

Foreign, Commonwealth and Development Office

Main Estimates Memorandum 2021-22

This memorandum gives background to the Foreign, Commonwealth and Development Office (FCDO) Main Estimate 2021-22. The format of this document follows guidance from the Parliamentary Scrutiny Unit, to provide wider context about the department's objectives and finances.

1. Overview

This is the FCDO's first full financial year as a new department, and the FCDO's estimate has been restructured for the Main Estimate 2021-22. The former FCO and DFID estimate rows are now fully integrated; this means, for example, there are no longer two separate lines covering departmental running costs. Section 2.2 shows the row mapping between the Supplementary Estimate 2020-21 and the Main Estimate 2021-22.

1.1 Objectives

The FCDO's priority outcomes, as set out in its Outcome Delivery Plan, are as follows:

1. Shape the international order and ensure the UK is a force for good in the world by supporting sustainable development and humanitarian needs; promoting human rights and democracy; and establishing common international standards.
2. Make the UK safer and more resilient to global threats.
3. Extend and amplify the UK's influence in the world, including through successful application for ASEAN dialogue partner status.

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:

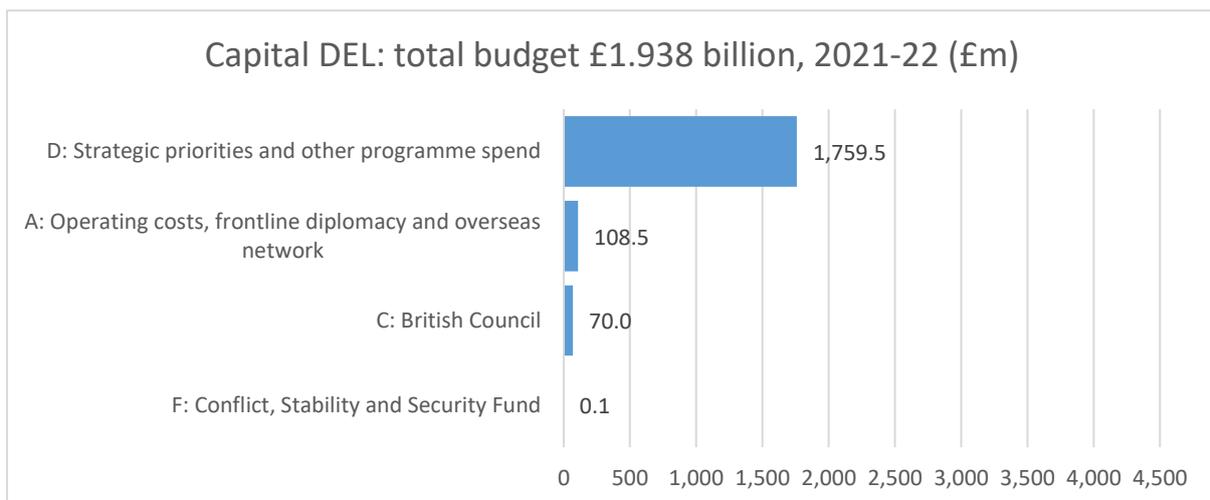
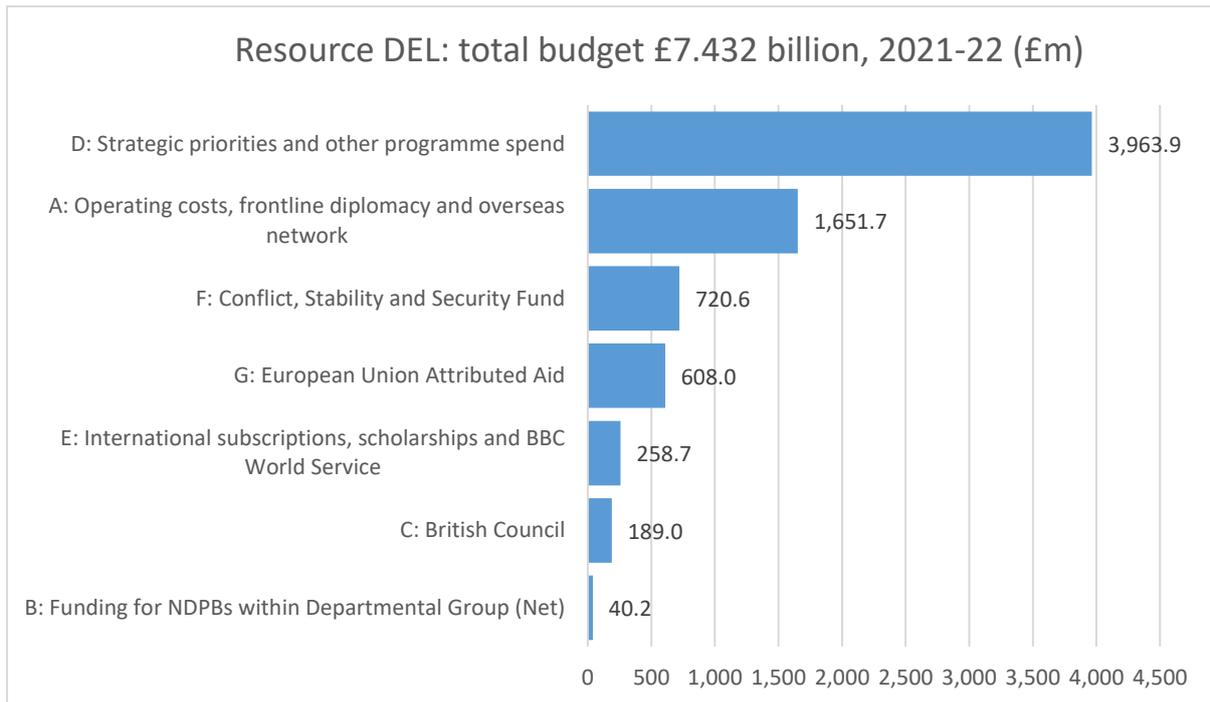
- Resource Departmental Expenditure Limit ("**Resource DEL**") – programme funds, running costs, frontline diplomacy, the overseas platform, scholarships, grants to international organisations and other bodies supporting FCDO objectives, and associated non-cash items.
- Capital Departmental Expenditure 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 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, 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 that require the FCDO to pay cash in year.

