

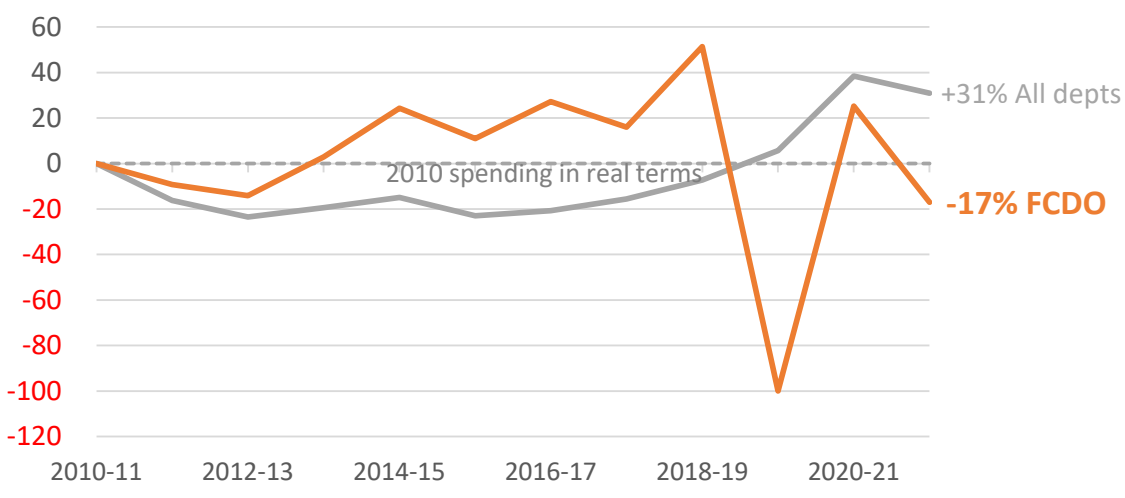
Foreign, Commonwealth and Development Office (FCDO)

Long-term trends in FCDO 's spending (in real terms)

Percentage change in **day-to-day spending** compared to 2010 (Resource DEL):



Percentage change in **investment spending** compared to 2010 (Capital DEL):



Day-to-day spending trends

- The day-to-day spending trends show the combined budgets of what had previously been the separate Departments DFID and the FCO.
- DFID's budgets have historically been far higher than the FCO's, and had been protected from cuts by the UK's 0.7% ODA spending target.
- In November 2020 the UK Government broke its commitment to spend 0.7% of GNI on ODA, instead reducing this to 0.5%.

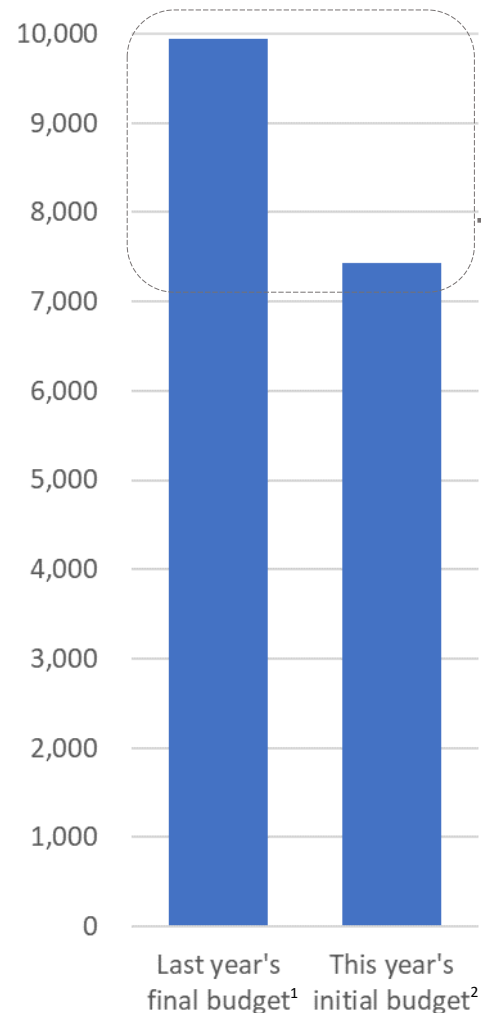
Investment spending trends

- Both the FCO and DFID's capital spending profiles have tended to be fairly volatile.
- The FCO's volatility was due to a mixture of one-off asset sales and the profile of spending on the overseas estate.
- DFID's volatility was due to replenishment cycles to Multilateral organisations, although on the whole capital spending was largely protected by the ODA spending commitment.
- Similarly to day-to-day spending, investment spending has also been affected by reduced ODA spend.

