

Public Accounts Committee

Oral evidence: Foreign, Commonwealth and Development Office Annual Report and Accounts 2022-23, HC 68

Thursday 23 November 2023

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Members present: Dame Meg Hillier (Chair); Sir Geoffrey Clifton-Brown; Ashley Dalton; Mr Jonathan Djanogly; Ben Lake.

Foreign Affairs Committee member present: Alicia Kearns.

Questions 1-82

Witnesses

I: Sir Philip Barton KCMG, Permanent Under-Secretary, FCDO; Nick Dyer, Second Permanent Under-Secretary, FCDO; and Tim Jones, Finance Director, FCDO.

Rebecca Sheeran, Executive Director, National Audit Office, Keith Lloyd, Director, NAO, and Marius Gallaher, Alternate Treasury Officer of Accounts, were in attendance.

Examination of witnesses

Witnesses: Sir Philip Barton, Nick Dyer and Tim Jones.

Q1 Chair: Welcome to the Public Accounts Committee on Thursday 23 November 2023. Today, we examine the Foreign, Commonwealth and Development Office's annual reports and accounts for 2022-23. They were published in July this year, which is when, on the normal timetable, we would expect accounts to be published. This is a significant set of accounts, because of the merger of two Departments, so we wanted to call in the Department to discuss the challenges of that merger, as well as the geopolitical challenges that are having an impact on the budget.

We are delighted to welcome as a guest on today's Committee Alicia Kearns, Chair of the Foreign Affairs Committee. I note that our sister Committee, the International Development Committee, will be having exactly the same witnesses—or some of you—in front of them on 5 December, so this is chapter 1 in a series of discussions about the accounts.

A couple of interesting points have arisen: a fraud issue in Sierra Leone, which we want to probe and, as I mentioned, the merger, which has created some interesting challenges for the Department and a huge increase in personnel and funding.

I will kick off with you, Sir Philip. I mentioned the merger: what do you think the top two challenges for staff morale have been as a result of the merger of the Foreign Office and the International Development Department?

Sir Philip Barton: We have been through a difficult period overall over the past three or four years. If I look at our overall challenges, the first one, which was current at the time of the merger, was the impact of covid on what is an international business. That affected what we were doing in the world and the amount of resource we had for that, but also, particularly for our UK staff overseas, their ability to remain connected with their lives in the UK.

On the merger itself, the people issues are the ones that have been complex, that we have been working through and that people care about most. We have made great progress: we have aligned all our pay and most of our allowances, and we now have a future vision of the capabilities that we will need. We have tried to address staff concerns by providing a single system for what we get for our work and a vision of the future in terms of the core functions and the careers that people can have with us.

Q2 Chair: A culture shift has had to happen dramatically in the FCDO, because different cultures came together. What challenges did that create for you? Given the career paths for people, for example, have you had any retention issues?



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Sir Philip Barton: In large organisations, you will always have a variety of different cultures. In the old FCO, for example, the legal team—the lawyers—had a culture of being lawyers in giving international legal advice through Departments. So it is never uniform. Clearly, the old FCO and the old DFID, where Nick worked, had distinctive cultures and clear missions in the world; we now have a single Department—a merger of those two things.

We looked at the experience in countries elsewhere that had merged development and foreign policy work—Australia and Canada in particular—and they all said the same thing: that building a new culture takes time, and you have to be deliberate about it. That is what we have been doing: setting out a longer-term purpose for our people and, in different areas, bringing people together around what they do.

Q3 **Chair:** What challenges caused by geopolitical situations have also been impacted by that major culture change and merger?

Sir Philip Barton: In addition to covid, the single biggest geopolitical impact was Russia's brutal invasion of Ukraine last year. In response to that, we made a very significant shift in what we have been doing; we put people behind that. As you know, the UK has been at the forefront of international support for Ukraine. That is an ongoing effort. We have significant additional resource on our sanctions work, our Euro-Atlantic security work and, obviously, our direct Russia-Ukraine work. We have done that, and that will endure.

Over the last two years, we then found, really clearly—I think this is in the integrated review refresh—that we are in a world that is more contested and more volatile, with more shocks. We have therefore put in place systems to allow us to be more agile in responding to international events, as they happen, whether that is the outbreak, at no notice, of civil war in Sudan, or the latest developments in the Middle East.

Q4 **Chair:** You mentioned that the war in Ukraine has had an impact on your budget, your resourcing and how you are moving issues around. What has been squeezed as a result of the impact of the war in Ukraine on your Department?

Sir Philip Barton: When we are in a crisis response, 20% of all of our staff in directorates in the UK are available on what we call direct crisis lists. They are redeployable at no notice, whether in response to something like Russia's invasion of Ukraine or the Sudan crisis. That is the first thing we do. We try to do that only for about a month and then we then put in place an enhanced effort. We prioritise against the priorities of the Foreign Secretary of the day when it comes to what we do overall as a Department.

On the financial side, there are the running costs. While we are in crisis response, we have access to reserve funding. So far this year, I think we have spent about £3 million on the people side of our crisis response, not including on Israel-Gaza. Depending on what it is, there may be consequences for our programmatic work. For example, in the aftermath



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of Russia's invasion of Ukraine, we looked at the financial aspects of support for Ukraine, just as we are now looking at the financial programming aspect of—

- Q5 **Chair:** To pick up on that point, as permanent secretary, you have got to make calls. If money is going into new issues, what does not happen as a result? What do you have to delay or defer?

Sir Philip Barton: The ultimate decisions on prioritisation of resources are for Ministers. We give advice. When, for example—

- Q6 **Chair:** What have Ministers decided?

Sir Philip Barton: For example, when we looked at our support to the Occupied Palestinian Territories—Nick can add to this—we were able to look at the available funding and, because of the change in the projections around our budget this year, to find additional money. Sometimes it is around reallocation. Unfortunately, on the development budget side, we have gone through a couple of years of actually making significant reductions and deprioritising for wider reasons, rather than it being about decision making in the Department.

- Q7 **Chair:** We will come to overseas development. My Dyer is the second permanent secretary at the FCDO; as Sir Philip, the permanent secretary, said, he came from the Department for International Development. What deprioritisation or changes of priorities have resulted from these geopolitical issues, Mr Dyer?

Nick Dyer: In 2022-23, two things were going on. One was the Ukraine war and the expectation from Ministers that we would put more resource into Ukraine—particularly the humanitarian response. There was also, separately, the Government's decision to start the Ukraine refugee scheme. FCDO—DfID in the past—has always been the spender and saver of last resort. In-country refugee costs—the first-year costs of hosting refugees in the UK—have always been a call on the budget. Those two things meant that, with the new refugee scheme, there would always be an impact on the official development assistance budget. We were therefore expecting an impact, but two things happened. The first was that the Ukraine scheme was particularly successful.

Chair: We will be discussing that with the panel later.

Nick Dyer: The other was that the number of small boats coming from France was higher than expected, so there were more asylum claims. The consequence of that was that, in the summer, the Treasury asked us to put a pause on our expenditure. At that point, we discussed with Ministers what things we wanted to protect and what the priorities were in the Department. They wanted to protect Overseas Territories, Ukraine, humanitarian support and the kind of programmes that led to supporting lifesaving activities and the welfare of people.

