

Foreign, Commonwealth and Development Office

Supplementary Estimate Memorandum 2023-24

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

1. Overview

The FCDO's enduring purpose is to lead the Government's diplomatic, development, and consular work around the world. Our overall aim is to position the UK as a responsible, reliable, and effective international actor and partner, investing in the global relationships we need for the long term.

Throughout 2023-24 the FCDO has continued to operate in volatility, driven by more dangerous geopolitical trends and more challenge to the international order. Our priorities have been driven by the geopolitical landscape resulting from actions in Sudan and the Middle East whilst continuing with our unwavering support for Ukraine.

1.1 Objectives

The FCDO's 2023-24 priority outcomes are as follows:

1. Shape an **open and stable international order** through strong alliances and future partnerships.
2. Protect our **national and international security** and mitigate the threats of strategic competition through building partnerships, strengthening deterrence and effective constraint.
3. Reinvigorate the **UK's leadership role in international development** to tackle shared global challenges, respond to humanitarian crises, and support the Sustainable Development Goals (SDG's).
4. **Support British nationals around the world** by providing resilient 24/7 Consular services and agile crisis response.

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

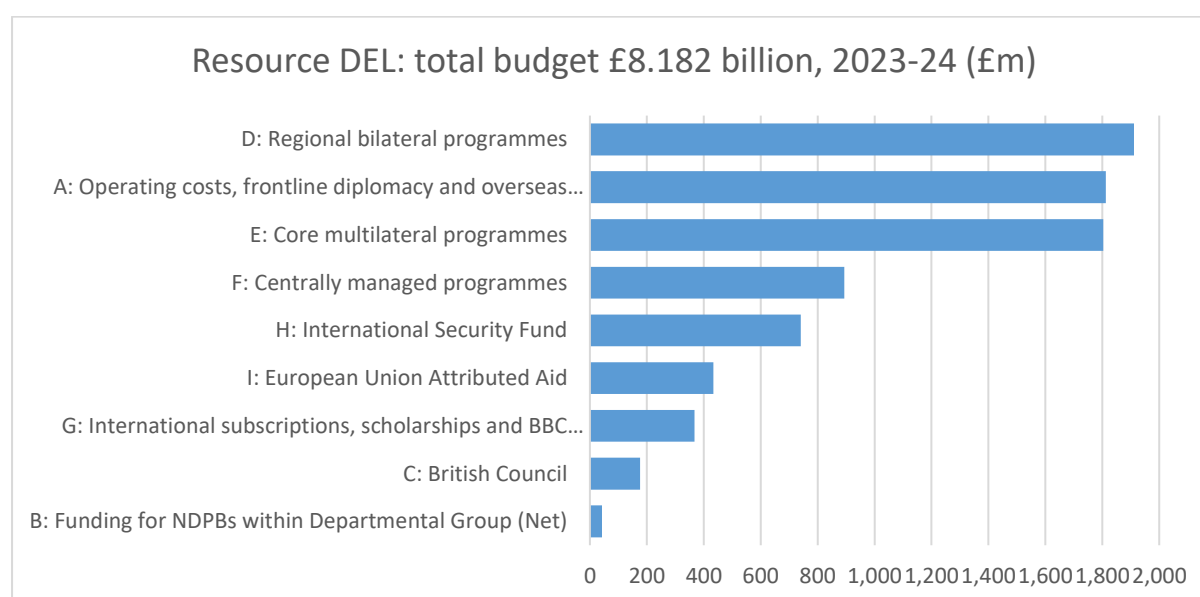
Council, and investments and assets to create growth in the future for either the UK or our partner governments.

