

Foreign, Commonwealth and Development Office
Supplementary Estimates Memorandum 2020-21

This memorandum gives background to the FCDO Supplementary Estimate 2020-21. The format of this document follows guidance from the Parliamentary Scrutiny Unit, to provide wider context about departments' objectives and finances.

1. Overview

On 2 September, the Foreign and Commonwealth Office (FCO) and the Department for International Development (DFID) merged to form the new international department, the Foreign, Commonwealth and Development Office (FCDO).

The merger has been reflected in the Estimates by transferring the FCO Estimate into the DFID Estimate, which has been renamed to create the new FCDO Estimate. This gives the combined Main Estimate totals below, which are the starting point for the Supplementary Estimate changes set out in this Memorandum.

Main Estimate, £'000	FCO	DFID	FCDO
Resource DEL	2,755,709	7,548,406	10,304,115
Capital DEL	101,842	2,623,250	2,725,092
Resource AME	100,000	30,686	130,686
Capital AME	0	1,134,000	1,134,000

For the Supplementary Estimate we have retained the Estimate row names from the FCO and DFID Main Estimates, rather than integrating them more fully, as we are keeping existing financial governance arrangements for the year. It also allows for easier comparison with previous years. This means, for example, that there are two separate lines covering departmental running costs. The exception is that both departments had a row for the cross-Whitehall Funds, Prosperity Fund and Conflict, Stability and Security Fund; these have been merged.

Section	Estimate Row Description	Main Estimate
A	CSC (ALB) (net) scholarship relating to developing countries	DFID
B	Total Operating Costs	DFID
C	Independent Commission for Aid Impact (ALB) (net)	DFID
D	Regional Programmes	DFID
E	Other Central Programmes	DFID
F	Policy Priorities, International Organisations and Humanitarian	DFID
G	Administration, frontline diplomacy and overseas network	FCO
H	Programme funds and third party activity	FCO
I	British Council	FCO
J	Arm's length Bodies	FCO
K	Prosperity Fund	Merged
L	Conflict, Stability and Security Fund: programme	Merged
M	Conflict, Stability and Security Fund: peacekeeping	FCO

N	European Union Attributed Aid	DFID
O	Other Central Programmes	DFID
P	Policy Priorities, International Organisations and Humanitarian	DFID
Q	AME programme	FCO
R	Reimbursement of certain duties, taxes and licence fees	FCO

1.1 Objectives

The FCDO pursues our national interests and projects the UK as a force for good in the world. We promote the interests of British citizens, safeguard the UK's security, defend our values, reduce poverty and tackle global challenges with our international partners.

The creation of FCDO is about ensuring the UK's development and foreign policy are aligned and that decisions on development spending are taken in a way that reflects a coherent and unified set of priorities for our international policy.

Throughout 2020-21 FCDO has prioritised its work to support the Government's response to the Covid-19 pandemic and to deliver HMG international priorities.

Covid-19 has had a direct financial impact, meaning significant reprioritisation and changes within budgets this year, and the decision for 2021 to allocate 0.5 rather than 0.7 per cent of Gross National Income (GNI) for Official Development Assistance (ODA).

