

Foreign, Commonwealth and Development Office

Main Estimate Memorandum 2024-25

This memorandum gives background to the Foreign, Commonwealth and Development Office (FCDO) Main Estimate 2024-25. 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

The FCDO's enduring purpose is to lead the Government's diplomatic, development, and consular work around the world. Our overall aim is to position the UK as a responsible, reliable, and effective international actor and partner, investing in the global relationships we need for the long term.

1.1 Objectives

The FCDO's priority outcomes as set out at the start of 24/25 by the last government were:

1. Shape an **open and stable international order** through strong alliances and future partnerships.
2. Protect our **national and international security** and mitigate the threats of strategic competition through building partnerships, strengthening deterrence and effective constraint.
3. Reinvigorate the **UK's leadership role in international development** to tackle shared global challenges, respond to humanitarian crises, and support the Sustainable Development Goals (SDG's).
4. **Support British nationals around the world** by providing resilient 24/7 Consular services and agile crisis response.

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 and development, 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

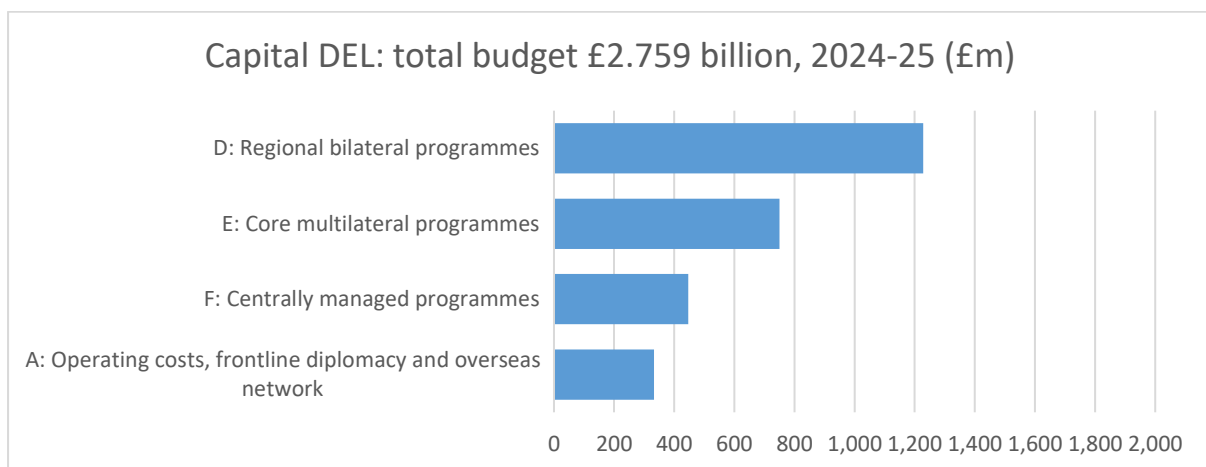
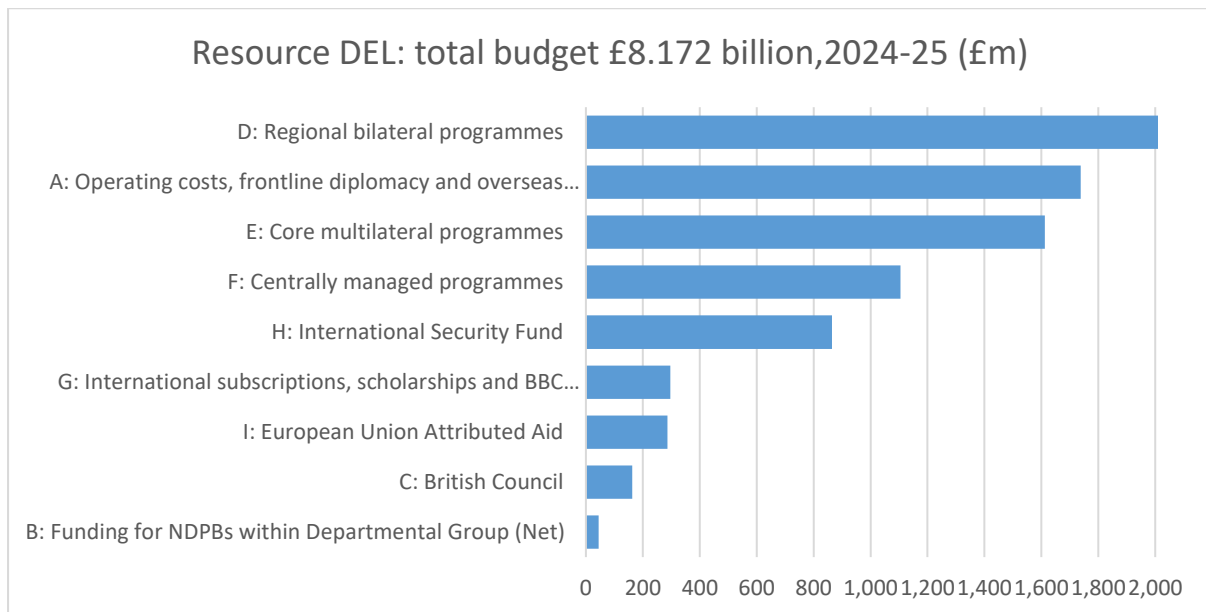
for financial guarantees, impairments, provisions, foreign exchange, and the refund of certain taxes and duties paid by certain foreign and Commonwealth governments.