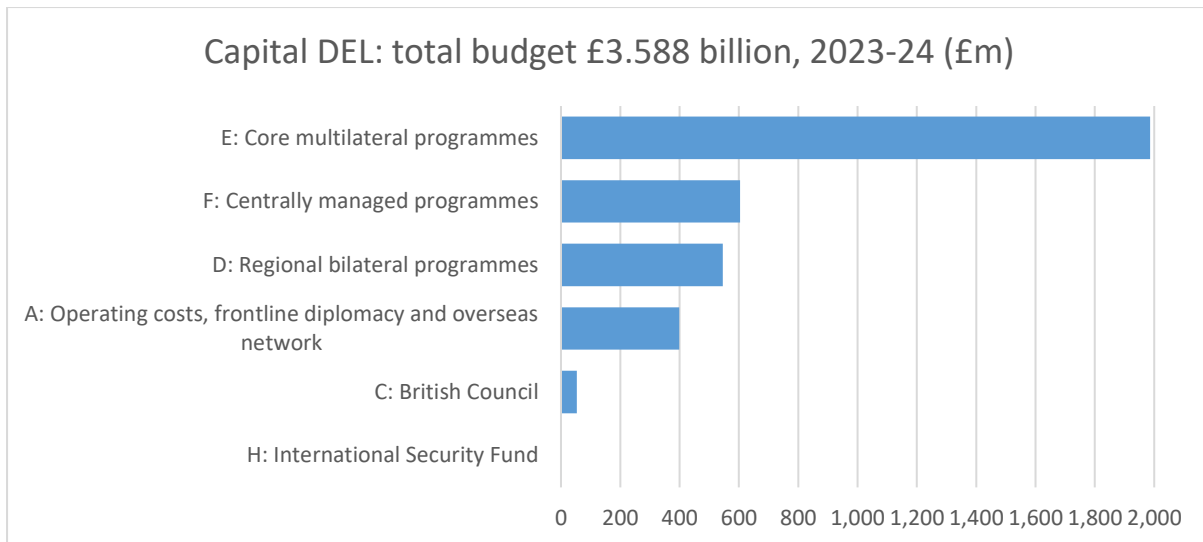
- Resource Annually Managed Expenditure (“**Resource AME**”) – less predictable day-to-day spending: In the FCDO’s case, this includes accounting adjustments for financial guarantees, impairments, provisions, foreign exchange, and the refund of certain taxes and duties paid by certain foreign and Commonwealth 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 Supplementary Estimate and the proportions of funds spent on its main activities.

