

Foreign, Commonwealth and Development Office

Supplementary Estimates Memorandum 2021-22

This memorandum gives background to the Foreign, Commonwealth and Development Office (FCDO) Supplementary 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 was 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.

In consultation with our parliamentary select committees, we are looking at how we can restructure the Main Estimate 2022-23 to provide a breakdown of the budget in estimate row D: Strategic priorities and other programme spend.

1.1 Objectives

The FCDO's 2021-22 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:

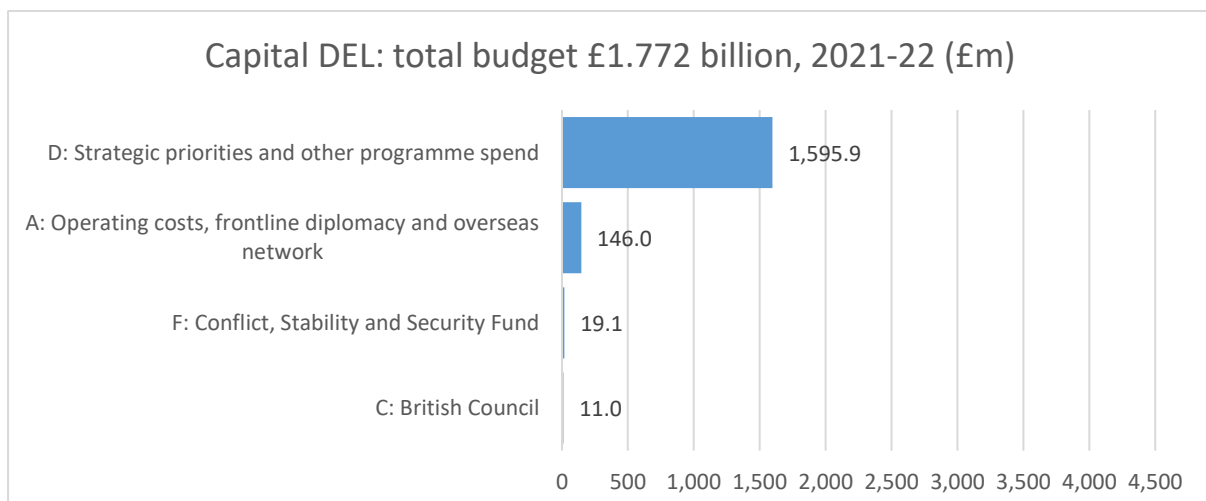
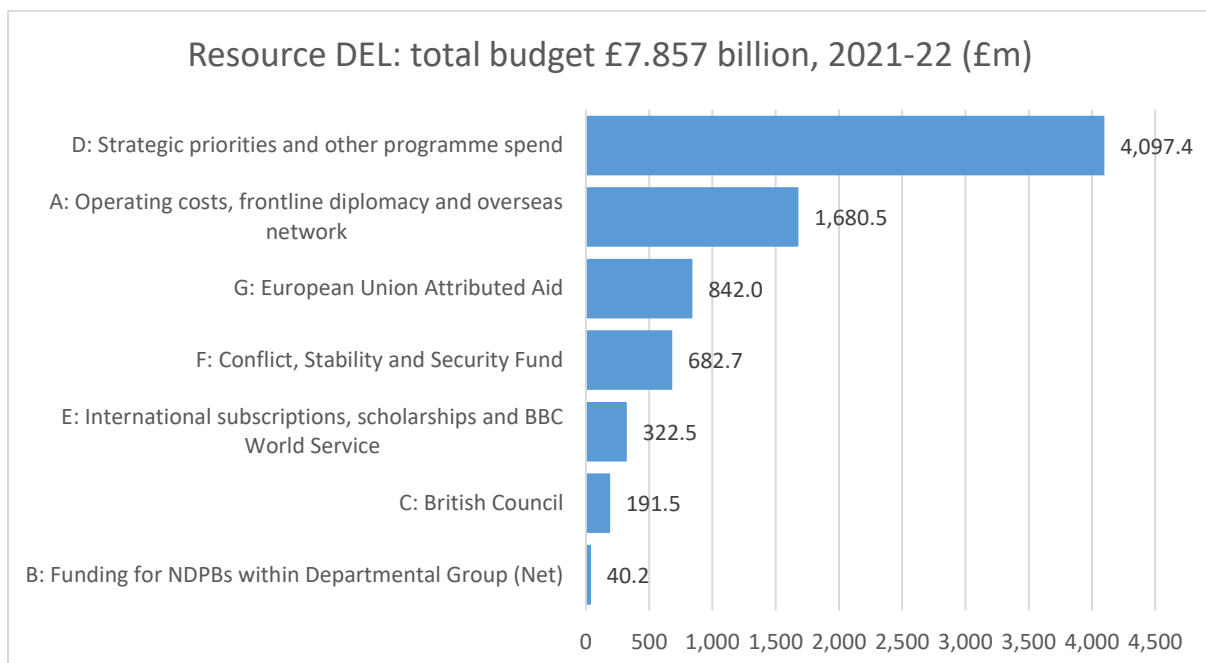
- Resource Departmental Expenditure Limit ("**Resource DEL**") – programme funds, running costs, frontline diplomacy, the overseas platform, scholarships, grants to international organisations and other bodies supporting FCDO objectives, and associated non-cash items.
- Capital Departmental Expenditure 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 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, CDC Group plc (CDC) as prescribed by the Government budgeting rules. CDC will be rebranded as British International Investment (BII) on 4 April 2022.

