

PREM 19/781

PART I

Confidential Filing

Absorption of the Ministry for Overseas
Development to the Foreign Office,
and the Dept of Prices & Consumer Protection
to the Dept of Trade and Management
Review of ODA

GOVERNMENT MACHINERY

May 1979

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
23.5.77							
30.5.79							
22.6.79							
16.7.79							
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18.11.82							
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PREM 19/781

PART I ends:-

MAP to Enw 16.6.82

PART 2 begins:-

Kco to ASL + att 17.6.82



FILE SW
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10 DOWNING STREET

From the Private Secretary

16 June, 1982

Transfer of Responsibility for the Diplomatic
Estate

Thank you for your letter of 14 June.
As I said on the telephone yesterday, the
Prime Minister was content for the answer
to be given as proposed.

M. A. PATTISON

Mrs. Helen Ghosh,
Department of the Environment

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✓ Press.
na
MAJ

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

14 June 1982

Dear Mike,

TRANSFER OF RESPONSIBILITY FOR THE DIPLOMATIC
ESTATE

We spoke on Friday about arrangements for an announcement of the transfer of responsibility for the Diplomatic Estate from PSA to FCO, which the Prime Minister has approved. I attach the draft Written Answer which we now propose to answer tomorrow, Tuesday 15 June, if the Prime Minister is content. As I said, Treasury are content that my Secretary of State should answer.

yours,

Helen Ghosh

MRS H GHOSH
Private Secretary

Mike Pattison Esq, No 10

To ask the Secretary of State for the Environment whether he proposes to make any changes in the present arrangements for the management of the Overseas Diplomatic Estate.

DRAFT ANSWER

Following an inter-Departmental study, my Rt Hon Friend the Prime Minister has agreed that responsibility for the management of this estate should pass from the Property Services Agency to the Foreign and Commonwealth Office. Detailed arrangements for the transfer, effective from 1 April next, are now being worked out. Trade Union sides in both Departments are being consulted.

10 DOWNING STREET

28 May 1982

From the Private Secretary

MANAGEMENT IN CONFIDENCE

MANAGEMENT OF THE OVERSEAS DIPLOMATIC ESTATE

The Prime Minister has seen your Secretary of State's minute of 26 May. She is content that matters should now go ahead on the basis set out therein.

I am sending copies of this letter to Terry Mathews (Chief Secretary's Office), Stephen Lamport (FCO) and Clive Priestley (MPO), and to David Wright (Cabinet Office).

M. A. PATTISON

David Edmonds, Esq.,
Department of the Environment.

MANAGEMENT IN CONFIDENCE

Prime Minister

This move will make the FCO and its posts responsible for the management of its own estate, and is supported by Derek Rayner. Cabinet Meet Officials should be asked to work up the details?



26 May 1982

LM
26/5

Prime Minister

Last year, private sector members of a joint team studying the management of the overseas diplomatic estate suggested that the function should pass from me and the PSA to the Foreign Secretary and the FCO. This was later supported by Derek Rayner.

I have now discussed the question with Douglas Hurd and Leon Brittan and we have agreed in principle that, if you are content, the change should be made. We have no doubt that FCO will respond positively to being given responsibility for this aspect of their affairs, and a certain amount of duplication now existing between Ministers and officials ought also to be eradicated.

We would like to proceed towards implementation by the start of the next financial year and intend asking an official committee from the 3 Departments concerned (PSA, FCO and Treasury) supplemented by someone from the private sector, to report with a worked-up scheme by the end of the Summer recess. There are machinery of Government implications, but we do not at present see the need for legislation. I should be very grateful for your agreement to our going ahead on this basis.

Copies of this minute go to Leon Brittan, Douglas Hurd and Derek Rayner.

Go ahead
MB

MH

MH

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10 DOWNING STREET

From the Private Secretary

6 April 1981

The Prime Minister is grateful for the Foreign and Commonwealth Secretary's minute of 26 March and the report on FCO and ODA common services attached to it. She welcomes the recommendations for integrating the units concerned with management services, staff inspection and ADP, internal audit and home accommodation and other services.

The Prime Minister recognises that merging personnel services and financial control would have a short-term cost and that integrating the management and control of the two separate Civil Services would need careful handling. But she notes that the Diplomatic Wing already manages staff from both services and believes that the short-term costs would soon be mitigated by the useful additional savings which would come from full integration.

The Prime Minister suggests, therefore, that the costs of the obstacles to integration of personnel management and financial and manpower control should be re-examined (say in twelve months' time) in the light of what has been learnt from bringing together the activities already identified.

I am sending a copy of this minute to Jim Buckley (Lord President's Office) and Clive Priestley (Sir Derek Rayner's Office).

M. A. PATTISON

G.G.H. Walden, Esq.,
Foreign and Commonwealth Office.

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PRIME MINISTER

Amongst the various studies on merging the FCO and ODA, there has recently been a review of common service functions. Lord Carrington submits this with his summary of the recommendations. He intends to bring together staff inspection work, internal audit, ADP, security, accommodation and supply. Given the different character of the mainstream work of FCO and ODA, he has concluded that personnel and finance functions should remain separate. (Flag A) *FCO to PM 26/3/81*

3/4/81

Derek Rayner's Office remain unconvinced by the review's recommendations in respect of personnel and finance work. Mr. Priestley's note (Flag B) points to the successful use of common services arrangements between DOE/Transport, and Trade/Industry. He also suggests that the differences between the UK-based work of the two parts of FCO have been over-stated. He suggests that we might put down a marker for a further review on personnel and finance in about a year's time, in the light of progress in merging other activities. This could be commissioned as in the draft letter at Flag C. *attached to Priestley's note 3/4/81*

Mr. Priestley is suggesting that the common services review has been conducted with no great desire to recommend merger across the board. I suspect that this is right. But scope for integration between ODA and FCO has been under incessant study in one way or another for some three or four years. The Foreign and Commonwealth Secretary has already made it clear that he thinks he has been pushed a bit too far on staff reductions. You may prefer not to press too hard on his own management of the two offices. Would you like us to say that you would not wish to rule out integration of finance and/or personnel functions in due course, and that you hope this can be further reviewed, but without putting a specific time-scale on this?

2 April 1981

MPD I think it is very disappointing. Other departments have not found the same difficulties. Agree letter at Flag C. *not*

Mr PATTISON

REVIEW OF THE COMMON SERVICES OF FCO AND ODA

1. We spoke briefly last Friday about the review of FCO/ODA Common Services attached to Lord Carrington's minute to the Prime Minister of ~~26~~ March. Mrs Thoms has discussed it with you at greater length and what follows is based on her work.

Background to the review

2. The 1979 Rayner Project on the merger of the FCO and the former ODM was asked to examine "the ideal structure as if we were starting afresh". The outcome was less radical than that but was accepted on the basis that the chief practical question was how far and fast "integration" should be pressed (Sir Derek Rayner's minute to the Prime Minister of 6 March 1980).

3. Following the report, two joint units were agreed upon (aid policy and economic relations) and the other areas of apparent overlap (including the geographical departments) were left over for the management review. Common Services were left for yet later survey, following the management review. In the event, the management review recommended limited integration and against merger of the geographical departments.

Common Services

4. The report recommends a limited integration, as follows:

	<u>potential staff*</u> <u>savings</u>	<u>potential</u> <u>cash savings</u>	<u>Recommendation</u>
Personal services	6 - 8 (1%)	£130,000	no merger
Financial control + manpower	4 (2%)	£54,000	no merger

* It is a weakness of the report that staff and cash savings are not identified as proportions of the total in those areas. The % figures shown are estimates based on the organisation charts



	<u>potential staff* savings</u>	<u>potential cash savings</u>	<u>Recommendation</u>
Staff inspection, management services and ADP	no saving	-	merger
Internal audit	no "significant" savings	-	merger
Home accommodation and other services	10 (5%)	£167,000	merger
Travel units	not given	not given	no merger but saving of 2 posts from procedural changes


5. In total, these recommendations would give initial savings of 12 posts and £191,500 (0.8% of total expenditure on common services). This compares with potential savings from full integration of about 23 posts and £400,000 (1.7% of common services expenditure).

Comment

6. The report has four main arguments against full integration:

- a. No operational benefits would arise because the Diplomatic and Home Civil Services, and the FCO and ODA, are different animals. There would be a disbenefit from trying to combine their different 'cultures'.
- b. Radical re-organisation would be necessary.
- c. Co-location of the relevant parts of the organisation might be difficult.
- d. The staff don't want it.

7. The argument about the separateness of the two Civil Services is supported by their different terms and conditions, but less convincing when the actual work to be done is examined.



Home Civil Servants represent their departments abroad and Diplomatic Service staff do stints at desk jobs in London similar in kind to those in any other Government Department. The discussion of travel arrangements (7.9 - 7.13) is not without interest in this respect. In the case of personnel work, this argument is further weakened by the fact that the Diplomatic wing already employs 1,400 Home Civil Servants which it manages and controls alongside its 4,200 Diplomatic Service staff.

8. The "two separate institutions" argument is also used against integrating financial control (para. 2.12). The report could, perhaps, have drawn on the account of the creation of DOE* which spoke of the need for a finance organisation that was strong but flexible (and not necessarily uniform throughout the department) and which took account of "the importance of considering the department's spending as a whole, and of making comparisons between policies, between services, and between functions avoiding duplication between the central apparatus and the functional finance organisations". (Apart from DOE and the Department of Transport, which have joint common services, there is another integration model in the joint common services of the Departments of Industry and Trade. The Accounting Officer problem is overcome by making one of the two departmental Permanent Secretaries concerned the Accounting Officer for the relevant expenditures.)

9. The significance of the co-location argument is difficult to assess. In the case of those functions which the report recommends for merger, co-location is said to be essential, but potentially difficult (particularly for accommodation services which would have to be set up in the Diplomatic wing). There is no discussion of where internal audit or the inspection staff would sit. Co-location is not mentioned specifically as

* Civil Service Studies 4, HMSO 1977.

a problem in integrating either finance work or personnel management (although on the latter, it is again said to be essential).

10. Sir Derek Rayner said in his minute to the Prime Minister of 6 March 1980 that "housing in one place is not critical to the success of a merger, but more co-location than at present would very much help its efficient operation". Whilst all finance work should sit together, it need not be in the same place as all the personnel management work. The report says little about the options for and practical problems of co-location to support its line (para. 1.13) that "there could be difficulties in achieving co-location".

11. More generally, the report is very negative. Separate organisations are seen as self-evidently right unless the case for merger is overwhelming. For example, Chapter 2 sets aside savings of £54,000 pa (and possibly more) from integrating financial control even though paragraph 2.12 says that there is no overriding reason for not doing it. Similarly, the report recommends against merging personnel services (with savings of £130,000 pa and a lot more later on) even though the "difficulties could no doubt be overcome" (para. 4.20).

12. Integration of training activities (5.4 and 5.5 in particular), registry services (7.7(a)), typing and secretarial services (7.7(c)), travel arrangements (7.12) and welfare (9.4) is not recommended either because practices or "responsibilities" are different (there is little examination of whether they need or should be) and/or because separate personnel services prevent it from being worthwhile.

Advice

13. The report will get rid of only part of the overlap which it identifies and the recommendations against full



integration are not generally well-supported. The Prime Minister will not want to appear to second-guess the Foreign Secretary on points of departmental detail, but she may be content ~~for~~ you to write along the lines of the attached draft.

Elizabeth Thoms

PP

C PRIESTLEY
3 April 1981

Enc: Draft private secretary letter.

CONQUEROI

G G H Walden Esq
Foreign and Commonwealth Office

The Prime Minister is grateful for the Foreign Secretary's minute of 26 March and the report on FCO and ODA common services attached to it. She welcomes the recommendations for integrating the units concerned with management services, staff inspection and ADP, internal audit and home accommodation and other services.

The Prime Minister recognises that merging personnel services and financial control would have a short-term cost and that integrating the management and control of the two separate Civil Services would need careful handling. But she notes that the Diplomatic Wing already manages staff from both services and believes that the short-term costs would soon be mitigated by the useful additional savings which would come from full integration.

The Prime Minister suggests, therefore that the costs of and obstacles to integration of personnel management and financial and manpower control should be re-examined (say in twelve months time) in the light of what has been learnt from bringing together the activities already identified.

I am sending a copy of this minute to Jim Buckley (Lord President's Office) and Clive Priestley (Sir Derek Rayner's Office).

M A PATTISON



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PM/81/15

PRIME MINISTER

Review of Common Services

1. As foreshadowed in Sir Derek Rayner's minute of 6 March 1980 officials from the Diplomatic Wing and the Overseas Development Administration, with valuable help from the Civil Service Department's Staff Inspection and Evaluation Division, have now looked at the common service functions of both Wings of the FCO. I attach a copy of the report. You will recall the decision taken, as a result of last year's management review of the ODA, not to merge the geographical departments of the two Wings.

2. The report concludes that, given the distinct tasks performed in each Wing of the FCO, the personnel and financial functions should also continue to be performed separately. I agree with this conclusion. It reflects Derek Rayner's own point that the best way of rationalising common service functions was bound to be heavily influenced by the way in which the functions concerned were organised. While full integration might of course produce further limited staff or financial savings, the upheaval implied by such a radical approach would more than outweigh such a benefit. The differing staffing arrangements required by the world-wide deployment of the Diplomatic Service also, in my view, requires separate management.

3. The report's other main recommendations consist of proposals for establishing a joint Inspectorate, Internal Audit and Automatic Data Processing Sections, a single Security Department and integration of staff dealing with accommodation and supply matters at home. These proposals should produce savings of some £200,000 and save 12 staff. The creation of a Joint Inspectorate in particular should help to ensure that the two wings work together as closely

/as

27 MAR 1981





as possible, that overlap is reduced to a minimum across the board and that common standards are applied in both Wings.

4. In reaching these conclusions the report had also to take into account the separate location of the two Wings which is an added barrier to any merger of their common services beyond the level recommended. In his minute of 6 March Derek Rayner drew your attention to the problems of accommodation and suggested that Richmond Terrace might provide an opportunity to bring units of the two Wings close together. But delay on the restoration of Richmond Terrace and the urgent need for repairs to parts of the Old Public Offices make co-location further off than ever.

5. I believe that subject to our being able to resolve some problems which could arise from the merger of the security sections, the new arrangements set out in the report, taken together with the measures already agreed in March 1980, including the establishment of two joint departments dealing with Aid Policy and Economic Relations which are now functioning well, as well as the outcome of the ODA Management Review itself, will ensure a more economical and effective working relationship between the two Wings. The Joint Inspectorate will give us an opportunity to identify all possible ways of streamlining our operations both in the administrative and policy making areas.

6. I am sending a copy of this minute to the Lord President of the Council and to Sir Derek Rayner.

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Foreign and Commonwealth Office
London SW1A 2AH

Telephone 01-

Your reference

Our reference

Date 18 February 1981

1. We were appointed to review the common service functions in the FCO's Diplomatic Wing and ODA and to recommend the most efficient way of carrying these out. We found in both Wings a firm belief that a merger of support services for two such different institutions would not only entail much disruption but also result in less efficient performance overall. It was cynically suggested that the result would be like tying together by the tail a cat and a dog!

2. In developing proposals for merging services we had the valuable assistance of Messrs J Mulford and M Hoare of the CSD's Staff Inspectorate. The blending of their professional expertise and views with our own knowledge of the functions and requirements of the two Wings has been an interesting exercise.

3. We believe that the conclusions reached in this Review are right in the existing circumstances and where changes have been proposed these would be workable and cost effective. It will not please everyone but we would hope that the verdict on it may be, to quote Adam Smith:-

"With all its imperfections, however, we may perhaps say of it what was said of the laws of Solon, that, though not the best in itself, it is the best which the interests, prejudices and temper of the times would admit of. It may perhaps in due time prepare the way for a better."

K O H Osborne

W J Watts

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FCO/ODA COMMON SERVICES REVIEW

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FCO/ODA COMMON SERVICES REVIEW

CHAPTER I - INTRODUCTION

1.1. Our Terms of Reference require us:-

- (a) to review the common service functions such as personnel and finance performed by the departments dealing with these matters in the two Wings of the FCO in the light of the recommendations of the Management Review into the functions of the ODA and certain parts of the Diplomatic Wing; and
- (b) to make recommendations on the most efficient way of carrying them out bearing in mind the relative costs and effectiveness of the possible solutions.

A copy of the full Terms of Reference is at Appendix 1.

Background

1.2. The proposal to carry out this review of common service functions originated in Sir Derek Rayner's minute to the Prime Minister of 6 March 1980, following the Adams/McCulloch Report which was aimed at reducing duplication, improving policy co-ordination between the Diplomatic Wing and the ODA, and achieving manpower savings. That Report recommended inter alia the rationalisation of certain functional responsibilities between the two Wings in order to avoid duplication and overlap, and the creation of two jointly staffed Departments. These recommendations were accepted and implemented following the ODA Management Review. This also resulted in the establishment of an Aid Policy Board to include officials from the Diplomatic Wing as a means of co-ordinating aid policy and foreign policy at highest official level.

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1.3. The Management Review was mainly concerned with the reorganisation of the ODA for the most effective administration of the bilateral aid programme, multilateral aid and associated international activities. It pointed to the Permanent Secretary ODA's need for clear channels of command under him in the deployment of financial and manpower resources involved in administering the aid programme.

1.4. The Review also examined the Adams/McCulloch recommendation for an experimental merger of geographical departments as a stage in progressive integration. On this it concluded that "the tasks of international relations and aid administration constitute distinct functions" and recommended that the geographical departments in the two Wings should remain separate. This recommendation was accepted.

1.5. The decision not to merge the core geographical departments and acceptance of the ODA Management Review's other recommendations, especially those on Structure and Top Management, implied the continued separation (at official level) of operational responsibilities between ODA and the Diplomatic Wing.

1.6. We were advised by the Steering Group:-

(a) that the ODA Management Review had been approved by the Secretary of State and the Prime Minister and its conclusions were not open to question; but

(b) that subject to this it is intended to develop as close as possible relationships between the two Wings.

/1.7.

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1.7. The position is, therefore, that the FCO Diplomatic Wing and the ODA constitute two distinct operational institutions, both responsible to the Secretary of State, but each differently organised to perform different functions, in one case mainly overseas, and with separate votes and establishments. Each institution is headed by a PUS/Permanent Secretary with separate management and accounting responsibilities. Of the two jointly staffed Departments created after the Management Review, one, Aid Policy Department (ADP), is integrated into the ODA management structure; the other, Economic Relations Department (ERD) forms part of the Diplomatic Wing as far as chain of command and administration are concerned.

1.8. The problems of merging the common services of the two Wings of the FCO are much greater than would be involved in any proposal to merge the supporting services of two Home Departments. The differences in the functions performed by the two Wings in London are at least as wide as those performed by any two Home Departments and there are additional complexities because:-

(a) the Diplomatic Service is separate from the Home Civil Service and independently administered. Its staff are employed on different terms and conditions of service from Home Civil Service personnel. In particular Diplomatic Service personnel have an unrestricted liability to serve abroad anywhere in the world; and

(b) the management and supporting services of the Diplomatic Wing are geared to the existence and needs of the 139 diplomatic missions and 60 subordinate posts overseas.

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/Accordingly

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Accordingly, in what may appear to be similar areas of administration, ~~in the two Wings~~, the volume of and relative importance attached to the work involved can differ considerably ^(in the two Wings). For this reason responsibilities are divided differently between departments eg ODA's Establishment Department deals with subjects, responsibility for which is split between no less than 5 departments in the Diplomatic Wing. Any major integration, therefore, would involve substantial restructuring of departments in either or both Wings. The principal departments concerned are:

FCO Diplomatic Wing

Personnel Operations Dept (POD)

Personnel Services Dept (PSD)

Personnel Policy Dept (PPD)

Accommodation and Services
Department

Finance Department

Internal Audit Unit

Security Department

Inspectorate

Training Department

Library and Records Dept

ODA

Establishment Department

Organisation Department

Finance Department

Accounts Department

Internal Audit Unit

Approach to the Task

1.9. We studied the ODA Management Review and recent Inspection Reports on departments both in the Diplomatic Wing and ODA. We then spent some time with the departments and sections concerned with administration or the provision of services in each Wing discussing the nature and weight of the tasks in which

/they

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they were engaged and how these relate to similar work being done in the other Wing. Where necessary we arranged to meet jointly with officials of both Wings to examine the practicability of merging their work and responsibilities, and the implications of such a merger. Our understanding from the Terms of Reference and the guidance given by the Steering Group was that the essential questions in considering merging common services were those of efficiency and cost effectiveness. In both Wings economies have been made recently in supporting services and their costs closely scrutinised. Where the total volume of work after a merger would be unchanged, the issue in cost terms was, therefore, whether or not bringing together comparable support functions would offer opportunities for economies of scale; and the extent to which these might be negated by the disruption and consequent loss of effectiveness (and possibly short-term cost increases) resulting from changes in established organisations and operating practices. We also considered the possible value of mergers as a means of harmonising existing practices and developing common procedures. Apart from any short term benefits which might arise, harmonisation of procedures would also facilitate a merger of operational and managerial responsibilities in the future if a political decision to this effect should be taken.

1.10. After we had completed our field work we were joined by two CSD Staff Inspectors and together prepared ^{illustrative} models of what, from their professional experience, appeared to be appropriate structures for integrated common services. Although

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/implementation

implementation of these might in some cases involve deviation from the conclusions of the ODA Management Review, we considered them in the light of the above criteria and our assessment of their workability in practice. In the models in the Annexes to the various Chapters of this Report it should be understood that gradings shown are interchangeable between DS and HCS equivalent.

1.11. Our Terms of Reference require us to have "due regard, as appropriate, to those matters dealt with under Aid Programme Class II vote 10". In effect this means the ODA's four Scientific Units. We were advised that we were not required to re-examine the status of these Units but only to consider the broad arrangements for balancing their manpower needs against those of the rest of the FCO. This we have done (see Appendix 2). We have similarly excluded from detailed study the Passport Office and the Communications Division at Hanslope Park both of which are subject to the overall administrative control of the Diplomatic Wing. Any change in these arrangements would involve a fundamental change in their status, which is outside our remit. The present arrangements for the administration of Hanslope Park are to be examined by the Diplomatic Service Inspectorate early in 1981.

/SUMMARY OF MAIN FINDINGS

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SUMMARY OF MAIN FINDINGS

1.12. The Diplomatic Wing and the ODA are separately administered. This is a reflection of their differing functions. But they are linked at Ministerial level and the concept of a single common services organisation therefore has obvious attractions.

1.13. This report shows how full integration of common services could be achieved with estimated savings of around £400,000 a year. (These savings are only illustrative, but they amount to about 1.7% of the combined costs of common services in both Wings). It also shows, however, that integration would involve a radical reorganisation of existing structures, which would be likely to cause its own problems; and there could be difficulties in achieving co-location (which would be essential to successful operation). There are also very real anxieties among the staff over the implications of such a change. These difficulties could no doubt be overcome but it remains a major consideration whether the combining of administrative resources would be sound organisational practice given the undeniably separate cultures of a Home Civil Service organisation and the autonomous Diplomatic Service.

1.14. It is easy to understate the importance of common services in both Wings; they represent focal points for effective control of finance, manpower and administrative service costs. The Permanent Under-Secretary FCO is Head of the Diplomatic Service and responsible for the administration of the Diplomatic Wing and its 139 overseas missions: the Permanent Secretary of the ODA is responsible for the management of the ODA as a whole. Any integration of common services would therefore mean creating departmental organisations which would serve two masters.

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1.15. The existence of two separate Accounting Officers is not, in itself, an insurmountable obstacle to the integration of common services; and we do not rest our recommendation on this consideration. But the separate responsibilities of the PUS FCO and Permanent Secretary ODA reflect the different functions of the organisations of which they are the official heads and, as Sir Derek Rayner commented in his minute to the Prime Minister, common services are bound to be influenced markedly by the way in which the functions they serve are organised.

1.16. The limited staff savings likely to result from a merger of personnel and financial control mechanisms have to be balanced against the different operational requirements, the locational questions, and the disruption likely to be caused. In the existing circumstances we have not recommended integration of these sectors.

1.17. We have, however, recommended bringing together those parts of the two Wings concerned with Staff Inspection, Management Services, ADP and Internal Audit. We also recommend the integration of security, home accommodation management and some service support areas. Merger of these would prepare the way for any further integration at a later date. The initial savings achievable would only be about £167,000 a year.

1.18. Some areas of common service already exist, eg overseas communications, legal advisory services, library services and the Economists Branch. There are also some jointly staffed departments. The steps proposed will continue the evolutionary process.

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CHAPTER II: FINANCE

Background

2.1. The PUS FCO is Accounting Officer for 5 votes and the Permanent Secretary ODA is Accounting Officer for 3 votes. As shown in the 1980/81 Supply Estimates Class II these are respectively:

<u>FCO Diplomatic Wing</u>	£
1 Overseas Representation: Diplomatic and Consular Services	167,856,000
3 BBC: External Services	54,645,000
4 British Council	29,917,000
5 Foreign & Commonwealth Services	19,879,000
6 International Subscriptions, Special Payments etc (FCO)	41,153,000
 <u>ODA</u>	
9 Superannuation etc (Overseas Services)	66,518,000
10 Overseas Aid	898,560,000
11 Overseas Aid Administration	19,197,000

2.2. In the Diplomatic Wing, Finance Department, headed by a DS4 officer, prepares the Main and Supplementary Estimates, controls expenditure from Votes 1 and 3-6, makes payments and prepares the annual appropriation accounts. It deals with other Diplomatic Wing departments and missions overseas on policy issues and other matters involving expenditure and negotiates with the Treasury on the annual PESC exercise. Accounts are integrated into the Department which has an establishment (reduced following a recent Inspection) of 124 (excluding Internal Audit), all DS personnel apart from one senior Principal and a few junior staff. Of these about 106 are concerned with payments and other work of

a purely accounting nature. The sections dealing with this work are supervised by the specially recruited Senior Principal with accounting qualifications who is also deputy Head of the Department. Much of the work is checking and processing the Monthly Statements of Accounts received from the 139 Missions abroad, which include expenditure debitable to the votes of other government departments and organisations. The Principal Finance Officer's role is filled by the Head of the Finance Department. He reports to an Under-Secretary who supervises 10 other Departments and has no specific responsibility of a PFO kind. Beyond him the chain of responsibility lies through the Chief Clerk to the PUS as Accounting Officer. A continuing task for the Finance Department is meeting changes in expenditure requirements arising from political developments abroad by making adjustments between Heads and sub-heads.

2.3. In the ODA there is a slightly different set up. Finance Department (with a staff of 12) deals with general policy issues, the annual PESC exercises, preparation of estimates, control of votes etc. A separate Accounts Department (which is due to move to East Kilbride in mid-1981 under dispersal arrangements) handles the issue and receipt of money from the three votes for which the ODA is responsible (Votes 9-11) including the preparation of the annual appropriation accounts. The Accounts Department (staff complement 75) is headed by a Senior Principal, who is answerable to the Head of Finance Department. Above him there is the PFO (an Under-Secretary who has other aid programme responsibilities) who reports direct to the Permanent Secretary, as Accounting Officer.

2.4. Attached as Annexes II A-D are organisation charts of the Finance Departments of the two Wings as they are at present, in each case showing separately the accounts and other financial work.

2.5. The only votes for similar purposes in the two Wings are those for administration (ie Vote 1 for the Diplomatic Wing and Vote 11 for the ODA), and Vote 4 and that element of the ODA Aid Vote (Vote 10) which goes to support the cost of British Council activities. The case for the creation of a "single pocket" for overseas expenditure was recently considered by an inter-departmental study group (which included Treasury representatives). Originally conceived in the particular context of expenditure on military training overseas, it nevertheless considered all kinds of overlapping areas in overseas expenditure including aid. The conclusion was that the existing vote structure should remain unchanged.

