A Guide to Preparing Estimate Memoranda

Scrutiny Unit

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Contents

This document brings together a number of papers issued previously to Departments by the Scrutiny Unit via Select Committees. It is designed for use by those directly involved in drafting Estimate Memoranda for submission to Select Committees.

The guidance and good practice examples contained within it are designed to supplement the Treasury guidance on the content of Estimate Memoranda issued in PES (2004) 14.

For further information, more specific guidance or additional examples please contact the Scrutiny Unit (scrutiny@parliament.uk).

1. Suggested format for information in an Estimate Memorandum

Contents

i. What should I cover in the *summary of changes sought in the estimate* section?

It should summarise the changes in the supplementary estimate and draw the Select Committee's attention to the most significant matters in order of importance. It should also:

a. give an indication of any significant financial pressures which are likely to lead to a request for extra resources later in the year;

b. set out major changes from the plans published in the departmental annual report; and

c. draw attention to any significant changes to non-voted resources.

Example of a *Summary of the main changes sought in the Estimate*

The winter supplementary estimate provides for changes in spending on [……….]. These changes are reflected in changes to the Departmental Expenditure Limit, Annually Managed Expenditure and the Administration Costs Limit.

Changes to the Departmental Expenditure Limit (that is expenditure …. [EXPLANATION OF DEL]) arise from:

- An increase of £500 million on [……….] from end year flexibility [EXPLANTION OF EYF].

- A draw down of £400 million for [xxxx] and [xxxx] from the Departmental Expenditure Limit reserve; and
- An increase in requirements of a net £300 million resulting from a mixture of transfers to and from other government departments and changes within the Department to the anticipated level of expenditure and income.

RFR2 – Working Age

Of the larger changes on this Request for Resources, £300 million extra sought is for the final draw down of funds from the Employment Development Fund (EDF) in 2003-04. This funding is to cover the costs of the roll out of the new model Jobcentre Plus offices across the country; most of the money is for office refurbishment, IT hardware and software upgrade. Of this sum £150 million was transferred to capital to fund the refurbishment and upgrade of office premises.

On this Request for Resources there is an increase sought for benefit expenditure totalling approximately £1,000 million, the major items being Income Support, Jobseekers Allowance and Housing and Council Tax Benefits. This is Annually Managed Expenditure (AME) as these items are generally demand led, subject to caseload fluctuations and variations in the assumptions that our forecasters make in the original estimates. The higher than estimated costs are mainly due to a lower number of claimants/recipients of New Tax Credits which would have been offset against these benefit payments. These changes have only been introduced in the Spring Supplementary Estimate because it is only at this stage of the year that some certainty can be placed in the forecasts. To draw down earlier could lead to obtaining over provision. These figures have been separately notified to our Treasury colleagues as part of a continuous exchange of information during the year.

Finally, within there is a transfer of £50 million from other current spending to administration costs. Earlier this year, we identified that Jobcentre Plus performance in the drive against Monetary Value of Fraud and Error required additional funding to ensure we maintain the progress being made on this key activity. At the same time, spending on Other Current Labour Market programmes was projected to undershoot the budgetary provision by a similar amount in the current year. Hence the proposal to increase front line costs by £50 million which was agreed by the Chief Secretary to the Treasury. This is an equal and opposite transfer that does not increase the Department's overall expenditure.

RFR 5 - Modernisation

As the Committee will be aware, the Department is undertaking a significant programme of modernisation, which will modernise our business and improve the services we provide to our customers. The Programme has gone through a major re-plan, taking into account our experiences from the early years of the programme, the developments in technology and the change in policy on the use of PFI for major IT developments. The overall funding for the Change Programme is contained within the Department's spending review settlement. However, the draw down of funds is controlled by a Dual Key Approval process, which is operated jointly by the Secretary of State and the Chief Secretary to the Treasury. The Department has adopted a prudent and cautious approach to drawing down funds for modernisation to ensure that funds are only requested when we have well developed robust plans for the change programme expenditure. In particular, the drawing down of £200 million from our end-year-flexibility and other movements on this RFR are in support of this programme of spend and has been separately discussed with Treasury officials and approved by the Chief Secretary.

Additional Income

Apart from technical changes resulting from a change in accounting treatment of Annually Managed Expenditure income, the only other major variation is an increase in National Insurance Fund receipts of £60 million on Request for Resources 3 and 5. These represent an additional repayment from the National Insurance Fund to reimburse the department for the cost of administering National Insurance Benefits, part of which increase results from an under-collection in a previous financial year that was highlighted by the National Audit Office. The balance of the increase was because the provision made in the main estimate was an estimated amount based on a forecast of 2002-03 outturns. The estimate is then revised when the final outturn is available, following publication of the main estimate. The revised amount has been approved for transfer by the Inland Revenue, the managers of the National Insurance Fund.

ii. What format should I use for the *detailed explanation of the changes* section of the Estimates Memorandum?

This section should group the changes into categories and within the categories list the changes in descending order by amount – see the table below. All entries, except Annually Managed Expenditure (AME), should contain a "credit" and "debit" which explains where the resources have come from and what they are to be used for. The description should make clear what type of expenditure is to be incurred as a result of the change – administration, other current, grant or capital.

Example of detailed explanation of the changes		
Amount	Description	DEL
End year flexibility (EYF)		
£100,000,000	drawdown from EYF to increase grants for [xxx] to meet increased expenditure on [xxx] (RfR X: section XX)	*
£5,000,000	drawdown from EYF to meet exceptional administration expenditure on [xxx] (RfR X: section XX)	*
£1,000,000	drawdown from EYF to meet capital expenditure on [xxx] (RfR X: section XX)	*
£105,000,000	**Resource Total Change to DEL**	
£1,000,000	**Capital Total Change to DEL**	
Capital Modernisation Fund		
£1,000,000	drawdown to increase other current provision for [xxx] (Capital Grants to local authorities) (RfR X: section XX)	*
£1,000,000	**Resource Total Change to DEL**	
Transfer from Non-Voted		
£1,000,000	increase in capital provision for [xxx] (capital grants to local authorities) (RfR X: section XX) fully offset by a transfer from the [xxx] (non-voted)	*
Transfer between Non-Voted		
£1,000,000	transfer from [xxx] programme (non-voted) to [xxxx] (non-voted) in respect of projects for [xxxx]	*
Transfers from non-voted Departmental Unallocated Provision (DUP)		
£10,000,000	transfer from DUP to increase other current provision for [xxx] (RfR X: section XX) to [xxx]	*
Transfer between sections within the estimate		
£10,000,000	transfer other current from [xxxx] (RfR X: section XX) to [xxxx] (RfR X: section XY).	*
£9,000,000	transfer from the incorrect line (RfR X: Section XX) to correct a mistake in the Main Estimate which erroneously misattributed [xxx] totalling £9,000,000 to section XY of RfR X instead of to section XX of RfR X	*
Transfers from other Government departments		
£10,000,000	transfer to [xxxx] (RfR X: section XX) for administration on [xxxx] from the Scottish Executive.	*
£10,000,000	**Resource Total**	
Transfers to other Government departments		
£20,000	transfer grants from [xxxx] (RfR X: section XX) to DWP Pensions Service to fund [xxxx].	*
-£20,000	**Resource Total**	
Machinery of Government changes transfers from other Government departments		
£20,000	transfer grants to [xxxx] (RfR X: section XX) from Home Office for [xxxx].	*
£20,000	**Resource Total**	

Increases in gross spending offset by Appropriations-in-aid		
£5,002,000	increase in administration provision for the [xxxx] to be fully off-set by an increase in receipts from the Department for Education and Skills for [xxxx] (RfR X: section XX).	*
£4,000,000	increase in [xxxx] for [xxxx] from capital receipts for [xxxx] (RfR X: section XX)	*
Increase in Provision (Annually Managed Expenditure)		
£200,000,000	increase in grants provision for [xxxx] in [xxxx] (RfR X: section XX).	
Changes in Working capital		
£500,000,000	Increase in debtors because [xxxx].	

iii. What should the section on the *Impact on the department's Public Service Agreement* cover?

