

Foreign, Commonwealth and Development Office

Supplementary Estimate Memorandum 2022-23

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

In consultation with our parliamentary select committees, we have restructured the estimates 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.

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

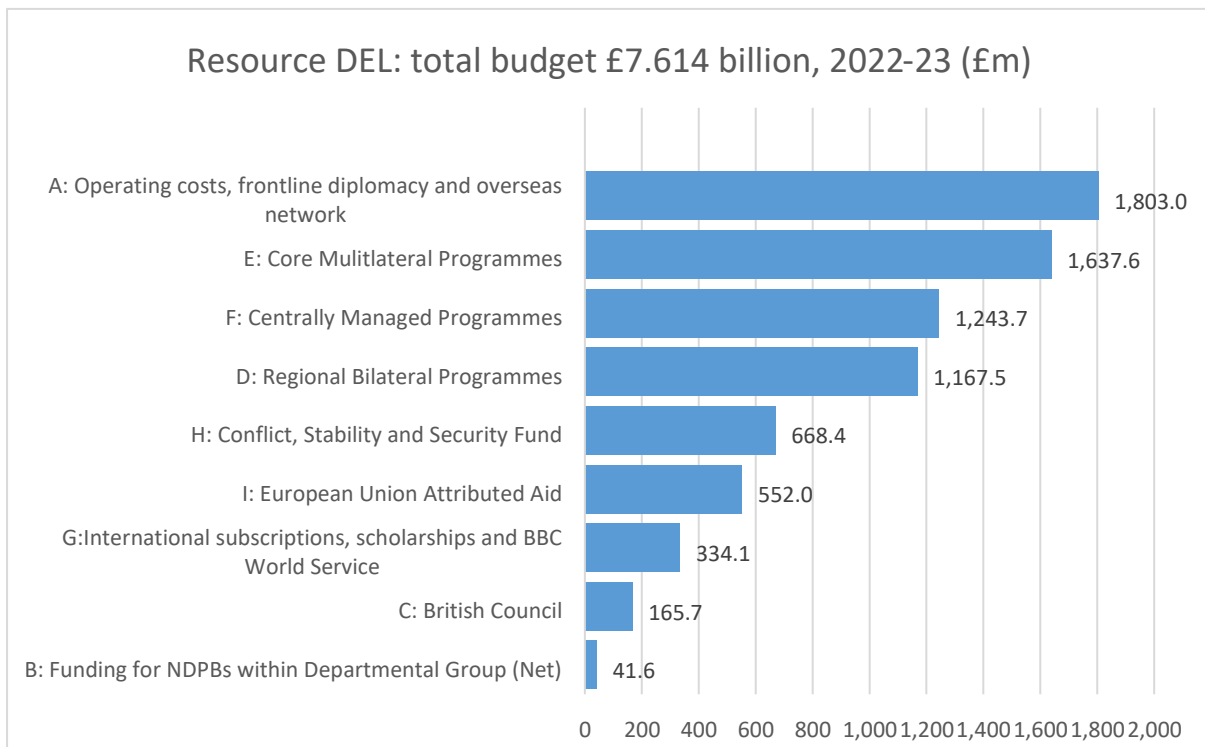
British Council, and investments and assets to create growth in the future for either the UK or our partner governments.

- 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.

