to help keep up the spirits of the children.

Much of our innovation and development in physical security requires bespoke components for our customers across government. In the last year, FCO Services has invested in an enhanced digital design and 3D printing capability to speed up the development process of bespoke systems components. Previously, creating unique prototype components was often time consuming and costly, due to the length of time taken to produce and the logistical delays involved. Our new in-house enterprise grade design and 3D printing capability means lead times are down to days not weeks and FCO Services can get early feedback from customers and internal subject matter experts. This has been vital in delivering what our customers want and is a key goal of FCO Services' product development.

Additional investment has been made in state of the art laser cutting equipment to help our teams quickly turn around complex metalwork items which we design as prototypes and then manufacture. We are able to be far more responsive in the way we work and reduce our reliance on our supply chain to deliver bespoke equipment for our projects. This capability underlines the true diversity of FCO Services' capabilities, across a broad base of different disciplines, and our ability to provide a wrap-around service to our customers and partners.

Providing secure facilities for high level negotiations and meetings is part of our everyday work, and we have delivered dozens of bespoke Secure Conferencing Rooms for our partners in the last year. Each requires specific design and fit out, with many different considerations to be taken into account depending on location or customer needs. Our teams are expert in assessing the complex requirements of each situation and ensuring all security risks are considered.

Helping our staff to maintain great relationships with our customers is fundamental to our success in the last year, and a dedicated Customer Relationship Management tool – Salesforce – has been successfully implemented. It is now crucial to the way we operate and make effective decisions, allowing FCO Services to manage risk, be more responsive to customer needs and to identify which markets to focus on in the future.

CEO Danny Payne holding a meeting in one of our Secure Conference Rooms (SCR)

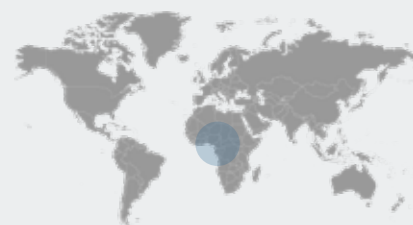


Vehicle radio on one of the Yaoundé High Commission cars

Digital radio for Yaoundé

Radio systems upgrade for the high commission in Yaoundé

Over the last few years, the Foreign Office has been working on rolling out digital radio in all of its overseas posts. In 2019, it commissioned FCO Services to complete a vital digital radio upgrade for Yaoundé.



Radio communications are vital in order to communicate efficiently and effectively with all staff based at a post. The radios are used for the day-to-day running of overseas posts and are crucial in times of crisis. To date, we have completed digital radio upgrades at over 170 posts globally as part of our rollout programme.

Following a survey in Yaoundé carried out by our technical team which found that the existing radio set up needed to be upgraded, a local team repaired the repeater tower and brought it back into a useable state. When our surveyors returned to re-survey the system - with the repeater tower in working order - they were able to concentrate on completing the essential system upgrade.

As the equipment had already been dispatched to post after the initial survey, our surveyors had everything they needed to complete the install themselves, instead of sending out a dedicated installation team. This saved both time and money on this project.

Radio coverage was reinstated to cover all vehicles, residences and offices with the added benefits associated with a digital system.

Analogue radio systems need to be upgraded because the technology is ageing, and the digital system can be made more secure. The team also retrained all staff and were able to demonstrate the advantages in the new system.

The radio system was recently used to its full extent during the evacuation of Foreign and Commonwealth Office staff (and British nationals) during the COVID-19 pandemic. The FCO faced major challenges with poor internet connectivity while at the airport in Douala which impacted connecting laptops to the Internet. With the Consular team spread out across the airport, radios were the best solution for keeping in touch with each other and communicating with base.

"We found radios to be the best solution for keeping in touch with each other. This enabled us to feed along updates from and to base, and to co-ordinate the team at the airport, thus delivering a successful charter."

Nigel Holmes,
Deputy British High Commissioner

Getty image – freight container ship at Felixstowe port



Automated freight tracking solution to protect UK's borders

Freight containers are stacked 10-15 units high with rows stretching as far as the eye can see. If Border Force had to manually log and identify containers for inspection, there would be lengthy hold ups directly impacting the reputation of the UK government. They needed a technology-driven solution to automate the identification of potentially suspect containers.

FCO Services enjoys a long relationship with the Home Office and Border Force, and, in 2013, was commissioned to provide a solution to support their critical operation. We implemented an Automated Freight Tracking Capability Shipping Container (AFTC SC) Service Application. It tracks all freight containers being shipped to the UK, identifying containers that may contain prohibited items.

"FCO Services has provided a unique hosting service throughout the lifespan of the AFTC SC application. Their collaborative and constructive approach, as demonstrated with the business and other application suppliers from inception and in BAU, has resulted in a service which is corporately viewed as a benchmark across Home Office Enterprise Services."

Service Delivery Manager,
Border Force

The application enables Border Force to intercept these suspect containers quickly and efficiently. They can now pull specific containers from a ship, investigate them and (if safe) allow their onward journey with very little impact on the scheduled arrivals at a port.

FCO Services provides hosting for the application and an IT support package is in place, with first and second line support for our Customer. Regular customer engagement and a robust reporting function ensures FCO Services continues to provide an optimal service for our Customer.

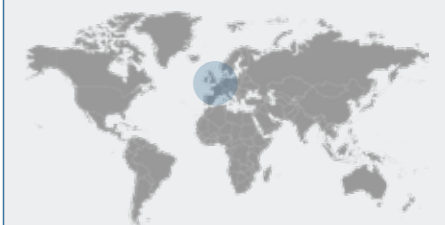
In early 2020, Border Force invited FCO Services to visit the port in Felixstowe to see our solution in action and experience how it supports operations.

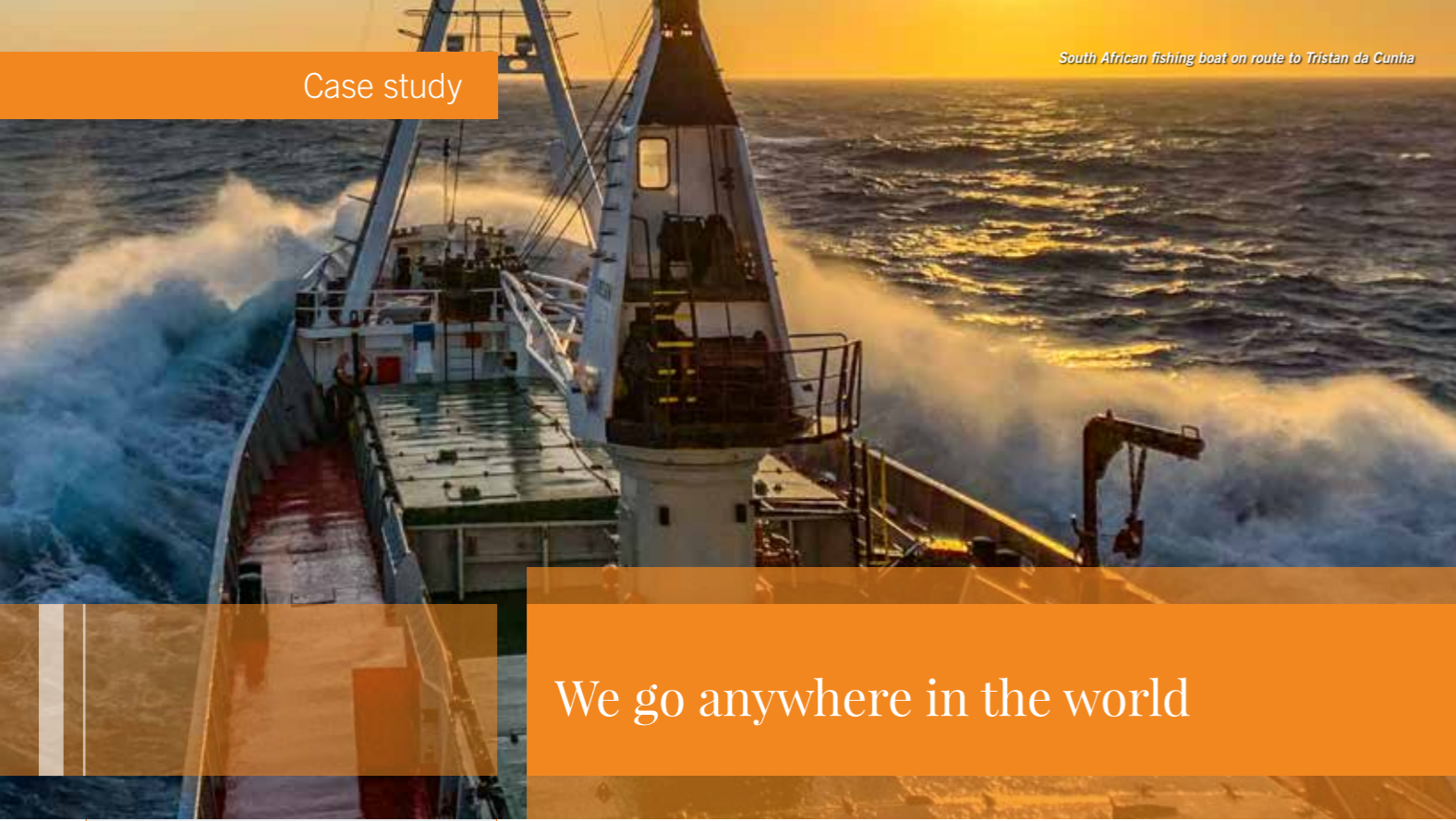
Our Customer Relationship Manager said, "Seeing our application working effectively on the ground brought to life the critical work we support on a daily basis. It is so much more than hosting, we are actively protecting our nation. I'm grateful to Border Force for providing my team with this invaluable experience, seeing this impressive, critical operation."

The project with Border Force is an excellent example of the vital role we play in supporting UK government departments to keep our people and our assets safe.

Securing our largest port

Felixstowe is the UK's largest sea port and each year handles 45% of the UK's sea-bound freight, which equates to more than four million 20-foot shipping containers. With thousands of freight containers arriving daily, Border Force, part of the Home Office, secures our ports and entry points by carrying out immigration and customs controls for people and goods entering the country.





South African fishing boat on route to Tristan da Cunha

We go anywhere in the world

Supporting the Foreign Office in Tristan da Cunha

When severe storms hit Tristan da Cunha in July 2019, widespread damage was sustained to official buildings on this tiny and remote British Dependency in the South Atlantic. The impact of the storm needed to be surveyed so that buildings could be quickly restored.



FCO Services rapidly mobilised to provide emergency support to the Foreign Office in the South Atlantic Ocean. Within two weeks, a Structural and Civil Engineer undertook the long journey out to Post to inspect the damage and recommend repairs.

Tristan da Cunha, lying approximately 1,500 miles off the coast of Cape Town in South Africa is not easily accessible. With no airport, the only way to get there is by boat. After flying into Cape Town, the journey took a further nine days on a South African fishing boat.

The work involved three key areas. Firstly, assessing structural damage to official properties and providing advice on the integrity of other structures on the island. Several buildings were affected including the Governor's residence and Administration Building. Our engineer put together a report with recommendations for remedial repairs to be carried out by trained locals from the island.

Secondly, electrical inspections were completed on the Administrator's Residence and the Administration Building in liaison with one of our UK-based Electrical Engineers. Our engineer supplied an electrical specification for rewiring, for the local electrician to follow, meeting best practice standards.

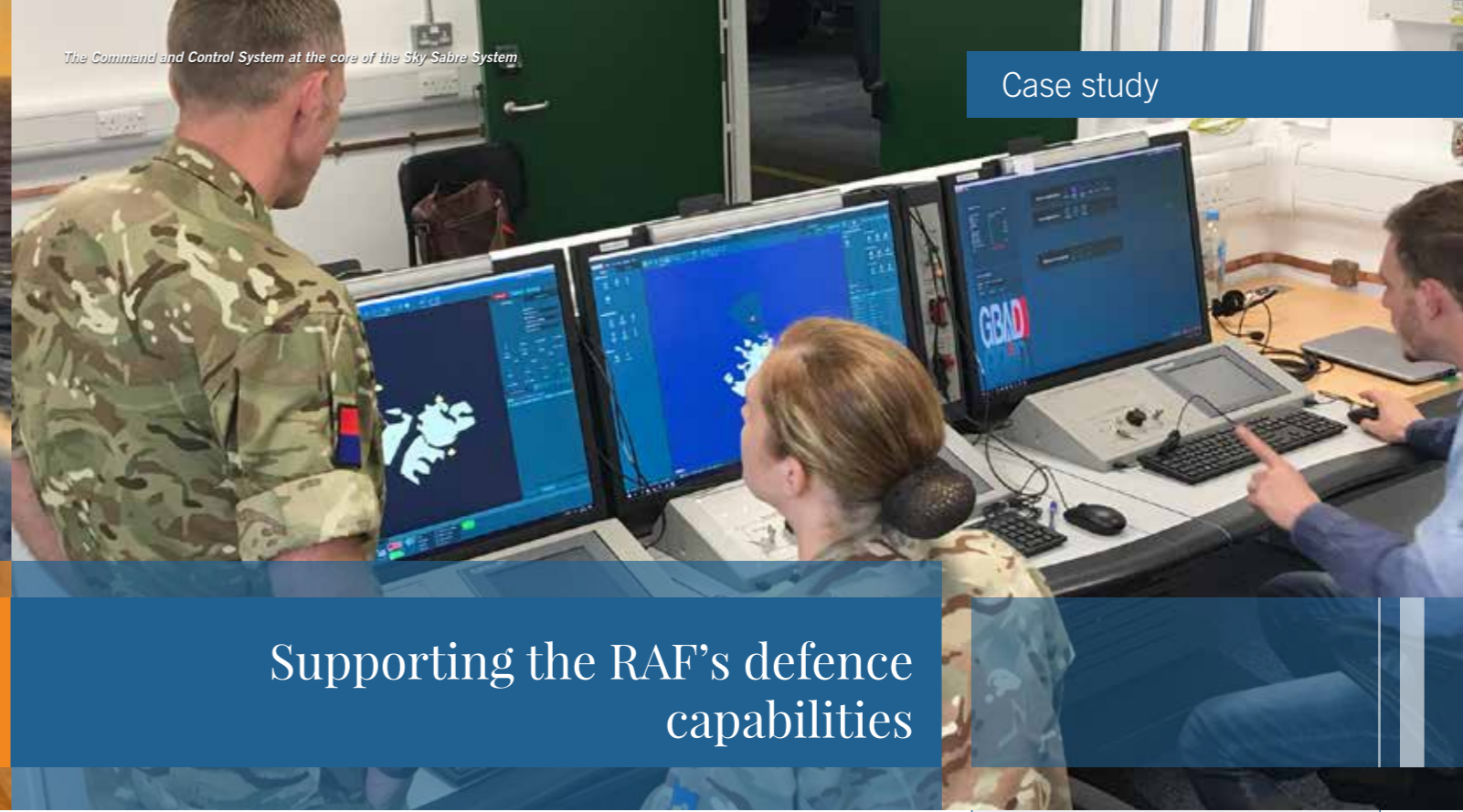
Finally, the servers housed in the Administration Building sustained water damage during the storm, and had to be shut down. These systems are integral to maintaining communications on the island and with the outside world. Our engineer conducted a survey to assess the vulnerability of this vital communications equipment and put forward a proposal. This piece of work will be carried out in a future project.

We worked closely with the Foreign Office Administrator at post in Tristan, and recommendations have been well received. We look forward to returning to Tristan in the future to deliver our proposed solution to protect and future-proof the island's communications equipment.

"Our people are experts in their professional disciplines, understand the diplomatic estate and are skilled at working in challenging locations around the world. This is a striking example of how we can respond quickly and effectively to a crisis situation."

**Richard Jones, Head of Professional Services Centre
FCO Services**

The Command and Control System at the core of the Sky Sabre System



Supporting the RAF's defence capabilities

Described as "a truly integrated air defence system", Sky Sabre is intended to enable British forces to identify and engage targets at much greater distance than its predecessor and brings unprecedented speed, precision and reliability.

As a critical part of the overall Air Defence programme, the project required a technical and security upgrade of existing rooms at Baker Barracks on Thorney Island. These secure areas were needed to provide a suitable environment to enable training of personnel on the new equipment.

The RAF approached FCO Services and we were appointed as Principal Designer and Contractor by the Ministry

"Without FCO Services' involvement in the Sky Sabre Programme the required secure training facility would not have been delivered in time. The success of this Programme hinged on the ability of FCO Services to deliver the complete infrastructure solution; the end result is a cutting-edge facility underpinning a transformational capability."

**Lieutenant Colonel,
HQ Air Command**

of Defence (MoD) Joint Sensor and Engagement Networks (JSENs). We were commissioned to work in conjunction with subcontracting partners to deliver the secure training areas required for the project.

FCO Services provided a complete service including the design, supply, build, and installation of the training areas, delivering a solution that was fully operational. We produced design documentation as well as construction services and technical oversight of the architectural, mechanical and electrical fit out.

Our input included subcontractor procurement and supply of security hardware as well. We successfully completed the project on schedule and within budget in May 2019.

The installation was designed to protect against both technical and acoustic attack and intrusion and was uniquely created to the customers' specific requirements. Our extensive experience in delivering secure speech environments enabled us to work efficiently and innovatively and deliver a solution that was well received by our customer.

This work provided a great opportunity for us to collaborate on such an important and high profile project harnessing our expertise in this area.

A ground-breaking RAF air defence missile system on Thorney Island

Sky Sabre, a Ground Based Air Defence (GBAD) project is high profile for the RAF due to its size and scale and the enhancements in technology.



Tristan da Cunha sign post indicating its 'nearest' landmarks



Global

FCO Services has a global reach and, through our hubs and units based around the world, can move quickly to support planned and reactive operations wherever needed. The work of our logistics operation is extensive and enables the FCO to maintain its service to posts around the world. Our ability to develop and deliver high quality estates projects, including design, build and security services, has meant the UK's diplomatic profile has been increased in hard-to-reach locations.

Our teams all over the world have led the implementation of the new GB12 posts, including four new posts for the FCO across the Caribbean, delivered six months early. One of our largest projects which has been in planning and delivery throughout the year has been the new embassy in Bangkok. FCO Services was commissioned to take overall responsibility for the project from beginning to end. It involved a broad range of the FCO Services family in construction, from design to technical security and logistical delivery. The disruption caused by the pandemic and the impact on travel to the region has provided the team with some challenges, however plans are in place to complete the work in the early part of the next financial year.

Providing the secure logistics and the Diplomatic Bag Service for the Foreign Office is one of our core responsibilities. Our Queen's Messengers are one of the most experienced and respected courier services, delivering classified material effectively and securely, anywhere in the world. All our staff are security cleared and experienced in carrying sensitive and classified material and

we have a global network of regional centres and bilateral agreements in place with countries around the world.

Even during the pandemic, with the most severe travel restrictions we have experienced, we have been able to maintain a basic service delivering important materials and equipment to our teams overseas.

Our teams throughout the year had to deal with some challenging situations at post, and worked with colleagues from the FCO and other government departments to resolve complex situations.

Whilst the safety of the buildings and systems we design is paramount, our primary care is the safety of our staff, who are frequently in some of the more challenging locations on the planet. Our travellers now benefit from a comprehensive set of policies, processes and infrastructure to ensure

that we can properly prepare them for risk, alert them to incidents or emerging threats based on their location, account for all of our travelling staff in a crisis and provide a comprehensive response around the clock.

