

Foreign, Commonwealth and Development Office

Main Estimate Memorandum 2022-23

This memorandum gives background to the Foreign, Commonwealth and Development Office (FCDO) Main Estimate 2022-23. 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

In consultation with our parliamentary select committees, we have restructured the estimate for 2022-23. The former estimate row "Strategic priorities and other programme spend" has been replaced with three estimate rows:

- Regional bilateral programmes (amounts to the overseas network)
- Core multilateral programmes (e.g. contributions to World Bank etc.)
- Centrally managed programmes (programmes delivered by UK Directorates including non-ODA spend).

1.1 Objectives

The FCDO's 2022-23 priority outcomes, as set out in [Spending Review 2021](#), are as follows:

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

These outcomes will be reviewed as part of FCDO's 2022-23 Outcome Delivery Plan to be published later this year.

1.2 Spending Controls

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

The spending totals which Parliament votes are:

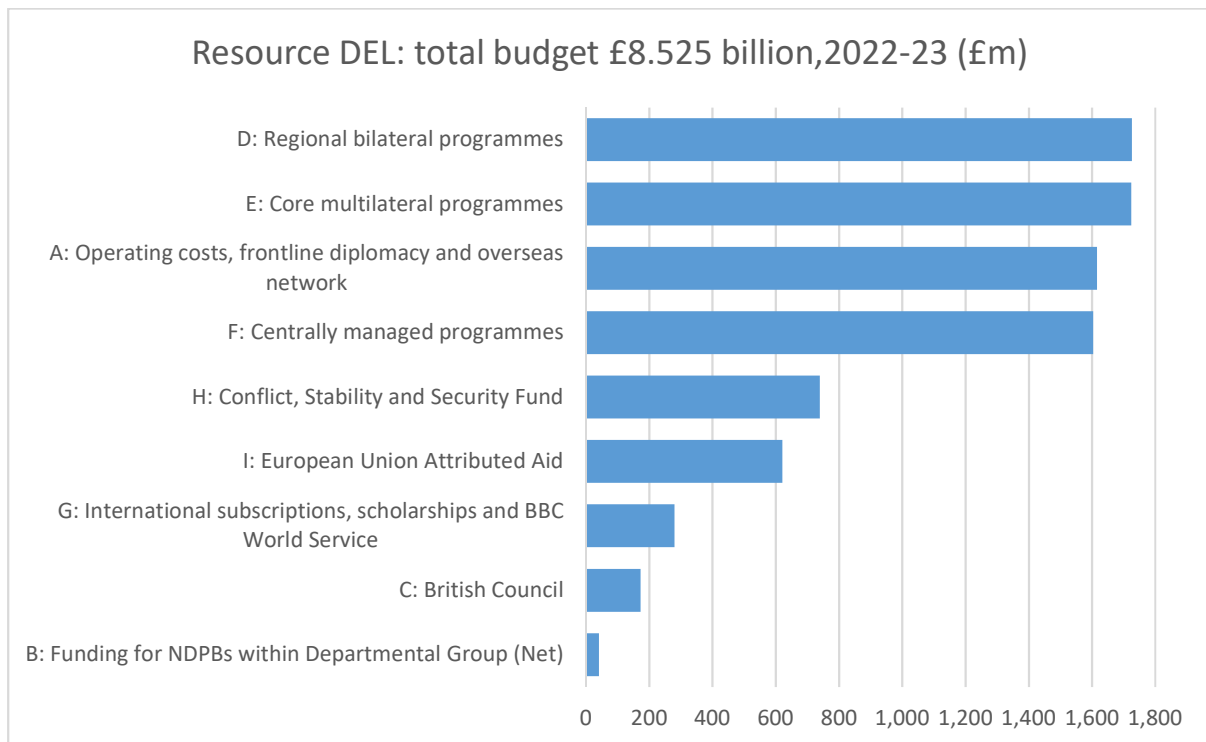
- Resource Departmental Expenditure Limit ("**Resource DEL**") – programme funds, running costs, frontline diplomacy, the overseas platform, scholarships, grants to international organisations and other bodies supporting FCDO objectives, and associated non-cash items.