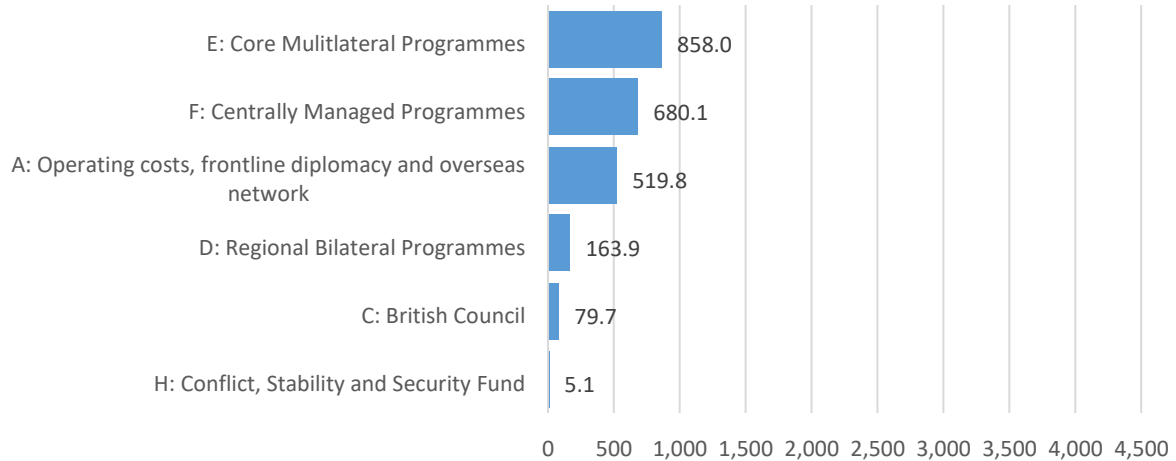
In addition, Parliament votes a net cash requirement, designed to cover the elements of the above budgets that require the FCDO to pay cash in year.

1.3 Main areas of spending

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



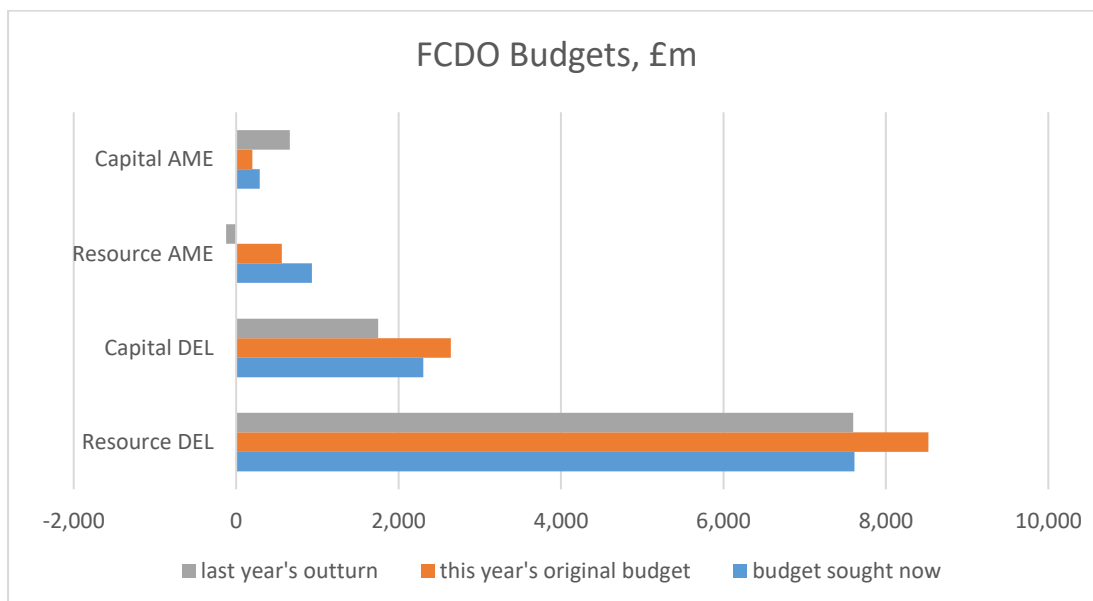
Capital DEL: total budget £2.306 billion, 2022-23 (£m)



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 year:

Spending total Amounts sought this year (Supplementary Estimate 2022-23)		Difference (+/-), compared to original budget this year (Main Estimate 2022-23)		Difference (+/-), compared to last year's outturn (Outturn 2021-22)	
		£ m	%	£ m	%
Resource DEL	7614	-912	-11%	14	0%
Capital DEL	2306	-339	-13%	556	32%
Resource AME	934	373	67%	1,058	-854%
Capital AME	290	90	45%	-371	-56%



1.5 Key drivers of spending changes since last year

In comparison to the Mains Estimate 2022-23, there is a net reduction in Resource DEL of 11% and Capital DEL of 13%.