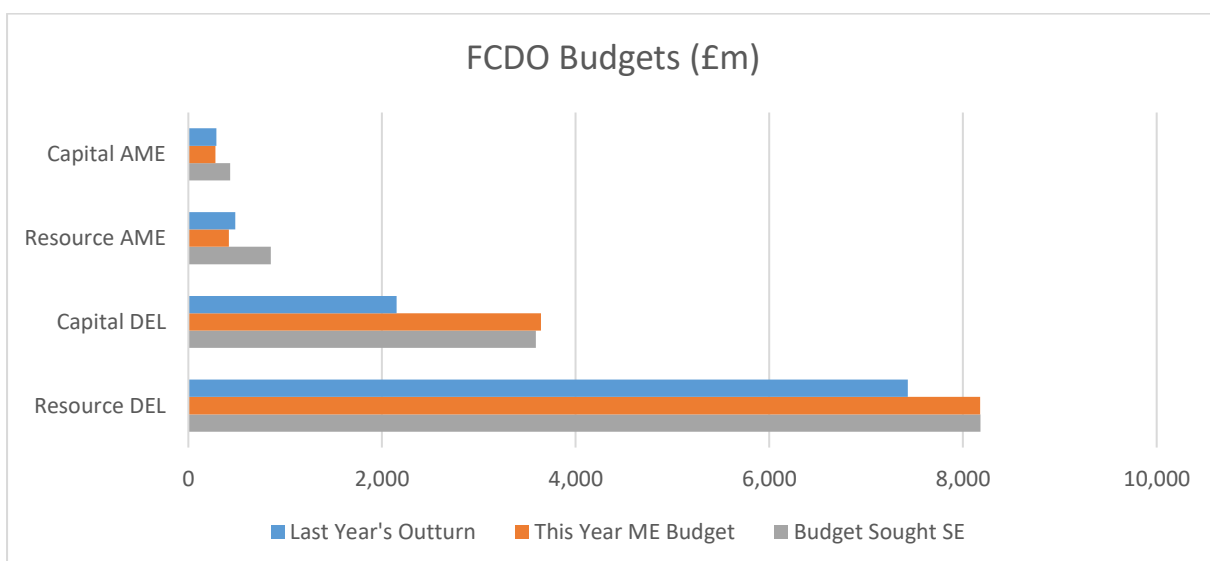




1.4 Comparison of spending totals sought

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

Spending total - Amounts sought this year (Supplementary Estimate 2023-24)		Difference (+/-), compared to original budget this year (Main Estimate 2023-24)		Difference (+/-), compared to last year's outturn (Outturn 2022-23)	
		£ m	%	£ m	%
Resource DEL	£8,182m	4	0%	753	10%
Capital DEL	£3,588m	-53	-1%	1,437	67%
Resource AME	£853m	434	104%	367	76%
Capital AME	£433m	153	55%	144	50%



1.5 Key drivers of spending changes since last year

In comparison to the Mains Estimate 2023-24, there is a net increase in Resource DEL of £4m (0%) and reduction in Capital DEL of £53m (1%).

To maximise Value for Money in our Official Development Assistance (ODA) portfolio and deliver the UK ODA commitment for 2023, the FCDO switched £208m from Resource DEL to Capital DEL. This reduction was primarily offset by Resource DEL routine reserve claims for Consular Premium (£67m), International Subscriptions (£75m), Depreciation (£48m) and IFRS 16 depreciation and charges (£27m).

Resource DEL claims on the reserve of £15.6m were requested for the UK consular crisis responses, including in Sudan and the Israel-Hamas conflict, and £29.6m for the Afghan Relocations & Assistance Policy.

The decrease to Capital DEL arises from the above-mentioned switch to deliver ODA programming, which was primarily offset by a reduction in the Capital DEL requirement for IFRS 16 (£124m) and the transfer of UK Climate Investment Ltd (£153m) to British International Investment (BII). A Capital DEL reserve claim of £14m was also requested to increase the British Council loan.

The full list of changes since the Main Estimate is set out in section 2.1 and the Data Annex, Table B.

1.6 New policies and programmes; ambit changes

1.6.1 The United Kingdom was proud to co-host with Ukraine, the [Ukraine Recovery Conference \(URC\) 2023](#). The conference focussed on action to help Ukraine build back better, greener and as a more resilient and prosperous European nation. In particular, the URC 2023 aimed to generate greater momentum on the role of the private sector – and the reforms required to drive investment – as essential elements for Ukraine’s long-term recovery. URC 2023 raised over \$60.0bn towards Ukraine’s recovery and reconstruction. This includes the UK’s updated commitments of a further \$3.0bn of guarantees to unlock World Bank lending to Ukraine and £240.0m in bilateral assistance.

1.6.2 The FCDO published a new [White Paper on International Development](#) in November 23 focusing on **International development in a contested world: ending extreme poverty and tackling climate change**. The goal of UK international development is to end extreme poverty and tackle climate change and biodiversity loss. Achieving this goal and meeting the SDGs is only possible if all countries achieve sustainable and inclusive economic growth.

This White Paper sets out a re-energised international development agenda, for the UK, working with our partners, based on the following priorities:

- **going further, faster to mobilise international finance** to end extreme poverty, tackle climate change and biodiversity loss, power sustainable growth and increase private sector investment in development;

