



Department for
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Our ref:
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16th April 2018

Dear Angus,

MAIN ESTIMATE 2018-19: Explanatory Memorandum

Please find attached the Explanatory Memorandum from the Department for International Trade in relation to the Main Estimate 2018-19. My Department would of course be happy to answer any questions you may have about the Estimate.

Yours Sincerely,


THE RT HON DR LIAM FOX MP
Secretary of State, Department for International Trade
& President of the Board of Trade

Department for International Trade

Explanatory Memorandum to the Main Estimate 2018-19

1.0 Introduction

The Main Estimate 2018-19 is the annual process through which the Department for International Trade agrees with HM Treasury the resource and cash requirements to support its functions, before Parliament is asked formally to ratify changes for this financial year.

The purpose of this Memorandum is to provide the Select Committee with an explanation of how the resources in the Main Estimate will be applied to achieve the Department's objectives.

A glossary of terms used in the Memorandum is provided at Annex A.

Departmental Activities Supported by Provision

DIT was established in 2016 to promote British trade across the world. It has responsibility for developing, coordinating and delivering new trade policy across the globe; developing and negotiating trade and market access deals with non-EU countries; negotiating plurilateral trade agreements; supporting the UK's WTO membership and representation; promoting exports; and facilitating inward and outward investment.

DIT works to secure UK prosperity, stability and security through:

- Supporting and encouraging UK businesses to drive sustainable export growth;
- Ensuring the UK is recognised as the best place to invest and to attract, retain and grow international investment that strengthens the economy;
- Opening markets, building a trade framework with new and existing partners which is free and fair;
- Using trade and investment to underpin the Government's agenda for a global Britain and its ambitions for prosperity, stability and security worldwide, including via the GREAT campaign.

3.0 Overview of Changes in Main Estimate

The following section sets out the reasons for changes made in the Main Estimate.

Table 2: Detailed changes to Total Managed Expenditure

Budgetary Control £m	Existing 2018-19 Control Total	Changes		note
		Budget Cover Transfer	New 2018-19 Main Estimate	
Resource DEL Administration	68.53	-0.50	68.03	
<i>Transfer to ONS - Trade Development Programme</i>		-0.50		3.1
Resource DEL Programme	269.35	16.76	286.11	
<i>Transfer from FCO – Partners Across Partners (PAG) Platform Charges</i>		8.89		3.2
<i>Transfer from Cabinet Office - GREAT Campaign</i>		2.00		3.3
<i>Transfer from BEIS - GREAT Campaign</i>		7.25		3.3
<i>Transfer to UKEF - GREAT Campaign</i>		-1.30		3.3
<i>Transfer to MoD - Typhoon Team</i>		-0.42		3.4
<i>Transfer from MoD - Military Pensions</i>		0.34		3.5
Capital DEL	3.93	-0.43	3.50	
<i>Transfer to Cabinet Office - Windsor House Refurbishment</i>		-1.13		3.6
<i>Transfer from BEIS - Education Sector Team</i>		0.70		3.7
Total DEL	341.81	15.83	357.64	
Resource AME	3.00	0.00	3.00	
Total Managed Expenditure*	344.81	15.83	360.64	

*Depreciation is included within Total Managed Expenditure

Resource DEL Administration

3.1 Transfer to ONS - Trade Development Programme

DIT will transfer £0.50m to the Office of National Statistics (ONS) so that ONS can improve the provision of trade statistics to meet the needs of DIT through their dedicated Trade Development Programme.

2.0 Executive Summary

The Main Estimate 2018-19 reflects movements in our budgets against the existing control totals.

There is a net decrease of £0.5m in Resource DEL Administration, a net increase of £16.76m in Resource DEL Programme and a net decrease of £0.43m in Capital DEL. There is no change to Annually Managed Expenditure (AME).

Table 1, below, shows the net changes of £15.83m required in the Main Estimate against the existing control total. The main changes relate to adjustments in funding for Partners Across Government (PAG) platform charges (these are charges from the Foreign and Commonwealth Office comprising of overheads for buildings, rent and maintenance) and contributions to and from the GREAT campaign.

