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Foreign & Commonwealth Office Main Estimate 2018-19 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 Office funded by the cross-Whitehall Prosperity Fund, which works to remove barriers to economic growth in order to reduce poverty;
 - Section F: Expenditure by the Foreign and Commonwealth Office on conflict prevention, early warning, crisis management, conflict resolution/peacemaking – all funded from the cross-Whitehall Conflict, Stability and Security Fund (CSSF);
 - Section G: Expenditure on peacekeeping and peace building activity and on associated strengthening of international and regional systems – also funded through the CSSF;
 - Section H: AME non-cash expenditure on impairments, provisions, foreign exchange; and
 - Section I: AME grants to refund certain taxes and duties paid by certain Foreign and Commonwealth governments.

Main Estimates Changes

Treasury allocations

2. In 2016 Treasury revised the DEL depreciation and impairments assumptions used in Spending Review 2015. The Spending Review settlement provisionally rolled forward the 2015-16 baseline which was inflated due to capital investment arising from work on the FCO UK and Overseas Estate. The 2016 revision lowered non-cash DEL across all Spending Review years leading to a reduction of £68,517,000 (programme) non-cash in 2018-19 (Section A).

We may need to revise non-cash further in the 2018-19 Supplementary Estimate.

Treasury have also contributed £1,700,000 (administration) for International Trade officers as announced in the Autumn Statement 2016 (Section A).

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Budget cover transfers

a) Transfers agreed in previous years but affecting the 2018-19 Main Estimate

3. Included in the 2018-19 Main Estimate are some multi-year transfers that were agreed in previous years but affect the 2018-19 budget.

There was a major transfer **from** Department for International Development (DFID) of £81,200,000 (programme) for Official Development Assistance (ODA) (Sections A and B).

There was also a net transfer in 2017-18 in respect of 2018-19 to the FCO of £14,220,000 (programme) for redistribution of charges for use by other government departments of the FCO's overseas platform.

These transfers have been further revised in the 2018-19 Main Estimate, as discussed at paragraphs 5 and 6 below.

Other transfers agreed in 2017-18 but affecting the 2018-19 Main Estimate were:

- A transfer of £70,000,000 (programme) **from** DFID for the BBC World Service (Section B);
- A transfer of £38,000,000 (programme) **from** DFID for the British Council Grant (Section C);
- A transfer of £28,000,000 (programme) **from** DFID for Chevening Scholarships (Section A);
- A transfer of £7,000,000 (programme) **to** DFID in respect of growth related reductions in Official Development Assistance (Section A);
- A transfer of £2,797,000 (Administration) **to** the Department for Exiting the European Union (DEXU) in respect of a Machinery of Government change (Section A);
- A transfer of £2,500,000 (programme) **from** Ministry of Defence (MOD) in respect of Falkland's demining (Section A);
- A transfer of £971,000 (programme) **to** Department for International Trade (DIT) for charged services (Section A);

b) Transfers actioned in the 2018-19 Main Estimate

4. There are two major transfers (programme) **from** DFID, £483,909,000 for conflict prevention (Section F) and £372,343,000 for peacekeeping (Section G) both funded from the Conflict, Stability and Security Fund (CSSF).

5. A further ODA transfer of £75,000,000 (programme) **from** DFID (Sections A and B).

6. There have been further changes in the calculation of charges for the use by other government departments of the FCO's overseas platform. These revisions have resulted in a net total transfer **from** the FCO of £20,195,000 (Section A programme). Details by department are listed in Table 1 below.

7. Other smaller transfers include:

- A transfer of £57,000,000 (programme) **from** DFID in respect of the Prosperity Fund (Section E);
- A transfer of £29,500,000 (programme) **from** MoD in respect of the Gulf Strategy (Section A);
- A transfer of £15,000,000 (programme) **from** DFID in respect of Conflict Prevention work arising from Hurricane Irma (Section F);
- A transfer of £9,000,000 (programme) **to** the Cabinet Office in respect of the Commonwealth Heads of Government conference (CHOGM) (Section A);
- A transfer of £4,329,000 (capital) **from** the Department for Business, Energy and Industrial Strategy (BEIS) in respect of the Science and Innovation Network (Section A);