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

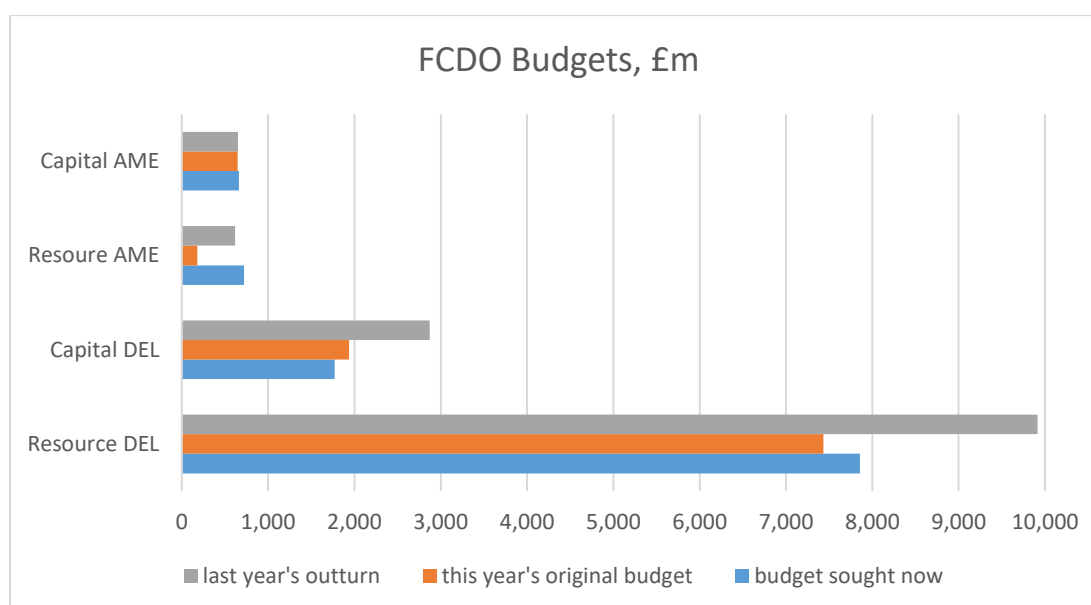
The graphics below show the main components of the FCDO’s proposed budget included in the latest Supplementary Estimate, and the proportions of funds spent on its main activities. European Union Attributed Aid covers the UK’s outstanding commitments under the EU-UK Withdrawal Agreement to EU development programmes, the EU budget (MFF 2014-2020) and the European Development Fund, with a declining tail until around 2029, when they are due to end.