1.2 Spending controls

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

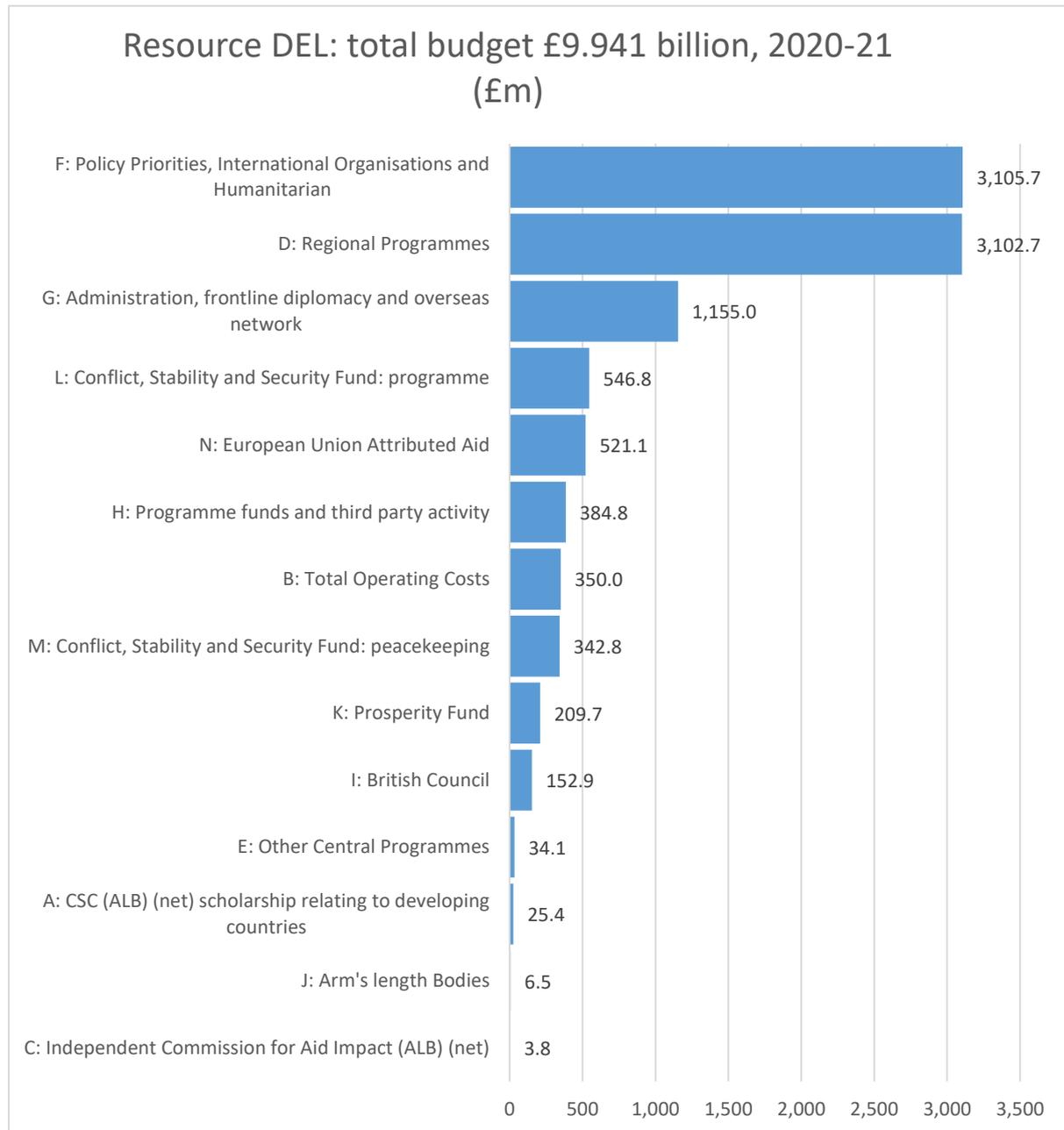
The spending totals which Parliament votes are:

- Resource Departmental Expenditure Limit ("**Resource DEL**") – programme funds, running costs, frontline diplomacy, 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, 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 FCDO's case this includes 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**") – FCDO are required to record capital injections in FCDO's wholly owned self-financing public corporation, CDC Group plc (CDC) as prescribed by the Government budgeting rules.

