National Audit Office

REPORT

Managing FCDO's overseas estate

Foreign, Commonwealth & Development Office

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Key facts

6,500

the approximate number of overseas properties managed by the Foreign, Commonwealth & Development Office (FCDO), including official Residences, Embassies, High Commissions, Consulates, offices and staff accommodation

282

the number of global locations (known as posts), in 180 countries and territories, where FCDO maintains an official diplomatic presence, varying in size from 86 acres to a single office

£2.5bn

the estimated value of the FCDO overseas estate, including owned and long-term leased properties, as at March 2024

2,200 number of FCDO UK staff based overseas, as at December 2024. The overseas estate also hosts 9,143 local country-based staff and 5,200 staff from other UK government departments and bodies

£1.47 billion amount FCDO raised selling land and property assets, primarily in Bangkok (sold for £426 million in 2018) and Tokyo (sold for £685 million in 2022), between 2010-11 and 2023-24

£450 million FCDO estimate of cost of addressing the maintenance backlog for its overseas estate, as at November 2024

933 properties assessed as below FCDO's internal target condition score of 70% or higher, meaning buildings should be sound, operationally safe and exhibit only minor deterioration

85% percentage of FCDO overseas posts without a complete asset register, containing a record of building components and physical assets at that post, as at November 2023

Summary

Introduction

1 The Foreign, Commonwealth & Development Office (FCDO) leads the UK's diplomatic, development and consular work around the world. To support this, it manages an overseas estate of approximately 6,500 properties, mostly located in 282 locations (known as posts) in 180 countries and territories. Posts can vary in size, from 86 acres to a single office. The number of posts has increased from 270 in 2018-19 to 282 in April 2024. In March 2024, FCDO's overseas estate, including owned and long-term leased properties, was valued at £2.5 billion. As at December 2024, FCDO had more than 2,200 UK staff based overseas (27% of FCDO's 8,273 UK staff), and employed 9,143 country-based staff.

2 FCDO regards its overseas estate as central to supporting the achievement of UK government objectives, by facilitating diplomatic engagements and providing a platform for promoting UK industry and services. The overseas estate also hosts over 35 other UK government departments, the devolved administrations and other bodies requiring a presence overseas.[1] This comprises 5,200 staff. For example, UK Visas and Immigration staff based at FCDO property overseas assist with visa applications, and the Department for Business and Trade has an overseas network in support of UK trade, exports and investment. FCDO aims for its estate to be smaller and more efficient, with lower running costs and reduced carbon emissions.

3 As part of the 2010 Spending Review settlement, FCDO did not receive a budget for estate maintenance and projects. Between 2010-11 and 2023-24, FCDO has funded the management of its estate by selling overseas assets for £1.47 billion, primarily through sales in Bangkok (sold for £426 million in 2018) and Tokyo (sold for £685 million in 2022).

4 Strategically, FCDO manages its overseas estate through its corporate Estates, Security and Network Directorate (ESND). Daily management of the estate at posts is carried out through a range of approaches, including both in-house and contracted-out maintenance arrangements.

1 FCDO manages and provides the One HMG Overseas platform, which provides services including HR, transport, accommodation, finance and procurement.

5 The NAO has published several reports on property, most recently our January 2025 report, *Maintaining public service facilities,* which examines how the government plans and manages property maintenance for UK public buildings.[2] We last reported on the former Foreign and Commonwealth Office's (FCO's) overseas estate in 2010 and found that it lacked the clear strategy and comprehensive data necessary for managing its overseas estate effectively, although it was taking positive steps to adapt its properties to new global challenges.[3]

Scope of the report

6 This report examines whether FCDO has a robust approach to managing its overseas estate. It considers whether FCDO:

- has a clear overarching strategy for meeting its current and future overseas estate requirements;
- is set up to manage its overseas estate effectively; and
- is managing its maintenance programme and capital projects effectively.

