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Foreign & Commonwealth Office Supplementary Estimate 2017-18 Memorandum for the Foreign Affairs Committee

Introduction

1. The Foreign and Commonwealth Office Estimate has the following sections:

Section A: Expenditure by the Foreign and Commonwealth Office (FCO), on its administration, strategic and bilateral programmes, FCO Services, Wilton Park Executive Agency, hospitality and facilities; scholarships, information services and sponsored visits; special payments and assistance programmes to support foreign policy objectives including human rights, good governance, international security and the fight against the illicit drug trade; and on associated non-cash items;

Section B: Grants to international organisations and other bodies supporting FCO objectives and programmes;

Section C: Resource grant to the British Council;

Section D: The net expenditure of FCO sponsored Arm's Length Bodies (ALBs) in particular the Westminster Foundation for Democracy, the Marshall Aid Commemoration Commission and the Great Britain China Centre;

Section E: Expenditure by the Foreign and Commonwealth Office on conflict prevention, early warning, crisis management, conflict resolution/peacemaking;

Section F: Expenditure on peacekeeping and peace building activity and on associated strengthening of international and regional systems;

Section G: AME non-cash expenditure on impairments, provisions, foreign exchange; and

Section H: AME grants to refund certain taxes and duties paid by certain Foreign and Commonwealth governments.

Supplementary Estimates Changes

Reserve claims

2. There were seven claims on the Treasury Reserve:

- £49.4m programme expenditure for Consular Premiums collected in the UK by the Home Office that are transferred to the FCO via the Reserve (Section A);
- £38.3m grants expenditure arising from the FCO/HMT 40/60 International Organisations Subscriptions cost sharing agreement (Section B);
- £27.5m programme non-cash for pressures arising from the impact of the fall in the value of Sterling on depreciation of the overseas estate (Section A);
- £14.4m programme to contribute towards the excess cost of overseas inflation (Section A);
- £9.0m programme for non-ODA for BBC World Service work focussed on local initiatives, countering dis-information, and civil society engagement (Section B);
- £3.9m programme in respect of preparations for Britain's exit from the European Union (Section A);

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- £1.2m programme expenditure for the Conflict, Stability and Security Fund (Section E) in respect of work following the Caribbean hurricanes of September 2017.
3. The above claims are the result of pre-agreed funding arrangements and will not therefore have to be repaid to Treasury in future years.
 4. In addition to the above Reserve claims, a sum of £0.2m programme (Section A) has been paid to the FCO from central funds for project work on a permanent memorial for the Sousse terrorist attack.
 5. There is a further benefit to the Resource Reserve of £11.2m from the FCO's Foreign Currency Mechanism (Section A), because, over the year as a whole, sterling was stronger than in the FCO baseline year of 2010-11. As a result of the fall in Sterling, the amount returned is smaller than in previous years. We have also returned £36.0m to HM Treasury from the Conflict, Stability and Security Fund principally to cover the cost of the EU's Common Foreign and Security Policy (CFSP) which is paid centrally rather than by the FCO (Section E and F). The Treasury clawed back £0.02m (administration) owing to bigger than forecast FCO cash movements during 2016-17 (Section A).
 6. There has been a reduction in the 2017-18 FCO capital budget of £16m (Section A) through an increase in asset disposal income that has been banked with Treasury for take-up in future years in the current Spending Review period. On the advice of HM Treasury, receipts from the sale of the Bangkok residence are not being transferred back to the Treasury but will score as income against the budget (though the receipts will still be available for take-up in future). This means the FCO's net capital DEL spend for 2017-18 will be negative.

