

Foreign, Commonwealth and Development Office

Main Estimate Memorandum 2023-24

This memorandum gives background to the Foreign, Commonwealth and Development Office (FCDO) Main Estimate 2023-24. The format of this document follows guidance from the Parliamentary Scrutiny Unit, to provide wider context to the department's objectives and finances.

1. Overview

The structure of the FCDO's Estimate has been agreed in consultation with our Parliamentary select committees.

The Main Estimate 2023-24 reflects announcements made in the International Development Strategy, Integrated Review Refresh 2023 (IR2023) and the Spring Budget 2023.

1.1 Objectives

The FCDO's 2023-24 priority outcomes, as set out in [Spending Review 2021](#), are as follows:

1. Build economic diplomacy by seizing global opportunities which benefit the whole of the UK, and harness the mutual benefits of unlocking growth for our allies and partners, including through the British Investment Partnerships initiative.
2. Strengthen the security and resilience of the UK and our allies by defending our interests around the world.
3. Promote Global Britain by using our development leadership to empower and protect the freedom of women and girls, to provide reliable, honest infrastructure financing, and to support humanitarian needs.
4. Support British nationals overseas by providing modern, round-the-clock consular services and agile crisis support.

These outcomes will be updated as part of the FCDO's 2023-24 Outcome Delivery Plan to be published later this year.

1.2 Spending Controls

The FCDO's spending is broken down into several different spending totals, for which Parliament's approval is sought.

The spending totals which Parliament votes are:

- Resource Departmental Expenditure Limit ("**Resource DEL**") – programme funds, running costs, frontline diplomacy and development, the overseas platform, scholarships, grants to international organisations and other bodies supporting FCDO objectives, and associated non-cash items.
- Capital Departmental Expenditure Limit ("**Capital DEL**") – investment in capital assets, capital grants, research and development, loan funding to the

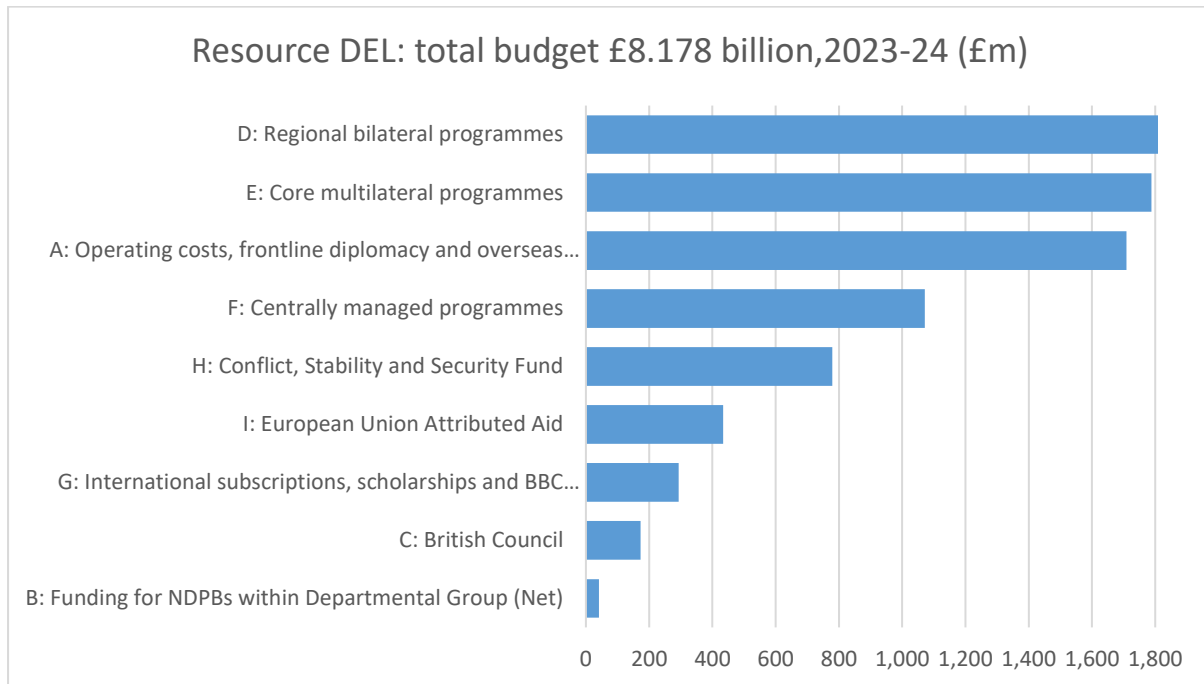
British Council, and investments and assets to create growth in the future for either the UK or our partner governments.