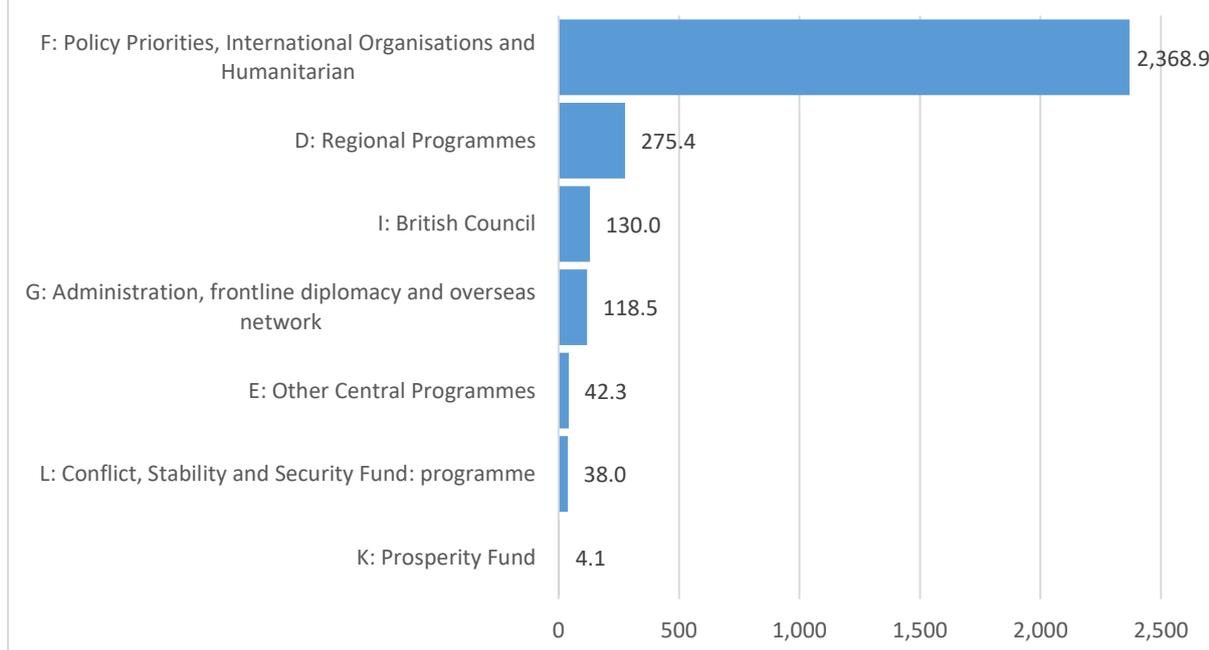
In addition, Parliament votes a net cash requirement, designed to cover the elements of the above budgets which require FCDO to pay cash in year.

1.3 Main areas of spending

The graphic below shows the main components of FCDO’s proposed budget for the current year, after taking account of the latest Supplementary estimate, and the proportions of funds spent on its main activities.