1.4 Comparison of spending totals sought

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

Spending total Amounts sought this year (Supplementary Estimate 2021-22)		Difference (+/-), compared to original budget this year (Main Estimate 2021-22)		Difference (+/-), compared to last year's outturn (Outturn 2020-21)	
		£ m	%	£ m	%
Resource DEL	7,857	425	6%	-2,057	-21%
Capital DEL	1,772	-166	-9%	-1,099	-38%
Resource AME	720	538	297%	102	17%
Capital AME	661	15	2%	11	2%



1.5 Key drivers of spending changes since original budget

In comparison to the Main Estimate 2021-22, there is a net increase in Resource DEL of 6% and net reduction in Capital DEL of 9%.

Resource DEL Reserve claims have been received for crisis related costs:

- Afghanistan humanitarian assistance (£141m) to contribute to the UK's commitment of £286m humanitarian aid to Afghanistan, including £30m to support neighbouring countries.
- Omicron (£68m): new support to help vulnerable countries tackle Omicron. This budget has been brought forward from the FCDO's 2022-23 ODA allocation.
- Afghanistan crisis response (£20m) for costs incurred by Consular Directorate in response to the repatriation effort.

We have also switched £159m from Capital DEL to Resource DEL to cover some of the increased cost of EU Attributed Aid.

Vaccine donations will be budget neutral in FCDO's 2021-22 accounts (with income scored when FCDO receives vaccines from DHSC and an expense when the vaccines are donated). An expense of £284m and income of -£284m have been included in the Supplementary Estimate. The cost of the vaccines will be recorded as an expense in the DHSC's accounts.

The cost of COVID-19 vaccine donations for 2021 has been additional to the ODA budget set out at the 2020 Spending Review (SR20) for 2021-22, but is expected to remain within 0.5% of GNI given the growth in GNI forecasts since SR20. In 2021-22 vaccine donations are budget neutral in the FCDO's estimate, with DHSC holding the budget.

Capital DEL has reduced by £59m in relation to the British Council loan, reflecting a £52m repayment and a £7m reduction in the credit facility required this financial year.

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

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 departments allocated ODA resources for 2021-22 to the seven priorities, which were set out to Parliament on [26 November 2020](#).

The Foreign Secretary set out her Strategic Vision for the FCDO in her 'network of liberty' speech at Chatham House in December 2021. It sets out an agenda for Britain taking the lead in building a network of liberty - to win the battle for economic influence, build ambition with allies, lead the world in new technology frontiers and development, for a stronger Britain and stronger world. We will do this through promoting our values of freedom and democracy; building strategic economic, security, technology, climate change and development partnerships; protecting British interests, preventing hostile activities and responding to emerging threats and crises; supporting Britons travelling and living abroad; and providing global insight and analysis.

