

Department for International Development

Main Estimate 2015/16

Memorandum to the International Development Committee

Introduction

1. The Department for International Development (DFID) Main Estimate for 2015/16 seeks the necessary resources and cash to support the functions of the Department.
2. The resource and cash requirements set out in the Main Estimate are the most up to date assessment of the Department's requirements. The purpose of this memorandum is to provide the Select Committee with an explanation of how the resources and cash sought in the Main Estimate will be applied to achieve the Department's strategic priorities.
3. The Main Estimate 2015/16 provides for:

Table 1: Main Estimate Provision

Budgetary Limit	Voted Provision	Non-Voted Provision	Total Provision
	£m	£m	£m
Resource DEL	6,735.7	687.4	7,423.2
Capital DEL	2,625.5		2,625.5
Resource AME	279.4		279.4
Capital AME			0.0
Total	9,640.6	687.4	10,328.0
Net Cash Requirement	9,343.2		9,343.2

4. An explanation of key terms used is provided at Annex A.

Key Points - Main Activities and Priorities for the Department

5. DFID continues to support efforts to meet the Millennium Development Goals (MDGs), including in fragile and conflict-affected states. DFID works in particular to deliver essential humanitarian assistance to vulnerable people affected by conflict and disaster; to improve the lives of girls and women through its programmes and its global influence; to stimulate economic growth and create jobs; to supply and protect basic services in health and education; to encourage partner governments to have more open systems of accountability, open economies and open societies; and works internationally to address global problems such as climate change.
6. DFID is at the forefront of work on the post-2015 development agenda, advocating a framework that focuses on finishing the work of the Millennium Development Goals, ending extreme poverty and leaving no one behind. DFID has been working within the international development system to ensure that the new Sustainable Development Goals (SDGs) will be supported by a clear means of implementation that will improve the quality and effectiveness of all development finance and development co-operation.
7. The Government remains committed to the 0.7% ODA:GNI target and in March 2015 The International Development (Official Development Assistance Target) Act 2015 c.12 was passed by Parliament. There are a number of other Government Departments who also spend official development assistance (ODA) and UK contributions to debt relief and EU attribution, which are managed by HM Treasury; all contribute to total UK ODA.
8. DFID provides vital care and support to people in some of the most hostile and poorest places in the world. UK aid goes only where it is most needed and where it will deliver the very best results for taxpayers' money. DFID works with a wide variety of partners from the private sector to NGOs to multilaterals, depending on who can help deliver the best results and value for taxpayers' money in any given situation. DFID also works to influence and encourage the international development community as a whole to work effectively together.
9. The table below sets out the differences between the Department's settlements at Spending Round 2013 (SR13) and the Main Estimate. It shows that total DEL has decreased by 10% since budgets were set at the SR13. This decrease in total DEL is, in the main, a result of budget transfers to other government departments, in particular as part of the new Conflict Stability and Security Fund (CSSF). The budget transfers are described in the paragraphs below.

Table 2: Change in 2015/16 DEL from SR13 Settlement

	SR13 Settlement £m	Main Estimate 2015/16 £m	Increase/ (Decrease) £m	Increase/ (Decrease) %
Admin (incl. depreciation)	112.7	112.5	(0.2)	-0.2%
Front Line Delivery	138.3	138.3	-	0.0%
Programme	7,383.0	7,112.4	(270.6)	-3.7%
CSSF	883.0	59.9	(823.1)	-93.2%
Total Resource DEL	8,517.0	7,423.1	(1,093.9)	-12.8%
Total Capital DEL	2,614.0	2,625.5	11.5	0.4%
Total DEL	11,131.0	10,048.6	(1,082.4)	-9.7%

10. As noted in paragraph 9, the reduction in DFID's DEL budget reflects the net transfer of ODA budget to other government departments. A breakdown of the budget transfers that are being made as part of the 2015/16 Main Estimate is set out in Table 2b below.

