

# Main Estimates memorandum (2019-20) for Department for International Development

## 1 Overview

### 1.1 Objectives

The Department for International Development's (DFID) objectives, as set out in its published Single Departmental Plan<sup>1</sup>, are as follows:

1. Strengthen global peace, security and governance
2. Strengthen resilience and response to crisis
3. Promote global prosperity
4. Tackle extreme poverty and help the world's most vulnerable
5. Deliver value for money and efficiency

### 1.2 Spending controls

DFID'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**") - money that is spent on resource and administration costs
- Capital Departmental Expenditure Limit ("**Capital DEL**") - money that is spent on investments and assets to create growth in the future for either the UK or our partner governments.
- Resource Annually Managed Expenditure ("**Resource AME**") - annually managed expenditure, for spending that is considered difficult to control within fixed budgets due to its size or volatility
- Capital Annually Managed Expenditure ("**Capital AME**") - annually managed capital expenditure. Government budgeting rules require DFID to record capital injections in DFID's wholly owned self-financing public corporation, CDC Group plc (CDC), as Capital AME.

In addition, Parliament votes a net cash requirement, designed to cover the elements of the above budgets which require DFID to pay out cash in year.

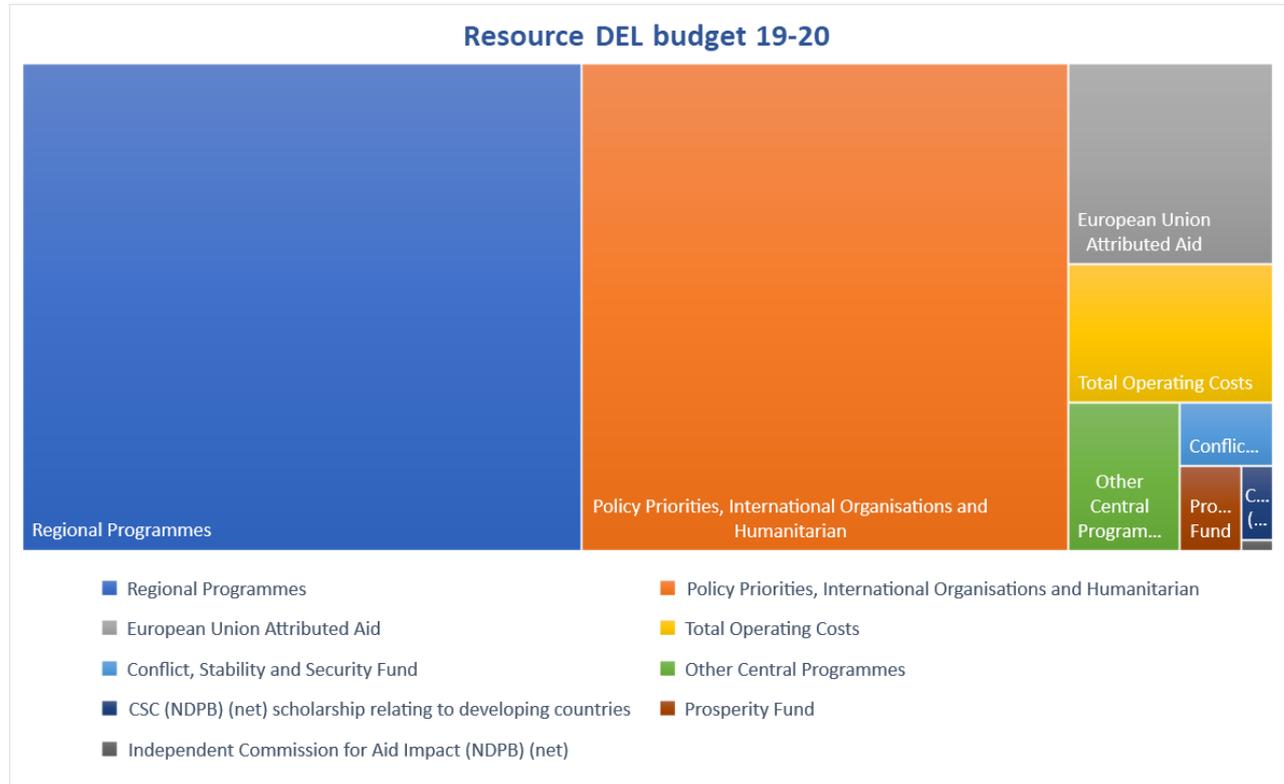
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<sup>1</sup> [www.gov.uk/government/publications/department-for-international-development-single-departmental-plan](http://www.gov.uk/government/publications/department-for-international-development-single-departmental-plan)