A Unified Finance Structure

2.6. In association with the CSD Inspectors we drew up a model of an integrated finance structure (Annex II E) to serve both Wings of the FCO. This envisages a merger of ODA's Finance Department with the comparable sections of Finance Department in the Diplomatic Wing (ie excluding its accounts work) but with (at any rate for the time being in view of the implications of East Kilbride) two separate accounts sections, one for the ODA and the other for the Diplomatic Wing votes. Such a department would need to be jointly responsible, through

/a

a single PFO, to the Accounting Officers for the two Wings, and, apart from the two accounts sections, it would probably have to be located in the ODA rather than in the Diplomatic Wing. The ODA is the major spending unit, being currently responsible for just over 75 per cent of total FCO expenditure, and with a substantial degree of delegated authority in relation to aid programme expenditure. Its Finance Department is so closely involved on a day to day basis with the main thrust of ODA's work that it would not be practical for it to be located elsewhere than in Eland House.

2.7. For much the same reason it would probably make sense for the Department to be administered as part of the ODA (with an appropriate PESC adjustment if necessary). Because much of the work - particularly that concerned with estimates, delegations of authority, monitoring expenditure and financial control generally - is of a semi-specialised nature, there would be benefit in terms of continuity and operational efficiency if the Department were staffed mainly by Home Service personnel thus avoiding the problems which can result from filling posts with Diplomatic Service officers often on a relatively short-term basis. It would however be desirable for a significant proportion of posts at lower levels to be filled by Diplomatic Service officers to enable them to gain training and experience in accounts work before going overseas. A leavening of DS

/officers

officers with experience and therefore understanding of the special problems arising from the Diplomatic Wing's overseas operation would also be necessary at other levels on both accounts and other finance work. Possibly something in the region of 20 per cent would be about the right figure (with postings being a matter for agreement between the two Wings).

2.8. The model proposes that a combined department should work to a single Principal Finance Officer at Under Secretary level, who would be part of the top management structure in the ODA, although he would be responsible through the Chief Clerk to the PUS FCO, as Accounting Officer for the Diplomatic Wing's votes (ie Vote 1 and Votes 3 to 6). The present ODA PFO already has responsibility for Aid Policy Department, Investment and Crown Agents Department and Internal Audit, in addition to the Finance and Accounts Departments. It would be inappropriate for these departments to be assigned to another Under-Secretary and the addition of the Diplomatic Wing finance work at Under-Secretary level (which at present occupies 10-15% of a superintending Under-Secretary's time in the Diplomatic Wing) might result in a fairly heavy burden. We believe however that, with suitable delegation, it would be acceptable, although some adjustment of responsibilities at senior level might prove necessary in the light of experience.

2.9. While such a department would in our view be workable, the essential question is what advantages would it offer over the present arrangements.

2.10. As far as staffing is concerned, a unified Finance Department structured as at Annex II E would, in the judgment of our CSD colleagues, appear to offer immediate staff savings as follows:-

- (a) 1 A/S post.
- (b) 1 CO post (out of 4) through combining the sections in each Wing which handle PESC and estimates etc.
- (c) 1 EO and 1 CO post, which represent the staff currently envisaged for the London office of the ODA Accounts Department (mainly for cashier work) when it has moved to East Kilbride. In a unified finance organisation it should be possible for this work to be absorbed elsewhere at the London end.

These represent savings of about £54,000 a year at current costs. It could be that, in the longer term, experience of a combined Finance Department might throw up further small savings at the lower levels, although it is not possible to foresee these at present. (We must however record that it has been represented to us that there could be difficulty over accommodating the work of the ODA's London office within the Diplomatic Wing accounts organisation, since one important task would be the payment of weekly salaries. These are due on Fridays in both Wings and payment cannot be staggered.)

2.11. Further savings might emerge over time if, in due course, the Diplomatic Wing's accounts work were to be moved to East Kilbride, along with that of the ODA (which is not administratively practicable in the near future). But here again these would probably be small since the volume of work would be

unchanged; and a move to East Kilbride would involve problems (especially in the handling of overseas mission accounts) as well as the additional costs which have to be accepted as the general price of dispersal. For the Diplomatic Wing there would be added expenditure in that Diplomatic Service staff posted to East Kilbride would qualify for detached duty terms (currently at £3,600 a year).

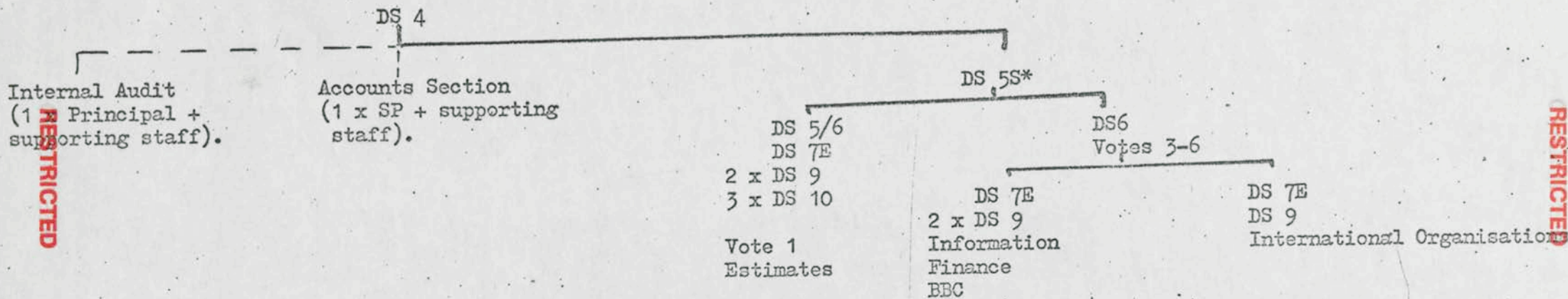
2.12. On the operational side, a merged Finance Department would, as already noted above, have to be jointly responsible upwards to the two separate Accounting Officers in each Wing. It would also be providing a service to what, notwithstanding the arrangements for closer co-ordination of policy making between the two Wings, remain essentially two distinct institutions for operational working purposes. Such an arrangement would be administratively possible and there would appear to be no overriding reason why finance work should not be brought together in this way. But any small operational benefits arising from more continuity of expertise would be likely to be more than offset by other problems.

Conclusion

2.13. In view of the small staff savings which might be expected to result from a merger we do not feel it would be justifiable to disturb the existing arrangements which have worked satisfactorily over time. We therefore recommend that the present organisational arrangements should be left unchanged.

DIPLOMATIC WING - FINANCE DEPARTMENT

Non-accounting work



* The DS5S also has responsibilities for the Distressed British Subjects Recoveries services which is part of one of the accounts sections.

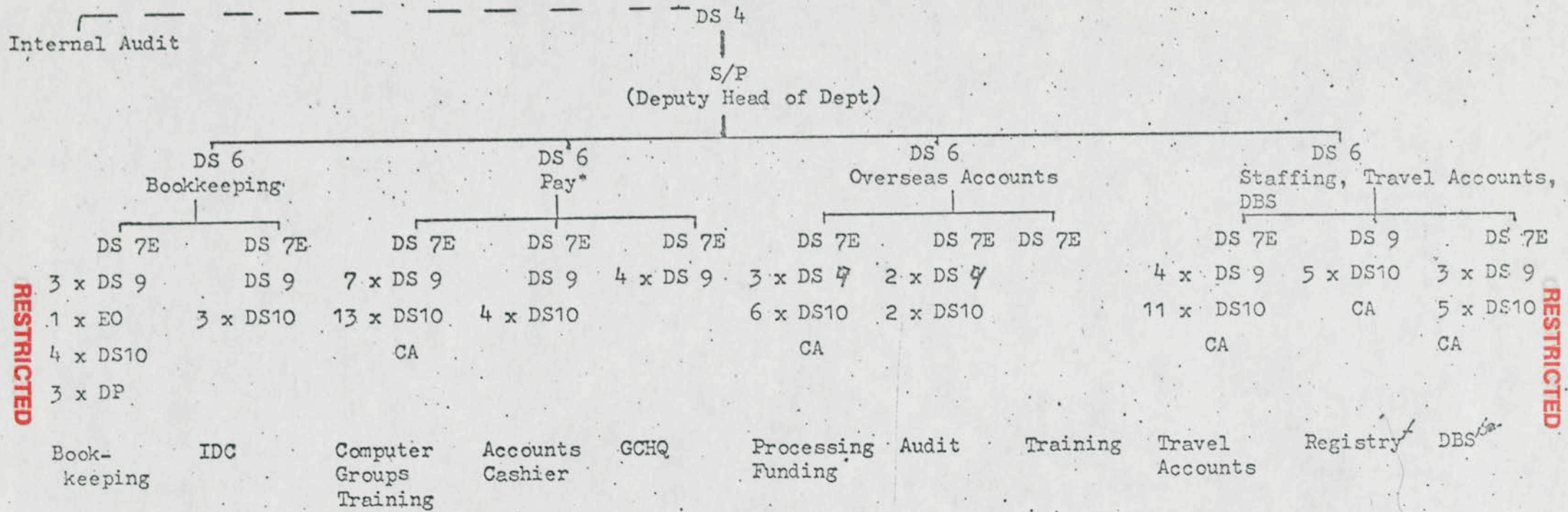
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Annex 111

DIPLOMATIC WING - FINANCE DEPARTMENT

Accounts Work



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Footnotes:

- * Pay Section is expected to be cut by about 50% and some work moved to PSD, but probably not until 1987
- † Registry serves whole department.
- ‡ DBS work is supervised by the DS5S responsible for non-accounts work.

ANNEX II B

ODA FINANCE DEPARTMENT

1 x AS

→ Accounts Dept

Section

1

2

3

4

PESC, Estimates
disbursement forecasts,
FIS etc

Multilateral institutions
Dep Territories, Assoc
States, RTA, Loan and
Grant Agreements

Functional TC,
Scientific Units,
office vote,
pensions

Bilat aid & TC

1 x P

1 x P

1 x SEO

1 x SEO

1 x HEO

1 x HEO

1 x HEO

1 x HEO

2 x EO

1 x CO

One EO also assists Section 4

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ANNEX II C

ODA ACCOUNTS DEPT
(East Kilbride)
PART - U/S (PFO)

FIN.

ICA

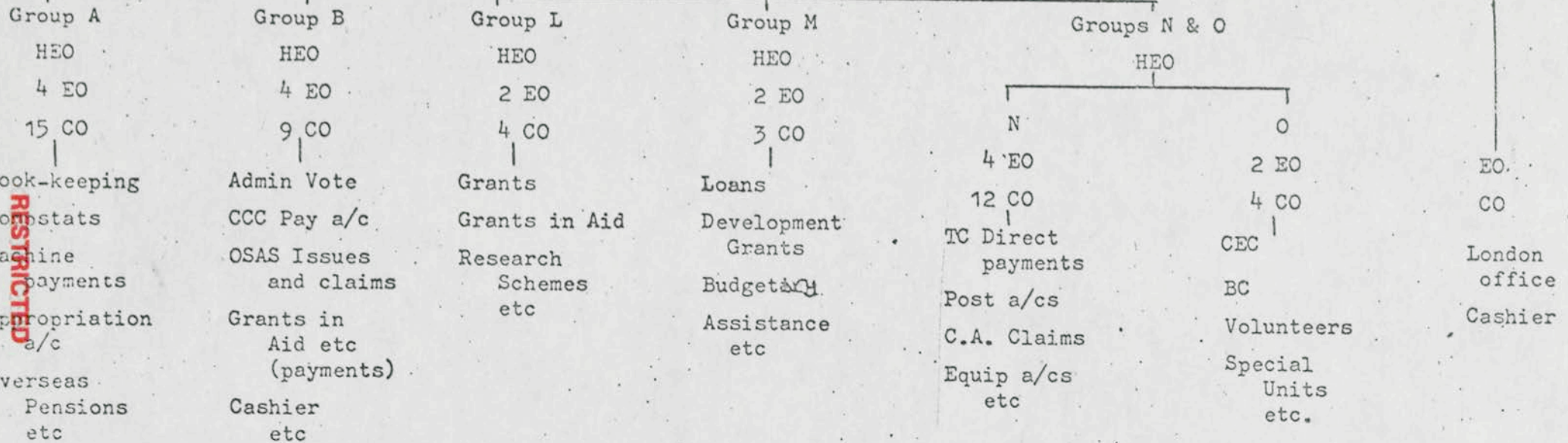
ETPD

IAU

SP

SEO

SEO

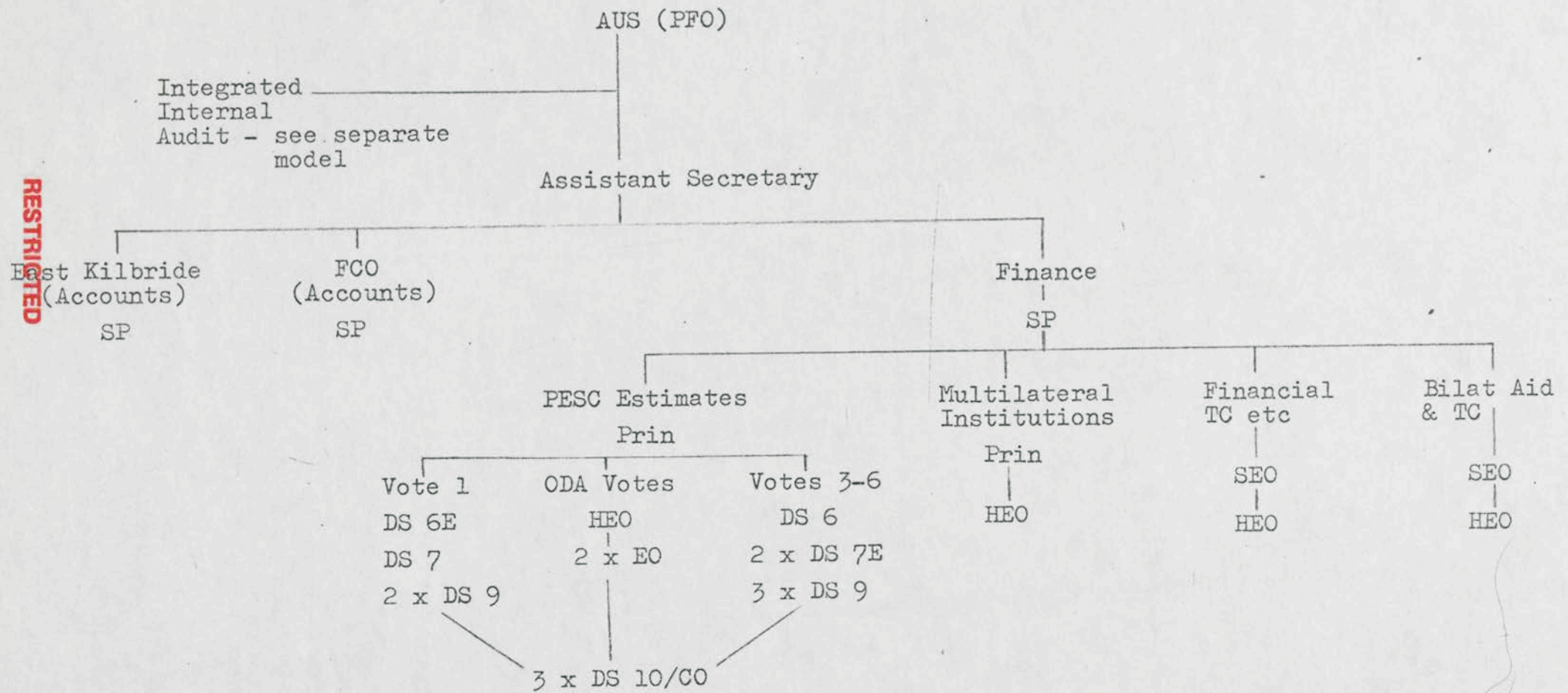


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A UNIFIED FINANCE STRUCTURE



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CHAPTER III: INTERNAL AUDIT

3.1. The Internal Audit Unit in the ODA at present has a staff of five, ie one Principal (the Chief Internal Auditor), one HEO and three EOs. ~~Some increase in this establishment is expected in the near future.~~ The Chief Internal Auditor is responsible to the PFO, but has the usual right of direct access to the Accounting Officer in exceptional circumstances.

3.2. The Internal Audit Unit in the Diplomatic Wing has a staff of 10, ie a Principal with accountancy qualifications on loan from the Ministry of Defence, 4 x DS 7 and 5 x DS 9. In the absence of any formally designated PFO, the Head of the Unit is responsible to the Head of Finance Department, but here again with the right of direct access to the Accounting Officer.

3.3. The two units serve the same purpose and their responsibilities accord with those laid down in the Guide to Government Accounting. However, in practice there appears to be a considerable difference in emphasis. The Diplomatic Wing's Internal Audit Unit does a great deal of traditional auditing work, especially of the accounts of overseas missions (which involves some travelling), whereas the ODA unit concentrates more on systems and other organisational matters related to financial control. This would seem to be a reflection of the different functions of the two Wings of the office, with the ODA focussing on the special problems of the management of the aid programme.

3.4. There could be benefit in bringing the two Internal Audit Units together, in much the same way as we have proposed below

for staff inspection. Some of the advantages are significant in operational terms. Audit development and performance are improved by an interchange of ideas and the task of developing staff with the skills needed for the audit of computer systems could be more effectively executed if the resources of both Wings were combined. Audit effectiveness requires long learning curves and continuity and the recent review by the CSD has pointed to the problems of achieving this in the Diplomatic Wing's Internal Audit Unit. The continuity and stability of having an HCS element in a combined team should facilitate a more professional approach and thereby increase effectiveness. It would also increase flexibility when the need for ad hoc audits arose.

3.5. CSD guidance is that there should be regular exchanges of programmes and reports between Staff Inspectorates and Internal Audit Units. It would be distinctly advantageous that the combined Inspectorate which we have recommended below should be able to exchange findings with a single Internal Audit Unit. Finally our expectation that a common systems approach should be developed through the creation of a joint Inspectorate/Management Services/ADP department makes the most substantial point for creating also a combined Internal Audit Unit which would be associated with the development and testing of new systems.

3.6. All these advantages depend on co-location. It would also be necessary to ensure that the complement contained sufficient posts to enable Diplomatic Service experience to be brought to bear, and to allow some DS personnel to gain experience in the problems.

3.7. There are, however, counter arguments. A merged Internal Audit Unit would be unlikely to provide any significant staff savings. Internal Audit is an important tool of financial management, and it is arguable that each financial authority should have its own Internal Audit Unit. Were there to be a single Unit jointly serving both Wings, the deployment of its resources in the light of competing demands could cause problems if the two Finance Departments remain separate. This could be overcome by having a joint Internal Audit Board which would ensure that there was equality in meeting demands in the long term audit programme.

Conclusion

3.8. The case for merging the two Internal Audit Units rests on operational benefits rather than on staff savings. Our conclusion is that irrespective of whether or not it is decided to merge the two Finance Departments there would be advantage in creating a single Internal Audit organisation. We therefore recommend that a combined jointly staffed Internal Audit Unit should be formed to serve both Wings.

CHAPTER IV: MANPOWER RESOURCES AND PERSONNEL MANAGEMENT

4.1. To appreciate the implications of attempting to merge personnel services it is necessary to understand the different ways in which the two Wings are staffed.

4.2. The Diplomatic Service Order in Council 1964 (Annex A) established a new Service administered separately from the Home Civil Service and formed initially by merging the former separate Foreign, Commonwealth Relations and Trade Commissioner Services. It now consists of approximately 4,200 members whose terms and conditions of service, embodied in Diplomatic Service Regulations, reflect their liability to posting anywhere in the world and the likelihood that they will spend two thirds of their careers overseas. Grades and basic salary scales are equated to those of Home Civil Servants but the Diplomatic Service is not part of the Home Civil Service, which means that there is no automatic inter-changeability of staff, and transfers - like temporary secondments and interchanges - have to be negotiated individually.

4.3. Diplomatic Service personnel staff 139 diplomatic missions, each headed by an Ambassador or High Commissioner and 60 subordinate posts in 127 countries, supported at lower level by locally engaged (LE) staff. A normal tour of duty abroad is about 4 years, but in some unhealthy or otherwise difficult posts it is necessarily less and there are often unplanned staff movements arising from political upheavals in the host countries, health or other reasons outside the control of management in London.

/4.4.

4.4. Diplomatic Service officers are expected to develop a language/regional and/or a functional specialization, eg commercial, since particular skills and experience are either essential or highly desirable in certain posts in order to provide an effective service to the FCO and to HMG as a whole. The planning of career development and the effective deployment of Diplomatic Service Officers is therefore a complex business.

4.5. In addition to Diplomatic Service personnel the FCO Diplomatic Wing manages about 1,400 Home Service staff (excluding the separate establishments of the Passport Office and of the Communications Division at Hanslope Park for both of which the FCO has overall administrative responsibility). These Home Civil Servants do not serve abroad. Apart from professional grades, eg economists, librarians and a handful of other specialists recruited specifically for posts for which particular experience and continuity are required, they consist of clerical and supporting service personnel. Some of these, eg clerical officers and assistants, messengers etc, perform duties similar to those undertaken by the same grades elsewhere in Whitehall (and in countries abroad, often by LE staff), but others, eg Cypher and Signals Branch, escorts for Queen's Messengers etc, are peculiar to the FCO. A breakdown of the main categories is given at Annex B.

4.6. The ODA is staffed entirely by 1350 Home Civil Servants. There are also some 850 Home Civil Servants in the four Scientific Units which stand in much the same relationship administratively to the ODA as does the Passport Office to the

Diplomatic Wing, although their costs are wholly met from the Aid Vote (Vote 10) and not from the Administration Vote (Vote 11).

4.7. The organisational structure and arrangements for personnel administration differ widely between the two Wings. In the Diplomatic Wing the work, because of the sheer volume, is divided between three Departments.

1. Personnel Operations Department (POD) deals with all staff postings and career planning.
2. Personnel Policy Department (PPD) is responsible for overall manpower planning, resource allocation and recruitment, discipline etc (but not training for which there is a separate Department).
3. Personnel Services Department (PSD) is concerned with conditions of service, including allowances and LE staff salaries in overseas posts, and related matters (including financial conditions of service for Home Civil Servants).

The three Departments report to two Under-Secretaries (who have other responsibilities) and through them to the Chief Clerk and PUS. The organisation of the chain of command and of the three Departments is shown on the charts at Annexes C, D and E. During the field study the point was made that because of the make up of the Diplomatic Service with a very high administrative to executive stream ratio and of the rank of the 139 Heads of Mission and other senior staff overseas, personnel matters have to be handled at an appropriate senior level in the administration.

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The problem of having two thirds of the Diplomatic Service scattered throughout the world also necessitates a time consuming Board system in London which does not involve the personal appearance of candidates (as with Promotion Boards in the ODA and most other Home Departments) combined with an intricate grid system for postings operated by POD.

4.8. In the ODA, personnel work is also divided. Establishment Department deals with career development, postings, recruitment, training, conditions of service and other matters which, in the Diplomatic Wing, are distributed between POD, PPD, PSD and Training Department. Responsibility for manpower policy and resource allocation rests with Organisation Department (which is also responsible for Management Services, Office Services etc). Both Establishment and Organisation Departments are under the direction and control of the Principal Establishment Office (PEO), an Under-Secretary reporting direct to the Permanent Secretary. They may be merged following the move of certain ODA Departments to East Kilbride and a chart showing the organisation which will then exist is at Annex IV F. Apart from the four Development Divisions they do not administer staff abroad.

A Unified Personnel Structure

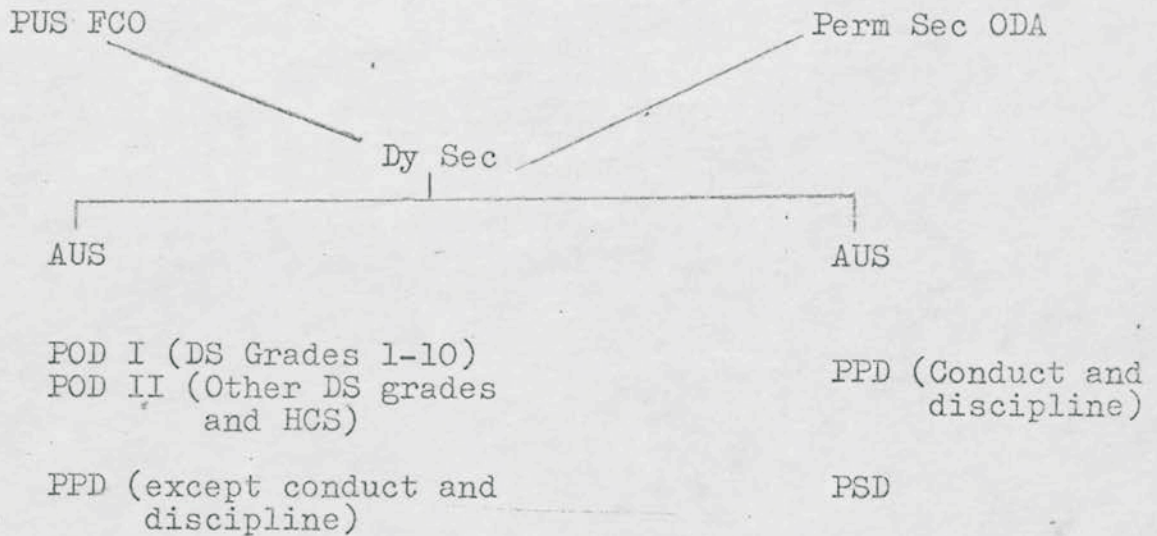
4.9. In association with the Civil Service Department inspectors we drew up a model of how an integrated personnel division could be formed. The volume of work and the distinctions between the HCS and Diplomatic Service are such that the model had to be formed on the basis of two groups for individual Personnel Management, but supported by common Personnel Planning and Conditions of Service branches. The whole personnel function would need to be brought together at the level of a Deputy Secretary who would act in the traditional Principal

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/Establishment

Establishment Officer role on behalf of the PUS in FCO and the Permanent Secretary in ODA.

4.10. The outline structure would be as follows:



The Deputy Under Secretary and the two Assistant Under-Secretaries would have other responsibilities.

A chart showing a possible way in which this personnel function could be married into the top structure of the FCO as a whole is at Annex IV G.

4.11. Charts showing the possible personnel structure of the POD I, POD II and PPD are at Annexes IV H, J and K (PSD would be unchanged initially as at Annex IV E). The models envisage the dismantling of the existing ODA Establishments Department and Organisation Department and the incorporation of appropriate Sections into a modified Diplomatic Wing structure to provide a joint personnel service. In the CSD Inspectors' judgment the

/initial

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initial savings which could then be achieved are of the following order:

ODA 1/2 Under Secretary - dismantling of separate PEO function.

DS Wing Downgrading of 1 Grade 4 post to Grade 5S following the transfer of some responsibilities to POD II.

DS Wing 1 x DS 6 from the Special Grade Management Unit in the present POD to be incorporated in the new POD II.

ODA 1 x SP in London Org Dept on loss of:

- a) Manpower (Office Vote) to PPD
- b) Staff Inspection to combined Inspectorate
- c) ADP to joint unit.

ODA 1 x Principal and 1 x EO through absorption of ODA Manpower Vote responsibility into PPD. This should offer economies of scale, bearing in mind the seasonal nature of manpower planning.

DS Wing CO/DS 10 post by combining record keeping responsibilities.

The value of these savings would be in the region of £130,000 a year at current prices. In the Inspectors' judgment an additional Principal post should be saved in POD II once the department has been properly established and the ODA move to East Kilbride completed. This will have to be considered however in connection with a possible rationalisation of responsibilities for HCS Conditions of Service matters between POD II and PSD. In the longer term further savings might be possible at the lower operational levels as the organisation gains experience and settles down.

Arguments for and Against

4.12. If the integrated personnel management organisation is to operate successfully it would be essential for all four departments to be co-located and for POD I and POD II, between

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whom the interface would be very great, to be adjacent to one another. Subject to this, such a model would provide a workable organisation although some responsibilities would probably need to be adjusted in the light of practical experience. This might apply particularly to the assumption that the work load of the ODA's PEO (50% of his time) can readily be taken on board elsewhere. This would probably require an examination and re-allocation of work loads more generally at Under-Secretary level. We also have some reservations about the extent to which the other savings would in practice be achievable.