This section could, for example, explain the need to drawdown resources to improve performance to achieve a target or that resources can be redeployed from one area to another because a target has been achieved. Where a department has an administration efficiency target and it is requesting additional administration resources, the memorandum could explain how the efficiency target is being achieved and why the department is seeking additional resources from the taxpayer rather than from efficiency savings.

iv. Do I need to include a section on *Departmental Expenditure Limit changes (end year flexibility, etc.)* when there are no changes to this in the estimate?

No, you don't.

v. What data should I include in the *Departmental Expenditure Limit* section of the Estimates Memorandum?

The section could have two tables as set out below. The first table should show the Departmental Expenditure Limits in the previous three years and the outturn which the department achieved against the limits in order to provide an indication of the department's previous performance.

Previous years' expenditure against Departmental Expenditure Limits £m

Year	Voted	Non-voted	Total DEL	Outturn	Variance
Resource					
200U-0V	200	100	300	250	50
200V-0W	300	100	400	400	0
200W-0X	400	200	600	550	50
Capital					
200U-0V	100	100	200	200	0
200V-0W	100	100	200	200	0
200W-0X	200	100	300	250	50

The second table could show changes which the department has made to its Departmental Expenditure Limits in the current year.

Changes to the Departmental Expenditure Limit in 200X-0Y			£m
	Voted	**Non-voted**	**Total DEL**
Resource			
1 April	**200**	**100**	**300**
Change announced with winter supplementary estimate	30	10	40
Change announced with spring supplementary estimate	-	-	-
Total resource Departmental Expenditure Limit	**230**	**110**	**340**
Capital			
1 April	**20**	**10**	**30**
Change announced with winter supplementary estimate	10	20	30
Change announced with spring supplementary estimate	-	1	-
Total capital Departmental Expenditure Limit	**30**	**31**	**61**
*Less deprecation at start of year**	2	1	3
*Less change in deprecation at winter supplementary estimate**	-	-	-
*Less change in deprecation at winter supplementary estimate**	-	-	-
Total Departmental Expenditure Limit	**258**	**140**	**398**

*Depreciation, which forms part of resource DEL, is excluded from the total DEL since capital DEL includes capital spending and to include depreciation of those assets would lead to double counting.

(The "spring section" could be dropped in Estimates Memoranda produced with winter supplementary estimate.)

vi. What should I cover in the *end year flexibility* section?

This section could have two components. The first could be a brief description of the department's management of its end year flexibility. The description could set out the reasons for the accumulation of end year flexibility and the department's plans to use it.

The second could consist of two tables shown below.

End year flexibility	**Resource**				**Capital**			***£m***
	Administration	EC Structural	Nationalised Industries	Other resource	EC Structural	Nationalised Industries	Other Capital	**Total**
EYF entitlement set out in *Public Expenditure: Provisional Outturn*, July 2003 (table 6 - Cm 5884)	**3**	**-**	**-**	**1,000**	**-**	**-**	**71**	**1,074**
Amount drawn down in 2003-04	(1)	-	-	(300)	-	-	(70)	(371)
Adjustment 1 during 2003-04 [DESCRIBE CHANGES e.g. adjustment for final outturn or switch]	200	-	-	(1)	-	-	-	199
Adjustment 2 during 2003-04 [DESCRIBE CHANGES e.g. adjustment for final outturn or switch]	200	-	-	(2)	-	-	-	198
Balance of accumulated EYF at 31 March 2004	402	-	-	697	-	-	1	**1,100**

Continued overleaf

EYF entitlement from unused resources in 2003-04	100	-	-	400	-	-	500	**1,000**
Adjustment 1 [DESCRIBE CHANGES e.g. repayment for call on reserve or correction]	-	-	-	(800)	-	-	-	(800)
Adjustment 2 [DESCRIBE CHANGES e.g. repayment for call on reserve or correction]	-	-	-	2	-	-	-	2
EYF drawn down in main estimates and summer supplementary estimates	(200)	-	-	-		-	-	(200)
Entitlement set out in *Public Expenditure: Provisional Outturn*, July 2004 (table 6 - Cm XXXX)	**302**	**-**	**-**	**299**	**-**	**-**	**501**	**1,102**

EYF drawn down in winter supplementary estimates	(100)	-	-	(55)	-	-	(500)	**(655)**
EYF drawn down in spring supplementary estimates	-	-	-	- (1)	-	-	-	-
Adjustment 1 [DESCRIBE CHANGES e.g. final outturn or switch]	-	-	-	-	-	-	-	-
Adjustment 2 [DESCRIBE CHANGES e.g. final outturn or switch]	100	-	-	-	-	-	-	100
Balance of accumulated end year flexibility	**302**	**-**	**-**	**243**	**-**	**-**	**1**	**546**

(The "spring section" could be dropped in Estimates Memoranda produced with winter supplementary estimate.)

Allocation of accumulated end year flexibility			£m
	Resource	**Capital**	**Total**
Central department	500	1	501
Agency A	2	-	2
Agency B	20	-	20
Body C	20	-	20
Body D	3	-	3
Total	**545**	**1**	**546**

vii. What should I cover in the *administration costs limit* section?

This section could consist of a brief description of the department's management of its administration costs limit. The description could set out the main reasons for the change to the administration costs limit. It could cover any reclassifications. In addition, it could set out data in the tables below.

Administration costs limits (previous years)		£m
Year	**Limit**	**Outturn**
200U-0V	300	250
200V-0W	400	410
200W-0X	600	550

Changes to the Administration Costs Limit in 200X-0Y (current year)	£m
	Limit
1 April	200
Change announcement with winter supplementary estimate	30
Change announcement with spring supplementary estimate	10
Administration Costs Limit	**240**

(The "spring section" could be dropped in Estimates Memoranda produced with winter supplementary estimate.)

viii. What should I cover in the *provisions and contingent liabilities* section?

This section could consist of a narrative description of the department's management of its provisions and contingent liabilities. The description could explain what provisions the department has set aside, for what purposes and when the department expects to use them. It would be useful to have a table summarising provision set aside and used along with change proposed in the current year.