Table 2b: Programme Receipts from/ (Transfers to) OGD's

	Resource Programme £m
DEL - Voted Expenditure	
Transfer of programme ODA budget to FCO for ODA eligible activities	-129
Transfer of programme ODA budget to BIS for ODA eligible activities	-90
Transfer of programme ODA budget to DEFRA for ODA eligible activities	-10
Transfer of programme ODA budget to DoH for ODA eligible activities	-10
Transfer of programme ODA budget to HMRC for ODA eligible activities	-4
Transfer of programme ODA budget to HO for ODA eligible activities	-10
Transfer of programme ODA budget to UKTI for ODA eligible activities	-1
Transfer of programme ODA budget to DECC for ODA eligible activities	-17
Total Programme RDEL Receipts/(Transfers)	-270
Transfer of CSSF budget from DFID baseline to FCO	-739
Transfer of CSSF budget from DFID baseline to MOD	-42
Transfer of CSSF budget from DFID baseline to HMT	-25
Transfer of CSSF budget from DFID baseline to NCA	-14
Transfer of CSSF budget from DFID baseline to HO	-2
Transfer of CSSF budget from DFID baseline to CPS	-2
Total Programme RDEL Receipts/(Transfers)	-823
Capital Programme £m	
DEL - Voted Expenditure	
Transfer of programme ODA budget from DECC for ODA eligible ICF programmes	16
Transfer of programme ODA budget to FCO as a result of 1HMG	-4
Transfer of programme ODA budget to BIS to support research activities	-1
Total Programme CDEL Receipts/(Transfers)	11

11. The UK's conflict, stability and security fund (CSSF) launched in April 2015, replacing the DFID, FCO and MOD Conflict Pool with a new fund

under the strategic direction of the National Security Council (NSC). It brings together under one mechanism the UK's contribution to multilateral peacekeeping, security and defence activities, and a larger budget for programmes (ODA and non-ODA) in countries at risk of instability. At SR13 a separate Settlement Letter was issued for the CSSF with the total allocation to the fund being £1,033m across government. £883m of the settlement was held on DFID's baseline, but DFID has retained £60m of this allocation with £823m being transferred across to MoD, FCO, HMT, NCA, HO and CPS as part of the Main Estimate process.

Table 3: Year on Year Changes in DEL

Budgetary Limit	Supplementary Estimate 2014/15	Main Estimate 2015/16	Increase/ (Decrease)	Increase/ (Decrease)
	£m	£m	£m	%
Resource DEL Voted Provision				
Admin (incl. depreciation)	115.2	112.5	(2.7)	-2.3%
Front Line Delivery	138.9	138.3	(0.6)	-0.4%
Programme	6,656.7	6,425.0	(231.7)	-3.5%
CSSF	27.1	59.9	32.8	121.0%
Total Resource DEL Voted	6,937.9	6,735.7	(202.2)	
RDEL Non-voted				
European Union Attributed Aid	458.0	687.4	229.4	50.1%
Total Resource DEL	7,395.9	7,423.1	27.2	0.4%
Capital DEL Voted Provision				
Programme	2,364.9	2,625.5	260.6	11.0%
Capital DEL Non-voted				
N/A	-	-	-	-
Total Capital DEL	2,364.9	2,625.5	260.6	11.0%

12. The 2015/16 Main Estimate figures in table 3 above contain the following ring-fenced provision:

- a. £79m non-ODA within total DEL.
- b. £60m Conflict, Stability and Security Fund within resource DEL.
- c. £18m Depreciation within resource DEL admin.

13. Additionally DFID's five year, £2.4bn International Climate Fund ring-fence will be entering its final year. DFID is on track to complete the five year target of £2.4bn.

14. The department reduced its administration budget from £157.4m in 2010/11 to £112.5m in 2014/15. DFID's 2015/16 administration budget is broadly in line with the 2014/15 budget and the department is still committed to driving efficiencies.