4.13. This question is of particular significance in that the case for integrating the personnel functions of the two Wings rests almost entirely on the extent to which such an arrangement might be more economic. We can see no significant operational benefit in a merger so long as there remain two separate Services, recruited in accordance with different criteria to meet different career requirements, one for home service and the other with an unrestricted liability for posting anywhere in the world and therefore with different terms and conditions. Their deployment and career development will continue to revolve around their own particular Wing of the office, and although the benefit of cross-postings between Wings is fully recognised (and we agree with the comment in earlier reports that the level of this should be increased) this can be - and is being - developed under present arrangements.

4.14. It should also be noted that a merger on the lines proposed means in effect the incorporation of ODA's Establishment Department and the manpower unit in its present Organisation

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Department into the Diplomatic Wing's personnel organisation. The deep-seated feelings and anxieties which exist within the ODA about their status and comparative independence would clearly not be helped by such a significant change in their staff management. A specific commitment on the part of senior management to introduce the changes in an understanding and progressive manner might do something to reassure ODA staff that their welfare and career interests would be fully taken into account.

4.15. Any major re-organisation is unsettling to staff and liable to affect morale. In the particular circumstances of the FCO sensitivities are increased by the fact of the existence of two separate services. There are separate Staff Associations in the two Wings and two Whitley Councils. The ODA staff representatives expressed fears that a merger could result in discrimination and damage to the interests of their members. A pooling of the existing HCS establishments in both Wings would, for instance, increase the opportunities for promotion of the COs and CAs at present on the Diplomatic Wing establishment, at the expense of those now serving in the ODA. The Diplomatic Service Staff Association were primarily concerned with the possible threat arising from merger to the independent administration of their Service. Some apprehension was felt that if more London based posts were filled by HCS rather than DS personnel this would entail DS personnel

/spending

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spending a higher proportion of their careers overseas and strengthen the criticism, often levied against them, that they are out of touch with life and developments at home.

An Alternative Solution

4.16. We also considered the possibility of a simple transfer of responsibility for all HCS personnel serving in the Diplomatic Wing to the existing personnel management organisation in the ODA, leaving the Diplomatic Wing to manage DS personnel only. There are three objections to this:

- (a) many Home Civil Servants working in the Diplomatic Wing are specialists of one kind or another, recruited to fill specific posts. They are aware when they are appointed that their career prospects within the FCO will be very limited and either are not concerned or are prepared to look elsewhere after a number of years' service.
- (b) the HCS element is woven into the staffing and function of the Diplomatic Wing in London. If it was separately managed, there would be a need for more explanations and discussion between the two organisations over the filling of posts (particularly if the ODA Establishment Department remained in Eland House, with minimal contact with the rest of the FCO).
- (c) although such a move might open career opportunities to Home Civil Service Clerical staff in the Diplomatic Wing, this would be open to the objection already noted in the context of a merged organisation (see paras 4.14. and 4.15.).

/4.17.

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4.17. Administration of an HCS element by the Diplomatic Service Wing causes no real problems. The terms and conditions of service are centrally laid down and well documented and there are no major difficulties in their interpretation and application. The work load involved in HCS personnel administration in the Diplomatic Wing is determined, therefore, largely by the numbers involved and would not be materially affected if responsibility was transferred elsewhere. Any staff savings which on paper might be achieved would be minimal and likely to be more than offset in practice by the problems which would arise and which would need time consuming discussion to resolve. A limited transfer of responsibility for management by the Wing of staff serving in the other would be operationally complicated and would not lead to a unified management structure for personnel and resource control. This is a major weakness of this approach.

Some Possible Modification of Existing Arrangements

4.18. Some services, however, are provided on a common basis to both Wings and it seems to us logical that where this is so, and where they are all serving on the same terms, there should be a common establishment. This already exists for the Legal Service, which is managed by the Diplomatic Wing but provides advice and support as required to the ODA and its constituent Departments. The Library Department also serves both Wings but the cadre of professional librarians is divided between the Diplomatic Wing establishment (15) and that of the ODA (5), although they are completely interchangeable. Responsibility for economists is also divided with 9 being paid and administered by the Diplomatic Wing and 55 by the ODA. No staff savings

/would

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would result from unifying the establishment and administration of librarians and economists, but it would in our view be a sensible rationalisation.

4.19. The arguments could be applied to other areas where specialist services are provided from a common source (eg personnel engaged in ADP work if our proposals for this are adopted) and to a limited extent in the case of clerical and subordinate service grades. However, in some cases members of these grades are a small but important element of the purely Diplomatic Wing organisation in London and their separate administration would create difficulties and reduce effectiveness. We have commented on this in the relevant sections of this report.

Conclusions

4.20. The savings which might be achieved by merging personnel services would be relatively small. They have to be balanced against the effect on staff morale which would exacerbate the problems inevitable in any radical reconstruction. Nor can we see any real operational advantages to offset the considerable disruption and short term loss of effectiveness which would be unavoidable in making sweeping changes. Difficulties could no doubt be overcome and problems solved arbitrarily but changes would only be worthwhile - and perhaps in practice effective - in the context of a wider evolutionary plan for the progressive full merger of the establishments of the Diplomatic Wing and ODA, similar to that which existed when the Diplomatic Service Administration Office (DSAO) was set up in 1964 to integrate the then FO and CRO and their respective separate Services.

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4.21. In the circumstances which exist at present we conclude that no significant benefit or savings are likely to accrue from either of the two main solutions examined in this Chapter and therefore make no recommendations for change.

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AT THE COURT AT BUCKINGHAM PALACE

The 20th day of November 1964

Present,

THE QUEEN'S MOST EXCELLENT MAJESTY
IN COUNCIL

Whereas Her Majesty maintains a Foreign Service, a Commonwealth Service and a Trade Commission Service;

And Whereas it is expedient to establish a single Service to take the place of the said Services;

Now, therefore, Her Majesty is pleased, by and with the advice of Her Privy Council, to order, and it is hereby ordered, as follows:—

1. On 1st January 1965 Her Majesty's Foreign Service, the Commonwealth Service and the Trade Commission Service shall be amalgamated to form a single Service which shall be known as "Her Majesty's Diplomatic Service" and which shall discharge the functions of the Services aforesaid.

2. On 1st January 1965 the following persons who were immediately before that date members of the Services mentioned below shall become members of Her Majesty's Diplomatic Service in a grade determined by the Secretary of State to be equivalent to the substantive rank which they held immediately before the said date in the said Services:—

(a) all members of Her Majesty's Foreign Service;

(b) all members of the Commonwealth Service who have not before that date elected to remain members of the Home Civil Service;

(c) those members of the Trade Commission Service who before that date have applied to join Her Majesty's Diplomatic Service and have been accepted for it by the Secretary of State.

3.—(1) A person who immediately before 1st January 1965 is a member of the Trade Commission Service but who on that date does not become a member of Her Majesty's Diplomatic Service may, if he either has applied for transfer thereto or does so before 1st January 1966, be accepted for transfer to Her Majesty's Diplomatic Service by the Secretary of State.

(2) A person for whom a Certificate of Qualification for Service in Her Majesty's Foreign Service or the Commonwealth Relations Office has been issued by the Civil Service Commissioners before 1st January 1965 but who has not on that date taken up appointment may be appointed in Her Majesty's Diplomatic Service by virtue of the said Certificate of Qualification.

4. Members of the Commonwealth Service who on 1st January 1965 become members of Her Majesty's Diplomatic Service may at any time before 1st January 1966 elect to transfer to the Home Civil Service, and those who so elect may be so transferred without the issue of a further Certificate of Qualification by the Civil Service Commissioners.

5. The incorporation under the foregoing provisions of this Order of a person in Her Majesty's Diplomatic Service shall not affect that person's tenure of any post or appointment in the service of Her Majesty held at the date of incorporation; provided that in the case of a post or appointment in Her Majesty's Diplomatic Service such person shall, on becoming a

(D.C. 675) 1.1.50

member of that Service, hold the post or appointment as a member of that Service and subject to the conditions and regulations applicable to such members.

6.—(1) Except as provided in Articles 2 and 3 of this Order, no person shall be appointed a member of Her Majesty's Diplomatic Service, unless a Certificate of Qualification for appointment to Her Majesty's Diplomatic Service has been issued by the Civil Service Commissioners in his favour.

(2) Members of Her Majesty's Diplomatic Service may be employed in any appropriate post of the Service in the United Kingdom or overseas as required in the public interest.

(3) A member of Her Majesty's Diplomatic Service may be seconded for special duties outside that Service or may be transferred to another branch of Her Majesty's Civil Establishment, subject, where necessary, to the issue of an appropriate Certificate of Qualification by the Civil Service Commissioners.

7.—(1) The Secretary of State shall from time to time make regulations for Her Majesty's Diplomatic Service.

(2) The said regulations may in particular provide for all or any of the following matters:—

(a) the division of the Service into branches and grades;

(b) the conditions of appointment of new members to branches and grades of the Service;

(c) the salaries for the branches and grades of the Service;

(d) the conditions of promotion in the Service;

(e) in conformity with any Act or Acts of Parliament which may be applicable, the conditions of retirement and pension of members of the Service.

(3) The said regulations, in so far as they specify salaries, allowances, travelling allowances, or conditions of retirement and pension, shall not be made without the concurrence of the Lords Commissioners of Her Majesty's Treasury.

8.—(1) In this Order the expression—

(a) "member of Her Majesty's Foreign Service" means a person who has been granted a Certificate of Qualification by the Civil Service Commissioners and who is serving as a member of Branch A, B, C, D or T of Her Majesty's Foreign Service;

(b) "member of the Commonwealth Service" means a person who has been granted a Certificate of Qualification by the Civil Service Commissioners and who is serving in a post under the Secretary of State for Commonwealth Relations in one of the grades or capacities listed in paragraph (2) of this Article, provided that the person concerned is not on loan to the Commonwealth Relations Office from another Government Department, and the expression "Commonwealth Service" shall be construed accordingly;

(c) "member of the Trade Commission Service" means a person who has been granted a Certificate of Qualification by the Civil Service Commissioners and who is serving in one of the grades or capacities listed in paragraph (2) of this Article in an appointment—

(i) in the Trade Commissioner establishments of the Board of Trade, or

(ii) in any other establishment of the Board of Trade provided he is in receipt of Home Service Allowances, or

(iii) in a Foreign Service establishment on loan from the Board of Trade,

provided that the person concerned is not on loan to the Board of Trade from another Government department, and the expression "Trade Commission Service" shall be construed accordingly.

(2) The grades or capacities referred to in sub-paragraphs (b) and (c) of paragraph (1) of this Article are the following:—

- any grade in the Administrative Class;
- any grade in the Legal Class;
- any grade in the Executive Class;
- any grade in the Information Class;
- any grade in the Research Officer Class;
- the grade of clerical officer;
- any typing grade;

Commonwealth Relations Office Security Guards.

(3) For the purpose of paragraph (1) of this Article a person shall be deemed at any date to be serving in one of the posts, grades or capacities referred to therein if such person is serving in that post, grade or capacity at that date, or if having so served before that date, he was immediately before it on secondment to a post outside the Service or on loan to another Government Department or has been granted leave of absence.

9.—(1) This Order may be cited as the Diplomatic Service Order 1964.

(2) The Foreign Service Order in Council 1943 shall be revoked on 1st January 1965 provided that the revocation of any provision of that Order by this paragraph shall not affect the validity of anything previously done thereunder or by virtue thereof.

W. G. Agnew.

DS WING ADMINISTERED HOME CIVIL SERVANTS

GRADE	Payroll 1 December 1980
-------	-------------------------------

Administration Group

Assistant Secretary	4
Senior Principal	2
Principal	19½
SEO	5
HEO A & AT	2
HEO	5
EO	20
CO	258½
CA	93
	<hr/>
Sub-total	409

Economist Group

Chief Economic Adviser	1
Senior Economic Adviser	2
Economic Adviser	4
Senior Economic Assistant	2
Economic Assistant	—
	<hr/>
Sub-total	9

Librarian Group

Deputy Librarian (IOLR)	1
Principal Librarian	1
Senior Librarian	1
Librarian	5
Assistant Librarian	8
	<hr/>
Sub-total	16

Science Category

Senior Principal Science Officer	1
Senior Scientific Officer	—
	<hr/>
Sub-total	1

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GRADE	Payroll 1 December 1980
-------	-------------------------------

Professional and Technology Group

PPTO	1
	—
Sub-total	1

Museum Grades

Director	1
Deputy Archivist - Museum Grade 'B'	1
Assistant Keeper I - 'C'	8
Senior Research Assistant - 'D'	7 $\frac{1}{2}$
Research Assistant I - 'E'	13 $\frac{1}{2}$
Research Assistant II - 'F'	1
Senior Conservation Officer, Cons Grp 'E'	1
Museum Technician Group II	4
Museum Technician Group III	5
Museum Technician Group IV	3
Repository Assistants	11
Laminators	2
	—
Sub-total	58

Cypher & Signals Branch

Senior Cypher Supt	5
Cypher Supt	11
Cypher Officer I	38
Cypher Officer II	111
	—
Sub-total	165

Secretarial Category

Chief Superintendent	2
Senior Superintendent	
Superintendent	5
Personal Secretary	3
Specialist Typist	
Typist	—
Sub-total	10

Other Clerical and Support Staff

Photoprinters	42 $\frac{1}{2}$
Messengerial Class Office Keepers	12
Messengers	243

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GRADE	Payroll 1 December 1980
-------	-------------------------------

Paper Keepers	91
Telephonist	1
Teleprinter Operators	7
Senior Data Processors	1
Data Processors	3
Photographers	
Cartographical Draughtsman	2
Drawing Officer Assistants	
	402½
Sub-total	

Security Grades

Home Security Grade I	
II	1
III	5
IV (uniformed)	5
IV (non-uniformed)	17
V	42
	70
Sub-total	

Industrial Civil Servants (see under Wilton Park)

Other non-industrial Grades

Drivers	23
Cleaners	33
Cooks	2
Nursing Staff	2
Stores Officers	
Process & General Supervisory	
Language Instructors	14½
Translators	4
Field Investigating Officers	17
	95½
Sub-total	

Wilton Park Staff

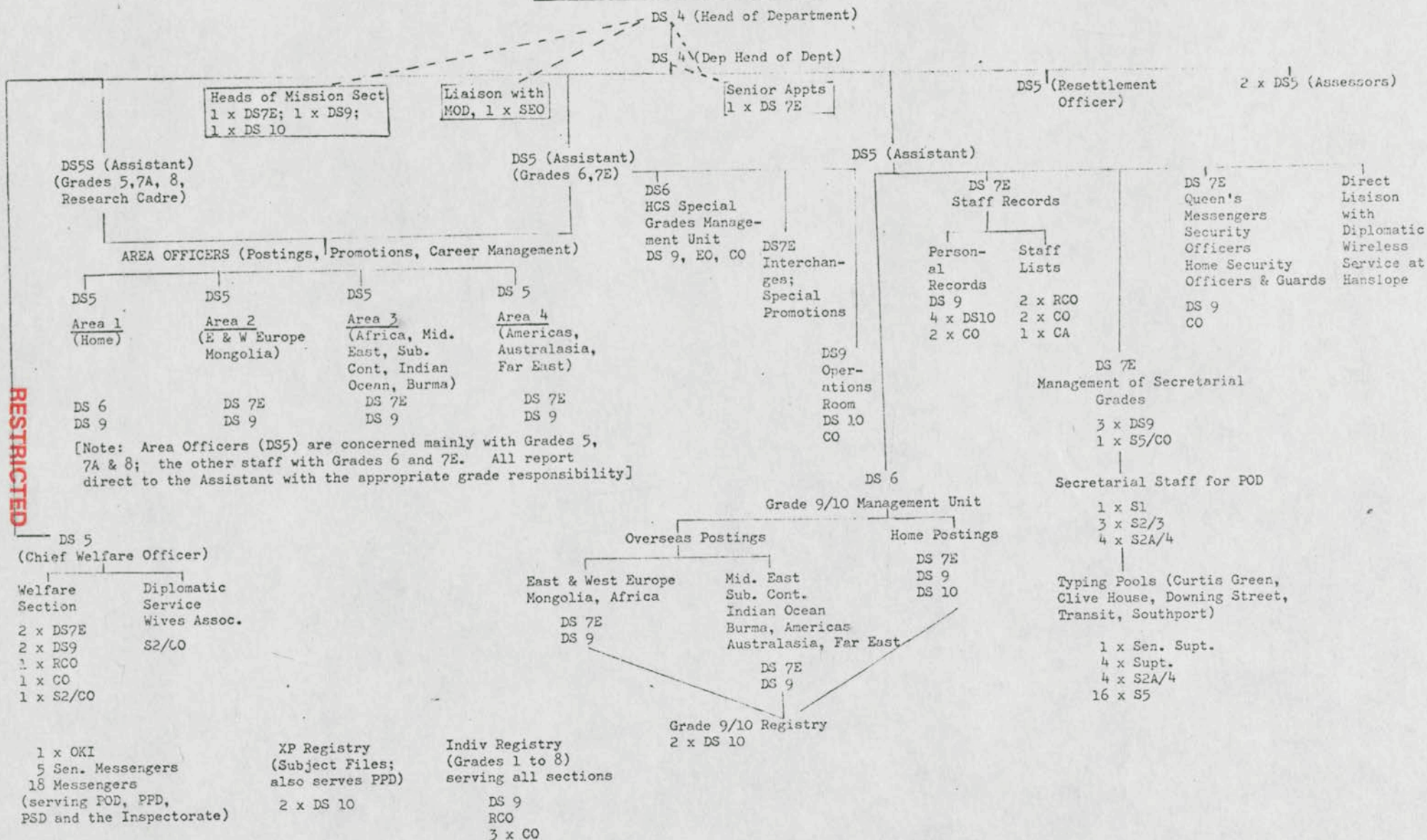
Director	1
Deputy Director	1
Lecturers	6
Domestic Bursar	1
*Stewards/Patrolmen/Handymen	4
*Handywomen/Waitresses	13
	26
Sub-total	

*Industrials

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CHIEF CLERK
ASST U/SEC
PERSONNEL OPERATIONS DEPARTMENT

Inspectorate
(excluding ADP)

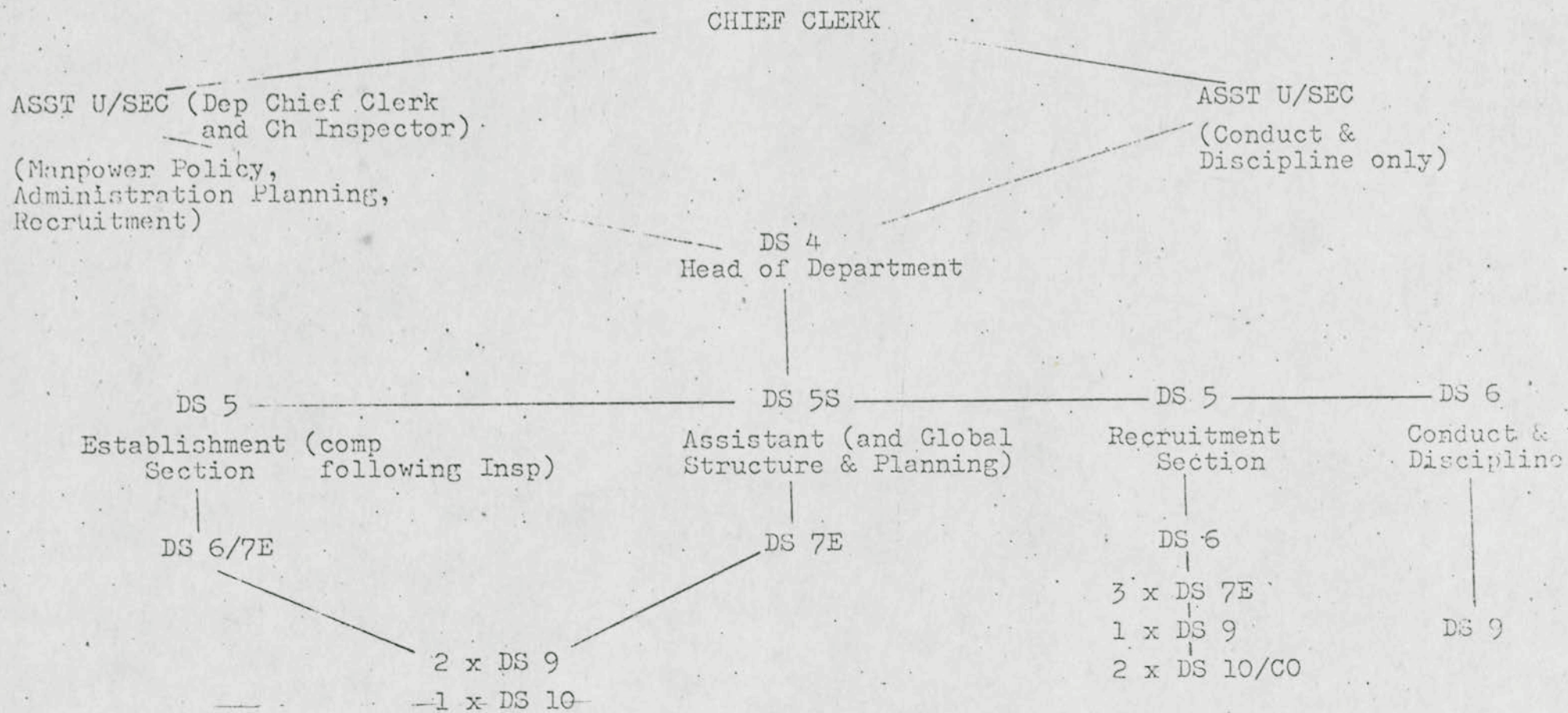


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PERSONNEL POLICY DEPARTMENT

Ideal Establishment



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* XP Registry

2 x DS 10/CO
1 x PK

Secretarial

1 x PA
2 x S2/3

Total = 24

*also serves POD

Annex 11 D

PERSONNEL SERVICES DEPT

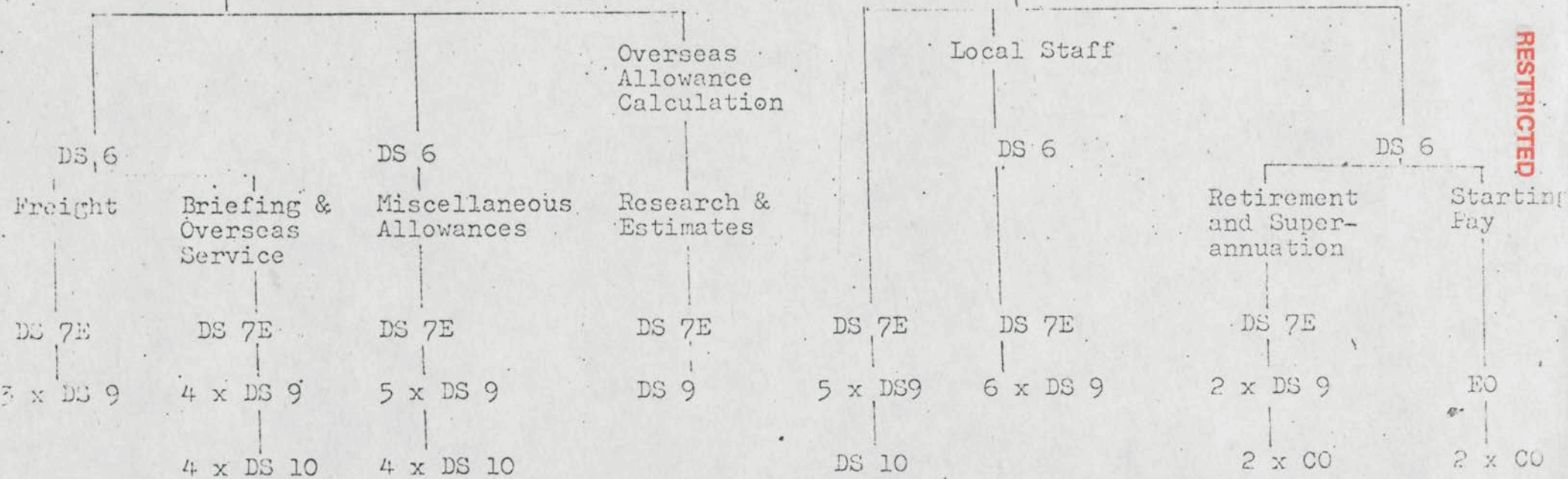
DS 4
Head of Department

DS 5S
Assistant

DS 5S
Assistant

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Registry: DS 9/EO
3 x CO
1 x CA

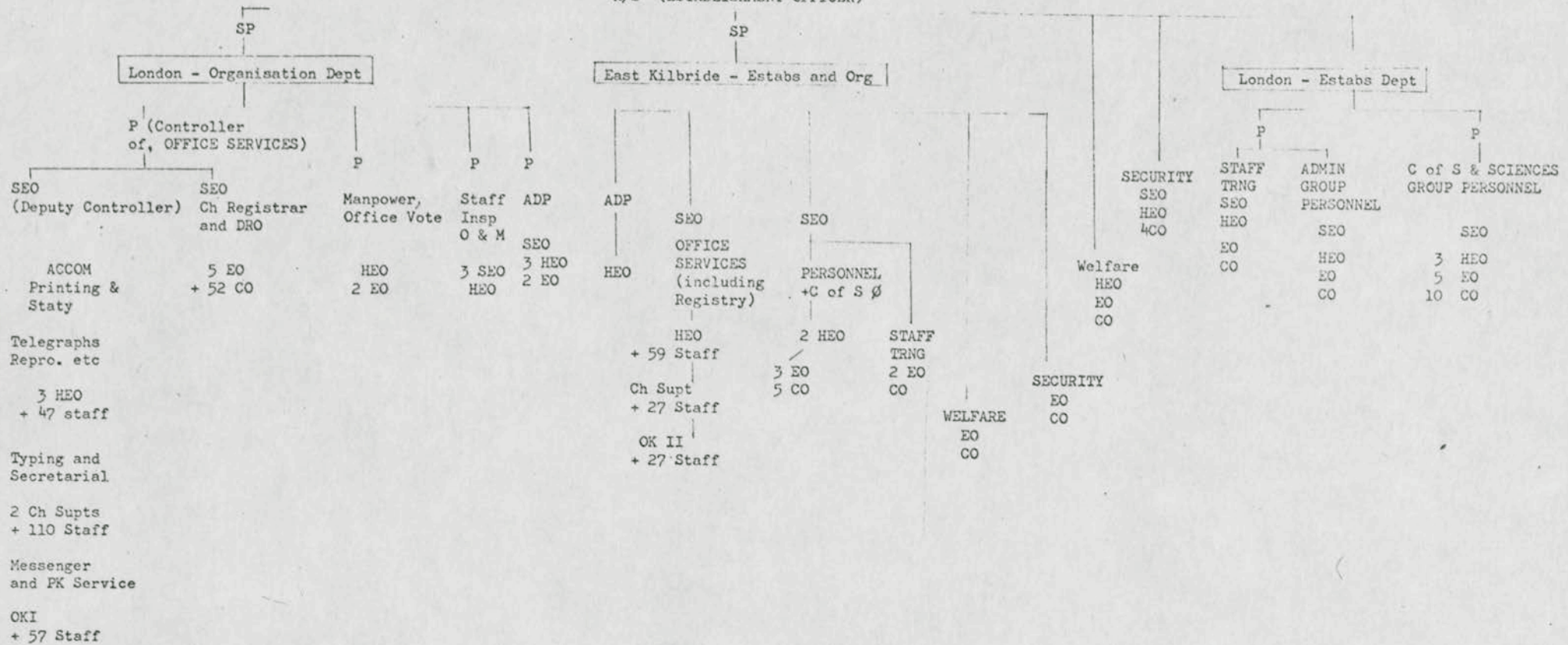
Secretaries: 51
2 x 152

4/1/52

ODA ESTABLISHMENT AND ORGANISATION DEPARTMENTS

UP TO 50%
U/S (PEO)