- 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

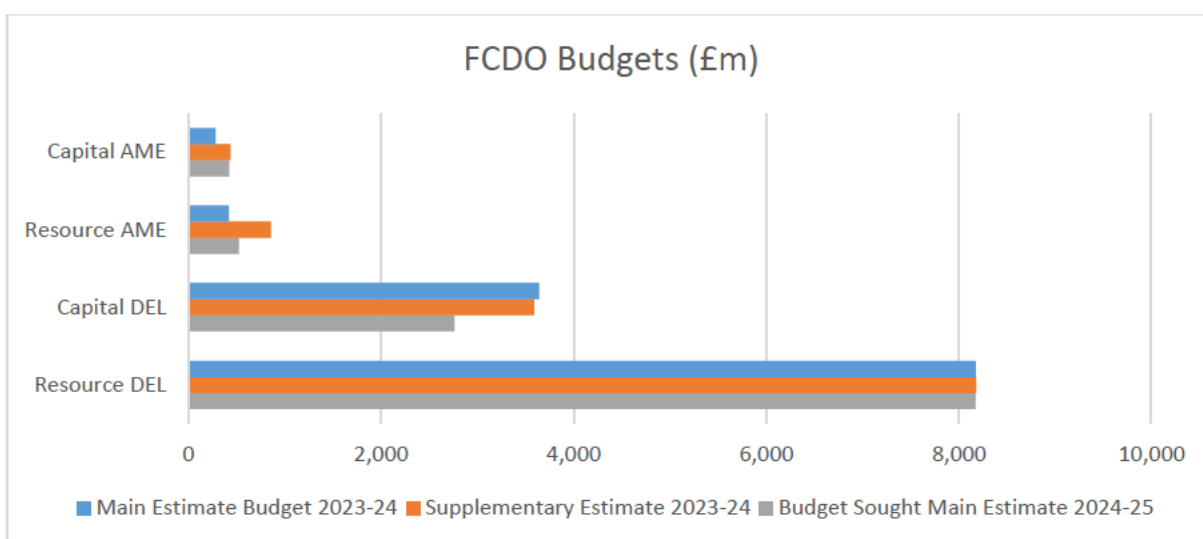
The graphics below show the main components of the FCDO’s proposed budget included in the latest Main Estimate and the proportions of funds to be spent on its main activities.