There was a very clear expectation that there would be certain types of things that we would want to protect but, given that the organisation needed to make some changes in the budget, we were also asking people



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to look at the impact on supply chains, legal requirements, financial impacts and value-for-money choices. It was a combination of ministerial steers and asking our people to take the best programme management choices at the local level.

Chair: There is great detail in the accounts about the exact ODA spending in every country, and I know our sister Committee will be looking at that in more detail. I will not bring in Tim Jones as finance director at this point, because we will be coming to him a little later. I will hand over to Sir Geoffrey Clifton-Brown, the deputy Chair.

Q8 Sir Geoffrey Clifton-Brown: Good morning. Continuing on ODA, the accounts tell us that, as we all know, you had to go down from 0.7% to 0.5% of GNI in 2020. You have additional expenditure on Ukraine and Afghanistan of £1 billion in 2022-23 and £1.5 billion in 2023-24, but you still managed to come in at a total of £12.8 billion—just about your 0.5%—making savings of £1.7 billion to do so. You managed to give that extra money to Afghanistan and Ukraine, you brought the budget down by £1.7 billion, and you came in on target. In broad summary, what did you have to cut out to achieve that?

Sir Philip Barton: I am not sure I recognise the initial figure of £1 billion, but your broad question—

Sir Geoffrey Clifton-Brown: It is on page 82: “£1 billion in 2022-23 and £1.5 billion in 2023-24...The FCDO delivered almost £1.7 billion of savings to ensure the Government spent around 0.5% of GNI as ODA in the calendar year.” Well done for meeting the target set by Government, but what did you have to cut out to achieve that £1.7 billion saving?

Sir Philip Barton: I will ask Nick to add to this but, overall—taking the framing that Nick has already given you—there is a pipeline of UK commitments, particularly to multilateral organisations and funds, and those are normally over a time period, so you can look at the pipeline and reprofile the commitments. Part of the answer to your question is that we did it through reprofiling of longer-term multilateral commitments.

In addition, there was the exercise that Nick described to look across both our bilateral and our multilateral programming to make reductions across the board. You can see those reductions reflected in the figures in annex A to the annual accounts.

We had some top-down guidance around the Government’s overall international development strategy, but we empowered teams, who knew best their portfolio programmes, to give us advice, back in the centre as it were, about what made most sense, including from a value-for-money perspective. Nick, do you want to add to that?

Nick Dyer: On the multilateral profile, taking money from 2022-23 and delaying it to 2023-24 was worth £500 million. We took £500 million out of the budget and moved it to the subsequent year to create some space. We were also holding a £50 million crisis reserve, and we cut that—we

took it out of our budget. There were things that we could do to create space within the budget.

At the local level, we were saying to teams, "Here is the expectation of the amount you need to save, but you should take a local decision about how you want to go about doing that." In some cases, teams would be delaying the pace of a project implementation, so they would just slow it down and move it to a future year. This was not necessarily about stopping projects; it was about delaying projects. In some cases, they would have chosen to delay projects entirely and to stop a particular project happening in the first place, but those were all done at the local level. We set the criteria—protect your humanitarian, protect welfare payments, and protect girls and women—and then make local choices.

Q9 Sir Geoffrey Clifton-Brown: I understand that, Mr Dyer. That is admirable. Those are perfectly logical decisions, but that £1.7 billion cut to the other programmes is quite big. That must have affected some programmes quite considerably. We know, for example, that it affected somewhere like Pakistan quite considerably. Can you give us some examples of what that actually meant on the ground if people were not getting what they thought they would?

Nick Dyer: I am very happy to write to you if you want some specific details about a particular country. One example of a programme that we decided not to continue would be a climate energy investment. We would say, "We would rather protect the humanitarian response and delay a renewable energy investment." Those were the types of choices that people were making.

Q10 Sir Geoffrey Clifton-Brown: That is still quite vague. Going forward, you are just about to issue your White Paper. Although your aid budget is still at 0.5% GNI because economic conditions have not returned, presumably your budgeting will become much more stable. Where does Ukraine sit in that? This is an additional £1 billion to what it was getting, so what will our aid to Ukraine look like next year?

Nick Dyer: In the annual accounts—in annex A—we have laid out the expected country allocations for 2023-24 and 2024-25. This is the first time that we have set out, two years in advance, what the allocations will be. One of the lessons from the NAO Report in terms of the change from 0.7% to 0.5% was that we needed more transparency and predictability. We have chosen to give the teams more predictability about what they can expect to get. You can see from Ukraine that it is going from—

Sir Geoffrey Clifton-Brown: Sorry, what page are we on?

Nick Dyer: Page 268. On Ukraine, for 2022-23, it was £210 million. In 2023-24 we are expecting the same, and then in 2024-25 there is a reduction to £155 million. In the autumn statement in 2022, the Treasury laid out the savings expected from FCDO as the spender and saver of last resort. In 2022-23, it was £1.7 billion. It was £1.5 billion the next year, and £1 billion in the third year. We allocated out the country budgets for 2023-24 and 2024-25 to reflect ministerial priorities, and that is what you



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can see in annex A. Those are the country budgets. The country teams will then do a country plan, which will set out how they intend to spend that money in line with the priorities of Ministers, and those plans are published for transparency and agreed with the relevant Ministers.

- Q11 **Sir Geoffrey Clifton-Brown:** There are some quite big swings, and I cannot see in that table where Pakistan is. I see that Bangladesh is going back to where it was, but where is Pakistan in that table?

Nick Dyer: Pakistan is towards the bottom of that page. It drops from £57 million to £41 million, and then increases to £133 million. Because of the squeeze that we are having in our budget over the course of the three years, and the fact that we had to move some multilateral payments from 2022-23 to 2023-24, our bilateral budget next year is going to be squeezed. It is actually going to fall next year, but then it bounces back in 2024-25. You can see in the Pakistan numbers that it is reducing from £57 million because of the squeeze, and then it is bouncing back.

- Q12 **Sir Geoffrey Clifton-Brown:** That is a really good example. They are getting £16 million less, but for the people on the ground that is quite a significant cut. Give us an example of what that big cut actually means on the ground.

Chair: What doesn't happen?

Nick Dyer: For instance—let's think it through—in Pakistan there is a humanitarian programme to respond to the floods, and we would expect the country office to protect that, so it would continue with that expenditure.

This is illustrative, and I would have to look at the Pakistan programme, but I know that there are education programmes in Pakistan, which do two things. First, they provide sponsorship to girls—they give them bursaries so they can go to school; otherwise, they would not go to school. Secondly, they may well have an element of curriculum reform, and they may have an element of teacher training. If I was working in that country, I would expect to protect the sponsorship programme, because you want girls to still be able to go to school. But if I needed to save some resources, I would look to delay the curriculum reform, which can be done in the next year—it isn't time dependent—and I might delay the teacher training. It all depends on how the programmes are constructed and on the individual choices that the country programmes make, but there are some activities you can delay. Curriculum reform can wait, but getting a girl into school can't.

- Q13 **Sir Geoffrey Clifton-Brown:** I get that. Presumably Gaza is going to cause you to have to cut the budget further. Or will it not? Will you get extra resources from somewhere else to fund your aid to Gaza?