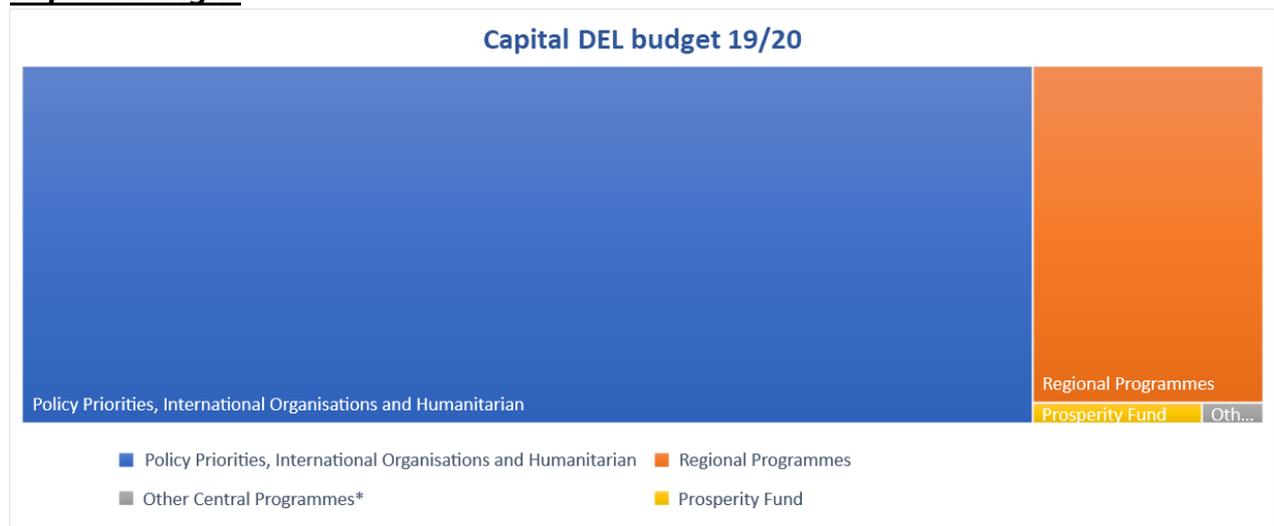
### 1.3 Main areas of spending

The graphic below shows the main components of DFID’s proposed budget for the current year, after taking account of the latest Main Estimate, and the proportions of funds spent on its main activities.