Table 1: Net Changes to Total Managed Expenditure

Budgetary Control £m	Existing 2018-19 Control Total	New 2018-19 Main Estimate	Variance
Resource DEL Administration	68.53	68.03	-0.50
Resource DEL Programme	269.35	286.11	16.76
Capital DEL	3.93	3.50	-0.43
Total DEL	341.81	357.64	15.83
Resource AME	3.00	3.00	0.00
Total Managed Expenditure*	344.81	360.64	15.83

*Depreciation is included within Total Managed Expenditure

The Department's revised Net Cash Requirement for 2018-19 is £439.14m.

Resource DEL Programme

3.2 Transfer from FCO - Partners Across Government (PAG) platform charges

The Foreign and Commonwealth Office (FCO) operates the One HMG Platform, charging PAGs who reside on this overseas platform. These charges include office and residential rents, maintenance and overhead charges. Each year the FCO reviews the charges to PAGs. The charge has been frozen for two years (2016-17 and 2017-18) and was based on 2015-16 costings. £8.89m will transfer in 2018-19 to DIT from the FCO. The main reasons for this transfer are changes in the methodology within the FCO's costing model and other large movements of staff on/off the platform by different partners. The Department is compensated for both through this transfer of budget at the Main Estimate to ensure these changes have a net neutral effect overall on DIT's budget.

3.3 Transfer from and to various departments for the GREAT Campaign

Following the machinery of government changes, DIT became responsible for the oversight of the GREAT campaign. £9.95m of GREAT funding is included within the DIT baseline. Within this Main Estimate, DIT will request an £7.95m net increase for delivery of the GREAT programme (£7.25m from BEIS, and £2.0m from Cabinet Office), and will transfer £1.3m of GREAT funding to UKEF.

Table 3: Breakdown of GREAT Campaign Funding

GREAT Campaign	Baseline	Main Estimate Transfers
DIT	9.95	
BEIS		7.25
Cabinet Office		2.00
UKEF		-1.30
Total	9.95	7.95

3.4 Transfer to MoD - Typhoon team

£0.42m will transfer to the Ministry of Defence (MoD) in respect of the Typhoon export sales campaign support, delivered by MoD on DIT's behalf. Agreement was reached in 2016 for the amount to be transferred in each year of this Spending Review.

3.5 Transfer from MoD - Military pensions

This is a £0.34m transfer from the MoD to reflect the enhanced pension contribution paid to military staff currently seconded to work in DIT to support defence export campaigns.

Capital DEL

3.6 Transfer to Cabinet Office - Windsor House refurbishment

DIT has expanded over the past 18 months, outgrowing its current estate (largely at 3 Whitehall Place/55 Whitehall). £1.13m will transfer to Cabinet Office in relation to the refurbishment of new estate at Windsor House. This is an expected payment under the terms of the Windsor House agreement with the Government Property Agency. Funding for the move, from EU Exit funds, was agreed with HM Treasury.

3.7 Transfer from BEIS - Education sector team transfer

There is a £0.70m transfer from BEIS as a contribution to DIT’s specialist education sector team. The historical arrangement between BIS and UKTI was that BIS would contribute 50% of all costs incurred. However, after DIT was formed, agreement was reached that, going forward, a contribution of £0.70m per year would be provided to DIT by BEIS.

4.0 Ministerial Direction: Trade Remedies Authority (TRA)

Table 4: Anticipated TRA expenditure in advance of the passage of legislation

Section in Part II: Subhead Detail	Service	£m
DEL - A	UK Trade Remedies Authority (TRA): estimated spend prior to Royal Assent of the Trade Bill	8.90

The Trade Remedies Authority (TRA), once established, will be the UK body responsible for conducting investigations and making recommendations for the imposition of trade remedies measures. Trade remedies measures are crucial to ensuring an effective rules-based system for international trade. The Trade Bill establishes the powers needed to operate the TRA and is currently progressing through Parliament. Vital work must be undertaken before the Bill is complete, to ensure the TRA is established by the time the UK leaves the EU. A technical Ministerial Direction has been issued to authorise up to £8.9m expenditure while the Bill progresses.