Sir Philip Barton: Overall, we had an allocation of £27 million, and we have announced an additional £30 million. The Foreign Secretary is in the region—Israel—literally today and tomorrow, and will no doubt be thinking

about what we need to do in the medium term in the light of his visit and the evolving terrible humanitarian situation there.

Because we have this situation as spender and saver of last resort against a GNI target, the size of the UK economy obviously drives how much we are asked to spend each year. The initial answer to your question is that we will look at the headroom that we have in our overall budget first. Obviously, if Ministers want us to go beyond that headroom, we need to look at where the money can be found. We also want to look at the time horizons. Clearly, if it is going to be a longer-term requirement, going into next year, we will be able to look at the flexibility into future years.

Nick Dyer: Can I add to that? One of the lessons we have taken from 2023-24 is how we manage the unpredictability of some of our budgets. For this year, 2023-24, we have done two things. First, we held back some funding, so we actually have some flexibility in our budgets to accommodate shifts in year. Secondly, we said to the business, because the business said to us, "The thing we want more than anything is predictability, so tell us what proportion of our budget is predictable and what proportion of our budget is not predictable, and we will manage the unpredictability"—

Q14 **Chair:** Each in-country team?

Nick Dyer: Each in-country team. We are funding Gaza an additional £30 million from the additional flexibility that we held back. That is not affecting these numbers because we have been able to find additional funding.

Chair: Not yet, anyway.

Q15 **Sir Geoffrey Clifton-Brown:** I have one other important question. Sir Philip, you mentioned the ODA allowance paying for refugees coming to this country in the first year. Hasn't there been some recalibration of that? If so, what effect is that going to have on your budget?

Sir Philip Barton: I am not sure I totally understand what you mean by "recalibration". Obviously, in the end, the numbers are driven by the number of people coming.

Q16 **Sir Geoffrey Clifton-Brown:** Compared with how you previously allocated the costs, ODA, I think, have now said that those have to be more strictly related to just the first year in country.

Sir Philip Barton: I think that has always been the approach. We have tried to make sure that we as a Department, alongside the Treasury, have a better understanding and better forecasting of the likely costs being incurred in the wider ODA budget to aid our financial planning. Clearly, those incurring those costs are doing their level best to reduce the overall costs, including of things like accommodation. As you have seen, we are moving out of hotels, for example.

Nick Dyer: The Home Office is responsible for the calculation of what is counted as an in-country refugee. There is a number of moving parts here.



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One is the number of refugees seeking asylum. The second is how the Home Office is accommodating them. Half the cost in 2022-23—the £3.7 billion that you saw in the accounts—was from accommodation.

This year, the number of small boats has fallen by 20%, so you would expect fewer asylum seekers, but inflation means that all the costs have gone up. That is a big driver of trying to understand what the impact on the budget will be.

Chair: Thank you for now, Sir Geoffrey. I am delighted to welcome Alicia Kearns, Chair of the Foreign Affairs Committee.

- Q17 **Alicia Kearns:** Thank you, Chair. It is lovely to see you, Sir Philip, and welcome, gentlemen. A quick one-off question from me. We had the Supreme Court judgment on Rwanda a couple of weeks ago. How would you describe the cost to the Foreign Office of that project and pursuing that option?

Sir Philip Barton: Our role overall is in support of the Home Office on, if you like, the international aspects of the Government's migration policies, including Rwanda. We were already, through our high commission in Rwanda, working very closely with Home Office colleagues around the original agreement, and are now working with them very closely as the Government looks to change that in the light of the Supreme Court judgment. The immediate impact is in a sense the work that our high commission, in particular, is doing to engage with the Rwandan authorities in the light of the court outcome.

- Q18 **Alicia Kearns:** So you have not yet done an assessment on how much time has been spent, whether at our multilateral posts, on ECHR or on diplomatic engagement.

Sir Philip Barton: The overall migration agenda is a clear priority for the Prime Minister and the Government. The last Foreign Secretary and the new Foreign Secretary have been clear with us that our part in that in support of the Home Office is a departmental priority. One aspect is the one that I just mentioned. There is a variety of other aspects: the work that we do around returns; the work that we do in collaboration with the Home Office and others around some of the upstream work on the organised immigration crime side; and the discussions that we have with France and other near neighbours around the flow across the channel. There is an ongoing prioritisation of that work, which has been there for some time.

- Q19 **Alicia Kearns:** Forgive me, but given that it is a Foreign Secretary priority and that there is so much work prioritisation around it, surely you have had to look at what that means in terms of manning it, the cost, the time taken and what you predict going forward. If it is to continue to be a priority, there must have been internal discussions by the board on the percentage of staff allocation and the impact on your budget.

Sir Philip Barton: We have a migration director and migration directorate who staff this. We make sure they have the staff that they need. We have



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also said, because it is quite cross-cutting in terms of its geographic reach and the types of issue that we deal with, that a single DG will act as our lead DG, but reaching across the whole of the Department to do that. At the moment the work continues. We are obviously having to adjust what we are doing in the light of the judgment, but at the moment we are not putting in additional resource. We will keep that under review.

- Q20 **Alicia Kearns:** How many staff are working on the Rwanda project within their job specs, or specifically on migration as a priority, across the Foreign Office?

Sir Philip Barton: I will have to come back to you because the answer is complex. It includes a variety of different people. At the UK end there is the core team, but, for example, if you are part of our France bilateral team, you will spend a percentage of your time on it. A whole series of people across our global network—

- Q21 **Chair:** Perhaps we can ask Mr Jones. Mr Jones, I do not think there is currently a line on this specifically in the accounts. As finance director, do you have a breakdown of the amount of money being spent on the Rwanda scheme in the Department?

Tim Jones: In terms of staff time and cost apportioned, or—

- Q22 **Chair:** Well, you tell me. Staff would be part of it, but there might be other aspects, as Ms Kearns has highlighted, that could be part of the overall cost to the Foreign Office. In the budget line, where would that fall? It comes under migration, but can you point us to where that would be in the accounts?

Sir Philip Barton: One important thing for me to say at the top is that the actual costs of the agreement do not fall to the FCDO.

Chair: The Home Office pays, yes.

Sir Philip Barton: They are Home Office costs. Our costs are on the people side, and we do not—

- Q23 **Chair:** There is an opportunity cost, which is what I think Ms Kearns was driving at. I just wonder whether Mr Jones can pinpoint it more precisely.

Sir Philip Barton: Because of the nature of our work, which is complex between geography and themes, we do not apportion people's time in the way that you have just described. There is not a line in our accounts that gives a cost of individuals working on particular areas. We flex depending on the priorities of the day. You can be working in a small overseas post, and that post then has a priority around migration—

- Q24 **Chair:** We appreciate that when you get down to the granular detail, a day of someone's time is hard to quantify, but there is a core element that will be working on this, as you have already said, Sir Philip. As the Public Accounts Committee, we are obviously looking at how the money is spent, but we also increasingly draw lessons learned for policymakers about how they need to be looking at the money when they announce a



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new policy, and where the costs will fall. That is really where we are driving at it from. Is there anything you can do, Mr Jones, perhaps in writing to us, to give us a more detailed breakdown of the costs of the Rwanda project falling on the FCDO?