Provisions for liabilities and charges	Early Departure	Item X	Item Y	**Total**	£m
	£000	£000	£000	£000	
Position at 1 April 200X					
Balance at 1 April 200X	43	1	2	46	
Provided in year in main estimate	4	-		4	
Provision expected to be used in year	(12)	-	1	(11)	
Expected unwinding of discount	2			2	
Estimated closing balance	**37**	**1**	**3**	**41**	
Changes in winter supplementary estimate				Item Z	**Total**
Estimated closing balance in main estimate	37	1	3	-	41
Extra/ new provision in year taken in winter supplementary estimate	2	-	-	4	6
Provision not required written back	-	-	(1)	-	(1)
Extra/ new provision to be used in year	(1)	-	-	-	(1)
Change to the unwinding of discount since main estimate	1	-	-	-	1
Estimated closing balance at winter supplementary estimate	**39**	**1**	**2**	**4**	**46**
Changes in spring supplementary estimate					
Estimated closing balance in winter supplementary estimate	39	1	2	3	45
Extra/ new provision in year taken in spring supplementary estimate	-	-	-	1	1
Change in provision not required written back since winter supplementary estimate	-	-	-	-	-
Extra/ new provision to be used in year since winter supplementary estimate	-	-	-	-	-
Change to the unwinding of discount since winter supplementary estimate	-		-	-	-
Estimated closing balance at spring supplementary estimate	**39**	**1**	**2**	**4**	**46**

(The "spring section" could be dropped in Estimates Memoranda produced with winter supplementary estimate.)

ix. What should the *Machinery of Government changes* section cover?

This section could have a descriptive section which:

a. identify when the Machinery of Government changes were announced;
b. set out the programmes, assets, responsibilities, end year flexibility, provisions and liabilities that are being moved to or from the department;
c. describe the change in Accounting Officer responsibilities, including any arrangements to cover transitional or residual responsibilities; and
d. set out the matters still to be resolved and provide an estimated date for completion.

It would be useful to have a table summarising the changes such as this:

Machinery of Government changes					£m
Description	**RfR: section**	**Date of Transfer**	**Amount £000**	**Transferring Dept**	**Receiving Dept**
Transfer of grants for [xxxx]	X: XX	2/7/200X	1,200	ODPM	DTI
Transfer of administration resources for grant for [xxxx]	X: ZZ	2/7/200X	30	ODPM	DTI
Transfer of building [xxxx] – depreciated capital value		2/7/200X	10	ODPM	DTI
Transfer of specialist staff	1: ZZ	2/9/200X	1	DTI	ODPM
Transfer of EYF		2/7/200X	100	ODPM	DTI

Scrutiny Unit
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2. Review of Estimate Memoranda - Winter Supplementary Estimates 2005-06

The Scrutiny Unit's review of the Memoranda supporting the Winter Supplementary Estimates 2005-06 concluded that departments need to improve the quality of information they provide. As such, the following guidance has been prepared to provide examples of good and poor reporting.

It should be noted that the guidance covers only five of the required sections of the Estimate Memorandum and should therefore be considered in conjunction with the earlier Treasury guidance PES(2004)14 and Select Committees guidance referred to in paragraph six of PES(2005)14 (reproduced in Section 1 of this Guide).

This guidance covers the following five sections:

i. Summary of changes sought;
ii. Impact on Public Service Agreements;
iii. The Department Expenditure Limit;
iv. Stock of End Year Flexibility;
   a) Draw-down of End Year Flexibility; and
v. Department Administration Budget.

A key point for departments to remember is that the overall purpose of the Memorandum is to supply additional information to that provided in the Estimate and to explain the reasons for key resource changes.

i. Summary of changes sought in the Estimate

The purpose of this mandatory section is to provide the reader with a clear indication of the most significant resource changes and explain briefly how these relate to departments' initiatives. This section should help draw the reader's attention to key resource movements which may warrant further consideration.

<u>Best practice</u> **Paragraph two of the DfID Memorandum provides a good indication of the level of detail required (Annex B).**

Tips and examples of poor reporting:

- Reference should be made to the specific amount of key resource changes.
- Generalisations which do not allow the reader to specifically identify resource movements are not considered adequate reporting (see example 1 & 2 below).
- Duplication of the DEL table provided in the Written Statement is not required.

1. "The 2005-06 Winter Supplementary Estimate for the…provides for changes arising from a number of transfers to and from other government departments. These are reflected in changes to the Departmental Expenditure Limit and the Administration Budget. There are no changes to the Capital budget."

2. "The main purpose of the Winter Supplementary is to allow take up of some of the End of Year Flexibility (EYF) entitlement, to draw upon specific non-voted funding (Departmental Unallocated Provision - DUP), to deal with departmental resource transfers, and to make certain changes to the latest Annually Managed Expenditure (AME) forecasts. These changes will assist the Department both to drive forward its Change Modernisation Programme and to get best value from the integration of the XX, and to stay within voted limits."

ii. Impact on Public Service Agreements

The purpose of this mandatory section is to provide the reader with a clear explanation of how resource movements support improvements in the delivery of PSA targets. Given that the fundamental principle behind the move to resource based financial management was to align resources to outputs, the information provided by departments has been generally very poor.

Key to this section should be departments' ability to demonstrate alignment of new resources to areas of weaker PSA performance.

Best practice

Paragraphs 50 to 51 of the DfID Memorandum (Annex B) provide an excellent indication of the level of detail required. An additional example of good practice came from the Home Office Estimate Memorandum where a table reconciled the Estimate changes to the Department's PSA targets (reproduced below).
A similar table with supporting explanations, as set out in the DfID example, should be provided by all departments where appropriate.

Sections	**Resource**	**Capital**	**Are in pursuit of Aim:**	**Which support PSA targets:**
	£000's	**£000's**		
A, B, C, D, Q, R, S, T, V, W, X, Y, Z, AA, AB	55,731	34,775	Aim 1 - People are and feel more secure in their homes and daily lives.	1 Reduce crime by 10% and further in high crime areas, by 2007-08
				2 Reassure the public, reducing the fear of crime and anti-social behaviour and building confidence in the Criminal Justice System, without compromising fairness.
F, I, J, K, L, R, AC, AD, AE, AF, AG.	45,231	(2,713)	Aim 2 - More offenders are caught, punished and stop offending, and victims are better supported	3 Improve the delivery of justice by increasing the number of crimes for which an offender is brought to justice to 1.25m by 2007-08
E, Q.	(1,185)	0	Aim 3 - Fewer people's lives are ruined by drugs and alcohol	4 Reduce the harm caused by illegal drugs and substantially increase the number of drug misusing offenders entering treatment through the Criminal Justice System
M, N, P, U, AJ.	2,585	17,976	Aim 4 - Migration is managed to the benefit of the UK while preventing abuse of the immigration laws and of the asylum system	5 Reduce unfounded asylum claims as part of a wider strategy to tackle abuse of the immigration laws and promote controlled legal migration
G, H, AH, AI.	8,810	94	Aim 5 - Citizens, communities and the voluntary sector are more fully engaged in tackling social problems and there is more equality of opportunity and respect for people of all races and religions	6 Increase voluntary and community engagement, especially amongst those at risk of social exclusion.
				7 Reduce race inequalities and build community cohesion
O, AL, AM.	9,127		Central services	All
Total	**120,299**	**50,132**		

Tips and examples of poor reporting:

- Generalisations which make no reference to resource movement relative to individual target are considered poor reporting (see examples 1 & 2 below).
- A general update on PSAs or reference to other documents which provide this information is not required (see example 3 below).
- Failure to clearly set out how resource movements support improvements in specific PSAs is considered poor reporting (see example 4 below).
- A particularly dim view is taken of reference being made to performance and financial management not being sufficiently aligned to allow for effective reporting (see example 5 below).