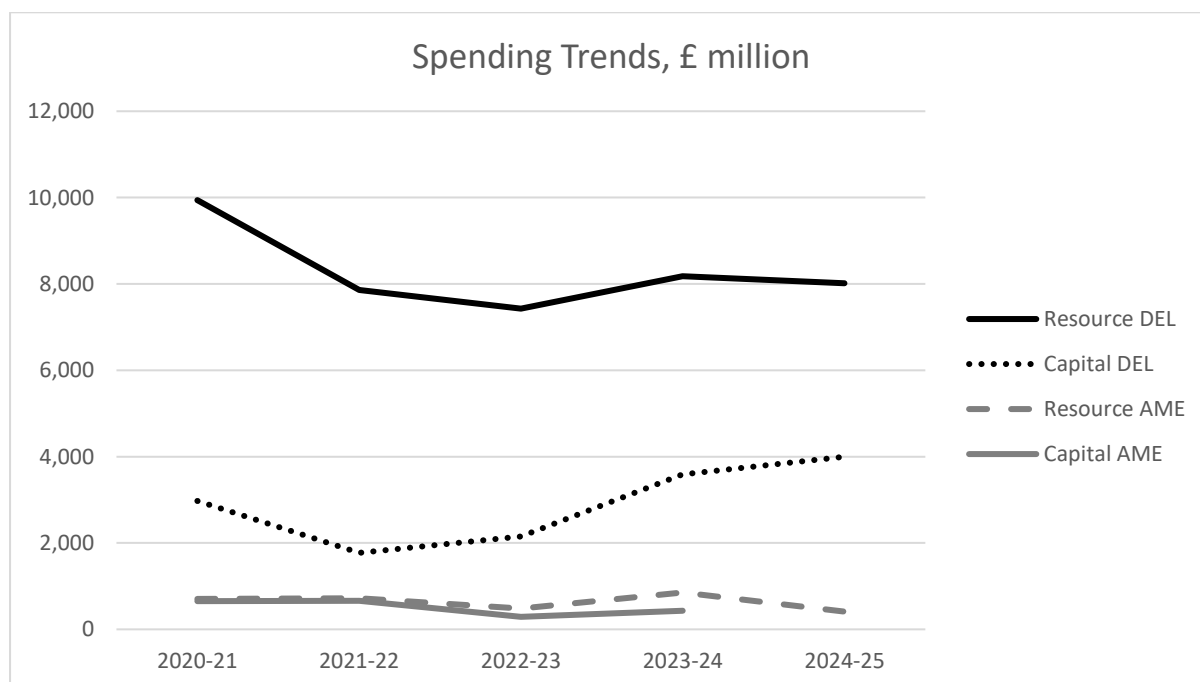
- **strengthening and reforming the international system** to improve action on trade, tax, debt, tackling dirty money and corruption, and delivering on global challenges like health, climate, nature and energy transition;
- **harnessing innovation and new technologies**, science and research for the greatest and most cost-effective development impact;
- **ensuring opportunities for all**, putting women and girls centre stage and investing in education and health systems that societies want;
- **championing action to address state fragility, and anticipate and prevent conflict**, humanitarian crises, climate disasters and threats to global health;
- **building resilience and enabling adaptation** for those affected by conflict, disasters and climate change, strengthening food security, social protection, disaster risk financing and building state capability and
- **standing up for our values**, for open inclusive societies, for women and girls, and preventing roll-back of right.

1.6.3 Details of all new policies and programmes announced by the FCDO can be found on [Gov.uk](https://www.gov.uk).

1.6.4 The FCDO's ambit has been updated to replace CDC plc (CDC) to British International Investment (BII). BII was erroneously listed as CDC at Mains Estimate so any reference to CDC should be replaced with BII.

1.7 Spending Trends

The charts below show overall spending trends for the last three years and plans for 2023-24 to 2024-25.



- **Resource DEL:** Outturn for 2021-22 onwards reflects the decision to reduce temporarily the overall amount spent on ODA from 0.7 to 0.5% of UK Gross National Income (GNI). The growth in 2023-24 reflects increased ODA spend arising from an improvement in the GNI and the additional resources provided to the UK ODA allocation as part of the 2022 Autumn Statement to support the people of Ukraine and Afghanistan escape oppression and conflict and find refuge in the UK.
- **Capital DEL:** Outturn for 2021-22 onwards reflects the decision to reduce temporarily the overall amount spent on ODA from 0.7 to 0.5% of GNI. In 2022-23 the FCDO implemented the IFRS 16 accounting standard for leases. The growth in 2023 - 24 is primarily driven by increased ODA spend as referenced in Resource DEL movements above and the government's ambition to invest capital in new strategic initiatives 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.
- **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. BII's budgets are included in Capital DEL for 2024-25 figures, this will be switched to Capital AME in the next estimate.

