



Department  
for International  
Development



Rt Hon Penny Mordaunt MP  
Secretary of State

Stephen Twigg MP  
Chair, International Development Committee  
7 Millbank  
House of Commons  
London  
SW1P 3JA

Our ref: 181695

12 April 2018

*Dear Stephen,*

**Main Estimates 2018/19 Explanatory Memoranda**

I enclose copies of the Explanatory Memoranda to accompany the publication of the Department for International Development and Overseas Superannuation 2018/19 Main Estimates.

The Memoranda provide further details of the changes to provision sought in the Estimates, including the Departmental Expenditure Limit and to Annually Managed Expenditure.

Rt Hon Penny Mordaunt MP  
Secretary of State

# DFID IDC Memorandum

## Department for International Development

### Main Estimate 2018/19

#### Memorandum to the International Development Committee

##### Introduction

1. The Department for International Development (DFID) Main Estimate for 2018/19 seeks the necessary resources and cash to support the functions of the Department.
2. The resource and cash requirements set out in the Main Estimate are the most up to date assessment of the Department's requirements.
3. The purpose of this memorandum is to provide the Select Committee with an explanation of how the resources and cash sought in the Main Estimate will be applied to achieve the Department's strategic priorities.
4. The Main Estimate 2018/19 provides for:

**Table 1: Main Estimate Provision**

Budgetary Limit	Voted Provision £m	Non-Voted Provision £m	Total Provision £m
Resource DEL (table 2)	7,015.4	464.0	7,479.4
Capital DEL (table 2)	2,651.9	-	2,651.9
Resource AME (table 5)	-	-	-
Capital AME (table 5)	683.0	-	683.0
<b>Total Budgetary Limit</b>	<b>10,350.3</b>	<b>464.0</b>	<b>10,814.3</b>
<b>Net Cash Requirement</b>	<b>10,150.3</b>	<b>-</b>	<b>10,150.3</b>

5. The following ring-fenced provisions were set for 2018/19:
  - a) £760m Financial Transactions (Capital DEL)
  - b) £633m Climate Finance (Resource DEL)
  - c) £500m Crisis Reserve (Resource DEL)
  - d) £464m European Attributed Aid (Non-Voted Resource DEL)
  - e) £150m Health Research (Capital DEL)
  - f) £104m Conflict, Stability and Security Fund (Resource DEL)
  - g) £80m non-ODA (Resource DEL)
  - h) £40m Prosperity Fund (Resource DEL)
  - i) £18m Depreciation (Resource DEL Administration)

## **Key Points – Main Activities and Priorities for the Department**

6. The key strategic objectives are set out in the Single Departmental Plan<sup>1</sup>, published December 2017:

We will:

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

---

<sup>1</sup> <https://www.gov.uk/government/publications/department-for-international-development-single-departmental-plan/department-for-international-development-single-departmental-plan>

## Departmental Expenditure Limits

**Table 2: Change in 2018/19 DEL from SR15 Settlement**  
**Error! Not a valid link.**

7. The main reasons for the change in DFID's baseline budget from the 2015 Spending Review settlement are:
- Resource DEL (decrease of £3,281m)
    - £(2,135)m of RDEL transfers to Other Government Departments and cross government funds (Annex A)
    - Net additional transfers to Other Government Departments of £(6)m (Annex A)
    - £(614)m in Gross National Income reductions, of which £(353)m is from cross-government funds
    - £(526)m switch to Capital DEL (paragraph 9) of which £(397)m relates to research (paragraph 16)
  - Capital DEL (decrease of £157m)
    - £(21)m reduction of baseline transfers to Other Government Departments (Annex A)
    - Net additional transfers from Other Government Departments of £21m (Annex A)
    - £526m switch from Resource DEL (paragraph 9) of which £397m relates to research (paragraph 16)
    - £(683)m reduction for switch to Capital AME (paragraph 23)

All of the above transfers or switches between budget types have been approved by HM Treasury.