1. "Changes to the XX budget provision relate to planned activity and so will not impact our public service agreements."

2. "There are no policy implications to the department arising from the above changes."

3. "As at 30 June we are 'On Course' to meet our SR2004 PSA targets for ….. We are reporting 'Slippage' against our … and it is 'Too early to say' against the …. In addition we are 'On Course' to meet our SR2002 PSA Efficiency target. Further information is available on the .. website."

4. "The purpose of the spending review planning process is to ensure that the Department has sufficient funding for the .. to meet the agreed Public Service Agreement (PSA) and that the PSA targets are challenging whilst being achievable and affordable. The proposed changes to the Supply Estimates will ensure the most efficient use of available resources and so contribute to the successful delivery of the Department's PSA targets. The Winter Supply changes are fully compatible with the achievement of the PSA since they reflect agreed transfers to and from other government departments and the fine tuning of budgets within the overall resources available."

5. "In the past, financial and performance data have been monitored and controlled independently of each other. XX has recently introduced a high level document that draws these two areas together to enable the Executive Committee to consider significant risks to the Department's activities. At present, we are unable to provide this detail at a lower level, and therefore for individual Estimate changes. However, we are investigating procedures to enable the impact of budgetary changes on the Public Service Agreement to be assessed in future Memoranda."

iii. Departmental Expenditure Limits (DEL)

The purpose of this section is to help the reader assess the impact of Estimate changes on the DEL relative to actual expenditure in earlier years. If appropriate, a short paragraph briefly explaining any significant changes in the DEL profiles or significant under-spends against provision in earlier years should be included.

This section should not simply repeat information provided in the Written Statement but enable the reader to set in context the position of the DEL after the Estimate. As a minimum, three years of earlier data and the following year's planned expenditure should be provided.

To date, reporting in this section has been particularly poor, with only two departments providing prior year information in the WSE 2005-06. Most departments provided an update for just the current year.

Best practice

Paragraphs 58 to 61 of the DfID Memorandum are a good model for other departments to follow. (Annex B)

Tips and examples of poor reporting:

- Replicating tables and information already available elsewhere in the Estimate or Written statement is not required (see example 1 below).
- Reference to just the current year position is insufficient as it does not allow for comparisons for future and previous years (see examples 2 & 3 below).
- Reference to other documents like the Supplementary Budget Information is not appropriate as prior financial year figures are only estimated in these documents (see example 4 below).

1.

£,000

		New DEL		
	Change from Main Estimates	Voted	Non-Voted	Total
Resource DEL	-20,954	3,814,516	637,574	4,452,090
o/w Administration Budget	-	*238,970*		*238,970*
Capital DEL	12,000	42,000	-	42,000
Depreciation*	-8	-22,008	-	-22,008
Total	-8,962	3,834,508	637,574	4,472,082

*Depreciation, which forms part of the Resource DEL is excluded from total DEL, since Capital DEL includes capital spending and to include depreciation of those assets would lead to double counting.

2. “A note to the Estimate already provides a summary of resource and capital DEL, broken down into voted and non-voted, for the current year. In summary, the Department will be increasing Resource DEL by £50,249,000 to £4,660,125,000, and Capital DEL by £99,950,000 to £373,846,000. This is mainly due to take up of EYF and DUP. The Department still has remaining EYF, which it will consider taking up at the Spring Supplementary.”

3. “As a result of the above changes, Voted DEL has increased by £109m. In addition to Voted DEL the Department has some £1.4bn of Departmental Unallocated Provision (DUP) on which it can call to cover non-cash Resource increases.”

4. “Figures for resource and capital DEL for 1999-00 to 2004-05 and figures for 2006-07 to 2007-08 were published in the Supplementary Budgetary Information in April 2005.”

iv. Total stock and draw down of End Year Flexibility

The purpose of this section is to provide the reader with a clear explanation of the purpose for which the resource has been carried forward, including an explanation for why expenditure was delayed and the time scales for likely use.

Reporting should confirm whether the final agreed stock was consistent with the Treasury provisional figures in the July Outturn White Paper.[1] It should be noted that reporting in this section is particularly important as only limited information is published on EYF.

Despite this, reporting has been particularly poor, with one department, which accounts for 12.5 per cent of total government stock, failing to provide any explanation.

Best practice

Paragraphs 62 to 69 of the DfID Memorandum represent a good model for other departments to follow. (Annex B)

Tips and examples of poor reporting

- Replication of the information provided in the Outturn White Papers is not required (see examples 1 & 2 below).
- The total stock should be broken down into the relevant projects and initiatives to which it relates rather than reference being made in general terms to the carry forward of under spends (see example 3).

1.

EYF	Resource		Capital	
	Admin	Other resource	Other capital	Total
Balance of accumulated EYF at 31 March 2004	37,036	0	0	37,036
EYF entitlement from unused resources in 2003-04	142,552	101,099	156,425	400,076
Adjustment for cash management charge		(373)		(373)
Entitlement set out in *Public Expenditure: Provisional Outturn,* July 2004 (table 6 – Cm 6293)	179,588	100,726	156,425	436,739
EYF drawn down in winter supplementary estimates	(142,552)	(100,726)	(156,425)	(399,703)
EYF drawn down in spring supplementary estimates				
Balance of accumulated EYF at 31 March 2005	37,036	0	0	37,036
EYF entitlement from unused resources in 2004-05	141,146	195,644	203,835	540,625
Adjustment for cash management charge		(208)		(208)

[1] Public Expenditure Provisional Outturn White Paper (Cm 6639)

Entitlement set out in *Public Expenditure: Provisional Outturn*, July 2005 (table 6 – Cm 6639)	178,182	195,436	203,835	577,453
EYF drawn down in winter supplementary estimates	(21,000)	(79,000)	(7,924)	(107,924)
EYF drawn down in spring supplementary estimates				
Balance of accumulated EYF	157,182	116,436	195,911	469,529

2. "The 2004-05 End Year Flexibility reported in the Public Expenditure

Provisional Outturn White Paper (Cm 6639) was:

Other Resource DEL	£227.909 million
Administration Budget	£22.808 million
Capital	£18.680 million"

3. "The Public Expenditure Outturn White Paper published in July 2005 showed a total figure of £111.991m for carry forward of 2004-05 DEL under-spending into 2005-06 under the DEL EYF scheme. Table 5 below shows how this figure was made up from a mixture of adjustment for 2003-04 final outturn, forecast 2004-05 under-spend and unused Departmental Unallocated Provision."

iv a) Draw down of End Year Flexibility

Linked to the requirement for reporting on total EYF, this section should provide the reader with a clear explanation for the draw down in the Estimate and should be consistent with earlier reporting on the reasons for total EYF Stock. Particularly important is the clear identification of the amounts drawn down, linkage to specific projects and the contribution this resource will make to the achievement of department targets or efficiency work streams shown in the department's Efficiency Technical Notes

Tips and examples of poor reporting:

- Generalisation on the total amount drawn down without reference to specific projects and initiatives is considered poor reporting (see examples 1 below).
- It is not sufficient to simply provide the reader with the amount and name of a project or initiative. The information should inform the reader of how this draw down will support performance improvements (see example 2 below).