Budget cover transfers and switches

7. The major transfer from the FCO is £77.4m programme for conflict prevention (Section E), through the ring-fenced Conflict, Stability and Security Fund (CSSF), including: £29.5m **to** the Ministry of Defence, £19.1m **to** DFID, £14.4m **to** the Home Office, £12.3m **to** the National Crime Agency, £0.6m **to** HM Revenue and Customs; £0.5m **to** the Department for Environment, Food and Rural Affairs (DEFRA), £0.4m **to** DEFRA's Centre for Environment, Fisheries and Aquaculture Science Agency; £0.3m **to** the Crown Prosecution Service; £0.3m **to** the Ministry of Justice and £0.005m **to** the Department of Health. There are offsetting CSSF transfers **from** the Department for International Development of £16.7m and £10.0m along with £0.4m **from** the DEFRA sponsored Marine Management Organisation, which give a net CSSF transfer out of FCO of £50.3m.
8. There were also a number of transfers in respect of the Prosperity Fund (Section A), which supports the conditions for global and UK growth. These include a transfer **from** DFID of £35.4m (programme), a transfer **from** the Department for International Trade of £2.3m (programme), a transfer **to** the Department for Culture, Media and Sport of £0.15m (programme) and a transfer **to** HM Treasury of £0.2m (programme). The net impact is a £37.3m transfer into FCO.
9. Other smaller DEL transfers include:

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- A transfer **from** the Department for International Trade of £4.0m (programme) to the British Council in respect of the GREAT campaign (Section C);
- A transfer **from** the Security and Intelligence Agencies of £2.2m (programme) in respect of expansion and capability (Section A);
- A switch **from** Resource DEL (programme) funds **to** the capital DEL budget of £9m (Section E) in respect of CSSF capital grants for works overseas;
- A transfer **from** DFID of £2.5m (programme) in respect of the Office for the High Commissioner of Human Rights (Section A);
- A transfer **from** DFID of £5.1m (capital) in respect of the Kathmandu Embassy (Section A);
- A transfer **from** the Department for International Trade of £0.5m (administration) in respect of overseas trade officers (Section A);
- A transfer **from** DFID of £0.5m (programme) in respect of the Impact Fund in Burma (Section B);
- A transfer **from** DFID of £0.6m (capital) in respect of work in Amman (Section A);
- A transfer **from** DFID of £0.6m (capital) in respect of purchase of capital items for Juba (Section A);
- A transfer **to** DFID of £0.6m (programme) in respect of the Empowerment Fund (Section A);
- A transfer **from** the Department for Exiting the European Union of £0.4m (administration) in respect of support costs (Section A);
- A transfer **from** MoD (programme) of £0.3m (programme) in respect of the Gulf Strategy (Section A);
- A transfer **to** the Department for International Trade of £0.3m (programme) in respect of the GREAT campaign (Section A);
- A transfer **to** the Department for Business Innovation and Skills of £0.1m in respect of the Great Britain Challenge Fund (Section A);
- A transfer **from** DFID of £0.05m (capital) in respect of works in Goma (Section A);
- A transfer **to** the Department for International Trade of £1.0m (programme) in respect of overseas allowances (Section A);
- A transfer **from** Department for Business, Energy & Industrial Strategy (BEIS) of £0.2m (capital) in respect of the Science and Innovation Network (Section A); and
- A switch **from** Resource DEL (programme) funds **to** the capital DEL budget of £3.7m (Section A) principally in respect of capitalisation of Science and Innovation Network research and development.

10. No FCO programmes or other activities are expected to be reduced as a result of the above transfers. Transfers between government departments such as these are a routine occurrence and are therefore incorporated in the normal budgeting process.

AME Changes

11. Non-cash resource AME will increase by £100m largely due to the impact of exchange rate movements on the value of the peacekeeping related foreign exchange assets (Section G).
12. Resource AME for reimbursement of certain duties, taxes and licence fees (Section H) has also increased by £5m to due to an increase in demand.

Budget neutral changes

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13. Included in the 2017-18 Supplementary Estimate are:

- a **budget neutral** increase in expenditure fully offset by increased receipts of £7.5m (programme), in respect of contributions from other governments to CSSF projects (Section A). We have also clarified the receipts ambit to include this category of receipt;
- a **budget neutral** increase of £35.9m in goods and services expenditure fully offset by an decrease in grant expenditure as a result of a continuing review into the way the FCO accounts for grant expenditure (Sections A and B);
- a **budget neutral** increase in expenditure (capital), fully met by an increase in asset receipts, of £2.5m for following a transfer of overseas assets from the FCO to DFID (Section A).