A/S (ESTABLISHMENT OFFICER)



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Ø C of S = Conditions of Services

A SUGGESTED TOP STRUCTURE

PUS FCO Diplomatic Wing

Perm Sec ODA

AUS (Vice Marshal
of Diplomatic
Corps)
Protocol & Conference

Dy US (Chief Clerk)

AUS
(Director of
Communications/
Technical Services)

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AUS (Dy Chief Clerk
and Chief Inspector)

Inspectorate (except
ADP)
PPD (except conduct
and discipline)
Personnel Dept I (DS)
Personnel Dept II
(H.C.S. and
misc grades
serving
overseas)

AUS (Administrative Services)

50% -
Security Dept (Personnel
and Physical)
PSD
Training Dept
PPD (conduct and discipline
only)
Accommodation & Services
Dept
50% -
Passport Office
Migration & Visa Department
Consular Department
Nationality & Treaty Dept
Claims Department

AUS (PFO)

Finance Dept
Accounts Dept

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Communications
Division
ADP
Technical Security

POD I (Grades 1 - 10)

DS 4 (Head of Dept)
Operational Management
Grades 1 - 4

DS 5S } Support on Grades
1 - 4
2 x DS 5 } Operational Management
for Grades 5 - 8

DS 5
Area 1

DS 5
Area 2

DS 5
Area 3

DS 5
Area 4

DS 5
Chief Welfare
Officer

DS 5
Resettle-
ment
Officer

2 x DS 5 (PT)
Assessor

DS 6

DS 7E

DS 7E

DS 7E

DS 7E
Inter-
change

DS 6
Grade
9/10
Manage-
ment
Unit

3 x DS 7E/HEO

DS 9

DS 9

DS 9

DS 9

Over-
seas
2 DS 7E
2 DS 9

Post-Home
ings

1 x DS 7E
1 x DS 9

3 x DS 9/EO

Diplomatic
Wives
Association
1 x CO

1 x RCO
2 x CO
1 x S2/CO

1 x DS 10

1 x DS 7E
& Staff
Records

Individual Registry
Grades 1 - 10

DS 9
RCO
4 x CO

(integrated with ODA)

*Note - This chart includes the
Operations Room and Research section,
which, apart from reporting lines, would
remain unaffected.*

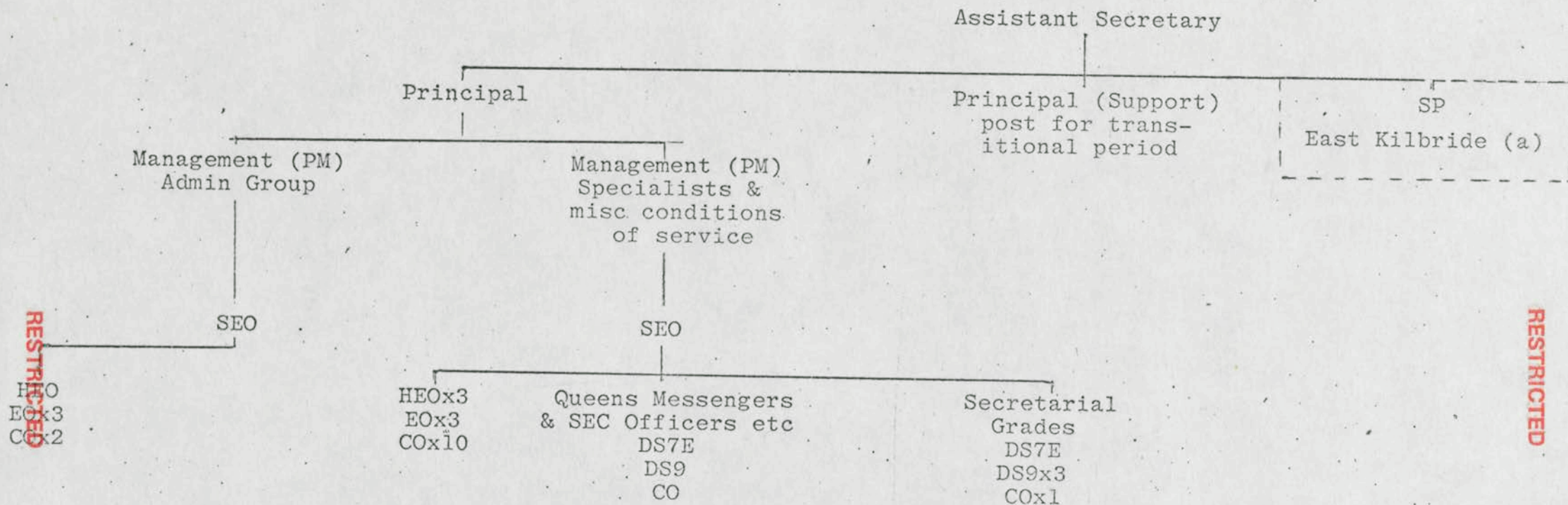
Officers below Prin Level = 100 (Above = 1 x A/S + 1 x Prin)

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ANNEX IV H

POD II (Other DS Grades and HCS)

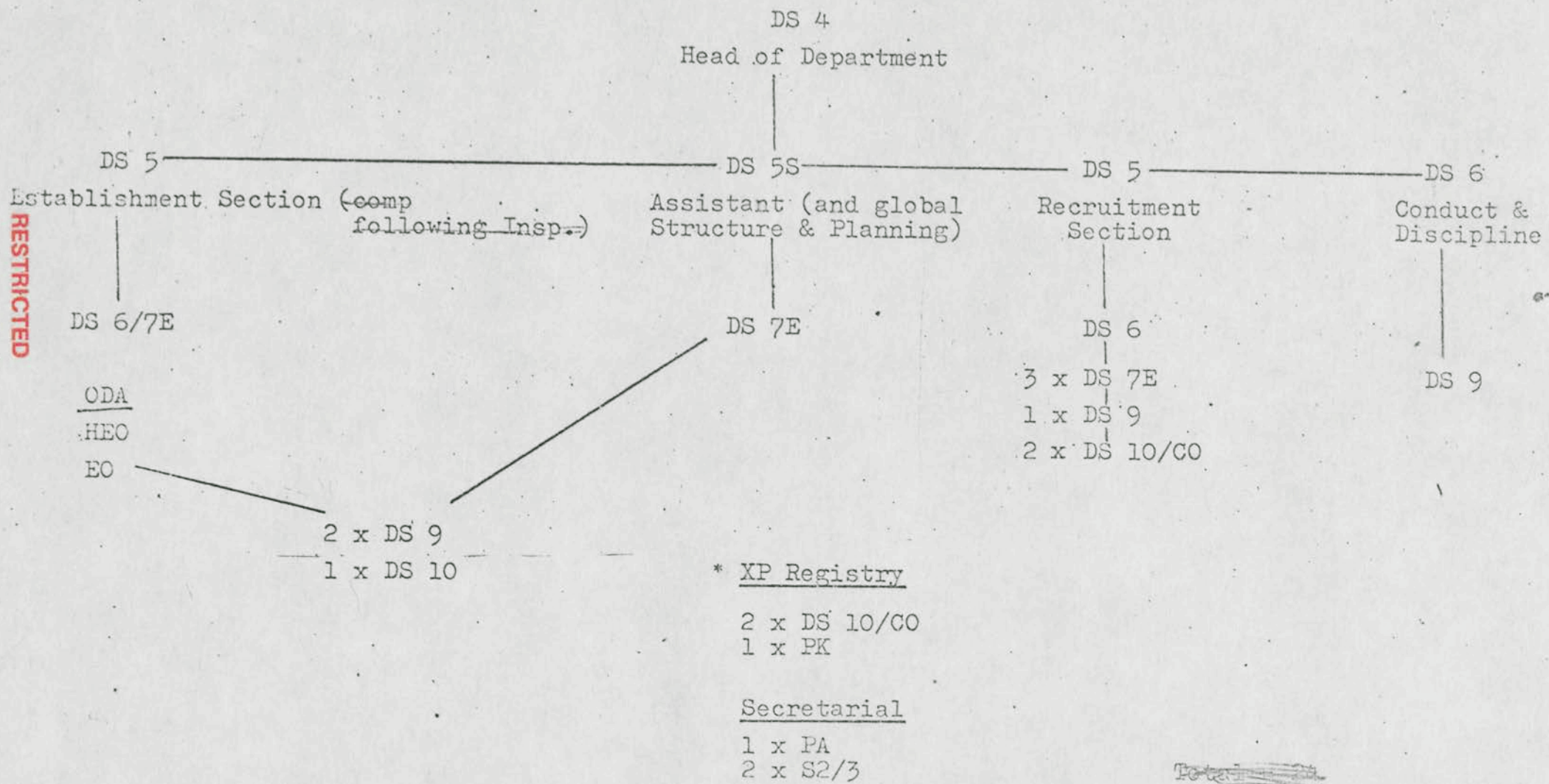


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Notes (a) Complemented as shown on ODA chart

PERSONNEL POLICY DEPARTMENT



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ANNEX IV K

also serves POD

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CHAPTER V: TRAINING

5.1. Training is an integral part of the personnel management function and therefore arrangements for handling it must be considered in close association with those for other aspects of personnel work.

5.2. In the FCO Diplomatic Wing there is a separate Training Department headed by a DS 4. A large part of his work is concerned with the Diplomatic Service Language Centre (DSLIC) and allied language training matters. The DSLIC's facilities are, within the capacity available, open to staff of other Government departments and organisations. The department is to be inspected shortly. A DS 5 heads a Section responsible for training policy and requirements. In close association with POD he arranges for external training (Business and Civil Service College courses, Sabbaticals, EEC courses etc) and supervises a Unit which runs internal training courses for new entrants and on specialized aspects of DS work eg the handling of consular, commercial and immigration matters, for staff taking up appointments overseas.

5.3. In the ODA there is a small training unit in the Establishment Department comprising one SEO (the Departmental Training Officer), one HEO, two EOs and a CO. The unit reports to a Principal who is responsible for staff training policy which takes up about 5% of his time. It arranges induction and other courses relating to the ODA and its work, as well as the usual range of more general courses for junior staff. It also arranges any external training required by ODA officers and briefing

/programmes

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programmes for Diplomatic Service personnel who will be dealing with aid matters in posts overseas. There is a separate training unit for East Kilbride, comprising at present one HEO and 2 EOs.

5.4. If it was decided to dismantle the ODA Establishment Department and integrate its work into a new joint Personnel Division covering both Wings, it would be necessary and logical for ODA's training requirements to be looked after by the Training Department which would then serve both Wings (see model at Annex V A). A merger of responsibilities for arranging external training would be possible but as far as in-house training is concerned ODA's requirements differ considerably from those of the Diplomatic Wing. The possibility of co-operating by sharing some courses for junior staff has been examined but the scope is limited until such time as the ODA procedures and practices may be brought into line with those of the rest of the FCO. It would therefore be necessary to retain the personnel engaged in training ODA staff as a sub unit and in the short term there would not be any significant staff savings.

Conclusion

5.5. So long as ODA retains independent responsibility for establishment matters generally (and therefore its own Establishment Department) we see no grounds for merging responsibilities for training although we recommend that there should be close liaison between the staff concerned with arranging training in the two Wings to obviate any possibility of duplication and overlap.

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AN INTEGRATED TRAINING DEPARTMENT

Chief Clerk

AUS

DS 4 Head of Dept - PA
(Director Diplomatic Service Language Centre)

DS 5 Policy, Requirements
and on language training

Dy Director
Diplomatic
Service Language
Centre

Policy and Requirements
Section

Instruction Unit

ODA Training Unit

DS 7E

2 DS 9

2 CO (shared with
Instruction
Unit)

DS 5 (Head of Unit
and Commercial
Instruction)

DS 6

2 DS 7E

2 DS 9

1 Senior Supt of Typists
(Secretarial Instruction)

1 S5 (shared with Language
Centre)

SEO

HEO

2 EO

1 CO

(East Kilbride)

HEO

2 EO

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SECRET

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CHAPTER VI: INSPECTORATE AND MANAGEMENT SERVICES

6.1. In both Wings there is a common requirement to check that the staffing, structure and organisation of work are such as will provide maximum efficiency and cost effective performance. In pursuing this objective separately in the past the two Wings have however developed machinery with different emphases reflecting the different nature of the two institutions and the functions they perform.

6.2. The ODA's prime function is the spending of the Aid Vote and it is structured for this purpose with virtually all its departments directly involved in the allocation and administration of public funds. The Internal Audit Unit therefore plays a primary and important role in reviewing management systems and procedures throughout the ODA. Staff inspections on the other hand are carried out by two SEOs in the Organisation Department and concentrate on staffing levels, organisation and the grading of posts connected with the administration of that aid. We were told that it is proposed to strengthen the Staff Inspection Unit by the addition of a further post at Principal level.

6.3. In the FCO Diplomatic Wing the emphasis is different. Few departments have financial management responsibilities and the preoccupation is with the deployment of manpower and other resources in carrying out and supporting the FCO's political and other non-financial work. There has grown up, therefore, in the Diplomatic Wing a strong Inspectorate consisting of teams led by DS 4 officers which inspect missions overseas and departments in London. We were impressed by the comprehensive and detailed

/nature

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nature of their examinations and reports which cover not only complementing but also management systems. Where these have a financial aspect there is close liaison with the Diplomatic Wing's Internal Audit Unit.

6.4. O and M studies are also mounted in the critical inspection of existing arrangements and the consideration of new managerial systems. In the Diplomatic Wing there is a three-man O and M Unit within the Management Services section of the Inspectorate. In the ODA there is a two-man O and M Unit which forms part of the Management Services section of Organisation Department. We were told that in the ODA it is intended shortly to combine the Staff Inspectors and the O and M Units to form a single group.

6.5. As far as ADP applications are concerned, in the ODA specific administrative computer studies and the provision of advice and assistance (including the requirements of the Scientific Units) are the responsibility of the ADP Unit in Organisation Department. Reports are made to the Head of Organisation Department who is responsible to ODA higher management through the Principal Establishment Officer. The PEO is responsible for the overall planning of work.

/6.6.

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6.6. Advice on the use of ADP techniques in the management and operation of the Diplomatic Service is the responsibility of the ADP Section of the Diplomatic Service Inspectorate. The ADP Section, however, reports through the Home Inspector to the Director of Communications, who is also Chairman of the Computer Services Steering Group (CSSG). Study of the application of computer-based equipment to the FCO telegram message-handling system is the responsibility of Communications Engineering Department, reporting to the Director of Communications.

6.7. Co-ordination of ADP policy in the Diplomatic Wing has, in the past, been the responsibility of the Computer Services Steering Group (CSSG). It has, however, proved to be too unwieldy to exercise proper control. In practice, executive authority now rests with the Director of Communications (DS 3), advised by a smaller working group. This comprises the senior Home Inspector (DS 4); the Heads of ADP and Management Services sections (DS 5); representatives of the Personnel Departments; and technically qualified members of the Communications Departments. The Director (who may be re-named Director of Technical Services) is responsible to the Chief Clerk (DS 2), and through him to the PUS. The CSSG remains in being primarily as a means of consulting departments concerned with ADP projects.

6.8. In both Wings progress in introducing ADP techniques has been slow. The radical nature of the changes which would have to be made to existing methods and organisation have been a factor in this but the main obstacle has been an acute shortage of staff with the knowledge and expertise to plan and execute projects. We were told that both Units urgently require

/strengthening

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strengthening in skills and number (particularly systems analysts) to carry through the existing modest programmes. Measures to achieve this are in hand in conjunction with the Central Computer and Telecommunications Agency (CCTA).

A Unified Structure

6.9. At Annex VI A is a model of a joint Inspectorate to cover both Wings, incorporating Management Services and ADP Sections. The Diplomatic Wing's Overseas Inspection teams would not be affected by a merger except that they would assume full responsibility for inspecting the four Development Divisions. The Home Inspectorate would have to be jointly staffed by DS and HCS personnel which could be done initially by incorporating the proposed Principal and the two existing SEO posts in the ODA Staff Inspection Unit. No fundamental difficulties are seen over this. The next step might well be to fill one of the DS 4 Inspector posts with a suitable Assistant Secretary from ODA. The Inspectorate's London work programme would have to be agreed between higher authority in the two Wings of the office. To ensure full confidence, it would be desirable for someone with an ODA background to be involved in any inspection of an ODA department, and vice versa as far as the Diplomatic Wing is concerned.

6.10. No difficulty is seen in merging the staff engaged in O and M work in the two Wings. As in the case of the Home Inspectorate their deployment would be a matter for agreement. (This should at least end the present rather absurd situation with the two Wings using different forms for the same purpose eg telegraph drafts. There should be some savings if the two Wings used standard forms although it is not possible to quantify this.)

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6.11. ADP calls for more detailed comment. The separate ADP Units were, in theory, merged when the FCO and ODA were first brought together in 1970. But a 1972 Report showed that the ODA had separate specialized ADP requirements and the only overlap with other FCO requirements was in the field of pay and accounts. This Report also indicated however that the whole range of ADP requirements by both Wings could have been met by a large general purposes computer (which the FCO had considered installing but decided against in 1972). When the Government changed in 1974 the two ADP Units became once more entirely separate.

6.12. It was impressed on us that the differing functions of the two Wings involved a different type of computer operation. The extent to which any of these separate operations could be accommodated on the same piece of equipment will of course depend upon the capacity it offers and the extent to which it is considered appropriate to go for large or small machines. At present it appears to be the generally accepted view that micro computers are to be preferred as being more flexible; but in considering issues of this kind an overall view of the needs of the two offices has clear advantage.

6.13. The case for merging responsibility for ADP matters really rests on the following two points:-

- (a) ADP is a specialized and sophisticated form of O and M work and cannot be divorced from other aspects of Management Services and the general subject of resource utilization. If, as we have suggested, the

/Inspectorate

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Inspectorate and the O and M services are merged to form a single joint department, it makes sense for that department to include an ADP Unit.

(b) As noted above, in both Wings there is an urgent need for experienced computer staff. These are difficult to come by and the existing situation, particularly in the Diplomatic Wing, where DS staff engaged on computer work are liable to be posted overseas after a few years, is unsatisfactory in an area where the knowledge and experience which will make an officer fully effective can only be acquired over a long period. Where there is a shortage of people with the necessary knowledge and experience we see a single Unit as offering the following benefits:-

- (i) a pooling of the knowledge of ADP techniques painfully gained by a small number of personnel in both Wings;
- (ii) assurance against overlap and duplication so that, whilst the different requirements of the two Wings would be fully considered, the trend would be to standardise developments in both equipment and soft ware, particularly in such common fields as financial control, accounting and information systems;
- (iii) better career opportunities for those few officers who do specialise in this field.

6.14. A merged ADP section would have to be responsible through the Home Inspector to the Director of Communications in the Diplomatic Wing and to the PEO in the ODA. Because of

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the specialised nature of ADP work, and in accordance with recent CSD directives on the application of computer techniques, a small Steering Committee, with appropriate representation from each Wing of the office, should be established to consider over-all administrative systems, ADP policy and the work priorities of the ADP Unit. The ADP Unit within the Inspectorate itself would not necessarily comprise all staff engaged in ADP work in the two Wings. There will be other staff (eg those concerned with the introduction of the ODA's Management Information Service) engaged in operational rather than advisory tasks. But the deployment of all staff for administrative computer work should be on the advice of the officer in charge of the ADP Unit within the joint Inspectorate to ensure full flexibility in their use. Since computer staff are not, at any rate at present, specialists in grading terms the HCS staff concerned should be career-managed by the ODA so as to give them the opportunity of moving into other generalist posts whenever this seems appropriate in career terms. ADP developments under the control of the Director of Communications are a separate matter from administrative computer developments. Co-ordination of all ADP developments would be provided by the ADP Policy Steering Committee, chaired by the Director of Communications/Technical Services.

Conclusion

6.15. Staff Inspection, O and M and ADP techniques constitute key areas in paving the way for any successful merger elsewhere

/between

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between the two Wings (Internal Audit is dealt with separately in Chapter III). The application of uniform standards and of a common approach to the organisation and staffing of the two Wings / ^{through} a joint Inspectorate tasked to harmonise procedures and practices, would ensure that the two Wings in future drew closer together. We see this as an important stage in the process of evolution towards further integration if and when this may be decided on. To succeed it would be essential for the whole of the joint organisation to be co-located. Unless and until it should be decided to create an integrated Personnel Management Division, a Joint Inspectorate would have to be answerable both to the Chief Inspector/Deputy Chief Clerk in the Diplomatic Wing and to the Principal Establishment Officer in the ODA and thence upwards to the PUS FCO and Permanent Secretary ODA. We see no difficulty in this given the acceptance of the desirability of developing a closer relationship between the two Wings. We therefore recommend, as a positive step forward, the creation of a unified Staff Inspection, O and M and ADP structure as in the model at Annex VI A.

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A UNIFIED INSPECTORATE

PERM SEC ODA

PUS FCO

CHIEF CLERK

PEO (ODA)

DEPUTY CHIEF CLERK & CHIEF INSPECTOR

AUS (DIRECTOR OF COMMUNICATIONS)

ADP

Overseas Inspectorate

4 x DS 4

4 x DS 6

4 x SI (PA)

Staff Inspection
and Management Services

3 x SEO/DS 6

3 x DS 7/HEO

1 x DS 9/EO

Support Staff

1 x CO

1 x S1

1 x S2

1 x S2A

Home Inspectorate
and Management Services

2 x DS 4/AS

2 x DS 5/Prin

DSP Editorial
and combined
Procedures Unit

1 x DS 7

1 x CO

1 x CA

ADP Unit

2 x DS 5/Prin

1 x SEO

3 x DS 7/HEO

5 x DS 9/EO

CDA Management
Information
System Team

SEO

2 x HEO

1 x EO

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CHAPTER VII: ACCOMMODATION AND SERVICES

A. General

7.1. In the Diplomatic Wing there is an Accommodation and Services Department under a DS 4 officer which comprises two main sections. The Overseas Accommodation Section with the Head of Department is housed in Croydon (because of the need for close working relationship with the PSA). On the 'Home' side there are three Sections under command of a DS 5 officer: Home Accommodation, Transport, and Supply and Reproduction Section. The first two are situated in Matthew Parker Street, the third in Cornwall House with the Reproduction Sub-Section in Downing Street East and Curtis Green. The Home Accommodation Section deals with FCO office accommodation in London, office-keepers and messengerial and other services in London. The Transport Section (which has been the subject of a recent Review) handles the ordering and supply of vehicles and spares for the 861 official vehicles at home and overseas, the armouring programme for Heads of Mission cars and the management of the FCO Home Transport Pool the prime purpose of which is to carry the Queens Messengers. The Supply and Reproduction Section is responsible for the ordering and supply of office machinery and stationery at home and abroad, document reproduction and printing, and the issue of Office Circulars and Instructions. Organisation charts for the Home Accommodation and Supply and Reproduction Sections are at Annexes VII A and B. A decision has been taken recently to hive off the Home Accommodation and Services Section to form an independent Unit because of the difficulties of distant supervision from Croydon and the possibility of the Overseas Section there taking on additional responsibilities from PSA.

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7.2. The mail and telegram services in the Diplomatic Wing are the responsibility of a separate department, Communications Operations Department. Registry staff are integrated into individual departments throughout the office, but the small Registrar's branch in the Library and Records Department is responsible for prescribing procedures, general supervision of all Registry work and regular inspections in association with the Inspectorate at home and overseas.

7.3. In the ODA these services are provided by a separate unit which is the responsibility of Organisation Department. This unit is headed by a Principal and the work is divided up into sections as follows:-

Accommodation and Reception
Printing, Stationery, Travel and Mail
Office Keeping Services
Telegraph Branch
Typing and Secretarial Services
Registry Service

An organisation chart for the ODA Office Services Unit (excluding East Kilbride) is at Annex VII C. Operationally the Telegraph Branch is little more than a service point for ODA telegraphic traffic most of which is already sent over the Diplomatic Service communications network. The Mails Branch is mainly concerned with handling non-personally addressed mail coming into the ODA. Mail for overseas is handled by the Diplomatic Wing's Bag Room and is normally sent there direct by despatching officers in the ODA.

A Unified Structure

7.4. There are obvious parallels between the work of the two Wings of the office in this area, and a rationalisation

/of

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of functions through a merging of responsibilities should offer some prospect of staff savings. Such a merger could probably only sensibly be based on bringing the appropriate sections of the ODA's office services organisation into the Home Accommodation and Services Unit in the Diplomatic Wing's Accommodation and Services Department.

7.5. At Annex VII D is a possible model for such a combined unit. This has been drawn up in the light of recent Inspection Reports, discussion with the heads of the units concerned, our CSD colleagues experience of similar organisations elsewhere in Whitehall and generally recognised ratios for supervisory grades. Its adoption would offer the following possible savings:

- 1 Principal/DS 5
- 1 SEO/DS 6
- 2 HEO/DS 7
- 1 EO/DS 9
- 3 CO/DS 10
- 1 Chief Superintendent Typing
- 1 Assistant Chief Photoprinter

At current costs these would total something in the region of £167,000 a year.

7.6. The combined unit would, in our view, have to be incorporated into the line management structure of the Diplomatic Wing because of its considerable responsibilities for supplying overseas missions. However we see some advantage in it being staffed mainly by Home Civil Servants. Work in this particular field is not an essential part of the career development and experience of most Diplomatic Service officers and can probably be most

/effectively

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effectively undertaken by staff serving for longer periods than is likely to be the case with DS personnel on home postings. It would, however, be necessary to allow for a leavening of DS staff, particularly in those sections dealing with supplies for overseas. As with Finance Department, about 20% would perhaps be the right figure.

7.7. Although the proposed model is a simple one, there are certain aspects which call for comment:-

(a) The fact that registry services in the two Wings are not only organised differently, but also operate different systems for entering and retrieving papers, precludes a straightforward merger. In the early 70's attempts were made to rationalise registry procedures between the two Wings, and to adopt a uniform system. These were abandoned when the Government changed in 1974. Until the present differences can be removed (through the work of the Joint Inspectorate/O and M Branch recommended elsewhere in this report) we see no alternative to retaining the ODA Registry Services within the common Home Accommodation and Services Unit, developing close liaison with the Registrar's Branch in Library and Records in the Diplomatic Wing (into which it might eventually be merged, with a prospect of future savings).

/(b)

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(b) The model requires the Chief Registrar in the ODA to assume supervisory responsibility for the ODA's Mails Branch, Telegraph Branch and Overseas Travel Section (on which we comment further below). All these will need to be physically located within the ODA and this should not be an unacceptable burden for an SEO grade post.

(c) ODA's typing and secretarial services have not been included among the responsibilities of the merged Unit. If the personnel organisations of the two Wings were to be combined, they could be managed by the appropriate personnel department (POD II) in accordance with current Diplomatic Wing practice. If not, they could probably most conveniently be placed under the SEO post referred to in (b) above.

(d) The model does not take account of the work of the Administration Officer for the India Office Library and Records on the assumption that this will be taken over by the existing staff of the India Office Library Department (as we have been told is the current intention).

(e) The Diplomatic Wing's Transport Section would take over responsibility for the supply of transport for the ODA's four Development Divisions. (This would require releasing the ODA from the standard Home Department requirement to purchase through MOD and to obtain CSD approval for purchasing anything other than a Mini.)

(f) As part of the merger, we would expect the Diplomatic Wing's Overseas Accommodation Section to assume

/responsibility

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responsibility for Development Division accommodation matters, debiting costs to the appropriate votes.