Tim Jones: We can certainly look to do something in writing, in terms of articulating the budget for the migration team that Sir Philip was referring to, in the context of our overall staff budget, which is £923 million.

Chair: That would be very helpful. Thank you very much. Thank you for now, Ms Kearns. We will go back to the deputy Chair, Sir Geoffrey Clifton-Brown.

- Q25 **Sir Geoffrey Clifton-Brown:** Let me ask you—perhaps you, Mr Jones—about guarantees. It seems that the number and value of guarantees issued by the FCDO has increased. To what extent does this indicate a longer-term change to the way the FCDO issues finance? You are reducing your overseas aid budget, but it seems you are increasing your guarantees to a number of local banks or whatever. What effect is this having on your longer-term finance? You will hopefully reclaim these guarantees at one stage, but they may not necessarily all be paid back. Does it increase the risk profile of the FCDO's budget?

Tim Jones: I think it is helpful to be clear on the type of financial instrument it is. It is not a grant where we give the money away, or a loan where we lend the money and expect it back. It is a guarantee of a loan made by an international financial institution. We carry the risk that the guarantee is called at some point in its lifetime.

I will take the first on the list, the Egypt one. That liability runs until 2053, which is a very long period of time. In the accounts, we book the expected credit loss. That is our best estimate, based on statistical modelling that we have done with the Government Actuary's Department, on what we might expect to be called on that loan over its entire lifetime, from now through to 30 years hence, and then we disclose that number in the accounts. But at this point in time no taxpayers' money has actually been spent, because it is just a guarantee.

- Q26 **Sir Geoffrey Clifton-Brown:** I get that, but on the other hand, it does increase the risk. My question is: how much further will you go with issuing these types of guarantees? Is there a ceiling on this?

Nick Dyer: Perhaps I can come in on that. The reason why we are doing more guarantees is not necessarily related to 0.5%. The guarantees allow us to fix a real-world problem in a least-cost way. The problem is that many countries are facing liquidity problems and they want to borrow more money from the World Bank or the African Development Bank, but they cannot, because in many cases those banks have reached their lending limit to that particular country. The guarantee allows us to ensure, in effect, that the World Bank or the African Development Bank increases its lending to that country. Our guarantee to the African Development Bank has allowed it to invest in a wastewater project in Senegal that is going to benefit 1.45 million people. There is a real-world benefit to this.



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There is, of course, a risk to us. We have created internally a governance process that is managing the guarantee risk, which is chaired by the director general for humanitarian and development, and Tim and the DG sit on it. That governance structure does a number of things. First, it agrees what our guarantees policy will be. It tracks three key guarantee indicators, the average in-year risk-adjusted exposure, the maximum in-year risk-adjusted exposure and the concentration risk. We set limits for each of them. We set internally a risk appetite, which is agreed by the permanent secretaries, and that board is tracking every single guarantee that is agreed and what it adds to that risk assessment. We track that on a regular basis. Then, for each individual guarantee, the concept note is assessed by the board, and the business case is assessed by the board. It is also assessed by the contingent liability central capability in central Government. We are adding the layers of governance to ensure that we are doing the right thing in terms of a guarantee but also tracking that it is not putting too much of a risk burden on our accounts.

Q27 Sir Geoffrey Clifton-Brown: We cannot see any of the information that you have just told us about verbally, or can we? Is any of that risk profiling published anywhere? It is not published in the accounts.

Nick Dyer: The accounts show the fair value that is—

Q28 Sir Geoffrey Clifton-Brown: Yes, but that does not help very much with whether it is a huge risk and not likely to be paid back, or more likely to be paid back—to take the two extremes. You have detailed, in answer to my question, exactly how you handle this, which sounds admirable, but is there anywhere in the public domain we can see, at least on an overall basis—maybe not on each guarantee—the risk profile that the Foreign Office is taking?

Sir Philip Barton: We will have to write to you on the detail of that; I don't think we could point to one place where it is published at the moment.

Q29 Sir Geoffrey Clifton-Brown: Could you see what you can put in a letter, even if that letter may be in confidence? On top of that, you now have a contingent liability of around £3 billion. That still seems quite a high figure for a Department that has a budget of—I don't know—£9 billion or £10 billion. Is that something you constantly track as well?

Nick Dyer: In terms of the liability of the guarantees?

Sir Geoffrey Clifton-Brown: No, this is a different subject. The accounts tell us that, on top of that, you have contingent liabilities that total £3 billion. Is that something you keep in your risk profile as well? I ask because clearly the two together make the thing even more risky.

Nick Dyer: Tim may want to talk more about this, but no, we don't. On the governance of the guarantees, we look specifically just at the guarantees, because they are of a different type and nature of risk from the contingent liabilities, which—Tim will correct me if I am wrong on this—generally relate to the commitments we are making to multilateral organisations, in terms of the payments that we have committed and that

have yet to be drawn down. They are a different type of financial liability but also risk to the accounts.

Chair: Mr Jones, do you want to add to that?

Tim Jones: No, it is as Nick said.

- Q30 **Sir Geoffrey Clifton-Brown:** Let me move on to the BBC World Service, something very close to my heart, and ask you about your expenditure on it—when I can find the right page. I do apologise. Well, let's start with the British Council. I know from the accounts that you spend roughly £81 million on the British Council, plus—again—a guarantee of £200 million, of which you have drawn down £138 million. The British Council does a pretty good job. It is part of our major soft power. How do you allocate the budget to the British Council?

Sir Philip Barton: In the spending review, we do allocations to all our arm's length bodies, including the British Council. On the loan you have noted, the British Council had a very significant impact on their overall business model from covid. Affected in particular was their ability to earn money through things like examinations, which were heavily impacted. Hence they have had a loan, and they have also been going through a restructuring exercise. But as I say, the money is allocated in the spending review process to all our arm's length bodies, including the British Council.

- Q31 **Sir Geoffrey Clifton-Brown:** For the BBC World Service, your ODA and non-ODA has gone up slightly from, in 2022-23, £95 million to, in 2024-25, £104 million. You have said that you will protect all the language services. Is that still the case?

Sir Philip Barton: That stands for the spending review period.

Chair: So to the end of the next financial year.

- Q32 **Sir Geoffrey Clifton-Brown:** On the other hand, you are now putting extra money into Gaza. Where does that extra money come from?

Sir Philip Barton: The BBC have found the money from within their overall finances to do an emergency service, which we strongly support, to provide—

- Q33 **Chair:** So just to be clear, the BBC are funding the emergency service, not the Foreign Office.

Sir Philip Barton: We have not given them additional money for that.

- Q34 **Sir Geoffrey Clifton-Brown:** And they haven't asked you for any additional money.

Sir Philip Barton: Not that I am aware of.

- Q35 **Chair:** Do you know how long that funding is for and how sustainable it is for the BBC?

Sir Philip Barton: No.



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Q36 **Chair:** Are they are doing that freelance, or are they liaising with you on this?