<https://www.gov.uk/government/publications/trade-remedies-authority-tra-dit-ministerial-direction>

5.0 Changes to International Financial Reporting Standards

The following International Financial Reporting Standards (IFRS) are expected to be adopted by the FReM for 2018-19.

IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and Measurement. The Department does not have any financial instruments that are impacted by this change.

IFRS 15 Revenue from Contracts with Customers will replace IAS 18 Revenue and IAS 11 Construction Contracts. The change will merge the two previous standards into a single model to recognise revenue once performance obligations under a contract are satisfied. The Department is looking at the implications of this change and an update will be provided at the Supplementary Estimates in January 2019.

6.0 Contingent Liabilities

A contingent liability is a potential liability that may occur, depending on the outcome of an uncertain future event. The following contingent liabilities are included in our Main Estimate 2018-19.

Table 5: Breakdown of Contingent Liabilities

Nature of liability	£m
<u>Common Fund for Commodities (CFC)</u> Promissory Notes to procure additional share capital on request by the fund.	2.24
<u>CFC</u> Liability to purchase notional shares on request by the fund.	1.96

The CFC is an autonomous intergovernmental financial institution established in 1989 within the framework of the United Nations. In 2015 there were 112 parties to the Agreement which created the fund. This total includes 102 UN member states plus 10 institutions. Total paid in share capital was approximately £84m. The fund has supported projects ranging from improving export diversification, to increasing productivity and access to markets.

DIT inherited an agreement from UKTI to purchase £4.48m worth of share capital in the Fund (£2.24m in cash, the other £2.24m in Promissory Notes to be redeemed on request by the Fund). DIT also has additional notional shares amounting to £1.96m which the CFC can call upon. Our continued membership of the CFC therefore places a contingent liability on DIT to provide the CFC £4.2m (£2.24m + £1.96m). DIT will undertake a review of our treatment of this contingent liability.

7.0 Ambit

The Ambit is a formal summary of the Department's scope, responsibilities and powers. The Ambit for the Department is attached in Annex C. The inclusion of Official Development Assistance within the Ambit was approved by HMT at the Main Estimates 2017-18.

8.0 Approval of Memorandum

This memorandum has been prepared with reference to guidance in *Supply Estimates: a guidance manual* provided by HM Treasury. The information in this memorandum has been approved by the Department Accounting Officer, Antonia Romeo.

List of Annexes

Annex A: Glossary of Key Terms

Annex B: Summary Table of Breakdown of Increases and Decreases

Annex C: Ambit

Annex A: Glossary of Key Terms

Source: Supply Estimates guidance manual

Accounting Officer - A person appointed by the Treasury or designated by a department to be accountable for the operations of an organisation and the preparation of its accounts. The appointee is, by convention, usually the head of a department or other organization, or the Chief Executive of a non-departmental public body (NDPB).

Accounts - A report of income and expenditure outturn for a particular year. Produced on an accruals basis, in line with the Financial Reporting Manual (FRM).

Administration Budget - A Treasury control on resources consumed directly by departments and agencies/NDPBs that forms part of the Departmental Expenditure Limit (DEL). Includes things such as staff costs, accommodation, etc, where they are not directly associated with frontline service delivery.

Ambit - The ambits are set out in Part I of the departmental Estimate. Separate ambits are required for both expenditure and income in each budgetary category included in the Estimate (DEL, AME and non-budget). The ambit describes the activities for which provision sought in the Estimate will be used.

Annuality - The concept that provision and spending authority applies to the year to which it relates and cannot be carried forward to the next financial year.

Annually Managed Expenditure (AME) - AME is spending included in Total Managed Expenditure (TME), which does not fall within Departmental Expenditure Limits (DELs). Expenditure in AME is generally less predictable and controllable than expenditure in DEL.

Arm's length body (ALB) - An NDPB, company in which the department has a significant shareholding, or other sponsored body.