## Resource Departmental Expenditure Limit

8. Table 3 below sets out how we expect Resource DEL to be spent across the organisation in 2018/19 against expected expenditure in 2017/18. Due to the dynamic nature of DFID's portfolio it is likely that there may be adjustments made through the year. These will be adjusted for in the Supplementary Estimate if necessary.

**Table 3: Year on Year Detailed Changes in Programme Resource DEL**

Budgetary Limit	2017/18 Supplementary Estimate Net Resource	2018/19 Main Estimate Net Resource	Increase/ (Decrease)
	Programme £m	Programme £m	Programme £m
<b><u>Resource DEL - Voted Expenditure</u></b>			
CSC (ALB) (net) scholarship relating to developing countries	23.6	24.8	1.2
Total Operating Costs	179.7	201.8	22.0

Independent Commission for Aid Impact (ALB) (net)	3.9	2.7	(1.3)
Conflict, Stability and Security Fund	116.2	104.3	(11.9)
Regional Programmes	3,719.5	3,436.7	(282.8)
Other Central Programmes	9.4	273.5	264.0
Policy Priorities, International Organisations and Humanitarian	2,988.8	2,815.4	(173.4)
Prosperity Fund	-	39.9	39.9
<b>Total Resource DEL - Voted Expenditure</b>	<b>7,041.3</b>	<b>6,899.0</b>	<b>(142.2)</b>
<b><u>RDEL - Non-voted Expenditure</u></b>			
European Union Attributed Aid	501.0	464.0	(37.0)
<b>Total Programme Resource DEL</b>	<b>7,542.3</b>	<b>7,363.0</b>	<b>(179.2)</b>

9. We have agreed with HM Treasury a switch of £526m from Capital DEL to Resource DEL to better reflect DFID's 2018/19 spending plans to ensure the Department delivers against the UK Aid Strategy commitments whilst also achieving value for money. £397m of this is in relation to research (paragraph 16).
10. At the Spending Review 2015 a separate Settlement Letter was issued for the Conflict, Stability and Security Fund (CSSF). Funds are held for each year on DFID's baseline and then allocated annually at the Main Estimate to the relevant government department once the portfolio of programmes has been agreed. DFID has retained £104m of a total £1,100m assigned to the CSSF with the remainder being allocated to Foreign and Commonwealth Office (FCO), Ministry of Defence, HM Treasury, National Crime Agency (NCA), Home Office, Crown Prosecution Service, HM Revenue and Customs, Department of Health and Social Care, Department for Transport, Department for Education and Department for Environment, Food and Rural Affairs.
11. Similar arrangements to the CSSF exist for the Prosperity Fund with transfers totalling £80m FCO, NCA, Cabinet Office, HMT and Department of Culture, Media and Sport and the remaining £40m retained for DFID programming.
12. The European Union Attributed Aid figure is based on the most recent estimate of spend expected in 2018/19. Forecasts for all DFID expenditure are reviewed regularly and subsequently adjusted through the estimates process. The change in the EU Attributed Aid budget<sup>2</sup> is a result of changes in EU disbursements and currency fluctuations.

<sup>2</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/625548/DFID-Annual-Report-and-Accounts-2016-17.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/625548/DFID-Annual-Report-and-Accounts-2016-17.pdf) page 123

13. As per table 2 DFID's 2018/19 Admin and Depreciation budgets are broadly in line with 2017/18 expected expenditure and the 2015 spending review settlement, except for a marginal increase for Trade for Development. The department remains committed to driving efficiencies.

### **Capital Departmental Expenditure Limit**

14. Table 4 below sets out how we expect Capital DEL to be spent across the organisation in 2018/19 against expected expenditure in 2017/18.