1.3 Main areas of spending

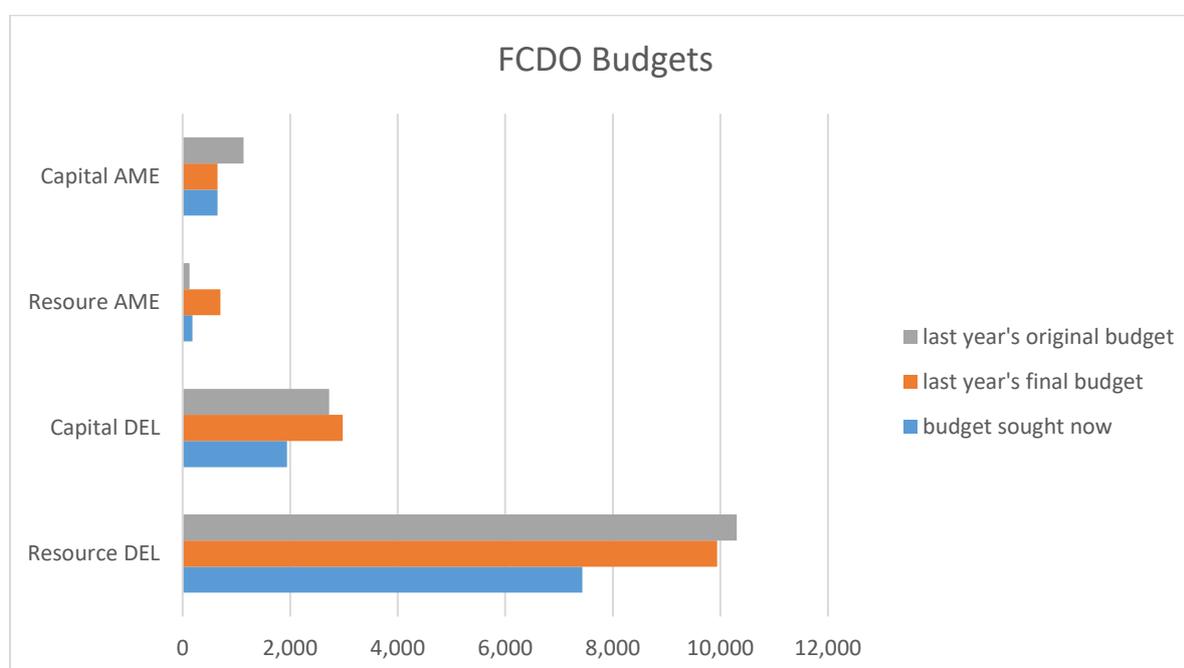
The graphics below show the main components of the FCDO's proposed budget included in the latest Main Estimate, and the proportions of funds spent on its main activities.