(The) Budget - The Chancellor's annual statement to Parliament on the economy and the public finances.

Budgetary controls - The means by which government plans and controls expenditure to meet its objectives.

Capital grant - (See "Grant" below). In account, a capital grant scores as resource spending but in budgetary terms it scores as capital because an asset is created within the economy.

Capital income or expenditure - Related to the purchase or sale of assets. The value must usually be above a certain capitalisation threshold and the asset must be expected to be used for a period of at least one year. It includes the purchase of buildings, equipment and land. The threshold is set by each body: items valued below it are not counted as capital assets, even if they do have a productive life of more than one year.

Central government body - Departments and their executive agencies, non-departmental public bodies, and NHS health authorities and boards. The Office for National Statistics determine which bodies are classified to central government.

Comptroller and Auditor General (C&AG) - The head of the National Audit Office, appointed by the Crown, and an Officer of the House of Commons. As Comptroller, the C&AG's duties are to authorise the issue by the Treasury of public funds from the Consolidated Fund and National Loans Fund to government departments and others; as Auditor General, the C&AG certifies the accounts of all government departments and some other public bodies and carries out value-for-money examinations.

Consolidated Fund - The Government's current account, operated by the Treasury, through which pass most government payments and receipts.

Consolidated Fund Extra Receipt (CFER) - Income, or related cash, that passes through a department's accounts but may not be retained by the department and is surrendered to the Consolidated Fund.

Consolidated Fund Standing Service - Payment for a service which Parliament has decided, by statute, should be met directly from the Consolidated Fund rather than being voted annually by Parliament.

Consolidated Online Information System (COINS) database - A Treasury database holding public expenditure data (plans and outturn) for a number of years.

Contingencies Fund - A government fund enabling the Treasury to make repayable cash advances to departments for new or existing urgent services that cannot await the voting of funds under the normal Supply procedure, in anticipation of the necessary parliamentary approval.

Contingent Liability - Potential liability that is uncertain but recognises that future expenditure may arise if certain conditions are met or certain events happen.

Departmental Expenditure Limit (DEL) - A Treasury budgetary control. DEL spending forms part of Total Managed Expenditure (TME) and includes that expenditure which is generally within the departments control and can be managed with fixed multi-year limits. Some elements may be largely demand led. There is a small DEL Reserve from which the Treasury may support unavoidable costs that cannot be absorbed within the existing limit.

Departmental Unallocated Provision (DUP) - An element of a department's total DEL that is not allocated to particular spending but held back by the department to meet any future unforeseen pressures.

Depreciation - A measure of the wearing out, consumption or other reduction in the useful life of a fixed asset whether arising from use, passage of time or obsolescence through technological or market changes.

Devolved Administration - The administrations established in Scotland, Wales and Northern Ireland in 1998. They are responsible for devolved public services and policies.

Estimate - A statement of how much money the government needs in the coming financial year, and for what purpose(s), by which parliamentary authority is sought for the planned level of expenditure by a government department.

Estimates Memorandum - An explanation of how provision sought in the Estimate is intended to be used and the relationship with other spending controls. Primarily provided for the departmental select committee but made freely available online.

Excess Vote - The means by which excess expenditure, or otherwise unauthorised expenditure, of cash, capital or resources, is regularised through an additional vote by Parliament.

Executive Agency - A body established to undertake the executive functions of government, as distinct from policy advice. They are within central government and can be departments in their own right or a part of a department.

Financial Memorandum - A document setting out the key principles of strategic control framework accountability for an arms-length body.

Financial Reporting Manual (FReM) - A technical guide for producing the accounts of public bodies.

Generally Accepted Accounting Practice (UK GAAP) - The name given to the UK's main commercial accounting principles. Adapted as necessary for use by the public sector as outlined in the Financial Reporting Manual (FReM).

Government Resources and Accounts Act 2000 - Legislation that includes statutory powers required for the implementation of resource-based accounts and Estimates.

Grant - Payment made by a department, or other public body, to outside bodies to reimburse expenditure on agreed items or functions, and often paid only on statutory conditions being met. May be made for resource or for capital purposes.