7 We do not examine the maintenance of security systems in secure areas or the effectiveness of individual posts' approaches to managing their estates. We do not typically identify individual overseas posts, to mitigate any potential security risks. We also do not examine arrangements for managing the FCDO's UK estate, other than where decisions regarding the UK estate may affect the overseas estate.

Key findings

Estates strategy, governance and funding

8 FCDO oversees a large and complex global portfolio of land and buildings, facing additional challenges not experienced in the government's UK estate. FCDO's overseas estate consists of approximately 6,500 properties mostly located in 282 locations (known as posts) globally. This includes Embassies, High Commissions, Consulates, offices, official Residences and staff accommodation, and a diverse array of amenities. Properties outside the UK can face risks not commonly experienced by the government's UK estate. These include exposure to extreme climates, earthquakes, and risks arising from operating in conflict zones. FCDO also simultaneously operates in different labour markets and local jurisdictions, which have a range of local standards and laws. Additionally, FCDO is constrained in how it can use many of these properties; for example, some have been given to the UK for diplomatic purposes and cannot be sold (paragraphs 1.2, 1.7 to 1.9, 2.9 and Figure 2).

2 Comptroller and Auditor General, *Maintaining public service facilities*, Session 2024-25, HC 544, National Audit Office, January 2025.

3 The former Foreign & Commonwealth Office (FCO) and the former Department for International Development (DFID) merged to create the Foreign, Commonwealth & Development Office in September 2020.

9 **FCDO and other government departments consider the overseas estate key to achieving the government's global ambitions.** The UK government uses FCDO's overseas estate as a 'soft power' asset in support of its strategic goals. As well as the estate's functional use as office or residential space, it also has broader value. The estate signals the importance of the UK's relationship with the host country, facilitates engagements with key stakeholders and helps promote UK industry and services. The estate also brings together the UK government presence overseas (paragraphs 1.3 and 1.10).

10 **FCDO has not set out the estate it requires to deliver UK government objectives or a plan for achieving this.** It has strategic goals for its overseas estate to be smaller and more efficient, with lower running costs and reduced carbon emissions. However, FCDO does not currently outline the overseas estate that it requires to deliver UK government objectives, rank its posts by importance or set out how it may need to adapt the current estate to meet these objectives. Without this information, it is challenging for FCDO to identify where it could change its estate to reduce costs. In April 2023, FCDO's internal audit reported it was not clear how investment decisions were linked to achieving government ambitions. FCDO reports it is making progress in these areas; for example, including some metrics of posts' importance in its new project prioritisation methodology and starting work to define and rank the importance of posts and review the future size and shape of its overseas estate. FCDO has also not set out in a coherent and useable manner how its various delivery plans and policies support its goals for its overseas estate, and it does not have key performance indicators (KPIs) to measure performance against all elements of its overarching strategy (paragraphs 1.11 to 1.13, 3.3 and Figure 3).

11 **FCDO lacks good-quality data on all aspects of its estate but has started taking steps to improve this.** In November 2023, FCDO reported that 85% of posts either did not have an asset register containing a record of building components and physical assets at that post, or that the register was incomplete, and commissioned surveys to try and fill this gap. Staff at posts do not always have the capacity or skills needed to collect data. FCDO's centrally held estates data, such as on building condition and utilisation, are also incomplete and of variable quality, and cannot be joined up effectively. FCDO uses a number of IT systems to collect estate data, as well as local IT and paper-based systems. FCDO has acknowledged the poor state of its estate data and is taking some steps to improve its data and data systems, including using its forward maintenance register 2024 (FMR24) exercise to gather information on its overseas estate maintenance backlog. It is expanding its portfolio management office to collect data on all estates activity such as maintenance, not just projects. It is also installing new IT systems and has a plan to integrate its systems, but these are not complete (paragraphs 1.22 to 1.26).

12 **FCDO has recently restructured its estates directorate to manage headcount pressures and enable more effective governance of its estates spending, but has not yet set out how its changes will support this aim.** Within FCDO, ESND is responsible for managing the global estate. In 2024, FCDO merged its maintenance and estate project delivery functions to help reduce headcount and improve its estate oversight and decision-making. However, it did not set out the changes to its estates departments and what these changes are intended to achieve. Without such an articulation, FCDO will be unable to track the impact of these changes or whether they are achieving their intended benefits (paragraph 1.16).

