



Foreign, Commonwealth & Development Office

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Dear Sarah,

FCDO Supplementary Estimate 2021-22 and updating the estimate structure

I am responding to the questions in your letter of 9 March in relation to information published in the Supplementary Estimates Memorandum and to set out plans to update the FCDO's estimate structure.

Reserve Claims

The FCDO received a Reserve Claim of £68m Resource DEL to help reduce the health impacts of the Omicron variant in developing countries. This was funded by bringing forward £68m of ODA Resource DEL from 2022-23 into 2021-22. The FCDO will return £68m of 2022-23 ODA budget to HMT during the Main Estimate.

This Reserve Claim will not impact the 0.5% ODA spending target which is managed on a calendar rather than financial year basis. We have reallocated funding from FY 2022-23 to 2021-22, but all within the same calendar year.

We did not use the FCDO's crisis reserve and future crisis reserve amounts will not be impacted by this decision. We retained a small crisis reserve in the last quarter of the financial year to continue our ability to enable response to urgent crises that may arise. The remaining crisis reserve was used in support of the humanitarian response in Ukraine.

Resource Annually Managed Expenditure (Resource AME)

Resource AME expenditure is volatile in nature and the FCDO takes a conservative approach towards forecasting its requirements. We need to ensure there is sufficient headroom in budgets to accommodate the impact of unforeseen global events on foreign exchange rate volatility and market conditions.

The increase in non-cash Resource AME was requested to ensure the FCDO has sufficient cover for year-end accounting adjustments such as potential new

provisions, accounting reclassifications and impairments which are difficult to forecast.

The government financial reporting manual (FREM) 2021-22 published in December 2021 included a new adaptation to IFRS 9. This resulted in the FCDO changing the accounting treatment of its guarantees meaning that a higher level of non-cash Resource AME is required to reflect the fair value of its guarantees. Additionally, we judged the FCDO was likely to enter into new guarantee contracts before the end of the year which would require additional non-cash Resource AME. Details of the FCDO's guarantees can be found on page 231 of the Annual Report and Accounts 2020-21.

Updating the estimate structure

FCDO officials and clerks from the International Development Committee, the Foreign Affairs Committee and the Parliamentary Scrutiny Unit discussed updating the FCDO's estimate structure.

At a meeting on 25 February 2022, officials agreed that, in response to the select committees' request for improved transparency, the following changes should be implemented for the Main Estimate 2022-23.

The current estimate row D "Strategic priorities and other programme spending" will be replaced with three rows:

- Regional bilateral programmes
- Core multilateral programmes
- Centrally managed programmes

This revised structure will restore the level of detail that was provided for programme spend in the Estimate prior to 2021-22.

We will use the accompanying Estimates Memorandum to signpost the select committees to more detailed spending plans. This includes Annex A of the Annual Report and Accounts. Annex A will provide a detailed breakdown of programme spend and spending plans. The data will be split by ODA and non-ODA and where appropriate shown at country, or Directorate level. The sub-totals in Annex A will align with the estimate rows, providing a clear line of sight from spending plans through to final outturn.

The estimate row "CDC Group plc" will be renamed "British International Investment" to reflect the re-branding of CDC, which took place on 4 April 2022.

In addition to the structural changes to the Estimate itself, officials agreed to look at enhancing information provided in the Estimates Memorandum in relation to the crisis reverse, overseas estate, multilateral spend and efficiencies.

I hope that taken together these changes meet your expectations and will facilitate the select committees' scrutiny of spending plans.

I apologise that the Supplementary Estimate Memorandum was slightly delayed this year as its clearance coincided with an exceptionally busy period.

I am sending a copy of this letter to the Chair of the Foreign Affairs Committee and the Parliamentary Scrutiny Unit.

Yours sincerely,

Philip Barton

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