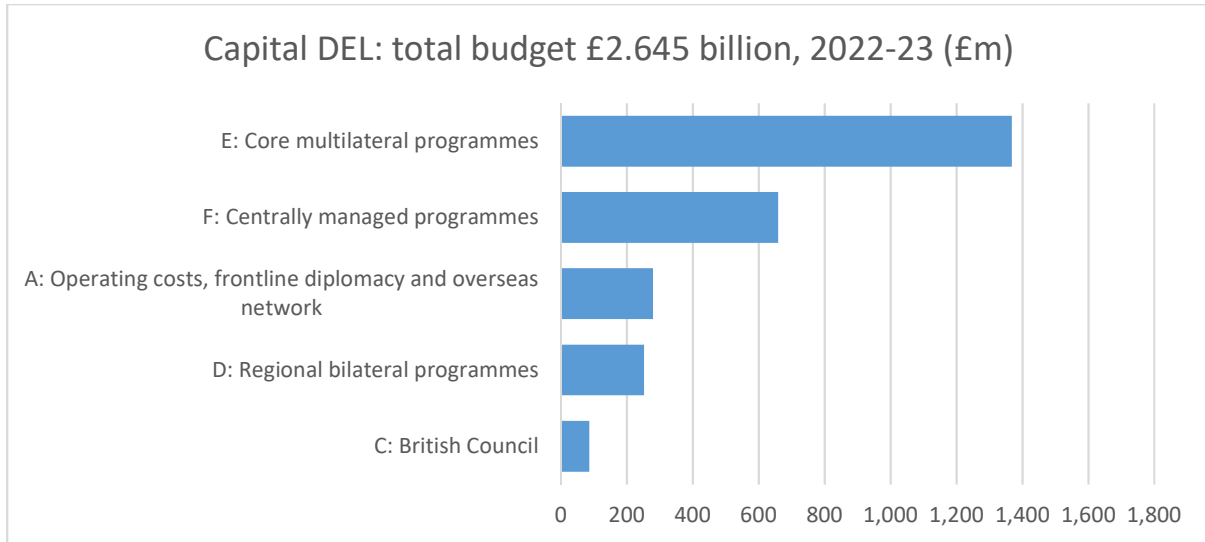
- Capital Departmental Expenditure Limit (“**Capital DEL**”) – investment in capital assets, capital grants, research and development, loan funding to the British Council, and investments and assets to create growth in the future for either the UK or our partner governments.
- Resource Annually Managed Expenditure (“**Resource AME**”) – less predictable day-to-day spending: in the FCDO’s case this includes accounting adjustments for financial guarantees, impairments, provisions, foreign exchange, and the refund of certain taxes and duties paid by certain foreign and Commonwealth governments.
- Capital Annually Managed Expenditure (“**Capital AME**”) – the FCDO is required to record capital injections in its wholly owned self-financing public corporation, British International Investment (BII) as prescribed by the Government budgeting rules.