13 **Although FCDO's current approach to funding its overseas estate is not sustainable, it is working with HM Treasury (HMT) to determine future funding options.** Since 2010, FCDO has funded its overseas estate capital and maintenance projects through property sales. It has generated £1.47 billion from these, largely from two significant sales in Bangkok in 2018 and a partial sale of its Tokyo site in 2022. FCDO has been able to access funds flexibly (subject to standard HMT spending controls) and complete, or approve for construction, around 200 capital projects since 2018, including refurbishing the Washington D.C. Embassy and building a new High Commission in Ottawa. FCDO commissioned a review by Knight Frank in 2020, which confirmed that it had no assets remaining of similar value to Tokyo and Bangkok that it could sell. FCDO will need to work within annual funding limits set by HMT from 2025-26, compared to previously flexible funding across years. This will require FCDO to produce a robust plan for the size and shape of its future estate (paragraphs 1.17 to 1.21, 3.5 and Figure 4).

Estate condition and maintenance

14 **Long-term under-investment in maintenance has contributed to the declining condition of FCDO's overseas estate.** In November 2024, FCDO increased the risk rating of its overseas estate from major to severe, based on the risk of irreversible estate deterioration and FCDO being unable to meet minimum health and safety standards. FCDO has assessed 933 buildings as not meeting its internal target condition score of 70% or higher (where buildings are sound, operationally safe and exhibit only minor deterioration), while a further 3,616 have not had their condition assessed recently. In 2023-24, individual posts spent £56 million directly maintaining their estates and FCDO also spent £36 million on facilities management contracts. HMT is currently discussing with FCDO the level of annual budget necessary for estates purposes. The poor condition of the estate reduces FCDO's resilience and capability to respond to events, and has the potential to affect the productivity and health of its staff: 26% of respondents to our survey of overseas posts reported major concerns with health and safety, and 50% reported minor concerns. Nineteen percent of respondents reported major concerns with building condition or functionality having a negative impact on staff productivity and 36% reported minor concerns (paragraphs 1.14, 2.3 to 2.6, Figures 5 and 6, and Appendix Two).

15 **FCDO has prioritised its maintenance spending to address immediate risks, at the expense of more long-term spending.** FCDO has prioritised its funding for maintenance projects on addressing health and safety and compliance risks, over longer-term prevention works that reduce overall costs. Planned preventative maintenance is the responsibility of posts, but the majority of respondents to our survey said that it was challenging to undertake preventative maintenance, resulting in the need for more reactive maintenance. In one post, a building has been declared unsafe due to cracking and tilting. In another post, three quarters of British Embassy staff had to move into temporary accommodation early, ahead of refurbishment of the main Embassy building due to the failure of mechanical and electrical equipment. FCDO acknowledges that failure to conduct maintenance is poor value for money, as it often results in more extensive and costly subsequent work. FCDO is now implementing a new prioritisation system, but this will remain heavily focused on managing health and safety risks (paragraphs 2.4 and 3.5).

16 **FCDO conducted an important exercise to provide a more accurate picture of the condition of its estate and identified a £450 million maintenance backlog, much greater than its previous estimate.** In 2023, recognising that its estates data was both incomplete and inaccurate, FCDO decided to commission professional surveys of 97 posts identified as 'most at risk' to check that their asset registers were accurate and identify necessary extra maintenance work. This snapshot exercise, called FMR24, reported in November 2024 that FCDO's total overseas estate maintenance backlog liability was £450 million, much greater than FCDO's previous estimate of £150 million. At FCDO's pace of reactive maintenance spending at the time, it will take at least a decade to clear this (paragraph 2.7).

