



Foreign, Commonwealth & Development Office

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

Dame Meg Hillier
Chair of the Public Accounts Committee

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

14 September 2023

Pear Meg,

ACCOUNTING OFFICER ASSESSMENT: BRITISH EMBASSY AND RESIDENCE TOKYO – COMPOUND REFURBISHMENT

It is normal practice for Accounting Officers to scrutinise major projects and assess whether they measure up to the standards set out in 'Managing Public Money'. Since April 2017, the Government has committed to making a summary of the main points from these assessments available to Parliament when an Accounting Officer has agreed an assessment of projects within the Infrastructure and Projects Authority (IPA) Government Major Projects Portfolio (GMPP).

This Accounting Officer Assessment considers the project to repair and refurbish the historic British Embassy offices and His Majesty's Ambassador's (HMA) Residence buildings in Tokyo, Japan.

Background

In April 2022, FCDO successfully completed the sale of an under-utilised 2.3 acres of the 7 acres British Embassy compound site in Tokyo for £685.7m, providing substantial capital funding for a wide programme of major investment across the global FCDO estate. In tune with the Government's strategic Indo-Pacific tilt, this included plans for significant re-investment in the remaining 4.7 acres Embassy site, including repair and replacement of end-of-life infrastructure in the historic Ambassador's Residence and Chancery (the original 1870s buildings were both rebuilt after the Great Kanto earthquake in 1923) and the 'New Building' Embassy office (opened in 1987).

Japan is key to delivery of the Indo-Pacific Tilt: the UK's closest partner in Asia, a member of the G7, and the second biggest investor in the UK outside Europe. The Japan-UK Comprehensive Economic Partnership Agreement was the UK's first bilateral free trade agreement post Brexit. We are also Japan's preferred partner (government to government) on digital, civil nuclear and have a burgeoning relationship on economic security. We are each other's closest security partner in Asia and Europe respectively,

The British Embassy compound is located in one of the most prestigious areas of Tokyo. The official Imperial Household Residence is very close by. The Embassy site is viewed as an iconic landmark in Tokyo and widely regarded as a key asset supporting diplomatic business at the highest levels of Japanese government. It plays a crucial role for strategically and politically important official representation and functions (in the last calendar year pre-COVID-19, the Residence alone hosted over 320 events, with a footfall of 12,000 visitors, producing nearly £250k in income generation).

It is of strategic and political importance to the UK's foreign policy objectives that these Embassy buildings in Tokyo function in the most efficient and cost-effective manner. The need for essential repairs has become urgent. If pushed back, the eventual cost of infrastructure repairs and replacement would be expected to rise significantly in the future.

To date, the project has been developed in two phases. The Outline Business Case (OBC) Phase 1 covered the modernisation and refurbishment of the New Building and the repair and refurbishment of the Residence. Phase 2 covered re-purposing and modernising the Chancery Building, incorporating event/meeting space and other facilities lost through the wider consolidation of the compound estate. Phase 2 was a later addition to the design scope a few months after Phase 1. The project has now combined the two Phases and joined the IPA's GMPP in June 2023 as one consolidated entity.

The future intention is for the project to be consolidated and delivered in one, integrated construction package. Subject to further design development and procurement activity, the current indicative programme suggests a Final Business Case (FBC) by end 2024, with construction delivery over the following 4-5 years.

Regularity

The planned Tokyo refurbishment project has complied with all Parliamentary requirements for the control of expenditure, and HMT regularity standards continue to be satisfied. The development spend to date has been in line with the FCDO's ambit and objectives. The project has ensured all appropriate advisory fees and contracts awarded have been compliant with UK procurement regulations. It has been supported by commercial advisors, legal advisors and the Cabinet Office to ensure compliance with regulation and best practice.

The project remains affordable within the FCDO's resources. Underpinned by a wider programme of asset sales, the approved OBC estimated project budget is covered within the FCDO's own capital budget and the intention is to deliver without any additional FCDO request for capital from HMT, provided the FCDO continues to have access to all asset sales receipts as part of future SR settlements, as it does at present.

Propriety

There are no changes to the project in terms of propriety. It is compliant with Parliamentary controls. The Tokyo project has been governed effectively since its inception, with key approvals at appropriate times from the relevant governance authorities. The development of both OBC Phase 1 and OBC Phase 2 was supported by a formal IPA Gateway Review (providing an 'Amber' delivery confidence assessment). The OBC Phase 1 was approved by the FCDO Operations Committee in November 2022 and OBC Phase 2 in April 2023. Having now joined the IPA's GMPP, the consolidated project will be subject to the regular GMPP quarterly monitoring. Expenditure continues to be managed with impartiality and avoidance of personal gain and extravagance.

Value for Money

OBC Phases 1 (c£75m) and 2 (c£25m) set out the case for change and the options available. Analysis completed in the economic assessment showed the preferred options delivered the best value for money. The c£100m Tokyo project will deliver significant benefits, including modern, fit for purpose buildings in a diplomatically very important Post. In particular, it will prevent further deterioration and increasing danger of structural damage to the historic building fabric of both the Residence and Chancery buildings.

The upgraded and enhanced event, exhibition and multi-functional conference, entertainment and meeting space, will also provide a functional, safe and secure platform for FCDO, DBT and other key UK partners in Tokyo. Sustainability and accessibility will be improved wherever possible in buildings which are 80 and 30 years old. Admin savings are expected by reducing spend on utilities and maintenance. Savings will also accrue from a more modern and efficient building infrastructure and increased sustainability. Assuming proper maintenance, the core investment should last between 30-50 years.

Feasibility

There are always delivery risks, particularly when intervening in historic buildings with declining and end of life core infrastructure and services. The project is tightly governed, and subject to close scrutiny and review, including regular progress monitoring by the Project Board and the IPA. In summer 2023, the Project Board accepted all the recommendations in the recent IPA Gateway Review and approved a programme of governance, design and capacity improvements, all aimed at further de-risking delivery.

Conclusion

Major repair and refurbishment of key infrastructure in the British Embassy and Chancery buildings and HMA Residence in Tokyo remains the best value for money approach to protecting some of HMG's most historic and valuable overseas assets. If

major repairs had continued to be postponed, the eventual cost of building repairs and replacement of such historic assets could have been expected to rise very significantly.

As the FCDO Accounting Officer, I have considered this assessment of the British Embassy and Residence Tokyo compound project and approve it.

This summary will be published on the Government's website (www.gov.uk). Copies will be deposited in the library of the House of Commons and sent to the Comptroller and Auditor General and Treasury Officer of Accounts.

*Yours sincerely,
Philip Barton*

Philip Barton