All travel itineraries are managed in our 'SOLACE' Travel Risk Management system, with pre-travel briefings automatically sent to the traveller prior to departure. Travellers can periodically send their location, call for help, or activate an SOS alert for assistance or advice 24/7/365. Project managers can research the risk profile of destinations to assist with planning, and Regional Management Teams have instant access to information on the location of their staff or details of who is visiting their region from outside. We have had significant interest from other UK Government departments wanting to follow our initiative in recognition of our comprehensive, risk-driven approach.



Grounds at British High Commission Lesotho

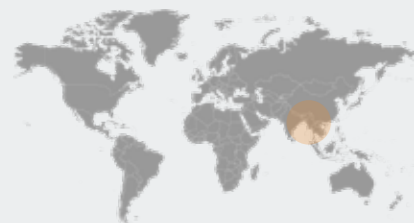


Cityscape view of the new embassy building in Bangkok

New embassy for Bangkok

From historic building to modern tower block

With the sale of the British Embassy building in Bangkok, the Foreign Office acquired premises in a modern tower block, spread across three floors in a new location for their staff.



The new premises needed to be operational and secure and so the Foreign Office engaged FCO Services as the Principal Contractor to manage this project. As well as taking on overall responsibility for the project, we supplied and fitted the technical systems across all three floors, and delivered a complete fit-out across one of the floors.

The embassy needed designing to suit both the Foreign Office and other Partners Across Government (PAGs), as well as meeting building compliance with the landlord and Thai authorities. We consulted all invested parties throughout the process. Our Professional Services team designed the space in a full 3D model prior to construction, to make sure we overcame all design challenges. This highly complex project took twelve months.

Essential to making the new embassy operational was getting the security right. Our team from the UK National Authority on Counter-Eavesdropping (UK NACE) provided overall security input and supervision. With a rotating team of technical security specialists onsite at all times, they ensured the integrity of the mission.

To ensure the Foreign Office could be confident in the security of their new embassy, our logistics team shipped over 60 tonnes of kit to post via our Diplomatic Bag Service, and over

two thirds was escorted. We flew out our security cleared technical team, to install the security system, one of their single largest technical fit-outs, covering over 3,000m² of office space.

Along with meeting security specifications, we balanced the project requirements with the restrictions of the landlords design philosophy and the limitations of a multi-occupancy building. In this way, we have both met all required standards and maintained a good relationship with the landlord.

On request, a team from FCO Services travelled out to Bangkok to support the Foreign Office with the final stages of this project in May 2020.

"The personal skills, experience and professionalism of the FCO Services team along with the organisational capability and infrastructure developed to deliver difficult projects around the world has enabled the team to overcome each obstacle presented and complete the secure zone fit out with the minimum of fuss and to a very high standard."

**Programme Director,
Bangkok, Estates and Security
Department, FCO**

Entrance of the Ambassador's Residence in Yangon



Seismic retrofit for Ambassador's residence in Yangon

The goal of a seismic rehabilitation is to reduce the seismic vulnerabilities of a building while retaining its historic materials and features wherever possible. Additionally, the safety and evacuation of all people in the event of an earthquake is a key priority.

This is a huge, global project, and Yangon is an example of why this is an urgent issue for the Foreign Office. When part of the ceiling at the Ambassador's Residence collapsed, it needed vital attention. The Foreign Office asked for the property to be surveyed to identify danger to life.

Successful seismic rehabilitation of historic buildings requires both a proper understanding of historic preservation, and of the inherent strength of archaic materials and structural systems. We sent a Structural Engineer to identify any unknown risks and make recommendations. The report recommended extensive seismic retrofit works be carried out.

As well as the report, we produced the design specification, respecting the character and integrity of the building. We designed with due consideration to limiting damage to features and materials during installation.

As Principal Contractor onsite, we managed the contract, oversaw health and safety onsite and assured the quality of all works carried out.

The seismic retrofit of buildings is as much an art as it is a science

The Foreign Office were concerned that the residence retained its original 1920s features during the works. To achieve this, we preserved the parquet floor downstairs and the teak floor upstairs. As everything else had to be stripped out - for safety reasons - we commissioned an artist to recast the original features.

The artist used fibre and lime cornice, a much lighter material than the original concrete, making the building much safer. A key benefit of this complex project was using kind and sustainable products to improve the efficiency of the building.

As end-to-end contractor for the Foreign Office's Seismic Programme, we continue to collaborate with them on other properties across the global network.

Structural rehabilitation to keep staff safe in the event of seismic activity

As part of their seismic works programme, the Foreign Office worked with our engineers to identify properties across their global estate that are 'at risk' in the event of seismic activity. Buildings which were unsafe were prioritised for structural retrofit works.





Improving embassy connectivity in Islamabad

Rearchitected cabling system installed for the Foreign Office

Plans to construct a new Swedish embassy in derelict land between two British compounds began at the end of 2018. As crucial cabling ran underneath this land between the compounds, it needed to be moved quickly.



The Foreign Office commissioned us to design the new cabling system and manage on the ground implementation. Working closely with the Foreign Office's Project Manager and key stakeholders, we redesigned the infrastructure of the cabling sympathetically to ensure business-as-usual operations would continue. It was vital we delivered a seamless project with minimal interruption during the transition from the old cabling to the new design - so that post could continue to function effectively.

During the redesign of the cabling, we took the opportunity to make improvements, incorporating up-to-date technology to ensure the best possible connectivity for the new system thus increasing longevity.

FCO Services' Secure Technical Services Officers (STSOs) are based all over the world to support security systems at post, including access control, CCTV and intruder detection. Leveraging technical expertise and experience, our lead STSO in Islamabad implemented the design and oversaw the project.

Whilst overseeing the implementation of the project, it was important existing security systems remained operational with minimal disruption. These

systems are crucial to enable posts to function. We overcame this challenge by sending out an additional STSO to support business as usual activity. With this extra resource keeping the large complex security systems operational, we were able to dedicate speed, scale and accuracy to the recabling works.

The project, which was completed in February 2020, was highly complex and involved all aspects of the mission: personnel, kit and systems. We were able to support the Foreign Office with technical input on the ground, a very necessary collaboration for the effective completion of the cabling works. The cabling was successfully rerouted away from the Swedish plot, with the British compounds remaining connected with greater security benefits.

"This was a novel problem needing a collaborative approach for a successful outcome, in a very short space of time. The FCO Services team provided this which meant British High Commission Islamabad could continue its core business with the least impact."

**Service Portfolio Owner,
Knowledge and Technology
Directorate (KTD), FCO**

COVID-19

Whilst it only factored in a short period of the 2019/20 reporting period, the impact of the Coronavirus (COVID-19) on FCO Services' operations and the work of our customers and partners forced us to work differently. Border closures and government restrictions around the world severely impacted on many of the usual ways of delivering our normal services. We managed, however, to maintain our core services and lost only 15% of our operations to these disruptions during the period of this report impacted by COVID-19.

What affect there has been was not limited to the overseas operations, though they naturally had to change and our staff worked in difficult circumstances to achieve that. We took an early decision to place the organisation into business continuity and set up a crisis centre under the gold, silver and bronze command structure. The FCO adopted the same approach and we are hardwired into their structures to ensure that we stay aligned and support each other in the right ways throughout.

Through the command structure we were able to set and manage our response and implement the plan through operational action, and functional teams, working outside of business as usual. Our working group of colleagues from across the business continues to meet daily to coordinate activity and actions. This structure has proven to be an effective and efficient way to manage the crisis. The command provides clear governance, accountability and communication arrangements ensuring best practice to manage our response to the pandemic.

Daily analysis of a broad range of internal and external information feeds ensured that we fully understood the up to date threat in every locality. This enabled us to adhere to both the UK

Government's approved approach and local measures for health and wellbeing, safety and security, and infection control.

The decision to move to homeworking early in the progression of the disease meant we protected our workforce, and their families, from infection spread.

Our key focus as we managed our response to COVID-19 was to protect our staff, our business, our customers and partners. The majority of our workforce were able to work from home, an enormous shift which led to many operational – and cultural – changes to the way we work.

Our regular Coronavirus updates contained the latest Government guidelines, and kept our staff informed about decisions and actions implemented by command, in addition to providing practical guidance for working from home. We implemented a weekly wellbeing newsletter which included a range of support resources for our predominantly remote-working community. The newsletter provides articles and information to support people's wellbeing and mental health, with a focus on helping staff find ways of keeping in touch during this difficult time. We also provided information on learning and development opportunities to support staff with learning new skills and being resilient.

In addition to an extensive communications and engagement programme which saw increased daily briefings and regular staff messages, we lost only 58.5 days to sickness. This enabled us to continue many of our operations and plan and prepare our future work.

With many operational services active throughout the pandemic, we adopted a robust risk-based approach to all activities. Senior executives directly reviewed and authorised activities based on the

implementation of appropriate risk-control and infection-control measures. Our Global Digital Technology department worked tirelessly to bolster and increase the bandwidth of our network to enable the huge increase in remote working. Due to the speed at which we responded to the crisis they had to deliver this work to a very tight deadline. As we progress through the weeks, they continue to support the system and keep all systems online.

Across the regions there has been extensive work carried out to support the crisis effort. With some of the FCO's platform requiring temporary repatriation, we have provided expert advice on securing unoccupied properties and preparing for reoccupation in the future as people start to return to posts.

Our Secure Technical Service Officers (STSOs) provided remote IT support across all four regions, including 24/7 remote assistance.

We maintained a reduced Diplomatic Bag Service, by supporting posts overseas with their business critical and urgent requirements. We also provided an accompanied bag service across government within the UK supporting our government colleagues with their vital logistics requirements.

FCO Services is used to preparing for difficult circumstances and our teams in the UK and around the world are experts in planning operations in support of our partners and customers. This put us in a strong position to respond to the pandemic, evidenced by the efficiency and management cascade from the command group.

Through the early stages of the pandemic to the present day, we have been planning and preparing future work, helping our customers prioritise their key operations and looking for other ways to deliver services.

Regional Reports

Our global network is split into four regions with Hubs in Washington, Bangkok, Brussels and Pretoria. In this section our Regional Directors look back on activity in their areas over the last year.

Our global reach



The Americas

Middle East and Africa

Europe and Central Asia

Asia Pacific

Region: The Americas
Hub: Washington
Director: Andrew Bedforth

Region: Middle East and Africa
Hub: Pretoria
Director: Jonathan Piling

Region: Europe and Central Asia
Hub: Brussels
Director: Fraser Addiscott

Region: Asia Pacific
Hub: Bangkok
Director: Evan Jones

Americas

The Americas Region has previously far exceeded expectation in terms of financial forecast and, with our growing experience and clear strategy, we promised to raise the bar even higher over the last year. We have done it in some style, almost doubling the output of the region with a high level of efficiency, customer satisfaction and professionalism.

In the Caribbean we have been able to bring to life four new Posts for the FCO: Antigua and Barbuda, Bahamas, St Vincent and the Grenadines and Grenada as part of the GB12 programme. The process of creating residential and office space whilst putting in place all of the things that make an embassy normally takes 18 months. We have made these sites operational in under 12. We have been creative, dedicated and pragmatic to ensure that front line diplomacy can take place in the FCO's expanded footprint.

The Americas region again took the lead in hurricane preparedness. We provided one to one refresher training on the emergency communications equipment we provide to post in advance of the hurricane season. This was greatly appreciated by consular staff who now feel confident in using the important equipment if the need arises.

The Regional Technical Support Service and Technical Works Officer Service performed exceptionally again this year. End users have been impressed with the professional approach of our teams, and expressed high levels of satisfaction with our service. We have achieved our key performance indicators whilst completing their workload two months earlier than KPI target. Our teams have really responded well to the challenge of, "doing things" better and they can be proud of their achievements.

Outside of the GB12 programme we have delivered numerous projects for the FCO and IHMG overseas to ensure they are better equipped to deliver front line diplomacy. In Santiago, we resolved a long outstanding issue for post freeing up unused office space, creating a better working environment for the front line. We revised our standard approach to meet tight budget limits but not cut back on quality – a successful methodology we will use again in the future.

Our collaboration with the Government of Canada has reached new heights. We renewed our Memorandum of Understanding so that we can more easily help deliver outcomes for our Canadian colleagues using our international expertise. We have since commenced numerous projects in very different locations across the globe and received glowing tributes for our work: from Diplomatic Bag movement, to asset management surveys and co-locations.

Our success this year is built on the dedication and enthusiasm of a great team. The team in the region continue to push the boundaries. Our extended FCO Services team in the UK and in other regions have been supportive, willing to try things and enabled us to move forwards. A huge thanks and congratulations to all.

Andrew Bedforth,
Regional Director, Americas



US Capitol Building, Washington, taken during the Americas conference in 2018

Asia Pacific

The Asia Pacific region has had a significant year in terms of growth, income, and improved current and new relations.

We have been trusted to report on security upgrades to United Nations Office for Project Services (UNOPS) facility in Kabul; agile in responding to partner requests for seismic reports in Kathmandu; and truly global in the implementation of GB12. As the lead FCO Services department for the implementation of the new GB12 posts worldwide, Asia Pacific region has extended Britain's reach at a critical time. The staff have also gone above and beyond on many occasions, providing posts with valuable experience and knowledge at times of crisis. They have helped tackle political and environmental issues such as crisis response to typhoons, earthquakes, bush fires and floods.

The Regional Technical Support Service (RTSS) team has ensured that FCO posts across the whole of South Asia and Afghanistan Directorate (SAAD) and Asia Pacific are secure. The Technical Works Officer (TWO) team have ensured that those posts are safe to use.

FCO Services' relationship with both the Governments of Australia and New Zealand has continued to grow. A highlight of the year was a landmark Memorandum of Understanding signing between Australia's Department of Foreign Affairs and Trade (DFAT) and FCO Services. This allows FCO Services and DFAT open clear lines of communication, collaboration and procurement moving forward on key pillars of Security, Estates, ICT and Logistics to the mutual benefit of the UK and one of our closest allies.

In the COVID-19 emergency Asia Pacific FCO Services staff remained at post serving in a wide range of roles and proving invaluable in keeping the missions running.

Evan Jones,
Regional Director, Asia Pacific



Chinatown, Bangkok, taken during the Asia Pacific conference in 2019



Europe and Central Asia

2019/20 saw an ambitious programme of growth in the Europe and Eastern Europe and Central Asia Department (EECAD) region, firmly establishing ourselves as a trusted partner within region, supporting UK and external government bodies in delivering their core security and estate objectives and in addressing the challenges and opportunities of the UK's exit from the EU.

Our core Regional Technical Support Service (RTSS) and Technical Works operations continued to deliver outstanding service, performing strongly against targets and other key performance indicators. Customer satisfaction remains excellent. Both the RTSS and Technical Works Officer (TWO) services played key roles in delivering a range of wider activity: from supporting centrally-led programmes to delivering solutions to the changing needs of the regional platform in readiness for EU Exit, and helping Posts manage the challenges and risks of COVID-19. Successful delivery has been underpinned by significant investment in personal and professional development across the team.

The region has led the way in developing an innovative programme with FCO's Estates Operations team. Utilising our core estates, security and project management capability, we have successfully implemented an extensive package of project work in a wide range of often challenging locations, delivering cost effective, high quality outcomes and supporting a safe and secure platform for staff to operate from. This was achieved against challenging timelines, often to support EU Exit deadlines.

The evolving security risk environment within the region has seen an increase in demand from UK government and foreign regional partners, and we have worked collaboratively and consultatively to deliver products and services that meet their unique needs. This has included a programme of security products for a close, non-UK defence and security partner, as well as developing stronger links with a range of other foreign governments and international organisations. These are anticipated to develop and mature in 2020/21.

Our consistent backdrop throughout 2019/20 has been the UK's planned departure from the EU. We worked closely with a wide range of stakeholders to develop a series of measures to support the platform to maintain operations in the event of a No Deal situation. This included: crisis management support, reinforcing our regional footprint to ensure we had expert staff available within the EU area, and assisting in the creation of a new logistics hub within the EU. Following ratification of the withdrawal agreement, the team then stepped up to deliver vital technical support to the first round of UK-EU trade negotiations held in Brussels in early 2020.

Despite the uncertain backdrop of EU Exit, throughout 2019/20 the team have consistently and enthusiastically met and overcome every challenge, delivering strong performance against key metrics, including customer satisfaction and building evolving partnerships with our customers and partners. 2020/21 presents an opportunity to consolidate this, growing our service delivery with existing and new customers to meet needs within the changing regional landscape.

Fraser Addiscott,
Regional Director, Europe and Central Asia



Getty image – European Union flag against a Parliament backdrop, Brussels

Middle East and Africa

Over the last year Middle East and Africa (MEA) team has been integral to the largest changes to the Foreign Office's platform since the end of the Cold War.

The changes brought about through the additional footprint in the shape of the Global Britain posts, as well as the uplift to the Africa network, have not only added four new posts to the network but also a potential additional 400 staff.

Our ability to demonstrate regional solutions to these complex challenges has allowed us to cement our position with the customer.

Having the team in region with additional support from UK colleagues has strengthened our ability to serve the customers' needs in both day to day activity and in overcoming potential delivery challenges across the region.

Over the course of the year we continued to build on our partnership with the FCO's Corporate Capability Programme. This allowed us to deliver multiple projects across the globe assisting the FCO in defining their future operating model for corporate services across the global network.

That said the year has not been without its challenges. At the beginning of the year what should have been a routine Diplomatic Bag delivery turned into a three week stalemate at Sharjah airport. It would eventually involve over forty FCO Services staff from across the region as well as support from the UK.

Both the response and the solution were testament to the professionalism of FCO Services staff as well as a demonstration of the partnership we hold with Post in the United Arab Emirates (UAE) and Ministry of Defence colleagues.

Towards the latter part of the year we saw an increase in regional tensions across the Gulf States. Again, this highlighted our partnership with the FCO as we provided crisis support for a number of locations as well as increasing our technical assistance.



Getty image – Union Buildings, Pretoria

As we move through the next 12 months, there are a number of challenges and opportunities that we are looking forward to developing.

We will be working closely with the FCO to consolidate the platform expansions and developments that have taken place over the last year, as well as working with them to establish the Global Britain brand across the network.

Jonathan Pilling,
Regional Director, Middle East and Africa

Sustainability Report

As an organisation, sustainability is a priority and in this section we have detailed what we are doing to meet sustainability requirements. We work closely with the FCO to manage our environmental impact.

Sustainability report

This annual report provides an overview of FCO Services' performance against both the FCO sustainability requirements and the Greening Government Commitments and targets (GGC) during 2019/20. It also measures how we meet our obligations to report sustainability performance under the Annual Report and Accounts.

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

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

As a Trading Fund, we strive to be an equally sustainable and committed department of the FCO; looking beyond GGC targets to activities that create a more sustainable organisation. FCO Services' strategy is to deliver a world-class platform by running a cost effective, environmentally efficient organisation.

Sustainability in FCO Services

For us, sustainability is about being efficient in the use of assets and resources, our materials and our supply chain. We plan for the long term to take account of environmental and socio-economic risks and opportunities. Managing the environmental impacts and effects within our organisation supports the FCO in achieving its strategic objectives and contributes to those goals through the responsible management of the organisation.

Summary of performance

1. Our Annual Report and Accounts 2019/20 highlights the activities that have helped achieve three key goals:

- introducing recyclable cardboard palettes helping to ensure the sustainable use of resources (Goal 1);
- eliminating single-use plastics, demonstrating and promoting sustainable approaches and initiatives to increase environmental accountability (Goal 2); and
- making the infrastructure more resilient and reducing carbon emissions from it (Goal 3).