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 financial year:

Spending total Amounts sought this year (Main Estimate 2024-25)		Difference (+/-), compared to final budget last year (Supplementary Estimate 2023-24)		Difference (+/-), compared to original budget last year (Main Estimate 2023-24)	
		£ m	%	£ m	%
Resource DEL	8172	-10	0%	-6	0%
Capital DEL	2759	-830	-23%	-882	-24%
Resource AME	521	-332	-39%	102	24%
Capital AME	420	-13	-3%	140	50%



1.5 Key drivers of spending changes since last year

In addition to routine claims for depreciation and estates maintenance, the small decrease of £10 million in Resource DEL compared to 2023-24 is because of the routine reserve claims for the Foreign Currency Mechanism, Differential Inflation and IFRS finance charge being postponed from the Main Estimate to the Supplementary Estimate. This is offset by reserve claims of £37 million for the European Political Community Summit, the Machinery of Government transfer from Ministry of Defence of £66.5 million to the FCDO baseline for the National Cyber Transformative Programme (NCP), which forms part of the UK Integrated Security Fund from 1 April 2024, and an additional £15 million to support the costs of hosting migrants on the British Indian Ocean Territory.

The decrease in Capital DEL mainly arises from the FCDO's Official Development Assistance (ODA) budget decrease in 2024-25 at the Mains Estimate compared to the budget agreed at SR21. The FCDO's ODA budget has been reduced by £991 million CDEL to manage the ODA eligible costs of in donor refugee costs across government, in its role as ODA spender and saver of last resort. This was a planned surrender completed in the Main Estimate and does not affect the UK's commitment to delivering the ODA input target as agreed by the previous government. Any further revisions to the ODA budget will be confirmed at the Supplementary Estimate.

There was a routine reserve drawdown of £112.9 million for estates capital spend, but reserve claims to adjust for the IFRS 16 Capital requirement have been postponed from the Main Estimate to the Supplementary Estimate.

The full list of changes since the Main Estimate are set out in section 1.9 and the Data Annex, Table B.

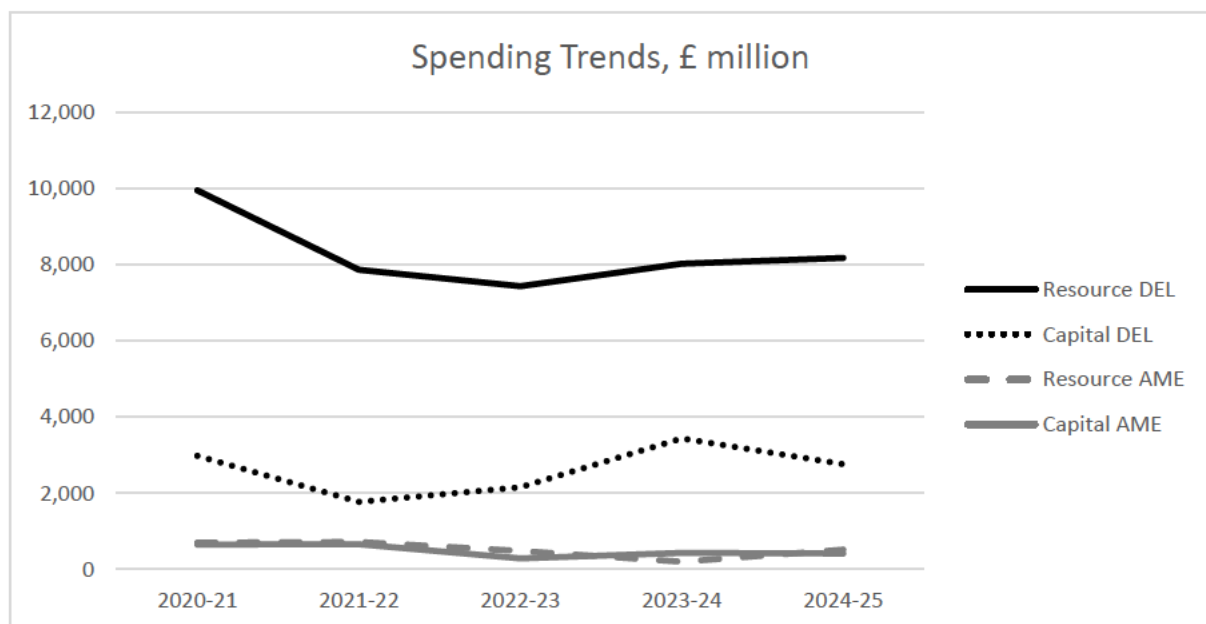
1.6 New policies and programmes; ambit changes

Details of all new policies and programmes announced by the FCDO, including those of the previous government, can be found on [Gov.uk](https://www.gov.uk).