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 2021-22)		Difference (+/-), compared to final budget last year (Supplementary Estimate 2020-21)		Difference (+/-), compared to original budget last year (Main Estimate 2020- 21)	
		£ m	%	£ m	%
Resource DEL	7,432	-2,509	-25%	-2,872	-28%
Capital DEL	1,938	-1,039	-35%	-787	-29%
Resource AME	181	-522	-74%	50	39%
Capital AME	646	-4	-1%	-488	-43%



1.5 Key drivers of spending changes since last year

In comparison to the Main Estimate 2020-21, there is a net reduction in Resource DEL of 28% and Capital DEL of 29%.

The main driver for change is the decision to reduce temporarily the overall amount spent on Official Development Assistance (ODA) from 0.7 to 0.5 per cent of Gross National Income (GNI).

Beyond aid, the department secured some crucial investment in Spending Review 2020 to complete the FCDO's transformation, including 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 ambition. In the UK, we will have an increased presence in East Kilbride, the Department's second Headquarters.

1.6 New policies and programmes; ambit changes

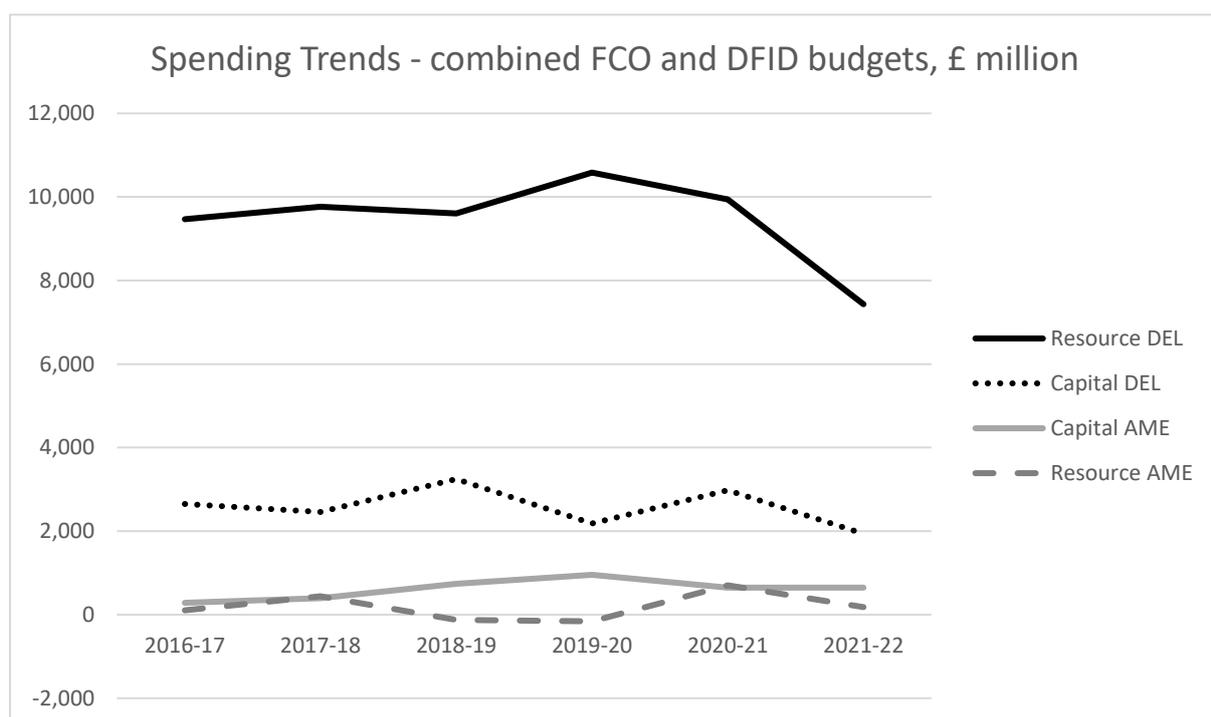
The Integrated Review set out how an independent and sovereign global Britain will act as a force for good and use its influence to shape the future international order. To deliver that vision, the Foreign Secretary allocated ODA resources to the seven priorities which he set out to Parliament on [26 November](#).

The cross-Whitehall Prosperity Fund closed on 31 March 2021 and prosperity programming transferred to the FCDO.

The text from the separate FCO and DFID ambits has been merged to form a single FCDO ambit. Duplicate text and an outdated reference to receipts from MOD and DFID for the Special Representative on Conflict Resolution have been removed.

1.7 Spending Trends