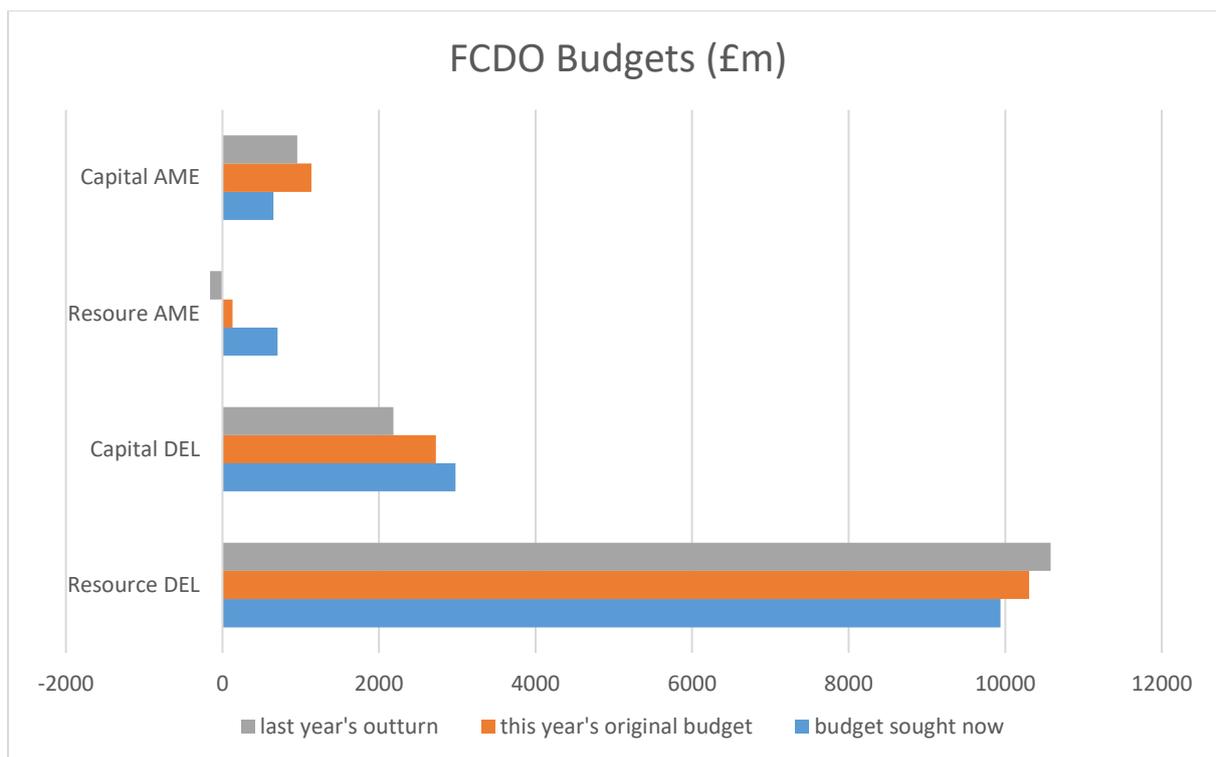
Capital CDEL: total budget £2.977 billion, 2020-21 (£m)



1.4 Comparison of spending totals sought

The table and graphic below show how the totals sought for the FCDO compare with this year's original budget and last year's outturn:

Spending total Amounts sought this year (Supplementary Estimate 2020-21)		Difference (+/-), compared to original budget this year (Main Estimate 2020-21)		Difference (+/-), compared to last year's outturn (Outturn 2019-20)	
		£ m	%	£ m	%
Resource DEL	9,941	-363	-4%	-642	-6%
Capital DEL	2,977	252	9%	793	36%
Resource AME	703	573	438%	862	-544%
Capital AME	650	-484	-43%	-305	-32%



1.5 Key drivers of spending changes since original budget

The direct financial impact of Covid-19 has meant significant reprioritisation and changes within budgets since Main Estimates.

Overall there is a net reduction of 4% in **Resource DEL** made up of:

- An increase due to Reserve Claims for International Subscriptions (£45m), differential inflation (£36.4), consular premiums (£25.3m), seismic and maintenance work (£16.1m), BBC World Service (£9m), Sahel Humanitarian Emergency Response (£4.4m) and non-cash costs (£46.3m); and
- A net increase in Budget Cover Transfers (BCTs) from other government departments (£58m);

offset by:

- Surrenders to the Reserve for the ODA re-prioritisation exercise (-£392m), non-ODA (-£30m), the foreign currency mechanism (-£7.3m), Conflict, Stability and Security Fund (CSSF) (-£10m), GREAT funding (-£0.7m) and a peacekeeping payment (-£34m); and
- A reduction due to budget exchange into 2021-22 for CSSF (-£27m); and
- Switches to Capital CEL for capital grants (-£102m).

There is a 9% increase in **Capital DEL**. The main causes are loan funding for the British Council (£130m), budget switches from Resource DEL to cover capital grants (£102m), and drawdown of funding from the sale of the Bangkok embassy to support investment in the FCDO's estate.