How is the FCDO's day-to-day spending changing in 2021-22?

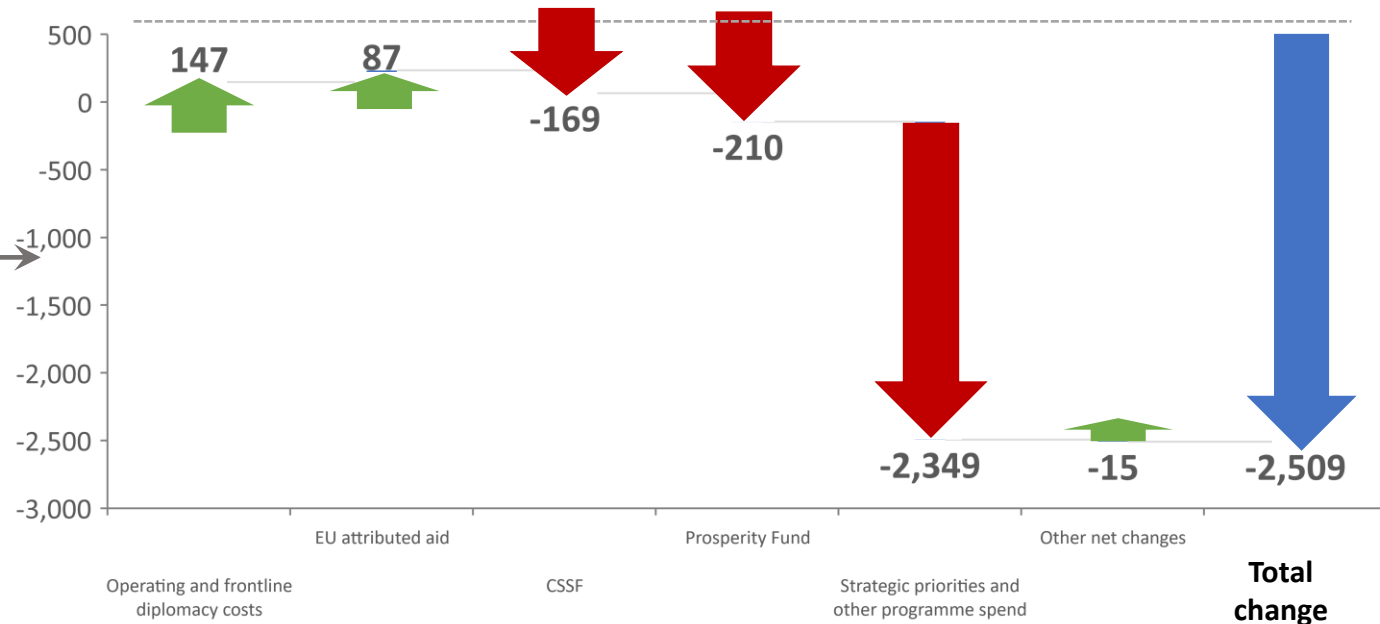
FCDO's day-to-day budget is decreasing by £2,509 (-25.2%)

Resource DEL budget in £m



FCDO's spending reduction is driven by reductions in ODA expenditure

Changes in Day-to-day (Resource DEL) budget in £m since final budget for 2020-21



Changes in 2021-22

- **The UK Government revised its ODA spending target from 0.7% of GNI to 0.5% of GNI in November 2020.** This, combined with the reduction in GNI caused a reduction in the overall day-to-day spending.
- **Most of FCDO's ODA spending is categorised as Strategic Priorities and other programme spend,** which reduced by over £2.3 billion compared with last year's final budget.
- **CSSF:** reduction of £169 million, driven by ODA reductions.
- **The Prosperity Fund has now closed,** accounting for a £210 million reduction.
- **Frontline/operating costs:** Operating costs have increased by £147 million, although the department states that it expects to realise efficiency savings as a result of the merger.