1. "Financial planning for 2005/6 was predicated on the Department's ability to carry forward some of its 2004-05 under spend into 2005/06. HM Treasury has agreed that the Department's Winter Supplementary Estimates should draw down £71.7m Resource of which £36m is Resource (…) and £28.3m Capital."

2. <u>“take up of end year flexibility of £177,927,000</u> comprising :

£7,989,000 for XX;

£500,000 for the XX;

£4,000,000 for the XX;

£165,438,000 for non voted XX.”

v. Departmental Administration Budget

The purpose of this section, like the earlier DEL section, is to help the reader assess the impact of the Estimate changes on the Department's Administration Budget and how this compares to actual expenditure in earlier years. If appropriate, a brief paragraph should be included explaining any significant changes relative to the earlier years or reported under-spends relative to provision.

Reference should be made to the impact of any increases on the efficiency targets shown in the Efficiency Technical Note and why increases could not be funded from efficiencies.

Best practice

Paragraphs 70 to 71 of the DfID Memorandum represent a reasonable model for other departments to follow (Annex B).

Tips and examples of poor reporting:

- Departments should not repeat the information in the Written Statement but enable the reader to set in context the position of the Administration Budget after the Estimate, relative to earlier and later years (see examples 1, 2 & 3 below).
- As a minimum, three years of earlier data and the following year's planned expenditure should be provided.
- Reference to other documents like the Supplementary Budget Information is not considered appropriate as prior financial year figures are only estimated in these documents.

1. "The Administration Cost Limit has been increased by £48,107,000 from £287,251,000 to £335,358,000."

2. "The changes to the administration cost limit in the Winter Supplementary Estimate result in an increase of £1.059 million from an inter-departmental transfer. The Department continues to manage its administration costs in an effective and efficient manner and continues to fund its extensive restructuring programme from within existing resources and End Year Flexibility."

3. "The decrease in the administration cost limit of £1.059m reflects a transfer to the Department for Education and Skills."

Scrutiny Unit
House of Commons
January 2006

3. Memorandum on Department for International Development - Spring Supplementary Estimate 2004-05

Summary of changes sought in the Estimate

1. The Department for International Development's Spring Supplementary Estimate requests additional provision above Main Estimates totals of:

Net resources within Request for Resources 1	£190.762 million
Net resources within Request for Resources 2	£7.622 million
Net Capital expenditure	£20.851 million
Net Cash Requirement	£138.069 million

2. The most significant changes arising from the Estimate are:

   a) an addition of programme resource grants totalling £151.532 million to Sections A, B, and F of Request for Resources 1. This results from the take up of End Year Flexibility to support planned increases in spending on ongoing development programmes in sub-Saharan Africa, Asia, and on central programmes supporting several of the Department's objectives.

   b) the inclusion of £25.0 million of additional programme resource grants in Section D of Request for Resources 1 representing a claim on the Treasury DEL Reserve to allow the Department to provide increased humanitarian assistance following the Asian tsunami.

   c) a transfer of £35.0 million of programme resource grants from Section I to Section D of Request for Resources 1 representing the allocation of the Department's contingency reserve to humanitarian assistance programmes following the Asian tsunami.

   d) an addition of £9.400 million of administration provision to Sections A, B, C, D and F of Request for Resources 1. This increase is the take up of End Year Flexibility to support increased expenditure on the administration of development programmes in sub- Saharan Africa and Asia, the administration of humanitarian assistance, the development and implementation of systems to improve the efficiency of the organisation; and to meet higher forecasts for early retirement provisions and impairments than were included in Main Estimates.

   e) an addition of £6.088 million of capital provision to Sections F and G of Request for Resources 1. This is the take up of End Year Flexibility to support capital investment in improvements to the department's management information and financial systems, and the acquisition of equity in Actis Capital LLP following the restructuring of CDC Group in July 2004.

f) the creation of a new section, section L in Request for Resources 1, to record the cost of capital charge on the department's investment in CDC Group in Annually Managed Expenditure (AME). Treasury agreement to reclassify these costs from the Departmental Expenditure Limit (DEL) to AME was secured early in 2004-05. The gross provision sought against the new section is £55.305 million, of which £35.000 million has been transferred from section F of Request for Resources 1.

g) an addition to Section B of Request for Resources 2 of £6.500 million of programme resource grants. This represents a transfer from the Foreign and Commonwealth Office, who administer the cross government Global Conflict Prevention Pool, to provide increased funding for conflict prevention projects to be undertaken by DFID in 2004-05.

h) the creation of a new section, Section C in Request for Resources 2, to record provision for the new inter-departmental Post - Conflict Reconstruction Unit. Gross provision of £2.160 million resource and £0.440 million capital is being sought to cover the initial set up costs of the unit in 2004-05. Funds are being found from the take up of End Year Flexibility.

Detailed explanation of the changes

3. The transfers and other changes outlined in the Introduction to the Estimate are analysed in this section of the memorandum.

Request for Resources 1: Eliminating Poverty in Poorer Countries

Section A - Reducing Poverty in sub-Saharan Africa

4. There is an increase in gross and net resource provision of £67.732 million. This comprises a draw down of £67.000 million of programme resource and £0.200 million of administration costs End Year Flexibility, together with a transfer of £0.532 million of programme resource from Section H of Request for Resources 1.

5. The £67.532 million of programme resource grants provision will support additional expenditure on development programmes in the key countries covered by the PSA target to reduce poverty in sub-Saharan Africa. Decisions have been taken to increase country programmes in Nigeria, Rwanda, Sierra Leone, and Ethiopia above the allocations reflected in Main Estimates. Planned spending on regional programmes will also increase. The £0.200 million of additional administration costs provision supports an increase in planned spending by DFID's

country offices on the administration of development programmes in sub-Saharan Africa. The increased provision in section A of the Estimate will ensure that the gross and net provision in the section is sufficient to fund the expected level of expenditure on Africa programmes and the administration of those programmes.

6. The changes in the capital totals in section A since Main Estimates are an increase in the gross provision of £2.450 million and a reduction of the Appropriations in Aid total to nil. The increase in gross provision is fully offset by increased Appropriations elsewhere in the Estimate. It represents additional planned investment on buildings, furniture, vehicles, and other fixed assets by DFID's country offices. The continued expansion of DFID's development programmes in sub-Saharan Africa has created a need for new and enhanced office accommodation to facilitate the delivery of those programmes.

7. The Non Operating Appropriations in Aid figure has been reduced to nil as a number of bilateral loan repayments originally expected from countries in Africa will not be received in 2004-05.