Sir Philip Barton: The BBC are operationally independent from Government. We have a team in the Foreign Office who act as their link point with us on all these issues. They have done this as an emergency measure to provide accurate, reliable reporting into Gaza. I am sure this is an issue on which we will have day-to-day discussions with them. We are talking about it.

Q37 **Chair:** Okay. Is providing more support even being discussed in the Foreign Office?

Sir Philip Barton: We are not, at the moment, actively considering additional support for the BBC World Service.

Q38 **Sir Geoffrey Clifton-Brown:** How do you set this budget? There is a constant refrain. I will give you an example. I am the chair of the all-party parliamentary group on North Korea, and we spent many years persuading you to give a grant to broadcast into North Korea. The London end of that is now closed. You broadcast a bit from Seoul, but some of the people will not go back to Seoul from England because they fear persecution there, yet North Korea has one of the worst human rights records anywhere in the world. It is a very small amount of money. How do you actually set this overall budget?

Sir Philip Barton: At the moment, the licence fee funds, I think, 29 of the languages and one in English. The FCO, as it was—it is now the FCDO—has provided additional funding that, as I said earlier, is agreed in the spending review process, including with the Treasury. That allows the BBC to go beyond what they are able to fund from the licence fee and do additional services.

Q39 **Sir Geoffrey Clifton-Brown:** When you consider the billions that people like the Chinese are putting into this area, it is really a drop in the ocean. Considering how successful this soft power that Britain is able to do is, do you think that the budget is adequate? It is not a lot of money; as I said, this year it is only £104 million out of your total budget.

Sir Philip Barton: All permanent secretaries would always like to have more money for things that help to achieve their objectives, and, as you rightly say, the BBC World Service clearly is a big part of our soft power around the world. It is one of the most—probably the most—respected global news organisations, so we would welcome more money. But in the end, choices have to be made about overall funding and what is affordable, and that includes the BBC World Service's support from the Government.

Chair: Thank you. I draw people's attention to the Report we did a number of years ago on the World Service and its funding; a lot of the issues in that are very current, even today.

Q40 **Alicia Kearns:** Sir Philip, I want to go into the Sierra Leone fraud case. For those joining us for the first time, this was a £2 million fraud case



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where diesel fuel procurement for generators was essentially being stolen. What were the failures that led to that fraud and enabled it to take place for so long?

Sir Philip Barton: There were two key things. The first thing to say is that I deeply regret the fraud; it should not have happened. As soon as we found out about it, we sent our internal audit and investigations directorate team out there to absolutely get under the skin of what actually happened and the lessons that we should draw. There are two things I would say. One is the clear collusion between people directly responsible for fuel and their immediate supervisors. The second—I am being slightly cautious with my language, because ongoing management action is involved—is that there were some warning signs that senior leaders should have picked up on and done more about at the time.

Q41 **Alicia Kearns:** On that point, were any non-local staff disciplined in any way?

Sir Philip Barton: There is ongoing management action.

Q42 **Alicia Kearns:** Fine. One of the quotes from your letter to the Chair was that significant trust was placed on the corporate services manager, but there was significant mismanagement. To that point, I have only seen repercussions in the reports for local staff. Quite evidently, this is a serious failure within the post itself.

In terms of the decisions made on recovering the loss, there seems to be no effort to recover it, despite a £2 million fraud. That is in the context of the fact that, according to reports that we know of so far, the Foreign Office saw only just over £3 million in fraud in the whole of the last year.

Sir Philip Barton: We have taken disciplinary action against those directly responsible, including dismissal, and we are in dialogue on the basis of advice from our own legal adviser about how to involve the police. I am sure recovery, if that is possible, will be part of that agenda.

Q43 **Alicia Kearns:** The recovery is part of the agenda because until this point we have not been—

Sir Philip Barton: If it is possible to recover funds, that is always what we seek to do.

Q44 **Alicia Kearns:** Fine. So I guess it is for us to follow up with you in three months, six months? How long will the disciplinary process take, and when should we be following up with you?

Sir Philip Barton: I am happy to commit to giving you more information on that as soon as I possibly can—hopefully at least letting you have a detailed update within three months.

Chair: Okay. If you write to this Committee, we can obviously share that with Ms Kearns or you can write to us jointly.

Q45 **Alicia Kearns:** In terms of those applications of controls, what lessons have been learned of where there was that mismanagement?



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Sir Philip Barton: The first thing we did to make sure it was not being replicated was to ask all posts around the world with fuel holdings to check they had the right—

- Q46 **Alicia Kearns:** I mean within the specific posts. What were the applications of controls, which were the specific words the Foreign Office used to explain why there was a failure to deal with this?

Sir Philip Barton: There are two answers to that. One is you have the controls in place on what you are supposed to do day in, day out to make sure you are not being defrauded. Secondly, if I recall correctly, there were a number of reports saying that people should be looking at particular areas, and those were not fully followed. I think it is both the date to day implementation of controls, but also if there is an internal audit report, how that is acted upon.

- Q47 **Alicia Kearns:** Briefly, because we are running short on time, are there sufficient internal systems within the Foreign Office for people to raise concerns about issues such as this?

Sir Philip Barton: You can always do more. We are doing a lot of work to raise awareness. We had a big campaign around fraud awareness week. We do have confidential and direct ways that people can report concerns. We have some 25 people who look at this from a central point of view around fraud. I highlighted this both before the Sierra Leone fraud came to light, but particularly since then with all our senior leaders whenever I talk to a heads of mission training course, and I wrote to all heads of mission. I have made clear the leaders' responsibilities, but also the avenues people can go down if they want to raise a concern.

- Q48 **Alicia Kearns:** It is a very small community in the Foreign Office—everybody knows everyone, and everyone has worked with everybody. We have had a series of whistleblowers. Just in my time in Parliament, two have had to come to my Committee, and they both lost their jobs as a result. Is that potentially a major risk? Within the report, there is one paragraph—I would say it should be two—on whistleblowing within the entire accounts document. When we get to the whistleblower stage, it shows there is a failure within the system for people to be able to report concerns, which then results in situations like Sierra Leone. Are you confident that enough is being done for people to be able to raise concerns within such a small system?

Sir Philip Barton: On whistleblowing, the two legacy Departments had whistleblowing policies. As a new Department, as we have done across the board of all our wider policies, we reviewed and refreshed that. We have launched, therefore, the FCDO whistleblowing policy and highlighted that in what is known as "speak up week" and used that as an opportunity again to make clear to all—

- Q49 **Alicia Kearns:** I completely understand that you have put in place lots of measures, but do you actually think if we ask the average Foreign Office member of staff if they feel confident they could raise concerns with their system without having to whistleblow, they would say yes?



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Sir Philip Barton: I am seeing concerns, including ones that come to me personally, that show to me that people do feel they can raise concerns within the system.

Q50 **Chair:** What support do you wrap around them if they do?

Sir Philip Barton: You always have to look at these things in a case-specific way. It could be about fraud or being bullied by a manager. Some of the hardest cases sometimes are around sexual harassment and those sorts of issues. We would always look at the support we give to people raising a concern.

Q51 **Chair:** It must be quite challenging giving them the support in post, given that, again, it is a small community, and then it is a small community within a small community. Can you give an example of a challenge that you have dealt with well—obviously, anonymised?