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

1.3 Main areas of spending

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

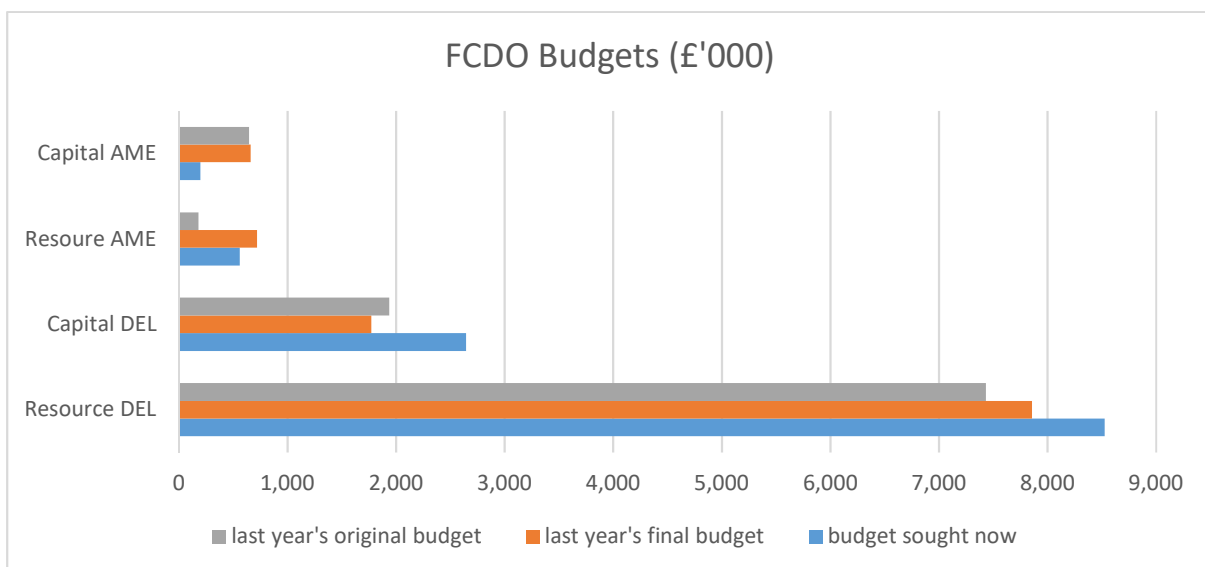




1.4 Comparison of spending totals sought

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

Spending total Amounts sought this year (Main Estimate 2022-23)		Difference (+/-), compared to final budget last year (Supplementary Estimate 2021-22)		Difference (+/-), compared to original budget last year (Main Estimate 2021-22)	
		£ m	%	£ m	%
Resource DEL	8,525	669	9%	1,093	15%
Capital DEL	2,645	873	49%	706	36%
Resource AME	561	-159	-22%	380	210%
Capital AME	200	-461	-70%	-446	-69%



1.5 Key drivers of spending changes since last year

In comparison to the Supplementary Estimate 2021-22, there is a net increase in Resource DEL of 9% and Capital DEL of 49%.

The main driver behind the increase is the level of Official Development Assistance (ODA), which is based on 0.5 per cent of Gross National Income (GNI). Spending Review 21 will enable FCDO to increase funding for the highest UK development priorities – including on women and girls, humanitarian assistance, clean and green infrastructure financing, climate and nature.

Beyond aid, the settlement will make the FCDO's overseas estate secure, green and fit for the future, including by continuing capital investment in the FCDO's technology platform and cyber security infrastructure and further increases in the department's presence in East Kilbride.