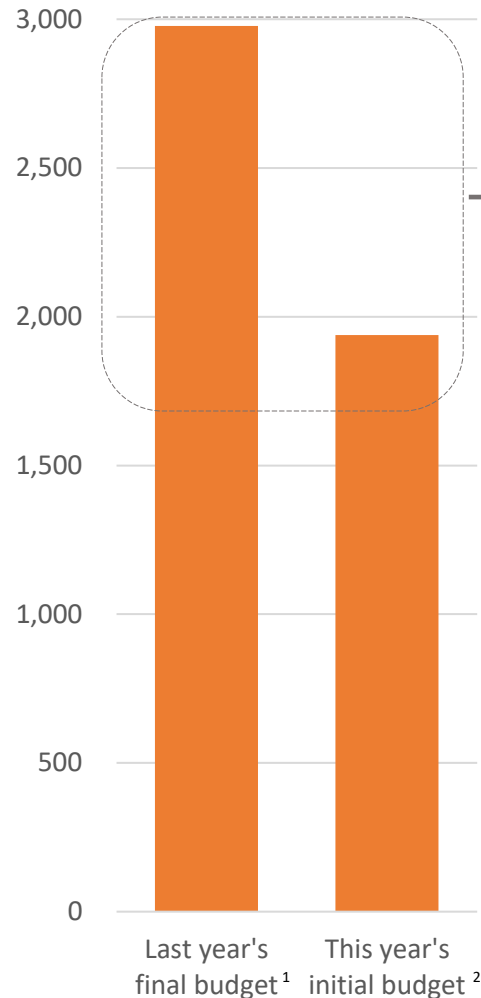
¹ Final Budget in Supplementary Estimates 2020-21 (Feb 2021))

² Initial Budget in Main Estimate 2021-22 (May 2021)

How is FCDO's investment spending changing in 2021-22?

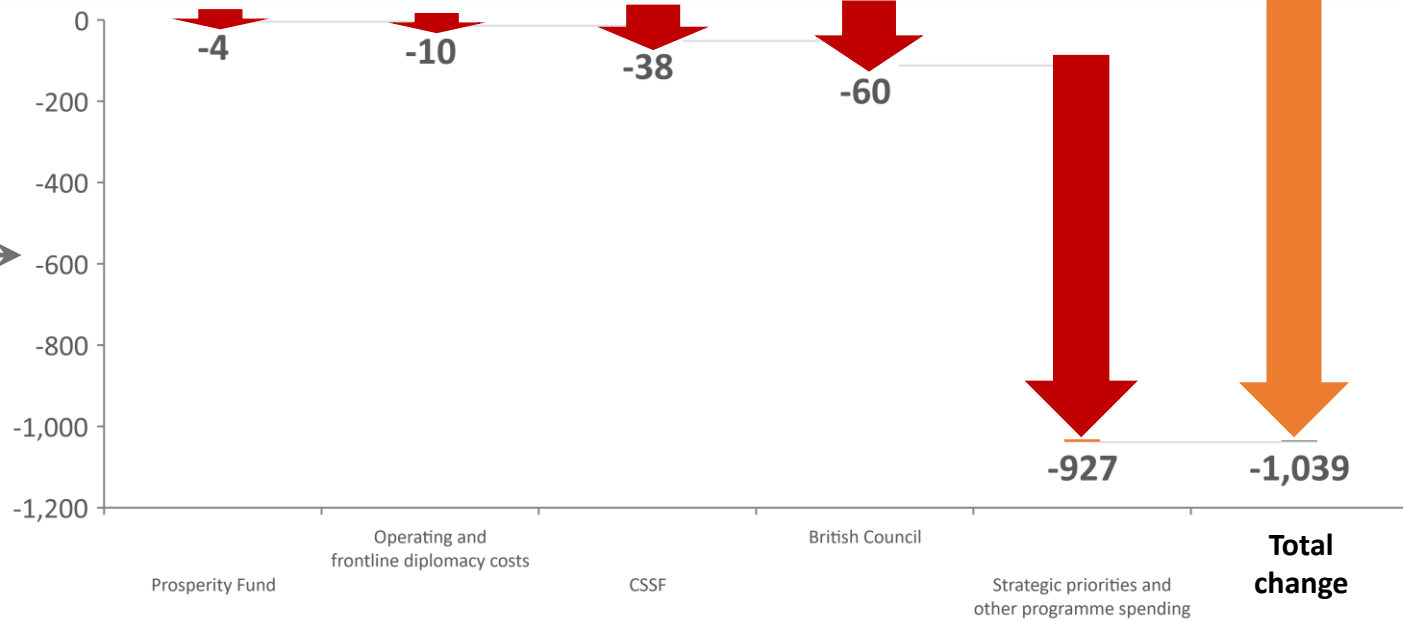
FCDO's investment budget is increasing by £20.7m (+2.4%)

Capital DEL budget in £m



FCDO's investment spending decreases due to ODA cuts

Changes in Investment (Capital DEL) budget in £m since final budget for 2020-21



Changes in 2021-22

- **ODA reductions:** plans for 2021-22 reflect the decision to reduce temporarily the overall amount spent on aid from 0.7 to 0.5% of GNI. Most of the ODA budget sits in “Strategic priorities and other programme spend”.
- **British Council:** the UK government committed to provide the British Council with up to £145m loan funding to help support their short-term cash flow. £70 million further has been provided at the Main Estimate, though this is less than total capital funding at last year’s final budget, hence the reduction shown above.
- **CSSF:** the Conflict, Stability and Security Fund has been reduced in line with overall reductions to ODA.