Section B –Reducing Poverty in Asia

8. There is an increase in gross and net resource provision of £30.100 million. This comprises a draw down of £30.000 million of programme resource and £0.100 million of administration costs End Year Flexibility.

9. The £30.000 million of programme grants resource provision supports additional expenditure on development programmes in the key countries covered by the PSA target to reduce poverty in East Asia and the Pacific. Decisions have been taken to increase programmes in Bangladesh, Pakistan, and China above the allocations reflected in Main Estimates. The £0.100 million of additional administration costs provision supports an increase in planned spending by DFID's country offices on the administration of development programmes in Asia. The increased provision in section A of the Estimate will ensure that the gross and net provision in the section is sufficient to fund the expected level of expenditure on Asia programmes and the administration of those programmes.

10. The changes in the capital totals in section B since Main Estimates are an increase in the gross provision of £0.990 million and a reduction in Appropriations of 1.0 million. The increase in gross provision is fully offset by increased Appropriations elsewhere in the Estimate. It represents additional planned investment by DFID country offices in West Asia and South East Asia, including a security upgrade for the office in Afghanistan.

11. The Asia Non Operating Appropriations in Aid figure has been reduced from the Main Estimates total as some loan repayments expected countries in Asia will not now be received this year.

Section C – Reduce Poverty in Rest of the World

12. The overall gross and net resource provision in section C has decreased by £3.848m from Main Estimates. This comprises a programme grants transfer of £10.000m from Section E, a draw down of £1.652 million of administration costs End Year Flexibility, an inward interdepartmental transfer of £0.500 million, offset by a resource to capital transfer within the section of £16.000 million.

13. The transfer of £10.000 million within the Request for Resources moves provision originally earmarked to support policy innovation to development programmes to reduce poverty in the rest of the world. Increased provision is needed within the section as spending on development programmes in some countries in the Middle East, particularly Palestine and Yemen, has proved to be higher than the allocations allowed for in Main Estimates. Expenditure on reconstruction programmes in Grenada and other countries in the Caribbean affected by Hurricane Ivan also charges against this section, and provision was not included in Main Estimates.

14. The draw down of administration costs End Year Flexibility allocated to section C represents transitional costs incurred as a result of the reprioritisation of DFID's programmes away from Middle Income Countries towards Low Income Countries. As a consequence there will be mergers or closures of DFID offices in Eastern Europe and the Middle East. The full extent of these costs has emerged since Main Estimates and administration costs End Year Flexibility is required to meet them.

15. The £0.500 million interdepartmental transfer relates to funds from DEFRA to support environmental projects in Russia and the Ukraine.

16. A sum of £16.000 million has been transferred within section C from resource to capital. It relates to a subscription made to the European Bank for Reconstruction and Development by means of a promissory note. At the time of the 2002 Spending Review settlement, there was some doubt about the public expenditure classification of this subscription, and the funding was provided as part of the Resource DEL. Subsequently, it has been established that the subscription is classified as capital as it is a financial transaction to acquire equity in an international financial institution. The transfer included in the Supplementary Estimate ensures that the provision appears in the correct column in the Part II tables.

17. The main increase in the gross capital provision within section C relates to the resource to capital transfer. Additionally, the gross provision has been increased by a further £0.440 million to fund enhancements to the DFID office in Yemen that were not planned at Main Estimates.

18. The Rest of the World Non Operating Appropriations in Aid figure has been reduced from the Main Estimates total. This is a consequence of the fact that loan repayments originally expected from Belize and St Kitts will not be received in 2004-05.

Section D – Improve the Effectiveness of Multilateral Aid

19. The gross and net resource provision in the section has increased by £115.8 million from Main Estimates. This increase includes additional provision of £55.0 million directly related to expenditure on humanitarian assistance in the immediate aftermath of the Asian tsunami. The source of this provision is partly a transfer of £30 million of previously unallocated resource from section I of Request for Resources 1. By agreement with the Treasury DFID holds a contingency reserve of £30 million within our Resource DEL until late in the financial year. In 2004-05 we were able to allocate this provision for humanitarian assistance for victims of the tsunami as announced by the Secretary of State for International Development on 30 December 2004. The remaining £25 million is an agreed claim on the Treasury DEL reserve and represents the remainder of the £75 million for the immediate humanitarian response announced to Parliament by the Prime Minister on 10 January 2005.

20. A related increase in provision in Section D is the £0.800 million for the draw down of administration costs End Year Flexibility. DFID has had to deal with a number of major humanitarian emergencies in 2004-05, including the Darfur conflict and hurricane damage in the Caribbean as well as the Asian earthquake and tsunami. Spending on administration by the conflict and humanitarian assistance department has been higher than planned at Main Estimates. Administration costs End Year Flexibility will meet the shortfall between the original budget and the expected level of expenditure.

21. The balance of the increase in resource provision derives from a transfer of £60.0 million from section E of Request for Resources 1. The transfer moves funds originally earmarked for the support of policy innovation to programmes designed to increase the effectiveness of multilateral aid. DFID funds a large number of multilateral aid organisations and the provision included in Main Estimates understated the level of contributions that we are required to make this year.

22. The level of Non Operating Appropriations in Aid in Section D has been increased by £3.897 million. This reflects increased forecasts for multilateral loan repayments, particularly for loans made via the European Investment Bank. The increased Appropriations in this section offset increased capital expenditure in sections A, B, C, and G of Request for Resources 1.

Section E – Developing Innovative Approaches to Development

23. There is a reduction of £70.0 million in the gross and net provision in this section relating to programme resource grants transfers to sections C and D. The transfers are discussed in paragraphs 13 and 21 above.

Section F – Programmes Contributing to Multiple Objectives

24. The overall change in gross and net provision in this section is an increase of £20.9 million. This consists of a draw down of £54.532 million of programme resource and £0.9 million of administration costs End Year Flexibility, a transfer of £0.468 million of programme resource from Section H, partly offset by a transfer of £35.000 million to Section L.

25. The £55.000 million of additional programme resource grants included in section F supports additional planned spending on programmes contributing to multiple objectives, that was not reflected in Main Estimates. Decisions have been taken to increase spending on a number of centrally managed programmes. These include the funding of partnership programme agreements with UK civil society organisations and the central research programme. The allocation of £0.9 million of administration costs End Year Flexibility to section F relates to the establishment of a central research department within DFID during 2004-05. The unit has been set up to give a stronger focus to research and to enhance the quality of the research we commission. The new unit is incurring consultancy costs on renewable natural resources and infrastructure research that were not planned at Main Estimates.

26. The transfer of £35.0 million of other current provision out of section F to the new section L within Request for Resources 1 relates to the reclassification of the cost of capital charge on the department's investment in CDC Group from the DEL to Annually Managed Expenditure (AME). Further details are given under section L.

27. The changes in the capital totals within Section F since Main Estimates are an increase in the gross provision of £3.827 million, arising from a draw down of capital End Year Flexibility and an increase in Appropriations of £1.800 million.