Conclusion

7.8. Home Accommodation and Services are not significantly affected by the differing functions of the two Wings of the office; and combining the existing services in the way proposed in the model should provide a perfectly viable organisation. The cost would be a dismantling of the ODA's present organisation under which all office services are combined in a single unit. This could well result in a diminution of the service at present enjoyed by the staff in Eland House. It will also be necessary for procedures to be devised to ensure that expenditure on behalf of each Wing is allocated to the correct vote. But these points have to be offset against the savings (see paragraph 7.5. above) which would be expected to result from a merger. Although we have some reservations about the ultimate benefits, on balance we can see no strong reason why a common organisation on the lines suggested should not work. We therefore recommend this merger. The timing and detailed arrangements for this will depend on:-

- (a) the completion of the move to East Kilbride; and
- (b) the outcome of the PSA Review, which may involve the transfer of some responsibilities to Departments.

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B. Overseas Travel

7.9. Overseas travel arrangements are organised differently in the two Wings. The ODA has an Overseas Travel Section (within the Office Services Unit) which handles all journeys by officers from the ODA and COPR (but not the other three Scientific Units, which make their own arrangements through travel agents) and for the families of Development Division staff. The work includes calculation and authorisation of advances, obtaining passports and visas, working out suitable itineraries, booking flights and obtaining tickets, providing the officer with financial instructions and information on health or any other special conditions applying to the area of the visit, and the subsequent checking and authorisation of travel claims. The complement of the Section is 1 EO, 6 COs and 1 CA. It handles something in the region of 1300 overseas visits a year. It has no specific vote responsibility. This rests with the departments authorising the travel, i.e. Organisation Department for travel funded from the Aid Administration Vote and, in the main, the geographical departments for travel funded from Aid Vote technical co-operation funds.

7.10. In the Diplomatic Wing the Travel Unit, which is part of the Overseas Section of Personnel Services Department, consists of 1 DS 7, 6 DS 9 and 3 DS 10.

The Head of the Overseas Section normally authorises duty journeys overseas but otherwise the Travel Unit has full responsibility for controlling expenditure on all travel sub-heads on the FCO Vote. It deals with applications for

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concessionary journeys and advises on passport, visa and health requirements, assisting where necessary. Responsibility for checking and authorising the payment of individual travel claims rests at present with Travel Accounts Section in Finance Department. An Inspector has recommended that the Travel Unit and Travel Accounts should be merged to form a single entity within PSD as soon as accommodation constraints permit.

7.11. Unlike the ODA, the Diplomatic Wing does not make bookings for its staff. Once journeys have been authorised, officers are left to make their bookings through the British Airways office implant unit in Curtis Green. This is open from 9 to 6 daily (with arrangements for out of hours facilities) and handles around 11,000 movements a year. The Unit offers a specialist service with selected BA staff able to draw up and advise on itineraries (to include bookings on most other airlines) as well as issuing tickets. It is also prepared to take on full responsibility for arranging concessionary journeys for dependants once authorisation for travel is given, including notification of flight details to parents. We were told that officers often find positive advantage in dealing direct with the Unit (which has a direct link with the main BA computer) rather than through an intermediary, and that the result is a saving of staff combined with at least as good a service.

Conclusion

7.12. Given the differing responsibilities of the travel units in the two Wings we see no significant benefit in merging

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them at any rate at present. If however it were to be decided that a unified personnel organisation should be created, the possibility of merger would merit further consideration when travel work in the Diplomatic Wing is brought together in Personnel Services Department. We do however see merit in the adoption by the ODA of the

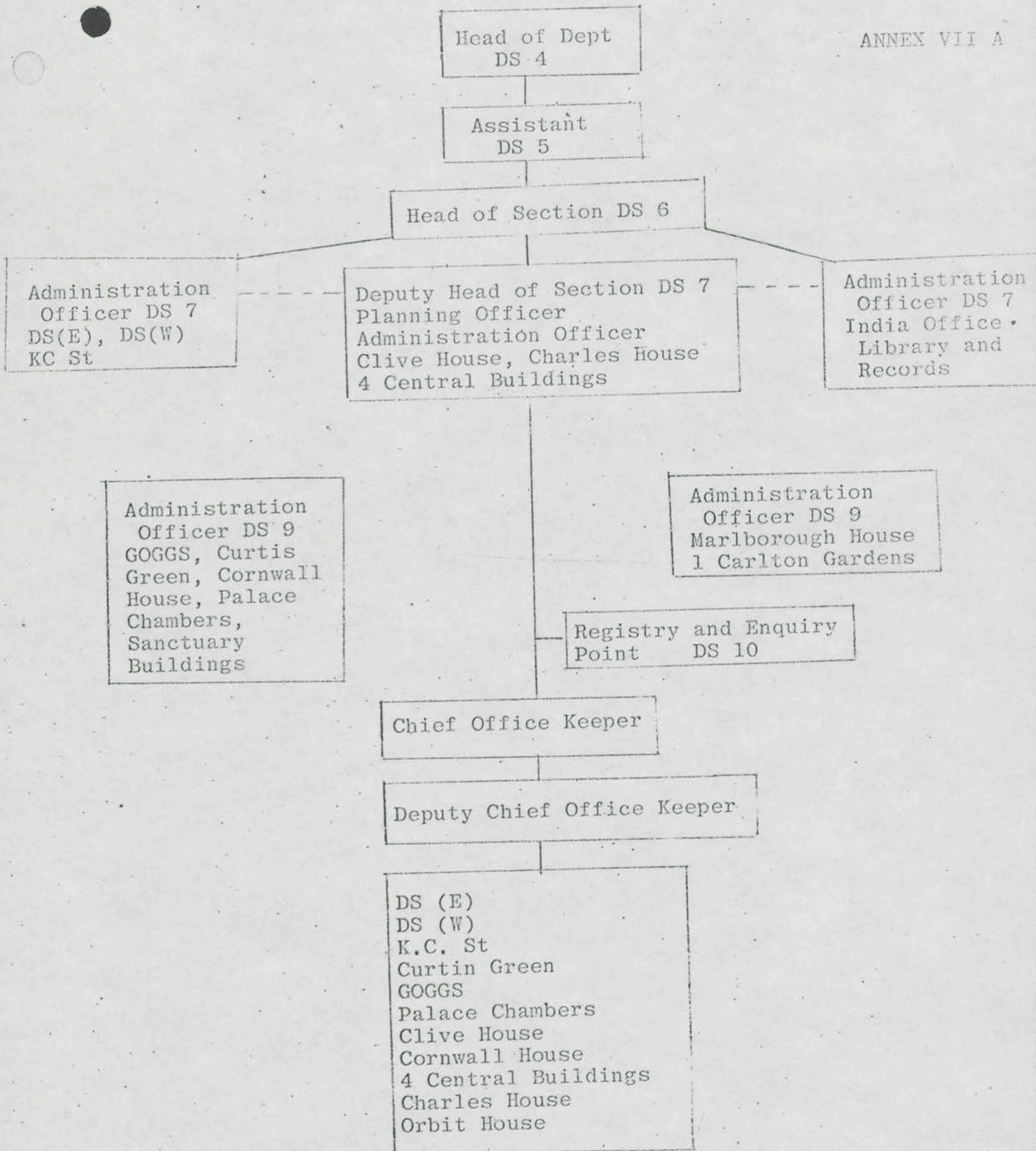
Diplomatic Wing practice of requiring officers to make all their own booking arrangements direct with the British Airways office in Curtis Green, which now has considerable experience in handling Government officers' travel arrangements; and we so recommend. Such an arrangement would offer staff savings in the ODA flight booking unit. This is at present staffed by 3 COs. At least two of these could be abolished (a saving of £24,000 at current prices) leaving one for an experimental period to check and advise on passage entitlements. It may well be that in time this post too could be dispensed with.

7.13. Detailed procedural arrangements would need to be worked out with the British Airways unit but Diplomatic Wing practice should provide a suitable guide.

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ANNEX VII A



ACCOMMODATION AND SERVICES
DEPARTMENT
SUPPLY & REPRODUCTION SECTION

Head of Department
DS 4

Assistant
DS 5

Head of Section
DS 6

Deputy
DS 7

Printing Services Manager
(Head of Document Reproduction Centre)

Head of Stationery Sub-Section
DS 9

Head of Procedures Unit
DS 9

Head of Machinery Sub-Section
DS 9

Chief Superintendent
Head of Specialist Typing Unit

Printing Unit
(Thro' HMSO)

RCO Euro and Africa

CO Uni-forms

RCO Overseas Exc Euro & Africa

Dip Sce Procedures
Dip Sce Regulations
Leading Personality Reports
Circulars

RCO Euro and Africa

RCO Other Overseas

CO Repairs & Records

DS 10 Home

RCO Visiting Cards
Labels
Adverts
Desk Plates
Home Dist

CC White Papers
Dip Reports

Stores
Ch Fkpr
Sen Fkpr
3 x P/Kpr
2 x Porter/Mess

CO
CA

CA

6 x Specialist Typists

DISTRN CENTRE

5 x ACP
2 x LDG.OP
26 x PP1
14 x PP2

Staff spread over buildings with main unit in Downing St(E)

ACP = Ass Chief Photoprinter
LDG.OP = Leading Operator
PP1 = Photoprinter Grade I
PP2 = Photoprinter Grade II

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ODA HQ OFFICE SERVICES (ie excluding East Kilbride)

A/S (Head of Establishment and Organisation Department)

S/P (Head of Organisation Branch)

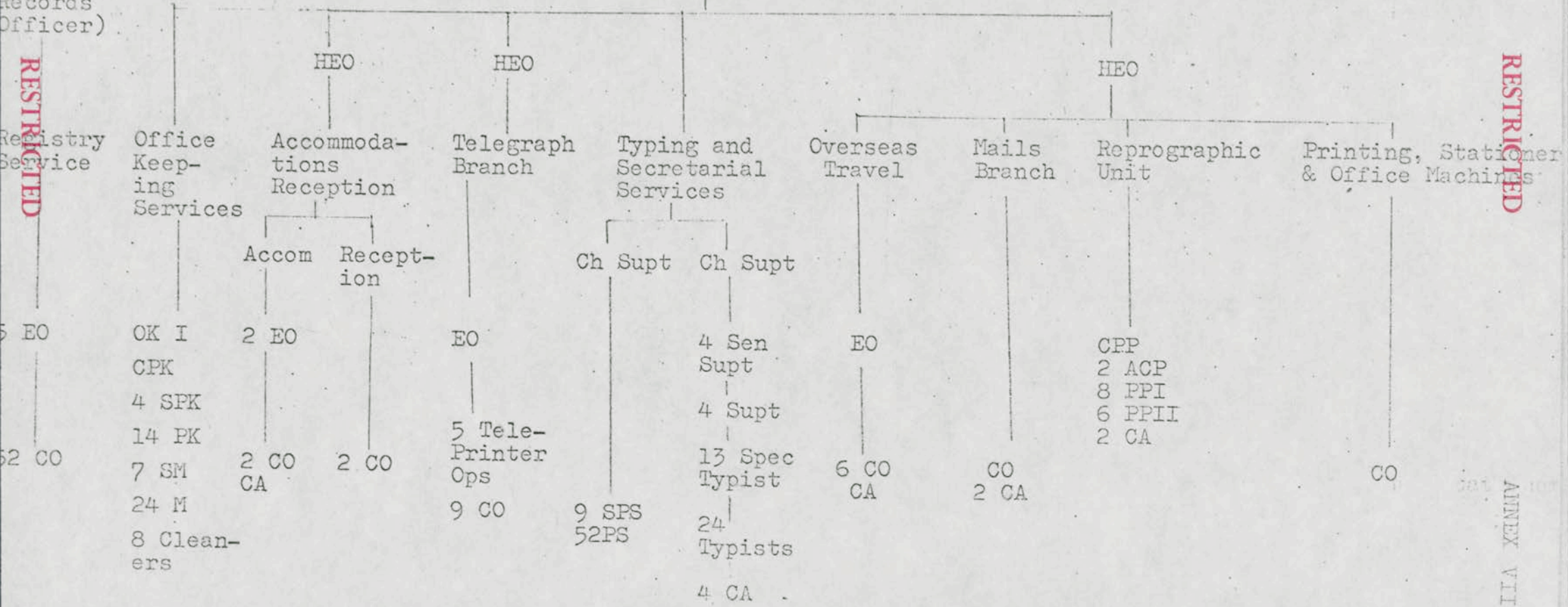
P (Controller of Office Services)

SEO
(Chief Registrar and Deptl Records Officer)

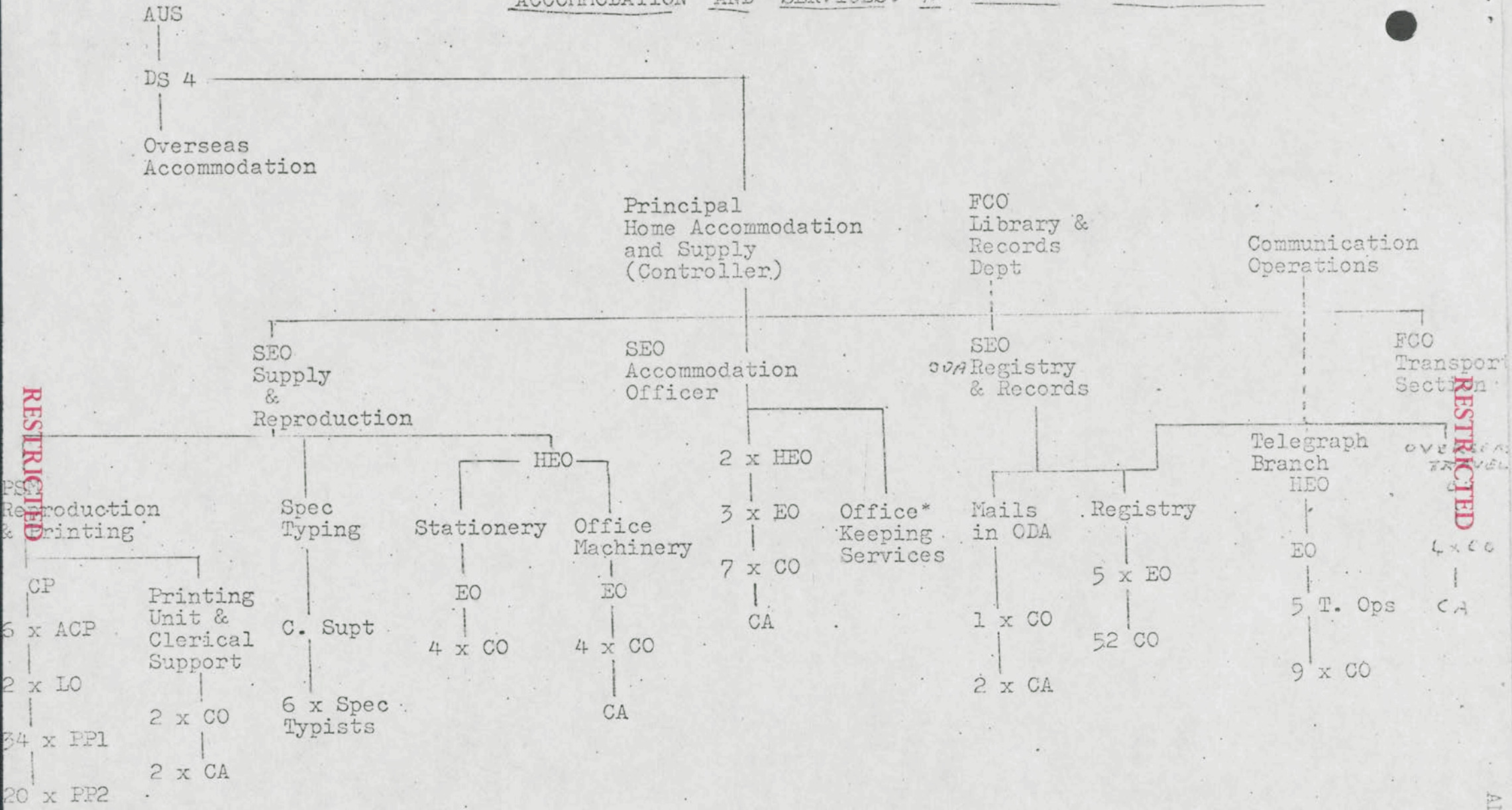
SEO
(Deputy Controller)

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ACCOMMODATION AND SERVICES: A UNIFIED STRUCTURE



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*In accordance with laid down standards

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CHAPTER VIII: COMMUNICATIONS

8.1. The FCO Diplomatic Wing's telegraph and bag services are utilised extensively by the ODA in the same way as by other Whitehall Departments eg the Department of Trade, and the ODA's telegraph branch is little more than a service point. Where the ODA does possess its own separate communications facilities eg telex, these are primarily to meet operational requirements not covered by the Diplomatic Service's network eg communications with the DEVDIV in Barbados and with East Kilbride.

8.2. No staff savings would therefore result from a merger of communications staff since the operational parts of ODA will remain separately located and their requirements will be unchanged. At a later stage, particularly when the Diplomatic Wing instals its new message switch, the communications system as a whole could usefully be re-examined. Meanwhile, we have recommended in Chapter VII that the ODA's Telegraph Branch should, for administrative convenience, remain within the ODA's Office Services Unit if and when the Unit is absorbed into a combined Home Accommodation and Services Branch. It should however be guided by the advice of the Director of Communications and his technical staff in considering the cost effectiveness of any arrangements. Telephone services are provided by British Telecommunications, and there is no reason why this should not continue to be arranged by the Home Accommodation & Services Branch of the ODA consulting as necessary the Communications Division of the Diplomatic Wing.

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CHAPTER IX: LEGAL, LIBRARY AND OTHER SERVICES

9.1. The FCO's Legal Branch also serves the ODA which has no professional legal staff of its own ie the service is already fully integrated.

9.2. The FCO main Library also serves ODA through a sub-Library/Service point in Eland House. ODA have a complement of 5 professional librarians to cover this but in practice they are interchanged with the 15 librarians on the Diplomatic Wing's establishment at the discretion of the Head of the Library and Records Department. We suggest in Chapter IV para 4.18. that the two establishments should be merged and managed from the same personnel division with a PESC adjustment if appropriate.

9.3. The ODA is responsible for its own records but the work of selection and transfer to the Public Records Office will only become a major task 25 years after the creation of ODA's predecessor, the Department of Technical Co-operation, in 1961. It would seem sensible then to draw on the expertise of the experienced Records Branch of the Diplomatic Wing's Library and Records Department and we recommend that this should be considered at the appropriate time.

9.4. Welfare Sections are attached to the Personnel Management authorities in both Wings. So long as personnel matters continue to be handled separately there is no case for merging the Welfare Sections between whom there is close liaison on any overseas matters concerning ODA staff and TCOs abroad.

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CHAPTER X: SECURITY

10.1. Background. The Official Committee on Security in Government Departments lays down guidelines in two publications ("Security in Government Departments" and "Manual of Personnel Security Measures"). The Permanent Secretary in each Government Department is required "as his personal responsibility to ensure that his Department has an effective security organisation, staffed by competent persons who have the confidence and support of the senior officers in the Department". Responsibility for security in the ODA therefore rests with the Permanent Secretary and in the rest of the FCO with the PUS.

10.2. The FCO Diplomatic Wing has a strong Security Department reflecting the importance attached to the subject due to the sensitive nature of much of its work and the volume and complexity of problems resulting from its overseas operations. The Department is headed by a DS 4 officer who reports through the Director of Communications on technical security subjects and on personnel and other matters through the Assistant Under-Secretary in Personnel Division to the Chief Clerk and ultimately to the PUS FCO. He has the right of direct access to the PUS. All staff, employed in the Diplomatic Wing in London, including junior grades, are Positively Vetted. This is done by a special Section within the Department which also PV's staff from other Government Departments selected to fill posts overseas.

10.3. Standards of personnel, technical and physical document security are high. Not only in missions abroad but in each department of the Diplomatic Wing an officer is designated

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as Security Officer responsible for the interpretation, application and enforcement of security instructions. The Security Department advises, monitors and runs courses designed to ensure that all staff are security conscious. It is responsible for the deployment of the Security Guard Force in London and for the organisation of measures to protect British missions and staff abroad.

10.4. Work done in the ODA is generally less sensitive and security requirements there are accordingly less. The Departmental Security Officer is an SEO who heads a small Unit in the Establishment Department (which also deals with Honours and Awards) and is responsible through its Head and the FEO to the Permanent Secretary to whom he has the right of direct access. Much of the Unit's work consists of the maintenance of records and Normal Vetting of ODA staff and of TCOs serving with overseas governments. Only about 130 ODA staff are Positively Vetted through the agency of the Ministry of Defence. PV reviews are dealt with by the SEO who carries out about 45 a year. Security training (other than for members of the Security Section) is limited to a one-hour session on the induction course for new entrants. There are 6 Security Guards under the direction of the Departmental Security Officer for guarding the ODA offices.

10.5. We found that the differing levels of security requirements in the two Wings had implications for a whole range of common service issues and created problems for joint handling (even of accounts!)

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It would be essential for all ODA staff working in a merged Department to be security cleared to the same standard as their Diplomatic Wing colleagues and the effect of merging departments will therefore be to increase the number of persons to be Positively Vetted. The costs of Positive Vetting (about £1,000 per head) will have to be taken into account in calculating estimated savings. If the annual number of ODA staff to be Positively Vetted remained at no more than 20 it might be possible to undertake this with the existing establishment of the Diplomatic Wing's Security Department (which should throw up savings in MOD where the work at present is done). But if, as seems probable, the number rose sharply it might be necessary to take on additional Investigation staff.

Conclusion

10.6. Whatever other services or functions are to be merged or jointly staffed however we consider that there is a case for widening the common basis of provision of security services in the two Wings. This could be done by placing the small Security Section at present part of the ODA Establishment Department under the control and guidance of the Head of the Diplomatic Wing's Security Department who would then be answerable to both the PUS in the FCO and the Permanent Secretary in the ODA. This would not result in any identifiable staff savings but would provide a single focal point for security matters throughout the FCO. The service to ODA would cover Positive Vetting, security training, co-ordination of guard protection and security advice generally to the Permanent Secretary.

/10.7.

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10.7. The Head of Security Department in the Diplomatic Wing has expressed understandable reluctance to add to his responsibilities which would involve upward reference to two Permanent Secretaries. We appreciate his concern, but we doubt whether in practice the amount of additional work would be very great; and it would to some extent be balanced by the elimination of any need in future for consultation on security matters between the two Wings. We consider that there is a good case on grounds of operational advantage for bringing together responsibility for security matters at Head of Department level and we recommend that this should be done.

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CHAPTER XI: GENERAL CONCLUSIONS AND SUMMARY OF RECOMMENDATIONS

A. General Conclusions

11.1. In his minute to the Prime Minister of 6 March 1980, Sir Derek Rayner said that any rationalisation of such common service functions as personnel and finance would be bound to be influenced markedly by the way in which the functions they serve are organised. The ODA Management Review and other steps which have been taken to eliminate duplication and overlap in the operational and policy making responsibilities of the two Wings have nevertheless left them as two administratively distinct organisations (Chapter I para 1.7.).

11.2. In considering the scope for integrating common services therefore the situation is different from that which existed in 1964 when the Diplomatic Service Administration Office (DSAO) was set up to administer the Votes and Services of the former Foreign Office, Commonwealth Relations Office and Trade Commissioner Service and by stages to bring about a full merger in accordance with an agreed timetable and plan of action. As the Adams McCulloch Report pointed out, any similar proposal for a full merger of the ODA and FCO Diplomatic Wing would have wide ranging implications and should only be approached with considerable caution.

11.3. Staff in both Wings expressed their strong views that it was necessary to maintain separate control of the Votes and Services required to support with maximum efficiency the different roles and functions of the two institutions (as recognised in the ODA Management Review). We have not sought to rest our recommendations upon such considerations, but

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concluded that the major factor was that the operations of the two Wings remain separate. Whilst this is so, a merger of finance and personnel services would cause difficulties and disruptions which would outweigh the value of any immediate staff savings or operational benefits which might accrue. On grounds of practical efficiency and effectiveness therefore we have recommended against any change in the existing arrangements for Finance (Chapter II) and Personnel Management (Chapter IV).

11.4. We have, however, recommended the establishment of a joint Inspectorate, including Management Services and ADP sections, and a joint Internal Audit Unit (Chapter VI and Chapter III). This would result in close scrutiny and harmonisation of the different systems and procedures which have developed separately in the two Wings. It would also facilitate further moves towards the merger of operational and managerial functions and responsibilities if and when this should be decided on.

11.5. The continued existence of separate Votes covering office services for the two organisations could cause some problems in merging responsibilities in this field. Office services

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and their costs are largely dependent on location and size of the organisations concerned and the Diplomatic Wing suffers from being divided between 14 buildings in London. Adding responsibility for ODA and its 2 buildings would not achieve substantial staff savings. It is arguable however that increased efficiency would stem from more continuity if responsibility for administering office services was left mainly to HCS staff. Only time and experience could prove or disprove this.

11. 6. In these general conclusions we should like to emphasise two points on which we suggest the success or otherwise of any moves towards merging common services are likely to depend. These are:

i) the importance of co-location.

✓ Any merger which leaves the former ODA and Diplomatic Wing elements separately located at opposite ends of St James's Park is likely to be cosmetic only. The importance of bringing people together to develop common attitudes is recognised and emphasised in Sir Derek Rayner's minute. [Co-location of a joint Inspectorate and Home Accommodation and Office Services Unit will present severe problems given the present shortage of accommodation in the Whitehall area which will be ^{made} more acute for the FCO over the next few years by the "decanting" moves involved in refurbishing the Downing Street buildings.]

/ii)

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ii) Staff attitudes and morale.

We have referred to the widespread feelings of apprehension and suspicion which exist among some staff particularly but not exclusively in the ODA and which colour their attitude towards merger. To overcome these it will be necessary for management to show sympathetic appreciation of their genuine concern. Particular care would need to be taken in those cases where the benefits of merger rest to some extent on a wider use of Home Civil Servants on grounds of continuity and more specialisation eg in the joint Home Accommodation and Services Unit. Such changes can only be made, in the case of DS 9 posts and above, at the expense of the number of home posts available to Diplomatic Service staff. This problem could be met by making a corresponding number of posts elsewhere in the ODA open to DS personnel. But this in turn would mean that ODA staff would be filling a much larger proportion of ancillary jobs in place of those more directly concerned with ODA's aid work. ODA staff would certainly regard this as loss of opportunity and not true interchange.

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B. Summary of Conclusions and Recommendations

11.7. Finance. The small savings which might be expected from a merger of the Finance Departments would not justify disturbing existing arrangements. (Chapter II, para 2.13)

11.8. Internal Audit. There would be advantage in a combined Audit Unit. The case rests on operational benefits rather than staff savings. (Chapter III, paras 3.8 and 3.9)

11.9. Manpower Planning and Personnel Management. No significant benefits or savings are likely to arise from any merger of personnel organisations. We therefore make no recommendations for change. (Chapter IV, paras 4.20 and 4.21)

11.10. Training. There would be no benefit in a joint Training Department, at any rate so long as the personnel organisations remain separate. (Chapter V, para 5.5)

11.11. Inspection and Management Services. A unified Staff Inspection, Organisation and Methods, and Automatic Data Processing Organisation should be created. (Chapter VI, para 6.15)

11.12. Accommodation and Services. A common Home Accommodation and Services organisation should be a viable proposition, offering some staff savings. (Chapter VII, para 7.8)

11.13. Overseas Travel. ODA should adopt the Diplomatic Wing practice of requiring officers to make their own air bookings. This will offer some staff savings. (Chapter VII, paras 7.12 and 7.13)

/11.14.

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11.14. Security. The ODA's security section should be placed under the control and guidance of the Diplomatic Wing Security Department. (Chapter X, paras 10.6 and 10.7)

11.15. At Annex XI A is a table showing the existing complements of the common service organisation of the two Wings, and the savings which would emerge from full integration and from the integration which we have recommended.