The FCDO's ambit has been updated to replace outdated text on the FCDO's DEL income sources, update the AME non-cash provisions list to remove Advanced Market Commitments (AMC) and update the sources of cash and non-cash AME income.

1.7 Spending Trends

The charts below show overall spending trends for the last three years and plans for 2024-25.



- Resource DEL:** Outturn for 2021-22 onwards reflects the decision to reduce temporarily the overall amount spent on ODA from 0.7 to 0.5% of UK Gross National Income (GNI). The growth in 2023-24 reflects increased ODA spend arising from an improvement in the GNI and the £2.5 billion Total DEL additional resources provided to the UK ODA allocation in 2022 and 2023 as part of the 2022 Autumn Statement to support the people of Ukraine and Afghanistan escape oppression and conflict and find refuge in the UK.

- **Capital DEL:** Outturn for 2021-22 onwards reflects the decision to reduce temporarily the overall amount spent on ODA from 0.7 to 0.5% of GNI. The growth in 2023-24 is primarily driven by increased ODA spend as referenced in Resource DEL movements above and the government's ambition to invest capital in new strategic initiatives to support clean and green infrastructure in developing countries through UK-backed investment, loans and expertise. In 2024-25 the FCDO's ODA budget has been reduced by £991 million CDEL to manage the ODA eligible costs of in-donor refugee costs across government.
- **Resource AME:** is used primarily for accounting adjustments to provisions and financial instruments such as loans and shares. AME expenditure, by definition, is volatile.
- **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 2024-25 figures. The above table shows Capital DEL will be switched to Capital AME in this estimate.

1.8 Administration costs and efficiency plans

In comparison to the Main Estimate 2023-24, there is a net increase in Administration of £27 million (8%). This relates to a surrender of £6.8 million for changes to the National Insurance Contributions as announced in Autumn Statement 2022, cross department transfers, including a Machinery of Government movement of the Windsor framework to the Cabinet Office of £2.1 million and a reserve claim of £37 million for the European Political Community Summit.

Spending total Amounts sought this year (Main Estimate 2024-25)		Difference (+/-), compared to final budget last year (Supplementary Estimate 2023-24)		Difference (+/-), compared to original budget last year (Main Estimate 2023-24)	
		£ m	%	£ m	%
Resource DEL	353	27	8%	27	8%

The FCDO's settlement is subject to our commitment to deliver RDEL efficiencies equivalent to £79.5 million by 2024-25, of which at least £35.4 million will be non-ODA savings. These savings are being delivered through the 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 2024-25 budgets since Spending Review 2021 allocations were agreed:

Resource DEL:

- a reserve claim of £60.5 million from estates sale proceeds for maintenance as part of the estate programme;
- a reserve claim of £43.9 million to increase the IFRS16 requirement for ring-fenced depreciation;
- a net reserve claim of £25.3 million to increase the ring-fence for depreciation and impairments;
- reserve claim of £37.0 million for the European Political Community Summit;
- reserve claim of £15.0 million for the British Indian Ocean Territory;
- a budget exchange from 2023-24 to 2024-25 of £14.2 million for the Integrated Security Fund;
- a reserve surrender of £6.8 million for changes to the National Insurance Contributions as announced in Autumn Statement 2022;
- a net decrease of £80.8 million for budget transfers with other government departments, including Machinery of Government movements for the Windsor Framework, the National Cyber Transformative Programme and the National Cyber Fund;
- a budget switch of £19.0 million from non-voted to voted for EU Attributed Aid.