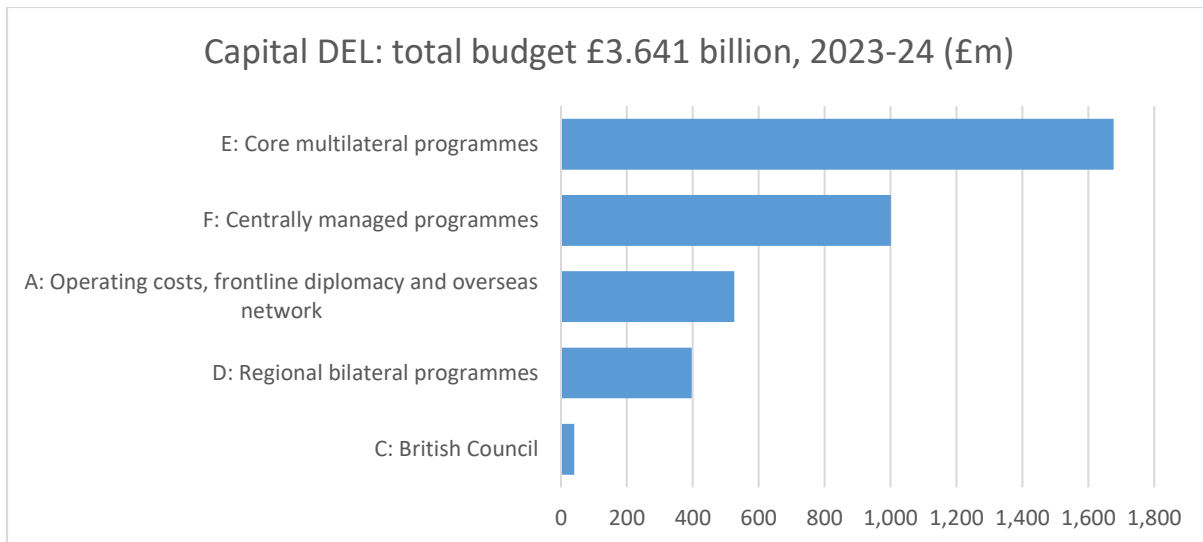
- Resource Annually Managed Expenditure (“**Resource AME**”) – less predictable day-to-day spending: in the FCDO’s case this includes accounting adjustments for financial guarantees, impairments, provisions, foreign exchange, and the refund of certain taxes and duties paid by certain foreign and Commonwealth governments.
- Capital Annually Managed Expenditure (“**Capital AME**”) – the FCDO is required to record capital injections in its wholly owned self-financing public corporation, British International Investment (BII) as prescribed by the Government budgeting rules.

In addition, Parliament votes a net cash requirement, designed to cover the elements of the above budgets that require the FCDO to pay cash in year.

1.3 Main areas of spending

The graphics below show the main components of the FCDO’s proposed budget included in the latest Main Estimate, and the proportions of funds spent on its main activities.