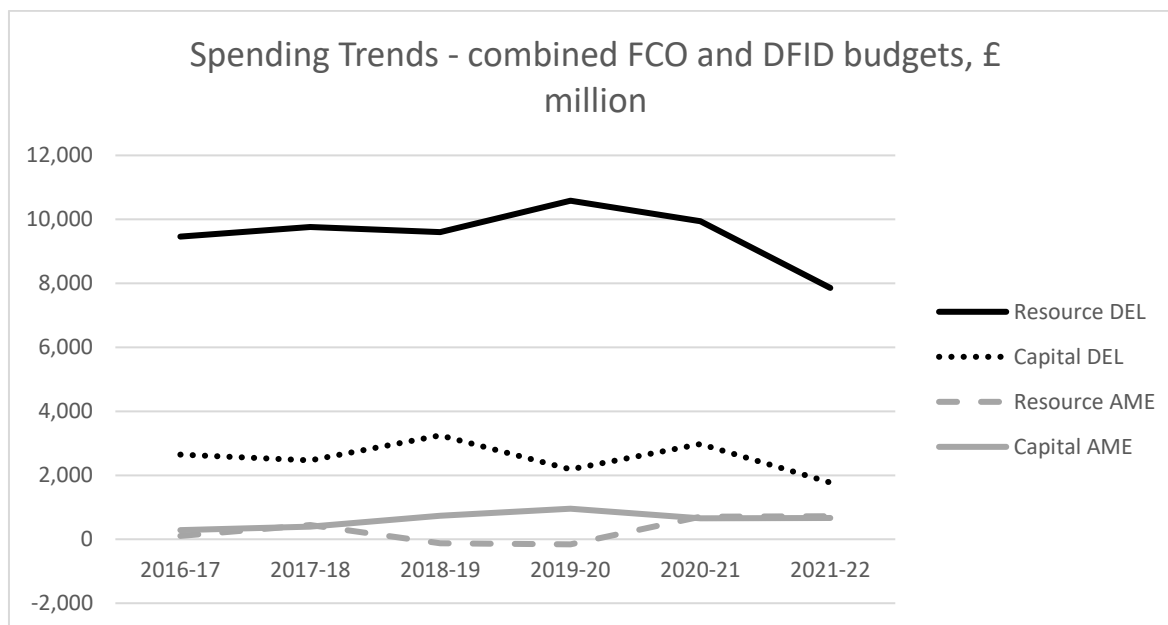
Aligned to this, the Government will publish a new International Development Strategy this spring that will align our development work with the aims and objectives of the Integrated Review, and set priorities for 2022-23 onwards.

There have been no changes to the ambit since the Main Estimate 2021-22.

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 remained broadly stable between 2016-17 and 2020-21: 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. CDC will be rebranded as British International Investment (BII) on 4 April 2022.

1.8 Administration costs and efficiency plans

In the 2020 Spending Review (SR20) the FCDO received a flat settlement for Administration costs.

Spending total Amounts sought this year (Supplementary Estimate 2021-22)		Difference (+/-), compared to original budget this year (Main Estimate 2021-22)		Difference (+/-), compared to original budget this year (Outturn 2021-21)	
		£ m	%	£ m	%
Administration costs	323	0	0%	80	25%

The FCDO has committed to 5% ongoing resource efficiencies of £79.5m from 2024-25. This will be delivered through arm's-length bodies, removing duplication of functions and driving operational efficiency including through IT and estates.

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 21 April 2021, Ministers laid a Written Ministerial Statement setting out the FCDO's Official Development Assistance (ODA) allocations for 2021-22. This ensured ODA is focused on seven strategic priorities in 2021-22, spent where it will have maximum impact, has greater coherence and delivers most value for money. The total FCDO ODA settlement of £8.115bn has increased to £8.229bn following the Supplementary Estimate.

8,115.1	Opening 2021-22 ODA allocation (£m)
-99.0	Budget transfer to Cabinet Office for COP26
8,016.1	Main Estimate 2021-22 ODA budget
5.0	Budget transfer from BEIS for International Climate Finance
0.9	Budget transfer from DEFRA for nature related finance disclosures
-1.1	Budget transfer to HMRC for trade facilitation programme
-0.6	Budget transfer to DEFRA-CEFAS for Blue Belt programmes
-0.4	Budget transfer to DEFRA-MMO for Blue Belt programmes
141.0	Reserve Claim: Afghanistan humanitarian assistance
68.0	Reserve claim: Omicron support
8,228.9	Supplementary Estimate 2021-22 ODA budget

Programme allocations for 2021-22 are published in Annex A of the [FCDO's Annual Report and Accounts 2020-21](#).

Details of funding changes since the Main Estimate are set out in the Data Annex at Table B. Notable amongst these changes are crisis related Reserve claims for Afghanistan humanitarian assistance of £141m, Afghanistan crisis costs of £19.968m and new support to help vulnerable countries tackle Omicron of £68m. We have also switched £159m from Capital DEL to Resource DEL to fund an increase in EU Attributed Aid.

Looking ahead, budgets for the next three years were set in Spending Review 21. The FCDO will receive a total settlement of £31.6bn over the Spending Review period to 2024-25. This is average growth of 17% from this year's total allocation of just over £9bn, most of which is due to increases in GNI. We will deliver approximately £9.3bn of UK ODA in 2022-23, growing to £10bn in 2024-25. Future spending proposals will be set out in due course.