Capital DEL:

- a reserve claim of £112.9 million from the estates sale proceeds for contractually committed projects that are part of the estates programme of global new builds and refurbishments;
- a switch of £420 million from Capital DEL to Capital AME for BII (required under Consolidated Budgeting Guidance rules) and;
- a reserve surrender of £991 million to manage the ODA eligible costs of in donor refugee costs across government;
- a net decrease of £60.9 million for budget transfers with other government departments.

1.10 Funding: other funding announcements

Details of all new funding announcements by the FCDO, including those by the previous government, can be found on [Gov.uk](https://www.gov.uk).

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 compared with the Supplementary Estimate 2023-24. As such, this will not correlate to the supporting notes below which provide an explanation of the difference between the Main Estimate allocations in Spending Review 21 and revisions for the current years' requirements.

Subhead	Description	Resource DEL				

		£ million			%		
		this year (2024-25 Main Estimate budget sought)	last year (2023-24 Supplementary Estimate budget approved)	changes from last year		see note number	
A	Operating costs, frontline diplomacy and overseas network	1,738.7	1,812.2	-73.5	-4%	I, II	
B	Funding for NDPBs within Departmental Group (Net)	45.0	41.9	3.1	7%	III	
C	British Council	162.5	176.6	-14.1	-8%	I	
D	Regional bilateral programmes	2,061.8	1,911.9	149.9	8%	I, IV	
E	Core multilateral programmes	1,612.1	1,803.7	-191.6	-11%	I	
F	Centrally managed programmes	1,105.6	893.5	212.0	24%	I, V	
G	International subscriptions, scholarships and BBC World Service	296.2	367.7	-71.5	-19%	I	
H	Integrated Security Fund	864.0	740.2	123.8	17%	I, VI	
I	European Union Attributed Aid	286.0	434.0	-148.0	-34%	I, VII	

- I. The net increase/decrease reflects the business planning assumptions following SR 21. Any internal reallocation will be reflected in the Supplementary Estimate 2024-25.
- II. Plans for 2024-25 include a drawdown from asset sales receipts for maintenance expenditure of **£60.5m**, and reserve claims for IFRS 16 depreciation of **£43.9m**, **£37m** for the European Political Community Summit, **£25.3m** for programme and admin depreciation and net budget transfers from other government departments totalling **£37.5m**, which include net platform charges.

- III. The net increase of **£3.4m** from SR 21 is driven by an increase budget for Marshall Aid Commemoration Commission budget by **£1.4m** to fund 10 additional scholarships, and **£2.0m** for Westminster Foundation for Democracy to expand their work to support fairer, more inclusive, and accountable democratic systems around the world.
- IV. Plans for 2024-25 includes a **£15m** reserve claim for the cost of migrants in the British Indian Ocean Territory and **£4.1m** in transfers to other government departments, mainly the Cultural Heritage Protection programme.
- V. Changes to the Plans for 2024-25 includes:
- Machinery of Government transfer from the Ministry of Defence of **£5.1m** for the National Cyber Fund;
 - net budget transfers of **£44.0m** to other departments, including LEAF and UK Partnering for Accelerated Climate Transitions programmes and;
 - a budget switch of **£19.0m** from non-voted to voted for EU Attributed Aid.
- VI. The increase in Plans 2024-25 is driven by a Machinery of Government Transfer of **£66.5m** for the National Cyber Programme (NCP) Transformative Programme and a Budget Exchange of **£14.2m** from 2023-24 to 2024-25. Net budget transfers of **£140.9m** were made to other departments.
- VII. 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. A budget switch of **£19.0m** is requested from non-voted to voted for EU Attributed Aid.

Capital DEL

The table below shows how the FCDO's spending plans for Capital DEL compared with the Supplementary Estimate 2023-24. As such, this will not correlate to the supporting notes below which provide an explanation of the difference between the Main Estimate allocations in Spending Review 21 and revisions for the current years' requirements.