Sir Philip Barton: I can think of an individual who came to a senior leader around what they were seeing from their management chain around behaviours. That was taken up professionally at senior level with the senior leader concerned in a way that protected the individual who had raised the concern, and over time led to a change of behaviour from the leader.

Q52 **Chair:** And did the individual stay in their job?

Sir Philip Barton: In that case, yes. You always judge these things on the merits of the case.

Chair: It is obviously hard to go into that detail, but, as Ms Kearns said, whistleblowing is a sign of a failure, so that is getting somewhere.

Q53 **Mr Djanogly:** I would like to come back to fraud, if I may. Sir Philip, I am looking here at pages 165 to 166 of the annual report and accounts. It says: "In the FCDO we manage the risks of fraud and corruption robustly, showing zero tolerance for inaction or mishandling." If there is mishandling, what would a zero-tolerance approach actually involve?

Sir Philip Barton: It is never acceptable and, in the end, we will always look at the appropriate sanctions, up to and including dismissal. If criminal activity is involved, we would seek with the local authorities overseas prosecution.

Q54 **Mr Djanogly:** In development terms, if you are handling money with an organisation, often you will presumably hand money to that organisation that will then hand money to other organisations down the line. If a sub-handler or a subcontractor receives money and they are responsible for fraud, what happens with the person who authorised the money to go to that person?

Sir Philip Barton: Again, I think we would look at the circumstances. Mr Dyer might want to add from a development programme perspective. We have a robust programme operating framework, which gives guidance to those who oversee our individual programmes. We would look at how the programme was set up, whether it was set up in an appropriate way and



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then how it is monitored on an ongoing basis and see whether fault lay with one of the people in the Department. You need to recognise that we operate across the whole globe in some very complex and sometimes corrupt societies. Therefore you can never rule out these sorts of things happening. It is about how you set it up in the right way and how you deal with it.

- Q55 **Mr Djanogly:** I appreciate that you operate in a very complicated environment, but I do not get the feeling that you see this as a particular problem.

Nick Dyer: Every time we use a supplier, we will do a due diligence assessment. We go through a process of assessing the systems and part of that due diligence and part of our contract is that they have to tell us if there is a problem with a concern or a fraud. Our expectation is that we will be told if there is a problem. When we find out there is a problem, we will put it into our system. We have a fraud team that will then make a judgment about the scale and the importance of the fraud and the extent to which we need to follow it up. That may well include talking to the initial supplier to see whether they have the right system in place to follow it up and address it themselves. In some cases where it is a particularly egregious example, we may well then take it up and follow it up ourselves directly. However, it is the responsibility of the fraud team to make that judgment and decide. In some cases, we may even refer it to the National Crime Agency.

- Q56 **Mr Djanogly:** Minister Andrew Mitchell published an international development White Paper only this week, I believe, setting out proposed new models for delivering aid. I had a look at the 14-page summary. I did not see any reference to combating fraud against the Department. If I had read the full paper, would I have found anything on that?

Nick Dyer: In the paper you would certainly have found references to what many NGOs would like us to do, which is to send as much of our money to local NGOs in a particular country and localise as much as possible. One of the reasons we have not done that at pace and at the scale that is often asked of us is because of our concerns about management and fraud. That has always held us back: being concerned about whether the systems are in place for very small organisations that are handling public money, and whether they have the systems, the people and capability to manage it well and prevent fraud. That has always been the thing that has held us back. That is very much one of the concerns we have about that particular agenda. We talk about it in the White Paper, but in practice we are very cautious—we will do it in a very deliberative way.

- Q57 **Mr Djanogly:** You can probably see that we are trying to get towards quantification of something that does not seem to be quantified. I have seen that your Department has been working with the University of Portsmouth, which delivered a report in October of last year. The overarching conclusion was that "The authors believe that despite the changes since 2012 it is still not possible to measure fraud accurately in



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the total ODA budget". First, I would ask why they say that, but secondly, I would say that perhaps the taxpayer would think that a review of fraud and a willingness to assess it should be looked at more seriously than just relying on what the University of Portsmouth has to say. How would you address that?

Nick Dyer: This was an issue that the old DFID struggled with in terms of trying to get a handle on the overall scale of fraud—I know that Sir Philip or Tim Jones may want to comment on that. I can reassure you that Sir Philip and I have a conversation on a monthly basis with our internal audit department about what is going in the business, and part of that is tracking what is happening in terms of fraud and fraud cases. I would be happier if I was seeing activity on fraud cases being identified and followed up. Does an increase in the number of fraud cases tell you that there is a problem or does it tell you that the organisation is gripping it more firmly? Both the accounting officers in the organisation have high expectations that the organisation will take fraud seriously, and I would expect to see that shown in the number of cases that have been identified and followed up. I can give you assurance that both Sir Philip and I have it as one of the issues that we really do take seriously in the organisation.

- Q58 **Sir Geoffrey Clifton-Brown:** Can I take you to BII? Now we know that BII is probably one of your biggest equity investments, if not your biggest. Page 259 of the Report tells us that you have invested a further £1 billion pounds in this £8.1 billion investment company. I would like to take you back to page 176—this is the CAG's assessment, which on the face of it sounds quite alarming and I would like to get your reaction. He says, "The values are highly material to the accounts at £13,020 million at 31 March 2023"—in other words £13 billion. Now I accept that is not all BII; there are other IFIs in that. He continues, "These are not traded securities, and in the absence of available market data, the valuation of these equity investments is determined through calculating the Department's share of the net assets, based on the number of shares held by the Department." At the end of that paragraph, he concludes, because of the valuations of the year end difficulties, "The lack of direct assurance over year end values presents a risk that the data used in the estimation is inaccurate, or that the assumptions applied are inappropriate or include error." For such a large amount of money, that is quite a serious statement, is it not?

Tim Jones: So the NAO's extended audit report is part of the annual report and accounts. Effectively, it is expanding out on the NAO's thought process, as it were, as it is going through the audit and it is new.

Chair: Yes, we are aware of that.

Tim Jones: What the NAO is doing there is effectively telling you the riskiest parts of the account from an audit perspective and the valuations, as per balance sheet C—

- Q59 **Chair:** We know that, but from your perspective, how are you managing that?



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Tim Jones: We would agree with the NAO that it is the hardest part of the accounts to get right—it involves judgments. We are obviously very pleased that the NAO has given it an unqualified audit opinion. The conclusion is: yes, this is really hard, but we are valuing it as well as could be reasonably expected to meet the true and fair test.

Chair: I am going to bring in Mr Lloyd, the director from the NAO.

Keith Lloyd: I would like to give just a little bit of additional context to that. The risk arises from a non-coterminous year end. That is where the real risk lies, because if you have audited accounts that say 31 March, then a lot of that risk goes away—or all of it. Most of it goes away. It is the fact that you have that rump period and say, “Okay, they’re audited. What’s happened in that rump period to affect the valuation?” It is not something inherently risky from the BII financial statement per se. It is the fact that we have two different accounting periods and we have to do some work in a non-formally audited by another auditor period of time. That is what is driving the audit risk. It is not an inherent risk observation about BII—to make it clear.