17 **FCDO overseas posts use different delivery models for property maintenance, which makes it challenging to identify efficiencies across the global network.** Different FCDO posts operate in very distinct local contexts, with differing laws, supply chains and labour markets. Accordingly, different maintenance models operate across FCDO's estate. For 16% of FCDO overseas posts where supplier capacity exists, primarily in Asia Pacific and Europe, estate maintenance is outsourced and provided through regional facilities management contracts, where private companies provide both estate maintenance services and other facilities services, like waste disposal. The other 84% of posts are responsible for maintaining their own estates, through in-house teams or local contractors, or a hybrid model. This flexibility allows posts to adapt their estate maintenance to local conditions. However, it also makes it more difficult to assess and benchmark performance across posts and identify best practice (paragraph 2.9 and Figure 2).

18 **FCDO's outsourcing of facilities management services has had mixed results.** FCDO contracted out facilities management for 24 locations in Asia Pacific in 2021, and for 22 locations in Europe in 2023. The contractor, Jones Lang LaSalle (JLL), is now performing strongly overall against its KPIs in most posts in Asia Pacific. In Europe, however, its performance varies considerably: in January 2025 one post achieved 91% of its KPIs, but another just 33%. Challenges and reasons for inconsistent performance include insufficient staff and difficulties in switching sub-contractors. FCDO acknowledges the transition to have been more challenging than anticipated and aims for performance to improve in the second year of the contract. FCDO is considering expanding this outsourcing model to other European posts, but JLL's performance means that it does not yet consider this feasible. FCDO considers the outsourcing model can deliver benefits such as increased professionalism, and is considering outsourcing facilities management in other regions where sufficient supplier capacity exists (paragraphs 2.10 to 2.13).

19 **FCDO's ability to support effective estate management is limited by significant staffing and skills shortages, both centrally and at overseas posts, which it has found challenging to address.** Estate management responsibilities are devolved to overseas posts, supported by FCDO's central estates department. FCDO overseas posts do not all operate a model with estates professionals on site and, where they do, have found it difficult to recruit and retain people locally with the necessary skills. To support posts with their estate maintenance, FCDO provides a network of regional specialists, although their capacity is limited. It also contracts FCDO Services for technical support for government facilities. However, in November 2024, FCDO's principal risk register rated the risk of inadequate capacity and capability at posts affecting progress in clearing any maintenance backlogs as severe. It also highlighted insufficient capacity and capability within FCDO's central estates directorate as a risk. Sixty-five percent of respondents to our survey of overseas posts agreed that lack of capacity and staffing was a challenge in managing their estates. FCDO has acknowledged that limited capacity means posts are often unable to adequately monitor the condition of their estates and maintain them. However, it has not yet produced a workforce plan to clarify and address capacity and capability issues at the centre and at posts (Figure 4 and paragraphs 1.6 and 2.13 to 2.20).

Estates capital projects

20 **FCDO has not previously taken a strategic approach to the allocation of its estate capital funding, but is now implementing a new approach to prioritising projects.** Since 2018, to ensure that receipts from the sale of the Bangkok and Tokyo estates are fully committed, FCDO has approved funding for its capital projects when they reach full business case stage, rather than planning delivery across the portfolio based on the priority allocated to each project. While this 'first past the post' approach has enabled funds to be spent, FCDO identified that it could reduce its flexibility to respond to urgent and unexpected estates needs, or fund higher-priority projects that had a longer planning and development process. FCDO has been operating in a context of global volatility and changing political priorities, which it considers has had an impact on its strategic direction. It is now ranking potential projects using health and safety, staff security and strategic importance criteria. FCDO plans to use this ranking to create a multi-year delivery plan. As at April 2025, FCDO's estimate of the cost of its capital investment pipeline of projects is £2.1 billion, covering more substantial refurbishments, replacements of assets at end of life, acquisitions and new constructions. FCDO will need to work within annual funding limits set by HMT from 2025-26, compared to previously flexible funding across years, and as such the prioritisation system will be of even greater importance (paragraphs 3.2 to 3.7).