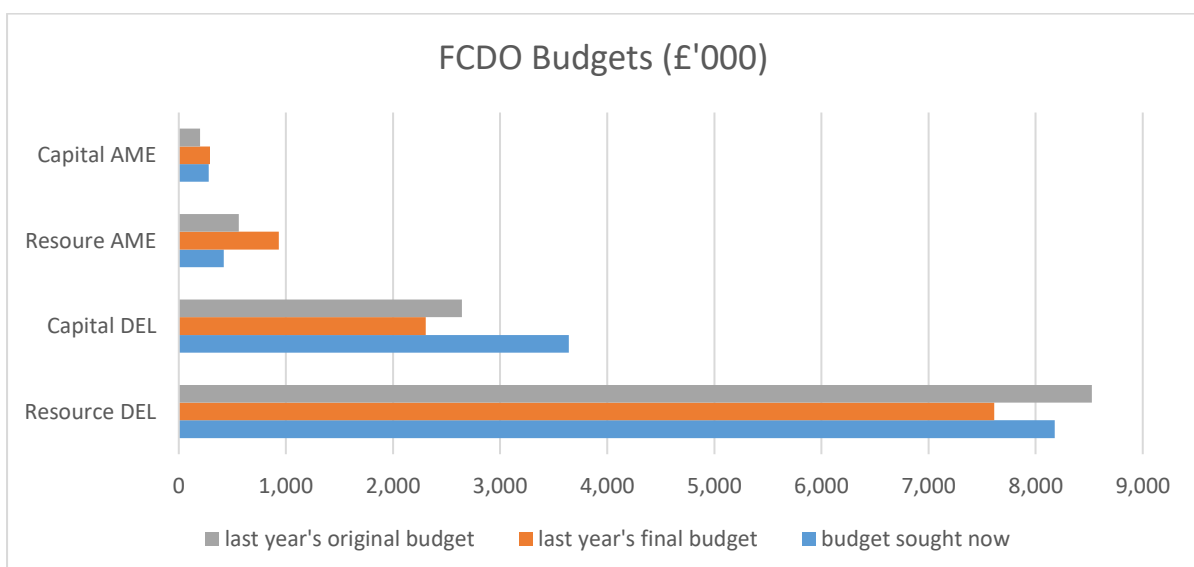




1.4 Comparison of spending totals sought

The table and graphic below show how the totals sought for the FCDO Main Estimate compare with last year:

Spending total Amounts sought this year (Main Estimate 2023-24)		Difference (+/-), compared to final budget last year (Supplementary Estimate 2022-23)		Difference (+/-), compared to original budget last year (Main Estimate 2022-23)	
		£ m	%	£ m	%
Resource DEL	8,178	564	7%	-347	-4%
Capital DEL	3,641	1,335	58%	996	38%
Resource AME	419	-515	-55%	-142	-25%
Capital AME	280	-10	-3%	80	40%



1.5 Key drivers of spending changes since last year

In comparison to the Supplementary Estimate 2022-23, there is a net increase in Resource DEL of 7% and Capital DEL of 58%.

The main driver behind the difference is the Supplementary Estimate 2022-23 reflected a £1.7bn (RDEL £1,147.3m and CDEL £564.7m) reduction of Official Development Assistance (ODA). The Minister for Development published details of the FCDO's ODA allocations for 2022-23 and 2023-24 in a Written Ministerial Statement on 30 March 2023. This sets out ODA allocations in the context of changing FCDO ODA budgets because of the significant and unanticipated costs associated with supporting people from Ukraine and Afghanistan escape oppression and conflict and find refuge in the UK, and others seeking asylum. It confirms that the indicative ODA allocations increased from £7,572m in 2022-23 to £8,095m in 2023-24.

1.6 New policies and programmes; ambit changes

In March 2023 HMG published the [2023 Integrated Review Refresh \(IR2023\)](#), a review and update to the 2021 Integrated Review (IR2021). IR2021 provided a comprehensive articulation of the UK's national security and international policy in the context of a world moving towards greater competition and multipolarity. IR2023 responds to a more contested and volatile world.

IR2023 sets out the four ways in which the UK will protect its core national interests – the sovereignty, security, and prosperity of the British people – as well as its higher interest in an open and stable international order of enhanced cooperation and well-managed competition based on respect for the UN Charter and international law.

Recognising our achievements by integrating our development and diplomatic work, the FCDO will build on this by bolstering the UK's international development efforts and accelerating progress towards the UN Sustainable Development Goals. The UK will reinvigorate its position as a global leader on international development, pursuing patient, long-term partnerships tailored to the needs of the countries we work with. In 2023-24, we will pursue seven priority campaigns under the [International Development Strategy](#). The Minister for International Development will have a permanent place on the National Security Council, a second Permanent Under-Secretary in the FCDO will oversee our development priorities, and a new FCDO-HM Treasury governance structure will improve oversight of all ODA expenditure.