Grant in Aid - Financing payment made by a department to an NDPB or other arms length body.

International Financial Reporting Standards (IFRS) - International accounting standards, adopted by government and reflected in UK GAAP.

Main Estimate - The means through which departments seek parliamentary approval for their spending plans for the year ahead. Presented to Parliament within five weeks of the Budget Statement.

Managing Public Money - A publication produced by the Treasury which is concerned with regularity and propriety and sets out the main principles for dealing with resources used by public sector bodies.

National Accounts - Accounts produced by the Office for National Statistics in accordance with the European System of Accounts 1995, which promotes standardisation in the way in which public sector income and expenditure is measured.

National Audit Office (NAO) - Office of the Comptroller and Auditor General, which audits accounts of government bodies and carries out value for money inspections within the bodies it audits.

Negative Public Expenditure - The term for income which offsets gross public expenditure in national accounts.

National Insurance Fund (NIF) - A government fund used to meet the cost of contribution-based benefits, financed mainly by contributions paid by employers and individuals.

National Loans Fund (NLF) - The fund through which passes most of the government's borrowing transactions and some domestic lending transactions.

Near-Cash - Expenditure that has a directly related cash implication, even though the timing of the cash payment may be slightly different. For example, expenditure on gas or electricity supply is incurred as the fuel is used, though the cash payment might be made in arrears on a quarterly basis.

Net Cash Requirement (NCR) - The limit voted by Parliament reflecting the maximum amount of cash that can be released from the Consolidated Fund to a department in support of expenditure in its Estimate. In the case of a negative net cash requirement, the department must generate a surplus of at least that amount.

Non-Cash - Expenditure where there is no directly related cash transaction but which reflects resources used. Examples include depreciation and provisions.

Non-Departmental Public Body (NDPB) - A body that has a role in the process of government but is not a government department or part of one (though NDPBs fall inside the budgetary, Estimates and accounting boundary of government departments). NDPBs operate, to a greater or lesser extent, at arm's length from Ministers.

Office for National Statistics, ONS - The independent body responsible for collecting and publishing official statistics about UK society and economy.

Propriety - The principle that patterns of consumption should respect Parliament's intentions, conventions and control procedures, including any laid down by the Public Accounts Committee.

Public Accounts Committee (PAC) - A committee of the House of Commons, which examines the accounting for, and the regularity and propriety of, government expenditure. It also examines the economy, efficiency and effectiveness of expenditure. Also commonly known as the Committee of Public Accounts.

Public Corporation (PC) - Publicly controlled trading bodies with substantial financial day to day operating independence.

Provision - A liability that has arisen but where the timing and/or amount of the payment is uncertain. [Note that terms such as "budgetary provision" or "Estimate provision" are usually referring to the amount for which there is authority to spend within those controls.]

Regularity - The principle that all consumption of resources should be made in accordance with the legislation authorising them, any applicable delegated authority and Managing Public Money.

Resource income or expenditure - Reflecting the consumption of resources (and the income so generated) in that year. Examples include, pay, current grants and depreciation.

Revised Estimate - Presented to reduce the resources, capital and/or cash requested in the Main Estimate, or to vary the way in which they are allocated. They are voted with Main Estimates before Parliament rises for the Summer Recess.

Second Reading - The second formal time that a House of Parliament may debate a bill, although in practice the first substantive debate on its content. If successful, it is deemed to denote parliamentary approval in principle of the proposed legislation.

Section - An "Estimate line" within the Part II: Subhead detail table in an Estimate.

Select Committee - Both Houses of Parliament have select committees that scrutinise the work and expenditure of government. Responsibilities include oversight of particular government departments.

Spending Review - A cross-government review of departmental aims and objectives and analysis of spending programmes. Results in the allocation of multi-year budgetary limits.

Statement of Excesses - A formal statement detailing any departmental overspends (Excess Votes) as reported by the NAO as a result of undertaking annual audits. Presented by the Treasury, usually alongside the Supplementary Estimates each January.