Q60 **Sir Geoffrey Clifton-Brown:** That is a really helpful explanation. However, I run a business where I have complicated valuation year ends with lots of different elements. We insist that they have to come into one year-end valuation. Surely the answer would be the same here: you insist that all the valuations come into one coterminous year end.

Tim Jones: We might want to write you with a bit more detail on governance in terms of BII.

Q61 **Sir Geoffrey Clifton-Brown:** It is the other IFIs as well.

Tim Jones: It is the other IFIs. From our perspective, we wouldn’t want to overstep the mark with control over those institutions, or we would bring them on—

Q62 **Sir Geoffrey Clifton-Brown:** It is an accounting control, isn’t it? If the accounting control provides you and the NAO with greater financial security and comfort, surely it’s the right thing to do.

If this is getting into the weeds too much, perhaps we could have a note on this, Chair?

Sir Philip Barton: The one thing I would say is that, in the end, there will be limits on the extent to which we can persuade other big organisations to change their accounting years, but I take your point that we should look at whether there is more we can do in this regard.

Chair: We have had similar with the Department for Education and academy sector accounts. It is not an unusual thing for the NAO or the Committee to deal with.

Rebecca Sheeran: Indeed. Just to clarify, that is our articulation of the risk as we assessed it in designing our audit procedures. Having conducted

appropriate audit procedures, we were satisfied that that risk has not materialised and the accounts are fairly presented.

Sir Geoffrey Clifton-Brown: Otherwise, you would have qualified them.

Rebecca Sheeran: Indeed. Exactly so.

- Q63 **Chair:** I want to move on to some of the accounting officer assessments that you have been sending us, Sir Philip and Mr Jones. Can I get a confirmation from you, Mr Jones—or I suppose Sir Philip, because they are his assessments ultimately—that future accounting officer assessments will be thorough and timely from now on?

Sir Philip Barton: Yes, Chair; absolutely. I am happy to repeat today what I said to you in writing and when we met in person. My apologies that we didn't get the timeliness or the content right in the past.

- Q64 **Chair:** I think you will find that the Committee tends to call in accounting officers if the accounting officer assessments aren't in good order. Much as I am sure you are pleased to be at this Committee for the first time, if you want to avoid coming in the future, better accounting assessments are the carrot we are dangling.

Sir Philip Barton: Understood.

Chair: From the carrot to the stick, perhaps, Alicia Kearns MP.

- Q65 **Alicia Kearns:** I am not sure what you are implying there, Chair. The costs of properties in DC, Ottawa and Paris have gone up quite enormously, the worst being DC where the cost went up from a projected £118 million by a further £24.3 million to do the increases. Let's work on the basis that we all recognise the importance of our estate when it comes to the Foreign Office, but how confident are you that processes are in place to manage these projects robustly and ensure value for money? I know that if we had £24.3 million for my constituency, it would change the face of the constituency for the future.

Sir Philip Barton: Understood. Value for money is at the heart of what we do. It is also very important to me because that is how we ensure that our limited capital budget goes as far as possible in terms of our physical presence around the world, which is very important. On the Washington project, two things happened. One was that the onset of covid had a dramatic impact on the beginning of the project. The second was that it is a Lutyens building, a hundreds of years old, which was in full use and therefore couldn't have exploratory work done, so when we got underneath the skin of it and had a look, it was in a worse condition than originally thought; that meant that the costs went up to make it good.

- Q66 **Alicia Kearns:** Forgive me, but that is not unique. Ottawa went up by £9.3 million and Paris by £3.4 million. Is this a sign that we have really let our estate fall into dilapidation, and therefore the cost is always going to be far beyond what we expect because the buildings are normally used until the work begins, or is that we are not managing processes robustly enough?



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Sir Philip Barton: In the case of Ottawa, there was strike action going on for many months, which caused a large part of the cost overrun. Forgive me, I was only able to get the letter to you at the beginning of this week.

Alicia Kearns: I have read it, don't worry.

Sir Philip Barton: If you look at my follow-up on the Tokyo one, it sets out a detailed explanation of how we look at optimism bias in how we set up our projects and programmes, and the arrangements we put in place, even before we get to full business cases, to do everything we possibly can. We recognise that we are operating around the whole world in complex situations, sometimes with challenging supply chains, but we do our level best to make sure that our forecast budgets are as close as possible to the actual turnout of costs.

Q67 **Alicia Kearns:** If we move then directly to Tokyo, it is £685 million after sale costs, but obviously that has all been surrendered to the Treasury. What is your confidence level that you will be able to draw on that whenever you need it? Also, what questions does that raise in terms of the base budget and whether you have too much uncertainty within it for such a significant estate to be managed and supported?

Sir Philip Barton: Since the 2010 spending review, all of our capital expenditure on our estate has been funded through asset recycling. That was what was agreed and it remains unchanged. Regarding your question about the money from the proceeds of the sale of part of our compound in Tokyo, it is in our spending review letter that we will be able to carry on drawing on that, and that is my expectation.

Q68 **Alicia Kearns:** Forgive me, though, but that will only go so far. If we look at Washington DC costing almost £150 million, you are saying that we only have three or four more that we can afford from the Tokyo costs. In the long term, are we going to have to keep "recycling", to use your word, or will we have to keep selling off our assets, because this is not sustainable in the long term?

Sir Philip Barton: As you know, we have a global asset management plan. Actually, the management board that I chair each month will be looking at the latest version of that tomorrow. It describes the pipeline of capital expenditure that we think we will need and how we prioritise that against things that need refurbishing or places where we may be building a new site. When we have a clear picture of how long the Tokyo proceeds will last and how the dialogue with the Treasury goes, I am sure that will be the subject of our next spending review conversations with the Treasury about longer term capital funding for our overseas estate and how that is best done.

Q69 **Alicia Kearns:** My final question on this point: it sounds like we do not have the certainty long term that we're going to be able to maintain these properties, which are an important point of our platform. I understand that you already have 14 projects lined up for needing refurbishment over the next few years. What are the costs of those 14 projects and how much will that take out of the £685 million?



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Sir Philip Barton: I do not have that precise detail in front of me, but I am happy to share it—

Chair: Mr Jones, can you shed light on that?

Tim Jones: It is in the detail in terms of the 14 specific projects. They are part of the much bigger global asset plan, which often—

Q70 **Alicia Kearns:** I would love to see the cost of the global asset increased costs—

Tim Jones: That will fully utilise the Tokyo receipts. We have seen what we have in terms of our receipts kitty, as it were, and we have plans as to how to spend that. That runs over a number of years.

Q71 **Alicia Kearns:** But the £685 million covers your entire plans for the next, say, 50 years—not just for the 14 projects but for your entire global platform?

Sir Philip Barton: We are genuinely looking at this tomorrow. In doing that, we will make some assumptions, and this is one of the things that we will discuss and consider, around what we might be able to build where and when.

If you are happy with this suggestion, Chair, I will write to you and the rest of the Committee in the light of that discussion, setting out the answer—or our best estimate of the answer—to that question about the Tokyo proceeds and what that will fund going forward. As I say, it involves a degree of assessment of when we will be able to start, particularly on big projects in complicated places. When we can start particular programmes does materially affect the answer.