28. A total of £1.677 million within the End Year Flexibility draw down has been allocated to a purchase of a minority shareholding in Actis Capital LLP (Actis); the limited liability partnership formed to take over the investment management activities conducted by CDC Group prior to July 2004. The reorganisation of CDC Group, announced by the Secretary of State for International Development in a written statement on 12 July 2004, is designed to enhance the group's capacity to mobilise private and other third-party capital for investment in the poorer developing countries, by separating responsibilities for asset holding and investment policy from the management of investments. Actis has a five-year contract to manage CDC's existing investments. The stated purpose of Actis is to manage investments so as to promote the creation and growth of viable businesses in poorer countries, to mobilise private and other third-party investment, and to add value to businesses in which investments are made by promoting responsible business practices and providing management advice.

29. As negotiations to set up Actis were not concluded by Main Estimates, provision

for the acquisition of equity was not included in that Estimate.

30. The remaining £2.15 million of capital End Year Flexibility allocated to section F will support additional capital expenditure on improvements to management information and financial systems. DFID is investing heavily in new systems to improve efficiency and free up staff time to allow for concentration on the delivery of the Public Service Agreement targets. The planned improvements are major capital projects and with all such projects there is a degree of uncertainty over the pattern of spend. The sum of £2.15 million is attributable to Aries project, which covers DFID's financial and performance management systems, and recognises that we will spend more on the project this year than expected at Main Estimates.

31. The increase in Appropriations relates to the repayment of loans that DFID took over from CDC Group. The income has been identified since Main Estimates.

Section G – Central Departments

32. The gross provision within this section increases by £6.122 million and the net provision by £5.772 million. Most of the increase in gross provision , £5.748 million, relates to the draw down of administration costs End Year Flexibility. The main elements within the additional provision are IT support costs related to DFID's investment in improvements to management information systems, significant training costs to be incurred in training staff in the use of new systems, the costs of staff early retirements, and higher forecasts for impairments.

33. A small increase in provision within section G relates to an interdepartmental transfer of £0.024 million from the Cabinet Office. This is a contribution to the costs of DFID use of the Parliamentary Counsel's Office.

34. There is a change in the gross and net capital provision in section G of £2.261 million. This represents an allocation of Capital End Year Flexibility to support additional expenditure on improvements to information systems. DFID is devoting considerable resources to the enhancement of our corporate and network IT infrastructure to improve efficiency and free up staff time to allow them to concentrate on delivery of the Public Service Agreement targets. Spending on enhancement projects has proved to be higher than allowed for in Main Estimates. The draw down of End Year Flexibility recognises the need for additional capital provision within the Estimate.

Section H – Certain beneficiaries of the Gibraltar Social Insurance Fund

35. The gross and net provision within this section has been reduced by £1.0 million from the Main Estimates total. Savings have been reallocated to sections A and F of Request for Resources 1 as described in paragraphs 4 and 24 above.

36. The reduction in provision reflects a lower forecast for payments to beneficiaries of the Gibraltar Social Insurance Fund than that made at Main Estimates.

Section I – Unallocated

37. Provision against this section is now nil following the allocation of the department's contingency reserve to humanitarian assistance programmes in the aftermath of the Asian earthquake and tsunami.

Section L – Programmes Contributing to Multiple Objectives (AME)

38. A new section has been created to make provision for the cost of capital charge on the department's investment in CDC Group in Annually Managed Expenditure. An agreement was reached with the Treasury early in 2004-05 that CDC Group should be classified as a self- financing public corporation for public expenditure purposes; it had previously been treated as an ordinary public corporation in Treasury budget aggregates. The reclassification of CDC Group automatically moved the cost of capital charge from the DFID DEL to AME.

39. The provision within Section L consists partly of a transfer of £35.0 million transfer from Section F equivalent to the cost of capital charge charged on the investment prior to the reclassification of the costs from DEL and AME. The remainder of the provision, £20.305 million, is required because the cost of capital charge is now being calculated at a higher rate, 5 per cent rather 3.5 per cent, in line with the rate of return that CDC Group is required to make on capital employed.

Section M – EU Research Grants (Net)

40. A token net section and subhead has been created for research grants being received from the European Union for onward disbursement to third parties. These transactions are being brought to Parliament's attention as required by Government Accounting, Chapter 19.

Request for Resources 2: Conflict Prevention

Section A – Africa Conflict Prevention

41. The gross and net provision against this section has been reduced by £1.038 million as a consequence of a transfer to the Foreign and Commonwealth Office. The Africa Conflict Prevention Pool is a cross government programme involving DFID, the Foreign and Commonwealth Office, and the Ministry of Defence. Budget provision is ring-fenced within DFID's DEL as part of Spending Review settlements. Funds are allocated to the three departments at the beginning of the year on the basis of Ministerial decisions about priorities for conflict prevention.

Where new requirements arise in year the funds are usually found from unallocated provision or the draw down of End Year Flexibility. In 2004-05, the Foreign and Commonwealth Office requires significant additional funds above those transferred at Main Estimates, particularly to support conflict prevention work relating to the emergency in Sudan. Their requirement exceeded the funds available, after allowance was made for a smaller transfer of funds to the Ministry of Defence. A review of DFID's programmes identified a small amount of savings against the Main Estimates provision and these savings are being transferred to the Foreign and Commonwealth Office in the Supplementary Estimate.

Section B – Global Conflict Prevention

42. The gross and net provision against this section has been increased by £6.500 million as a consequence of a transfer from the Foreign and Commonwealth Office to support planned programme activity by DFID on global conflict prevention. The budget for the cross government Global Conflict Prevention Pool is held by the Foreign and Commonwealth Office, and additional funds are transferred to DFID at Supplementary Estimates for Pool projects approved in year where provision was not included in Main Estimates

Section C – Post –Conflict Reconstruction Unit

43. Provision of £0.600 million for administration costs, £1.560 million for programme grants, and £0.440 million for capital has been made in this new section. All of the provision derives from a draw down of End Year Flexibility.

44. The intention to establish a cross government unit to improve the United Kingdom's capacity to deal with immediate post conflict stabilisation was announced by the Secretary of State for International Development in a written statement on 16 September 2004. The new unit is incurring costs during the latter part of 2004-05 as it moves towards becoming fully operational in the Spring of 2005.
45. The provision included in the Supplementary Estimate supports the staffing of the Post-Conflict Reconstruction Unit on a part-year basis, the initial purchase of equipment to support the unit's operations, and the acquisition of specialised information technology equipment to allow the unit to communicate securely with partners in the Ministry of Defence and the Foreign and Commonwealth Office.

Net Cash Requirement

46. The additional cash sought in the Supplementary Estimate is £62.4 million less than the combined increase sought for resource and capital provision. This difference is a consequence of significant changes in the detail of the Resource to cash reconciliation since Main Estimates.

47. The key change relates to the classification of promissory notes deposited with international financial institutions. At Main Estimates the deposit of a promissory note, which is a commitment to make a payment, were included in the Estimate as

provisions. The Estimate also recorded cash payments made against the promissory note as the use of the provisions. It has now been agreed with the Treasury that promissory notes should be classified as creditors not provisions. The movement in the deposit and payments of promissory notes are now included in the increase /decrease in creditors total, and the figures for provisions and use of provisions relate solely to identified new provisions and cash paid out against historic provisions.