The charts below show overall spending trends for the last five years and plans presented in the Estimate for 2021-22. The figures have been combined for the former FCO and DFID budgets, which merged in September 2020. 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. Plans for 2021-22 reflect the decision to reduce temporarily the overall amount spent on aid from 0.7 to 0.5% of GNI.
- 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. Plans for 2021-22 reflect the decision to reduce temporarily the overall amount spent on aid from 0.7 to 0.5% of GNI.

- 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, CDC Group plc (CDC). Capital injections into CDC contributes towards the FCDO’s financial transactions target. This increased steadily year on year until 2019-20.

1.8 Administration costs and efficiency plans

In the 2020 Spending Review (SR20) the FCDO received a flat settlement for Administration costs. The Administration budget shows a 4% reduction compared to last year: this reflects 20-21 budget transfers, mainly a £12.6m transfer from the Cabinet Office for DExEU staff costs at the Main Estimate (which is included in the current year’s budget as Programme funding), and £1.6m from DIT for trade officer costs in the Supplementary Estimate.

Spending total Amounts sought this year (Main Estimate 2021-22)		Difference (+/-), compared to final budget last year (Supplementary Estimate 2020-21)		Difference (+/-), compared to original budget last year (Main Estimate 2020-21)	
		£ m	%	£ m	%
Resource DEL	323	-14	-4%	-13	-4%

Following the merger, we expect the FCDO to realise efficiencies and be a leaner department. Details of future financial plans will be subject to the Comprehensive Spending Review expected later this year.

1.9 Funding: Spending Review and Budgets

The levels of DEL funding for the FCDO for 2021-22 are based on plans published in SR20. SR20 provides the first ever settlement for the newly formed FCDO, bringing together the UK’s development and diplomatic expertise into one department. This includes a 5.5 per cent average annual real terms increase in core non-ODA funding per year since 2019-20.