Subhead - A single cell within a section (or Estimate line) within the Part II: Subhead detail table in an Estimate.

Supplementary Estimate - The means by which departments seek to amend parliamentary authority provided through Main Estimates by altering the limits on resources, capital and/or cash or varying the way in which provision is allocated. Normally presented in January each year.

Supply - The process whereby Parliament gives statutory authority for both the consumption of resources (for resource and capital purposes) and for cash to be drawn from the Consolidated Fund.

Supply and Appropriation Acts - Acts of Parliament which give formal approval to departmental Supply Estimates. There are usually two such Acts each year: the Supply and Appropriation (Main Estimates) Act is presented in July and authorises the Main Estimates, and the Supply and Appropriation (Anticipation & Adjustments) Act is presented in February/March and authorises Supplementary Estimates, Vote on Account for the forthcoming year and any Statement of Excesses relating to the prior year.

Token Estimate (or section) - Where a department's expenditure within the Estimate (or the section) is wholly offset by income, so that a token amount of £1,000 is voted. Since Estimates may include negative limits (where income is greater than expenditure), a token £1,000 would only be required where income and expenditure completely offset.

Total Managed Expenditure (TME) - A measure defined by the Treasury to cover all public expenditure (i.e., not just central government departments).

Trading Fund - Public sector organisation that has a financing framework allowing it to meet outgoings from commercial revenues. In national accounts they are normally classified as public corporations.

Treasury Minute - A formal administrative document drawn up by the Treasury, which may serve a wide variety of purposes including seeking parliamentary approval for the use of income by departments as set out in Estimates, a remission of some or all of the principal of voted loans and responding on behalf of the government to reports by the Public Accounts Committee (PAC).

Virement - The use of savings on one or more sections (Estimate lines) or subheads to meet excesses on another section or subhead within the same voted limit in an Estimate.

Vote - The process by which Parliament approves funds in response to Supply Estimates.

Voted provision - That which has been authorised by Parliament in response to Supply Estimates.

Vote on Account - Presented to Parliament by the Treasury in January to provide necessary provision for voted resources, capital and cash for each departmental Estimate in the early months of the following financial year. For each department it generally seeks up to 45 per cent of the amounts voted in the current year's Main Estimate.

Annex B: Summary Table of Breakdown of Increases and Decreases

Resource DEL Administration	2018-19 (£m)
Budget Cover Transfers – out	
Trade Development Programme	-0.50
Resource DEL Administration Total	-0.50

Resource DEL Programme	2018-19 (£m)
Budget Cover Transfers – out	
Typhoon Team	-0.42
GREAT Campaign	-1.30
Budget Cover Transfers – in	
Military Pensions	0.34
PAG Platform Charges	8.89
GREAT Campaign	9.25
Resource DEL Programme Total	16.76

Capital DEL	2018-19 (£m)
Budget Cover Transfers – out	
Windsor House Refurbishment	-1.13
Budget Cover Transfers – in	
Education Sector Team transfer	0.70
Capital DEL Total	-0.43

Annex C: Ambit

Departmental Expenditure Limit

Expenditure arising from:

Trade development and promotion, outward and inward investment, the formulation and implementation of trade policy, the delivery and co-ordination of the cross government GREAT campaign, the administration of Official Development Assistance and Trade Remedies Authority; including grants, associated capital and other related expenditure and non-cash items.

Administration of the Department for International Trade, and associated offices; publicity, promotion and publications; communications; purchase, acquisition, hire, lease and rent of land, buildings, plant, equipment, machinery, vehicles and capital assets; digital & IT; special payments.

Income arising from:

The sale of goods and services relating to trade development and promotion, outward and inward investment, the formulation and implementation of trade policy, the delivery and co-ordination of the cross government GREAT campaign and the administration of Official Development Assistance; including sponsorship; asset sales; insurance claims; recovery of costs incurred on behalf of others; recovery of overpayment; capital grant in kind.

Annually Managed Expenditure

Expenditure arising from:

Depreciation, amortisation, revaluation, provisions and other non-cash items.

Department for International Trade will account for this Estimate.