1.8 Administration costs and efficiency plans

In comparison to the Main Estimate 2023-24, there is a net increase in Administration of £1m (0%). This relates to cross department transfers for trade policy staff.

Spending total Amounts sought this year (Supplementary Estimate 2023-24)		Difference (+/-), compared to original budget this year (Main Estimate 2023-24)		Difference (+/-), compared to last year's outturn (Outturn 2022-23)	
		£ m	%	£ m	%
Resource DEL	326	1	0%	21	7%

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 are being delivered through British Council's transformation programme, workforce planning, 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 following changes have been made to 2023-24 budgets since Spending Review 2021 allocations were agreed:

Resource DEL:

- a reserve surrender of £20.0m from the Tokyo sale proceeds for maintenance as part of the estate programme;
- a reserve surrender of £17.5m for the Foreign Currency Mechanism and Differential Inflation;
- an increase of £27.2m for the adoption of IFRS16 for ring-fenced depreciation and interest charges;
- an increase of £47.6m for depreciation and impairments;
- reserve claims of £15.6m from the Emergency Disaster Relief Fund for costs incurred for emergency consular responses, including those resulting from the conflict in Sudan and the Israel-Hamas conflict;
- reserve claim for Afghan Relocations & Assistance Policy of £29.6m;
- a net increase of £3.7m for budget transfers with other government departments mainly for climate programmes and;
- a budget exchange of £14.2m from 2023-24 to 2024-25 for the International Security Fund

Capital DEL:

- a reserve claim of £2.4m from the Tokyo sale proceeds for contractually committed projects that are part of the estates programme of global new builds and refurbishments;
- a decrease of £124.3m for the adoption of IFRS16 for property leases;
- a switch of £153m from Capital DEL to Capital AME for BII (required under Consolidated Budgeting Guidance rules);
- a net increase of £0.35m for budget transfers with other government departments mainly for the Irregular Migration and Returns Fund and;
- an increase to the British Council Loan by £14m.

1.10 Funding: other funding announcements

1.10.1 In 2023-24 the UK government has continued to reaffirm **our support for the people of Ukraine**. The UK government is providing a range of economic, humanitarian, and defensive military [assistance to Ukraine](#), and is imposing additional sanctions on Russia and Belarus.

This includes providing both economic and humanitarian aid, including vital medical supplies. The UK's non-military support to Ukraine since the start of invasion comes to £4.7bn. This includes over £4.1bn in fiscal support, and over £640m in bilateral assistance. The UK's total military, humanitarian and economic support for Ukraine now amounts to £9.3bn.

1.10.2 The UK has announced that it will spend an additional £60.0m in [humanitarian funding in Gaza](#) in 2023-24 to tackle the growing crisis, trebling our

existing annual budget to the Occupied Palestinian Territories. This funding will support trusted partners, including UN agencies on the ground, to deliver lifesaving aid to people in Gaza.

1.10.3 Details of all new funding announcements by the FCDO can be found on [Gov.uk](https://www.gov.uk).

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 compared with the Main Estimate.

Subhead	Description	Resource DEL				
		£ million			%	
		This year (2023-24 Supplementa ry Estimate budget sought)	This year (2023-24 Main Estimate budget approved)	Changes from start of year		see note number
A	Operating costs, frontline diplomacy and overseas network	1,812.2	1,709.0	103.2	6%	I
B	Funding for NDPBs within Departmental Group (Net)	41.9	41.7	0.2	1%	II
C	British Council	176.6	173	3.6	2%	III
D	Regional bilateral programmes	1,911.9	1,889.3	22.6	1%	IV
E	Core multilateral programmes	1,803.7	1,788.0	15.7	1%	V
F	Centrally managed programmes	893.5	1,071.3	-177.8	-17%	VI
G	International subscriptions, scholarships and BBC World Service	367.7	292.9	74.8	26%	VII
H	International Security Fund	740.2	778.7	-38.5	-5%	VIII
I	European Union Attributed Aid	434.0	434.0	0.0	0%	