The main driver behind these decreases is the level of Official Development Assistance (ODA). The UK is a champion of international development and one of the most generous global aid donors, spending more than £11 billion in aid in 2021. We remain committed to spending 0.7% of gross national income (GNI) on ODA when the fiscal situation allows, with spending assumed to be around 0.5% of GNI in the meantime.

Recognising the significant and unanticipated costs incurred to support the people of Ukraine and Afghanistan escape oppression and conflict and find refuge in the UK, the government is providing additional resources of £1 billion in 2022-23 and £1.5 billion in 2023-24. Despite this additional ODA, the FCDO and other ODA spending departments have had to revisit original Spending Review allocations. These reductions have required difficult spending decisions. We intend to provide an update on planned ODA allocations in due course.

Capital DEL has reduced by £6.2m as a result of the reduction in the credit facility required by the British Council this financial year. This was offset by a Reserve Capital DEL claim for £217.5m to enable the FCDO to implement IFRS 16 in FY 2022-2023.

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

1.6.1 We will continue to [support the Ukrainian government](#) in the face of the assault on their sovereignty and territorial integrity following Russia's invasion of Ukraine. The UK and the international community stand against this naked aggression and for freedom, democracy and the sovereignty of nations around the world.

The UK's total humanitarian and economic support pledged since 24 February 2022 includes £220m of UK Aid for Ukraine. We have now sanctioned over 1200 individuals and over 120 entities since Russia's invasion of Ukraine.

1.6.2 We published a new [International Development Strategy](#) last Spring. Against the backdrop of shifting geopolitics, malign activity and influence, it recognises that the potential of people and their universal freedoms remain largely unrealised in many contexts. The accelerating global challenges of conflict, climate change, health and food security are undermining lasting development progress and exacerbating suffering. We will draw on our national strengths to provide a better offer through four clear priorities:

- **Delivering honest, reliable investment** through British Investment Partnerships, building on the UK's financial expertise and the strengths of the City of London, and delivering the Prime Minister's vision for the Clean Green Initiative – supporting countries to grow their economies sustainably.

- **Providing women and girls with the freedom they need to succeed.** We intend to restore the bilateral budget to help unlock their potential, educate girls, support their empowerment and protect them against violence.
- **Stepping-up our life-saving humanitarian work** to prevent the worst forms of human suffering around the world. We will prioritise humanitarian funding levels at £3bn over the next three years, to remain a leader in crisis response. □
Taking forward our work on climate change, nature and global health. We are putting the commitments of our Presidency of G7 and COP26, and our COVID-19 response, at the core of our international development offer.