1.10 Funding: other funding announcements

On 21 April 2021, Ministers set out the FCDO's Official Development Assistance (ODA) allocations for 2021-22 in a Written Ministerial Statement. The FCDO is responsible for delivering approximately 80% of total UK ODA – or £8,229m.

Guided by the Integrated Review, resources have been allocated to the seven strategic priorities that were 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 crosscutting 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 in SR20 will be spent in Africa and around a third will be spent in the Indo-Pacific and South Asia.

The following announcements have affected this year's budget:

- On 30 December 2021, the Foreign Secretary pledged up to £105 million UK emergency aid to help vulnerable countries tackle Omicron, with a particular focus on Africa. Of this, £68m RDEL came from a Reserve claim and £2m CDEL from core funding.
- On 19 August 2021, the UK government announced it will double humanitarian and development aid to Afghanistan for urgent assistance to millions suffering from the conflict, drought and COVID-19. Of this £141m came from a Reserve claim and £145m from core funding.

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 the Main Estimate.

Subhead	Description	Resource DEL				
		£ million			%	
		this year (2021-22 Supplementary Estimates budget sought)	this year (2021-22 Main Estimates budget approved)	changes from Main Estimate		see note number
A	Operating costs, frontline diplomacy and overseas network	1,680.5	1,651.7	28.8	2%	I
B	Funding for NDPBs within Departmental Group (Net)	40.2	40.2	-0.0	0%	
C	British Council	191.5	189.0	2.5	1%	
D	Strategic priorities and other programme spend	4,097.4	3,963.9	133.5	3%	II

E	International subscriptions, scholarships and BBC World Service	322.5	258.7	63.8	25%	III
F	Conflict, Stability and Security Fund	682.7	720.6	-37.9	-5%	IV
G	European Union Attributed Aid	842.0	608.0	234.0	38%	V

- I. The net increase of £28.8m is comprised of:
- Reserve claims for Differential Inflation of £53m, Consular Premium £29.7m, drawdown of Bangkok asset sales receipts for seismic and maintenance £14m, Afghanistan crisis response £20m, non-cash depreciation and impairments £8.8m;
 - less surrenders of non-ODA -£30m, foreign currency mechanism -£39.2m, Places for Growth -£4.2m and WEU pension -£12.7m;
 - a budget transfer in for trade officers of £1.6m, offset by a budget transfer out for the government consulting hub -£0.2m;
 - a budget neutral transfer to row E of -£12m to align with spend plans, and
 - a cash forecasting rebate of £0.017m.
- II. A net increase of £133.5m comprised of:
- Reserve claims for Afghanistan humanitarian assistance £141m, Omicron support £68m,
 - A switch of £159m from Capital DEL to Resource DEL and then from voted to non-voted DEL of £234m to cover EU Attributed Aid; and
 - net budget transfers of -£0.5m, including transfers in for International Climate Finance, taskforce on nature-related financial disclosures, Israel tech hubs, EU exit communications campaigns and transfers out for programmes including Blue Belt, strategic trade, Overseas Territories and denuclearisation.
- III. A Reserve claims of £42.8m for International Subscriptions and £9m for BBC World Service, plus budget neutral increase of £12m from row A.
- IV. Net budget transfers of -£9.3m to other government departments, a switch of -£19m Resource DEL to Capital CEL to cover capital grants and surrenders of -£9.6m.
- V. A switch of £234m from voted to non-voted for EU Attributed Aid.