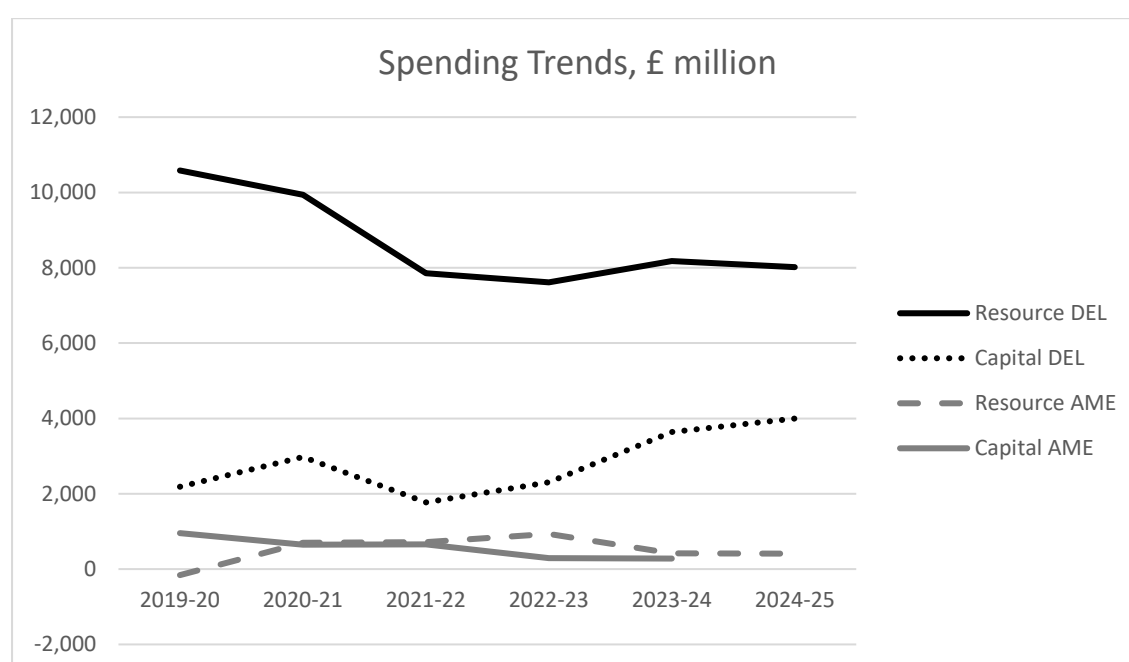
On 6 March, the Foreign Secretary and Science, Innovation and Technology Secretary launched the [International Technology Strategy](#) at Samsung King's Cross. The strategy will deliver on the vision set out in the Integrated Review 2023, which makes cementing our position as a Science and Technology Superpower by 2030 a top priority, and is a key part of the way we deliver [the UK Science & Technology Framework](#) internationally. The strategy sets out the UK's approach for global technology leadership across our priority technologies (AI, quantum technologies, engineering biology, semiconductors and telecommunications, alongside data), and defines the principles - open, responsible, secure and resilient -

that will guide our international engagement. Our principles-based approach will help us to shape the future of technology and global governance in a way that drives global progress, protects global security, and enables UK businesses to innovate and prosper.

There are no changes to the FCDO's ambit.

1.7 Spending Trends

The charts below show overall spending trends for the last four years and plans for 2023-24 to 2024-25. The figures for 2019-20 have been combined from the former FCO and DFID budgets, which merged in September 2020.



- Resource DEL and Capital DEL: the reduction in 2021-22 reflects the decision to reduce temporarily the overall amount spent on aid from 0.7 to 0.5% of GNI from calendar year 2021. The reduction in 2022-23 was because of the £1.7bn ODA surrender. RDEL in 2023-24 remains in line with the SR 21 settlement. The increase in FCDO's capital expenditure budget over the SR period reflects the government's ambition to unlock new finance for green growth, with capital investment for a new strategic initiative to support clean and green infrastructure in developing countries through UK-backed investment, loans and expertise.
- Resource AME is used primarily for accounting adjustments to provisions and financial instruments such as loans and shares. AME expenditure, by definition, is volatile and in some years shows as negative spend.
- Capital AME budget is used to make investments in the FCDO's wholly owned self-financing public corporation, British International Investment (BII). Capital injections into BII contribute towards the FCDO's financial transactions target.