2. Sustainability performance is monitored quarterly and reported to senior management. This is a key part of demonstrating our commitment to environmental goals, 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 our proportionate share (of the FCO's total figures), related impact as well as expenditure in some areas.

4. We continue to be a registered participant in the EU Code of Conduct for Data Centres. This illustrates our commitment to the Greening ICT Programme which 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.

5. FCO Services continues to support FCO colleagues with their Future Perfect* scheme by procuring and supplying electric and hybrid cars to overseas posts. The first fully electric vehicle was supplied to the British Embassy Oslo in October 2019, The Holy See took delivery of theirs later in the month. There are plans to supply a further 25 plus electric and hybrid cars to some of our other missions overseas. **Future Perfect is the FCO's long-term plan to convert their fleet to lower emission vehicles, extending the use of solar energy and better managing their energy consumption globally. It enables the FCO to operate a sustainable, low carbon and cost effective overseas estate platform. FCO Services staff are a part of the FCO team.*

6. Our vehicle fleet is a significant source of carbon emissions within FCO Services. However, continuing investment in our fleet has enabled us to reduce the environmental impact of our road travel. In 2019/20 Hanslope Park Classified transport completed 402 individual trips both overseas and the UK. This includes moving 412,000kg of diplomatic consignments covering almost 583,000 miles. The London fleet makes use of hybrid vehicles to reduce environmental impacts within central London and comply with Transport for London's Ultra Low Emission Zone. We are procuring a number of new vehicles to enhance the logistical performance and flexibility of the fleet and help reduce our carbon footprint for the commercial sector. All the new vehicles are Euro-VI compliant.

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

Corporate Social Responsibility

Our ultimate purpose is to deliver specialist products and secure services which contribute towards making our world a safer, fairer and more prosperous place. Our staff and our partner organisations care about delivering our public duty whilst using our skills and creativity to minimise further harm to the world in which we live.

To this end we:

- source and sell with integrity through an ethical supply chain;
- deliver more with less as efficiently as possible;
- respect the interests of our stakeholders (the FCO), our employees, and our customers;
- continuously strive to improve and increase our sustainability credentials;
- have created a diverse and inclusive culture;
- support FCO's #beyondplastic campaign by continuously reviewing our single-use plastic consumption. Further action to remove avoidable single-use plastics continues in line with the FCO's ambitions;
- have reduced single-use plastic in our marketing and promotional collateral, focusing instead on high quality multi-use items and have made greater use of digital rather than printed material; and
- will strive to make FCO Services carbon neutral, embedding carbon neutral/sustainability into everything we do, while devoting our time, effort and energy towards organisational improvement.



Sign reminding people of the wildlife on site at Hanslope Park

We continued our collaborative initiative with the National Offender Management Service for another year by cleaning our Diplomatic Bags in HMP Bullingdon's laundry facility. Last year Bullingdon's inmates laundered just over 31,000 bags. Prisoners earn a small income and help FCO Services reduce the number of new bags required.

New bags are currently sourced and shipped from overseas (India). The effectiveness and efficiency of this is reviewed at intervals, however, aside from the obvious carbon footprint associated with the bags' origin, this initiative has saved public funds and still reduced our environmental impact.

We have also reduced plastic waste in our bag operation by using paper packing tape where possible and recycling used plastic reels for strapping - producing a weight reduction of 501kg since November 2019.

As tenants of the FCO, we are committed to enhancing, improving and protecting the biodiversity of the Hanslope Park site. Active vegetation maintenance is carried out via a facilities management contract with designated areas for wild flowers. We also conduct an annual arboriculture survey. Tree maintenance is another ongoing activity, and ecological surveys are carried out prior to any works on-site. Our on-site nursery continues to promote habitats for birds and insects, with considerable enhancement work carried out in 2019 to improve the natural habitat in the nursery garden and surrounding area. Our staff in the wood workshops build bird boxes and other items on-site, and open days are held for staff to join in making the various items.

The Biodiversity Plan for Hanslope Park is reviewed annually to ensure any potential impacts on existing habitats and species are factored into the management and landscaping of the Hanslope Park site.

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.

We are committed to Reduce, Re-use, Recycle.

- We manufacture bespoke shipping crates on-site to reduce the shipping weight. The boxes are constructed according to the weight/size of the shipment ensuring minimal weight/volume/costs are incurred.
- We source our timber products from Forest Stewardship Council / Programme for the Endorsement of Forest Certification (FSC/ PEFC) approved sources.
- We successfully passed an external audit to demonstrate compliance with the International Standards for Phytosanitary Measures No.15 (ISPM15) Compliance is important to prevent and control the spread of insects, pests and diseases which affect plant products – this includes both living and processed plants, such as wooden packaging. Pests and diseases can be just inconvenient or potentially devastating.
- We use Pallite recyclable boxes for shipping some components.
- We provide scrap offcuts of wood to staff for a small donation to charity.
- We give away surplus materials to local causes. Some of our processes produce large volumes of offcuts of plywood, chipboard and acrylic too small for us to re-use.
- We make products from surplus materials (garden planters, bird feeders, bird boxes, desk tidies).
- We recycle waste in line with our Environmental Management System which is audited internally and externally. This includes a range of activities from ensuring staff and contractors know how to dispose of waste accordingly, to ensuring we take sustainable actions through the course of our work activities.

Sustainable procurement

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

In addition to delivering sustainability through contracts, sustainable procurement is also about making opportunities accessible to a wide range of suppliers, particularly small and medium enterprises. The sustainability credentials of our suppliers are examined and reviewed rigorously in the selection process.

We are proud to say that SME suppliers form 25% of our supply base, exceeding the Government's 2015 target. In addition, our staff hold the CIPS Corporate Ethics certification.

Global Utilities Monitoring (GUM)

GUM is an ongoing project looking at monitoring and reducing energy consumption across the FCO estate. It is a collaborative piece of work across four areas of FCO Services as well as an external leading expert in the field. It has been designed, built, configured and project managed by us at Hanslope Park in collaboration with staff overseas at two FCO Missions. We are currently collecting data from these posts, working with them to examine their energy use to see if there is scope to change their behaviours to make efficiencies in terms of money and energy consumption. This environmentally responsible end to end solution is designed to improve the life of our machinery, reduce costs and reduce the amount of power used.

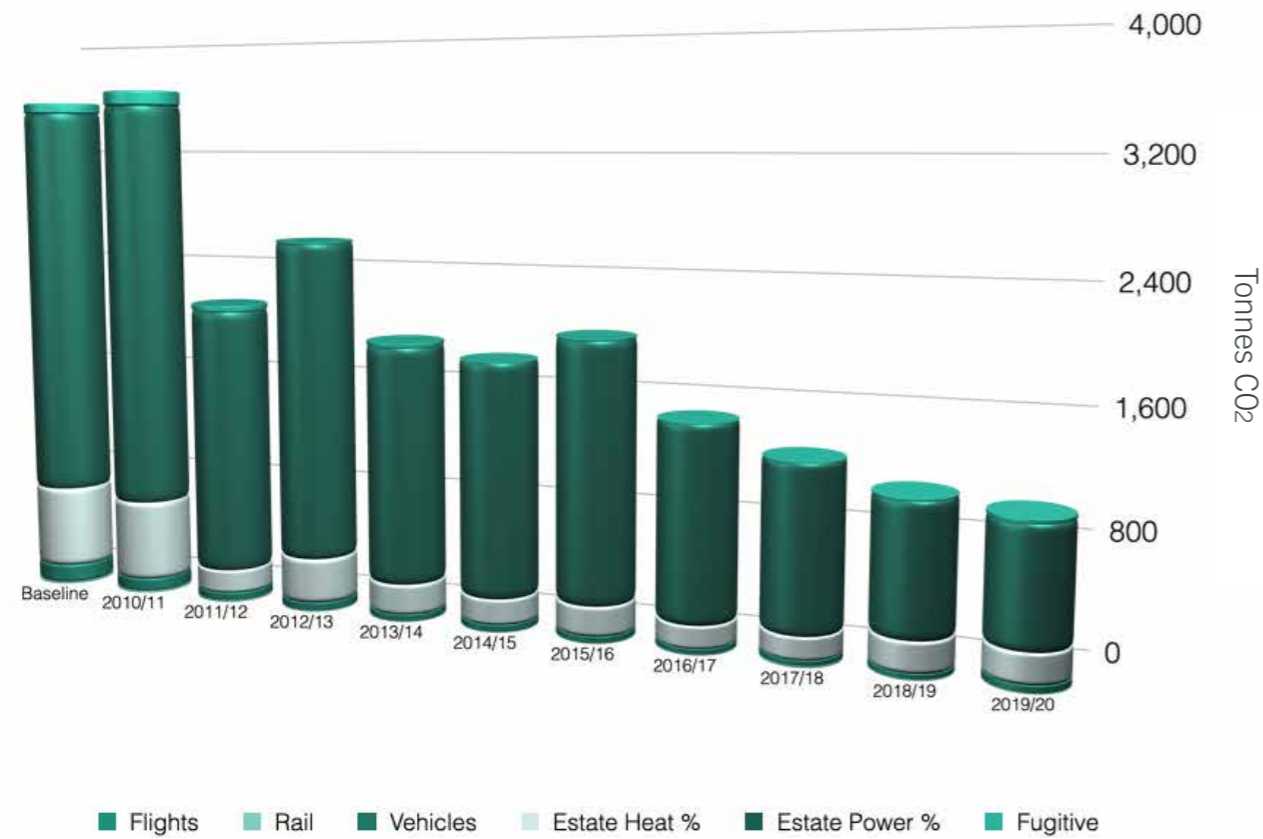
2019/20 Annual Report Performance and Statistical Information

Impact	2019/20 Performance	FCO Services results for FCO Greening Government Commitment Targets against 2009/10 baseline
Greenhouse gas emissions from UK estate, vehicles and domestic train and air travel	1,062 tonnes of CO ₂	Reduce greenhouse gas emissions by at least 49% from a 2009/10 baseline Target met; a reduction of 70% against baseline
Estate energy expenditure	£579,369	
No. of domestic flights	73	Reduce the number of domestic business flights by at least 30% from the 2009/10 baseline Target met, reduction of 57%
Vehicle and domestic train and air travel expenditure	£210,842	
Office water consumption	5.68 cubic metres per Full Time Equivalent	Continue to further reduce water consumption. Each department will continue to improve year on year reductions 6m³ per FTE = good practice Target met and in line with good practice
Office water expenditure	£15,956	
Paper consumption	2,499 A4 reams equivalent	Reduce government's paper use by at least 50% from a 2009/10 baseline Target met, reduction of 65%
Waste arising	90 tonnes	Reduce the amount of waste going to landfill to less than 10%; Also to continue to improve our waste management by reducing the overall amount of waste generated and increasing the proportion which is recycled. Target met, 0 Landfill
Total waste disposal expenditure	£22,048	

Impact	Per full time equivalent (FTE) (2019/20)	Per full time equivalent (FTE) 2018/19
Greenhouse gas emissions	1.21 tonnes of CO _{2e} per FTE	1.47 tonnes of CO _{2e} per FTE
Office water consumption	5.7 cubic metres per FTE	7.5 cubic metres per FTE
Waste arising	104g per FTE	144g per FTE

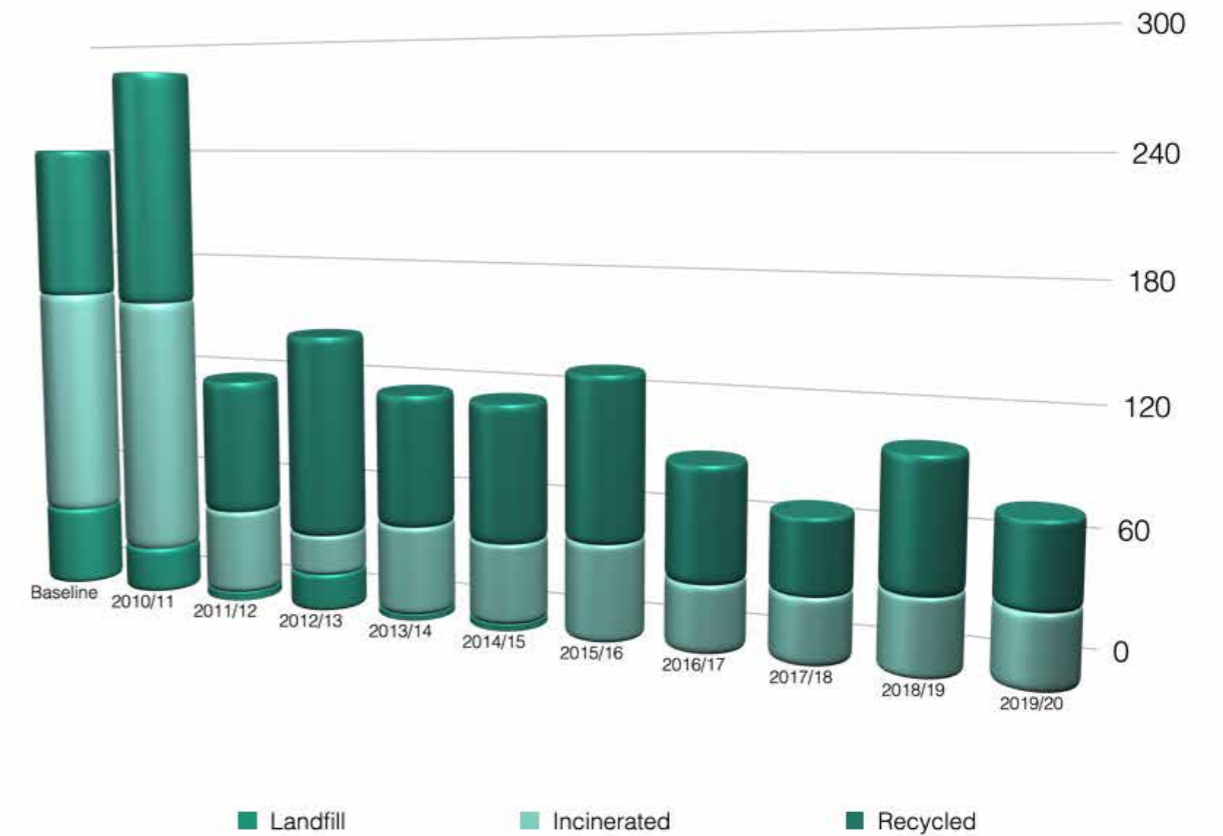
Greenhouse Gas Emissions	kWh/miles/no.	tCO ₂	GBP (£)
Electricity	2,823,336	782.91	£485,645
Gas	209,227	38.47	£5,607
Heating Oil	358,009	94.26	£17,441
Biodiesel	335,385	1.26	£24,493
Biomass	32,688	0.51	0
District heating	240,739	63.95	£46,183
Fugitive	-	27.16	-
Domestic flights	10,798	2	£10,101
Train	37,478	2.48	£46,325
Private mileage	152,520	48.24	£86,305
Fleet	79,336	23.96	-
Car Hire	865	0.11	£1,295
Taxis	91,379	1.68	£65,522
TOTALS	3,999,384 kWh 372,376 Miles	1,087 tCO₂	£579,369

Total CO₂ emissions



Greenhouse Gas Emissions	tCO ₂	GBP (£)
Total Waste	90	£22,048
Hazardous Waste		
Total waste by method of disposal	11	£1,448
Landfill	0	£0
Reused/Recycled	51	£6,532
Incinerated (without energy recovery)	2	£770
Incinerated (with energy recovery)	37	£13,297

Waste generation (Tonnes)



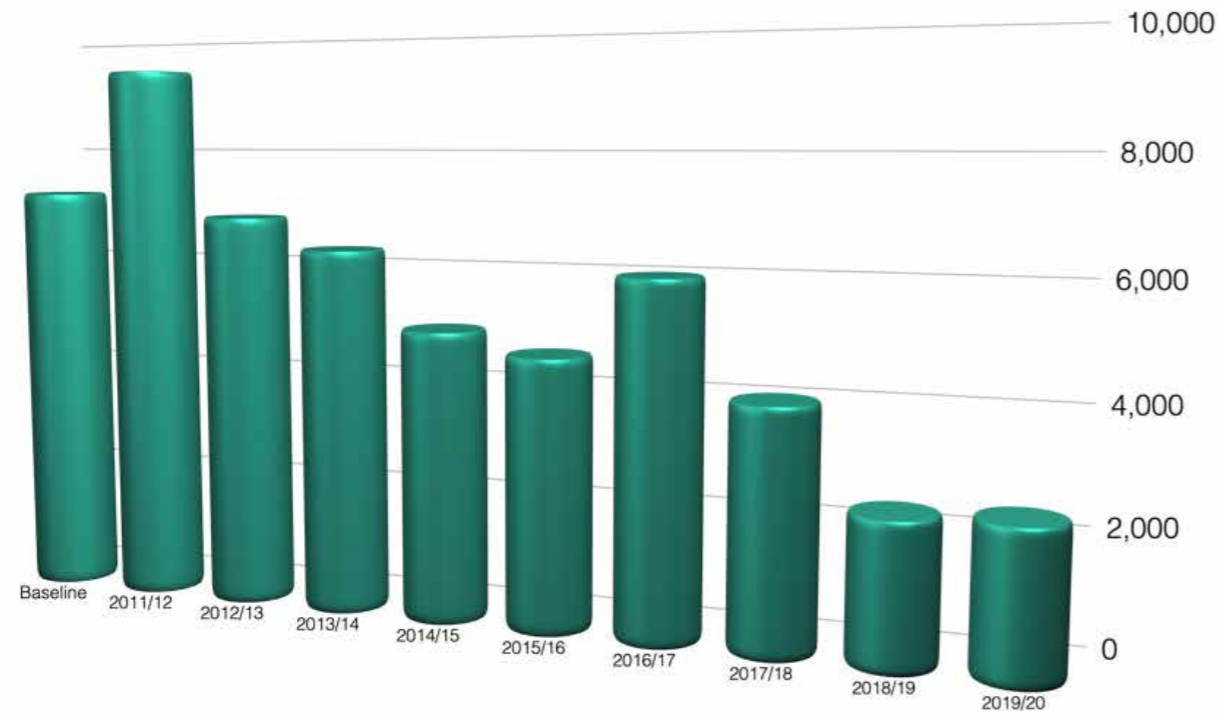
Performance and controllable impacts commentary

FCO Services has limited control over the waste aspect; pro-active initiatives are taken up that encourage positive behaviours. In addition, the ongoing #BeyondPlastic campaign as well as more sustainable waste solutions have improved performance significantly. Overall amount of waste generated has reduced significantly; this has improved 67% against the 2009/10 baseline and recycling has also improved 47% against baseline.