#### Resource DEL



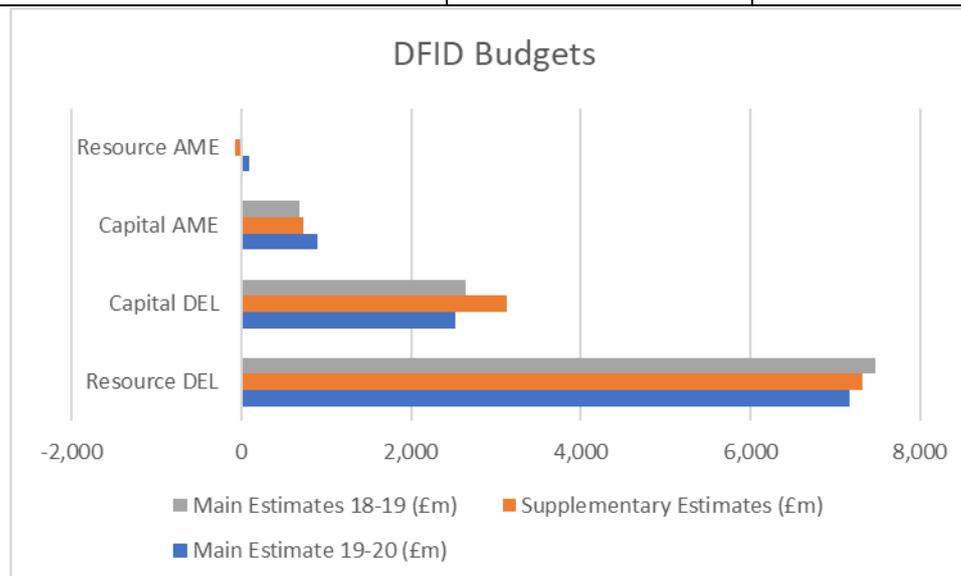
#### Capital Budget



## 1.4 Comparison of spending totals sought

The table and graphic below show how the main estimate totals sought for DFID compare with last year:

Spending Total amounts sought this year		Supplementary Estimate 18-19		Main Estimate 18-19	
Budget Type	Main Estimate 19-	Change (£m)	% Change	Change (£m)	% Change
Resource DEL	7,177	-148.6	-2.0%	-302.9	-4.0%
Capital DEL	2,527	-601.7	-19.2%	-125.1	-4.7%
Capital AME	897	161.0	21.9%	214.0	31.3%
Resource AME	95	169.1	-226.8%	94.5	100.0%



## 1.5 Key drivers of spending changes since last year

The main causes of the changes are:

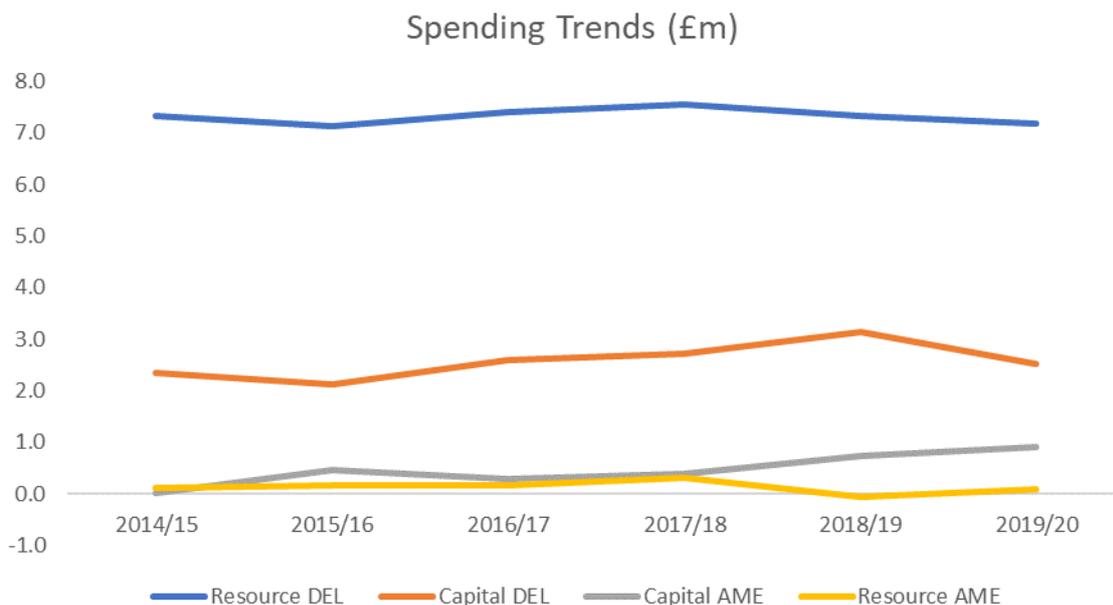
- DFID's RDEL budget has reduced as ODA budget transfers to Other Government Departments (OGDs) has increased from £2.2b in 2018-19 to £2.6b in 2019-20.
- CDEL increased at 2018-19 Supplementary Estimates commensurate with increased GNI and transfers into DFID from OGDs.
- DFID's Capital AME budget has increased in line with increased capital injections into CDC.