The 2024-25 figures include BII in Capital DEL. This will be switched to Capital AME in future estimates.

1.8 Administration costs and efficiency plans

In comparison to the Supplementary Estimate 2022-23, there is a net decrease in Administration of 4%. This relates to the depreciation review exercise in Summer 2022 resulting in the reserve surrender of £2.5m and a £6.6m reserve surrender for the reversal of the 1.25% National Insurance Contributions increase.

Spending total Amounts sought this year (Main Estimate 2023- 24)		Difference (+/-), compared to final budget last year (Supplementary Estimate 2022-23)		Difference (+/-), compared to original budget last year (Main Estimate 2022-23)	
		£ m	%	£ m	%
Resource DEL	326	-12	-4%	-7	-2%

The FCDO's settlement is subject to our commitment to deliver RDEL efficiencies equivalent to £79.5m by 2024-25, of which at least £35.4m will be non-ODA savings. These savings will be delivered through the British Council's transformation programme, the Workforce Plan, various IT and estates efficiencies including handing back 22 Whitehall, and the natural closure of some non-ODA programmes.

1.9 Funding: Spending Review and Budgets

The basis of the estimate is Spending Review 2021. It does not reflect any ODA revisions required in 2023-24 for the costs incurred to support Other Government Department pressures from those seeking asylum and continued support to those fleeing Ukraine and Afghanistan. The main budget changes in the estimate which have been pre-agreed with HMT are:

Resource DEL:

- a surrender of **£6.6m** NI Contributions following the reversal of the 1.25% budget uplift;
- a surrender of **£30.6m** depreciation following the review exercise in Summer 2022;
- Reserve support of **£73m** from the Bangkok and other sale proceeds for maintenance projects that are part of the estates programme;
- Reserve support for the implementation of IFRS16 comprising ring-fenced depreciation of **£140.4m** and a surrender of non ring-fenced programme of **£116.9m**;
- a reduction of **80.4m** for budget transfers to other government departments mainly for the overseas platform and CSSF;
- One Machinery of Government Change: a baseline transfer from MOD for the National Cyber Fund of £5.09m;
- CSSF received a **£15m** budget uplift;
- SR21 included the transfer of several International Climate Finance (ICF) programmes from BEIS to FCDO. The Main Estimate includes a budget transfer

received of **£2.5m** to cover the costs of staff working on ICF programmes, and a transfer of **£34.2m** to DESNZ for programme costs;

- A **£10m** budget uplift for the BBC World Service announced in the Spring Budget 23 (see 1.10 below); and
- A switch of **£111m** from non-voted to voted budget for EU Attributed Aid in line with revised budget requirements.

Capital DEL:

- Reserve support of **£40m** to provide loan funding to the British Council;
 - Reserve support of **£105m** from the Bangkok and other sale proceeds for contractually committed projects that are part of the estates programme of global new builds and refurbishments;
 - Reserve support of **£313.5m** for the implementation of IFRS16;
 - A switch of £280m from Capital DEL to Capital AME for British International Investment (required under Consolidated Budgeting Guidance rules);
 - Net budget transfers of **£28.1m**, mainly for International Climate Finance programmes; and
 - **£6.3m** from DESNZ for research and development programme and running costs.
- FCDO's Main Estimates Memorandum 2023 to 2024 data annex B shows how DEL funding plans for 2023-24 have altered since Spending Review 2021.

1.10 Funding: other funding announcements

Recognising its role in projecting British values and culture overseas, £20m additional grant funding for the BBC World Service was announced in the Spring Budget 2023 for the remainder of SR21.

The IR2023 announced a new UK Integrated Security Fund (UKISF) combining and replacing the existing CSSF and other funds, with a budget of £1 billion to deliver critical international and domestic programmes in areas including economic and cyber security.

[£50m additional budget](#) was announced for CSSF (now UKISF) for the remainder of SR21. The estimate row will be updated in subsequent Estimates to replace CSSF with the new UK Integrated Security Fund (UKISF).

2. Spending detail

2.1 Explanation of changes in spending

Resource DEL

The table below shows how the FCDO's spending plans for Resource DEL compare with last year.