Reconciliation of 2017-18 Supplementary Estimates to the 2017-18 Main Estimate

14. The tables below reconcile the budgets voted in the Supplementary Estimate back to those voted in the Main Estimate as discussed above.

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| Table 1 Resource | |
|----------------------------------------------------------------------------------------------------------------------------------|----------------|
| Resource DEL at Main Estimate (£m) | 2,137.9 |
| Changes effected in Supplementary Estimates 2017-18 | |
| A claim on the Resource Reserve (programme) in respect of Consular Premiums. | 49.4 |
| A claim on the Resource Reserve (programme) in respect of International Subscriptions. | 38.3 |
| A benefit to the Resource Reserve (programme) in respect of The Common Foreign Security Policy. | - 36.0 |
| A transfer from DFID (programme) for work in respect of the Prosperity Fund. | 35.4 |
| A transfer to MoD (programme) in respect of the Conflict, Stability and Security Fund. | - 29.5 |
| A claim on the Resource Reserve (programme) in respect of non-cash. | 27.5 |
| A transfer to DFID (programme) in respect of the Conflict, Stability and Security Fund. | - 19.1 |
| A transfer from DFID (programme) in respect of the Conflict, Stability and Security Fund. | 16.7 |
| A claim on the Resource Reserve (programme) in respect of differential inflation. | 14.4 |
| A transfer to the Home Office (programme) in respect of the Conflict, Stability and Security Fund. | - 14.4 |
| A transfer to the National Crime Agency (programme) in respect of the Conflict, Stability and Security Fund. | - 12.3 |
| A benefit to the Resource Reserve (programme) in respect of The Foreign Currency Mechanism. | - 11.2 |
| A transfer from DFID (programme) in respect of the Conflict, Stability and Security Fund for hurricane recovery work. | 10.0 |
| A claim on the Resource Reserve (programme) in respect of the BBC World Service. | 9.0 |
| A switch from Resource DEL (programme) funds to the capital DEL budget. | - 9.0 |
| A transfer from the Department for International Trade (programme) to the British Council in respect of the GREAT campaign. | 4.0 |
| A claim on the Resource Reserve (programme) in respect of EU Exit costs. | 3.9 |
| A switch from Resource DEL (programme) funds to the capital DEL budget. | - 3.7 |
| A transfer from DFID (programme) in respect of the Office of the High Commissioner of Human Rights. | 2.5 |
| A transfer from the Department for International Trade (programme) in respect of the Prosperity Fund. | 2.3 |
| A transfers from the Security and Intelligence Agencies (programme) in respect of expansion and capability. | 2.2 |
| A claim on the Resource Reserve (programme) in respect of the Conflict, Stability and Security Fund for hurricane recovery work. | 1.2 |
| A transfer to the Department for International Trade (programme) in respect of overseas allowances. | - 1.0 |
| A transfer to Her Majesty's Revenue and Customs (programme) in respect of the Conflict, Stability and Security Fund. | - 0.6 |
| A transfer to DFID (programme) in respect of the Empowerment Fund. | - 0.6 |