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ANNEX X

COMMON SERVICES STAFFING PRE- AND POST-INTEGRATION

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Grade	Diplomatic Wing	ODA	Combined Total	Integrated Total	Savings from Full Integra- tion		Savings from recombinant Integration	
					Posts	Costs	Posts	Costs
U/Sec DS3	See Footnote 1.							
A/S - DS4	15	2	17	15	2	74,830	-	-
SP - DS5	7	3	10	10	-	-	-	-
P - DS5	26	9	35	33	2	56,068	1	28,034
SEO - DS6	32	16	48	46	2	45,112	1	22,566
HEO - DS7	75	30	105	103	2	38,228	2	38,228
EO - DS9	143	56	199	196	3	46,446	1	15,482
CO - DS10	189	169	358	350	8	95,648	5	59,780
CA	16	35	51	51	-	-	-	-
Chief Supt of Typists	1	3	4	3	1	15,797	1	15,797
Sen S of T	2	5	7	7	-	-	-	-
S of T	4	5	9	9	-	-	-	-
SPS/S1	68	9	77	77	-	-	-	-
PS/S1/2	140	56	196	194	2	21,990	-	-
Typists	76	58	134	134	-	-	-	-
Print Service Manager	1	-	1	1	-	-	-	-
Chief PP	-	1	1	1	-	-	-	-
Asst PP	4	2	6	5	1	11,620	1	11,620
PP	42	16	58	58	-	-	-	-
Prin Librarian	1	-	1	1	-	-	-	-
Sen Librarian	1	1	2	2	2	-	-	-
Librarian	5	1	6	6	-	-	-	-
Asst Librarian	8	3	11	11	-	-	-	-
Lecturers 1 & 11	14	-	14	14	-	-	-	-
Field Investigat- ion Officers	18	-	18	18	-	-	-	-
Others (ie Office Keeping staff, Messengers, Cart- ographers, Revision of Records etc)	399	90	489	489	-	-	-	-
TOTALS:	1287	570	1857	1834	23	405,739	12	191,500

Footnotes:

- Any saving at U/Sec level would only be made in the context of a general reallocation of responsibilities.
- Diplomatic Wing figures exclude Registry staff integrated with department other than those concerned with common services. Also all communications staff.
- Certain of the savings shown above can be achieved without merger eg. 2 x CO saved through ODA adopting Diplomatic Wing practice for airline bookings.
- There would be some offsetting additional expenditure on increased security vetting.

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TERMS OF REFERENCE

ANALYSIS OF THE DEPARTMENTS PROVIDING
COMMON SERVICES IN BOTH WINGS OF THE FCO

1. The FCO are required to report to Ministers by 31 March 1981 on the best way to rationalise the common service functions, such as personnel and finance, in both Wings of the office in the light of the recommendations of the Management Review recently carried out into the functions of the ODA and certain parts of the Diplomatic Wing. To that end you are to undertake a review of the functions carried out by the respective departments in the Diplomatic Wing and ODA dealing with these matters (having due regard, as appropriate, to those matters dealt with under the aid programme Class II Vote 10), and make recommendations as to the most efficient way of carrying out these functions bearing in mind the relative costs and effectiveness of the possible solutions.
2. You should take full account of the reports of the Diplomatic Service Inspectors on the administrative departments of the Diplomatic Wing as well as the ODA Management Review.
3. In the course of your enquiry you should report progress as necessary to a Steering Committee. You should aim to complete your report by 31 December this year and submit it to the Permanent Under Secretary and the Permanent Secretary (ODA).

ODA SCIENTIFIC UNITS

1. Our terms of reference require that in carrying out our task we should have "due regard, as appropriate, to those matters dealt with under the Aid Programme Class II Vote 10". We were advised that this particular requirement reflected CSD concern that we should consider whether, either under existing arrangements or under any revised structure for the control of personnel which we might recommend, the arrangements for the management and control of the ODA's four scientific units (the cost of which is borne on the Aid Programme and not the Overseas Aid Administration Vote) were adequate to ensure that their manpower needs were properly balanced against other competing claims within the FCO's overall manpower ceiling.

2. The current complement of the units is 845, as compared with 1,342 for the ODA itself. The staff of the units thus represents a significant proportion of the overall ODA staffing figure and it is important that its level should be kept under close scrutiny in the light of other calls on the tightly controlled manpower allocation. The arrangements for managing the units were subject to a specific examination by the Management Review team, which made a number of proposals for a tighter and more effective mechanism. In the manpower field the main instrument for this is the Management Committee which will in future be smaller than hitherto, which will meet at least twice a year, and which will inter alia be required to examine the manpower projections of the individual units to ensure not only that they are fully consistent with aid policies and priorities but also within the scope of available resources.

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The report stresses the importance of the PEO's interests on the Management Committees being adequately represented and this will be achieved through the participation of representatives of the ODA's Organisation Department which is responsible for overall manpower planning, initially to the PEO and from the PEO direct to the Permanent Secretary. This Management Committee control will of course be backed up by the regular inspections of the Scientific Units undertaken by the ODA's Staff Inspection Unit (which we have recommended elsewhere could be merged with the Diplomatic Wing's Staff Inspectorate to provide a single unit serving the whole of the FCO).

3. We have considered whether there is any need for further changes in these management arrangements, in the light of the points made to us by the CSD, but have concluded that the Management Review's proposals should provide an adequate machinery for ensuring that the needs of the Unit are properly weighed against the needs of the ODA as a whole. The proof of the pudding will of course be in the eating; and it will be for the PEO to satisfy himself that these arrangements work satisfactorily in practice and, if not, to consider (in consultation with the Under Secretary (Natural Resources) who has overall administration responsibility for the Units) what alternative and tighter controls might perhaps be needed.

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Prime Minister

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WCS spoke - NBPM
MAP

Print

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

MANAGEMENT REVIEW OF THE ODA

The Foreign and Commonwealth Secretary sent me a copy of his minute to you on this subject. The Treasury has been closely involved in the Management Review, and I am in broad agreement with its outcome. In particular, the arrangements for financial management and control now proposed are a clear improvement on what has existed hitherto in this areas.

2. I am copying this minute to the Foreign and Commonwealth Secretary, the Lord President of the Council and Sir Derek Rayner.

(G.H.)

/ September 1980

E-1 SEP 1980





file B
Gart Mack

10 DOWNING STREET

From the Private Secretary

11 August 1980

The Prime Minister has seen the Foreign and Commonwealth Secretary's minute of 4 August, about the management review of the ODA. She has noted the outcome of the work.

I am sending copies of this letter to Jim Buckley (Lord President's Office) and Clive Priestley (Sir Derek Rayner's Office).

M. A. PATTISON

G.G.H. Walden, Esq.,
Foreign and Commonwealth Office.

GE

✓ MIA



Foreign and Commonwealth Office

London SW1A 2AH

6 August 1980

Dear Muntz,

Management Review of the ODA

/ I am afraid we omitted to send to the Chancellor of
/ the Exchequer a copy of the Foreign and Commonwealth
Secretary's minute to the Prime Minister of 4 August
about the Management Review of the Overseas Development
Administration. I now enclose this, together with
a copy of the Report on the Management Review.

I am sending a copy of this letter, without enclosures,
to Mike Pattison (10 Downing Street), Edward Chaplin
(Lord President of the Council's Office) and to Sir Derek
Rayner's office.

Yours truly

Paul

(P Lever)
Private Secretary

M Hall Esq
Private Secretary
to the Chancellor of the Exchequer
HM Treasury
Whitehall

- 6 AUG 1980





mf

Prime Minister

Para vii of the summary shows that 2 1/2 Under Sec posts, 14% of Ass. Sec posts, and 12% of economist complement will be saved. Other savings are still being assessed

PM/80/65

PRIME MINISTER

Management Review of the ODA

MAD 5/8

1. You will recall Sir Derek Rayner's submission to you of 6 March, following the work that had been carried out under his direction on the question of overlap and duplication between the two wings of the FCO. Specific aspects of this question were remitted for further study to the Management Review, which had begun some weeks earlier, with the requirement that the outcome should be submitted to you by the Parliamentary recess.
2. The Management Review has now been concluded and I am content with the recommendations that have been made in respect of both overlap/duplication and of the organisation and management of the ODA. I believe that they will lead to a more efficient organisation and a more effective use of manpower and other resources.
3. I attach a copy of the report on the Management Review; a summary of the main findings is set out at the front of the report. Part II of the report deals with the issue of overlap and duplication. I think that it is useful to see those conclusions in the wider context of the recommendations in Part III for organisational change within the ODA wing.
4. The study of common services, such as establishments, in the two wings will be carried out in accordance with the timetable set out in Sir Derek Rayner's submission, and a further report will be made to you as soon as it has been completed.
5. I am sending copies of this minute, and a copy of

/the report ...



the report to the Lord President of the Council and
to Sir Derek Rayner.

C

(CARRINGTON)

Foreign and Commonwealth Office
4 August 1980



the report to the Lord President of the Council and
to Sir Derek Rayner.

C

(CARRINGTON)

Foreign and Commonwealth Office
4 August 1980

 OVERSEAS DEVELOPMENT ADMINISTRATION

MANAGEMENT REVIEW

REPORT BY THE STEERING COMMITTEE

JULY 1980

GUIDE TO ABBREVIATIONS.

BARDD	Bilateral Aid and Rural Development Department
BCD	Bilateral Co-ordination Department
CDC	Commonwealth Development Corporation
COPR	Centre for Overseas Pest Research
DCD	Development Co-ordination Department
DOS	Directorate of Overseas Surveys
EPS	Economic Planning Staff
ERCD	Economic Relations and Commodities Department
ERD	Economic Relations Department
ETPD	Education and Training Policy Department
FRD	Financial Relations Department
IBRD	International Bank for Reconstruction and Development
IPD	Information Policy Department
LRDC	Land Resources Development Centre
OECD	Organisation for Economic Co-operation and Development
OID	Overseas Information Department
PEO	Principal Establishments Officer
PESC	Public Expenditure Survey Committee
PFO	Principal Finance Officer
TC	Technical Co-operation
TPI	Tropical Products Institute
UN	United Nations

OVERSEAS DEVELOPMENT ADMINISTRATION

MANAGEMENT REVIEW

REPORT BY THE STEERING COMMITTEE

July 1980.

OVERSEAS DEVELOPMENT ADMINISTRATION
MANAGEMENT REVIEW

REPORT BY THE STEERING COMMITTEE

Summary.

- i. The merger of the former ODM with the FCO has enabled arrangements under the Secretary of State to be rationalised in areas where similar functions have been separately undertaken. Ministers decided this year that aid policy and international economic relations policy should be brought together in two new departments serving both wings: these will combine functions previously carried out in other departments and will be in operation this month. Aid policy should be considered by a Policy Board, chaired by the ODA Permanent Secretary and with representation from both wings at Deputy Secretary level (paragraphs 9-13).
- ii. We also propose that the economists in the two wings should be amalgamated into a Unified Economic Service and that in principle it would be right to work towards a merger of information services (paragraphs 20-26).
- iii. We conclude that there would be no advantage in terms of the effectiveness of aid management and control, nor would it secure significant staff savings, to amalgamate into a single set of departments the function of managing specific aid programmes with the essentially dissimilar task of the conduct of political relations. We do not therefore recommend an amalgamation of geographical departments (paragraphs 14-19).
- iv. We note that a study of common services functions, such as establishments, in the two wings is to start after the Management Review.
- v. For the management of the aid programme we make proposals for the more effective control over expenditure. The Principal Finance Officer of the ODA should be responsible for both aid policy and finance, reporting directly to the Permanent Secretary. The financial and physical monitoring of project and certain other bilateral expenditure should be strengthened. Improved arrangements between Headquarters and the overseas Development Divisions are

recommended together with an extension of delegated authority; and we propose further work in relation to outside bodies in receipt of funds from ODA. Financial control will be strengthened by the progressive introduction of a computerised management information system (paragraphs 36; 40-45).

vi. We identify scope for making more effective use of manpower, particularly the specialist advisers. Advisers in the main disciplines should be brigaded with the bilateral spending divisions, whose requirements should determine their work priorities. The administration of ODA's interests in research (including relations with the Scientific Units) and education (including the British Council) should be brought together under the supervision of the relevant Chief Advisers, reporting at Deputy Secretary level. There should be clearer demarcation between the Development Divisions and geographical departments to minimise overlap (paragraphs 32-37).

vii. A system of manpower budgeting should be introduced to enable the manpower implications of policy priorities to be identified. New arrangements for dealing with technical co-operation should also strengthen ODA's ability in this area (paragraphs 46-49).

viii. Our proposals for organisation and procedures coupled with the effect of reductions in the aid programme will lead to a reduction of one third (from $7\frac{1}{2}$ to 5) in the number of Administrative Under Secretary posts, and over 14% (5 posts) at Assistant Secretary level. Staffing at lower levels, and among the advisers, is now being assessed. Our proposals for the economists will lead to a reduction of about 12% in complement (paragraphs 50-55).

OVERSEAS DEVELOPMENT ADMINISTRATION

MANAGEMENT REVIEW

REPORT BY THE STEERING COMMITTEE

INTRODUCTION

1. The Management Review of the ODA was directed by a Steering Committee chaired by the Permanent Secretary of the ODA, assisted by a team of officials drawn from the ODA and the Civil Service Department. The membership of the Steering Committee and of the review team is shown in the Annex. We met for the first time on 6 November 1979, with the following terms of reference:

"To review the organisation and management of the Overseas Development Administration".

This report sets out our conclusions.

Background

2. The Government decided on taking office that the then Ministry of Overseas Development should be converted into an Overseas Development Administration within the FCO. Responsibility for overseas development was delegated by the Secretary of State to a Minister of State who has the additional title of Minister for Overseas Development. He was authorised by the Secretary of State to conduct the normal relations of a spending department with the Treasury and to deal direct with the CSD on personnel and related matters. The former Permanent Secretary of the ODM became the Permanent Secretary of the ODA and is Accounting Officer in respect of ODA affairs. In this capacity he accounts for expenditure on the Overseas Aid Vote, the Overseas Administration Vote, and the Superannuation etc. (Overseas Service) Vote.

3. The principal task of the ODA is to formulate and carry out policies to help the economic and social development of less developed countries. Its main activities are to manage a programme of bilateral aid to individual countries; and to contribute to and participate in the work of multilateral aid institutions. As part of the bilateral aid programme it provides direct assistance to individual countries in the form of technical co-operation and maintains standing capacities

of certain skills and expertise to contribute to this purpose. At July 1 1980 it had a total complement of 2332, including 952 in the four Scientific Units - the Tropical Products Institute, the Centre for Overseas Pest Research, the Directorate of Overseas Surveys and the Land Resources Development Centre. The gross aid programme amounts to £950 millions in the current year. There is therefore a considerable task of resource management which is different in nature from the other responsibilities of the Secretary of State for Foreign and Commonwealth Affairs.

Approach to the Review

4. Two factors, in particular, determined our choice of the aspects of the organisation and management of the ODA to study. The first of these was the merger of the FCO and ODM. It was the Government's intention that the formation of a combined FCO/ODA should lead to economy by the elimination of overlap and duplication in the work of the two organisations. A scrutiny conducted under the direction of Sir Derek Rayner focussed specifically on this issue, and Ministers instructed the Management Review to follow up certain important aspects of that study. While it was not our task to review the FCO as a whole, the relationship between the ODA and the rest of the FCO in respect of the function of aid and development has therefore been an important feature of our work.

5. The second factor was the renewed emphasis which Ministers have placed on efficiency and economy in Government administration. We have therefore paid particular attention to the organisational structures and systems through which aid programme resources are managed, in order to achieve an appropriate balance between Ministers' policy objectives, the need for proper financial control and accountability, and the requirement for the maximum economy in the use of administrative resources.

6. The ODA Staff Side has been regularly consulted in the course of the review and will be consulted, as appropriate, on the implementation of particular recommendations.

II. RELATIONSHIP BETWEEN THE ODA AND THE DIPLOMATIC WING

7. Following the initial Rayner scrutiny exercise we were given the task of examining the relationship between the two wings in the following areas of work:

- a) the formulation of policy on the use of aid resources;
- b) the formulation of policy on multilateral economic relations with developing countries;
- c) the FCO interests in certain specialist economic policy issues relevant to developing countries;
- d) the organisation of geographical work;
- e) the organisation of economic advice;
- f) the organisation of information services.

Ministers have also agreed that an analysis of common service functions such as establishments in the two wings of the FCO will be undertaken after the Management Review.

8. The merger of the FCO and the ODM provides the opportunity to integrate aid policy more fully with wider foreign policy and to make better use of manpower. We have looked for changes in the arrangements for formulating aid policy and administering the aid programme, which calls for close attention to financial management and control, where they demonstrably contribute to efficiency and economy in the use of staff. Where staff in both wings are engaged in work which is part of a single function, rationalisation is clearly sensible to eliminate unnecessary overlap and duplication. But we have eschewed change for change's sake. We see no advantage in artificially joining functions which are distinct if, in our judgement, this would not result in the more economical and effective organisation of work.

Aid Policy

9. Ministers have decided in principle that a single department should be formed to co-ordinate the formulation of aid policy on behalf of the FCO as a whole, thus combining in one place work and staff previously dispersed and avoiding duplication. Our task was to advise on the role and functions of this department. The primary function of the new Aid Policy Department will be to provide support for Ministers and senior management in the FCO on central issues of aid strategy including policy on aid allocation to recipients and priorities in aid uses. The new department will assume the current functions of the Financial Relations Department (diplomatic wing) and the Finance Department (ODA) relating to policy formulation on the allocation of aid resources, thus eliminating the current duplication in

the co-ordinating roles carried out separately by those two departments. The department will be responsible for co-ordinating the interests of the FCO as a whole in the preparation of advice to Ministers on aid policy. Responsibility for the important task of the financial management and control of the agreed aid programme continues to rest with the ODA Finance Department, but because of the close relationship between the formulation of policy on the distribution of the aid programme (through the mechanism of the Aid Framework) and the financial control of the programme we propose that both the Aid Policy Department and the Finance Department should be supervised at Under Secretary level by the Principal Finance Officer of the ODA. He will report direct to the ODA Permanent Secretary on both functions.

10. The Aid Policy Department will also have a number of other important policy functions (such as commercial aspects of aid) which are currently carried out in DCD and, to some extent ERCD, and will thus provide a clear focus for central issues of aid policy. As Accounting Officer for the Overseas Aid Vote, the ODA's Permanent Secretary has responsibility for ensuring that the advice on aid policy is properly co-ordinated within the FCO as a whole. In order that he can be assured that all relevant considerations have been adequately taken into account at the highest levels, proposals to Ministers on the Aid Framework and on other major aid policy issues should be considered by a Policy Board under his chairmanship. Deputy Secretaries with responsibility for third world questions in both wings, as well as the Principal Finance Officer of the ODA, should be represented on the Policy Board.

International Economic Relations

11. The Steering Committee reviewed the current organisation of arrangements within both wings for handling North/South questions in the light of Ministers' decision that these should be dealt with in a single department in the diplomatic wing. This will bring together functions previously dispersed in the FCO and ODA and provide a central point within the FCO as a whole to deal with international economic and financial questions. These include economic relations with developed countries and with certain international institutions, such as OECD, and with developing countries notably through the North/South dialogue.

12. Economic Relations Department will assume the present responsibilities of Financial Relations Department for international economic and financial questions, including lead responsibility within Whitehall for formulating policy on North/South relations. It will also absorb the North/South functions of

Trade Relations and Exports Department and of the ODA's Economic Relations and Commodities Department: FRD and ERCD will cease to exist as separate departments. ERD will report through an Assistant Under Secretary located in the diplomatic wing who reports in turn to the Deputy Under Secretary responsible for economic issues. Clearly the new department will need to maintain close working relations with the UN and other relevant departments in both wings; we recognise in particular that it will need to look to the Aid Policy Department for advice on questions arising in the North/South context of any potential calls upon aid funds in order that the Permanent Secretary of the ODA, as Accounting Officer, can ensure that the implications for the aid programme are fully taken into account in any advice to Ministers.

13. Rationalisation of the arrangements in the FCO for aid policy and international economic relations policy leads to a net saving in the two wings of 5½ posts, including one at Assistant Secretary level.

Specialist Policy Areas

14. FCO Ministers need advice on the international aspects of a range of issues arising in specific economic sectors, most of which are the primary responsibility of other Government departments. We were concerned to establish whether the arrangements within the FCO for these sectors which include energy, environment, science and technology, maritime questions etc. were the most effective and economical for the purposes of providing the Secretary of State and other FCO Ministers with co-ordinated advice. Other important areas in which both wings are involved include cultural and educational relations with developing countries and the work of the specialised agencies and other organs of the United Nations.

15. There are some important differences between the function of advising on the international relations aspects of United Kingdom policy in economic, scientific and other domestic policy areas, and the management of aid funds allocated to specific sectors either for bilateral programmes or the programmes of multilateral agencies. In general we found that the functions of the relevant departments in both wings were distinct and there was little overlap or possibility of sensible rationalisation. We do however recommend that, while the functions of the departments concerned with the United Nations' business are in general distinct, the relationship between their respective responsibilities should be clarified. We also recommend that the FCO's interests in the international aspects of energy policy, and in international environmental and law of the sea questions, should be co-ordinated by Energy, Science and Space Department and

Maritime, Aviation and Environment Department respectively: there should be no separate responsibility for these subjects in ODA. Finally, in the educational and cultural sector, we are not satisfied that it necessarily represents the most efficient use of administrative manpower that the British Council's core budget should be funded from two separate Votes, and therefore administered by both Cultural Relations Department and Education and Training Policy Department. We recommend that this be reviewed by the two wings in consultation with the Treasury.

The Organisation of Geographical Work

16. In the context of the merger of the former ODM into the FCO the appropriate organisation of geographical work is of major importance. Both wings have a number of geographical departments each concerned with particular countries and regions. Concern has been expressed in a number of quarters about the existence of two sets of departments dealing with the same countries, and this was an issue covered in the Rayner scrutiny.

17. The ODA has nine geographical departments with a total staff of 129, responsible at Headquarters for all aspects of bilateral aid to particular countries and managing a current aid programme of well over £500 million. Within the diplomatic wing there are twelve geographical departments with a total staff of 100 concerned with relations with individual developing countries which receive aid. In addition there are two joint departments which cover the affairs of the dependencies in the West Indies and the Pacific, although this will reduce to one when the New Hebrides becomes independent. These two geographical organisations are responsible for:

- a) The formulation of advice to Ministers on policy towards individual countries overseas and the conduct of overall diplomatic relations with them.
- b) The formulation of advice to Ministers on aid relations with overseas countries.
- c) The administration of aid allocated to these countries.

18. The first of these functions is the primary concern of the geographical departments in the political wing. The function of managing aid programme resources under c) above is the responsibility of the ODA geographical departments. The function at b) above is one which is of concern to both wings. As noted in paragraph 2 above it is the responsibility of the

Permanent Secretary of the ODA to account for expenditure on the Overseas Aid Vote. We did not, however, regard this as a barrier to organisational change if on merits we thought such change would achieve greater efficiency. We accordingly examined how far the two sets of geographical departments have genuinely different tasks, justifying a degree of organisational separation or how far their functions are similar and would therefore with advantage be dealt with in merged departments. Our conclusion is that the functions of aid management and of the conduct of political relations are quite distinct. The former consists mainly of the management of a large public expenditure programme. Much of the work is concerned with detail requiring a knowledge of complex aid procedures and the integration of economic and other professional advice. In practice the day to day work of the ODA geographical departments does not greatly impinge on the work of those in the diplomatic wing except in their common interest in bilateral aid policy.

19. All geographical work could theoretically be combined if the departments so established dealt with a smaller number of countries than is now the case, but this would carry with it the major disadvantage of disaggregating responsibility for coherent regions that should be dealt with as one unit, eg South Asia. Moreover, given the unpredictable and at times heavy pressure of political activity affecting our relations with particular countries, we are not convinced that such departments would be able to give the continuous and detailed attention to aid management that the proper control of the aid programme requires. The result would, in the Steering Committee's view, be likely to reduce the efficiency with which each function is carried out, without securing significant staff savings. We therefore recommend that the geographical departments should not be amalgamated. Nonetheless there is scope for seeking greater efficiency by introducing more streamlined procedures and rationalisation within each wing. In the course of the review we have examined the administration of the bilateral aid programme from this standpoint, and set out our recommendations later in this report.

The Organisation of Economic Advice

20. Each wing of the FCO at present has its own economic service. In the diplomatic wing eleven economists headed by the Chief Economic Adviser are available to give professional advice, relating either to countries or to more general policy issues, on the whole range of technical economic questions of concern to the FCO. This advice enables FCO Ministers and officials to take account of economic considerations in the exercise of their functions. Other departments are also involved in the formulation of foreign economic policy but

it was not within our terms of reference to examine the relationship between the economists in the diplomatic wing and those in other Whitehall departments.

21. In the ODA the Economic Planning Staff, with thirty one economists at Headquarters and ten in the overseas Development Divisions, under the Director-General, have two main roles. They help to identify, and by the application of techniques of economic analysis, appraise and evaluate proposals for capital expenditure and for the provision of technical co-operation in order to ensure that the optimum return is likely to be obtained, in developmental and other terms, from the investment of UK aid funds. They also provide a comparable economic input to ODA's consideration of certain specific expenditure proposals of multilateral agencies which receive aid programme funds.

22. Based on their experience of the economics of development in the third world the EPS has provided advice to the Minister for Overseas Development and senior officials on the economic aspects of policy towards the third world including general aid policy and policy proposals made by multilateral agencies and in other international bodies.

23. There is some degree of duplication between the Economists Department and the EPS, notably in relation to broader economic issues affecting the third world. In the circumstances of a combined FCO/ODA, particularly following the formation of the two central policy departments described above, we think there would be advantage in reorganising the resources of professional economic advice by merging the two groups of economists to form a single Economic Service. Under its head, to be known as the Chief Economist, this will be responsible for the provision of economic advice to all parts of the FCO. This rationalisation will eliminate the risk of duplication by ensuring that henceforth there would be single points of advice on particular countries and subjects. The new arrangements will provide greater flexibility in the deployment of economic expertise to respond to changing priorities. It will also offer the possibility of widening the range of work for the members of the unified economic service.

24. This reorganisation together with changes in workload flowing from reductions in the aid programme will save staff at Director level and below. The numbers will be reduced by seven in total, amounting to over 12% of the present complement. We recommend that the structure and complementing should be reviewed after adequate adjustment to the new arrangements. The Statistics Division of the ODA is currently the subject of a separate scrutiny as to its role and functions as part of a Civil Service-wide study of official statistical services.

Information Services

25. The diplomatic wing has three information departments; News Department which advises the Secretary of State on and handles relations with the media, Information Policy Department (IPD) which is mainly concerned with overseas information work, and Overseas Information Department (OID) which prepares guidance and background briefing on matters of general concern affecting Government policies. There is a single Information Department in the ODA, responsible for press and public relations in respect of development issues. In a broad sense the information services in both wings carry out similar functions: ODA's department performs duties in relation to the media which are similar (although on a much smaller scale) to those of News Department and prepares and disseminates information material in much the same way as OID except that it prepares more of its own material and this material is directed more towards the home market.

26. The current aim is to amalgamate OID and IPD in the diplomatic wing, a merger that would save a number of staff. It would be desirable if this amalgamation could encompass the production side of ODA's Information Department. If this happened, it would be logical to absorb the press and public relations activity of ODA's Information Department into the FCO's News Department. So long as ODA and the FCO are physically separated, however, it will be necessary to retain a small information section in ODA to support the Minister for Overseas Development and to maintain close contact with ODA policy and functional departments. Our present view is that the burden on the Head of a combined OID/IPD would be likely to be excessive if he was also to assume responsibility for a separate unit in the ODA. Our preference at this stage therefore is to retain separately managed Information Departments in both wings in order to facilitate the OID/IPD merger and thus obtain those staff savings. Nevertheless, we take the view that in principle the information services for the FCO as a whole should be amalgamated and we therefore think that this should be looked at again at the time of the review of common services when the extent of the duties of the Head of OID/IPD will be more clear. There have already been substantial staff savings in these departments: IPD is being cut by 20% and the ODA department by nearly 50%.