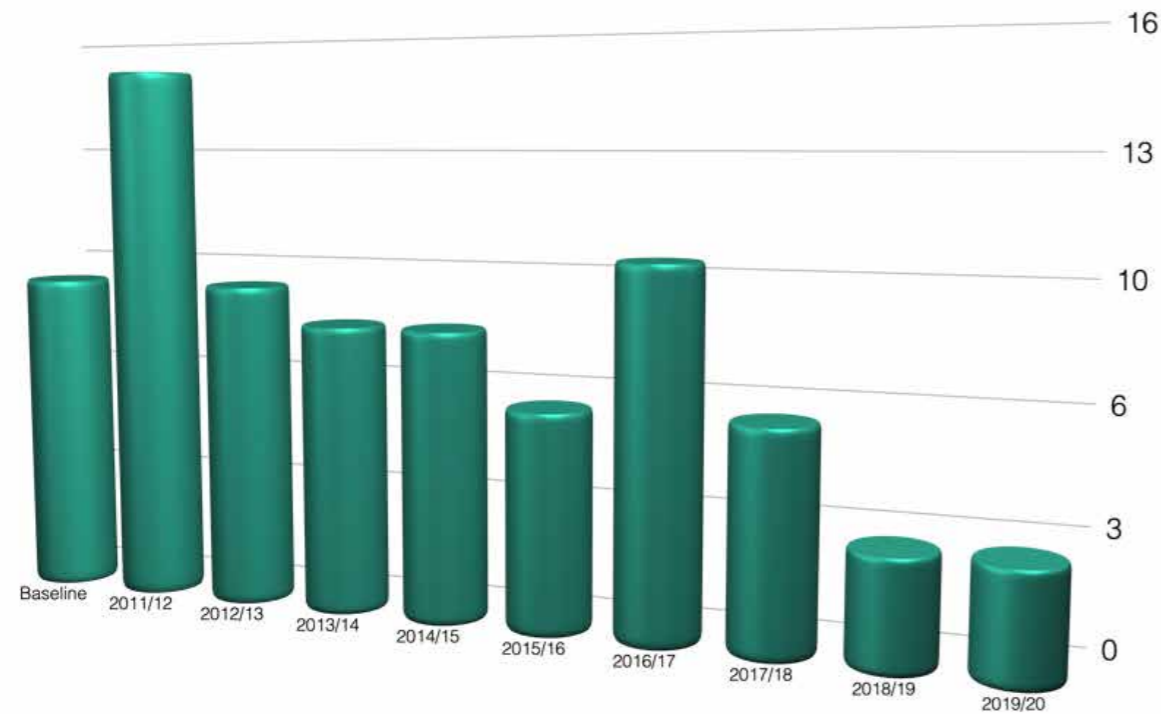
Performance and controllable impacts commentary

FCO Services' direct impacts are mainly from fossil fuels and electricity. These are being reduced through a combination of ongoing 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 and the carbon footprint. This will be further aided by the Department for Transport's initiative. The significant energy efficiency of our containerised data centre continues to contribute to improved performance results.

Paper consumption (Reams)



Reams per FTE

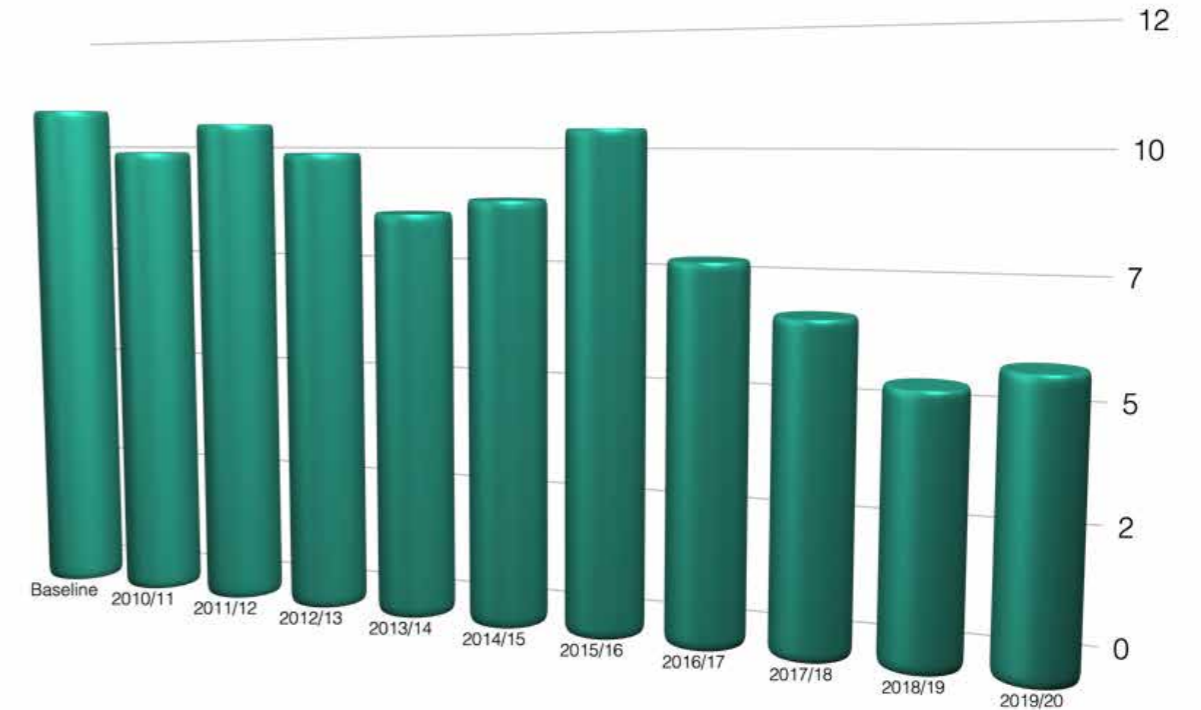


Performance and controllable impacts commentary

Paper consumption is one of the few areas FCO Services has control over. Performance has consistently improved in recent years; there are several reasons for this mainly improved technological portability has reduced the need for printed documents for meetings, as well as an ongoing drive to reduce printing large documents. FCO Services remains within the best practice target (7 A4 equivalent reams per FTE).

Finite resource consumption – water (supplied)	Cubic metres	GBP (£)
Office Water Consumption	4,881	£10,832
Non-Office Water Consumption	2,287	£5,124
Total	7,168	£15,956

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

Notes

- FCO Services (along with Wilton Park) are included in the figures of the FCO Sustainability Report; as part of the FCO family, they are included in the FCO's sustainability targets.
- The sustainability impacts of FCO Services (or the FCO's) overseas operations are not included.
- Fugitive emissions refer to the air conditioning, refrigerants and cooling systems for data centres.
- The respective costs for energy, water and some waste are not paid for by FCO Services, but form part of our tenancy with the FCO. The tables in the report reflect FCO Services' proportion of these, as well as our carbon impact; this equates to 14.6% after allowing for wider market impacts.
- 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 Department for Environment, Food and Rural Affairs (DEFRA), Department of Energy and Climate Change (DECC), Office of Government Commerce (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.
- 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.
- The Greenhouse Gas Emission figures are non-weather corrected.
- 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).
- The expenditure figure used for normalising the sustainability data includes all FCO Services' wider market (non FCO) revenue; this equates to £38,887,087.20m.
- This is the eighth operating year for the Containerised Data Centre (CDC); the considerable performance credentials (a maximum PUE = 1.3, which equates to very efficient), as well as utilisation of free air cooling 95% of the time). It has played a key part in supporting the organisation's performance data.
- The three scope area 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 (FCO Services % usage of electricity supplied to the overall FCO estate)
 - Scope 3 – Other Indirect Emissions (includes business travel by air, rail, and hire/private car use)

A professional meeting scene with several people in business attire. In the foreground, a man in a dark suit is writing on a document held in a clipboard with a silver pen. In the background, other people are looking at documents and a laptop. The scene is overlaid with a blue semi-transparent banner on the left side containing the text 'Accountability Report'.

Accountability Report

Accountability report

Review of financial performance

2019/20 is FCO Services' Twelfth year as a Trading Fund, recording our best year of trading yet.

We have further strengthened our leadership and management skills, and successfully concluded the Evolve programme launched in 2018/19 which included enhancement of financial and commercial skills, supplemented by risk management training for the members of the Risk, Review and Assurance Board.

We have made incremental investments in information technology following last year's implementation of best in class enterprise systems to improve our management of both risk and resources, and are seeing the benefits of those initial investments. Work is ramping up in terms of the Atlas programme which will further enhance our quality of decision-making and reporting capability, with a focus on operational excellence underpinned by the Business Lifecycle Process initiative which was launched in year.

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

Financial outturn 2019/20

Total revenue delivered in 2019/20 was £197.9m, an increase of £16.5m (9.1%) on the revenue of £181.4m reported for 2018/19. Both the Secure Global Services (SGS) group and the Global Digital Technology (GDT) group recorded positive growth of 11.3% and 1.3% respectively, despite coronavirus impacting our busiest month of the trading year.

Revenue from the FCO (£159.3m) recorded an increase of £17.2m (12.1%), with the increase reflective of our support to the FCO's Global Britain programme, in addition to continued growth in the Global Maintenance programme.

FCO Services achieved a gross surplus before operating expenses of £44.1m, a return of 22.3% on revenue which is lower than 2018/19 (25.3%).

During 2019/20 other income of £0.2m was received (£1.2m in 2018/19) being solely the drawdown of monies from the apprenticeship levy relating to recoverable training costs of eligible personnel (£0.2m 2018/19). In 2018/19 there was an additional £1.0m relating to other non-trading activity completed in the year.

Our operating expenses at £37.8m are running at 19.1% of revenue compared to 18.5% in 2018/19, an increase of £4.3m, as compared to the prior year reported. This was primarily driven by an increase of 6%

in employer pension contributions applied from 1 April 2019, and undertaking a higher level of activity with our partner organisations.

There were no Voluntary Exit Schemes (VES) programmes during the year (two in 2018/19, totalling £163k).

SGS generated total revenue of £158.2m in the current year, £16.0m above 2018/19 reported performance of £142.2m, an increase of 11.3%. This was primarily driven by activities supporting the Global Britain programme and further growth in the Global Maintenance programme. The SGS operating surplus performance of £6.2m compares to an operating surplus of £10.7m for the prior year, which at 3.9% of total revenue is lower than prior year performance in percentage terms, due to an increase in activities undertaken by our supply chain partners coupled with the absorption of payroll increases including a 6% increase in employer pension contributions.

GDT total revenue was £41.0m (2018/19 £40.0m), an increase of £1.0m from the previous year and lower than expected as a result of the coronavirus. The operating surplus of £0.3m (0.7% of total revenue) is lower than the surplus of £2.7m (6.8% of total revenue) for 2018/19, due to the absorption of payroll increased as mentioned above.

Overall for 2019/20, FCO Services achieved an operating surplus, before financing and VES cost, of £6.5m;

a return of 3.3% on revenue. This compares with a surplus before financing and VES for 2018/19 of £13.6m; a return of 7.5%. The reduction, as previously highlighted, reflects the absorption of pension contribution increases that we did not pass on to our customers.

Financing income and costs

Our net finance income of £235k, against a net finance income of £238k in 2018/19, is consistent with last year.

Surplus for the year

Our reported surplus for the financial year of £6.5m (£13.6m 2018/19 before VES) saw a decrease on our return from 7.5% in 2018/19 to 3.3% in 2019/20, reflecting the impact of absorbing pension-related costs rather than passing these on to our customers, as well as the effects of reduced March activity due to coronavirus.

The statutory dividend charged in this financial year was £1.9m (2018/19 £2.0m) with no discretionary charged (2018/19 £23.3m), which resulted in a retained surplus for the financial year of £4.9m, (2018/19 £11.7m deficit).

Net assets

FCO Services continues to invest in accordance with the requirements in our Corporate Plan, with capital additions of £2.7m in property, plant and equipment consistent with 2018/19 expenditure (£2.3m).

At 31 March 2020, FCO Services held net assets of £54.6m against an opening year position of £49.8m, with the movement of £4.8m driven by an increase in inventory as a result of coronavirus travel restrictions and other working capital movements.

Net assets comprise: non-current assets of £8.8m (2018/19 £8.1m), inventories of £2.6m (2018/19 £0.9m), cash and cash equivalents of £35.8m (2018/19 £43.1m) and other net assets of £7.3m (2018/19 liabilities £2.3m).

Cash generation

FCO Services generated a negative cash flow in year of £7.3m, with a cash position of £35.8m at 31 March 2020 (2018/19 £43.1m). This decrease in cash funded a £2.9m net investment in non-current assets (including intangibles), a three-fold increase in inventory levels and dividend payments totalling £1.9m, including payment of £0.3m relating to the 2018/19 year.

Cash management

Debtor days outstanding were 32 days at the end of March 2020 (March 2019 23 days), reflecting timing delays in relation to receipts as a

result of the coronavirus disruption. In 2019/20, FCO Services sustained the average payment rate of 87% of suppliers paid within five working days of receipt.

Effective cash management ensured that liquidity remained strong, with a quick ratio of 2.4 at 31 March 2020 (2018/19 2.5).

Financial performance targets

FCO Services' financial performance in 2019/20 continues to be measured against two key financial performance indicators: In year surplus before interest, and Return on Capital Employed (ROCE).

In year surplus: Target achieved

In-year surplus before interest, tax and dividend result of £6.5m (2018/19 £13.4m).

Return on Capital Employed

(ROCE): Target achieved
The result for the year of 12.6% (2018/19 25.4%) compared against a weighted average target of 3.5%. Given the service based, non-capital intensive nature of the business, ROCE is typically higher than 3.5%.

Other ministerial targets

Customer Satisfaction

We achieved an 89.7 (2018/19 89.3) 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 80.0% has been exceeded, with an average productivity over the year of 84.1% achieved by revenue earning staff (2018/19 89%). 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 2019/20 the target was achieved with a resulting score of 63.0% (2018/19 60.0%) compared to the target of 60.0%.

People - My Manager: Target achieved

In 2019/20 the target was achieved with a resulting score of 66.0% (2018/19 67.0%) compared to the target of 63.0%.

Pensions

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

Events after the Reporting Period

These accounts have been audited by the Comptroller and Auditor General whose certificate and report appears on page 100. There has been one significant event after the reporting period which is noted in Note 20 of the accounts on page 126. The total audit fee for 2019/20 is £110k (2018/19 £103k).

As far as I, 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 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
08 July 2020

Table of performance against ministerial targets

KPI	Target 19/20	Result
In year surplus before interest and tax	An in-year surplus before interest, tax and dividend	3.3%
Return on capital employed	A Return on Capital Employed of at least 3.5% (weighted average)	12.6%
Customer satisfaction	Customer satisfaction rating of at least 80%	89.7%
Productivity	A Productivity ratio of at least 80% measuring Actual Billable hours v Available Billable hours	84.1%
Employee engagement	An overall improvement on the average 2018 index Your Say score for Employee Engagement above 60%	63%
Management	An overall improvement on the average 2018 index Your Say score for My Manager above 63%	66%

Corporate governance report

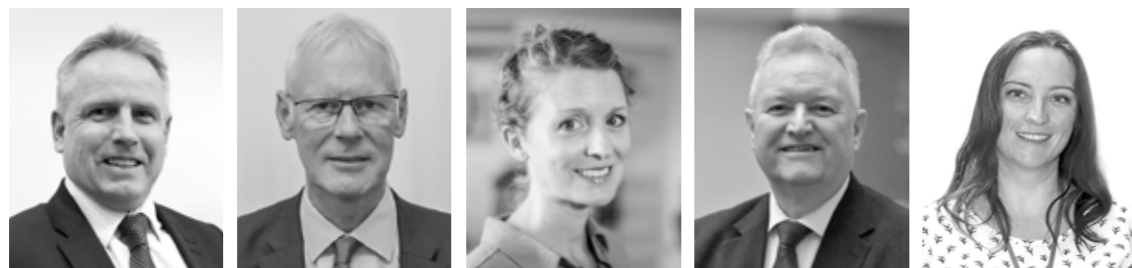
Directors' report

FCO Services Board

Details of FCO Services' executive and non-executive directors for the period April 2019 to March 2020 are on page 70 (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 70, there is no relevant audit information of which the National Audit Office is unaware. The directors have taken all steps to make themselves aware of any relevant audit information and to establish that the National Audit Office is aware of that information.

FCO Services Board and Executive Board members



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

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

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

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

The HM Treasury has appointed the Chief Executive as Accounting Officer of FCO Services. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Trading Fund's assets, are set out in Managing Public Money published by the HM Treasury.

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

Danny Payne
Chief Executive and Accounting Officer
08 July 2020

Governance statement

1. Scope of Responsibility

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

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 Foreign Secretary 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 and Commonwealth Affairs, the FCO and FCO Services. It remains the overarching statement of the Trading Fund's governing principles, from which stem all agreements and arrangements between the FCO and FCO Services. First published in 2008 when FCO Services became a Trading Fund, the Framework Document was subjected to a full review in 2019/20 to ensure its

continued relevance and accuracy. Additionally, FCO Services' Corporate Governance Framework sets out the corporate governance structures within FCO Services. The framework is periodically reviewed and internally assessed to ensure continued compliance with HM Treasury^{1,2}, and Cabinet Office guidance³.

3. The Governance Framework

Our corporate strategy and ministerial targets are set out in the Corporate Plan, which seeks the input and support of the Partnership Board, 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 CEO, Chief Finance Officer, the Chief Operating Officer, and the Managing Director of Global Digital Technology. The FCO Services Board began the year with five part-time non-executive directors, closing the year with four, following one resignation.

The Board receives regular 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 systems of internal control, through the work of the Audit and Risk Assurance Committee (ARAC). The Board provides oversight and endorsement of the development of FCO Services' Corporate and Business

Plans and receives regular updates throughout the year on FCO Services' major strategic programmes. It also holds offsite meetings at appropriate intervals to help shape the future strategic direction of the organisation and mitigate key long-term risks.

The Board has an agreed forward agenda plan timetable which details standing items at each meeting and those requiring periodic or annual review. Standing items include: reports from the CEO, ARAC and Nominations Committee; approval of the minutes of the previous meeting; discussion of the Board action log; a corporate performance dashboard and reports on finance, corporate risk and health and safety, as well as other management information. The information in these regular reports is detailed, giving a clear view of organisational performance against key performance indicators and controls, and the Board is content with the quality of data presented to it.

All Board and Committee members are required to declare any interests to enable possible conflicts to be managed and all high-level FCO Services Boards and Committees must dedicate an item on the agenda of each meeting to allow the opportunity for such declarations.

Alongside Corporate Governance items and papers for information, the Board periodically discusses a small number of strategic items in each ordinary Board meeting. This included discussions about the Corporate Plan; the strategies of individual directorates; disability and inclusion; and, customer satisfaction.

At the request of the Chair of the FCO Services Board, a formal Board effectiveness review was carried out during 2019/20. Recommendations

made included reflection upon the setting of longer term vision and strategy, clarifying interaction between the FCO Services Board and Executive Board and enhancing stakeholder communication and engagement. On the basis of the recommendations made, the Board is also considering the creation of more precise performance metrics and strengthening the Secretariat. These recommendations, and the means of implementing them, will be explored more fully in 2020/21. An internal audit of governance in FCO Services was carried out in January 2019, all recommendations from which have now been implemented.

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

The ARAC membership, at the end of the reporting period, consisted of four members. Comprised of two non-executive Directors (both of whom are also Board members) one serving as Chair and two further members, including one Finance representative from the FCO. The following also have a standing invitation

to attend: the FCO Head of Internal Audit; the National Audit Office; the Chief Finance Officer; the Accounting Officer; all Non-Executive Directors formally appointed to the Board and the Chair of the Board. Members of the Executive Board and others attend by invitation, as required. The Nominations Committee membership, at the end of the reporting period, consisted of two non-executive directors, the CEO, and the Director of Human Resources. One of the Non-Executive members chairs the Committee and is also the Chair of the Board. The Committee met twice in 2019/20.

The Executive Board also meets on a monthly basis. Its purpose is outlined in table 4.1.