Subhead	Description	Capital DEL				
		£ million			%	
		this year (2024-25 Main Estimate budget sought)	last year (2023-24 Supplementary Estimate budget approved)	changes from last year		see note number
A	Operating costs, frontline diplomacy and overseas network	333.1	398.4	-65.3	-16%	I, II
C	British Council	0.0	54.0	-54.0	-100%	III
D	Regional bilateral programmes	1,228.5	545.4	683.1	125%	I,IV
E	Core multilateral programmes	750.7	1,986.0	-1,235.3	-62%	I, IV, V

F	Centrally managed programmes	446.3	603.8	-157.5	-26%	I, IV, V, VI
H	Integrated Security Fund	0.0	0.6	-0.6	0%	VII

- I. The net increase/decrease reflects the business planning assumptions following SR 21. Any internal reallocation will be reflected in the Supplementary Estimate 2024-25.
- II. Plans for 2024-25 include a drawdown of capital asset sales receipts of **£112.9m** and net budget transfers from other government departments.
- III. Since 2020-21 HMG have been supporting the British Council with their cash flow requirements through loan funding. The decrease of **£54.0m** demonstrates that the British Council have not requested to draw down any further loan requirement in 2024-25. This will be reviewed in the Supplementary Estimate.
- IV. Plans for 2024-25 includes an ODA surrender of **£991.0m** to meet the ODA eligible costs of in donor refugee costs across Government in the FCDO's role as "ODA spender and saver of last resort". This is made up of:
 - Regional bilateral programmes **-£492.5m**
 - Core multilateral programmes **-£300.9m**
 - Centrally managed programmes **-£197.6m**
- V. Changes to the Plans for 2024-25 includes a budget reallocation of **£527.6m** from Subhead F to Subhead E following HMT's approval to relax the Financial Transactions control budget.
- VI. Changes to the Plans for 2024-25 includes:
 - a budget switch of **£420.0m** from Capital DEL to Capital AME for British International Investment;
 - budget reallocation of **£527.6m** from Subhead F to Subhead E following HMT's approval to relax the Financial Transactions control budget and;
 - net budget transfers of **£62.4m** were made to other departments mainly for the PACT (Partnering for Accelerated Climate Transitions) programme.
- VII. Budget for the Integrated Security Fund is received as Resource DEL. A switch from Resource DEL to Capital DEL will be reflected in the Supplementary Estimate 2024-25 if required.

Resource AME

The table below shows how the FCDO's spending plans for Resource AME compared with the Supplementary Estimate 2023-24. As such, this will not correlate to the supporting notes below which provide an explanation of the difference between the Main Estimate allocations in Spending Review 21 and revisions for the current years' requirements.

Subhead	Description	Resource AME				
			£ million		%	

		this year (2024-25 Main Estimate budget sought)	last year (2023-24 Supplementary Estimate budget approved)	changes from last year		see note number
J	Other central programme and technical costs	520.7	852.7	-332.0	-39%	I

- I. Resource AME is used primarily for accounting adjustments and by definition is volatile. The reduction in Plans for 2024-25 is because of a reduction in provisions and financial guarantees and impairments of **£368m** and a reduction in the provision utilisation and revaluation by **£35m**.

Capital AME

The table below shows how the FCDO's spending plans for Capital AME compared with the Supplementary Estimate 2023-24. As such, this will not correlate to the supporting notes below which provide an explanation of the difference between the Main Estimate allocations in Spending Review 21 and revisions for the current years' requirements.

Subhead	Description	Capital AME				
		£ million			%	
		this year (2024-25 Main Estimate budget sought)	last year (2023-24 Supplementary Estimate budget approved)	changes from last year		see note number
K	British International Investment	420.0	433.0	-13.0	-3%	I

- I. Capital AME shows British International Investment's forecast capital needs. The Supplementary Estimate 2023-24 included a transfer of **£153m** for UK Climate Investment plc from Department for Energy Security and Net Zero to British International Investment.