The transfer of several assets from the FCDO balance sheet to other parts of government are reflected in the Estimate. The transfers are budget neutral and treated as a capital grant in-kind with an off-setting capital grant receipt in-kind:

- Property transfers: The FCDO's UK offices at King Charles Street, 22 Whitehall and Abercrombie House will transfer to the Government Property Agency at the end of this financial year.
- The Government's investment in the European Bank for Reconstruction and Development (EBRD): HMT lead the UK's relationship with EBRD, with the Chancellor being the Bank's UK's Governor. The investment and related callable capital is on FCDO's balance sheet, along with "official entity status" for engaging with the institution on financial and legal matters, as HMT lacked legal powers in the past. HMT now has the necessary powers; therefore transferring the investment and related callable capital in EBRD to HMT, along with official entity status, will align financial risk with the policy leadership.

A full list of DEL transfers is set out in Annex Table B.

The main causes of the changes in Resource AME are non-cash increases to cover provisions (£473m) and unrealised foreign exchange movements on monetary assets (£95m).

The reduction in Capital AME (-£484m) is due to a surrender for ODA re-prioritisation.

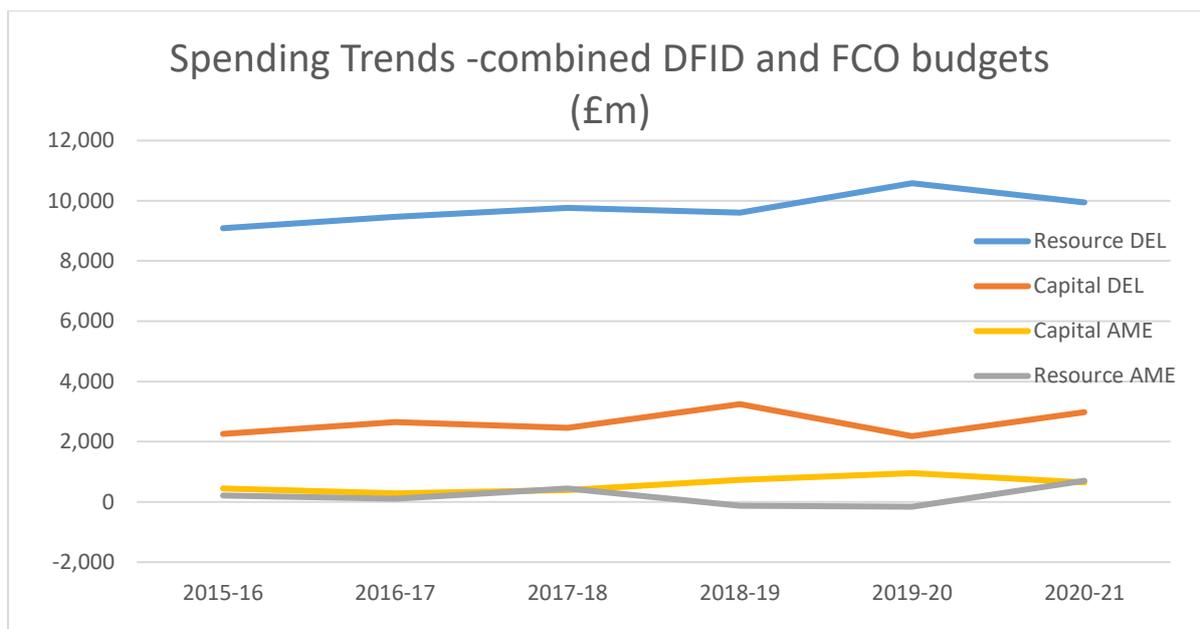
[1.6 New policies and programmes; ambit changes](#)

Throughout 2020-21 the FCDO has prioritised work to support the Government's response to the Covid-19 pandemic alongside work to deliver HMG international priorities. A Covid-19 Directorate was set up to coordinate, collaborate and cooperate on HMG's international response to Covid-19. Its core responsibilities include immediate and critical policy issues (e.g. supply chains) and international priorities (e.g. vaccines).

