



Foreign & Commonwealth Office

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Dear Chris,

Thank you for your letter of 24 February regarding the FCO Supplementary Estimate for 2016/17. You set out a number of areas that the committee wanted further information on, to which I have responded to below.

1. *In relation to the following movement in the Supplementary Estimate:
£4.7 programme in respect of compensation payments to the Government of Tanzania following prosecutions for corrupt practices, funded by monies recovered by the Court Service.*
 - i) *What did these corrupt practices involve?*
 - ii) *For what reasons is the government of Tanzania owed this money by the UK Government?*
 - iii) *How much did the FCO have to pay in respect of compensations following prosecutions for corrupt practices in total in 2016/17 and 2015/16? What is the FCO's forecast of the totals of such payments in the next three years?*

The £4.7 million was money recovered by a Serious Fraud Office (SFO) investigation in relation to a case against Standard Bank and its failure to prevent bribery.¹ HM Treasury asked us to transfer this money to the Government of Tanzania as the SFO were unable to make the transfer themselves. We do not envisage making further such payments.

¹ <https://www.sfo.gov.uk/2015/11/30/sfo-agrees-first-uk-dpa-with-standard-bank/>

2. *The FCO's capital budget has reduced from £98m to £62m in the Supplementary Estimate and the FCO has banked £33m of its asset disposal income with the Treasury for take-up in future years.*
 - i. *Why could the FCO not utilise its capital budget this year?*
 - ii. *Were there any planned capital projects that did not go ahead this year*

The FCO's capital budget decreased in the Supplementary Estimate to reflect the impact of asset sales receipts on the gross capital budget. Capital receipts forecast for this financial year total £56.6 million, £46.4 million more than the £10.2 million receipts anticipated in the main estimate. £23.6m of the receipts was used in 2016-17 which allowed us to carry forward the difference of £33m into financial year 2017-18 for planned capital expenditure. This is delivered through a reduction in our net capital budget this year and there will be a corresponding uplift in the following financial year. This is in line with the agreement made with HMT on capital smoothing across financial years, where we are able to sell capital assets upfront and then draw down the receipts in future years.

3. *The Annual Report (p 107) tells us that for FCO's peacekeeping budget, the FCO uses forward purchase currency contracts to minimise budget uncertainty caused by exchange rate volatility.*
 - i. *To what extent have forward purchase currency contracts protected FCO's peacekeeping budget from the impact of the depreciation of sterling?*
 - ii. *Is the British Council expected to manage any additional costs caused by the fall in sterling within its existing budget?*

With HMT agreement, the FCO forward purchases foreign currency in USD and Euros to meet HMG's multilateral peacekeeping obligations for reasons that you set out. These currency contracts, which cover approximately 90% of the estimated funds required, are forward purchased three years in advance. This has meant the peacekeeping budget has been largely protected from the recent depreciation of sterling.

The British Council is expected to manage exchange rate fluctuations. This applies to its commercial income generated overseas (over half of the Council's income) as well as its grant-in-aid from the FCO.

4. *There is a net transfer of £20.2m to other departments from the FCO through the CSSF.*
 - i. *Why does DFID transfer funds to the FCO (for the CSSF) and then FCO transfers funds to other departments (Ministry of Defence / National Crime Agency)? Would it not be simpler if DFID transferred funds to all Departments, removing the need for FCO to transfer to other departments?*
 - ii. *Did all the CSSF expenditure meet the definition of Official Development Assistance (ODA)?*

- iii. What is planned FCO expenditure through the CSSF in 2016/17?
- iv. What is planned CSSF expenditure in 2016/17 itemised by Department?

At the start of the financial year DFID transfers the CSSF allocations direct to the relevant government departments. Later on in the financial year the supplementary estimate process allows CSSF to revisit and finalise the departmental allocations to ensure the fund can rapidly respond to emerging crises and to ensure programmes deliver against cross government objectives in the most effective way. All relevant government departments engage in the supplementary process and all transfers are to and from the FCO as the holder of the largest proportion of the CSSF allocation.

The CSSF spends a blend of ODA and Non ODA expenditure. All CSSF programmes that spend ODA are required to comply with OECD Development Assistance Committee guidelines on eligibility.²

The FCO planned £659m of expenditure through CSSF in 2016/17.

Planned CSSF expenditure in 2016/17 itemised by Department is:

FCO: £659m
 MOD: £209m
 DFID: £127m
 Home Office, Crown Prosecution Service and National Crime Agency: £56m
 Other: £2.8m

5. Please list the gifts and grants-in-kind that the FCO has made in 2016/17.

The Foreign and Commonwealth Office (FCO) keeps a central record of gifts and grants-in-kind given that are worth over £300,000, and notifies Parliament by a Written Ministerial Statement. These are summarised in the table below for 2016/17.

Date	Minute Laid	£000	Date of Written Ministerial Statement/Departmental Minute	Written Statement
Jun-16	Gifting of Equipment to Syria Civil Defence and the Free Syrian Police	7,740	29/06/2016	HCWS48 ³
Dec-16	Provision of equipment to the 4th Land Border Regiment of the Lebanese Armed Forces	4,868	31/12/2016	HCWS350 ⁴

² ODA reporting rules are set by the OECD DAC, details of which are here:

<http://www.oecd.org/dac/stats/officialdevelopmentassistance/definitionandcoverage.htm>

³ <http://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Commons/2016-06-29/HCWS48/>

⁴ <http://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Commons/2016-12-13/HCWS350/>

My finance colleagues would be happy to discuss this with you in more detail.

Kind regards,

Sheila Underwood