2.2 Restructuring

The Integrated Security Fund (ISF) came into existence on 1 April 2024. It replaces the Conflict Stability and Security Fund (CSSF) and brings the National Cyber Programme (NCP) and the Economic Deterrence Initiative (EDI) with it into a single fund. The FCDO received £66.5m as a Machinery of Government transfer from Ministry of Defence for the NCP Transformative Programme element which forms part of the Integrated Security Fund.

2.3 Ring-fenced budgets

Within the totals, counter terrorism, research and development, financial transactions, depreciation and the Integrated Security Fund, are ring-fenced and funding cannot be transferred into other parts of the core FCDO budget without HMT approval. The 2024-25 ODA financial transactions ringfence was revised down from the original Spending Review agreement to allow the FCDO additional flexibility when managing the ODA reductions to fund the increase to in-donor refugee costs in the FCDO's capacity as ODA spender and saver of last resort.

2.4 Changes to contingent liabilities

The FCDO's contingent liabilities have increased by around £2.1bn from Supplementary Estimate 2023-24 to Main Estimate 2024-25.

The increase mainly relates to new financial guarantees of £4.2bn, being World Bank guarantees of £1.7bn for South Africa, £1.7bn for Indonesia, £0.4bn for Egypt and £0.2bn for Ukraine. There is also £0.2bn for the new Asian Development Bank IFCAP guarantee.

The increase is mainly offset by a reduction of £1.3bn in amounts payable to IFIs as a result of the encashment of promissory notes. The remaining difference arises from the revaluation of some guarantees and foreign exchange movements.

3. Priorities and performance

3.1 How spending relates to objectives

The Estimates were being prepared during a general election campaign and the priority outcomes were set in the previous Parliament.

The FCDO 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, are cross cutting and delivery of our objectives contribute towards all of our Priority Outcomes.

3.2 Measures of performance against each priority

The FCDO 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 2023-24 performance will be given in the FCDO 2023-24 Annual Report and Accounts expected in Summer 2024.

3.3 Commentary on steps being taken to address performance issues

Spending specifically designed to address performance issues includes:

The estate: The FCDO continues to self-fund its estates projects. We will use £87.1 million of the £112.9 million Capital DEL drawdown from capital receipts.

This will continue to fund the contractually committed projects that are part of the estates programme of global new builds and refurbishments.

This will fund the completion of new offices in Geneva, Bamako, Djibouti and Miami. There are also other large projects addressing urgent health and safety/end of life asset issues in Athens, Lagos, Nairobi and Cairo. We continue to invest other capital sales receipts in a long pipeline of smaller projects.

The FCDO will use £25.3 million from the £60.5 million drawdown capital sales receipts to cover Resource DEL costs. This will continue to fund smaller estates projects helping to reduce the backlog on largely health and safety maintenance works.

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;
- FCDO Integration Portfolio: is focused on essential internal changes in the FCDO for activities, such as delivering key technology and aligning HR policy, to enable it to operate effectively and efficiently as a single organisation (now completed with confirmation of closure expected in Summer 2024);
- Hera: a programme to replace the finance and HR information system (now completed with confirmation of closure expected in Summer 2024);
- A major refurbishment of the embassy and ambassador's residence in Washington DC.

Progress on major projects is recorded at:

[Infrastructure and Projects Authority Annual Report 2022-23 - GOV.UK](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/118422/Infrastructure_and_Projects_Authority_Annual_Report_2022-23_-_GOV.UK.pdf)
(www.gov.uk)

An update to the FCDO's projects will be published in the next IPA report due Summer 2024 where we expect closed programmes to be removed.

4. Other Information

4.1 Additional specific information required by the select committee

The FCDO set the 2024-25 ODA budget in March 2023. The FCDO brought forward several multilateral payments from 2024-25 plans into 2023-24 to manage the 2023 ODA Calendar Year Target. Details of reprioritisation to ODA programmes in-year will be included in the Supplementary Estimate.

5.0 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

18 July 2024