15. In relation to AME our approach to the Main Estimate has been to ensure that we have sufficient budget to cover the uncertainty inherent in our requirements, based on current assumptions. The Supplementary

Estimate will provide a further opportunity to review assumptions and revise DFID's 2015/16 AME requirement, if necessary.

Table 4: Year on Year Changes in AME

Budgetary Limit	Supplementary Estimate 2014/15 £m	Main Estimate 2015/16 £m	Increase/ (Decrease) £m	Increase/ (Decrease) %
Resource AME Voted				
Programme	215.9	279.4	63.5	29.4%
Resource AME Non-voted				
N/A	-	-	-	-
Total Resource AME	215.9	279.4	63.5	29.4%
Capital AME Voted Provision				
Programme	-	-	-	-
Capital AME Non-voted				
N/A	-	-	-	-
Total Capital AME	-	-	-	-
Total AME	215.9	279.4	63.5	29.4%

Detailed Breakdown

16. Table 5 below sets out how we expect resources to be spent across the organisation in 2015/16 alongside the 2014/15 Supplementary Estimate. This illustrates that DFID will continue to spend most of its resources through Regional Programming and Policy Priorities, International Organisations and Humanitarian. It also shows higher level of contingency in centrally managed programmes and the increase in CSSF funding, previously "Conflict Pool", in 2014/15

Table 5: Year on Year Detailed Changes in Programme Resource DEL

	2014/15 Supplementary Estimate Net Resource	2015/16 Main Estimate Net Resource	Increase/ (Decrease) in Net Resource	Increase/ (Decrease) in Net Resource
	Programme £m	Programme £m	Programme £m	Programme
DEL - Voted Expenditure				
CSC (NDPB) (net) scholarship relating to developing countries	27.3	20.2	-7.1	-26.1%
Total Operating Costs	234.4	248.8	14.4	6.1%
Independent Commission for Aid Impact (NDPB) (net)	4.3	3.3	-0.9	-21.9%
Conflict, Stability and Security Fund	0.0	59.9	59.9	0.0%
Regional Programmes	0.0	3,284.4	3,284.4	0.0%
Other Central Programmes	0.0	268.4	268.4	0.0%
Policy Priorities, International Organisations and Humanitarian	0.0	2,850.8	2,850.8	0.0%
Wealth Creation	498.9	0.0	-498.9	-100.0%
Climate Change	376.1	0.0	-376.1	-100.0%
Governance and Security	603.5	0.0	-603.5	-100.0%
Direct Delivery of MDGs	3,927.6	0.0	-3,927.6	-100.0%
Central Programmes	20.8	0.0	-20.8	-100.0%
Global Partnerships	1,218.0	0.0	-1,218.0	-100.0%
Joint Conflict Pool	27.1	0.0	-27.1	-100.0%
DEL - Non-voted Expenditure				
Eur. Union Attributed Aid	458.0	687.4	229.4	50.1%
Total	7,395.9	7,423.2	27.3	

17. From 2015/16 DFID will breakdown its Estimate by organisational structure rather than the thematic approach in 2014/15. This reflects comments from the International Development Select Committee in relation to previous memoranda and Annual Reports. Presentationally this change has resulted in large variances within estimate lines as we are not allowed to restate the prior year's Estimate to the new structure. Tables 5, 6 and 7 are set out as they will be presented in the Main Estimate

18. The organisational estimates are based on the current resource budgets that have been allocated to Directors General. Due to the dynamic nature of DFID's portfolio it is likely that there may be adjustments made through the year. These will be adjusted in the Supplementary Estimate as necessary.

19. There is a net increase of £261m within Capital DEL from 2014/15, with the largest increase within Policy Priorities, International Organisations and Humanitarian, reflecting the Department's increased focus on economic development activities.