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| A transfer from the Department for International Trade (administration) in respect of overseas trade officers. | 0.5 |
| A transfer from DFID (programme) in respect of the Impact Fund in Burma. | 0.5 |
| A transfer to the Department of Environment, Food and Rural Affairs (programme) in respect of the Conflict, Stability and Security Fund. | - 0.5 |
| A transfer from the Department of Environment, Food and Rural Affairs MMO Agency (programme) in respect of the Conflict, Stability and Security Fund. | 0.4 |
| A transfer from the department for Exiting the European Union (administration) in respect of the support costs. | 0.4 |
| A transfer to the Department of Environment, Food and Rural Affairs CFAS Agency (programme) in respect of the Conflict, Stability and Security Fund. | - 0.4 |
| A transfer to the Crown Prosecution Service (programme) in respect of the Conflict, Stability and Security Fund. | - 0.3 |
| A transfer to the Ministry of Justice (programme) in respect of the Conflict, Stability and Security Fund. | - 0.3 |
| A transfer to the Department for International Trade (programme) in respect of the GREAT campaign. | - 0.3 |
| A transfer from MoD (programme) in respect of the Gulf Strategy. | 0.3 |
| A transfer to Her Majesty's Treasury (programme) in respect of the Prosperity Fund. | - 0.2 |
| A payment from the Resource Reserve (programme) in respect of the Sousse memorial. | 0.2 |
| A transfer to the Department for Culture, Media and Sport (programme) in respect of the Prosperity Fund. | - 0.15 |
| A transfer to BEIS (programme) in respect of the Great Britain Challenge Fund. | - 0.1 |
| A benefit to the Resource Reserve (administration) in respect of cash forecasting charges. | 0.02 |
| A transfer to the Department of Health (programme) in respect of the Conflict, Stability and Security Fund. | - 0.005 |
| Resource DEL at Supplementary 2017-18 | 2,217.4 |
| Resource AME at Main Estimate 2017-18 (£m) | 100.0 |
| An increase in AME expenditure in respect of non-cash items. | 100.0 |
| An increase in AME expenditure in respect of reimbursement of certain duties, taxes and licence fees. | 5.0 |
| Resource AME at Supplementary 2017-18 | 205.0 |

Table 2 Capital

| | |
|---------------------------------------------------|--------------|
| Capital DEL at Main Estimates 2017-18 (£m) | 134.4 |
| An increase in non-operating receipts. | -16.0 |
| A transfer from DFID in respect of Kathmandu. | 5.1 |
| A switch from Resource DEL (programme). | 3.7 |
| A switch from CSSF Resource DEL (programme). | 9.0 |

UNCLASSIFIED

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| A transfer from DFID in respect of the purchase of capital items for Juba. | 0.6 |
| A transfer from DFID in respect of work in Amman. | 0.6 |
| A transfer from BEIS in respect of the Science and Innovation Network. | 0.2 |
| A transfer from DFID in respect of works in Goma. | 0.05 |
| Capital DEL at Supplementary 2017-18 | 137.6 |

Table 3 Administration

| | |
|-----------------------------------------------------------------------------------------------------------------|--------------|
| Administration Budget at Main Estimates 2017-18 (£m) | 182.7 |
| A transfer from the Department for International Trade (administration) in respect of overseas trade officers. | 0.5 |
| A transfer from the department for Exiting the European Union (administration) in respect of the support costs. | 0.4 |
| A benefit to the Resource Reserve (administration) in respect of cash forecasting charges. | -0.02 |
| Administration Budget at Supplementary 2017-18 | 183.6 |

Programmes

15. Allocations remain in line with the budgets set out in the Main Estimates Memorandum.
16. All the FCO's own direct programme spending scores against Section A of the Supply Estimate, with Section B covering the corresponding grants to third parties.
17. In addition to the programme spend set out in the Main Estimate Memorandum table, around £500m of spend in support of front-line activities has been re-classified to programme from administration costs in successive Spending Reviews; but these are not allocated to specific programmes. Also included in our programme budget is the cross government Conflict, Stability and Security Fund and the Prosperity Fund, changes to which are outlined above.

Budget comparisons

18. The definition of departmental budgets changes over time. Table 4 below shows the FCO outturn on the definition of budgets used in the relevant financial year in order to be consistent with data published at that time. Data for each year may not therefore be strictly comparable.