**Table 4: Year on Year Detailed Changes in Programme Capital DEL**

<b>Budgetary Limit- Programme</b>	<b>2017/18 Supplementary Estimate Net Resource</b>	<b>2018/19 Main Estimate Net Resource</b>	<b>Increase/ (Decrease)</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b><u>CDEL - Voted Expenditure</u></b>			
Regional Programmes	562.8	523.9	(38.9)
Other Central Programmes	4.9	17.3	12.4
Policy Priorities, International Organisations and Humanitarian	2,179.3	2,110.7	(68.6)
<b>Total Capital DEL</b>	<b>2,746.9</b>	<b>2,651.9</b>	<b>(95.0)</b>

15. The 2018/19 CDEL budget is lower than the 2017/18 allocation due to the profile of DFID's spending review settlement. The 2017/18 spending review settlement allocated an increase to the department's ring-fence for spend on Financial Transactions which contributes to our economic development strategy in addition to increased spending plans on capital expenditure (FT target was £1,240m in 2017/18 and £760m in 2018/19).

16. The 2018/19 figures include a switch of £397m from Resource DEL, (2017/18 figures above reflect a switch of £406m in that year) to reflect the change in the classification of Research and Development as capital following the introduction of the 2010 European System of Accounts (ESA10).

### **Annually Managed Expenditure**

17. The table below shows the year on year changes in Annually Managed Expenditure (AME). AME budgets are not set at a spending review as they are subject to volatility, therefore, AME budgets are assessed twice a year at Main and Supplementary Estimate.

**Table 5: Year on Year Changes in AME**

Budgetary Limit	2017/18 Supplementary Estimate Net Resource	2018/19 Main Estimate Net Resource	Increase/ (Decrease)	Increase/ (Decrease)
	£m	£m	£m	%
<b>Resource AME</b>				
Programme	412.2	-	(412.2)	(100.0%)
<b>Total Resource AME</b>	<b>412.2</b>	<b>-</b>	<b>(412.2)</b>	<b>(100.0%)</b>
<b>Capital AME Voted Provision</b>				
Programme	395.0	683.0	288.0	72.9%
<b>Total Capital AME</b>	<b>395.0</b>	<b>683.0</b>	<b>288.0</b>	<b>72.9%</b>
<b>Total DEL</b>	<b>807.2</b>	<b>683.0</b>	<b>(124.2)</b>	<b>(15.4%)</b>

18. The net Resource AME requirement of £nil includes potential reductions in the value of DFID's Development Capital Investment (DCI) portfolio as a result of adopting the new IFRS 9 (Financial Instruments) accounting standard, offset by the expected net release of provisions through the year. There are no large value loan disbursements planned in 2018/19 hence the reduction from prior year requirement.

19. DFID is continuing to develop its DCI programmes during 2018/19. We estimate that a net AME provision of £89.6m will be required in 2018/19 (£561.1m in 2017/18) for potential reductions in the value of the DCI portfolio as a result of market risk and the adoption of the new IFRS 9 accounting standard.

20. The Resource AME requirement also includes the net release of provision of £(92.8)m in relation to our commitment to the International Finance Facility for Immunisation and the Advanced Market Commitments.

21. In addition, we have estimated that a further £3.2m of AME is required to cover the net impact of accounting adjustments within DFID's debt portfolio and movements in staff related provisions.

22. The adoption of IFRS 15 (Revenue from Contracts with Customers) is expected to have minimal impact in DFID.

23. We have switched £683m from Capital DEL to Capital AME for this year's capital injection to the CDC Group plc. In accordance with consolidated budgeting guidance, capital injections into a self-financing public corporation are categorised as Capital AME.

24. As Departmental Accounting Officer for DFID, I, Matthew Rycroft, CBE approve the material contained in this memorandum.