Table 6: Year on Year Detailed Changes in Programme Capital DEL

	2014/15 Supplementary Estimate Net Capital	2015/16 Main Estimate Net Resource	Increase/ (Decrease) in Net Capital	Increase/ (Decrease) in Net Capital
	Programme £m	Programme £m	Programme £m	Programme
DEL - Voted Expenditure				
Regional Programmes	0.0	452.0	452.0	0.0%
Other Central Programmes	0.0	33.5	33.5	0.0%
Policy Priorities, International Organisations and Humanitarian	0.0	2,140.0	2,140.0	0.0%
Wealth Creation	294.1	0.0	-294.1	
Climate Change	204.6	0.0	-204.6	
Governance and Security	5.7	0.0	-5.7	
Direct Delivery of MDGs	129.2	0.0	-129.2	
Global Partnerships	1,731.3	0.0	-1,731.3	
Total	2,364.9	2,625.5	260.6	

20. The Department is seeking an AME budget of £279m for 2015/16. Most of DFID's AME requirement reflects the anticipated growth in DFID's balance sheet provisions, including on International Finance Facility for Immunisation and Advance Market Commitment. Provisions have been made for accounting revaluations of loans and expected debt relief via the AME budget.

Table 7 Year on Year Detailed Changes in Resource AME

	2014/15 Supplementary Estimate Net Capital	2015/16 Main Estimate Net Resource	Increase/ (Decrease) in Net Resource	Increase/ (Decrease) in Net Resource
	Programme £m	Programme £m	Programme £m	Programme
AME - Voted Expenditure				
Regional Programmes	0.0	-1.1	-1.1	0.0%
Other Central Programmes	0.0	280.5	280.5	0.0%
Wealth Creation	-0.9	0.0	0.9	
Direct Delivery of MDGs	187.1	0.0	-187.1	
Total Operating Costs	-1.2	0.0	1.2	
Central Programmes	30.9	0.0	-30.9	
Total	215.9	279.4	63.5	

21. Within the Main Estimate DFID has provision for contingent liabilities equating to £12.1bn, £923m more than the 2014/15 Supplementary Estimate due to an increase in the value of our contingent liability commitment to the callable element of capital subscriptions to International Financial Institutions.

22. As Departmental Accounting Officer for DFID, I Mark Lowcock, approve the material contained in this memorandum.

Superannuation Account Memorandum

Overseas Superannuation Account Memorandum

MEMORANDUM ON DEPARTMENT FOR INTERNATIONAL DEVELOPMENT: OVERSEAS SUPERANNUATION – MAIN ESTIMATE 2015-16

Introduction

The Estimate covers the payments of pensions and grants under various superannuation schemes relating to service overseas by former colonial public servants.

The resource provision within the Estimate is for the interest cost arising during the year. The interest rate is charged on opening discounted provision for future pension payments adjusted for pension payments made in year. All schemes are closed and have no active members. Therefore there is no resource provision for current service costs.

The cash requirement within the Estimate is for the reduction in liabilities reflecting payment of each member's annual pension entitlement.

Summary of changes in Departmental spending plans

The Main Estimate seeks provision for 2015-16 of:

Total net resource requirement	£36.5 million
Net cash requirement	£82.0 million

The decrease of £10.1 million in net resource requirement in the 2015-16 Main Estimate compared with the 2014-15 Main Estimate is the result of the decrease in the discounting rate (4.35% to 3.55%) as set by HM Treasury. The cash requirement within the Estimate is for the reduction in liabilities reflecting payment of each member's annual pension entitlement. The net cash requirement for 2015-16 is £82m, £4m lower than 2014-15 reflecting an anticipated reduction in annual pension payments.

The value of the liabilities is obtained by discounting the expected total pension payments, allowing for assumed mortality, back to current prices. The interest cost for 2014-15 is calculated on an interest rate set by HM Treasury, available at the time, and liabilities based on market yields supplied by the actuary.

Any revisions to these assumptions during the year will be reflected in the Supplementary Estimate process.