## 1.6 New policies and programmes; ambit changes

The Government Equalities Office and its Arm's Length Body (ALB) Equality and Human Rights Commission moved from DFID to Cabinet Office with effect 1<sup>st</sup> April 2019.

## 1.7 Spending trends

The charts below show overall spending trends for the last five years and plans presented in Estimates for 2019-20.



- Resource DEL has remained broadly stable in the past 5 years peaking in 2017-18 where additional budget received at Supplementary Estimates for ODA delivery was received as RDEL budget. The 2019-20 requirement has reduced because of increased ODA transfers to OGDs.
- Capital DEL budget has increased steadily year on year to 2017-18 as DFID's financial transactions ring-fenced budget has increased over the period. Capital DEL expenditure increased during 2018-19 as DFID's share of 2018 ODA spend increased and delivered through capital programming.
- 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 DFID's wholly owned self-financing public corporation, CDC Group plc (CDC). Capital injections into CDC contributes towards DFID's financial transactions target.

## 1.8 Administration costs and efficiency plans

- DFID is on track to make almost £500 million in efficiency savings by 2019-20, higher than the £400m target set in the 2015 Spending Review. The department's overall administration spend has decreased as a percentage of Total DEL from 1.58% (£123 million) in 2011-12 to 0.97% (£100 million) in 2017-18. This represents a reduction of 17%.

## 2. Spending detail

### 2.1 Explanations of changes in spending

#### Resource DEL

The table below shows how DFID's spending plans for Resource DEL compare with last year. Resource DEL budget has decreased by £112.6m.

Subheads	Description	Resource DEL					note number
		£ million					
		19-20 Main Estimate	18-19 Supp Estimate	change from last year			
£	%						
A	CSC (ALB) (net) scholarship relating to developing countries	27.3	26.4	0.9	3.3%		
B	Total Operating Costs	337.8	317.2	20.6	6.5%		
C	Independent Commission for Aid Impact (ALB) (net)	3.8	3.1	0.7	23.5%		
D	Conflict, Stability and Security Fund	68.1	124.1	-56.0	-45.1%	1	
E	Regional Programmes	3,200.7	3,563.7	-363.0	-10.2%		
F	Other Central Programmes	204.4	8.6	195.8	2289.7%	2	
G	Policy Priorities, International Organisations and Humanitarian	2,790.4	2,718.4	72.0	2.7%		
H	Prosperity Fund	61.0	10.3	50.7	492.2%	3	
<b>Non-Voted Expenditure</b>							
<i>Of which:</i>							
K	European Union Attributed Aid	483.0	513.0	-30.0	-5.8%	4	
<b>total voted and non voted spending in Annually Managed Expenditure (AME)</b>		<b>7,176.5</b>	<b>7,284.8</b>	<b>-108.3</b>	<b>-1.5%</b>		
<b>Voted expenditure</b>							
<i>Of which:</i>							
L	Other Central Programmes	94.5	-74.5	169.0	-100.0%	5	
M	Policy Priorities, International Organisations and Humanitarian						
<b>Total Spending in AME</b>		<b>94.5</b>	<b>-74.5</b>	<b>169.0</b>	<b>-100.0%</b>		
<b>Total for Estimate</b>		<b>7,271.0</b>	<b>7,210.3</b>	<b>60.7</b>	<b>0.8%</b>		

Differences of more than 10% which are more than £10 million are explained below. Numbers relate to the relevant row in the table above. Further detail of spending within these totals is given in supplementary Table 1.