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 (2021-22 Supplementary Estimates budget sought)	this year (2021-22 Main Estimates budget approved)	changes from Main Estimate		see note number
A	Operating costs, frontline diplomacy and overseas network	146.0	108.5	37.4	34%	I
C	British Council	11.0	70.0	-59.0	-84%	II
D	Strategic priorities and other programme spend	1,595.9	1,759.5	-163.7	-9%	III
F	Conflict, Stability and Security Fund	19.1	0.1	19.0	27143%	IV

- I. There has been a drawdown of Bangkok asset sale receipts for estate investment of £48.2m and budget transfers in for research and development of £1.6m, offset by budget transfers out for secure communications -£2.4m and a transfer to row D for capital grants -£10m.
- II. The reduction of -£59m reflects the British Council's loan repayment of -£52m and a reduction to this year's credit facility of -£7m.
- III. There has been a switch of -£159m from Capital DEL to Resource DEL to cover EU Attributed Aid, a switch of -£14.7m from Capital DEL to Capital AME for CDC Group plc. and a transfer from row A for capital grants £10m.
- IV. CSSF have switched £19m Resource DEL to Capital CEL to cover capital grants.

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 (2021-22 Supplementary Estimates budget sought)	this year (2021-22 Main Estimates budget approved)	changes from Main Estimate		see note number
H	Other central programme and technical costs	719.5	181.0	538.5	297%	I

- I. Resource AME is used primarily for accounting adjustments and by definition is volatile. Additional non-cash Resource AME cover has been requested to cover accounting adjustments for financial guarantees, provisions and impairments.

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 (2021-22 Supplementary Estimates budget sought)	this year (2021-22 Main Estimates budget approved)	changes from Main Estimate		see note number
I	CDC Group plc	660.7	646.0	14.7	2%	I

- I. There has been a switch of £14.7m from Capital DEL to Capital AME for CDC Group plc.

CDC will be rebranded as British International Investment (BII) on **4 April 2022**.

2.2 Restructuring

There have been no changes between the Main and Supplementary Estimate 2021-22.

We are looking at how we can restructure the Main Estimate 2022-23 to provide a breakdown of the programme spend in row D: Strategic priorities and other programme spend.

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

The FCDO's [Outcome Delivery Plan](#) sets 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 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 will deliver a single integrated finance and HR system for the FCDO and a platform for HMG Overseas, it will replace and modernise the former FCO and DFID finance and HR systems. It will deliver common system processes and controls aligning to wider Government Global Principles and Shared Services design for the whole of FCDO. It will improve user experience, deliver efficiencies, and provide better management information. This will make it possible to integrate the department fully and will build longer term alignment across government work overseas. The programme is subject to departmental governance and control 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:** In 2018 the FCDO received £426m from the sale of the Bangkok compound. We are investing this on a large programme of global new build and refurbishment projects. We have already completed major projects such as relocating our mission and residence in Bangkok; new offices in Mexico City, New York, Port Louis and Ulaanbaatar and a range of other smaller but still important estates improvements in overseas posts such as Addis Ababa, Copenhagen, Dublin, Kuala Lumpur and elsewhere.
- In 2021-22, £48.2m will be drawn down from the Bangkok receipt for capital projects. In addition to this, we are forecasting £38.7m of other asset receipts largely due to the sale of our old office in Ottawa and land swap development in Nairobi. The largest projects in progress are the chancery refurbishment in Washington, new office in Ottawa and refurbishment of the office in Paris. These address urgent health and safety/end of life asset issues leading to a reduction in future running costs and liabilities. We are investing the remainder in a long pipeline of smaller projects from £500k upwards.
- The FCDO will draw down a further £14m to cover Resource DEL costs related to estate projects and seismic works as well as continuing to reduce the backlog on largely health and safety maintenance works. Examples include major electrical, water and gas works on office and residential compounds in Lagos, a major package of electrical, fire alarm and air handling units in offices and accommodation in New Delhi, and electrical, air handling units and water works across residential properties in Chennai.

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;
- St Helena Airport: a project to establish sustainable air services to St Helena; and
- FCDO Transformation Portfolio: a set of change programmes to complete the FCO/DFID merger, build the new FCDO, deliver alignment of all HMG delivery at Post, and realise the intended culture change and benefits that flow from these activities. (Added July 2021.)

Progress on major projects is recorded at:

<https://www.gov.uk/government/publications/fcdo-government-major-projects-portfolio-data-2021>

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

25 February 2022