There has been no change to the ambit which covers former DFID and FCO functions.

[1.7 Spending Trends](#)

The charts below show overall spending trends for the last five years and plans presented in Estimates for 2020-21. The figures have been combined for the former FCO and DFID budgets. There were different drivers of spending in the two departments: for example, DFID's overall spending was underpinned by the 0.7% ODA commitment and the share of ODA funding allocated to other departments.



- Resource DEL has remained broadly stable peaking in 2019-20 in part to meet the 0.7% commitment and due to a switch from Capital DEL to Resource DEL budget.
- Capital DEL saw a reduction in 2019-20 predominantly the result of a reduction in some of the UK's key multilateral commitments as we approached the end of previous replenishment cycles and the start of their next.
- 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 FCDO's wholly owned self-financing public corporation, CDC Group plc (CDC). Capital injections into CDC contributes towards FCDO's financial transactions target. This has increased steadily year on year as the financial transactions ring-fenced budget has increased over the period.

1.8 Administration costs and efficiency plans

The Administration budget is set to increase by 1% from the Main Estimate. This relates to budget cover transfers for staff costs.

Spending total Amounts sought this year (Supplementary Estimate 2020-21)		Difference (+/-), compared to original budget this year (Main Estimate 2020-21)		Difference (+/-), compared to last year's outturn (Outturn 2019-20)	
		£ m	%	£ m	%
Administration costs	337	1	0%	109	32%

At the Main Estimate the departments were granted additional funding to deliver new and emerging priorities including the Government's Africa Strategy, the Government's climate ambition and EU exit staff costs.

1.9 Funding: Spending Review and Budgets

The levels of DEL funding for FCDO for 2020-21 are based on the combined FCO and DFID plans published in the 2019 Spending Round. Details of changes since Main Estimate are set out in the Table at Annex B.

Looking ahead, the Chancellor announced departmental budgets for 2021-22 in November 2020. This concluded a one-year Spending Review.

Given the impact of the global pandemic on the economy and, as a result, public finances, the UK will move to a target of spending 0.5% of GNI as ODA in 2021. The UK will remain one of the largest overseas aid donors in the world. The FCDO will assume oversight and control over the vast majority of aid spending across Government to ensure it is focused for maximum impact.

Beyond aid, we have secured some crucial investment. This includes the resources we need to complete FCDO's transformation, including essential funding to set up a joint HR and finance system. We will modernise our missions overseas to ensure they better represent the UK's global role and ambition. In the UK, we will have an increased presence in East Kilbride and a new FCDO hub outside the South East of England.

1.10 Funding: other spending announcements

Spending announcements during the year include commitments relating to the coronavirus pandemic and climate change:

- We have committed up to £1.3bn of new ODA to counter the health, humanitarian, and socio-economic impacts of Covid-19, and to support the global effort to find and equitably distribute a vaccine.
- In January 2021 the Prime Minister announced that the UK will commit at least £3 billion to climate change solutions that protect and restore nature and biodiversity over five years. The funding will be allocated from the UK's existing commitment of £11.6bn for international climate finance and will deliver transformational change in protecting biodiversity-rich land and ocean, shifting to sustainable food production and supply, and supporting the livelihoods of the world's poorest.