- 1. Conflict Stability and Security Fund** – DFID's allocation from the cross-government fund has reduced since last year's final position. DFID received additional CSSF budget at last year's supplementary estimates process.
- 2. Other Central Programmes** - Central Programmes holds the £200m re-deployable crisis reserve budget. The budget is allocated to Regional Programmes as and when crisis occur. At supplementary estimates 2018-19 a small balance remained to be allocated.
- 3. Prosperity Fund** - Prosperity Fund budget has increased as DFID's programming eligible for Prosperity funding increased in 2019-20. DFID is currently holding £6m of Prosperity Fund budget that is to be re-allocated at 2019-20 Supplementary Estimates.
- 4. European Union Attributed Aid** – The budget DFID required for its share of the EU Attributed Aid is estimated to reduce by £30m from last year's Supplementary Estimates. Forecasts for all DFID expenditure are reviewed regularly and subsequently adjusted through the estimates process. The change in the EU Attributed Aid budget is a result of changes in EU disbursements and currency fluctuations.

## Resource AME

5. **Other Central Programmes** - The net Resource AME requirement of £94.5m includes potential reductions in the value of DFID's Development Capital Investment (DCI) portfolio generated by a required change in accounting treatment, partially offset by declines in the other requirements that become clear during the year.

## Capital DEL

The table below shows how spending plans for Capital DEL compare with the 2018-19 Supplementary estimate. Capital DEL budget has reduced by £601.2m

Subheads	Description	Capital DEL					see note number
		£ million					
		19-20 Main Estimate	18-19 Supp Estimate	change from last year			
		£	%				
A	CSC (ALB) (net) scholarship relating to developing countries						
B	Total Operating Costs						
C	Independent Commission for Aid Impact (ALB) (net)						
D	Conflict, Stability and Security Fund		0.5	-0.5	100.0%		
E	Regional Programmes	442.0	498.9	-56.9	-11.4%	6	
F	Other Central Programmes	7.2	92.5	-85.3	-92.2%	7	
G	Policy Priorities, International Organisations and Humanitarian	2,057.6	2,500.7	-443.1	-17.7%	8	
H	Prosperity Fund	20.0	35.4	-15.4	100.0%		
<b>Non-Voted Expenditure</b>							
<i>Of which:</i>							
K	European Union Attributed Aid	0.0	0.0	0.0	0.0%		
<b>total voted and non voted spending in Annually Managed Expenditure (AME)</b>		<b>2,526.8</b>	<b>3,128.0</b>	<b>-601.2</b>	<b>-19.2%</b>		
<b>Voted expenditure</b>							
<i>Of which:</i>							
L	Other Central Programmes	0.0	0.0	0.0	0.0%		
m	Policy Priorities, International Organisations and Humanitarian	897.0	736.0	161.0	21.9%	9	
<b>Total Spending in AME</b>		<b>897.0</b>	<b>736.0</b>	<b>161.0</b>	<b>21.9%</b>		
<b>Total for Estimate</b>		<b>3,423.8</b>	<b>3,864.0</b>	<b>-440.2</b>	<b>2.7%</b>		

Differences of more than 10% which are more than £10 million are explained below.

6. **Regional Programmes** - Capital DEL spending plans have reduced in Regional Programmes since last year due to reductions in Capital Programming in 2019-20 and programme reclassifications.
7. **Other Central Programmes** – Budget at 2018-19 Supplementary estimates was held centrally before being internally transferred to Policy Priorities, International Organisations and Humanitarian. Central Programmes retains a small capital budget at the start of the financial year in relation to administration capital.
8. **Policy Priorities, International Organisations and Humanitarian** – To aid delivery of ODA 2018, DFID required programming in this area to be reprofiled resulting in an increase in 2018-19 Capital DEL requirement. In 2019-20, an increasing portion of the financial transactions target is delivered through Capital AME resulting in a higher transfer to Capital AME than in 2018-19.