- I. The net increase is comprised of:
- reserve surrenders for Differential Inflation of £0.5m, Foreign Currency Mechanism £17.0m, and cash management charge of £0.1m;
 - reserve claims for Consular Premium £67.1m, IFRS 16 ring-fenced depreciation £24.2m, IFRS 16 interest charges £2.9m and non-cash depreciation and impairments of £47.6m;
 - return of Tokyo sales receipts for maintenance £20.0m;
 - a Machinery of Government transfer to Cabinet Office for £2.1m;
 - transfers from Capital DEL of £1.5m for the reclassification of Information Technology roles and;
 - net budget transfers of £0.6m to other departments, comprising total receipts of £2.4m and transfers of £3.0m.
- II. An increase of £0.2m received for the Commonwealth Scholarship Commission.
- III. An increase of £3.6m received for the GREAT Campaign.
- IV. The net increase is comprised of:
- reserve claims from the Emergency Disaster Relief fund of £15.6m and;
 - net budget transfers of £7.0m from other departments, including a receipt of £3.0m for a Humanitarian Grain shipment from Ukraine.
- V. Net budget transfers received from other departments of £15.7m, including a receipt of £19.8m for UK PACT (Partnering for Accelerated Climate Transitions) against £5.5m transferred for the Blue Belt programme.
- VI. The net decrease is comprised of:
- a reserve claim of £29.6m for Afghan Relocations & Assistance Policy;
 - a budget switch of £208.0m for ODA budget reallocation to Capital DEL and;
 - net budget transfers received from other departments of £0.6m, including a receipt of £1.5m for the National Cyber programme.
- VII. An increase of £74.8m received for International Subscriptions.
- VIII. The net decrease is comprised of:
- a Budget Exchange of £14.2m from 2023-24 to 2024-25;
 - net budget transfers of £22.9m to other departments and;
 - a budget switch of £1.4m Resource DEL to Capital CEL to cover capital grants.

Capital DEL

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

Subhead	Description	Capital DEL				
		£ million			%	
		This year (2023-24 Supplementary Estimate budget sought)	This year (2023-24 Main Estimate budget approved)	Changes from start of year		see note number
A	Operating costs, frontline diplomacy and overseas network	398.4	526.0	-127.6	-24%	I
C	British Council	54.0	40.0	14.0	35%	II
D	Regional bilateral programmes	545.4	397.0	148.4	37%	III
E	Core multilateral programmes	1,986.0	1,677.0	309.0	18%	IV
F	Centrally managed programmes	603.8	1,000.9	-397.1	-40%	V
H	Conflict, Stability and Security Fund	0.6	0.0	0.6	0%	VI

- I. The net decrease is comprised of:
 - A drawdown of Tokyo asset sales receipts of £2.4m and reduction to IFRS 16 Capital requirement of £124.3m;
 - transfers out from Capital DEL of £1.5m for the reclassification of Information Technology roles and;
 - net budget transfers of £4.2m to other departments, mainly in respect of ROSA costs.
- II. An increase of £14.0m relating to British Council's Loan requirements.
- III. The net increase is comprised of:
 - a budget reallocation of £146m relating to the revised Research and Development budget after the Mains Estimate 2023-24 and;
 - net budget transfers of £2.4m received including £2.0m transferred to MOD for Ukraine Resilience & Energy Security.
- IV. A budget reallocation of £309m relating to the revised Financial Transactions budget after the Mains Estimate 2023-24.
- V. The net decrease is comprised of:
 - a budget switch of £208.0m from Resource DEL for ODA budget reallocation;
 - a switch of £153.0m from Capital DEL to Capital AME for BII;
 - a budget reallocation of £146m for the Research & Development budget and £309m relating to the revised Financial Transactions budget after the Mains Estimate 2023-24 and;

- net budget transfers of £2.9m from other departments relating to Science and Innovation.

VI. The net decrease is comprised of:

- a budget switch of £1.4m Resource DEL to Capital CEL to cover capital grants and;
- budget transfer of £0.8m to other departments relating to the International Security Fund.