2. Spending detail

2.1 Explanations of changes in spending

Resource DEL

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

Subhead	Description	Resource DEL				
		£ million			%	

		this year (2020-21 Supplementary Estimates budget sought)	this year (2020-21 Main Estimates budget approved)	changes from Main Estimate		see note number
A	CSC (ALB) (net) scholarship relating to developing countries	25.4	28.2	-2.8	-10%	I
B	Total Operating Costs	350.0	392.7	-42.8	-11%	II
C	Independent Commission for Aid Impact (ALB) (net)	3.8	3.8	.0	0%	
D	Regional Programmes	3,102.7	3105.8	-3.2	0%	
E	Other Central Programmes	34.1	209.2	-175.1	-84%	III
F	Policy Priorities, International Organisations and Humanitarian	3,105.7	3,186.5	-80.8	-3%	IV
G, H	Administration and programme expenditure; and Grants to third parties (including international organisations)	1,539.8	1,413.1	126.7	9%	
I	British Council	152.9	175.8	-22.9	-13%	V
J	Arm's length Bodies	6.5	6.7	-.3	-4%	
K	Prosperity Fund	209.7	253.1	-43.3	-17%	VI
L	Conflict, Stability and Security Fund: programme	546.8	682.0	-135.2	-20%	VII
M	Conflict, Stability and Security Fund: peacekeeping	342.8	388.1	-45.3	-12%	VIII
N	European Union Attributed Aid	521.1	459.0	62.1	14%	IX

Differences of more than 10% are explained below. Numbers relate to the relevant row in the table above.

- I. There has been a budget neutral transfer to Section E to align with spend patterns.
- II. There has been a transfer to Section E (-£35m), a switch from Resource DEL to Capital CEL for R&D costs (-£5.4m) and a transfer to Section G (-£2.3m).
- III. There have been budget cover transfers (BCTs) of £98.1m, including £99m for COP 26, a transfer from Section B (£35m) less a switch to Capital DEL (-£69.3m), an ODA surrender (-£258.4m), a switch to non-Voted (-£4.3m) and budget neutral transfers to align with spend (£23.8m).
- IV. There has been a switch to non-Voted (-£57.8m), BCTs (-£0.8m) and transfers to other sections (-£22.2m).
- V. There has been an ODA surrender (-£25m), an uplift of GREAT funding (£3m) and budget neutral transfers (-£0.9m).
- VI. There has been an ODA surrender (-£42.7m) and BCTs to OGDs (-£0.6m).
- VII. There has been a Budget Exchange into 21-22 (-£27m), an ODA surrender (-£39.8m), programme surrender (-£10m), a transfer to capital grants (-£38m), BCTs to OGDs and a transfer from CSSF peacekeeping (£11.3m).

- VIII. There has been a surrender for peacekeeping payment (-£34m) and a transfer to CSSF programme (-£11.3m).
- IX. There had been a switch from Voted to non-Voted (£62.1m).

Capital DEL

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

Subhead	Description	Capital DEL				
		£ million			%	
		this year (2020-21 Supplementary Estimates budget sought)	this year (2020-21 Main Estimates budget approved)	changes from Main Estimate		see note number
D	Regional Programmes	230.9	275.4	-44.5	-16%	I
E	Other Central Programmes	5.5	0	5.5	100%	II
F	Policy Priorities, International Organisations and Humanitarian	2450.2	2,336.6	113.7	5%	III
G, H	Administration and programme expenditure; and Grants to third parties (including international organisations)	118.5	101.8	16.7	16%	III
I	British Council	130.0	0	130.0	100%	IV
K	Prosperity Fund	4.1	11.3	-7.1	-63%	V
L	Conflict, Stability and Security Fund: programme	38.0	0	38.0	100%	VI

Differences explained below. Numbers relate to the relevant row in the table above.

- I. The reduction reflects budget neutral transfers to align with spend patterns.
- II. There has been a switch from Resource DEL to Capital DEL for capital grants of £69.3m and budget neutral transfers to align with spend patterns (-£63.8m).
- III. The increase reflects budget neutral transfers to align with spend patterns.
- IV. There has been a drawdown of Bangkok asset sale receipts for estate investment (£27.2m) and BCTs for research and development (£1.1m), offset by a switch from Capital DEL to Resource DEL for the finance and HR information system (-£10.5m).
- V. There has been a Reserve Claim for loan funding for the British Council of £130m.
- VI. There has been an ODA surrender of -£7.1m.
- VII. There has been a switch from Resource DEL to Capital DEL for capital grants of £38m.