21 **FCDO has completed or approved for construction around 200 estates capital projects since April 2018, with some large high-profile projects running significantly over time and budget.** FCDO reports that it completed, or approved for construction, around 200 capital projects between 2018 and 2024. FCDO does not hold the management information necessary to evidence its track record or to enable fully informed decision-making across the portfolio. Some notable projects have been delivered late and considerably over budget. The refurbishment of the Washington D.C. Embassy, for example, was completed 12 months behind schedule. FCDO's estimate of final outturn project costs increased from £112 million in 2019 to £160 million in 2023 (inclusive of contingency costs). FCDO identified a range of contributing factors, including the COVID-19 pandemic, scope and design changes, foreign exchange loss, and the worse-than-expected condition of the 90-year-old Residence. In October 2024, FCDO assessed that delivery to time was a significant risk for 12% of its live projects, and a further 19% of its live projects had some risk of running over schedule (paragraphs 3.8 to 3.13).

Conclusion

22 FCDO's overseas estate is essential for delivery of the UK government's global objectives, helping to facilitate diplomacy and promote UK industry abroad. Yet much of the FCDO's overseas estate is in a poor and deteriorating condition, and a maintenance backlog of nearly half a billion pounds has built up over time. FCDO has rightly focused on making repairs to ensure its buildings are safe and legally compliant. However, this has come at the expense of longer-term investment to improve the estate or reduce its cost, and inevitably this compromises the long-term value for money of this spending.

23 FCDO has in recent years taken positive actions, including improving its understanding of the true condition of its overseas estate. However, it still needs to do more to achieve value for money from its estate. The significant challenges it needs to address include poor and incomplete data at post and portfolio level, capacity and capability issues and the need to develop a coherent strategy and delivery plan setting out how it will achieve its future estate needs. FCDO has invested in its estate using proceeds from selling land and buildings, but there are now no more significant assets to sell. FCDO now needs to work with HMT to take decisions about what it can realistically afford. It must find ways to identify efficiencies, reduce costs, adapt its estates portfolio, or accept the decline in condition of its overseas estate.

Recommendations

24 Our recommendations focus on measures FCDO needs to take to improve the robustness of its management of its overseas estate.

a **FCDO should develop its estates strategy further, setting out the overseas estate needed to fulfil UK government objectives.** FCDO should build on the strategic work it has already conducted to ensure it can demonstrate that its plans for its estate fully support UK diplomatic, foreign policy and wider government objectives. FCDO's estates strategy should rank posts by strategic importance and identify opportunities for improving long-term value for money. Where appropriate, it should consider options such as co-locating posts with other diplomatic missions, reducing the number of posts and leasing properties.

b **FCDO should support its overseas estates strategy with a fully costed delivery plan, clarifying its priorities and identifying any necessary trade-offs.** FCDO should ensure its estates strategy reflects a full and informed assessment of the funding it is likely to have available in future. This should also consider the feasibility and scale of asset sales and efficiencies.

c **FCDO should review its estates governance structure to ensure that it is working effectively.** FCDO should review whether its new ESND structure is achieving the intended benefits and identify whether any further improvements are necessary to ensure effective oversight of its overseas estate.

d **FCDO should produce a plan for its estates workforce.** FCDO should evaluate the skills it requires in its estates staff, identify skills gaps in the organisation and create a plan to set out how it intends to close these gaps. This includes central staff, staff at posts, contractors and the balance between specialist and generalist roles.

e **FCDO should ensure that the collection and use of good-quality and complete data is embedded into the day-to-day running of its overseas estate.** FCDO should develop a plan to ensure its data on the estate is kept up to date after its one-off FMR24 exercise. FCDO should proceed with its plan to integrate and consolidate estates data centrally as a matter of urgency, to ensure it can use this data.

f **FCDO should identify suitable performance benchmarks for its maintenance delivery models and use this to assess the performance of different models.** Once benchmarks and performance measures have been identified, FCDO should establish a monitoring regime to support data collection.

g **FCDO should review its management of its estate capital projects, to ensure it has appropriate oversight of delivery risks at a portfolio level.** This includes reviewing portfolio governance, reporting and management information.