Subhead	Description	Resource DEL				
		£ million			%	
		this year (2023-24 Main Estimate budget sought)	last year (2022-23 Supplementary Estimate budget approved)	changes from last year		see note number
A	Operating costs, frontline diplomacy and overseas network	1,709.1	1,803.00	-93.9	-5%	I, III
B	Funding for NDPBs within Departmental Group (Net)	41.7	41.6	0.1	0%	I
C	British Council	173.0	165.7	7.3	4%	I
D	Regional bilateral programmes	1,889.3	1,167.5	721.8	62%	I, II
E	Core multilateral programmes	1,788.0	1,637.6	150.4	9%	I, II
F	Centrally managed programmes	1,071.3	1,243.7	-172.4	-14%	I, II
G	International subscriptions, scholarships and BBC World Service	292.9	334.1	-41.2	-12%	I, IV
H	Conflict, Stability and Security Fund	778.7	668.4	110.3	17%	I, V
I	European Union Attributed Aid	434.0	552.0	-118.0	-21%	I, VI

- I. Budget allocations for 2023-24 are provisional and the allocation between estimate rows is subject to change. Any internal reallocation will be reflected in the Supplementary Estimate 2023-24.
- II. The main driver is an increase in Official Development Assistance (ODA) which is around 0.5 of Gross National Income (GNI).
- III. The FCDO settlement allows for Reserve Claims for international subscriptions, differential inflation, consular premium and IFRS 16 claims.
- IV. The BBC World Service budget includes a £10m uplift announced in the Spring 2023 Budget.
- V. CSSF retain 20% of the amount requested by its portfolios and the balance will be transferred to other departments at the Supplementary Estimates if still required. The CSSF budget includes a £15m uplift.
- VI. Under the EU-UK Withdrawal Agreement, the UK will continue to meet outstanding commitments to EU development programmes, the EU budget (MFF

2014-2020) and the European Development Fund. This includes a £111m switch from non-voted to voted budget based on a review of the requirement.

Capital DEL

The table below shows how the FCDO's spending plans for Capital DEL compare with last year.

Subhead	Description	Capital DEL				
		£ million			%	
		this year (2023-24 Main Estimate budget sought)	last year (2022-23 Supplementary Estimate budget approved)	changes from last year		see note number
A	Operating costs, frontline diplomacy and overseas network	526.0	519.8	6.2	1%	I, II
C	British Council	40.0	79.7	-39.7	-50%	I, III
D	Regional bilateral programmes	397.0	163.9	233.1	142%	I, IV
E	Core multilateral programmes	1,677.0	858	819.0	95%	I, IV
F	Centrally managed programmes	1,000.9	680.1	320.8	47%	I, IV
H	Conflict, Stability and Security Fund	0.0	5.1	-5.1	-100%	I

- I. Budget allocations for 2023-24 are provisional and the allocation between estimate rows is subject to change. Any internal reallocation will be reflected in the Supplementary Estimate 2023-24.
- II. Capital DEL includes budget for the implementation of IFRS16.
- III. HMG has committed to provide the British Council with up to £200m loan funding to help support their short-term cash flow and for restructuring investment. Of this, £40m has been provided for in the Main Estimate, which will be disbursed to the British Council depending on need.
- IV. The main driver is an increase in Official Development Assistance (ODA) which is around 0.5 of Gross National Income (GNI).

Resource AME

The table below shows how the FCDO's spending plans for Resource AME compare with last year.

Subhead	Description	Resource AME				
		£ million			%	
		this year (2023-24 Main Estimate budget sought)	last year (2022-23 Supplementary Estimate budget approved)	changes from last year		see note number
J	Other central programme and technical costs	418.8	933.8	-515.0	-55%	I

- I. Resource AME is used primarily for accounting adjustments and by definition is volatile. The net reduction in Main Estimate 2023-24 is because of a reduction in provisions and financial guarantees by £813m and an increase in revaluations and impairments of £273m.

Capital AME

The table below shows how the FCDO's spending plans for Capital AME compare with last year.

Subhead	Description	Capital AME				
		£ million			%	
		this year (2023-24 Main Estimate budget sought)	last year (2022-23 Supplementary Estimate budget approved)	changes from last year		see note number
K	British International Investment	280.0	289.5	-9.5	-3%	I

- I. Capital AME shows British International Investment's forecast capital needs.