Resource AME

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

Subheads	Description	Resource AME				
		£ million			%	
		this year (2020-21 Supplementary Estimates budget sought)	this year (2020-21 Main Estimates budget approved)	changes from Main Estimate		see note number
O	Other Central Programmes	503.5	30.7	472.8	1541%	I
Q	AME programme	160.0	65.0	95.0	146%	II
R	Reimbursement of certain duties, taxes and licence fees	40.0	35.0	5.0	14%	III

Differences of more than 10% are explained below. Numbers relate to the relevant row in the table above.

- I. Increase mainly due to new COVAX provision of £500m.
- II. Increase for non-cash unrealised foreign exchange gains/losses (£95m).
- III. Increase for reimbursement of certain duties, taxes and licence fees (£5m).

Capital AME

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

Subheads	Description	Capital AME				
		£ million			%	
		this year (2020-21 Supplementary Estimates budget sought)	this year (2020-21 Main Estimates budget approved)	changes from Main Estimate		see note number
P	Policy Priorities, International Organisations and Humanitarian	650.0	1,134.0	-484.0	-43%	I

Differences of more than 10% are explained below. Numbers relate to the relevant row in the table above.

- I. There has been an ODA surrender of £484m.

2.2 Restructuring

Since 2 September, we have focused on the engineering of our new Department. FCDO's Transformation Team is co-ordinating the process of bringing the

department fully together. The team are focused on creating something genuinely new from the two departments – working closely with leadership and staff – with inclusion and diversity at its heart.

2.3 Ring-fenced budgets

Within the totals, financial transactions, International Climate Finance, depreciation and the cross-Whitehall Funds, CSSF and Prosperity Fund, are ring-fenced, and funding cannot be transferred into other parts of the core FCDO budget without approval.

2.4 Changes to contingent liabilities

There has been no significant change to contingent liabilities during the year.

3. Priorities and Performance

3.1 How spending relates to objectives

The FCDO has prioritised its work to support the Government's response to the Covid-19 pandemic and HMG international priorities.

Work is underway to develop 2021-22 objectives and ensure we can report in a consolidated way for the new department.

3.2 Measures of performance against each priority

Data on performance will be given in the FCDO 2020-21 Annual Report and Accounts.

For 2021-22 are developing a robust framework to ensure we can track performance. We will ensure we can bring our strategic priorities to life with analysis and evidence based approaches, clear SMART key performance indicators and by making clear to our stakeholders what real world change we are delivering and when with the resources provided.

3.3 Commentary on steps being taken to address performance issues

Spending specifically designed to address performance issues includes:

- Hera: The Hera programme (which built on the former FCO Atlas programme) will provide a new finance and HR system for FCDO, to replace the former FCO and DFID systems. It will bring more processes on line and increase automation improve user experience, and provide better management information. This will make it possible to integrate the department fully, and will help increase alignment across government work overseas.
- The estate: We continue to prioritise investment in estates maintenance, working hard to ensure we meet health and safety standards. This includes major refurbishments to our aged embassies in Washington and Paris and a global programme to ensure that our overseas estate is resilient to withstand seismic risk.

3.4 Major Projects

The FCDO has five 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;
- Desktop Infrastructure: to design and deliver the future operational support for FCDO's desktop computing system;
- A major refurbishment of the embassy and ambassador's residence in Washington DC;
- St Helena Airport: a project to establish sustainable air services to St Helena.

A capital project in Beijing will be classified as a major project, subject to approval of its business case.

Progress on major projects is recorded at:

<https://www.gov.uk/government/collections/major-projects-data>

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.

Philip Barton

Sir Philip Barton

Accounting Officer

Permanent Under-Secretary

Foreign, Commonwealth and Development Office

08/02/2020