1.6 New policies and programmes; ambit changes

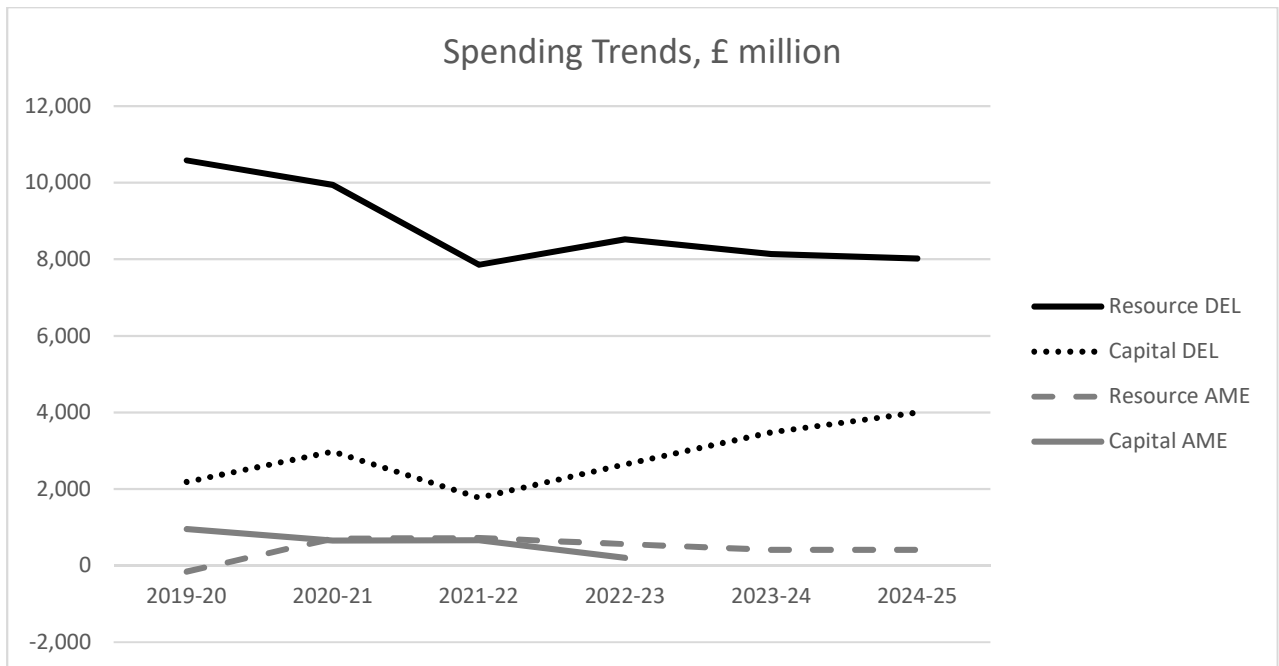
We will publish a new International Development Strategy this Spring. The strategy will focus on clean, reliable investment, women and girls, and alleviating suffering – saving lives and preventing crises. The strategy will also set out how we will work towards our climate change and health commitments. As part of this, we are rebalancing the aid budget towards bilateral programmes to give the UK more control over how exactly our aid budget is spent on our key priorities, including green investment, supporting women and girls, and humanitarian response. We will set out aid allocations in due course.

Russia's invasion of Ukraine has altered the wider geopolitical landscape. It represents a paradigm shift, which changes the context for our work and for achieving UK objectives. The senior leadership of the FCDO has been reorganised to shift our emphasis to tackle the consequences of the crisis, and provide clearer leadership of our geographic work. This includes the announcement of Tim Barrow as Second Permanent Under-Secretary and Political Director who will focus on strategic foreign policy advice and global engagement. The FCDO has established a Director General with the explicit role of leading our development work, and a Director General to lead our international economics work, including on sanctions.

There are no changes to FCDO's ambit.

1.7 Spending Trends

The chart below shows overall spending trends for the last three years and plans for 2022-23 to 2024-25. The figures for 2019-20 have been combined from the former FCO and DFID budgets, which merged in September 2020.



- Resource DEL and CDEL: the reduction in 2021-22 reflects the decision to reduce temporarily the overall amount spent on aid from 0.7 to 0.5% of GNI from calendar year 2021. The temporary increase in RDEL in 2022-23 is to enable us to meet the UK's G7 Carbis Bay health commitments including the pledge to donate surplus vaccine doses to countries in need. The increase in FCDO's capital expenditure budget over the SR period reflects the government's ambition to unlock new finance for green growth, with significant capital investment over the next three years for a new strategic initiative to support clean and green infrastructure in developing countries through UK-backed investment, loans and expertise.
- Resource AME is used primarily for accounting adjustments to provisions and financial instruments such as loans and shares. AME expenditure, by definition, is volatile – and in some years shows as negative spend.
- Capital AME budget is used to make investments in the FCDO's wholly owned self-financing public corporation, British International Investment (BII). Capital injections into BII contributes towards the FCDO's financial transactions target. The 2023-24 and 2024-25 figures include BII in Capital DEL, this will be switched to Capital AME in future estimates.

1.8 Administration costs and efficiency plans

In comparison to the Supplementary Estimate 2021-22, there is a net increase in Administration of 4%. This relates to the [Machinery of Government](#) transfer from the Cabinet Office for responsibility for the United Kingdom's relationship with the European Union including oversight of the implementation of the trade and co-operation agreement and the withdrawal agreement.

