



Foreign, Commonwealth & Development Office

Dame Meg Hillier MP
Chair of the Committee of Public Accounts
House of Commons
Palace of Westminster
Westminster
London SW1A 0AA

Sir Philip Barton KCMG OBE
Permanent Under-Secretary of State
King Charles Street
London
SW1A 2AH

Tel: 020 7008 2150
Email: pus.action@fcdo.gov.uk

[by email: pubaccom@parliament.uk]

17 April 2023

Dear Dame Meg,

FCDO ACCOUNTING OFFICER ASSESSMENTS: BRITISH EMBASSY AND RESIDENCE, WASHINGTON; FCDO INTEGRATION PORTFOLIO

Thank you for your letters of 21 March 2023 regarding the summary Accounting Officer Assessments (AOAs) for the above two programmes.

I acknowledge the delay in publishing these. In the case of the Washington assessment, there was initially an oversight on our part of the requirement to document and publish the assessment. Subsequently, work on completing both assessments was impacted by the significant pressures on relevant FCDO teams, notably managing the considerable pressures on ODA budgets and delivering the Hera programme.

I apologise for the delay in these cases. We have updated our processes to ensure ongoing compliance for future programmes that sit within the GMPP.

British Embassy and Residence, Washington

I can confirm that the summary AOA in my letter of 7 February 2023 was the first in relation to the Washington estate programme.

The programme budget and timetable has been constantly reviewed since the start of construction in early 2020. The Covid-19 pandemic in particular had a considerable impact, with the Washington construction site closed down completely for a period and then only gradually able to open up again with appropriately strict health and safety protocols in place. Once opened up, the condition of the 90 years old Ambassador's Residence was also considerably worse than anticipated, with the

discovery of asbestos and other issues relating to the age of the building adding to the project scope and programme. In addition, like all construction projects, the project has been unable to avoid the significant post Covid-19 inflationary pressures in the related supply chain.

All changes to the cost and programme have been reported on an ongoing basis to the Infrastructure and Projects Authority as part of the regular quarterly GMPP updates. The current programme is aiming for completion by summer 2023 and, taking into account the delays and additional cost burdens highlighted above, the latest cost estimate is c.£155m (the cost estimate in the full business case in autumn 2019, nearly three and a half years ago, was £110m).

Nevertheless, I remain confident that the Washington project is providing value for money. It significantly extends the life of the historic and prestigious Edwin Lutyens designed Residence. It also delivers our duty of care obligations and provides a suitable 21st century modern office working environment for over 400 diplomats and officials in one of the most strategically important Embassies in our global portfolio. As endorsed by HM Treasury at the time, at the Outline Business Case stage, all other feasible options (including demolition and rebuild and/or relocation) were estimated to cost at least double the preferred project taken forward. The subsequent inflationary pressures highlighted above suggest that this would remain the case.

I can also confirm that there have been no additional asset disposals required to cover the cost increases. Based on current cost and delivery performance across the whole global estates project portfolio, the FCDO estimates that the two major sales taken forward in recent years (sale of the Bangkok estate in 2018 and a portion of the Tokyo estate in 2022) will result in full funding for our global estates programme (including completion of the Washington project) for at least the next four years.

FCDO Integration Portfolio

I can confirm that the summary AOA in my letter of 7 February 2023 was the first in relation to the Integration programme. The "Integration Portfolio" is an upgraded form of the "Transformation Portfolio" rather than a successor.

The IPA review of February 2022 recommended that the FCDO revisit the scope of the Portfolio. The Portfolio was subsequently refocussed on those elements critical to a merged organisation. The IPA's subsequent review in August 2022 endorsed the change in scope, observing: "Integration Portfolio well understood and positively received by stakeholders and users".

The Integration Portfolio consists of four main themes: Finance, HR, IT and the Hera programme. Finance is the alignment of financial policies and processes; HR the establishment of an aligned pay structure; IT covers the general 'user IT' experience including a common platform for all users. The Hera programme delivers a standard

cloud-based platform for FCDO and HMG Overseas for Finance and HR. Given the scale and complexity of its implementation, the Hera programme was deemed to be a GMPP programme with a separate Accounting Officer Assessment. The relationship of the Hera programme to the Integration Portfolio is that elements of the wider Hera programme were tracked through the Portfolio.

The Baseline Whole Life Cost of the Integration Programme reported to the IPA is £6.24m. The forecast whole life cost is £4.46m. This represents the management costs of delivering the programme. Additionally, the forecast aggregate programme costs of the individual projects (excluding Hera which is separately reported to the IPA) is £33.04m.

The impact of bringing together foreign and development policy and capability has made us more agile and efficient, with joined-up advice from the start. It has helped us to be more nimble when facing crises, looking at implications and scenarios in an integrated way and planning accordingly. It has also helped us to think and act more politically in our development work and build development priorities into our political work.

You asked for information on delivery dates. Finance, HR, and the integration elements of Hera are complete. Most of IT is complete with only one service outstanding and due to be completed this month (April).

I look forward to meeting you later this month to discuss the AOAs further and provide you with a progress update.

Yours Sincerely,

Philip

Philip Barton