Forecast Operating Cost Statement

48. This now excludes the £607.5 million of non-voted expenditure for European Union budget spending on attributed aid. Although this charges against the DFID DEL it does not form part of the department's operating costs reported in the resource account.

Notes to the Estimate

49. Additional notes are included on Contingent Liabilities and International Subscriptions. These notes were mistakenly omitted from Main Estimates.

Impact on the department's Public Service Agreement

50. A full report on progress against DFID's Public Service Agreement targets was given in the *2004 Autumn Performance Report*.

51. The report confirmed that the off track targets for key countries in Africa were: the ratio of girls to boys primary school enrollment; under five mortality rates; and births assisted by skilled birth attendants. Ethiopia's low baseline for the primary school enrolment ratio and its lowest rate in the world for births assisted by skilled birth attendants were referred to in the performance report. Reference was also made to Sierra Leone having the highest under-five mortality rate in the world. Development programmes for both of these countries have been increased this year as discussed in paragraph 5.

52. Africa programmes are receiving £67.0 million or 45 per cent of the additional resource provision in the Supplementary Estimate that derives from the draw down of End Year Flexibility. This additional provision will contribute to the delivery of the PSA targets for Africa.

53. The autumn performance report said that two of the nine targets for the four key countries in Asia were off track or that it was too early to say. The need for progress to be made in Pakistan on gross primary school enrolment, ratio of girls to boys enrolment, the under –five mortality rate, and the proportion of births assisted by skilled birth attendants was highlighted. The budget for development programmes in Pakistan has been increased as discussed in paragraph 9.

54. Asia programmes are receiving 20.0 million or 20 per cent of the additional resource provision in the Supplementary Estimate that derives from the draw down of End Year Flexibility. All of this additional provision will contribute to the delivery of the PSA targets for Asia.

55. In the autumn performance report it was stated that most of the targets to improve the effectiveness of the international system were on target to be met. Much of the additional provision included in Section D of Request for Resources 1 is linked to humanitarian assistance following the Asian tsunami and has no direct link to a PSA target. However, we have moved £60 million of provision within the Estimate to support increased contributions to multilateral organisations. This increase in provision is consistent with what we have said in the performance report about the effectiveness of these organisations.

56. The fifth PSA target for DFID includes an increase in the proportion of DFID's bilateral programme going to low-income countries to 90%. In the autumn performance report we said that we had made provision to reach the target by 2006.

57. Much of the increase in programme provision included in the Supplementary Estimate supports the move towards the low-income countries target; particularly the additional resources allocated to sub-Saharan Africa country programmes and most of the additional resources allocated to Asia country programmes.

Departmental Expenditure Limit

58. The Supplementary Estimate will increase the DFID Resource DEL to £3,901,268,000 and the Capital DEL to £40,258,000. The table shows a comparison with the 2003-04 outturn and the expected DELs for 2005-06 to 2007-08.

£,000s

	2003-04	2004-05	2005-06	2006-07	2007-08
Resource DEL	3,792,970	3,901,268	4,473,044	4,995,000	5,289,000
Capital DEL	27,343	40,258	30,000	20,000	22,000
Depreciation*	-14,617	-20,000	-22,000	-22,000	-22,000
Total	3,805,696	3,921,796	4,481,044	4,993,000	5,289,000

**Depreciation, which forms part of resource DEL is excluded from total DEL, since capital DEL includes capital spending and to include depreciation of those assets would lead to double counting*.

59. The outturn on the Resource DEL for 2003-04 of £3,792,970,000 was against a final provision of £3,936,037,000. This represented an underspend of £143,067,000 equivalent to 3.63 per cent of the DEL. After allowing for prior period adjustments, the underspend against the voted element of the Resource DEL in 2003-04 was £104,707,000 or 3.4 per cent of the provision voted in the Spring Supplementary Estimate for that year. The underspend on the non-voted element of the Resource DEL was £4,355,000 or approximately 0.5 per cent of the provision.

60. The outturn on the Capital DEL for 2003-04 of £27,343,000 was against a final provision of £39,000,000. The outturn on the voted element of the Capital DEL was in line with the Estimates provision. The underspend is attributable solely to excess Appropriations which were surrendered as Consolidated Fund Extra Receipts (CFERs), but which are treated as negative DEL for public expenditure control purposes.

61. The Department did not submit a Winter Supplementary Estimate in 2004-05 and all of the DEL changes are being announced with the Spring Supplementary Estimate.

DEL End Year Flexibility

62. The 2003-04 End Year Flexibility for DFID reported in the Public Expenditure Provisional Outturn White Paper (Cm 6293) was:

Other Resource DEL	£167.982 million
Administration Costs	£18.696 million
Capital DEL	£0.454 million

63. This End Year Flexibility was accumulated mainly from underspends against 2003-04 voted provision; but £70.0 million relates to a 2002-03 underspend on the non-voted provision for European Union spending on attributed aid. The underspend on this part of the DEL is not confirmed until the European Union accounts are audited and any End Year Flexibility becomes available one year later than that earned from DFID's voted programmes.

64. The Other Resource DEL figure breaks down between DFID programmes and the ring-fenced Conflict Pools as follows:

DFID Main Programmes	£159.166 million
Africa Conflict Prevention Pool	£7.433 million
Global Conflict Prevention Pool	£1.383 million

65. All of the Capital End Year Flexibility has been drawn down in the Supplementary Estimate. Additionally, £6.528 million of Other Resource DEL End Year Flexibility has been drawn down, and with Treasury agreement to virement, has been included in the Capital DEL. The use of this provision is discussed in the detailed analysis part of the memorandum.

66. The remaining £153.092 million of Other Resource DEL has been drawn down and allocated to DFID programmes in Requests for Resources 1 and 2. Full details of the use of the provision are given in the detailed analysis part of the memorandum.

67. A total of £10.0 million of administration costs End Year Flexibility has been drawn down and allocated as discussed in the detailed analysis part of the memorandum. The remaining £8.7 million has been set aside for use in future years. It is expected to be used to support efficiency programmes and one off costs associated with restructuring of parts of the department.

68. The full amount of End Year Flexibility reported for the Africa Conflict Prevention Pool has been drawn down. The full provision has been transferred to the Foreign and Commonwealth Office to support additional conflict prevention work by that department; particularly in relation to the emergency in the Sudan.

69. The budget for the Global Conflict Prevention Pool is managed by the Foreign and Commonwealth Office who are responsible for decisions on the draw down of End Year Flexibility earned by the Pool.

Administration Costs Limit

70. The Supplementary Estimate will increase the administration costs limit to £232,024,000. A comparison with the 2003-04 outturn and the expected administration costs budgets for 2005-06 to 2007-08 is given in the table.

£,000s

	2003-04	2004-05	2005-06	2006-07	2007-08
Administration Costs Limit[1]	195,955	232,024	239,000	235,000	232,000

1. Following a change to administration costs control regime administration costs limit are known as net administration budgets from 2005-06 onwards.

71. The outturn against the administration costs limit for 2003-04 was £18,861,000 below the final provision of £214,816,000. This represents a percentage underspend of 8.8 per cent.

Richard Calvert
Director of Finance and Corporate Performance