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	335	12	4%	12	4%

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

1.9 Funding: Spending Review and Budgets

The following changes have been made to budgets since Spending Review 2021 allocations were agreed:

Resource DEL:

- a surrender of -£68m ODA to hand back budget that was brought forward from 2022-23 into 2021-22 to help vulnerable countries tackle Omicron;
- a net increase of £3.692m for the initial adoption of IFRS16 (comprising of a surrender of -£104.379m and an increase of £108.071m ringfenced depreciation); and
- a reduction of -£115.351m for budget transfers to other government departments mainly for the overseas platform and CSSF. This includes two Machinery of Government Changes: a baseline transfer from MOD for the National Cyber Fund of £5.09m and £11.85m from the Cabinet Office for the UK-EU relationship.
- SR21 included the transfer of several International Climate Finance (ICF) programmes from BEIS to FCDO. The Main Estimate includes a budget transfer of £2.095m to cover the costs of staff working on ICF programmes.

Capital DEL:

- a Reserve claim of £85m to provide loan funding to the British Council;
- a Reserve claim of £68m from the Bangkok sale proceeds for contractually committed projects that are part of the estates programme of global new builds and refurbishments;
- an increase of £107.38m for the initial adoption of IFRS16;
- a switch of -£200m from Capital DEL to Capital AME for British International Investment (required under Consolidated Budgeting Guidance rules); and
- net budget transfers of -£25.8m, mainly for International Climate Finance programmes.

1.10 Funding: other funding announcements

The UK has announced aid to [Ukraine of £394m](#). This includes £220m of humanitarian funding, £100m for economic reform and £74m grant budgetary support through the World Bank Multi Donor Trust Fund.

We expect to disburse £249m in 2022-23.

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		%		see note number
		£ million	£ million			
		this year (2022-23 Main Estimate budget sought)	last year (2021-22 Supplementary Estimate budget approved)	changes from last year		
A	Operating costs, frontline diplomacy and overseas network	1,616.2	1,680.5	-64.3	-4%	I, III
B	Funding for NDPBs within Departmental Group (Net)	41.2	40.2	1.0	3%	I
C	British Council	172.5	191.5	-19.0	-10%	I
D	Regional bilateral programmes	1,726.7	0.0	1,726.7	100%	I, II
E	Core multilateral programmes	1,724.0	0.0	1,724.0	100%	I, II
F	Centrally managed programmes	1,604.2	0.0	1,604.2	100%	I, II
	<i>Strategic priorities and other programme spend</i>	0.0	4,097.4	-4,097.4	-100%	II
G	International subscriptions, scholarships and BBC World Service	279.9	322.5	-42.6	-13%	I, III
H	Conflict, Stability and Security Fund	739.6	682.7	57.0	8%	IV
I	European Union Attributed Aid	621.0	842.0	-221.0	-26%	I, V

- I. Budget allocations for 2022-23 are provisional and the allocation between estimate rows is subject to change. Any internal reallocation will be reflected in the Supplementary Estimate 2022-23.
- II. The main driver is an increase in Official Development Assistance (ODA) which is 0.5 of Gross National Income (GNI).

- III. 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.
- IV. CSSF retain 20% of the amount requested by its portfolios and the balance will be transferred to other departments at the Supplementary Estimates if still required.
- V. 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.

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 (2022-23 Main Estimate budget sought)	last year (2021-22 Supplementary Estimate budget approved)	changes from last year		see note number
A	Operating costs, frontline diplomacy and overseas network	279.7	146.0	133.7	92%	I, II
C	British Council	85.9	11.0	74.9	681%	III
D	Regional bilateral programmes	251.9	0.0	251.9	100%	I, IV
E	Core multilateral programmes	1,368.0	0.0	1,368.0	100%	I, IV
F	Centrally managed programmes	659.1	0.0	659.1	100%	I, IV
	<i>Strategic priorities and other programme spend</i>	0.0	1,595.9	-1,595.9	-100%	IV
H	Conflict, Stability and Security Fund	0.0	19.1	-19.1	-100%	V

- I. Budget allocations for 2022-23 are provisional and the allocation between estimate rows is subject to change. Any internal reallocation will be reflected in the Supplementary Estimate 2022-23.
- II. Capital DEL includes budget for the adoption of IFRS16.
- III. HMG has committed to provide the British Council with up to £200m loan funding to help support their short-term cash flow and for restructuring investment, of this, £85m has been provided for in the Main Estimate, which will be disbursed to the British Council depending on need.