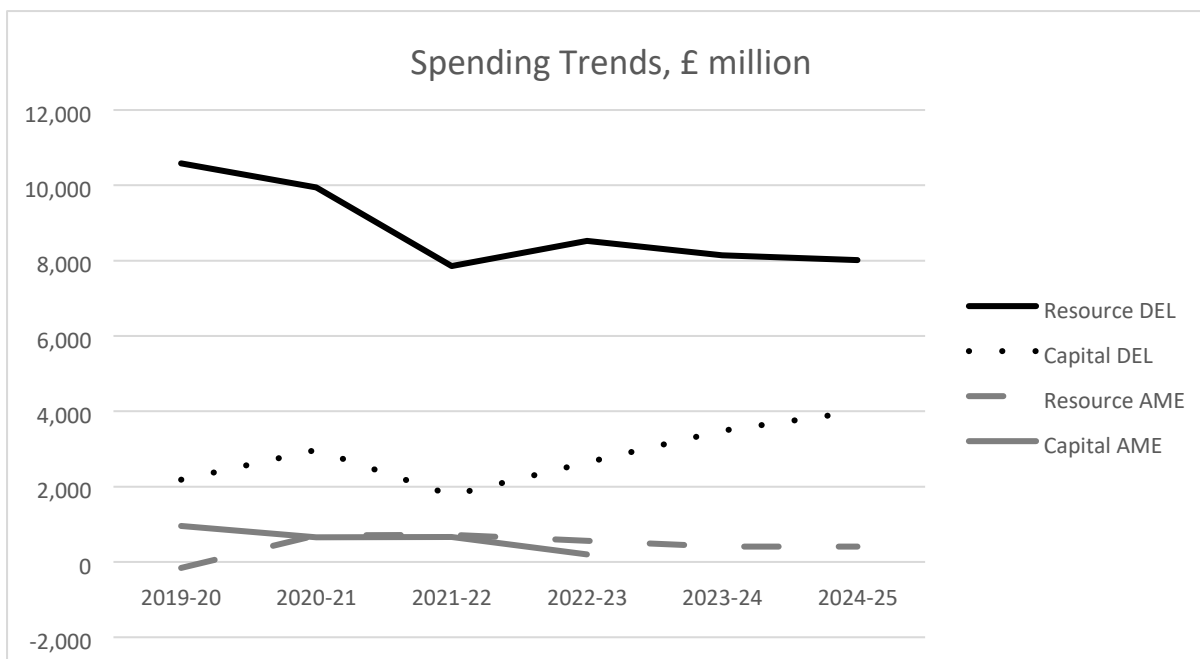
To be achieved through a distinct UK approach to development characterised by:

- Taking a **patient approach** which helps our partners to tackle the structural problems they face, building the **strong economic and social foundations** that underpin long-term development.
- Doing proportionately more through **country and bilateral programmes**, being a more responsive development partner to countries' needs and **more consciously geopolitical** in approach.
- Using our **world-class British expertise** to support partner countries through providing advice, exchanging lessons and evidence of what works, and building partnerships across government, business and civil society.
- **Stripping back excessive bureaucracy associated with delivering aid**, giving our Ambassadors and High Commissioners greater authority and making it quicker to get programmes delivering on the ground.

There are no changes to the FCDO's ambit.

1.7 Spending Trends

The charts below show 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: the overall reductions in 2022-23 reflects the revised ODA allocations as announced in the Spending Review (section 1.5).
- Capital DEL: the increase is driven by the implementation of IFRS 16 accounting standard for leases in 2022-23, and 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 contribute towards the FCDO’s financial transactions target. BII’s budgets are included in Capital DEL for 2023-24 and 2024-25 figures, this will be switched to Capital AME in future estimates.

1.8 Administration costs and efficiency plans

In comparison to the Supplementary Estimate 2022-23, there is a net increase in Administration of 1%. This relates to cross department transfers for trade policy staff.

Spending total Amounts sought this year (Supplementary Estimate 2022-23)	Difference (+/-), compared to original budget this year (Main Estimate 2022-23)		Difference (+/-), compared to original budget this year (Outturn 2021-22)	
	£ m	%	£ m	%

Administration costs	338	2	1%	79	30%
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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, 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 budgets since Spending Review 2021 allocations were agreed:

Resource DEL:

- An ODA surrender of £1,147.3m to support the reallocation of ODA budget across government. An update on planned ODA allocations will be available in due course.
- a Reserve claim of £51.4m from the Bangkok and other capital sale proceeds for maintenance as part of the estate programme;
- an increase of £41.9m for the adoption of IFRS16 for ring-fenced depreciation;
- a reduction of -£34.2m for budget transfers to other government departments mainly for the overseas platform and CSSF;
- SR21 included the transfer of several International Climate Finance (ICF) programmes from BEIS to the FCDO. The Supplementary Estimate includes net budget transfers of £24m to cover the costs of staff working on ICF programmes.