On 26 January 2021, the Foreign Secretary laid a [Written Ministerial Statement](#) setting out the process and conclusion of the cross-government review of ODA. This ensured UK ODA is focused on strategic priorities, spent where it will have maximum impact, has greater coherence and delivers most value for money. The total FCDO ODA settlement is £8.115bn.

The full list of funding changes since the Spending Review is set out in the Data Annex, Table B.

1.10 Funding: other funding announcements

On 21 April 2021 the Foreign Secretary set out the FCDO’s Official Development Assistance (ODA) allocations for 2021-22 in a [Written Ministerial Statement](#). The

FCDO will be responsible for delivering approximately 80% of total UK ODA – or £8,115m.

Guided by the Integrated Review, resources have been allocated to the seven priorities that the Foreign Secretary set out to Parliament on [26 November 2020](#): climate and biodiversity; global health security; girls' education; humanitarian preparedness and response; science and technology; open societies and conflict resolution; and economic development and trade. In addition, we will meet the government's cross-cutting contributions to multilateral partners and funds, support our Arm's Length Bodies and cover the FCDO's operating costs.

Within this framework around half our bilateral ODA budget will be spent in Africa, including a major shift to East Africa; and around a third will be spent in the Indo-Pacific and South Asia.

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 (2021-22 Main Estimate budget sought)	last year (2020-21 Supplementary Estimate budget approved)	changes from last year		see note number
A	Operating costs, frontline diplomacy and overseas network	1,651.7	1,505.0	146.8	10%	I, III
B	Funding for NDPBs within Departmental Group (Net)	40.2	35.7	4.5	13%	I
C	British Council	189.0	152.9	36.1	24%	I
D	Strategic priorities and other programme spend	3,963.9	6,313.2	-2,349.3	-37%	I, II
E	International subscriptions, scholarships and BBC World Service	258.7	314.1	-55.4	-18%	I, IV
F	Conflict, Stability and Security Fund	720.6	889.6	-169.0	-19%	II
	<i>Prosperity Fund</i>		209.7	-209.7	-100%	V
G	European Union Attributed Aid	608.0	521.1	87.0	17%	I, VI

- I. The business planning process for 21-22 concluded after the Main Estimate deadline. Any internal reallocation will be reflected in the Supplementary Estimate 2021-22.
- II. Plans for 2021-22 reflect the decision to reduce temporarily the overall amount spent on aid from 0.7 to 0.5% of GNI.
- III. SR20 includes funding to deliver against the government's levelling up agenda including an increased presence in East Kilbride, investment in a new IT system, funding to modernise the FCDO's global estate, and technical adjustments relating to arrangements with the Government Property Agency.
- IV. The FCDO settlement allows for Reserve Claims for international subscriptions, differential inflation, consular premium and BBC World Service in the Supplementary Estimate making direct comparison difficult.
- V. The Prosperity Fund closed on 31 March 2021 and prosperity programming transferred to the FCDO; it is included within line D.
- 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 until around 2027.

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 (2021-22 Main Estimate budget sought) ¹	last year (2020-21 Supplementary Estimate budget approved)	changes from last year		see note number
A	Operating costs, frontline diplomacy and overseas network	108.5	118.5	-10.0	-8%	I
C	British Council	70.0	130.0	-60.0	-46%	II
D	Strategic priorities and other programme spend	1,759.5	2,686.6	-927.1	-35%	III
F	Conflict, Stability and Security Fund	0.1	38.0	-37.9	-100%	IV
	<i>Prosperity Fund</i>		4.1	-4.1	-100%	V

- I. Last year's Capital DEL operating budget includes changes made in the Supplementary Estimate, including a drawdown of £27.2m of Bangkok asset sale receipts for estate investment, offset by a switch to Resource DEL of £10.5m for the finance and HR system.
- II. HMG has committed to provide the British Council with up to £145m loan funding to help support their short-term cash flow. Of this, £70m has been provided for in

the Main Estimate, which will be disbursed to the British Council depending on need.