- A transfer of £2,500,000 (programme) **from** DFID in respect of the Office for the High Commissioner for Human Rights (OHCHR) (Section A);
- A transfer of £1,335,000 (programme) **from** DEXU in respect of EU administration costs (Section A);
- A transfer of £563,000 (programme) **to** the Department for Transport's (DfT) Maritime Certification Agency (MCA) in respect of Conflict Prevention (Section F);
- A transfer of £500,000 (programme) **from** DFID in respect of Burma (Section A);
- A transfer of £500,000 (programme) **to** Department for Environment Food and Rural Affairs (DEFRA) for the Darwin Plus climate change initiative in respect of Overseas Territories (Section A);
- A transfer of £188,000 (programme) **to** the Security and Intelligence Agencies (SIA) in respect of expansion and capability (Section A);
- A transfer of £15,000 (Administration) **to** the Cabinet Office in respect of Civil Service learning contributions (Section A).

8. No departmental activities are expected to be reduced as a result of the above transfers. Transfers between government departments are routine and are incorporated in the normal budgeting process.

Reconciliation of 2018-19 Main Estimates to SR2015 Outcome

9. The Spending Review 2015 settlement showed the FCO Resource Budget for 2018-19 as £1,188,000,000 and the capital budget as £98,000,000. Subsequently there have been a number of changes, which bring the current Resource DEL figure for 2018-19 to £2,350,961,000. The Spending Review 2015 Capital DEL for 2018-19 has also increased, to £102,329,000. The tables below show the main changes and reconciles the 2015 Spending Review budget allocations with the 2018-19 Main Estimates figures.

Table 1 Resource DEL 2018-19	
Resource DEL Baseline from SR 2015 (£m)	1,188.00
Changes agreed in previous years:	
A transfer from DFID in respect of ODA.	81.20
A transfer from DFID in respect of the BBCWS.	70.00
A Non Cash reduction.	-68.52
A transfer from DFID in respect of the British Council.	38.00
A transfer from DFID in respect of Chevening scholarships.	28.00
A transfer from Home Office (programme) in respect of charges for the FCO platform.	27.89
A transfer to DFID (programme) in respect of charges for the FCO platform.	-8.24
A transfer to DFID in respect of ODA grant reduction.	-7.00
A transfer to MoD (programme) in respect of charges for the FCO platform.	-5.01
A transfer from DIT (programme) in respect of charges for the FCO platform.	4.66
A transfer to the National Crime Agency (NCA) (programme) in respect of charges for the FCO platform.	-2.86
A transfer to DEXU in respect of Machinery of Government changes.	-2.80
A transfer from MOD in respect of Falkland's demining.	2.50
2016 Autumn Statement Trade Officers uplift.	1.70
A transfer to HM Revenue and Customs (HMRC) (programme) in respect of charges for the FCO platform.	-1.62
A transfer to DIT in respect of King Charles St charges.	-0.97
A transfer to the Crown Prosecution Service (CPS) (programme) in respect of charges for the FCO platform.	-0.34
A transfer to Department for Transport (DfT) (programme) in respect of charges for the FCO platform.	-0.12
A transfer to Department for Work and Pensions (DWP) (programme) in respect of charges for the FCO platform.	-0.07
A transfer to Department of Health and Social Care (DHSC) (programme) in respect of charges for the FCO platform.	-0.04
A transfer to DEFRA (programme) in respect of charges for the FCO platform.	-0.03
Total	156.34
Changes actioned in the 2018-19 Estimate:	
A transfer from DFID in respect of Conflict Prevention.	483.91
A transfer from DFID in respect of Peacekeeping.	372.34
A transfer from DFID in respect of ODA.	75.00
A transfer from DFID in respect of the Prosperity Fund.	57.00