¹ *Corporate governance in central government departments – Code of Good Practice*, published in April 2017

² *Managing Public Money*, published in July 2013 (annexes updated March 2018)

³ *Partnerships between Departments and Arm's-Length Bodies: Code of Good Practice* published in February 2017

3.1 FCO Services' Board and Committee Attendance

(April 2019 to March 2020, including extraordinary Board and ARAC meetings in June 2019)

Board Member	FCO Services Board	ARAC	Nominations Committee
Sir Simon Gass KCMG CVO <i>Non-Executive Director, Chair of Board and Nominations Committee</i>	6 of 6	-	2 of 2
Sir Philip Barton KCMG OBE <i>Non-Executive Director (resigned 6 February 2020)</i>	2 of 5	-	-
Richard Gunning <i>Non-Executive Director, Chair of ARAC</i>	3 of 6	5 of 5	-
Joy Hutcheon CB, <i>Non-Executive Director</i>	5 of 6	5 of 5	-
William McCluggage <i>Non-Executive Director</i>	6 of 6	-	-
Ann Tourle <i>Non-Executive Director</i>	6 of 6	-	2 of 2
Steve Dunne <i>Independent Director</i>	-	1 of 5	-
Susan Graham <i>FCO Deputy Finance Director</i>	-	4 of 5	-
Danny Payne <i>CEO and Accounting Officer</i>	5 of 6	-	2 of 2
Rob Eason <i>Managing Director of Global Digital Technology</i>	6 of 6	-	-
Yvonne Laird <i>Chief Finance Officer</i>	6 of 6	-	-
Claire Shepherd <i>Chief Operating Officer</i>	6 of 6	-	-
Philip Worthington <i>Director of Human Resources</i>	-	-	2 of 2

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 CEO 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. Within the membership of the Committee, two have recent and relevant financial experience. The design of the Committee draws upon the guiding principles published in the Audit and Risk Assurance Committee Handbook (HM Treasury, 2016).
Nominations Committee (Board sub-committee)	At least Bi-annually	The Nominations Committee is responsible for advising the Board on policy and issues relating to the appointment, development and reward of senior staff. Specifically, it scrutinises plans, processes and systems for identifying and developing leadership and high potential talent. It puts in place succession-planning for Board and senior leadership roles to ensure an appropriate balance of skills and experience. It sets incentive and reward structures and policies for senior staff, and the extent to which these arrangements are effective in improving performance. It oversees the appointment of new Non-Executive Directors and promotes diversity in Board membership. It also acts as the FCO Services pay panel to agree SMS appraisal and talent ratings and annual awards in accordance with Cabinet Office and FCO policy.
Executive Board (Executive Body)	Monthly	Supports the CEO 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.
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 and 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.
Sales and Commercial Board (SCB) (Executive sub-committee)	Monthly	The SCB monitors compliance with the commercial processes and new business sales pipeline. It provides oversight of corrective actions in relation to non-compliance and ensuring order targets can be achieved, and champions commercial. Finally, it provides points escalation to and from the Executive Board.
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.
Risk Review and Assurance Board (RRAB) (Executive sub-committee)	Monthly	The Risk Review and Assurance Board (RRAB) assists the Executive Board, ensuring the effective management of enterprise wide risk. The RRAB oversees the risk governance framework pertaining to the risk management process, seeking assurance that 1st and 2nd line risks are appropriately unpacked, escalated, cascaded, shared and communicated. Members are primarily functional specialists and/or senior operational leaders with influence. They are a network of experts who are knowledgeable in the practice of risk management. The Accounting Officer, and the Directors of the Executive Board, retain accountability for the management of risk within FCO Services. [The RRAB replaced the Risk Oversight Committee in July 2019]

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, and identifying any perceived weaknesses and the actions recommended to address these.
Annual programme of internal audits	Annual	Delivered by independent auditors, to Public Sector Internal Audit Standards, providing regular reports and an overall annual opinion on risk management, control and governance within FCO Services.
NAO external audit	Annual	Providing internal control comments in its management letters and audit of the annual financial statements and value for money.
Business Continuity Management Steering Group (BCMSG)	Quarterly	Assurance to the Executive Board that plans are robust, resilient and effective against a range of disruptive scenarios; and ensuring all work is on track to maintain compliance with the International standard ISO 22301. The BCMSG is a key driver to implement changes and monitor delivery, thus ensuring that the business's plans and procedures individually and collectively are fit for purpose.
Health and Safety Committee	Quarterly	The Health and Safety 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 health and safety policies are considered and ratified. The Committee reviews recommendations and proposals to senior management on changes to policies, procedures, training, facilities and equipment which it believes will lead to higher standards of safety risk identification and management. Also considered are accident statistics, analysis of trends in safety management performance, safety policies and procedures.
Health and Safety internal audits and inspections	Periodically (Throughout the reporting period)	Statutory and policy compliance from within the business.
Information Assurance Declarations	Quarterly/Annual	Assurance to the SIRO regarding risks and concerns raised from across all business groups on their Information Assets. Mitigations and controls are monitored to ensure the confidentiality, integrity and availability of information assets are maintained.
Senior Information Risk Officer (SIRO) Meeting	Weekly	To enhance SIRO oversight of Knowledge and Information Management and Corporate Information Assurance across the organisation.
SIRO Dashboard	Monthly	Assurance to the SIRO, Board and the ARAC, on matters involving Information Management and Information Security. Stakeholders feeding in to the dashboard are the CISO (Chief Information Security Officer); the Corporate Information Assurance team; the Corporate Security Team; the Cyber Security Team; and, the Knowledge and Information Management Team.
Corporate Risk Report	Bi-monthly	A consolidated report of identified risks to FCO Services from across the delivery and corporate groups.
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.
Cascaded delegations for capital and revenue expenditure	As appropriate	A system of cascaded delegations for capital and revenue expenditure and authority to contract, supported by clear mandate letters, and enforced through system controls and exception reports.
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.

Raising Concerns

In FCO Services we are committed to dealing professionally and responsibly with any concern our staff may have about possible malpractice. We encourage them to report any acts they encounter in the course of their work that they believe to be illegal, improper or unethical. All such approaches are taken seriously

and treated in confidence. We do not tolerate the victimisation of anyone who comes forward to raise a genuine concern. The Public Interest Disclosure Act 1998 provides legal protection for employees who make disclosures about suspected malpractice in the workplace.

During the year we have promoted our FCO Services' Ethical Code and our joint FCO and FCO Services Raising Concerns policy. We have also taken steps to raise awareness about our nominated officers to whom individuals can speak in confidence if they have concerns relating to the Civil Service Code. The nominated officers enable individuals to receive impartial advice from someone outside their management chain.

5. The Risk and Control Framework

With the management of risk central to our organisation, we have in place a tiered risk management process, providing a flow of information for the oversight of operational risks.

Risk Management - Information Flow

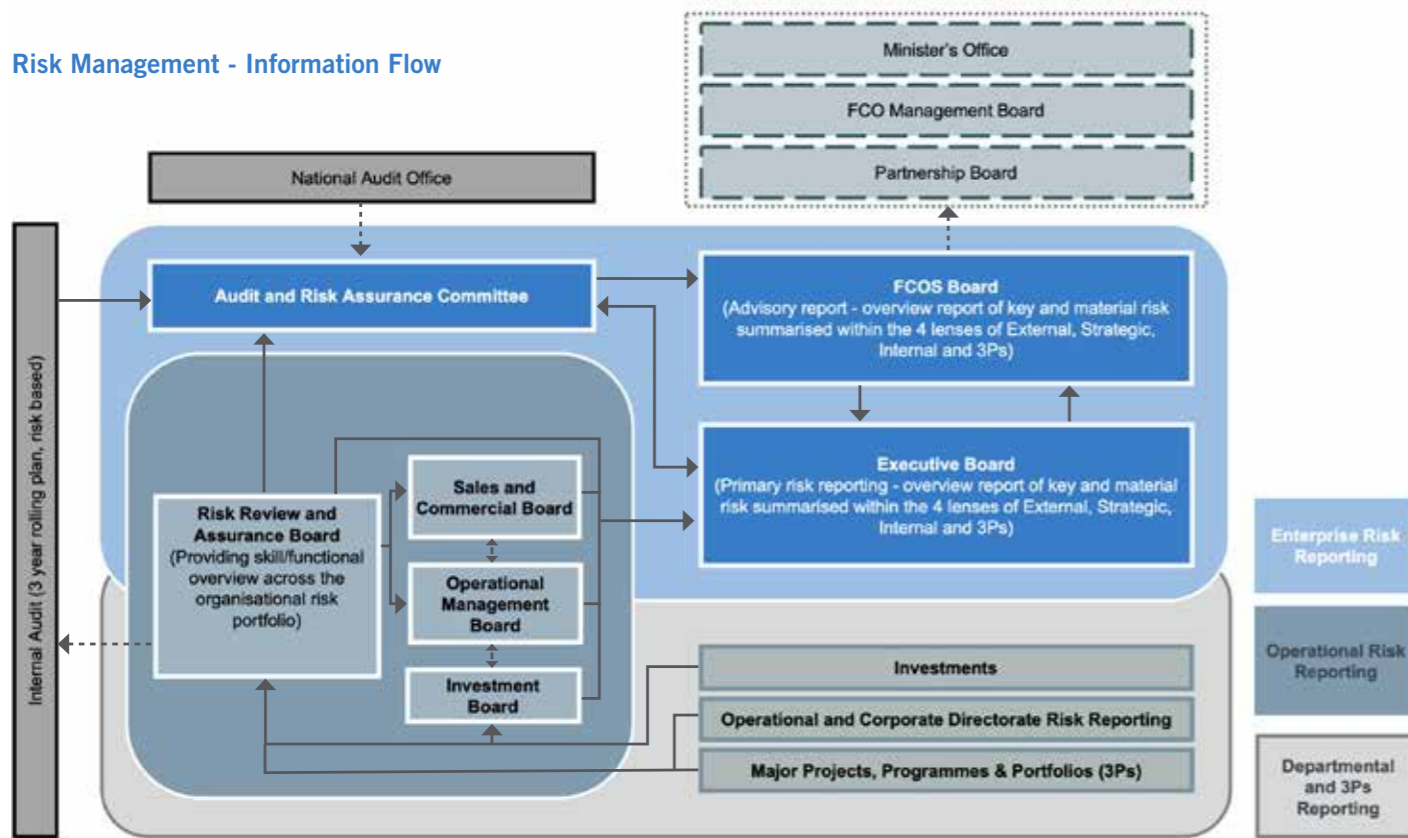


Figure 5.1: Risk Management – Representation of the flow of risk information within FCO Services governance structure

5.1 Risk management framework

FCO Services operates a tiered framework of risk reporting, comprising of: Group and specialist risk reporting - providing sight of directorate level risks (including programme and

major project reporting); Operational - those risks addressing how FCO Services operates as an organisation and Corporate - those risks which are considered to have the potential to affect the strategic objectives as stated within the Corporate Plan.

Group and specialist risk registers are held by local management, with business risk reports commissioned for the monthly Risk Review and Assurance Board (RRAB). The RRAB is a forum where emerging, fixed and transient risk are considered, unpacked and (where appropriate),

escalated. The first point of escalation from the RRAB is to the Operational Management Board, though should the need arise there is direct access to Executive Board members.

The operational risk register consists of those items which could have FCO Services-wide operational implications. We look at these in terms of: Fixed - a standard organisational risk (e.g. capacity and capability) and Transient - those which are recognised as of temporary consideration.

Reflecting upon uncertainty that matters, the corporate risk report consists of key areas that may have impact upon the long-term strategy of FCO Services.

In providing assurance, the first line of defence is provided by senior managers within the departments, where a named responsible risk owner is cited for each risk registered. The second line of defence is undertaken by specialist staff and senior leaders who oversee the management and compliance of organisational policies and process (thereafter undertaken by relevant supervisory and directing Boards).

In support of the third line of defence, the FCO's Internal Audit function undertakes a programme of work (based upon a rolling three-year plan) to enable them to assess and advise on our capacity to manage risk. Planning includes one-to-one discussions with internal stakeholders and a risk based method of assessment to determine the audit plan. The plan is advised to the FCO Services Board following review by the ARAC. As Accounting Officer, I am provided with an objective evaluation of, and opinions on, the effectiveness of our risk management, internal control, and governance arrangements (see section 6). This is further supported by an annual audit from the National Audit Office (NAO) and commissioned external audits from professional bodies such as the BSI.

In addition to the above, in 2019/20 the FCO Services Board reviewed and approved a high level appetite statements across key areas of risk, these statements were linked to the operational objectives.

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

5.2 Management of information risk

FCO Services is committed to protecting and using its information securely and effectively, in compliance with its legal obligations and with the standards and requirements set out by the Cabinet Office.

The risk profile of the management of information is reported to the FCO Services Board through the Corporate Risk Report. The Senior Information Risk Officer (SIRO) is an FCO Services Board member, and provides a monthly oversight report to the Executive Board on information risk management activities. This is further supported in the form of assurance provided to the ARAC 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 GDPR refresher E-learning course available on the training platform. Executive Directors, as Information Asset Owners (IAOs), have been issued with Terms of Reference for their role and made accountable through

quarterly and annual reporting for their Information Assets.

There are regular formal communications through the Office of the SIRO to all staff and the Information Assurance (IA) community. New IA community members receive briefings from the Corporate IA Manager on their role and responsibility and workshops and training are given to existing members when needed.

Quarterly Data protection newsletters, training and guidance material are posted on the intranet to raise awareness around the changes to the UK Data Protection laws. A supplier assurance process, checklists and declarations are in place to tighten up controls and to gain assurance from third party suppliers who are handling our information. Contracts have been updated and processing agreements put in place where necessary.

Throughout 2019-20 the cyber threat landscape continued to evolve. Within FCO Services there are a limited number of systems which face the internet. The available surface for conventional cyber attack is therefore low. Nonetheless, FCO Services experienced a cyber incursion into the boundary of one internet facing system. The attack was not targeted specifically at FCO Services but was aimed at exploiting a Cisco vulnerability. This attack was contained and no data was lost. Continued investment in our cyber defence capabilities will be central to containing the ever-growing diversity of cyber attacks. New tools will be introduced along with a transition to a fully integrated Cyber Defence Capability to mitigate future risks.

FCO Services re-certified for ISO20000 and ISO27001 in 2019. ISO27001 has been implemented within one part of the organisation (Global Digital Technology (GDT)) to improve customer assurance and information security practices. This will be rolled out to cover the entire organisation over the coming years.

FCO Services has not reported or referred any incidents to the Information Commissioner's Office (ICO) in 2019/20.

Priorities for 2020/21

- Delivery of the Cyber defence capability supporting the CISO and UK Information and Cyber Security strategies, providing regular reporting to the Executives.
- Delivery of the Information Security strategy including update of all information security policies, and a further mechanism to report on compliance with these policies, in line with ISO27001.
- Further roll out of ISO standards, specifically 9001 and 27100 across the organisation.
- Campaign on Top 10 Tips for data protection.
- Launch of new mandatory data protection e-learning.
- Revised SIRO dashboard focussing on format and content.
- Revised Information Assurance compliance reports for the IA community.
- Launch of Supply Chain Risk e-learning.

6. Report of the Audit and Risk Assurance Committee 2019/20

The Audit and Risk Assurance Committee (ARAC) provides advice on the strategic processes for control, governance and risk management as well as the adequacy and effectiveness of processes for the leadership to manage risk. It reviews 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 ARAC. This includes NAO value for money reports, the NAO annual Audit Management Letter,

and the adequacy of responses to issues identified. It also encompasses the planned activity and results of both internal and external audits.

The Committee considers 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 Accounting Officer.

As per the guidance provided by the Audit and Risk Assurance Committee handbook (HM Treasury, 2016), at least one member of the ARAC has recent and relevant financial experience, and is a qualified accountant. The Committee met five times during 2019/20 and has been quorate throughout the year. Following each meeting, the FCO Services Board was provided with a summarised written report and a verbal update by the Chair of the Committee.

When assessing the year end accounts, the Committee considered in detail areas subject to management judgement and received reports from the Chief Finance Officer, on each area, setting out the methodology and key assumptions. The NAO, who receive these papers, have assessed that there were no material differences between the views of management and the NAO on the appropriateness of the accounting policies adopted by FCO Services for 2019/20.

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

The Head of Internal Audit's annual report provided an overall Moderate level of assurance. His annual report assessed that there had been a marked improvement in FCO Services' governance, risk management and controls framework, with no unsatisfactory opinions this year,

though some improvements were nevertheless required to enhance its adequacy and effectiveness. The report also noted that good progress has been made with the implementation of internal audit recommendations. In particular, no actions were reported as outstanding from a total of 83 recommendations made in 2018/19.

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

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

7. Annual Risk Assessment:

The following is a reflection of the 2019/20 key operational risks that have been addressed or remain under management.

Coronavirus (COVID-19) Pandemic Recovery

Our workforce has been impacted in its ability to deliver to the FCO and wider markets due to the pandemic outbreak, which has led to a reduction in the capacity of our operations globally. This may have longer-term impacts across legal, financial, operational, resource and security implications if we are unable to suitably recover from this event due to workforce, supply chain, travel implications and available client revenue.

Primary factors considered	Key controls in place	Planned further mitigation (2020/21)
<ul style="list-style-type: none"> • Health and Welfare of Staff – Staff are stationed both in the UK and at 4 regional hubs globally, travelling regularly to remote, fragile/low-infrastructure environments and may suffer long-term health and welfare impacts as a result of continued exposure • Resource Erosion – Labour market volatility may impact our ability to retain and attract staff, both employed and contingent labour, with the relevant skills and experience to deliver increased volume required to offset the downturn in activity caused by the pandemic • Supply Chain Issues – We may experience delays in the availability of goods, and in exceptional circumstances, lose key partners and suppliers as a result of adverse financial or operational effects of the pandemic which could impact our ability to re-mobilise in line with customer expectations • Client Funding – Increased expenditure by both the UK Government and our Wider Market clients on the management and recovery of the pandemic may reduce the available spend on services we currently provide to them • Travel – We may see increases in cost in excess of inflation as a result of the travel and transport industries re-mobilising; routes may take longer than expected to re-open leading to delays and increased costs of transport 	<ul style="list-style-type: none"> • Comprehensive Pandemic Plan as part of our overall Business Continuity and Crisis Management Plan which includes Business Recovery • COO appointed as Senior Responsible Officer to manage our pandemic response, which implemented measures to ensure the maximum delivery of revenue generating work during the pandemic and manage resourcing issues, and ensure the operations can be re-instated as soon as possible. These include: <ul style="list-style-type: none"> • Detail tracker of all current projects and pipeline, their current status and identification of reinstatement triggers • Restructuring work programmes to bring forward revenue generating activities, including preparation work for projects to be delivered when able • Customer working group to ensure consistent communication, agreement of projects to be completed in this financial year and support planning activities • Identification of critical failure points and implementation of intensive monitoring of metrics that signpost the approach of those points • Staff communication and engagement plans to support health and safety, welfare and wellbeing • Interim policies and guidance to support appropriate working arrangements and post draw downs • Dedicated supply chain communications and management to identify critical and at risk suppliers • Executive Directors are responsible for harnessing and driving activity in their business group 	<ul style="list-style-type: none"> • Review and refresh of Strategy, Corporate Plan and financial budgets • Maintaining Silver Command working group processes until business as usual is returned • Monitoring of business resilience and financial stability; increased rigour in relation to expenditure and cost management • Monitoring of business resilience and financial stability • Daily monitoring of situation reporting across entire business, including global impact • Continuation of communication programmes with staff, supply chain and customers

UK/EU Negotiation – Transition and Implementation Phase:

Following exit from the EU, the transition and implementation phase changes may affect existing legal, financial, operational, resource and security practices.