III. MANAGEMENT AND CONTROL OF THE AID PROGRAMME

27. Efficient administration of the Government's aid policy and effective financial management and control of the aid programme are the primary management tasks of the ODA. The systems used for management and control and the structure in which they operate are therefore of particular concern to the Management Review. We set out below our main conclusions following our examination of the organisation and the arrangements for the planning and control of resources.

Organisation and Structure.

Policy.

28. The formation of a single Aid Policy Department responsible for major issues of policy will simplify and strengthen the arrangements for policy formulation. Placing the department under the responsibility of the Principal Finance Officer of the ODA will also strengthen the important linkage between policy on the Aid Framework and financial control of the agreed Aid Programme. The PFO should report direct to the Permanent Secretary on these functions.

Bilateral Aid.

29. Other issues of general management - concerning, for example, the functions of the Projects and Evaluation Committee and the terms and conditions of aid - and sectoral policy which arise across the bilateral programme as a whole are currently handled in Bilateral Aid and Rural Development Department and in Development Co-ordination Department. We think they should be brought together in a Bilateral Co-ordination Department, which would replace BARDD. BCD would also have an important new function of advising on general issues of technical co-operation policy, including the follow up to the current TC Review.

30. Since bilateral aid funds are allocated for the most part on a country basis, reflecting the fact that aid is an important aspect of relations between donor and recipient, we endorse the present geographical basis of organisation for bilateral aid work, and do not favour alternative models based, for example, on economic sectors. The reductions in bilateral aid, and the changes we recommend in this report, will enable the number of geographical departments to be reduced from nine to seven.

Multilateral Aid.

31. Following the formation of the Aid Policy and Economic Relations Departments, there will be a substantial change and reduction in the organisation for multilateral aid work within the ODA wing. It will become possible to accommodate this work in three departments in place of the current five, with responsibility for the IBRD and the Regional Development Banks being brought together in one of the ODA's UN Departments.

Specialist Staff.

32. Efficient administration is only partly a matter of organisational structure. Responsibilities also need to be well defined and lines of accountability clearly understood. This is particularly relevant to the role of the specialist. ODA needs specialist advice in the process of identifying, appraising and monitoring aid proposals, and the advisers in ODA thus have an important role to play in the aid management process. We were concerned that the optimum use should be made of these specialist personnel, given the importance of administrative and specialist staff working efficiently together towards common objectives.

33. We therefore have two major proposals to make. The first is that professional advisers should in appropriate cases become more involved in line management, especially where they are heavily involved in the work of the administrative departments in question and where scope exists for rationalising the involvement of senior advisers and administrators. We felt that this applied in particular in the case of research in the natural resources field, including the activities of the Scientific Units, and was relevant in respect of ODA's interests in research in the energy and engineering sectors and in the field of health, including population planning. We took the view that it also applied in the educational sector where there was an opportunity of rationalising functions, particularly at Under Secretary/Chief Adviser level.

34. We therefore propose a radical reorganisation involving the employment of advisory staff in the supervision of orthodox administrative work in parallel with their advisory functions. This underlines the position of the Chief Advisers as Under Secretaries in the Open Structure. The present Chief Natural Resources Adviser would become responsible both for the administration of natural resources research and the conduct of relations between in-house Scientific Units and the rest of ODA. The Chief Medical Adviser would become

responsible for health research and for supervising the work of the Population Bureau. The Chief Education Adviser would become responsible for supervising ETPD, and hence among other things for relations with the British Council. In addition the Principal Engineering Adviser would assume administrative responsibility for energy and engineering research and for relations with external units in the engineering and related fields. On these new functions the Heads of the Advisory Groups in question would report directly to a Deputy Secretary.

35. The second of the new proposals in respect of the advisers concerns the establishment of more integrated working arrangements between the specialists and the administrators in the main bilateral spending areas. We therefore recommend that the advisers in the main disciplines (eg natural resources, engineering, education, health) should be deployed to work alongside their administrative colleagues in the Geographical Divisions, as the geographical economists do now and as all advisers generally do overseas in the Development Divisions. Their work priorities should be clearly determined by the requirements of these main spending departments under the supervision of the Geographical Under Secretaries, although account should be taken in this of the advisers' multilateral and functional responsibilities. Professionally they would still remain responsible to the Heads of their respective Advisory Groups. Our clear view is that the arrangements we propose will represent a more efficient deployment of staff and that the multidisciplinary approach will contribute to the more effective management of the aid programme.

Development Divisions.

36. In the Development Divisions the benefits of a team approach, with administrators and advisers working closely together, have been widely acknowledged. We have noted other advantages in having a group of professionals based overseas, with local contacts and influence and able to provide on the spot advice on technical issues and to resolve problems at the local level. However, there are a number of difficulties in assessing in quantitative terms the relevant costs and benefits of having advisers based at home or overseas, and we do not therefore regard it as practicable to try and lay down general rules governing this issue. It will ultimately remain a matter of judgement - depending, for example, on the nature and scale of the aid programme in a particular region and on the distance from London - on how best to provide advice on the aid programmes in particular countries or regions. What is clear in our minds, however, is that where Development Divisions are maintained it is important that the fullest possible use should be made of them and their place

in the organisation clarified. The Head of the Division should be clearly responsible to the relevant ODA Geographical Under Secretary, and the respective roles and responsibilities of the Development Division and the geographical departments in London more explicitly demarcated in order to minimise overlap and duplication. Finally, and subject to certain conditions, we propose that delegated authority should be extended.

The Scientific Units.

37. Scientific and technical services to developing countries are provided in certain specialised fields by the four Scientific Units of the ODA. In the past there has been a degree of ambiguity in the relationship between these Units and senior management in HQ. We therefore propose a clearer definition of the responsibility of the HQ Under Secretary concerned in respect of the Units, together with the introduction of certain improvements in management procedures applying to the Units. In the case of TPI and COPR we propose that a system of periodic scientific, technical and economic reviews by outside experts should be introduced. We recommend an examination of the most appropriate future role of LRDC. The DOS is included in the current programme of functional scrutinies.

Resource Control.

38. The Permanent Secretary is responsible for the overall management and organisation of the ODA and for ensuring that resources are used economically and effectively. Measures announced by Ministers to reduce the overall level of public expenditure, including expenditure on the aid programme and numbers of civil servants, have reinforced the need for strong and effective arrangements for the planning and control of resources, and this has been an important theme throughout the Management Review.

39. The Principal Finance Officer and the Principal Establishments Officer have key roles to play in support of the Permanent Secretary and we confirm the present position whereby both report direct to him in respect of those functions.

Finance.

40. The role of the PFO has always been of central importance because of the link between the planning and control of expenditure and the effective administration of the aid programme. The link between policy and finance will be further strengthened by our proposal that the PFO should be responsible

for the Aid Policy Department. He is likely to be fully loaded as a result of this new responsibility. Although he would relinquish his supervision of ETPD following our proposals for new arrangements in the educational sector, he will retain responsibility for the Crown Agents and CDC. We do not regard the present organisation of administrative responsibility within ODA for these bodies as ideal and it should therefore be reviewed in the course of the next year when more experience will have been gained of the working of the 1979 Crown Agents Act and in the light of the outcome of the current interdepartmental review of the CDC.

41. Within the PFO's finance organisation, the Head of Accounts Department should report to the Head of Finance Department to bring together responsibility for all financial and accounting procedures. The Chief Internal Auditor should continue to report to the PFO, but with a right of access to the Accounting Officer in exceptional circumstances.

42. Financial Instructions should reconfirm the respective responsibilities of line managers and the PFO for the scrutiny and control of the expenditure, on the basis of the following definition:

- a) The financial procedures promulgated by the Finance Department and the PFO are prescribed on behalf of the Permanent Secretary, to whom other managers are accountable for operating them through their line hierarchy.
- b) The PFO has a clear responsibility to the Permanent Secretary to monitor compliance with these procedures.
- c) Those to whom authority to incur expenditure is delegated are accountable via their line management hierarchy to the Permanent Secretary for the discharge of the responsibility and use of the authority placed on them. The responsibility of the PFO is to advise the Permanent Secretary on these delegations and to monitor, on his behalf, how the delegations are operating.

43. The financial management of the bilateral aid programme is a complex task, involving a constant process of adjustment to match the deployment of the programme to the available resources. The geographical departments are responsible for managing country aid programmes, which account for the bulk of bilateral aid. These programmes are made up of a mixture of capital projects

and other forms of aid which require a careful appraisal of relevant economic and other factors in order to establish value for money in developmental terms. We broadly endorse the procedures for project appraisal which are well developed and kept under review by the Projects and Evaluation Committee. The implementation of projects needs extensive co-ordination and monitoring in both physical and financial terms to keep them on course and to ensure that the overall country programme funds are managed and controlled in an orderly way within the agreed Framework allocation. There have been certain weaknesses in control; this is partly so because the actual expenditure of aid funds is largely in the hands of other agencies, but project monitoring procedures have been unsatisfactory and the flow of financial information has been inadequate.

44. Two important steps will strengthen financial management of the aid programme. These are:

- a) the introduction later this year of detailed guidelines for the geographical departments and Development Divisions in the physical and financial monitoring of project aid, with more concise situation reports to senior management;
- b) improvements in the quality and timeliness of financial information by the progressive establishment of a computerised financial information system.

We think it should be a task of the Policy Board to keep actual and projected aid programme expenditure under review through the year.

45. We have made certain other detailed recommendations relating to these financial procedures, as well as to ex post evaluation, the operation of the Aid and Trade Provision, and the arrangements in respect of grants from the aid programme to certain public and non public bodies.

Manpower Control.

46. All line managers are responsible for ensuring that staff are deployed and used as effectively as possible. A number of our recommendations including in particular those as to the role of specialist advisers, the role and functions of Development Divisions and the reorganisation of responsibilities in the education, research and health sectors will further this objective. Senior managers have broader responsibilities for the planning and control of ODA's manpower resources as a whole. This requires arrangements which recognise the interconnection between policy decisions and the use of administrative

resources, and which determine priorities and allocate available staff in accordance with them. The ODA has been developing its arrangements for this purpose.

47. We propose two main changes. First, we recommend a more permanent system for reviewing manpower requirements and deciding priorities for the ODA as a whole. This would take the form of an annual manpower budgeting exercise linked to the PESC and Estimates cycle, with the following key elements:

- a) The Permanent Secretary, on behalf of Ministers, would lay down broad guidelines for future staff totals, reflecting policy priorities and indicating where changes in current staff deployment might be sought.
- b) In the light of these guidelines line managers would produce statements of functions and forecasts for manpower for the years in the Aid Framework. These statements would be consolidated by Under Secretaries and Deputy Secretaries who would assess the effects of the changes indicated in the guidelines and of ceasing other functions of low priority. Heads of Advisory groups would similarly report in respect of their groups and commands.
- c) The PEO would, after any necessary consultation with Deputy Secretaries and Under Secretaries, submit the consolidated returns to the Permanent Secretary together with his advice on options and identifying any problems of matching plans to the original guidelines. After consideration by the Permanent Secretary and the senior management team, the results of the exercise would be submitted to the Minister for his approval and would form the basis of the ODA's returns to the CSD.

48. The work of Management Services, staff inspection and other assignment staff would be associated with this system, with the PEO putting forward proposals for specific studies, including functional scrutinies, to be carried out by these staffs in areas identified in the annual exercise as meriting detailed attention. The PEO should attend meetings of the Policy Board when the issues under discussion have significant implications for manpower.

49. Secondly, additional provision is needed to monitor the internal manpower implications of technical co-operation, given that a large proportion of the

ODA's headquarters staff and virtually all the staff of the Scientific Units are engaged directly or indirectly in this work. Future TC activity therefore has major implications for the deployment of staff resources. Among the new tasks that we propose for Bilateral Co-ordination Department is specific responsibility for the assessment of the likely implications of TC policy for ODA's administrative and technical manpower, with particular reference to longer term priorities.

Manpower, and Responsibilities and Staffing at Senior Levels.

50. The Management Review has coincided with a period in which the Government is seeking considerable savings in administrative expenditure. We have therefore looked for improvements in organisation and methods of working which would also promote more effective and therefore more economical deployment of staff.

51. Following this work, and taking account in particular of the effect of lower levels of bilateral aid, it is possible to identify a number of savings at senior levels in the ODA. These are set out in the paragraphs below. Work is now in hand to determine the future staffing position at lower levels, and among the advisory groups; specific figures are not yet available for these categories. However, a combination of the reduced aid programme with general requirements to reduce Civil Service manpower means that the ODA's complement, including the Scientific Units, will have declined from 2,420 at 1 April 1979 to 2,224 at 1 April 1981. The target figure on staffing at 1 April 1984 is 1,906. The work of the Management Review has assisted in the identification of specific areas where savings can be made.

52. At Assistant Secretary level, arrangements are already in train to reduce the number of geographical departments from nine to seven. The Aid Policy Department is additional, but DCD and ERCD disappear and a further department will be disbanded as a result of the reallocation of responsibilities for research and the Scientific Units. It was also decided earlier this year to withdraw the Middle East Development Division. There is accordingly a net reduction of 5 Assistant Secretary posts, and in addition 2 Senior Economic Adviser posts are saved in the reorganised economic service.

53. At Administrative Under Secretary level there will be a reduction of one third in the number of posts, from 7½ to 5, following the reorganisation on the

bilateral and multilateral sides. In the new economic service the ODA wing will now require a full, rather than a half, Under Secretary post and this will enable the number of Directors' posts (between Assistant Secretary and Under Secretary) to be reduced from 3 to 1.

54. Some uncertainties remain at Under Secretary level, particularly in respect of the posts of PFO and PEO, both of whom will continue to carry other Under Secretary responsibilities. Though it has certain attractions there are a number of major difficulties in the way of reallocating responsibilities in order to combine the posts of PFO and PEO. The PFO is responsible for a large spending programme and therefore has a significantly heavier burden than is the case in other departments of a similar size. The PEO will be heavily involved with the East Kilbride dispersal which poses considerable operational and personnel management problems for the ODA; moreover, the forthcoming examination of the arrangements for establishments and common services in the two wings could have implications for the PEO and his organisation. The position will need further review in the light of that examination and of progress on dispersal.

Deputy Secretaries.

55. The changes at Under Secretary level are far reaching and we have therefore not thought it right at this stage to recommend further changes above that level. Provided the new arrangements work satisfactorily, however, it may prove possible to reorganise responsibilities at the top on the basis of 2 rather than the present 3 posts, including one professional economist post, at Deputy Secretary level. We accordingly propose that the position be reviewed in a year's time.

CONCLUSIONS.

56. The Management Review has taken place at a time of considerable change, not only for the ODA and its relationship with the rest of the Foreign and Commonwealth Office, but for the Civil Service as a whole. We have proposed a significant degree of reorganisation and alterations in management procedures and working methods. They will take time to implement fully, though we are pleased to record that action is already being pressed in those areas where Ministers' decisions are already known. The Economic Relations Department and the Aid Policy Department will both have been set up by the end of this month.

COMPOSITION OF THE STEERING COMMITTEE AND REVIEW TEAM

The Steering Committee was chaired by Sir Peter Preston, KCB, Permanent Secretary of the Overseas Development Administration. The other members of the Committee were:-

Mr C W Fogarty CB	Deputy Secretary, ODA
Mr R S Porter, CB, OBE	Deputy Secretary, ODA, and Director General of Economic Planning
Mr D L Pearson CB	Deputy Secretary, ODA
Sir Edward Youde KCMG, MBE	Deputy Under Secretary of State, FCO
Mr F R Barratt CB	Deputy Secretary, Treasury
Dr R K Cunningham FRIC	Chief Natural Resources Adviser, ODA
Mr R M Evans CMG	Assistant Under Secretary of State, FCO
Mr J B Pearce	Under Secretary, CSD

The Review Team was led by Mr N B Hudson, Assistant Secretary, ODA. The full time members of the Team were:-

Mr C D Stevens	Assistant Secretary, CSD
Mr J Fitch	Senior Principal Psychologist, CSD
Mr M C McCulloch	Principal, ODA
Miss M Exley	Principal, CSD

Dr J M Healey, ODA, Mr F Krinks, CSD and Mr D E G Griffiths, CSD, joined the Team for certain aspects of the Review.



Foreign and Commonwealth Office

London SW1A 2AH

VMS

20 March 1980

Dear Priestley,

MERGER OF THE FCO AND THE FORMER ODM

We should now give the "action document" on this exercise to our Staff Sides (both FCO main wing and ODA). (Your note of guidance of 21 September 1979, paragraph 9 refers.) In our case this is in the form of a minute from Sir D Rayner to the Prime Minister. I have therefore topped and tailed the minute and made one or two minor drafting changes to conceal the fact that it was a minute but without altering the substance (see attached) and would propose that this slightly edited document be handed over to the Staff Sides. I should be grateful for your agreement.

2. Our Chief Clerk will be meeting the Staff Side on Friday 21 March. It would be most helpful if someone from your office could telephone your reply by then.

Yours sincerely
Charles Humphrey
C T W Humphrey
PS/Mr Hurd

C Priestley Esq
Cabinet Office
Whitehall
London SW1

cc: M A Pattison Esq ✓
No 10

Miss S E Unsworth
PS/Mr Marten

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SECRETARY	SECRETARY
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cc attamp
 Chief Clerk
 Chief Inspector
 Mr. Rowan
 Sir P. Preston
 15/1/80

THE MERGER OF THE FOREIGN AND COMMONWEALTH OFFICE AND THE FORMER MINISTRY OF OVERSEAS DEVELOPMENT

1. This was one of the subjects included in the "Rayner Project" last year. Some useful groundwork was done by a team consisting of Mr C C W Adams (FCO, now on secondment to the Department of Industry) and Mr M C McCulloch (ODA, now a member of the ODA management review team).

2. I discussed these officials' report with Mr Hurd, Mr Marten, Sir Michael Palliser and Sir Peter Preston at the end of January. Given the unusual nature of the project and its implications for the machinery of government, I am now reporting the progress made to you. The terms of this minute have been agreed with the Secretary of State, Mr Hurd and Mr Marten.

FCO/ODA MERGER: ACTION DOCUMENT

A single department the main aim

1. The separate FCO and ODA wings of the new department are directed at officials level by a Permanent Under Secretary and a Permanent Secretary, the former being Accounting Officer for the FCO Vote and the latter Accounting Officer for the aid programme and its administration. The FCO wing is staffed by some 1,600 Diplomatic Service staff and 1,600 Home Civil Servants; a further 2,800 Diplomatic Service staff are in Posts abroad. (These figures exclude the staff of the Communications Division at Hanslope, the Passport Office and GCHQ). The gross cost of salaries, allowances and general expenses for these staff is some £85 million (1979-80 Estimates). The ODA wing is staffed by 1,400 Home Civil Servants (excluding the 900 in its scientific units). The net cost of salaries and administration is £14 million (1979-80 Estimates).

4.2. Departmental Ministers take as the starting point ~~your~~ wish that the Foreign and Commonwealth Secretary should be supported in carrying out his duties by a single department and that the working relationship between foreign and aid policies should be very close. This has already been achieved. Moreover, the emphasis placed by Ministers generally on economical administration indicates that the best solution would be one that clearly defined the functions to be carried out on behalf of the Secretary of State and proposed the slimmest possible administration structure for them. The departmental Ministers, in launching the project, themselves had in mind the question of "the ideal structure if we were starting afresh".

Making deliberate rather than hasty progress

4.3. The starting point agreed, and the groundwork done, departmental Ministers believe that the chief practical question is how far and fast "integration" should be pressed. The main practical considerations are that some of the staff of the FCO and the Overseas Development Services belong to separate services, HM Diplomatic and HM Home Civil Services respectively, and are not readily interchangeable; that in London they are now at present housed in separate offices (see below); and that there is an important distinction between making aid policy on the one hand and administering the aid programme on the other.

4.4. The last of those considerations deserves a further word of explanation. There are both links and differences between aid and foreign policies, but the aid programme is unique among the Secretary of State's responsibilities in that the ODA has to manage expenditure to an extent and in a way that FCO does not.

~~4.5. Departmental Ministers and I agree that~~ Thoroughness is to be preferred to haste, provided that there are a timetable and a plan for action and that the under-lying approach is essentially in favour of integration consistent with the most

economical and effective use of staff resources. In organisational matters of this kind, evolution is better than revolution. Equally, however, there should be no preconceptions. For example, in cases where it may be argued that there is little overlap (eg the FCO's Economists and the ODA's Economic Planning Staff), it is often possible to get a better use of resources by bringing people together even if their work is at first sight different.

Decisions already taken

~~8.6~~ Ministers have agreed that a single Aid Policy Department should be set up (in the ODA wing). It will draw on FCO and ODA staffs and will be responsible for general and specific questions of aid policy and for the broad allocation of resources within the aid programme. It will replace existing units of both the FCO and ODA.

~~9.7~~ Ministers have also agreed that there should be similarly a single Economic Relations Department (in the main part of the FCO). It will handle international economic questions, including North/South relations.

~~10.8~~ The current management review of the ODA will make detailed recommendations for the organisation and operation of these new Departments by the end of ~~next month~~. *April.*

Further work to eliminate FCO/ODA overlap or duplication

~~11.9~~ Reports will be made to Ministers in July on the matters noted below. The means of analysis will include the ODA management review and the Diplomatic Service Inspectorate. The CSD's Staff Inspection and Evaluation Division is also available to assist ~~and I have suggested that it~~ should be used to provide an independent perspective where necessary and at the appropriate time.

- a. United Nations Departments: the FCO has one and the ODA two.
- b. Information Departments: the ODA has one and the FCO three (these three perform different duties, but as part of the Lord President's exercise their roles are now being examined).
- c. Economists: the FCO has a small group of Economists and the ODA a larger Economic Planning Staff.
- d. Geographical Departments: the current Management Review will look at the extent to which the 9 ODA geographical departments overlap with their FCO equivalents.
- e. Specialist policy areas: the FCO has functions in Energy, Science and Space; Maritime, Aviation and Environment; and the ODA in Science and Technology; Health and Natural Resources.

12.10 It will be necessary to establish quite clearly how far the ODA and other FCO units do have genuinely different tasks and how far their functions are similar and would therefore with advantage be dealt with in merged departments. ~~I accept that~~ ~~the~~ answers are likely to vary from case to case, but all of them should be examined.

12.11 In addition, both the FCO and the ODA have such common service functions as personnel and finance. Departmental Ministers agree that the analysis of these should come after the work covered by paragraphs 8-12 above, because the best way of rationalising them is bound to be influenced markedly by the way in which the functions they serve are organised. Work on this will begin once that in paragraphs 8-12 is finished. It

will involve the Diplomatic Service inspectorial teams who have already started a detailed inspection of FCO Administration Departments which will be completed by the end of this year. (They are also working on separate surveys to identify the best distribution of savings in the FCO main wing (up to 220 posts) under the Lord President's exercise.) Thereafter they will undertake a joint analysis with the ODA which will be completed by 31 March 1981.

Savings

~~14~~12. There will be savings. These will be quantified in detail when the work noted in paragraphs 8-12 is complete. Departmental Ministers intend to ensure that these savings are the maximum possible.

Accommodation

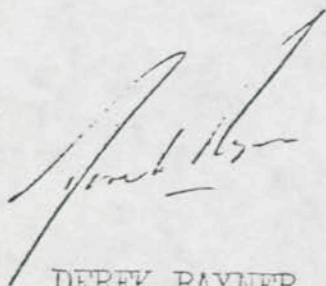
~~15~~13. The FCO and ODA could not be housed together in any one of their existing buildings. Housing in one place is not critical to the success of a merger, but more co-location that at present would very much help its efficient operation. As with other departments in London, one might have to settle for a second best in which sections of the single department were housed separately from the main HQ in Downing Street.

~~16~~14. Some accommodation is expected to become available in Richmond Terrace in 1984/85. This has been earmarked for outlying FCO "main wing" departments but some ODA departments could instead be brought closer to the centre. This will be considered.

Further reports

17. Departmental Ministers or I will arrange for you to have further reports if you wish.

18. I am copying this to the Secretary of State, Mr Hurd and Mr Marten, Sir Ian Bancroft, Sir Robert Armstrong, Sir Michael Palliser and Sir Peter Preston.



DEREK RAYNER

6 March 1980

20 MAR 1980





HS

10 DOWNING STREET

From the Private Secretary

13 March 1980

1) ~~664~~ 880
2) 8/E2-4-81

The Prime Minister has seen Sir Derek Rayner's minute of 6 March, about the Rayner project covering the FCO/ODA merger.

✓
211 She is pleased to note the progress now being made towards the practical integration of the two Departments. She would like to be kept in touch with progress. She would in particular like to see a further report at the beginning of the summer Parliamentary Recess on the results of the further work planned to eliminate overlap or duplication, as set out in paragraphs 11-12 of Sir Derek's minute, and she would also like to receive a report about the analysis of the common service functions - this will presumably be available in April 1981 given the 31 March 1981 target date for completion.

The Prime Minister recognises that thoroughness is preferable to haste in this exercise, but she hopes that the Foreign and Commonwealth Secretary will keep up the momentum with firm commitment to the most economical merger possible. She has noted that the physical location of the various parts of the combined office will be relevant to the effect of the results.

I am sending copies of this letter to Charles Humfrey in Mr. Hurd's Office, Susan Unsworth in Mr. Marten's Office, Clive Priestley (Sir Derek Rayner's Office) and David Wright (Cabinet Office).

M. A. PATTISON

G.G.H. Walden, Esq.,
Foreign and Commonwealth Office.

J.P.

1.

PRIME MINISTER

Here is a personal minute from Sir Derek Rayner, covering a longer minute circulated to interested colleagues on the FCO/ODA merger.

Sir Derek was disappointed with this project, and has pressed hard for Ministers to go for more substantive changes. He has made some progress, and suggests that you should express continuing interest, to keep up pressure.

I think that the response in para. 3 of his minute is right. It should, in my view, include something on accommodation. You will only get the policy sections of FCO and ODA thinking together if they are located together.

May I give your response along the lines of paras 3 and 4 of Sir Derek's minute?

11 March 1980

MAF Yes



PRIME MINISTER

RAYNER PROJECT: FCO/ODM MERGER

1. I attach a report on this project, the terms of which I have agreed with Lord Carrington, Mr Hurd and Mr Marten and which is being copied to them and to certain officials.

2. This covering minute is not copied to anyone. It offers you advice on a response to this report.

3. Subject to your own views, I suggest that you authorise a reply to me, or to Lord Carrington if you prefer, saying that:

✓ a. you are glad to note progress towards the practical integration of the FCO and the ODA (paragraphs 8-10);

✓ b. you would like to receive a second report in July or August on the results of the further work planned to eliminate overlap or duplication (paragraphs 11 and 12);

✓ c. you would like to receive a third report in April 1981 on the result of the analysis of the common service functions (paragraph 13); and

✓ d. while you welcome the thought that steady rather than headlong action is required (paragraphs 5-7), you would like to see the momentum kept up and a firm commitment to the most economical merger possible (paragraph 14).

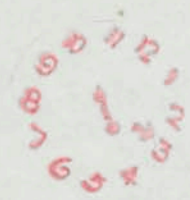
4. If you wanted to add a word on accommodation (paragraphs 15 and 16), it might be to the effect that the parts of main FCO and ODA which have the closest affinities should be most closely co-located.

*I think
and will
be enough
for the present.*

DEREK RAYNER

6 March 1980

11 MAR 1960



FONDEN

СОВЕТСКОЕ





PRIME MINISTER

THE MERGER OF THE FOREIGN AND COMMONWEALTH OFFICE AND THE
FORMER MINISTRY OF OVERSEAS DEVELOPMENT

1. This was one of the subjects included in the "Rayner Project" last year. Some useful groundwork was done by a team consisting of Mr C C W Adams (FCO, now on secondment to the Department of Industry) and Mr M C McCulloch (ODA, now a member of the ODA management review team).