A transfer from MoD in respect of the Gulf Strategy.	29.50
A transfer from DFID in respect of Conflict Prevention (Hurricane Irma).	15.00
A transfer to DFID in respect of charges for the FCO Platform.	-11.29
A transfer from the Home Office in respect of charges for the FCO Platform.	9.38
A transfer to Cabinet Office in respect of CHOGM.	-9.00
A transfer to DIT in respect of charges for the FCO Platform.	-8.89
A transfer to NCA in respect of charges for the FCO Platform.	-7.22
A transfer from DFID for OHCHR.	2.50
A transfer from DEXU in respect of EU administration costs.	1.34
A transfer to HMRC in respect of charges for the FCO Platform.	-0.70
A transfer to BEIS in respect of charges for the FCO Platform.	-0.69
A transfer to DfT (MCA) in respect of Conflict Prevention.	-0.56
A transfer from DFID in respect of Burma.	0.50
A transfer to DEFRA in respect of Darwin+.	-0.50
A transfer to DHSC in respect of charges for the FCO Platform.	-0.33
A transfer to CPS in respect of charges for the FCO Platform.	-0.20
A transfer to SIA in respect of expansion and capability.	-0.19
A transfer to DfT in respect of charges for the FCO Platform.	-0.16
A transfer to DWP in respect of charges for the FCO Platform.	-0.10
A transfer to Cabinet Office in respect of Civil Service Learning contributions.	-0.02
Total	1,006.63
Resource DEL Main Estimates 2018-19	2,350.96

Table 2 Capital DEL 2018-19	
Capital DEL Baseline from SR 2015 (£m)	98.00
Changes actioned in the 2018-19 Estimate:	
A transfer from BEIS in respect of the Science and Innovation Network.	4.33
Capital DEL Main Estimates 2018-19	102.33

Table 3 Resource AME	
Resource AME Baseline from SR 2015 (£m)	100.00
Resource AME Main Estimates 2018-19	100.00

Programmes

10. Included in the Resource DEL total of £2,350,961,000 is FCO's own strategic programme, the Global Britain Fund. A breakdown of the opening allocations for 2018/19 is shown below. This will be subject to in-year change based on reviews of performance and spend.

Budget £m	Indicative budget
Official Development Assistance (ODA)	£41.6
Non-ODA	£35.7
Total	£77.3

11. 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.
12. In addition to the programme spend set above, around £500m of spend in support of front-line activities has been re-classified to programme from administration costs in successive Spending Reviews; but this is not allocated to specific programmes. From 2018-19 Chevening scholarships (and other scholarships), counter-terrorism staffing, Wilton Park and the Westminster Foundation for Democracy are scored outside of the Global Britain Fund. Also included in the FCO's Resource DEL are the cross-government CSSF and Prosperity Fund, changes to which are outlined above.

Budget comparisons

13. The definition of departmental budgets changes over time. Table 4 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.

Table 4 Previous years' expenditure against departmental budgets £m					
Year	Voted	Non-voted	Total DEL	Outturn	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 Outturn ¹	2,217.4		2,217.4	2,214.8	-0.1
2018-19 Plans	2,351.0		2,351.0		
2019-20 Plans ²	1,337.7		1,337.7		
<i>Of which Administration</i>					
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 Outturn ¹	183.6		183.6	164.0	-10.7
2018-19 Plans	184.2		184.2		
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 Outturn ¹	205.0		205.0	205.0	0
2018-19 Plans	100.0		100.0		
2019-20 Plans	100.0		100.0		
Capital DEL					
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 Outturn ¹	137.6		137.6	-273.0	-298.4 ³
2018-19 Plans	102.3		102.3		
2019-20 Plans	98.0		98.0		

(1) 2017-18 outturn is provisional.
(2) Excludes CSSF and Prosperity funding, which is transferred to FCO annually.
(3) Includes the sale of the Bangkok Residence which was not included in the 2017-18 Spring Supplementary Estimate following advice from HM Treasury.
The FCO has no non-voted expenditure.

Departmental Unallocated Provision (DUP)

14. The FCO has no DUP.

Budget Exchange

15. We have made no use of budget exchange.

Impact of the revision of International Financial Reporting Standards (IFRS) 9 and 15

16. IFRS 9 on Financial Instruments includes requirements for classification, recognition and measurement, impairment, de-recognition and general hedge accounting. As FCO receivables are primarily with other central government departments we expect there to be minimal implications in terms of impairing debt.
17. IFRS 15 on Revenue from Contracts with Customers provides a more robust framework for addressing revenue issues. The FCO expects, that for the majority of its contracts, the accounting will remain unchanged. For certain fees and charges not classed as tax revenue the recognition point may change. In addition, work is ongoing to simplify the definition of grants and contracts, which may impact on their respective timing and recognition.
18. This memorandum has been seen and approved by the Accounting Officer.

Andrew Sanderson
Finance Director
18 April 2018