- IV. The main driver is an increase in Official Development Assistance (ODA) which is 0.5 of Gross National Income (GNI).
- V. In 2021-22 CSSF switched £19m Resource DEL to Capital CEL in the Supplementary Estimate for Capital Grants.

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 (2022-23 Main Estimate budget sought)	last year (2021-22 Supplementary Estimate budget approved)	changes from last year		see note number
J	Other central programme and technical costs	560.7	719.5	-158.8	-22%	I

- I. Resource AME is used primarily for accounting adjustments and by definition is volatile. The 2021-22 Supplementary Estimate included budget to cover initial recognition of financial guarantees under IFRS9.

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 (2022-23 Main Estimate budget sought)	last year (2021-22 Supplementary Estimate budget approved)	changes from last year		see note number
K	British International Investment	200.0	660.7	-460.7	-70%	I

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

2.2 Restructuring

The mapping below explains how the Supplementary Estimate rows from 2021-22 map to the Main Estimate 2022-23.

Main Estimates 2022-23	Supplementary Estimates 2021-22
DEL	DEL
A: Operating costs, frontline diplomacy and overseas network	A: Operating costs, frontline diplomacy and overseas network
B: Funding for NDPBs within Departmental Group (Net)	B: Funding for NDPBs within Departmental Group (Net)
C: British Council	C: British Council
D: Regional bilateral programmes E: Core multilateral programmes F: Centrally managed programmes	D: Strategic priorities and other programme spending
G: International subscriptions, scholarships and BBC World Service	E: International subscriptions, scholarships and BBC World Service
H: Conflict, Stability and Security Fund	F: Conflict, Stability and Security Fund
I: European Union Attributed Aid	G: European Union Attributed Aid
AME	AME
J: Other central programme and technical costs	H: Other central programme and technical costs
K: British International Investment	I: CDC Group plc

Two Machinery of Government transfers took place in the Main Estimate:

- a baseline transfer from MOD for the National Cyber Fund of £5.09m
- £11.85m from the Cabinet Office for the [United Kingdom's relationship with the European Union](#), including oversight of the implementation of the trade and co-operation agreement and the withdrawal agreement.

2.3 Ring-fenced budgets

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

2.4 Changes to contingent liabilities

There has been 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, to be published later this year, will set out what we will achieve over the current Spending Review period against a series of Priority Outcomes and corporate Strategic Enablers.

It is not possible to reflect the breakdown of resources by Priority Outcome as the FCDO is not structured in this way. Our resources, both people and projects, often

support multiple Priority Outcomes particularly overseas, therefore data is not captured in this way.

3.2 Measures of performance against each priority

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

Data on the FCDO's 2021-22 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: We will draw down a further £68m of Capital DEL from the remaining Bangkok receipt following the sale of the compound in 2018. This will continue to fund the contractually committed projects that are part of the estates programme of global new builds and refurbishments. This includes projects such as major building repairs in our Embassy in Washington; Chancery, health and safety, and reconfiguration work in our Paris Embassy; and the new British High Commission Offices in Ottawa. A number of smaller projects will also complete including offices in Addis Ababa and N'Djamena.

In addition to this our Main Estimate also includes an estimated £20m for anticipated routine sales receipts.

We plan to draw down £20m of the Bangkok receipt ring fenced for Resource DEL expenditure in the Supplementary Estimate to manage the backlog of maintenance projects and office seismic repairs.

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.

Philip Barton

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

13 May 2022