Capital DEL:

- An ODA surrender of £564.7m to support the reallocation of ODA budget across government. An update on planned ODA allocations will be available in due course.
- a Reserve claim of £40.7m from the Bangkok and other capital sale proceeds for contractually committed projects that are part of the estates programme of global new builds and refurbishments;
- an increase of £217.45m for the adoption of IFRS16 for property leases;
- a switch of £89.5m from Capital DEL to Capital AME for British International Investment (required under Consolidated Budgeting Guidance rules); and
- net budget transfers of £79.98m, mainly for International Climate Finance programmes.

1.10 Funding: other funding announcements

In response to the significant and unanticipated costs incurred to support the people of Ukraine and Afghanistan to find refuge in the UK, the government is providing additional ODA resources of £1 billion in 2022-23 and £1.5 billion in 2023-24.

The FCDO's 2022-23 Spending Review budget has been revised and resulted in a surrender of £1.147bn of Resource DEL and £0.565bn in Capital DEL budget.

The total budgeted UK Official Development Assistance (ODA) support to Ukraine since February 2022 is at least £320m, which is made up of:

- £220 million of humanitarian aid and;
- £100 million of ODA to bolster the Ukrainian economy, increase energy security, support good governance reforms, stabilisation efforts in newly liberated areas and interventions to hold Russia to account for its gross violations.

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 (2022-23 Supplementary Estimates budget sought)	this year (2022- 23 Main Estimates budget approved)	changes from Main Estimate		see note number
A	Operating costs, frontline diplomacy and overseas network	1,803.0	1,616.2	186.8	12%	I
B	Funding for NDPBs within Departmental Group (Net)	41.6	41.2	0.4	1%	I
C	British Council	165.7	172.5	-6.8	-4%	I, II
D	Regional Bilateral Programmes	1,167.5	1,726.7	-559.2	-32%	II
E	Core Multilateral Programmes	1,637.6	1,724.0	-86.4	-5%	II
F	Centrally Managed Programmes	1,243.7	1,604.2	-360.5	-22%	I, II
G	International subscriptions, scholarships and BBC World Service	334.1	279.9	54.1	19%	III
H	Conflict, Stability and Security Fund	668.4	739.6	-71.3	-10%	II, IV

I. The net increase is comprised of:

- Reserve claims for Differential Inflation of £65.7m, Consular Premium £75.2m, drawdown of Bangkok and other asset sales receipts for maintenance

£51.4m, non-cash depreciation and impairments £21.8m;

□ less foreign currency mechanism £5.6m.

- Of the reserve claims for Country Based Staff pay uplift of £4.8m, £1.1m was transferred to other government departments;
- a budget transfer in for trade officers of £1.6m, offset by a budget transfer out for the government consulting hub of £0.2m;
- transfers to Capital DEL of £6.2m for research and development and £22m to contribute towards HMG's support to Ukraine;
- a reduction of £4.5m by the British Council for Grant in Aid restructuring;
- net budget transfers received from other departments, including receipts of £2.76m for GREAT campaign and £0.5m platform costs; and
- a cash forecasting rebate of £0.05m.

II. A net decrease is comprised of:

- ODA surrenders of £1,147.3m from Bilateral, Multilateral, Centrally Managed, British Council and Conflict, Stability and Security Fund;
- net budget transfers of £46.4m from other government departments including transfers in for International Climate Finance, taskforce on nature-related financial disclosures, Israel tech hubs, and transfers out for programmes including Blue Belt, strategic trade, Overseas Territories and denuclearisation.

III. A Reserve claim of £54.1m for International Subscriptions.

IV. A switch from Resource DEL to Capital DEL was made to cover £5.1m capital grants. £12m non-ODA surrenders were made and a further £34.2m Resource DEL was transferred to other government departments.