Primary factors considered	Key controls in place	Planned further mitigation (2020/21)
<ul style="list-style-type: none"> Timely identification of future delivery requirements and revenue projections as the implementation phase develops: to enable the timely provision of resources and equipment globally Recognition of contractual implications: to determine if new contract terms are required with European suppliers Timely transportation of goods to/from Europe (ports and airports): to take account of any new arrangement and to avoid impact on operational delivery and projects Transfer of UK data in and out of the country in relation to EU regulations (GDPR): to track alignment of regulations during implementation phase to ensure data movement is maintained 	<ul style="list-style-type: none"> Close working relationships with the FCO's central teams. A Deputies Board oversees activities related to transition and implementation delivery governance Security and Information Governance processes overseen by the Senior Information Risk Officer and the Engineering and Technology Director's assurance teams Maintain EU hub to ensure operational implementation is delivered effectively Reprioritised personnel who can be redirected to support FCO and HMG implementation phase Maintain dialogue with critical suppliers contacted to assess the impact of emerging transition arrangements 	<ul style="list-style-type: none"> A projects and programme plan, prioritised in relation to EU transition and implementation phase activities Ongoing legal and contractual advice to be sought, as required, to provide assurance in relation to changes arising from transition and implementation phase activities including; overseas personnel healthcare, GDPR and secure data transfer

Cost Effective Workforce Skills, Capability and Productivity

There is a risk that, if FCO Services cannot effectively attract, retain, develop and engage enough and the right people, it will not have the skills, capability and productivity to meet future customer and other organisational requirements (e.g. VFM, Ministerial targets and health and safety duties).

Primary factors considered	Key controls in place	Planned further mitigation (2020/21)
<ul style="list-style-type: none"> Business areas do not effectively plan future workforce and skills requirements and recruitment activity is not fully aligned to workforce plans and changing customer requirements Customers do not provide longer term requirements that makes skills and recruitment planning difficult Security clearance timescales make it difficult to recruit skills quickly Long-term reliance on contractors in some business areas and market has not been tested, so we cannot demonstrate value for some elements of the workforce Hanslope Park remote location and FCO Services pay rates are not competitive for many skills. These make it difficult to attract high calibre candidates, although retention rates are mostly quite high Employee engagement levels are still comparatively low (impacts on productivity, wellbeing etc.) and the organisation can continue to become more diverse and inclusive Impact of COVID-19 on revenues, workforce planning and skills recruitment and retention 	<ul style="list-style-type: none"> Pay flex agreement 2018 and Stages 1 and 2 implemented Flexible starting salaries and allowances used to assist recruitment and retention Evolve programme implemented to develop leadership and management skills and Local Engagement Action Plans (LEAPs) established across business areas. Annual Your Say scores improving and Ministerial Targets met Improved access and take-up of learning and development through annual business area learning plans, corporate learning plan and by more accessible learning, such as FCO Services GLO (Global learning opportunities platform- hosting our learning resource) Increased apprenticeships to improve talent pipeline (32 in both 2018 and 2019) – but 2020 recruitment halted due to COVID-19 Hybrid security clearance approach implemented since June 18 Diversity and Inclusion Strategy and Action Plans 2017-20 implemented Contractor efficiency programme 2019-21 implemented – delivered c£1.1m savings by Mar 20 New talent management policy and process agreed for 2020/21 Work packages also being used to fill priority gaps and deliver projects Business Continuity procedures established for all staff globally with over 90% working flexibly and remotely and with shift patterns applied as appropriate, alongside enhanced staff wellbeing support and remote working guidance 	<ul style="list-style-type: none"> Review of workforce and RAP0 planning process in Q1 Diversity and Inclusion Strategy and Action Plans 2020-23 to be developed LEAPS 2020 being updated and monitored Skill based pay structure and career development mapping by 2020/21 Talent Boards will be concluded and Talent Academy proposals developed Continued investment to improve leadership and management capability at all levels with new framework Further review of use of contractors and potential efficiencies in 2020/21 Programme office established to manage operational delivery, priorities and resources New policies, guidance and working arrangements being developed to support a phased return to the workplace based on hybrid working arrangements and to protect the health, safety and wellbeing of staff

Health and Safety:

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

Primary factors considered	Key controls in place	Planned further mitigation (2020/21)
<ul style="list-style-type: none"> • Identification and management of operational health and safety risks: preventing injury, ill health and loss • Compliance with regulatory requirements to provide safe working environments, facilitate safe work activities: preventing injury and ill health, legal action, financial and reputational loss • Safe Delivery; staff, contractors, delivery partners demonstrate safety knowledge and skills to ensure safe design and delivery of products and services • COVID-19 - an additional hazard requiring specific risk management in differing work activities and locations 	<ul style="list-style-type: none"> • Health and safety policies, procedures and management tools supported by internal governance and competent health and safety professionals • Risk management tools including assessment, audit and inspection • Regulatory and internal compliance assurance through inspection and routine audit • Safety education and skills continual development and improvement • Inclusion of COVID-19 hazard management activities in policy and procedures; inclusion of COVID-19 control measures in risk assessments, safe systems of work, design and delivery of services, products and work activities 	<ul style="list-style-type: none"> • Continual improvement of risk identification and management through enhanced collaborative working with customers • Regional Health and Safety governance further developed to support risk management and customer engagement in health and safety • Developed analysis of risks and issues to achieve focussed improvements in governance and safety behaviours and culture • Safety in design and delivery of products and services with suppliers, contractors and delivery partners • Continuing alignment with UK Government advice and practise. Overseas activities to align with UK advice whilst embracing local requirements

Account and Commercial Management

There is a risk that failure to identify and manage key accounts and key relationships and stakeholders underpinned by a robust and clear commercial strategy may lead to lack developing the appropriate opportunities in order to deliver our Corporate Plan targets and result in financial underperformance.

Primary factors considered	Key controls in place	Planned further mitigation (2020/21)
<ul style="list-style-type: none"> • Requirement for a Marketing and Account Management strategy identifying target strategic customers, aligned to clear ownership of and management of stakeholder relationships • Market presence - targeted marketing of our product and services portfolio focused on demonstrating value for money proposition and uniqueness elements of offer (security, agility) • Perception of value - competitive pricing strategy aligned to delivering value for money to customers whilst ensuring that the financial needs of the organisation are met • Commercial excellence – demonstrable, performance led best commercial practices combined with appropriate controls of the commercial process 	<ul style="list-style-type: none"> • Marketing and Account Management Strategy reviews, identifying core markets, customers and key stakeholders. Objectives and performance reviewed monthly and strategy reviewed annually • Strategic account and key account owners aligned via a Customer Relationship Management (CRM) tool. Internal governance structure in place, reporting and reviewing. • Structured Partnership review groups, assuring alignment of objectives • Analysing and reporting emerging product and service demands in terms of customer, competitor and market engagement • Terms of Business Agreement (ToBA) and Service Level Agreement (SLA) in place with our selected key accounts • Pricing strategy and implementation plan • Enhanced recording of commercial performance metrics to support development of and support performance of commercial community 	<ul style="list-style-type: none"> • Assess integration of process for the implementation of the account plan with the business life cycle and Revised Annual Plan (RAP) processes, to ensure a coordinated delivery of the Corporate Plan • Evaluate alignment of strategic Service Level Agreements with key strategic accounts • Executive led strategic account reviews implemented by key account owners and integration with the Annual Plan report/review process • Ongoing enhancement of CRM reporting and data quality management • Management of commercial performance through the introduction of relevant commercial metrics (financial/contractual), aligned to Customer Experience Strategy (3 R's – Reliability, Responsiveness, Relationships) and customer satisfaction reporting • Value for Money storyboards, evaluating product and service cost/benefit analysis • Development of specific marketing strategies for selected products and services

Financial Control:

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

Primary factors considered	Key controls in place	Planned further mitigation (2020/21)
<ul style="list-style-type: none"> Financial processes and procedures: safeguarding against errors and potential instances of fraud or non-compliance with statutory regulations Compliance with commercial processes and procedures: risk-aware culture reflected in leadership and management behaviours An operational understanding of IFRS15: both finance and non-finance staff alike adhering to the standard and ensuring our processes and tools help to support compliance 	<ul style="list-style-type: none"> Financial governance, including: <ul style="list-style-type: none"> Quarterly forecasting Annual review of the Corporate Plan Segregation of duties Delegated authorities Internal audits Review of financial reports by a number of Boards; and, Independent review and approval of investment business cases Strengthened risk framework: <ul style="list-style-type: none"> Annual review of risk appetite ROC replaced by the RRAB; and, Introduction of opportunity classification risk tool Monthly management accounts process, including review of performance against budget and forecasts, and production of standardised financial reports Skilled and trained finance, commercial, and procurement teams 	<ul style="list-style-type: none"> Development of a simplified reporting structure, management information suite and commercial tools Deliver finance process improvement using application of lean methodology and optimising automation in alignment with the Government Finance Global Design Principles Continued enhancement of ERP systems in conjunction with the FCO Review of training and guidance documents to make access to financial information easier for users and to ensure risk management awareness is standardised across the organisation

Operational Delivery:

If the operational delivery platform of the organisation is not to standard, continuously improved and co-ordinated across our people, process and technology, this may result in inefficiencies and inconsistency in the standard of delivery resulting in financial, operational and potentially reputation as losses.

Primary factors considered	Key controls in place	Planned further mitigation (2020/21)
<ul style="list-style-type: none"> Customer requirements: clearly defined to ensure that both parties understand scope of delivery and agree expectations Co-ordination and scheduling: proactively managed to ensure projects and services run to time, budget and the highest quality Operational processes and procedures: to safeguard against errors and potential instances of fraud or non-compliance with statutory regulations Technology and Systems: appropriate underlying systems are in place with supporting technology Business Continuity: detailed Business Continuity Plans to enable business to continue operating in business continuity events 	<ul style="list-style-type: none"> Governance structure, made up of regular review of activities, including <ul style="list-style-type: none"> quarterly forecasting and annual review of the Corporate Plan monthly Operational Management Board covering all aspects of people process and technology scrutiny and review of project and services delivery and pipelines System-generated workflows escalations and standardised reporting Certification to internationally recognised standards, including ISO 9001, ISO 27001, and ISO22301 	<ul style="list-style-type: none"> Continuous improvement of processes and procedures, including full review of the Business Lifecycle Process Work collaboratively with knowledge specialists to leverage current capability, and enhance operational excellence within our UK Logistics hub Continuing maturation of our Central Planning function to support active Business Intelligence of projects and services Enhancement of ERP systems Maturation of business performance monitoring through Operational Management Board

Supply Chain:

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

Primary factors considered	Key controls in place	Planned further mitigation (2020/21)
<ul style="list-style-type: none"> High-quality relationships: robust tendering, on-boarding and contract management to ensure we have an ethical, compliant supply chain Value for money and reliable delivery: engagement of suppliers with a global reach who have sufficient capacity to deal with our demand Resilience: we undertake routine checks to identify financial or control weaknesses to minimise risk of non-delivery or exposure to financial and non-financial losses, due to a failure in our supply chain Ethical considerations and corporate social responsibility: ensuring we take end to end responsibility for our supply chain and ensure our quality expectations are met throughout 	<ul style="list-style-type: none"> Governance structure, including segregation of duties, delegated authorities and standardised reporting Tenders submitted using existing government frameworks where appropriate, accompanied by due diligence checks prior to contract award Maintenance of critical and key partner and supplier lists including checks on financial health, insurance etc. Contracts include Key Performance Indicators, requirements to provide Business Continuity Plans, information assurance etc. Skilled procurement teams with Chartered Institute of Procurement and Supply (CIPS) Corporate Ethical Procurement and Supply accreditation 	<ul style="list-style-type: none"> Continuous improvement of processes and procedures, including automation of manual processes as part of the ERP system development Full supplier health check as part of COVID-19 response Review and refresh of KPI requirements within critical and key contacts to ensure they remain fit for purpose Continue to improve understanding of market needs to enhance flexibility and choice in how we procure goods and services in a way that is more attractive to partners and suppliers

Security (Information, Physical, Personal, Technical and Cyber):

If we fail to comply with broad security best practice including information and data protection legislation, physical, personal, technical and cyber may result in financial loss, legal action and penalty, and reputational damage.

Primary factors considered	Key controls in place	Planned further mitigation (2020/21)
<ul style="list-style-type: none"> Dynamic security threat environment and spectrum monitored and understood Legal obligations understood: ensuring that we have the ability to respond appropriately, and to confirm compliance with legal requirements Comprehensive approach to holistic security to protect personnel, information and infrastructure Supply chain management to ensure cyber, physical, personnel and data protection clauses: making sure that, where practicable, suppliers have appropriate standards and clauses in place Customer agreements to describe security balance of responsibilities 	<ul style="list-style-type: none"> Education and Awareness of all aspects of holistic security behaviour to include cyber, information, personal, technical and physical Development and maintenance of comprehensive cyber defence capability Development and maintenance of physical, personnel and technical security best practice and standards drawing on recognised National Technical Authorities Information governance controls to include Data Protection Officer; the Senior Information Risk Owner; and the Data Governance Board Supplier assurance guidance, policy and process and adherence to recognised standards 	<ul style="list-style-type: none"> Development of Security Operating Centre capability to cyber defence capability Maturing compliance monitoring regime across all aspects of security

IT Platforms:

Preserving and protecting, through targeted investment, our core IT platforms, OGSAE (Official Government Secure Applications Environment), SSAE (Secret Secure Applications Environment) and related EUC (End User Compute) to maintain integrity, security and customer delivery.

Primary factors considered	Key controls in place	Planned further mitigation (2020/21)
<ul style="list-style-type: none"> Investment and development of customer facing IT infrastructure to meet needs of FCO and wider market customers Alignment of designs with industry and National Technical Authority best practice 	<ul style="list-style-type: none"> Technology roadmaps, with associated investment plans, to maintain integrity of core IT platforms Comprehensive regime of monitoring and independent health checks and alignment with NCSC best practice Application and maintenance of recognised standards for information and IT security (ISO 27000, ISO 22000 and Cyber Essentials Plus) 	<ul style="list-style-type: none"> Continued investment in OGSAE, SSAE and cyber defence capabilities

Going Concern

COVID-19 presents such challenges that unattended risks and revenue reductions could lead to material uncertainties and may cast doubt about FCO Services' ability to continue as a going concern.

FCO Services is participating in detailed joint planning activity with the FCO to remobilise overseas project activity. This planning, alongside a detailed duty of care processes, supports the prioritisation and efficient delivery of activities. The planning has enabled us to identify a prioritisation list and a forward look of all revenue generating work being delivered for the FCO abroad and has also allowed for bringing forward of a number of UK based activities, including planning, design and tendering, ensuring that our teams are prepared to mobilise as soon as we become able to deliver work.

I have overseen the development of three scenario business plans for 2020/21 which take account of COVID-19 and its time-bound impact on our revenues, costs and operations.

- The first scenario reduces in-year revenues by £30m and is a direct impact of COVID-19. We have an £11.5m savings plan that is working and provides adequate controls for FCO Services to continue as a going concern.
- The second scenario reduces in-year revenues by £59m and requires a £25m savings plan. Going concern risks are underwritten by an FCO working capital agreement to ensure £25m cash cover whilst structural savings are achieved over time. Adequate liquidity for FCO services means we can continue as a going concern having minimised material uncertainties in 2020/21.
- The third scenario assumes austerity measures that have not been announced by the Government but considers this a credible strategy to recover from the economic shock of COVID-19. This builds on scenario two but with a further 25% reduction to government funding, directly affecting our customers. This assumes a £69m reduction of in-year revenues and £36m savings plan. In this case our going concern status and scale of

material uncertainties will need to be reviewed as a matter of priority by FCO Services, the NAO and the FCO. Currently a revised business strategy and savings plan is being developed, which if successful and underwritten by adequate working capital loans would provide adequate controls for FCO Services to remain a going concern.

The FCO has provided a letter of comfort, whereby the FCO undertakes to support FCO Services' cash flow requirements for 2020-21 and 2021-22 in order to ensure FCO Services can continue to meet its financial obligations. This support will provide adequate financial assistance, should it be required, to enable FCO Services to continue operating as a going concern for a period of at least twelve months from the date that the accounts are certified.

8. Overall summary

The last quarter of the financial year typically provides a seasonal increase in project activity and service delivery. Whilst the emergence of the COVID-19 pandemic caused unprecedented disruption to some of our services and projects, predominantly within the last three weeks of the reporting period, 80% of our operations were able to continue because of the robustness of our business continuity plans and the dedication of our staff.

This has impacted our revenue, with a reduction compared to our in-year business planning predictions. Despite this, and due to a confident year of trading, I can confirm that FCO Services has delivered a robust financial performance. Relationships with stakeholders, customers and supply chains remain strong, and I am assured that we are in a position to assist and deliver services as easing commences. I'm pleased to confirm that our ministerial targets for 2019/20 have been met and exceeded.

To this part I commend the Business Continuity teams from across the organisation who stepped up to ensure that FCO Services remained open and functional, delivering essential services to our customers, stakeholders and thereafter, business capability assurance to the Board. Our Business Continuity systems of work are accredited to BSI standard. As we move from what has been a crisis management phase to the new normal, we will collate the lessons learnt to ensure that these are incorporated into ongoing resilience planning.

The appointed Executive and Non-Executive directors have for the most remained unchanged for the period of this reporting cycle. They have provided stability, with an understanding of the capability and strategy of FCO Services, offering support and direction as we undertook to maintain the delivery of services in the most challenging times we have faced since forming as a trading fund in 2008. There has been one change, and I take this opportunity to thank Sir Philip

Barton for his membership of and contribution to the FCO Services Board over the two years he served, wishing him well in his future endeavors.

The Board presently comprises 4 women and 5 men. With avocation of gender diversity to enable inclusivity and balanced discussions, this draws FCO Services towards a balanced position at Board level. This is echoed at executive level with a 4 to 4 diversity split. Our Diversity and Inclusion agenda continues to hold pace, with groups established across different minority areas, supported by Executive Board champions. I am particularly proud of the way in which the groups have innovated as we all looked to work differently in the latter part of this reporting period, ensuring the ongoing provision of support services across our organisation.

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

Finally, FCO Services continues to provide support to the FCO in implementing its policies and strategies globally on the diplomatic platform whilst delivering essential international devices for counter terrorism defence security services and other foreign services departments. We have taken steps towards ensuring internal preparedness, including data protection compliance and the continuity of our logistics service. Also, in the provision of assurance to members of FCO Services staff who live and work in the European Union.

Danny Payne
Chief Executive and Accounting Officer
08 July 2020

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 2020. The Board is comprised of both Non-Executive and Executive Directors and the relevant disclosures of each are set out below.

Remuneration policy for senior civil servants

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

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

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

- the need to recruit, retain and motivate suitably able and qualified people to exercise the responsibilities of the role;
- progress against and contribution towards delivery of FCO Services agreed Corporate Plan and Ministerial targets;

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

Delivery against stretching objectives agreed at the start of the reporting period is a key determinant of the pay award within the prevailing Government policies. At the end of the performance year, individual contribution is assessed by the line manager and validated by a countersigning manager and moderated by the Nominations Committee acting in its capacity as the FCO Services Pay Panel.

Staff may be ineligible for a bonus if their appraisal is not received in time. The assessments underpin annual pay reviews and bonus decisions and are also used to evaluate talent and potential.