- III. Plans for 2021-22 reflect the decision to reduce temporarily the overall amount spent on aid from 0.7 to 0.5% of GNI.
- IV. In 2020-21 CSSF switched £38m Resource DEL to Capital CEL in the Supplementary Estimate for Capital Grants.
- V. The Prosperity Fund closed on 31 March 2021 and prosperity programming transferred to FCDO.

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 (2021-22 Main Estimate budget sought)	last year (2020-21 Supplementary Estimate budget approved)	changes from last year		see note number
H	Other central programme and technical costs	181.0	703.5	-522.4	-74%	

Resource AME is used primarily for accounting adjustments and by definition is volatile. The 2020-21 Supplementary Estimate budget included a £500m provision, relating to the manufacturing, procurement and delivery of Covid-19 vaccines for the COVAX AMC (Advance Market Commitment) programme using IFFIm (International Financing Facility for Immunisation).

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 (2021-22 Main Estimate budget sought)	last year (2020-21 Supplementary Estimate budget approved)	changes from last year		see note number
A	CDC Group plc	646.0	650.0	-4.0	-1%	

2.2 Restructuring

The mapping below explains how the Supplementary Estimate rows from 2020-21 map to the Main Estimate 2021-22.

Main Estimates 2021-22	Supplementary Estimates 2020-21
DEL	DEL
A: Operating costs, frontline diplomacy and overseas network	B: Total Operating Costs G: Administration, frontline diplomacy and overseas network
B: Funding for NDPBs within Departmental Group (Net)	A: CSC (NDPB) (net) scholarship relating to developing countries C: Independent Commission for Aid Impact (NDPB) (net) J: Funding for NDPBs within Departmental Group (Net)
C: British Council	I: British Council
D: Strategic priorities and other programme spending	D: Regional Programmes E: Other Central Programmes F: Policy Priorities, International Organisations and Humanitarian H: Core FCO programme funds and third party activity (core programme funds are in new row D, International subscriptions, scholarships and BBC World Service are in new row E)
E: International subscriptions, scholarships and BBC World Service	H: Core FCO programme funds and third party activity (core programme funds are in new row D, International subscriptions, scholarships and BBC World Service are in new row E)
<i>Prosperity Fund is no longer a cross-Whitehall Fund</i>	K: Prosperity Fund
F: Conflict, Stability and Security Fund	L: Conflict, Stability and Security Fund: Programme Expenditure M: Conflict, Stability and Security Fund: Peacekeeping
G: European Union Attributed Aid	N: European Union Attributed Aid
AME	AME
H: Other central programme and technical costs	O: Other Central Programmes Q: AME Programme R: Reimbursement of certain duties taxes and licence fees
I: CDC Group plc	P: Policy Priorities, International Organisations and Humanitarian

2.3 Ring-fenced budgets

Within the totals, 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 no significant change to contingent liabilities since last year.

3. Priorities and performance

3.1 How spending relates to objectives

The FCDO's Outcome Delivery Plan sets 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, therefore data is not captured in this way.

3.2 Measures of performance against each priority

For 2021-22 we are developing a robust delivery 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.

Data on performance will be given in the FCDO 2021-22 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 (which built on the former FCO Atlas programme) will provide a new finance and HR system for the 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: Following the Bangkok compound sale in 2018, we are investing the £400m receipt on a large programme of global new build and refurbishment projects. The largest four projects underway are Washington DC, Ottawa, Paris and Mexico City. These "big four" all address urgent health and safety / end of life asset issues, and will reduce future running costs and liabilities. The remainder is being invested in a long line of smaller projects from £500k upwards. We are also working up an additional pipeline of projects for future delivery, which will depend on further funding.

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;

- Beijing: replacement for the current end of life ambassador's residence and embassy; and
- St Helena Airport: a project to establish sustainable air services to St Helena.

The FCDO Transformation Portfolio will join the Government Major Projects Portfolio this year.

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

11 May 2021