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| Table 4 Previous years' expenditure against departmental budgets £m | | | | | |
|----------------------------------------------------------------------------|--------------|------------------|------------------|----------------------------|--------------------------|
| Year | Voted | Non-voted | Total DEL | Outturn¹ | Variance Per cent |
| Resource DEL | | | | | |
| 2011-12 Outturn | 2,210.1 | | 2,210.1 | 2,175.2 | -1.6 |
| 2012-13 Outturn | 2,163.4 | | 2,163.4 | 2,152.4 | -0.5 |
| 2013-14 Outturn | 2,187.7 | | 2,187.7 | 2,155.6 | -1.5 |
| 2014-15 Outturn | 1,872.1 | | 1,872.1 | 1,864.1 | -0.4 |
| 2015-16 Outturn | 1,970.6 | | 1,970.6 | 1,955.6 | -0.8 |
| 2016-17 Outturn | 2,066.8 | | 2,066.8 | 2,057.5 | -0.4 |
| 2017-18 Plans | 2,217.4 | | 2,217.4 | | |
| 2018-19 Plans¹ | 1,344.4 | | 1,344.4 | | |
| 2019-20 Plans¹ | 1,357.9 | | 1,357.9 | | |
| <i>Of</i> | <i>which</i> | | | | |
| Administration | | | | | |
| 2011-12 Outturn | 247.9 | | 247.9 | 167.7 | -32.4 |
| 2012-13 Outturn | 230.0 | | 230.0 | 124.1 | -46.0 |
| 2013-14 Outturn | 231.9 | | 231.9 | 169.7 | - |
| | | | | | 26.8 |
| 2014-15 Outturn | 197.9 | | 197.9 | 181.1 | -8.5 |
| 2015-16 Outturn | 188.6 | | 188.6 | 114.0 | -39.6 |
| 2016-17 Outturn | 182.1 | | 182.1 | 116.1 | -36.2 |
| 2017-18 Plans | 183.6 | | 183.6 | | |
| 2018-19 Plans | 182.9 | | 182.9 | | |
| 2019-20 Plans | 183.1 | | 183.1 | | |
| Resource AME | | | | | |
| 2011-12 Outturn | 75.0 | | 75.0 | 61.1 | -18.6 |
| 2012-13 Outturn | 153.5 | | 153.5 | 88.0 | -42.7 |
| 2013-14 Outturn | 139.5 | | 139.5 | 65.6 | -53.0 |
| 2014-15 Outturn | 84.0 | | 84.0 | -70.3 | -183.7 |
| 2015-16 Outturn | 100.0 | | 100.0 | 38.6 | -61.4 |
| 2016-17 Outturn | 100.0 | | 100.0 | -52.7 | -152.7 |
| 2017-18 Plans | 205.0 | | 205.0 | | |
| 2018-19 Plans | 100.0 | | 100.0 | | |
| 2019-20 Plans | 100.0 | | 100.0 | | |
| Capital DEL | | | | | |

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| | | | | |
|------------------------|-------|-------|-------|-------|
| 2011-12 Outturn | 119.0 | 119.0 | 115.2 | -3.2 |
| 2012-13 Outturn | 108.0 | 108.0 | 37.0 | -65.7 |
| 2013-14 Outturn | 125.5 | 125.5 | 119.7 | -4.6 |
| 2014-15 Outturn | 173.7 | 173.7 | 157.5 | -9.3 |
| 2015-16 Outturn | 139.2 | 139.2 | 131.5 | -5.5 |
| 2016-17 Outturn | 62.4 | 62.4 | 59.6 | -4.5 |
| 2017-18 Plans | 137.6 | 137.6 | | |
| 2018-19 Plans | 98.0 | 98.0 | | |
| 2019-20 Plans | 98.0 | 98.0 | | |

(1) Excludes CSSF and Prosperity funding, which is transferred to FCO annually.
The FCO has no non-voted expenditure.

Departmental Unallocated Provision (DUP) 2017-18

19. The FCO has no Departmental Unallocated Provision.

Budget Exchange

20. We have made no use of budget exchange.

21. This memorandum has been seen and approved by the Accounting Officer.

Andrew Sanderson
Finance Director
31 January 2018