Resource AME

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

Subhead	Description	Resource AME				
		£ million			%	
		This year (2023-24 Supplementary Estimate budget sought)	This year (2023-24 Main Estimate budget approved)	Changes from start of year		see note number
J	Other central programme and technical costs	852.7	418.8	433.9	104%	I

- I. Resource AME is used primarily for accounting adjustments and by definition is volatile. The 2023-24 Supplementary Estimate included a £189.3m increase arising from an increase to provisions accounting for the Ukraine guarantees and fair value calculations from increasing interest rates.

Capital AME

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

Subhead	Description	Capital AME				
		£ million			%	
		This year (2023-24 Supplementary Estimate budget sought)	This year (2023-24 Main Estimate budget approved)	Changes from start of year		see note number
K	British International Investment	433.0	280.0	153.0	55%	I

- I. The increase to Capital AME shows the transfer of UK Climate Investment plc from Department for Energy Security and Net Zero to British International Investment.

2.2 Ring-fenced budgets

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

2.3 Changes to contingent liabilities

The FCDO's contingent liabilities have increased by around £5.0bn from Main Estimate 2023-24 to Supplementary Estimate 2023-24.

The increase mainly relates to new financial guarantees of £4.1bn, being £1.6bn World Bank guarantee for green projects across India, £2.4bn increase in World Bank guarantees to the Government of Ukraine and £0.1bn guarantee to the International Finance Facility for Education (IFFEd).

3 Priorities and performance

3.1 How spending relates to objectives

The FCDO's Internal Outcome Delivery Plan, 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, are cross cutting and delivery of our objectives contribute towards all of our Priority Outcomes.

3.2 Measures of performance against each priority

The FCDO's Internal 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 2023-24 performance will be given in the FCDO 2023-24 Annual Report and Accounts expected in Summer 2024.

3.3 Commentary on steps being taken to address performance issues

Spending specifically designed to address performance issues includes:

- Hera: The Hera programme, which went live in December 2022, and is delivering a single integrated finance and HR system for the FCDO and a platform for HMG Overseas. It is a modern replacement for the former FCO and DFID finance and HR systems. It delivers common system processes and controls aligning to wider Government Global Principles and a Shared Services design for the whole

of the FCDO. It improves user experience, delivers efficiencies, and provides better management information and has made it possible to integrate the department fully to build longer-term alignment across government work overseas. The programme is subject to departmental governance and controls to both assure and ensure its success. The programme is part of the Government Major Projects portfolio (GMPP), with regular reporting, and assurance reviews at key stages of its delivery.

- The estate: The FCDO continues to self-fund its estates projects. In addition to the £89.3m allocated at the Mains Estimate, we will draw down a further £12.5m. This will continue to fund projects that are part of the estates programme of global new build, refurbishments, and acquisitions.

The largest projects completed are the chancery and residence refurbishment in Washington and the new office in Ottawa. These addressed urgent health and safety/end of life asset issues leading to a reduction in future running costs and liabilities. New embassy offices in N'Djamena and Abidjan have also been completed and the new office in Dodoma is due to complete before the end of this financial year. We continue to invest in a long pipeline of smaller projects from £0.5m upwards.

The FCDO are returning £4.1m of funds received at the Main Estimate to cover Resource DEL costs, which helped fund estate projects and reduce the backlog on largely health and safety works. The returned funds will be available to draw down in future financial years for ongoing estate projects.

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;
- FCDO Integration Portfolio: in focused on essential internal changes in the FCDO for activities, such as delivering key technology and aligning HR policy, to enable it to operate effectively and efficiently as a single organisation (expected closure 2023-24);
- Hera: a programme to replace the finance and HR information system (expected closure 2023-24);
- A major refurbishment of the embassy and ambassador's residence in Washington DC;

Progress on major projects is recorded at:

[Infrastructure and Projects Authority Annual Report 2022-23 - GOV.UK](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/115555/Infrastructure_and_Projects_Authority_Annual_Report_2022-23.pdf)
(www.gov.uk)

An update to the FCDO's projects will be published in the next IPA report due Summer 2024 where we expect closed programmes to be removed.

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.

A handwritten signature in blue ink that reads "Philip Barton".

Sir Philip Barton
Accounting Officer
Permanent Under-Secretary
Foreign, Commonwealth and Development Office
26 February 2024