## Capital AME

9. **Policy Priorities, International Organisations and Humanitarian** – Increased capital injection to DFID's wholly owned self-financing public corporation, CDC Group plc (CDC), has increased DFID's 2019-20 Capital AME requirement.

## **2.2 Ring fenced budgets**

*Within the totals, the following elements are ring fenced i.e. savings in these budgets may not be used to fund pressures on other budgets*

Ring Fenced Budgets	19-20 Main Estimates (£m)	18-19 Supplementary Estimates (£m)	Change (£m)	% Change
Financial Transactions	1,020.0	760.0	260.0	34.2%
International Climate Fund	601.0	820.0	-172.0	-21.0%

The Financial Transactions ringfence remains as set out in the SR 15 settlement letter. DFID will deliver the ringfence through Capital AME and Capital DEL activities. DFID's International Climate Fund ringfence has reduced from the SR 15 settlement letter (£648m). The target is now a cumulative target across the SR rather than financial year specific. DFID delivered above its original target in 2018-19 resulting in a reduction in the 2019-20 requirement.

## **2.3 Changes to contingent liabilities**

As a result of the Machinery of Government change, a Contingent Liability in relation to the Equality and Human Rights Commission has transferred from DFID to Cabinet Office. A contingent liability has been added in respect of a Guarantee to cover External Action ODA funding to UK organisations (if funding is cut by the EU in the event of a No deal Brexit). The value of this Guarantee is thought to be in the region of £65m to £120m.

## **3 Priorities and Performance**

DFID delivers the objectives set out in the Single Departmental Plan (SDP) across its business units (subhead groups on the Estimate). DFID will report its latest performance against the SDP in the Department's 2018-19 Annual Report. Supplementary Table 2 provides details of DFID's SDP performance in 2017-18.

## **4. Accounting Officer Approval**

As the Departmental Accounting Officer, I approve this Estimates Memorandum. I can confirm this has been prepared in line with the requirements and guidance as set out by the House of Commons Scrutiny Unit.

Matthew Rycroft  
Accounting Officer  
Permanent Secretary  
Department for International Development  
29 April 2019



## Overseas Superannuation Account Memorandum

### 2019-20 Main Estimate – Overseas Superannuation Account

1. The resource costs within the Superannuation Estimate totalling **£21.8m** (2018-19: £57.9m) are classified as Resource Annually Managed Expenditure (AME). These include:
  - £21.5m (2018-19: £22.5m) - **interest costs** arising during the year relating to the discounted provision for future pension payments. This is a reduction of £1.0m from 2018-19 primarily due to a reduction in the overall liability as a result of actuarial adjustments and pension payments made, offset by an increase in the interest rate from 2.55% to 2.90%.
  - £0.3m (2018-19: £0.2m) – the cost of **expected credit losses** in relation to Overseas Superannuation debtors, required to be recognised under accounting standard IFRS 9 ‘Financial Instruments’.
  - In 2018-19 we increased the Resource AME estimate by £35.2m to recognise the cost of the remaining liability associated with the pensions paid on behalf of the British Government as a result of the Trilateral Agreement between the Governments of the UK, Spain and Gibraltar, which was reached in **Cordoba** in 2006. We do not need this in 2019-20.
2. The schemes are closed with very few active members, and as allowance has already been made for such members’ full service, there is no resource provision for current service costs.
3. The net cash requirement within the Estimate reflects the expected 2019-20 pension payments. The Estimate includes a net cash requirement for 2019-20 of £59.0m. This is a reduction of £6.3m from 2018-19 reflecting an anticipated reduction in the number of pension payments under existing schemes in 2019-20, partially offset by pension increases (2.4% CPI / 3.3% RPI).