Investment in the CDC (Capital AME)

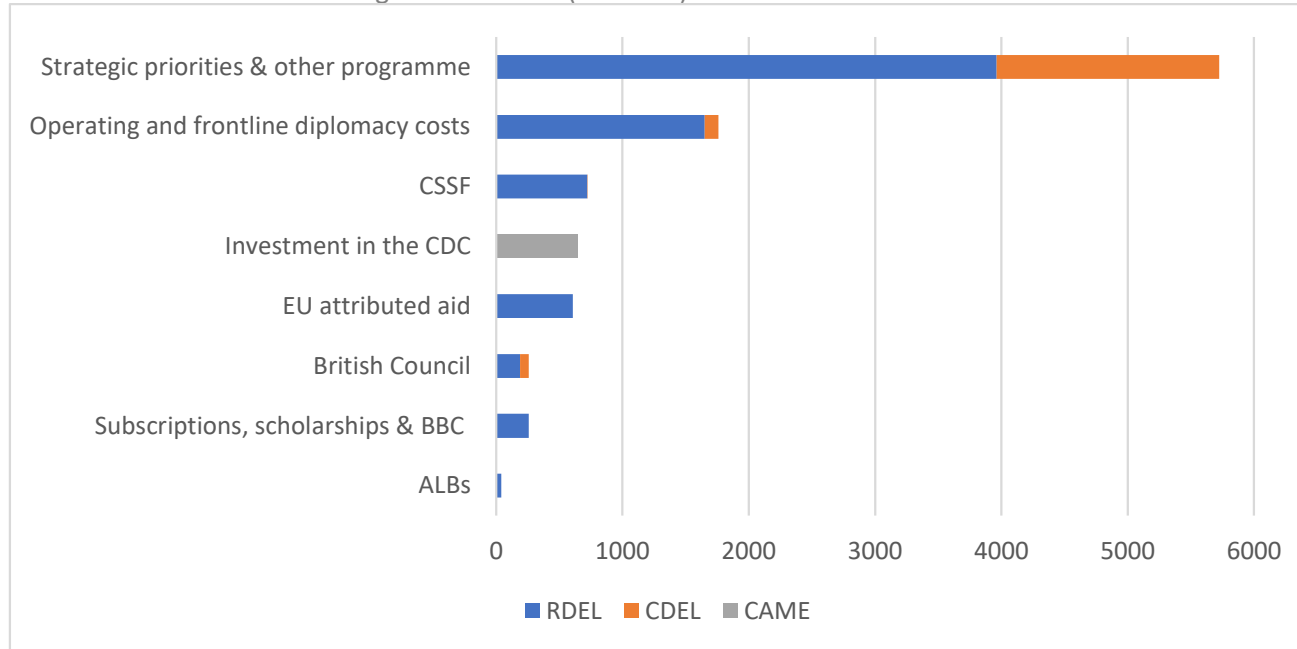
- The FCDO's initial investment in the CDC for 2021-22 is £646 million, £4 million lower than the final investment in CDC in the prior financial year.

¹ Final Budget in Supplementary Estimates 2020-21 (Feb 2021))

² Initial Budget in Main Estimate 2021-22 (May 2021))

Most of the FCDO's budget is ODA programme spending.

Breakdown of FCDO's initial budget for 2021-22 (£ million)*



Investment in the CDC (Capital AME)

- The CDC is the UK Government's privately owned development finance company. Each year the FCDO invests in the CDC on a demand-led basis.
- FCDO's initial investment for this financial year is £646 million.

Day-to-day spending (Resource DEL)

- **Strategic priorities and other programme spend** contains most of the Department's **ODA expenditure**, amounting £3,963.9 million – just over half of total day-to-day expenditure.
- **Operating and frontline diplomacy** accounts for £1,651.7 million, 22.2% of day-to-day expenditure. This includes the costs of FCDO's overseas estate.
- The **Conflict, Stability and Security Fund (CSSF)** is a cross government fund which supports and delivers activity to tackle instability and to prevent conflicts that threaten UK interests. The FCDO plans to spend £720.6 million, 9.7% of day-to-day expenditure.