Q72 **Chair:** We are really just concerned that a lot relies on this big capital receipt from Tokyo, which will run out at some point. You can recycle only so many times, Sir Philip, as you know. We can sell off all our best embassies, but once they've gone, they've gone.

Sir Philip Barton: I share your concern.

Chair: We just want to have some certainty about what your longer term planning is for proper, ongoing maintenance and major refurbishments in your base budget. These are conversations that we will probably continue to have through our sister Committees as well, so I think we will pause that now.

Q73 **Sir Geoffrey Clifton-Brown:** This policy of selling off properties to do the maintenance is ultimately unsustainable, and in some countries it creates a bad image that we cannot afford to keep a decent building; we have to go and rent some modern building in a further-off part of the capital. This policy does not project the UK as a very sustainable sort of power, does it?

Sir Philip Barton: You always want some asset recycling. Sometimes changes in the number of staff can mean that you need to own less residential accommodation. I think that is sensible. There have been two



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very significant sales in recent years: one in Bangkok, and one now in Tokyo. As I said, since 2010 that has been the way in which the FCO, and now the FCDO, has been provided with capital funding for our overseas estate. This will certainly be an issue that I and others giving advice to Ministers of the day will want to take up in the next spending review.

Chair: Exactly. The 14 sites that Ms Kearns highlighted mean that we will be coming to the end of that pot of money fairly soon. So the next spending review—that's the timeframe. Okay. We will follow this up in writing, as well.

Q74 Mr Djanogly: Sir Philip, why has there been a 12-month delay in the ECHO 2 programme to deliver the new global communications network?

Sir Philip Barton: From memory—I might ask Tim Jones to add something—the programme is delivering telephony and internet around our global network for us and the British Council. That is 280-odd locations in 180 countries; it is complicated and we need to maintain security of our IT kit. A lot of the challenges are around supply chain issues, which has meant that it has taken longer than initially envisaged. Tim Jones, would you like to add to that?

Tim Jones: The programme is dependent on the external suppliers. The suppliers have had staffing shortages and, as Sir Philip said, they have also been hit by the global supply chain issues. They are moving physical kit into multiple locations around the world.

Q75 Mr Djanogly: Do you see risks to actually delivering it now, or is it going to happen?

Sir Philip Barton: It is going. We have built quite a lot of contingency into the revised deadlines set out in the assessment. We think we have put in place a sensible amount of contingency in time terms for delivering within the revised timescale.

Q76 Mr Djanogly: Is the negative impact of the delay significant?

Sir Philip Barton: We have extended the current way in which the service is provided. The new one is a significant upgrade; it should also provide better value for money in the way that internet services are procured around the world, and make it easier for us to move if there is a better deal available over time. I am keen that we complete the project as soon as we can, but it has not impacted our ability to communicate in the meantime.

Q77 Mr Djanogly: There will be no further delays, as far as you are concerned?

Sir Philip Barton: I hope not, and we have put some contingency into the revised timetable.

Mr Djanogly: Thank you.

Q78 Chair: Thank you very much, Mr Djanogly.



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I want to touch briefly on the Overseas Territories, partly to advertise the fact that Ms Kearns's Committee is going to be looking at Overseas Territories through a Sub-Committee she is establishing. We will be working on that jointly along with members of other sister Committees, as appropriate.

I want to pick up on St Helena. Apologies for not giving proper notice that I would ask you about this, but I recently met with the St Helenian Public Accounts Committee. I know you have an FCDO financial aid mission planned for December. The prison and the fuel facility are two very big projects for St Helena. They are concerned about over-engineering for the prison, potentially making it costly to run, and delays on the fuel facility, which mean that they may not need the full expensive fuel facility that is being proposed. Presumably, Sir Philip, you will be discussing these things as part of your FAM in December?

Sir Philip Barton: Yes. As you no doubt heard, we fund both infrastructure investments of the kind you have described and some of the public services. We will want to make absolutely sure we are doing that in the best possible way in St Helena and the other three territories where we provide development assistance.

Q79 **Chair:** They are saying that some of this money might not be well spent. It is coming directly from the British taxpayer to St Helena, and the local Public Accounts Committee has some concerns about that. Will you be talking to the Public Accounts Committee as well as the Government of St Helena?

Sir Philip Barton: I will make sure that we do.

Q80 **Chair:** Thank you. I will probably follow some of this up in writing. Just to alert you, it is likely that some British parliamentarians will be going to St Helena next May, so you may be asked about this in more detail.

Sir Philip Barton: Increasing parliamentary interest in the Overseas Territories, and the establishment of the Sub-Committee of the Foreign Affairs Committee, is very welcome to us.

Q81 **Chair:** We did an infamous Report on the airport in St Helena in relation to Mr Dyer's predecessor Department. It is interesting that there is quite a lot of competitive strain between St Helena and the Falkland Islands because of salaries and budgets. For a community of only 4,000 people, it is very isolated—the whole reason for the airport was to sustain those British citizens healthily and sensibly. There is a real issue about the difference between those Overseas Territories.

Sir Philip Barton: Just last week we had the annual Joint Ministerial Council. Minister David Rutley led for the FCDO and UK Government side when all the leaders came. I met all the governors in the margins of that meeting. One of the issues we talked about was the capability of the different public services in the different territories, and what more we can do from the UK to support them. It is very much in our minds.

Q82 **Chair:** Can I just give a shout-out to my Public Accounts Committee



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colleagues in both the Falkland Islands and St Helena? I have had a lot of contact with them repeatedly, as I have with colleagues in Montserrat. I will not go into all that here, but it is important that Public Accounts Committees, wherever they are, have access and can oversee money. Where a committee is unable, because of the current legal set-up, to examine, for example, the spending of a deputy governor or governor, we will have to take that up here in the UK through Ms Kearns' Sub-Committee. On one level, we are happy to do that, but it would be much more helpful if this were dealt with at the local level. We can discuss that in future environments.

Sir Philip Barton: I very strongly support that. I will take that away from this conversation and ask our Overseas Territories team to think about whether we are doing enough to support Public Accounts Committees. It is challenging in small communities—I was deputy governor of Gibraltar—to make sure these things are done as well as they can be, but it is a key part of the proper use of public, including sometimes UK taxpayer, money. I strongly support what you say.

Chair: Absolutely. I have been to the Falkland Islands, met the St Helenians a number of times—they are similar-sized communities—and been to other small jurisdictions. I used to chair the Commonwealth Association of Public Accounts Committees. They were very alert to the challenges of the small communities. They are very aware of it. I still think they need to have the right to do their job, and they are very bravely doing their job in a community where they know everybody, which makes it more challenging.

Thank you very much indeed for your time, Sir Philip Barton, the permanent secretary, Nick Dyer, the second permanent secretary, and Tim Jones, the finance director at the Foreign Office. We do not often look at Foreign Office accounts, but I think we have whetted our appetite. I appreciate your coming to speak to us. We will continue the dialogue through letters as appropriate, and also through Ms Kearns's Committee and Ms Champion's Committee. Thank you very much for your time. The transcript will be available on the website, uncorrected, in the next couple of days—many thanks to our colleagues at *Hansard* for that. Thank you for your time.