## DFID Annex A – Table of Transfers to/from Other Government Departments

Resource DEL Transfers			
From	To	Amount £m	Description
DFID	FCO	(210.2)	Agreed as part of Spending Review 2015
DFID	DH	(172.6)	Agreed as part of Spending Review 2015
DFID	HO	(138.0)	Agreed as part of Spending Review 2015
DFID	DECC	(3.5)	Agreed as part of Spending Review 2015
DFID	DEFRA	(15.3)	Agreed as part of Spending Review 2015
DFID	DCMS	(10.0)	Agreed as part of Spending Review 2015
DFID	BEIS	(414.0)	Agreed as part of Spending Review 2015
DFID	HMRC	(0.9)	Agreed as part of Spending Review 2015
DFID	ONS	(0.3)	Agreed as part of Spending Review 2015
DFID	CSSF	(995.7)	Agreed as part of Spending Review 2015
DFID	Empowerment Fund	(95.0)	Agreed as part of Spending Review 2015
DFID	Prosperity Fund	(80.1)	Agreed as part of Spending Review 2015
DFID	DEFRA	(21.0)	Global Environment Facility
DFID	FCO	(2.5)	Office of High Commissioner for Human Rights
DFID	HMRC	(1.5)	Public Finance Innovation and Research Programme
DFID	FCO	(0.5)	Myanmar (Burma) - Funding & Managing Small ODA Projects
FCO	DFID	19.5	1HMG Overseas Platform
<b>Net Resource DEL Transfers</b>		<b>(2,141.6)</b>	

  

Capital DEL Transfers			
From	To	Amount £m	Description
DFID	DH	(15.0)	Agreed as part of Spending Review 2015
DFID	HO	(5.7)	Agreed as part of Spending Review 2015
DEFRA	DFID	21.0	Global Environment Facility
<b>Net Capital DEL Transfers</b>		<b>0.3</b>	

  

<b>TOTAL TRANSFERS</b>		<b>(2,141.3)</b>	
------------------------	--	------------------	--

# Overseas Superannuation Account Memorandum

## MEMORANDUM ON DEPARTMENT FOR INTERNATIONAL DEVELOPMENT: OVERSEAS SUPERANNUATION – MAIN ESTIMATE 2018-19

### Introduction

1. The Estimate covers the payments of pensions and grants under various superannuation schemes relating to service overseas by former colonial public servants.
2. The resource provision in the Estimate includes the interest cost arising during the year. The interest rate is charged on opening discounted provision for future pension payments adjusted for pension payments made in year.
3. It also includes the cost of the recognition of the remaining liability associated with the pensions paid on behalf of the British Government as a result of the Trilateral Agreement between the Governments of the UK, Spain and Gibraltar, which was reached in Cordoba in 2006. HM Treasury agreed that from 1 April 2018, Overseas Superannuation would hold this liability (in 2017-18 the liability was held by the Department for International Development, in the Department Annual Report and Accounts).
4. In addition, the resource provision includes the cost of expected credit losses, primarily in relation to pension overpayment debtors, required to be recognised on adoption of accounting standard IFRS 9 'Financial Instruments'. The new accounting standard IFRS 15 'Revenue from Contracts with Customers' is not relevant for Overseas Superannuation.
5. The schemes are closed with very few active members, and as allowance has already been made for such members' full service, there is no resource provision for current service costs.
6. The cash requirement within the Estimate is for the payment of each member's annual pension entitlement and reflects the reduction in pension liabilities.

### Summary of Departmental spending plans

7. The Main Estimate seeks Annually Managed Expenditure (AME) provision for 2018-19 of:

Total net resource AME requirement	£57.9 million
Net cash requirement	£65.3 million

8. This represents an increase of £30.9 million in net resource AME requirement and a decrease of £0.9 million in net cash requirement from the 2017-18 Estimate.

9. The movement in the net resource AME requirement reflects the cost of the recognition of the Gibraltar and Cordoba liability (£35.2 million) and the cost of expected credit losses under IFRS 9 'Financial Instruments' (£0.2 million), offset by a reduction in the interest cost, primarily as a result of a decrease in the interest rate from 2.80% to 2.55%.
10. The movement in the net cash requirement reflects an anticipated reduction in the number of pension payments under existing schemes, partially offset by a 3% pension increase in 2018-19, and further offset by new pension payments made as a result of recognising the Gibraltar and Cordoba liability.
11. The value of the liabilities is obtained by discounting the expected total pension payments, allowing for assumed mortality, back to current prices. The interest cost for 2018-19 is calculated on an interest rate set by HM Treasury, available at the time, and liabilities based on market yields supplied by the actuary.
12. Any revisions to these assumptions during the year will be reflected in the Supplementary Estimate process.
13. As Departmental Accounting Officer for DFID, I, Matthew Rycroft, CBE approve the material contained in this memorandum.