2.2 Restructuring

One Machinery of Government transfer took place in the Main Estimate:

- a baseline transfer from MOD for the National Cyber Fund of £5.1m

2.3 Ring-fenced budgets

Within the totals, counter terrorism, research and development, financial transactions, depreciation and the cross-Whitehall Fund, CSSF, are ring-fenced, and funding cannot be transferred into other parts of the core FCDO budget without HMT approval.

2.4 Changes to contingent liabilities

There has been an increase of £163 million to contingent liabilities since last year, mainly because of further drawdown of £125 million by the Government of Gibraltar on the loan facility guaranteed by the FCDO. The remaining movement of £38 million is because of updated assumptions, interest rates, foreign exchange rates and standard repayments of loans guaranteed by the FCDO.

3. Priorities and performance

3.1 How spending relates to objectives

The FCDO's Outcome Delivery Plan, to be published later this year, will set out what we will achieve over the current Spending Review period against a series of Priority Outcomes and corporate Strategic Enablers.

It is not possible to reflect the breakdown of resources by Priority Outcome as the FCDO is not structured in this way. Our resources, both people and projects, often support multiple Priority Outcomes particularly overseas. Data is not therefore captured in this way.

3.2 Measures of performance against each priority

The FCDO's Outcome Delivery Plan will set out in detail how we will deliver our priority outcomes, how we will measure our success and how we will ensure we continuously improve.

Data on the FCDO's 2022-23 performance will be given in the FCDO 2022-23 Annual Report and Accounts.

3.3 Commentary on steps being taken to address performance issues

Spending specifically designed to address performance issues includes:

- Hera: The Hera programme went live in December 2022 and delivered a single integrated finance and HR system for the FCDO and a platform for HMG Overseas. It will improve user experience, deliver efficiencies, and provide better management information. The FCDO will continue to develop Hera as an essential tool for finance and HR operations and a key enabler. The programme is subject to departmental governance and controls. It is also part of the Government Major Projects portfolio (GMPP), with regular reporting, and assurance reviews at key stages of its delivery.
- The estate: The FCDO will draw down a further £105.2m Capital DEL from the Bangkok and other capital receipts. This will continue to fund the contractually committed projects that are part of the estates programme of global new builds and refurbishments.

The largest projects in progress are the chancery and residence refurbishment in Washington and the new office in Ottawa, which will be completed in the next financial year. These address urgent health and safety/end of life asset issues leading to a reduction in future running costs and liabilities. We expect to complete new offices in N'Djamena, Djibouti and Abidjan in the next financial year. We are investing other capital sales receipts in a long pipeline of smaller projects from £500k upwards.

The FCDO will draw down a further £73m from Bangkok and other capital sales receipts to cover Resource DEL costs. Over 75% of this funds estate projects and reducing the backlog on largely health and safety maintenance works. The Global Maintenance Programme is managing remedial electrical works in our UK and overseas offices and residential properties for example in Nairobi, the Brazil network and Amman. This is in addition to roof repairs, fire alarm installations and other mechanical works in our overseas estate. The remaining funding is for non-estates work for IT projects (including the Consular Resilience Programme) and FCDO Transformation.

3.4 Major Projects

The FCDO will deliver the following major projects as defined by the Infrastructure and Projects Authority (IPA):

- Echo 2: a joint project with the British Council to provide new network, telephony and video-conferencing services;
- Hera: a programme to replace the finance and HR information system;
- A major refurbishment of the embassy and ambassador's residence in Washington DC;
- FCDO Integration Portfolio: a suite of change programmes to support the creation a single Foreign, Commonwealth and Development Office which can deploy diplomatic and development expertise to deliver HMG global foreign policy and development objectives.

Progress on major projects is recorded at:

<https://www.gov.uk/government/publications/infrastructure-and-projects-authority-annual-report-2022>

4. Accounting Officer Approval

This memorandum has been prepared according to the requirements and guidance set out by the House of Commons Scrutiny Unit, available on the Scrutiny Unit website.

The information in this Estimates Memorandum has been approved by myself as Departmental Accounting Officer.



Sir Philip Barton
Accounting Officer
Permanent Under-Secretary
Foreign, Commonwealth and Development Office
18 May 2023