Employment contracts for Executive Directors who are civil servants

Civil Service appointments, including executive members of the FCO Services Board, are made in accordance with the Civil Service recruitment principles. Appointments are made on merit and offers are made to the most suitable person for the job. This policy incorporates practices

for ensuring equal opportunities and promoting diversity and inclusion. Appointments are made on an objective basis and solely on the candidate's suitability for appointment.

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

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

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

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

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

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

The following sections provide details of the remuneration and pension interests of the most senior management (i.e. Board members).

Remuneration

Single total figure of remuneration (Subject to Audit)

	Salary £000		Performance Related payment £000		Pension Benefits (to nearest £000) (Note 1)		Total £000	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
Rob Eason	105-110	100-105	5-10	10-15	70	11	180-185	120-125
Yvonne Laird	110-115	50-55 (110-115 full year equivalent)	Nil	Nil	43	20	155-160	70-75 (130-135) full year equivalent
Danny Payne	150-155	135-140	5-10	10-15	57	52	215-220	200-205
Claire Shepherd	140-145	50-55 (140-145 full year equivalent)	Nil	Nil	55	21	195-200	75-80 (160-165 full year equivalent)
	2019-20				2018-19			
Band of Highest Paid Director's Total Remuneration (£000)	155-160				220-225			
Median Total Remuneration (£)	41,192				38,816			
Ratio (Note 2)	3.8				5.7			

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. 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 2019/20 was £155k-£160k (2018/19, £220k-£225k). This was 3.8 times (2018/19, 5.7) the median remuneration of the workforce, which was £41,192 (2018/19 £38,816). In both 2019/20 and 2018/19 no employees received remuneration in excess of the highest paid director. Excluding the highest paid director, remuneration ranged from £15,467 to £142,109 (2018/19 £15,296 to

£170,500). In 2018/19 the highest paid director was an interim on contract. This director has now left FCO Services, resulting in a reduction in the median pay ratio of 2. The lowest paid employees are apprentices.

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 Executive Board and thus recorded in these accounts.

Performance Related Payments

The pay of senior civil servants (SCS) is set by the Prime Minister following independent advice from the Review Body on Senior Salaries. From time to time, the Review Body advises the Prime Minister on the pay, pensions and allowances of ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

The FCO set the performance bonus value for 2019/20 at £5,700 for all SCS staff regardless of grade within the Cabinet Office policy remit. The FCO Services Pay Panel agreed to apply the same approach.

For fixed-term SCS appointments in FCO Services, contracts of employment apply the same terms as above.

The table on page 89 shows the performance related payments paid in 2019-20 and are related to individual and team contribution in the prior year.

Benefits in kind

The monetary value of benefits in kind covers any taxable benefits not given to the individual as cash. No executive member or key management personnel received any benefits in kind in 2019/20.

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

	Accrued pension at pension age as at 31 March 20 and related lump sum (Note 1)	Real increase in pension and related lump sum at pension age	CETV at 31 March 20 (Note 1)	CETV at 31 March 19 (Note 1)	Real increase in CETV (Note 1)	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	Nearest £100
Rob Eason	40 - 45 plus a lump sum of 120 - 125	2.5 - 5 plus a lump sum of 2.5 - 5	953	857	54	-
Yvonne Laird	0 - 5	2.5 - 5	37	11	17	-
Danny Payne	30 - 35	2.5 - 5	382	328	28	-
Claire Shepherd	0 - 5	2.5 - 5	43	11	20	-

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.

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 (PCSPPS). The PCSPPS 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 PCSPPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPPS 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 PCSPPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPPS having those benefits based on their final salary when they leave **Alpha**. (The pension figures quoted for officials show pension earned in PCSPPS or **Alpha** – as appropriate. Where the official has benefits in both the PCSPPS 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 the appointed provider - Legal and General. 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 PCSPPS or **Alpha** – as appropriate. Where the official has benefits in both the PCSPPS 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

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

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

Real increase in CETV

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

Non-Executive Directors

The following section provides details of the appointment, 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-term 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 employed on civil service terms and conditions of employment, except for Sir Simon Gass (from 1 July 2019), Sir Philip Barton and Joy Hutcheon, and are not members of the Civil Service Pension Scheme. The Non-Executive Directors, (excluding Sir Simon Gass (from 1 July 2019), Sir Philip Barton and Joy Hutcheon), are paid through the FCO Services payroll.

No pay or pension costs are included in FCO Services' accounts in respect of Philip Barton or Joy Hutcheon, who were 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 following have been Non-Executive Members of the FCO Services Board during the year:

Sir Philip Barton CMG OBE, appointed on a three year contract as a non-Executive Director on 1 March 2019. Sir Philip resigned on 6 February 2020.

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

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

Joy Hutcheon CB, appointed on a three year one month contract as a Non-Executive Director on 1 March 2016. (Member of the Audit and Risk Assurance Committee) Extended until 31 March 2022.

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

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

Additionally there are two Member of the Audit and Risk Assurance Committee who are not Non-Executive Directors:

Steve Dunne, an appointed member of the Audit and Risk Assurance Committee. No pay or pension costs are included in FCO Services' accounts in respect of Steve Dunne.

Susan Graham, (FCO's Deputy Finance Director), a member of the ARAC. No pay or pension costs are included in FCO Services' accounts in respect of Susan Graham who is a civil servant employed by the Foreign and Commonwealth Office.

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

	2019/20	2018/19 (Restated) (Note 1)
	£000	£000
Sir Philip Barton CMG OBE (Note 2)	-	-
Sir Simon Gass KCMG CVO (Note 3)	5-10 (30-35 full year equivalent)	30-35
Richard Gunning	15-20	10-15 (15-20 full year equivalent)
Stephen Hawker CB (Note 4)	-	15-20
Joy Hutcheon CB (Note 2)	-	-
William McCluggage	15-20	5-10 (15-20 full year equivalent)
Ann Tourle	15-20	5-10 (15-20 full year equivalent)

Note 1. Prior year payments restated on an accruals basis

Note 2. No pay or pension costs are included in FCO Services' accounts in respect of Sir Philip Barton and Joy Hutcheon, who are civil servants employed by the Foreign and Commonwealth Office and Department for International Development respectively (2018/19 £nil). Philip Barton resigned on 6 February 2020.

Note 3. Sir Simon Gass was remunerated as a Non-Executive Director until 30 June 2019 at which point he became a civil servant working for the Cabinet Office.

Note 4. Stephen Hawker's term of office ended on 31 March 2019.

Staff report

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

Details provided as at 31 Mar 2020

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

Staff Report (Subject to Audit)

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

Summary of average FTE - FCO Services 2019-2020

Staff numbers	Permanent and Fixed Term Employees	Other*	2019/20
			Total
Service Delivery	808	189	997
Corporate Services	155	17	172
Total	963	206	1,169
Capitalised Staff**	(2)	(3)	(5)
Net Staff Numbers	961	203	1,164

Staff numbers	Permanent and Fixed Term Employees	Other*	2018/19
			Total
Service Delivery	758	206	964
Corporate Services	126	27	153
Total Staff Numbers	884	233	1,117
Capitalised Staff**	(2)	0	(2)
Net Staff Numbers	882	233	1,115

* Other comprises agency staff and fee paid officers.

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

Danny Payne
Chief Executive and Accounting Officer
08 July 2020

Staff costs for the above persons (Subject to Audit)

	2019/20		
	Permanent and Fixed Term Employees* £000	Other** £000	Total £000
Salaries / agency staff and fee paid officers	49,826	20,871	70,697
Social security costs	4,580	154	4,734
Apprenticeship Levy***	183	0	183
Other pension costs****	9,335	298	9,633
Total staff costs	63,924	21,323	85,247
Capitalised staff costs	-136	-300	-436
Total net staff costs	63,788	21,023	84,811

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

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

** Other comprises agency staff and fee paid officers.

*** Apprenticeship Levy began in May 2017.

**** 2019/20 variance in value of £6k to pension note below relates to opening and closing accruals (2018/19 £1k).

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 2016. You can find details in the resource accounts of the

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

For 2019/20, employers' contributions of £9,453,118 were payable to the PCSPS (2018/19 £6,538,125) at one of four rates in the range 26.6% to 30.3% 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 2019/20 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 civil service Partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £168,874 (2018/19 £120,714) 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 £5,692 (2018/19 £3,681), 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 (2018/19 £nil). Contributions prepaid at that date were £nil (2018/19 £nil).

In the 12 months to March 2020 one individual (2018/19 no individuals) retired early on ill health grounds; the total additional accrued pension liability in the year amounted to £230.41 (2018/19 £nil).

Staff composition

At 31 March 2020.

- Senior Civil Service Grades: 50% were female
- Delegated Grades 29.3% were female

Historically, female representation has remained fairly static at around 25% with the exception in 2017 when we saw a drop to 23.2% due to the transfer of our vetting team, which had a high proportion of females, to MOD. As part of our diversity strategy, we have remained focussed on improving representation of female staff which poses a challenge due to a shortage of females working in STEM industry. Through a range of positive actions including focus on diversity in advertising setting, workforce ambitions, anonymised recruitment, diverse selection panels and unconscious bias training to name

but a few, we have seen just under a 3% rise in female representation in the last 2 years to 29.3%.

Sickness Absence Data

The average number of working days lost per employee due to sickness absence was 6.2 days in 2019/20. This compared to 4.3 days in 2018/19. We have updated our attendance management policy to improve support to staff on a range of issues such as menopause, disability and mental health. As detailed earlier, we have continued to promote staff wellbeing with a number of initiatives applied throughout 2019/20.

Staff Policies applied during the financial year

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

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

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

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

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

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

Further information on our diversity and inclusion goals can be found at <https://www.fcoscareers.co.uk/diversity-and-inclusion/>

Facility Time Publication Requirements

Table 1: Relevant Union Officials

Number of employees who were relevant union officials during 1 April 2019 – 31 March 2020	Full-time equivalent employee number
10	5

Table 2: Percentage of time spent on facility time

Number of employees who were relevant union officials employed during 1 April 2019 – 31 March 2020 that spent a) 0%, b) 1%-50%, c) 51%-99% or d) 100% of their working hours on facility time

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

Table 3: Percentage of pay bill spent on facility time

	Figures
The total cost of facility time	£106,856
The total pay bill	£427,725,979
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%
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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 2019/20 was £0.

Off-payroll engagements (audited)

Note: Details below include Limited and Umbrella company contractors plus Agency Worker Regulations (AWRs).

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:	139
(b) The number that have existed for less than one year at time of reporting:	20
(c) The number that have existed for between one and two years at time of reporting:	37
(d) The number that have existed between two and three years at time of reporting:	23
(e) The number that have existed between three and four years at time of reporting:	16
(f) The number that have existed for four or more years at time of reporting:	43

Table 2: For all new off-payroll appointments, or those that reach six months in duration, between 1 April 2019 and 31 March 2020 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:	65
(b) The number of these engagements which were assessed as caught by IR35:	0
(c) The number of these engagements which were assessed as not caught by IR35:	65
(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:	0
(b) Details of the exceptional circumstances that led to each of these engagements:	n/a
(c) Details of the length of time each of these exceptional engagements lasted:	n/a
(d) The total number of individuals both on and off-payroll that have been deemed "board members and/or senior officials with significant financial responsibility", during the financial year. This total figure must include engagements which are ON PAYROLL as well as those off-payroll:	7

Exit packages (Subject to Audit)

The table below provides details of exit packages included within the financial statements. There were no exit packages in 2019-20.

Exit Package Cost Band	Number of Compulsory Redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19*
<£10,000	-	-	-	-	-	-
£10,000 - £25,000	-	-	-	-	-	-
£25,000 - £50,000	-	-	-	-	-	-
£50,000 - £100,000	-	-	-	2	-	2
£100,000 - £150,000	-	-	-	-	-	-
£150,000 - £200,000	-	-	-	-	-	-
Total number of exit packages by Type	-	-	-	2	-	2
Total resource cost (£'000)	-	-	-	163	-	163

*The value on the statement of comprehensive income of £186k in 2018/19 includes net additional £23k of cost relating to prior year schemes to comply with the 2017 Judicial Review Ruling.

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

Parliamentary accountability and audit report

Regularity of Expenditure (Subject to Audit)

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

Losses and special payments

Losses Statement	2019/20	2018/19
Total number of losses	8	16
	£000	£000
Total value of losses*	222	264
Claims Waived / Abandoned	-	-
Store Losses	32	18
Fruitless Payments	24	1
Loss on Currency Exchange	34	8
Other	132	237

* There were no individual losses over £300,000 in either 2019/20 or 2018/19. All losses are disclosed on an accruals basis.

Special Payments and Gifts

In 2019/20 the costs falling into the category special payments and gifts was £nil (2018/19 £nil).

Fees and Charges (Subject to Audit)

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

Refer to Note 3 of the Notes to the accounts on page 114 for FCO Services Segmental analysis, which provides details of fees and charges for 2019/20.

Remote contingent liabilities (Subject to Audit)

FCO Services has reviewed its liability under the Late Payment of Commercial Debts (Interest) Act 1998 and Late Payment of Commercial Debts Regulations 2002 and 2013.

Following analysis of statement of account reconciliations with our suppliers, and a review of guidance issued by HM Treasury, we are not aware of any material remote contingent liabilities.

Danny Payne
Chief Executive and Accounting Officer
08 July 2020

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 2020 under the Government Trading Funds Act 1973. The financial statements comprise: the Income Statement, 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 2020 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.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- FCO Services' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- FCO Services have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the FCO Services' ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the Accounting Officer for the financial statements

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud

is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the FCO Services' internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- I conclude on the appropriateness of the FCO Services' 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 the 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 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 report. However, future events or conditions may cause FCO Services to cease to continue as a going concern.

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

I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure

recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Other Information

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

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Gareth Davies

09 July 2020

Comptroller and Auditor General

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

Financial Statements



Statement of comprehensive income

for the year ended 31 March 2020

	Note	2019/20 £000	2018/19 £000
Revenue	2	197,884	181,371
Cost of sales	5	(153,821)	(135,468)
Gross surplus		44,063	45,903
Other Income	2	225	1,219
Operating expenses	5	(37,813)	(33,548)
Operating surplus		6,475	13,574
Profit on disposal of Intangible assets and property, plant and equipment		44	7
Surplus / (deficit) for the financial year before voluntary exit scheme		6,519	13,581
Voluntary exit scheme		0	(186)
Surplus before financing		6,519	13,395
Financing income		235	240
Financing costs		0	(2)
Net financing		235	238
Surplus for the financial year		6,754	13,633
Dividend	6	(1,895)	(25,317)
Retained surplus / (deficit) for the financial year		4,859	(11,684)
Other comprehensive net income			
Net gain on the revaluation of property, plant and equipment		0	33
Total comprehensive (deficit) / income for the financial year		4,859	(11,651)

All income and expenditure are derived from continuing operations.

The notes on pages 108 to 126 form part of these accounts.

Statement of financial position

as at 31 March 2020

	Note	2019/20 £000	2018/19 £000
Non-current assets			
Intangible assets	7	631	515
Property, plant and equipment	8	8,210	7,587
Total non-current assets		8,841	8,102
Current assets			
Inventories	9	2,646	853
Trade and other receivables	10	39,960	24,101
Cash and cash equivalents	11	35,845	43,134
Total current assets		78,451	68,088
Total assets		87,292	76,190
Current liabilities			
Trade and other payables	12	(31,777)	(24,833)
Provisions due within one year	13	(898)	(1,599)
Total current liabilities		(32,675)	(26,432)
Total Assets less current liabilities		54,617	49,758
Assets less liabilities		54,617	49,758
Taxpayers' equity			
Public dividend capital		4,981	4,981
General reserve		1,085	995
Revaluation reserve		109	199
Income and expenditure account		48,442	43,583
Total taxpayers' equity		54,617	49,758

Danny Payne
Chief Executive and Accounting Officer
08 July 2020

The notes on pages 108 to 126 form part of these accounts.

Statement of cash flows

for the year ended 31 March 2020

	Note	2019/20 £000	2018/19 £000
Cash flows from operating activities			
Surplus on ordinary activities before dividend payable		6,754	13,633
Adjustments for non-cash transactions	14	2,089	2,875
Net interest receivable		(235)	(238)
Increase in inventories	9	(1,793)	(270)
Increase in trade and other receivables	10	(15,859)	(1,922)
<i>less movements in receivables relating to items not passing through the income statement</i>			
- Accrued deposit interest		(13)	3
Increase / (decrease) in trade and other payables	12	6,944	(1,307)
<i>less movements in payables relating to items not passing through the income statement</i>			
- Dividend payable	12	(78)	(150)
(Decrease) / Increase in provisions	13	(701)	197
Net cash inflow from operations		(2,892)	12,821
Cash flows from investing activities			
Purchases of intangible assets	7	(204)	(358)
Purchases of property, plant and equipment	8	(2,695)	(2,268)
Disposals of property, plant and equipment		71	15
Net cash outflow from investing activities		(2,828)	(2,611)
Cash flows from financing activities			
Interest paid		-	(2)
Interest received		248	237
Dividend paid	6 & 12	(1,817)	(25,167)
Net financing		(1,569)	(24,932)
Net decrease in cash and cash equivalents in the period		(7,289)	(14,722)
Cash and cash equivalents at the beginning of the period	11	43,134	57,856
Cash and cash equivalents at the end of the period	11	35,845	43,134

The notes on pages 108 to 126 form part of these accounts.

Statement of changes in taxpayers' equity

for the year ended 31 March 2020

	Public Dividend Capital £000	General Reserve £000	Revaluation Reserve £000	Income and Expenditure Account £000	Total Reserves £000
Balance at 1 April 2018	4,981	841	320	55,267	61,409
Changes in taxpayers' equity for 2018/19					
Unrealised net surplus on revaluation of property, plant and equipment			33		33
General reserve transfer - depreciation charge difference in year on revalued cost basis compared to historic cost basis		154	(154)		-
Retained surplus for the financial year	-	-	-	(11,684)	(11,684)
Total recognised income and (expense) for 2018/19	-	154	(121)	(11,684)	(11,651)
Balance at 31 March 2019	4,981	995	199	43,583	49,758
Changes in taxpayers' equity for 2019/20					
Unrealised net surplus on revaluation of property, plant and equipment			-		-
General reserve transfer - depreciation charge difference in year on revalued cost basis compared to historic cost basis		90	(90)		-
Retained surplus for the financial year	-	-	-	4,859	4,859
Total recognised income and (expense) for 2019/20	-	90	(90)	4,859	4,859
Balance at 31 March 2020	4,981	1,085	109	48,442	54,617

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

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

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

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

Danny PayneChief Executive and Accounting Officer
08 July 2020

The notes on pages 108 to 126 form part of these accounts.

Notes to the accounts

1. Accounting policies

1.1 Basis of accounting

These financial statements have been prepared in accordance with the Accounts Direction issued by HM Treasury on 19 December 2019, 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 2019-20 Government Financial Reporting Manual (FReM) and Trading Funds Accounts Guidance, as issued by HM Treasury.

The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of FCO Services for the purpose of giving a true and fair view has been selected. The particular policies adopted by FCO Services are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.2 Accounting Convention

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

1.3 Revenue

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

For these FY 19/20 Statutory Accounts revenue is recognised under IFRS15 “Revenue from Contracts with Customers”. The Standard applies to revenue from contracts with customers and replaces all of the previous revenue standards and interpretations. The review of customer contracts identified that FCO Services’ existing contracts already contain distinct performance obligations in line with IFRS15 and the revenue recognition is aligned to these requirements.