Investment spending (Capital DEL)

- **Strategic priorities and other programme spend** contains the vast majority of investment spending, amounting £1,759.5 million (90.8%)
- **Operating and frontline diplomacy** accounts for £108.5 million, 5.6% of day-to-day expenditure. This includes capital investment in new systems for the merged department.
- FCDO made a £70 million loan to the British Council to ensure it has adequate short-term cashflow.

*Day-to-day spending includes depreciation; totals above will overstate cash spending as a result

FCDO's spending beyond 2021-22

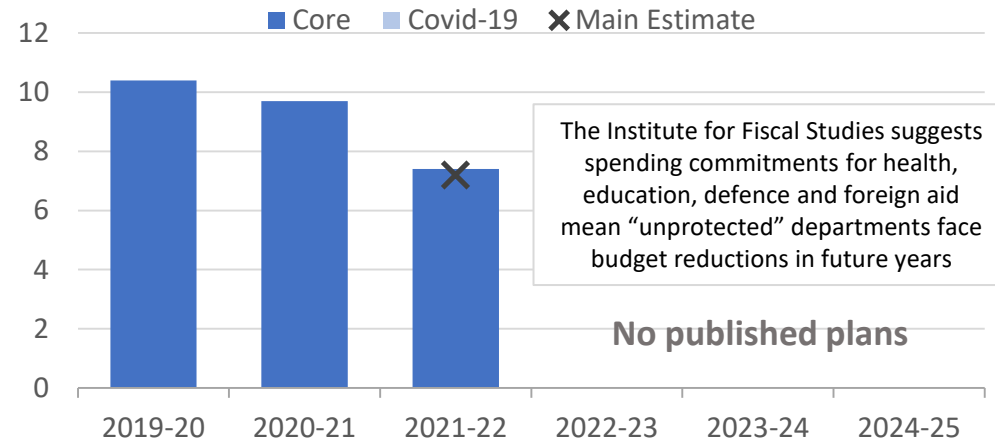
The most recent spending plans were published in **Spending Review 2020**, with some further announcements in **Budget 2021**. Due to uncertainty caused by Covid-19 plans were only given for 2021-22 and some specific multi-year capital programmes.

- Day-to-day spending:**
- FCDO's spending is largely driven by Overseas Development Assistance (ODA) expenditure.
 - The UK Government's reduced its spending target for ODA from 0.7% to 0.5% of GNI in November 2020, explaining recent reductions in expenditure. Future spending is highly uncertain, and will depend on the performance of the UK economy and whether the UK returns to its 0.7% spending commitment.
 - Although ODA spending is reducing, the future settlements include a 5.5 per cent average real terms increase in core non-ODA resource funding per year since 2019-20.
 - There may be some efficiency savings as a result of the departmental merger.

- Investment spending:**
- FCDO's investment spending is also driven largely by ODA expenditure.
 - Future settlements include funding for an increased FCDO presence in East Kilbride and a new FCDO hub outside of London.
 - FCDO is also allocating funding to build and modernise the UK's embassies in Washington, Paris and Beijing.

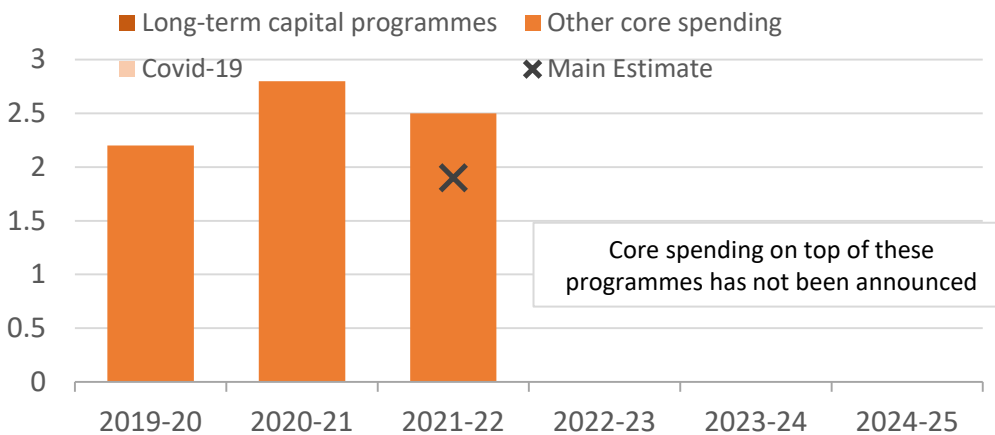
FCDO's future day-to-day spending is largely unknown

£ billion, Resource DEL budget excluding depreciation



FCDO's future investment spending is largely unknown

£ billion, Capital DEL budget



*May involve day-to-day and investment spending over several years