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 Supplementary Estimates budget sought)	this year (2022- 23 Main Estimates budget approved)	changes from Main Estimate		see note number
A	Operating costs, frontline diplomacy and overseas network	519.8	279.7	240.1	86%	I, II
C	British Council	79.7	85.9	-6.2	-7%	IV
D	Regional Bilateral Programmes	163.9	251.9	-88.0	-35%	III
E	Core Multilateral Programmes	858.0	1,368.0	-510.0	-37%	III
F	Centrally Managed Programmes	680.1	659.1	21.0	3%	III, IV
H	Conflict, Stability and Security Fund	5.1	0.0	5.1	0%	VI

- I. A drawdown of Bangkok and other asset sales receipts for estate investment of £40.7m, and a budget transfer from Resource DEL of £22m to facilitate a £40m surrender to HMT for HMG's support to Ukraine.
- II. There has been a reserve claim for £217.5m for agreed budgetary calculations to enable the FCDO to implement IFRS 16 in FY 2022-2023.
- III. ODA surrenders of £564.7m from Bilateral, Multilateral and Centrally Managed funds.
- IV. The reduction of £6.2m reflects a reduction to the British Council's credit facility this year.
- V. There has been a switch of £89.5m from Capital DEL to Capital AME for British International Investment, and a transfer from row A for capital grants of £6.2m.
- VI. CSSF have switched £5.1m Resource DEL to Capital DEL to cover 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 Supplementary Estimates budget sought)	this year (202223 Main Estimates budget approved)	changes from Main Estimate		see note number
J	Other central programme and technical costs	933.8	560.7	373.1	67%	I

- I. Resource AME is used primarily for accounting adjustments and by definition is volatile. The 2022-23 Supplementary Estimate included a budget of £539.3m to cover International Finance Facility for Immunisation (IFFIm), which has been offset by £166m reduction in provision, unrealised FX and depreciation.

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 Supplementary Estimates budget sought)	this year (2022-23 Main Estimates budget approved)	changes from Main Estimate		see note number
K	British International Investment	289.5	200.0	89.5	45%	I

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

2.2 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.

2.3 Changes to contingent liabilities

There has been an increase of £7.3bn to contingent liabilities since last year. Existing liabilities have increased by £1.6bn due to FX and interest rates changes, and new liabilities of £5.7bn have been raised for:

- Other payments to International Finance Institutions (IFI's) where uncertainty exists because of future performance conditions £2.5bn
- Guarantee: Ukraine IBRD loan guarantee £1.9bn
- Guarantee: Room2Run African Development Bank loan portfolio guarantee £1.3bn.

3. Priorities and performance

3.1 How spending relates to objectives

The FCDO's Outcome Delivery Plan, to be published in 2023-2024, 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. Data is not, therefore, 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 2022-23 performance will be given in the FCDO 2022-23 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 went live in December 2022, delivered 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 draw down Capital DEL from the remaining Bangkok receipt following the sale of the compound in 2018. In addition to the £68m allocated at the Mains Estimate, we will draw down a further £37.5m. This will continue to fund projects that are part of the estates programme of global new builds and refurbishments.

The largest projects in progress are the chancery and residence refurbishment in Washington and the new office in Ottawa, which will complete in the next financial year. These address urgent health and safety/end of life asset issues leading to a reduction in future running costs and liabilities. The major refurbishment of the office in Paris will be completed in this financial year and we expect to complete the new office in N'Djamena early in the new financial year. We are investing the remainder in a long pipeline of smaller projects from £500k upwards.

The FCDO will draw down a further £51.4m from Bangkok and other capital sales receipts to cover Resource DEL costs. Over 75% of this funds estate projects and reducing the backlog on largely health and safety maintenance works. The Global Maintenance Programme is managing remedial electrical works in our UK and overseas offices and residential properties for example in Nairobi, the Brazil network and Amman. This is in addition to roof repairs, fire alarm installations and other mechanical works in our overseas estate. The remaining funding is for nonestates work for IT projects (including the Consular Resilience Programme) and FCDO Transformation. A further £3.2m of Capital DEL will fund IT investment.

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;
- FCDO Transformation Portfolio: a set of change programmes to complete the FCO/DFID merger.

Progress on major projects is recorded at:

<https://www.gov.uk/government/publications/infrastructure-and-projects-authorityannual-report-2022>

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

21 February 2022