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

Secure Global Services (SGS):

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

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

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

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

Hardware / Materials: Revenue is recognised when the customer takes receipt.

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

Global Digital Technology (GDT):

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

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

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

1.4 Dividend

An annual statutory dividend is payable to the Foreign and Commonwealth Office. The charge is calculated at a rate set by HM Treasury on the average capital employed during the year less interest on the Vesting Day Loan. In 2019/20 the interest was £nil.

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

1.5 Value added tax

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

1.6 Leases

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

Leases are regarded as finance leases, when substantially all risks and rewards of ownership of a lease are borne by FCO Services.

At the commencement of the lease term, finance leases are recognised as assets and liabilities at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate used is the higher of the real rate and rate intrinsic in the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The depreciation policy for depreciable leased assets is consistent with that for owned assets and is calculated in accordance with IAS 16 and IAS 38.

Finance charges are recognised and expensed as a Financing Cost.

1.7 Inventories, Work in Progress and Contracts

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

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

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

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

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

1.8 Property, plant and equipment

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

On initial recognition property, plant and equipment are measured at cost including any costs such as installation directly attributable to bringing them into working condition. Assets are included in the accounts at the valuation applicable at the Statement of Financial Position date; any movements in valuation during the year are taken to the revaluation reserve or treated as impairments where appropriate.

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

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

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

All assets (except Fixtures) are revalued monthly using the Producer Price Inflation - MM22 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 2019/20 funded by government grant, donation or lottery funding.

1.9 Intangible assets

Intangible assets are valued at cost.

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

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

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

Intangible assets are amortised at rates calculated to write them down to their estimated residual values on a straight-line basis over their estimated useful lives. Assets under development are not amortised or revalued until the asset is brought into use. Asset lives have been set in the following range:

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

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

1.10 Research and development

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

1.11 Government grants

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

1.12 Impairment of accounts receivable

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

1.13 Provisions

FCO Services provides for legal and constructive obligations which are of uncertain timing or amount at the Statement of Financial Position date on the basis of best estimate of the expenditure required to settle the obligation. Previously where the effect of the time value of money was significant, the estimated risk-adjusted cash flows were discounted using the Treasury discount rates in real terms. From this financial year onwards, HM Treasury has issued nominal rates. Nominal rates do not take account of inflation, unlike real rates, therefore where significant, inflated cash flows would be used (reference PES (2019) 11):

	Nominal rate	Nominal Rates
Short-term	Between 0 and up to and including 5 years from the statement of financial position (SOFP) date	0.51%
Medium-term	After 5 years and up to and including 10 years from the SOFP date	0.55%
Long-term	After 10 years and up to and including 40 years from the SOFP date	1.99%
Very long term	Exceeding 40 years from the SOFP date	1.99%

	Inflation rate	Inflation Rates
Year 1	Between 0 and up to and including 1 year from the SOFP date	1.90%
Year 2	After 1 year and up to and including 2 years from the SOFP date	2.00%
Into perpetuity	Exceeding 2 years from the SOFP date	2.00%

1.14 Pension Costs

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

1.15 Foreign exchange gains and losses

Transactions are translated into sterling at the exchange rate ruling on the date of each transaction, except where rates do not fluctuate significantly, in which case an average rate for the period is used. Monetary assets and liabilities denominated in foreign currency at the Statement of Financial Position date are translated at the rates ruling at that date. These translation differences are dealt with in the Statement of Comprehensive Income.

1.16 Contingent liabilities

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

In addition FCO Services discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of Managing Public Money.

1.17 Financial Instruments

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 has no financial instruments as defined by IFRS 9 and its financial instruments are limited to cash, receivables and payables, as per note 18.

1.18 Effects of future accounting policies

IFRS 16 'Leases' is effective for financial reporting periods beginning on or after 1 January 2019 and is expected to be adopted by the public sector in 2021/22. IFRS 16 represents a significant change in lessee accounting by largely removing the distinction between operating and finance leases and introducing a single lessee accounting model. FCO Services has undertaken an assessment of the impact that it will have. All new leased contracts in each business area have been reviewed. The majority of areas have been deemed not material. The treatment of FCO Services' accommodation MoTO with the FCO is being worked through with the cross department working group and Treasury, to agree a common rationale for its accounting treatment.

2. Revenue and Other Income

2a. Revenue*

	2019/20 £000	2018/19 £000
Foreign and Commonwealth Office	159,323	142,149
Other UK Government bodies and other UK and International organisations (Non FCO)	38,561	39,222
Total Revenue	197,884	181,371

* Application of IFRS15 produced changes in values for both 2019/20 and 2018/19 that were not material. The costs of such contracts are recorded as an adjustment in inventories, refer to note 9 for the Work in Progress adjustment made in 2019/20. FCO Services will review the materiality each financial year and if it becomes material FCO Services will make full disclosure as set out in the standard and relevant disclosure checklist.

2b. Other Income*

	2019/20 £000	2018/19 £000
Other Income	225	1,219
	225	1,219

* Other income relates to the Apprenticeship Scheme and FY2018/19 included £1,009K of other non-trading activities.

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
2019/20			
External revenue	157,878	40,006	197,884
Internal revenue - Charged to Secure Global Services	-	495	495
Internal revenue - Charged to Global Digital Technology	279	-	279
Internal revenue - Charged to Corporate Areas	2	563	565
Total revenue	158,159	41,064	199,223
Cost of sales	(120,442)	(31,378)	(151,820)
Depreciation	(663)	(1,212)	(1,875)
Amortisation	(27)	(40)	(67)
Impairments and Revaluation	(10)	(49)	(59)
Internal cost charges	(495)	(279)	(774)
Total cost	(121,637)	(32,958)	(154,595)
Gross surplus	36,522	8,106	44,628
Other Income	178	47	225
Operating expenses	(29,989)	(7,756)	(37,745)
Allocated internal cost charges	(451)	(114)	(565)
Depreciation	(3)	(1)	(4)
Amortisation	(16)	(4)	(20)
Total Operating Expenses	(30,281)	(7,828)	(38,109)
Surplus before financing	6,241	278	6,519

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

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

** Indirect depreciation reclassified to Cost of Sales.

3. Segmental Reporting continued

Analysis of Assets less Liabilities by Service Delivery Group	Secure Global Services £000	Global Digital Technology £000	Corporate £000	Total £000
2019/20				
Segment Assets				
Intangible assets	37	315	75	427
Intangible additions in year	-	199	5	204
Property, plant and equipment	1,860	2,756	899	5,515
Property, plant and equipment additions in year	294	2,207	194	2,695
Inventories	2,610	36	-	2,646
Trade and other receivables	28,309	9,477	2,174	39,960
Cash and cash equivalents	-	-	35,845	35,845
Segment Liabilities				
Current liabilities	(16,768)	(3,407)	(12,500)	(32,675)
Non current other payables	-	-	-	-
Non current provisions	-	-	-	-
Non current financial liabilities	-	-	-	-
Segment assets less liabilities	16,342	11,583	26,692	54,617

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

4. Staff costs

2019/20	Permanent* £000	Other** £000	Total £000
Salaries / agency staff and fee paid officers	49,826	20,871	70,697
Social security costs	4,580	154	4,734
Apprenticeship Levy	183	-	183
Other pension costs	9,335	298	9,633
Total staff costs	63,924	21,323	85,247
Capitalised staff costs	(136)	(300)	(436)
Total net staff costs	63,788	21,023	84,811

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

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

** Other comprises agency staff and fee paid officers.

5. Cost of Sales and Operating expenses

	2019/20			2018/19		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
	£000	£000	£000	£000	£000	£000
Net staff costs	38,054	25,734	63,788	31,736	20,837	52,573
Net Agency staff and fee paid officers*	17,668	3,355	21,023	18,524	3,172	21,696
Training and recruitment	964	1,046	2,010	953	1,056	2,009
Travel	16,391	769	17,160	16,134	1,191	17,325
Professional services*	10,104	1,763	11,867	10,569	1,865	12,434
Legal Services	28	64	92	18	43	61
Work Packages	546	1,159	1,705	852	1,809	2,661
Managed Service	2,104	-	2,104	920	-	920
Communications	1,146	221	1,367	986	270	1,256
Other supplies, services and facilities management	3,907	336	4,243	3,741	368	4,109
Management charges from the FCO	1,546	267	1,813	1,487	236	1,723
IS Hardware	5,678	140	5,818	5,825	217	6,042
IS Software	1,396	83	1,479	1,956	113	2,069
Other Machinery and Equipment Under £3k	1,312	130	1,442	959	95	1,054
Security Equipment	5,608	57	5,665	3,428	35	3,463
Work in progress decrease**	(484)	-	(484)	(235)	-	(235)
Freight	10,393	-	10,393	9,984	-	9,984
Maintenance	34,287	787	35,074	23,731	327	24,058
Operating leases - land and buildings	-	8	8	-	8	8
Operating leases - other	(0)	43	43	(0)	57	57
Accommodation charges***	789	1,234	2,023	907	1,419	2,326
Loss on currency exchange	-	34	34	-	8	8
Other	-	376	376	-	238	238
Insurance	383	73	456	356	68	424
Depreciation	1,875	4	1,879	2,174	-	2,174
Amortisation of intangible assets	67	20	87	467	13	480
Revaluation (Write Back) / Charge	59	-	59	(4)	-	(4)
Auditors' remuneration and expenses (no non-audit work)	-	110	110	-	103	103
Total costs	153,821	37,813	191,634	135,468	33,548	169,016

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

**Work in progress relates to IFRS15 cost adjustments.

*** Accommodation charges are payable to the FCO.

The total amount of research and development expenditure recognised as an expense during the period was £64,000 (2018/19 £64,000). This includes staff costs and an appropriate recovery of overheads.

6. Dividend

	2019/20 £000	2018/19 £000
Statutory dividend charged	1,895	2,017
Discretionary dividend	-	23,300
Dividend	1,895	25,317

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
2019/20				
Cost or valuation				
At 1 April 2019	340	838	2,272	3,450
Additions	204	-	-	204
Assets brought in to use	(4)	-	4	-
Disposals	-	(569)	(198)	(767)
As at 31 March 2020	540	269	2,078	2,887
Amortisation				
At 1 April 2019	-	827	2,108	2,935
Provided during the year	-	1	86	87
Disposals	-	(569)	(197)	(766)
As at 31 March 2020	-	259	1,997	2,256
Net book value				
As at 31 March 2020	540	10	81	631
As at 31 March 2019	340	11	164	515
Owned as at 31 March 2020	540	10	81	631

7. Intangible assets continued

	Assets under development £000	Research and Development £000	Software licences £000	Total £000
2018/19				
Cost or valuation				
At 1 April 2018	38	827	2,259	3,124
Additions	340	11	7	358
Reclassification to PPE	(17)	-	-	(17)
Assets brought in to use	(15)	-	15	-
Disposals	-	-	(9)	(9)
Capitalisation adjustment*	(6)	-	-	(6)
As at 31 March 2019	340	838	2,272	3,450
Amortisation				
At 1 April 2018	-	826	1,638	2,464
Provided during the year	-	1	479	480
Disposals	-	-	(9)	(9)
As at 31 March 2019	-	827	2,108	2,935
Net book value				
As at 31 March 2019	340	11	164	515
As at 31 March 2018	38	1	621	660
Owned as at 31 March 2019	340	11	164	515

8. Property, plant and equipment

	Assets under construction £000	Fixtures £000	Information technology £000	Transport equipment £000	Plant and machinery £000	Total £000
2019/20						
Cost or valuation						
At 1 April 2019	1,450	2,289	16,971	1,768	8,191	30,669
Additions	1,475	11	81	191	937	2,695
Assets brought in to use	(413)	3	211	-	199	-
Capitalisation adjustment*	(108)	-	-	-	-	(108)
Disposals	-	-	(134)	(159)	(1,176)	(1,469)
Revaluation	-	-	100	8	(296)	(188)
As at 31 March 2020	2,404	2,303	17,229	1,808	7,855	31,599
Depreciation						
At 1 April 2019	-	761	14,544	1,114	6,663	23,082
Provided during the year	-	154	1,094	188	443	1,879
Disposals	-	-	(131)	(152)	(1,159)	(1,442)
Revaluation	-	-	89	6	(225)	(130)
As at 31 March 2020	-	915	15,596	1,156	5,722	23,389
Net book value						
As at 31 March 2020	2,404	1,388	1,633	652	2,133	8,210
As at 31 March 2019	1,450	1,528	2,427	654	1,528	7,587
Owned/Leased as at 31 March 2020	2,404	1,388	1,633	652	2,133	8,210

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 2020 using appropriate indices.

* (£102k) relates to logistics software that was superseded due to the change in Cabinet Office policy for the replacement to the confidential tier, this is also recorded under Losses and Special payments. The remaining (£6k) concerns previously capitalised expenditure in Assets Under Construction charged to Operating Expenses.

8. Property, plant and equipment continued

	Assets under construction £000	Fixtures £000	Information technology £000	Transport equipment £000	Plant and machinery £000	Total £000
2018/19						
Cost or valuation						
At 1 April 2018	1,374	2,212	17,340	1,553	7,938	30,417
Additions	681	17	952	200	418	2,268
Assets brought in to use	(396)	60	149	91	96	-
Reclassification to Intangible Assets	17	-	-	-	-	17
Capitalisation adjustment*	(226)	-	-	-	-	(226)
Disposals	-	-	(1,597)	(111)	(305)	(2,013)
Revaluation	-	-	127	35	44	206
As at 31 March 2019	1,450	2,289	16,971	1,768	8,191	30,669
Depreciation						
At 1 April 2018	-	605	14,625	1,043	6,471	22,744
Provided during the year	-	156	1,318	156	459	2,089
Provided for leased asset during the year	-	-	85	-	-	85
Disposals	-	-	(1,593)	(108)	(304)	(2,005)
Revaluation	-	-	109	23	37	169
As at 31 March 2019	-	761	14,544	1,114	6,663	23,082
Net book value						
As at 31 March 2019	1,450	1,528	2,427	654	1,528	7,587
As at 31 March 2018	1,374	1,607	2,715	510	1,467	7,673
Owned/Leased as at 31 March 2019	1,450	1,528	2,427	654	1,528	7,587

* (£218k) relates to logistics software that was superseded due to the change in Cabinet Office policy for the replacement to the confidential tier, this is also recorded under Losses and Special payments. The remaining (£8k) concerns previously capitalised expenditure in Assets Under Construction charged to Operating Expenses.

9. Inventories

	2019/20 £000	2018/19 £000
Raw materials and consumables	1,927	618
Work in progress*	719	235
	2,646	853
Amount of inventory write back	16	18

* 2019/20 value represents the costs transferred to Work in Progress due to the application of IFRS 15 revenue recognition.

10. Trade receivables and other current assets

Analysis by type

	2019/20 £000	2018/19 £000
Amounts falling due within one year:		
Trade receivables	21,636	12,974
Other receivables	28	114
Prepayments and accrued income*	18,296	11,013
	39,960	24,101

*Included within prepayments and accrued income is £9,551,000 relating to the FCO (2018/19 £5,935,000).

11. Cash and cash equivalents

	2019/20 £000	2018/19 £000
Balance at 1 April	43,134	57,856
Net change in cash and cash equivalents	(7,289)	(14,722)
Balance at 31 March	35,845	43,134

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

12. Trade payables and other current liabilities

Analysis by type

	2019/20 £000	2018/19 £000
Amounts falling due within one year:		
Trade payables	1,680	4,023
Accruals *	15,601	11,530
Payments on account **	7,361	7,463
Other payables ***	5,617	(6)
VAT	1,123	1,506
Dividends payable****	395	317
	31,777	24,833

* Included within accruals is £567,000 (2018/19 £500,000) due to FCO in respect of payroll.

** Included within payments on account is £7,014,000 from the FCO (2018/19 £6,529,000).

*** Included in other payables is £258,000 (2018/19 £0) due to FCO in respect of management charges and accommodation.

*** Included in other payables is £5,363,000 (2018/19 £0) due to FCO payroll invoice accrual.

**** These values represent the balance of the unpaid elements of the statutory dividend for that financial year

13. Provision for liabilities and charges

	2019/20 £000	2018/19 £000
Balance at 1 April	1,599	1,402
Provided in the year*	249	350
Provisions not required written back	(832)	-
Provisions utilised in the year**	(118)	(153)
Balance at 31 March	898	1,599

* 2019/20 Includes £143k - Represents remediation costs and termination agreement for IT support/licences.

** 2019/20 £700k Regional Technical Support Services provision has been released in 2019/20 as the contract came to a close and a new contract was negotiated for 2020/21. IS licences provision £118k was utilised in year and £132k written back.

14. Adjustments for non-cash transactions

	Note	2019/20 £000	2018/19 £000
Profit on disposal of Intangible assets and property, plant and equipment		(44)	(7)
Amortisation	7	87	480
Adjustment to prior year intangible asset cost	7	-	6
Depreciation	8	1,879	2,174
Capitalisation Adjustment	8	108	226
Accumulated Depreciation Adjustment	8	-	-
Impairment of property, plant and equipment	8	-	-
Revaluation (Write Back) / Charge	5	59	(4)
Impairment of intangible assets	8	-	-
		2,089	2,875

15. Capital commitments

Contracted capital commitments not provided in these accounts.

	2019/20 £000	2018/19 £000
Property, plant and equipment	484	365
Intangible assets	-	-
	484	365

16. Other financial commitments

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

17. Contingent liabilities disclosed under IAS 37

At 31 March 2020 contingent liabilities existed in respect of employment £51,784 (2018/19 £95,336). While the outcome of these matters cannot be precisely foreseen it is anticipated the matters will be resolved within the next financial year. FCO Services has one legal case in respect of employment where liabilities cannot reasonably be quantified.

18. 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, other central government bodies and foreign governments. 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 2019/20 and 2018/19 no loans or interest repayments were outstanding). The level of capital expenditure payments are managed to be met from available cash balances. Further borrowing requirements should they arise will be met by loans from the Secretary of State for Foreign and Commonwealth Affairs.

Interest rate risk

Under the FCO Services Trading Fund Order 2008 the Trading Fund may only borrow from the Secretary of State for Foreign and Commonwealth Affairs.

Should the Trading Fund borrow, the interest rates on the loan would be fixed for the period of the loan. Cash not immediately required would be invested with the Government Banking Service. The interest rate earned on cash deposits would vary and would offset the interest, to some extent, on any loans in place.

Foreign currency risk

The majority of assets and liabilities are denominated in sterling. There are, however, some non-material transactions that are subject to currency fluctuations. Any gains or losses are taken to the Statement of Comprehensive Income in the year.

19. 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, other central government bodies and foreign governments. Most of these transactions have been with the Home Office, Ministry of Defence, Global Affairs Canada, Mayors Office for Policing and Crime and National Crime Agency.

With the exception of the above, no Board member, key manager or other related party has undertaken any material transaction with FCO Services during the year.

Compensation benefits for key management personnel are detailed in the Remuneration Report.

20. Events after the reporting period

In accordance with the requirements of IAS10 'Events After the Reporting Period', post Statement of Financial Position, events are considered up to the date on which the Accounts are authorised for issue by the Accounting Officer. This is interpreted as the same date as the date of the Certificate and Report of the Comptroller and Auditor General.

We expect to remain a Trading Fund throughout and beyond the merger of the Foreign and Commonwealth Office and the Department for International Development, providing services to the new entity, being the Foreign, Commonwealth and Development Office, who will also become our departmental owner and principal shareholder.

Danny Payne

Chief Executive and Accounting Officer

08 July 2020