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DEREK RAYNER

6 March 1980

CONQUERORS
LONDON



CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-~~9305444~~ 233 8224

15 January 1980

Sir Peter Preston KCB
Overseas Development Administration
Eland House
Stag Place
London SW1

R. Pattison

Peter

MANAGEMENT REVIEW

1. I have looked through the preliminary survey report circulated by the team and have skimmed the preparatory notes on the scientific units. (If I may say so, the team are to be congratulated on providing an ample opportunity to read the papers before the meeting on 17 January.)
2. This is to offer comments on three things, the possible implications of my letter to Mr Hurd of 8 January on the FCO/ODA merger; on the report itself; and on its possible implications for the scrutiny programme, to which Clive Priestley's letter of 10 December to the Foreign Secretary's private secretary refers.

The FCO/ODA merger

3. My letter to Mr Hurd suggested that there were several issues which the "Rayner project" had addressed but with which it had been unable to deal, that they required further study and that the management review might be a suitable means for this.
4. I see that paragraph 10.2 of the report says that Ministers have considered the Adams/McCulloch report and that their "conclusions" have been taken into account in planning the main stage studies of aid policy and of bilateral aid.
5. I assume that these "conclusions" are provisional in the sense that Ministers have not yet discussed the Adams/McCulloch report with me. However, I feel no great difficulty over the "policy" study in the management review team's paragraph 10.3. It seems wholly sensible to take the few weeks suggested by the preliminary survey report (mid-January to mid-March) to think through and to design the two "single" departments dealing with Aid Policy and Economic Relations. And I very much agree with

the team's view that they would have to range outside the ODA proper in order to do this work.

6. On bilateral aid (paragraph 10.4), I agree with the proposition that there should be further work on the roles and organisation of the ODA geographical departments, the Development Divisions and the advisory staffs. I very much hope, however, that this will extend beyond the ODA end of FCO/ODA working relationships on aid. In the light of my letter to Mr Hurd, I think that the team should be tasked to identify and make recommendations on overlap between those separate and several functions of both wings of the Department having to do with advice to the Foreign Secretary on aid and the implementation of the aid programme on his behalf. I also think that it would be very helpful to consider the way in which aid projects are managed.

Comments on the text of the preliminary survey report

7. Subject to what is said below about the Directorate of Overseas Surveys, I think the recommendations made in paragraph 10.5 for a study of the management of the Scientific Units and the outhoused units and for a factual survey of the administration of technical co-operation reasonably sound. However, I find the description of the proposed work on the latter in paragraphs 8.23 and 10.6 rather tentative; perhaps the steering committee can sharpen up the issues on which the team should concentrate?

8. I think the references in paragraphs 10.7 and 10.8 to a structural study sound, not least deferring the specification of the remit until the outcome of earlier studies is apparent.

9. That remark of course relates to a management review of the ODA as it is now. It is qualified by the references in my letter to Mr Hurd to an analysis of overlap between the FCO and ODA in areas other than aid policy and its implementation. But I do not take the view that that analysis would necessarily have to be carried out within the period of the management review.

10. The best plan might be a two-stage one. It might be preferable to treat as the first necessity establishing the nature of the primary functions to be discharged by the combined department on behalf of the Foreign Secretary (ie policy and execution) and the most economical and effective way of organising these; and to treat as the second necessity, to be addressed next, the implications of this for such secondary functions as common services.

11. It would however be essential, in the work covered by the team's recommendation in paragraph 10.8, to avoid the implication that the "main organisational framework of the ODA" was an inviolable entity. And I would hope that this study would consider how resource planning and control should operate in the aid wing

as it emerges from the "policy" and "bilateral aid" studies recommended in paragraphs 10.3 and 10.4.

12. I have set out in the attached note some points which struck me on reading through the rest of the report.

The scrutiny programme

13. Clive Priestley's letter of 10 December records the Prime Minister's view that it would be appropriate to undertake a scrutiny as well as the management review and her agreement with the Foreign Secretary's suggestion that the choice should be made in consultation with me after the preliminary survey. The Prime Minister thought too that the Directorate of Overseas Surveys might provide a suitable topic.

14. Perhaps we can discuss this. My own provisional view is that the extension of the management review in the way I have suggested, together with the analysis of the "non-aid" overlap between the FCO and ODA, might provide sufficient radical and searching questions for the ODA, and to some degree, for the FCO in coming months.

15. I should qualify this in respect of the Directorate of Overseas Surveys (Annex C of the Preparatory Study). I know nothing about the DOS other than what I have read in these papers. The main relevant points which struck me were these. First, I note that the dispersal programme caused staff instability, whose effects are expected to persist for some time (paragraph 8, p.50); secondly, I note that there have been two (as it appears) "machinery of government" reviews, in addition to the dispersal exercise, in 1971 and 1977. I can see that there is some force in the view that the DOS has been worked over enough in recent years, but the Prime Minister's concern related less to its size or its character as an institution than to the way in which its services to the Land Resources Development Centre, the ODA and others are costed. In reporting back, I shall need to be able to say something convincing about the costing of services.

16. As you are meeting on Thursday, I am taking the liberty of copying this letter to Sir Edward Youde, Mr Barratt, Mr Pearce and Mr Hudson.

Yours ever
Derek

Derek Rayner

Enc: Comments on the preliminary survey report

COMMENTS ON THE ODA MANAGEMENT REVIEW PRELIMINARY SURVEY REPORT

III Organisation of Policy Formulation and Review

1. I am very interested by the references in paras. 3.5-3.7 to lack of clarity over the Finance and Economic Planning Staff roles. I hope that the team's work in their policy study (para. 10.3) will help to establish the correct balance of responsibilities as between the central finance, EPS and administrative department roles.

2. I do not know how big an Economic Planning Staff the ODA needs. The present one seems large. No doubt the policy, bilateral aid and top structure studies will throw light on this.

3. The anonymity of the remarks from outside the ODA (para. 3.11) is vexing; it is hard to know what weight to attach to them.

IV The bilateral aid programme

4. I suspect that identifying unproductive work (para. 4.3) is going to be one of the main themes of this Government's policy on efficiency and waste. If there is a justifiable doubt about the "country papers", perhaps the simplest course is to try doing without them.

5. I was interested in para. 4.4's references to the use of geographical department staff and to their relationships with professionals and also in para. 4.6's and para. 4.8's reference to the use of FCO and ODA staff abroad. I think there are three themes here, first clarifying the nature of the task in hand and the contributions to be made to it by different staff, second, pushing responsibility for doing the work as far down the hierarchy as it will go, and third, getting the work done by as few people as possible.

6. I found paras. 4.10-4.17 on Advisers especially interesting. They raised in my mind not only the questions just stated, but also the questions

- a. How does one know whether aid projects are effective (para. 4.10)?
- b. Why can't professional staff run projects or have responsibility for departments (para. 4.14 and 4.17)?
- c. Why are respective responsibilities unclear?

7. Similar points occur in section V (the multilateral aid programme).

VI Finance (and Annex F)

8. I note that the team have reservations about inhibitions on effective financial management.

9. I also see that in para. 21 of Annex F the ODA is said to have "well developed appraisal procedures", presumably in the bilateral aid area, but apparently "much less rigorous" procedures in technical co-operation and multilateral aid.

10. The team do not propose a study of financial control per se. I would in general prefer management reviews to include a study of financial control as it works in practice, but this is of course for the Minister to decide in the light of the advice given him by the steering committee. If the ODA review does not include a study specifically of financial control, I hope that the steering committee would nonetheless take a view of all the evidence available to it on financial management, since the ODA's responsibility for the Aid Programme is represented as the main justification for having a separate Administration, and that the evidence included some practical illustration of financial control at work.

11. For the purposes of that "illustration", I think that a few case studies showing how the existing arrangements for planning, control and evaluation actually work would be helpful and it may be for consideration whether, if necessary, the team should be extended to enable such studies to be provided.

12. I see that the Chief Internal Auditor reports to the PFO rather than (as I would prefer) to the Accounting Officer and that the team has the impression that all is well, despite their further impressions that there is delay in implementation and uncertainty about the IA and Management Services roles (Annex F, paras. 27 and 28).

13. Given the size of the Aid Programme (Annex F, para. 1) I think the IA Unit small. The steering committee should, I suggest, satisfy itself that the Unit is appropriately staffed and led and that it works effectively.

VII Manpower and Personnel Management

14. I should make a general comment on some Departments' tendency to refer to themselves as "small" (para. 7.4).

15. The ODA consists of 2,500 people, some of them very highly qualified (Annex C, Table 3). The annual cost to the taxpayer is £14m (Annex F, p.1). While the ODA may be small compared with the DHSS, say, it still represents a very substantial commitment of manpower.

16. I think the conclusion on personnel (para. 7.16) diffident, and I am not very happy that the team propose no manpower study per se (para. 7.17).

17. I doubt whether the suggestion for the Organisation Department to resume the old practice of making line managers review their objectives and staffing requirements annually (para. 7.6), would be sufficient in itself. Presumably that practice fell into disuse because it was cumbersome for line management and

ineffective (for whatever reason) as an instrument of central control. It seems to me that the practice, if recommended, could only be justified as an integral, usable and useful part of a control system. So the question is perhaps what arrangements that system would consist of and how they would work.

18. This is relevant to the treatment of the audit machinery in paras. 7.8-7.10. Should it be accepted that "the cyclical programme of inspections can only provide a periodic audit of the use of manpower" (para. 7.8)? What does CSD mean when it says that "generally [it has] no major misgivings about domestic staff inspection in ODA" (para. 7.9)? What do the team mean when they say that they "think that the PEO may wish to consider the scope for strengthening the [staff inspection] team" (para. 7.9)?

19. I see that the role of the PEO will be considered during the structural study. That will be helpful, but I suggest that the steering committee might also interest itself in the instruments he and line management will be using. I myself would like to see in operation a policy for making the best use of the staff needed and progressively reducing the number needed, alongside a requirement that heads of department should know what their units cost and should account for their use of resources.

Gvt Mach ✓ MAD

cc for information/optional
comment*

Sir Derek Rayner

Mr F R Barratt, HM Tsy
Mr Pearce, CSD
Mr Widdup, HM Tsy

* without copy letter to Mr Hurd

[Blind copy: Mr Pattison
also copy of letter to Mr Hurd]

ODA MANAGEMENT REVIEW

1. I attach the MR team's preliminary survey report and its "preparatory" report on the Scientific Units. They are for Steering Committee discussion on 17 January.
2. I also attach a draft letter to Sir Peter Preston, addressed to the "Rayner project" and the scrutiny programme, as well as to the content of the reports attached and to the team's proposals for the main stage. This is self-explanatory. (A copy of your letter of 8 January to Mr Hurd is attached for reference.)
3. Comments on the text of the preliminary survey report, for enclosure with the draft letter to Sir Peter Preston, follow immediately behind it.
4. If the Treasury or CSD wish to comment on the draft letter, it would be helpful if they did so on Monday, so that we can get the letter to Sir Peter Preston in reasonable time for Thursday's meeting.

SP

C PRIESTLEY
11 January 1980

Encs: Preliminary Survey Report
Preparatory Study of the Four Scientific Units
Draft letter to Sir P Preston
Comments on report
Copy letter to Mr Hurd

DRAFT OF 11 JANUARY 1980
MANAGEMENT - IN CONFIDENCE

Sir Peter Preston KCB
Overseas Development Administration
Eland House
Stag Place
London SW1

cc Sir Edward Youde, KCMG OBE
FCO
F R Barratt Esq, CB HMTsy
J B Pearce Esq, CSD
N B Hudson Esq, ODA

MANAGEMENT REVIEW

1. I have looked through the preliminary survey report circulated by the team, who, if I may say so, are to be congratulated on giving those concerned an ample opportunity to read it before the meeting on 17 January. I have also skimmed the preparatory notes on the scientific units.

2. May I offer you comments on three things, the implications of my letter to Mr Hurd of 8 January on the FCO/ODA merger; on the text of the report; and of the implications of the report for the scrutiny programme, to which Clive Priestley's letter of 10 December to the Foreign Secretary's private secretary refers?

The FCO/ODA merger

3. My letter to Mr Hurd suggested that there were several issues which the "Rayner project" had addressed but with which it had been unable to deal, that they required further study and that the management review might be/^asuitable means for this.
4. I see that para. 10.2 of the report says that Ministers have considered the Adams/McCulloch report and that their "conclusions" have been taken into account in planning the main stage studies of aid policy and of the organisation and management of bilateral aid.
5. I assume that these "conclusions" are provisional in the sense that Ministers have not yet discussed the Adams/McCulloch report with me, but I feel no great difficulty over the "policy" study in the management review team's para. 10.3. It seems wholly sensible to take the few weeks suggested by the preliminary survey report (mid-January to mid-March) to think through the implications of and design the two "single" departments dealing with Aid Policy and Economic Relations. And I very much agree with the team's view that they would have to range outside the ODA proper in order to do this work.
6. There is a difficulty about the study of the organisation and management of bilateral aid, as proposed

MANAGEMENT - IN CONFIDENCE

in para. 10.4. While I agree with the proposition that there should be further work on the roles and organisation of the ODA geographical departments, the Development Divisions and the advisory staffs, as the team recommends, it is not clear how far this would extend beyond the ODA end of FCO/ODA working relationships on aid. In the light of my letter to Mr Hurd, I would like to think that the team would be tasked to analyse and make recommendations on those separate and several functions of both the foreign policy and overseas development wings of the Department bearing on the provision of advice on aid to the Foreign Secretary, the implementation of the aid programme and UK relationships with developing countries. In other words, I would not like to think that the steering committee and the team felt constrained to take as the starting point for their analysis of the overlap issues merely the "two joint geographical departments" recommended by the Adams/McCulloch report; I would prefer a fresh start on this front, taking the "Rayner project" report as just one input.

Comments on the text of the preliminary survey report

7. Subject to what is said below about the Directorate of Overseas Surveys, I think the recommendations made in para. 10.5 for a study of the management of the Scientific Units and the outhoused units and for a factual survey of the administration of technical co-operation reasonably sound. However, I find the description of the proposed

MANAGEMENT - IN CONFIDENCE

work on the latter in paras. 8.23 and 10.6 rather tentative; perhaps the steering committee can sharpen up the issues on which the team should concentrate?

8. I think the references in paras. 10.7 and 10.8 to a study of top structure sound, not least deferred the specification of the remit until the outcome of earlier studies is apparent. This remark of course relates to a management review of the ODA as it is now. The references in my letter to Mr Hurd to an analysis of the degree of overlap between the FCO and ODA in areas other than aid policy and its implementation are relevant, but I do not take the view that that analysis would necessarily have to be carried out within the period of the management review. It might be preferable to treat as the first necessity establishing the nature of the primary functions to be discharged on behalf the Foreign Secretary (ie policy and execution) and the most economical and effective way of organising these; and to treat as the second necessity, to be addressed next, the implications of this for the nature and organisation of such secondary functions as personnel management and common services. It would however be essential, in the work covered by the team's recommendation in para. 10.8, to avoid the implication that the "main organisational framework of the ODA" was an inviolable entity.

MANAGEMENT - IN CONFIDENCE

9. I have set out in the attached note some points which struck me on reading through the rest of the report.

The scrutiny programme

10. Clive Priestley's letter of 10 December records the Prime Minister's view that it would be appropriate to undertake a scrutiny as well as the management review and her agreement with the Foreign Secretary's suggestion that the choice should be made in consultation with me after the preliminary survey. The Prime Minister thought too that the Directorate of Overseas Surveys might provide a suitable topic.

11. Perhaps we can discuss this. [My own provisional view is that the extension of the management review in the way I have suggested, together with the subsequent analysis of the "non-aid" overlap between the FCO and ODA, would provide sufficient radical and searching questions for the ODA, and to some degree, for the FCO in coming months.]

12. [I should qualify this by reference to the Directorate of Overseas Surveys (Annex C of the Preparatory Study),] I know nothing about the DOS other than what I have read in these papers. The main relevant points which struck me were these. First, I note that the dispersed programme caused staff instability, whose effects are expected to persist for some time (para. 8, p. 50);

MANAGEMENT - IN CONFIDENCE

secondly, I note that there have been two (as it appears) "machinery of government" reviews in addition to the dispersal exercise, in 1971 and 1977. I can therefore understand the view that has been put to me that the DOS has been worked over enough in recent years, but the Prime Minister's concern related less to its size or its character as an institution than to the way in which its allied services to the Land Resources Development Centre, the ODA and others are costed. In reporting back, I should need to be able to say something convincing about the costing of services.

13. As you are meeting on Thursday, I am taking the liberty of copying this letter to Sir Edward Youde, Mr Barratt, Mr Pearce and Mr Hudson.

Derek Rayner

Enc: Note on the preliminary survey report

COMMENTS ON THE ODA MANAGEMENT REVIEW PRELIMINARY SURVEY REPORT

III Organisation of Policy Formulation and Review

1. I am very interested by the references in paras. 3.5-3.7 to lack of clarity over the Finance and Economic Planning Staff roles. I hope that the team's work in their policy study (para. 10.3) will help to establish the correct balance of responsibilities as between the central finance, EPS and administrative department roles; as there is, I note, to be no study of financial control per se, what might help in this, and with the study of bilateral aid (para. 10.4) and subsequently of the top structure (para. 10.8), would be a case study or two showing how the existing arrangements for planning, control and evaluation actually work.

2. I do not know how big an Economic Planning Staff the ODA needs. The present one seems large. No doubt the policy, bilateral aid and top structure studies will throw light on this.

3. The anonymity of the remarks from outside ODA (para. 3.11) is vexing; it is hard to know what weight to attach to them.

IV The bilateral aid programme

4. I suspect that identifying unproductive work (para. 4.3) is going to be one of the main themes of this Government's policy on efficiency and waste. If there is a justifiable doubt about the "country papers", perhaps the simplest course is to try doing without them.

5. I was interested in para. 4.4's references to the use of geographical department staff and to their relationships with professionals and also in para. 4.6's and para. 4.8's reference to the use of FCO and ODA staff abroad. I think there are three themes here, first clarifying the nature of the task in hand and the contributions to be made to it by different staff,

second, pushing responsibility for doing the work as far down the hierarchy as it will go, and third, getting the work done by as few people as possible.

6. I found paras. 4.10-4.17 on Advisers especially interesting. They raised in my mind not only the questions just stated, but also the questions

- a. How does one know whether aid projects are effective (para. 4.10)?
- b. Why can't professional staff run projects or have responsibility for departments (paras. 4.14 and 4.17)?
- c. Why are respective responsibilities unclear?

7. Similar points occur in section V (the multilateral aid programme).

VI Finance (and Annex F)

8. I note that, despite their reservations about the inhibitions on effective financial management, the team do not propose a study of financial control per se.

9. I do not object to this, provided that at some stage the steering committee can take a view of all the evidence available on financial management in the round, since the ODA's responsibility for the Aid Programme is represented as the main justification for having a separate Administration (see also para. 15 below) and that the evidence includes some practical illustration of financial control at work.

VII Manpower and Personnel Management

10. I should make a general comment on some Departments' tendency to refer to themselves as "small" (para. 7.4).

11. The ODA consists of 2,500 people, some of them very highly qualified (Annex C, Table 3). The annual cost to the taxpayer is £14m (Annex F, p.1). While the ODA may be small compared with the DHSS, say, it still represents a very substantial commitment of manpower.

12. I am not very sympathetic with the suggestion that the Organisation Department should resume the old practice of making line managers review their objectives and staffing requirements annually (para. 7.6). What was the effect of this when it was done before, and why was it discontinued? I would rather see the establishment of a policy for making the best use of the staff needed ~~and~~ progressively reducing the number needed, than an essentially paper exercise as before, alongside a requirement that heads of department should know what their units cost and account for their use of resources.

13. This is relevant to the treatment of the audit machinery in paras. 7.8-7.10. Should it be accepted that "the cyclical programme of inspections can only provide a periodic audit of the use of manpower" (para. 7.8)? What does CSD mean when it says that "generally [it has] no major misgivings about domestic staff inspection in ODA" (para. 7.9)? What do the team mean when they say that they "think that the PEO may wish to consider the scope for strengthening the [staff inspection] team" (para. 7.9)?

14. I am not happy that the team propose no manpower staff per se (para. 7.17). I also think the conclusion on personnel (para. 7.16) diffident. I believe that the steering committee should be in a position to satisfy itself by the end of the review about the points I mention in paras. 5, 6 and 12 above.

Annex F (Finance and Accounting)

15. I see that in para. 21 the ODA is said to have "well developed appraisal procedures", presumably in the bilateral aid area, but apparently "much less vigorous" procedures in technical co-operation and multilateral aid (para. 21). Those

two points make it all the more important that the steering committee should satisfy itself that the arrangements for financial control are sound by reference to some study of it in operation.

16. As for Internal Audit (paras. 27 and 28), I see that the Chief Internal Auditor reports to the PFO rather than (as I would prefer) to the Accounting Officer and that the team has the impression that all is well, despite their further impressions that there is delay in implementation and uncertainty about the IA and Management Services roles.

17. Given the size of the Aid Programme (Annex F, para.1) I think the IA Unit small. The steering committee should, in my view, satisfy itself that the Unit is appropriately staffed and led and that it works effectively.



CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-233 8224

8 January 1980

The Hon Douglas Hurd CBE MP
Foreign & Commonwealth Office
Downing Street
London SW1

Dear Douglas

THE MERGER OF THE FCO AND THE FORMER ODM

1. When you wrote to me on 6 July, you said that the "Rayner project" was an ambitious one with considerable implications for the machinery of government and the future management of the aid programme. I very much agree. You also kindly said that you looked forward to receiving my "guidance".
2. This letter contains my comments on the report by Messrs Adams and McCulloch, with whom I had a very useful and interesting talk about their initial draft towards the end of October. I should make it clear however that I have little direct knowledge of either the FCO or the ODA and that my "guidance" can therefore hardly consist of suggestions as to matters of detail. My main personal experience over the last 10 years or so has been that the FCO's industrial and commercial work has been improved out of all recognition, which suggests that things can be made to change and do change over the years. The other points I have had in mind in reading the report are these.
3. It is obviously the Government's wish that the Foreign Secretary should be supported by a single Department in carrying out his responsibilities, including overseas development, and that the operational relationship between foreign and aid policies should be very close. As I understand it, the ODA is now part of the FCO and so I do not know what significance to attach to the statement in paragraph 2 on page i that the ODA is a "subordinate but administratively autonomous unit within the FCO", as opposed to the statement in Circular 0 93/79 (paragraph 7) that it is "self-contained for administration purposes".
4. Secondly, the organisation of the "single department" is very much a matter for Ministerial judgment, but the emphasis placed by Ministers generally on economical administration suggested to me that the optimum solution would be one which clearly defined the functions to be carried out on behalf of the Secretary of State and proposed the slimmest possible administrative structure for them.

5. Thirdly, while recognising the important differences between the FCO and ODA regimes, not least those between what is required of Diplomatic Service staff on the one hand and of Home Civil Service staff on the other, the analysis should have in mind that question in the terms of reference about "the ideal structure if we were starting afresh". (This matches your reference to an "ambitious" project.)

6. Finally, one need not envisage that extensive re-organisation, should that be the outcome, must be introduced overnight. Time would be needed and should be allowed.

7. Against that background, what follows should be seen as the comments of the devil's advocate.

General

8. I thought that the report contained some good work and some sensible proposals, but that it was too much the prisoner of the existing organisation and that its treatment of the cost of administration was somewhat limited. However, the authors had a very large job to do in a very short time and I recognise that the need to produce an agreed report, likely to commend itself to the FCO and the ODA, was and was bound to be at the front of their minds. As a result, I think that the report should be regarded as a useful but necessarily limited review of the issues and that while it should be possible to agree on some of its recommendations now it would be wrong to regard it as a definitive treatment of the issues.

Comments on principal recommendations

9. I comment below on the preference for Option C ("closer integration") as against Option D ("complete integration"). Here I deal with the points set out in paragraph 13 (a) and (b) on page vi and more fully in paragraphs 13.2-13.7, 13.9 and 13.10 on pages 38-40.

10. I agree with the proposals at 13 (a) i-iii for single Aid Policy and Economic Relations Departments and for consequential adjustments in the ODA's Development Co-ordination Department and the FCO's Trade Relations and Export Department. The suggested timing is "as soon as possible", but I hope that a reasonably short timetable can be set as part of the "proposed action" document (with which I deal below).

11. I note that the three United Nations Departments should be co-located eventually (paragraph 13(b)i) and have read the brief discussion in paragraphs 5.19 and 5.20. The treatment of the possible rationalisation of these Departments is not conclusive; I cannot help feeling that it should be possible to simplify the structure for handling UN business in a more closely integrated organisation.

12. Similarly, I note that it is proposed to reduce the four Information Departments to two "joint" Departments "eventually" (paragraph 13(b)ii and paragraphs 5.24-5.26). Timing is obviously related to such other factors as accommodation, but I suggest that "eventual" rationalisation should be expressed in more definite terms.

13. I note that the savings attributable are estimated at 11 posts and some £114,000 (paragraph 6.1 and Annex N). They are welcome, if much more modest than I had supposed possible. I agree that a full staff inspection would be needed and I suggest (this is my suggestion, not the CSD's) that the Civil Service Department should be associated with it to provide an independent view.

Comments on organisation generally

14. The report recommends that two further single geographical Departments should be established on an experimental basis (paragraph 13(c) on page vi, paragraphs 5.42-5.48 on pages 22-25 and paragraph 13.8 on page 40). I do not regard this as a robust solution in that particular area and there are other areas, not I think sufficiently considered in the report, in which it seems to me that there could be sizeable scope for improving efficiency and reducing costs. I should be grateful if you would kindly consider the following points.

15. The recommendation concerning geographical departments has obviously to be seen against the background of the report's rejection of "total integration" (Option D). Forgive me for saying that the coarse outsider would undoubtedly see the rejection of Option D and the tentative recommendation of more experimental joint departments as the bureaucrat's solution. The report comments here and there on arrangements before 3 May. It reflects, naturally and fairly enough, the different points of view of staff in the FCO and the ODA. But it has great difficulty in reaching a conclusion freed from the fact that there are at present two institutions and two sets of staff.

16. Some of the main characteristics of the existing separate-ness which stuck me and pointed me towards at least testing a more radical view were these:

a. If there are links between aid policy and foreign policy, I recognise that there are also major differences between them. But the aid function is now vested in the Foreign Secretary, and it is plainly the intention that this should be marked by new arrangements affecting both policy formation (where the single aid policy Department recommended in the report will be important) and administration.

b. I very much recognise the need for effective control on behalf of the Foreign Secretary of the money to be disbursed through aid programmes and the fact that the ODA is responsible for managing expenditure to an extent and in a way that FCO is not. The logic of this seems to me to point towards a senior official responsible for the aid programme within the combined Department and answering on the Foreign Secretary's behalf to the Public Accounts Committee. But one need not conclude that the only way of expressing this in organisational form is an Administration headed by a full Permanent Secretary.

c. I found the discussion of FCO/ODA working relationships in paragraphs 5.36-5.38 and elsewhere very interesting. Paragraphs 7.1 and 10.2-10.4 seemed to me especially valuable and persuasive. The implication of the former is that the deepened "contact and co-operation" between the FCO and the ODA could have happened much earlier, while that of paragraphs 10.2-10.4 is that institutional separateness has a momentum of its own which would tend to push the FCO and ODA apart, despite the measures recommended by the report for joint policy making.

17. In addressing myself to Option D (paragraphs 11.1-11.6) therefore I began with the view that continued separateness must carry with it at least some costs, in terms of both duplication of services, working relationships less effective than they might be and, as the report says in paragraph 10.2, "lost opportunity". The report is not informative on costs, since it concentrates on aid and economic relations administration (paragraphs 2.12 and 2.13), so that I cannot deal with actual cost data which would throw a brighter light on the extent of duplication and overlap between the FCO and ODA, on both aid matters and matters of more commonplace administration. However, simply looking at the organisation charts in Annex F, I am impressed by the fact that the FCO and ODA each equip themselves to undertake the following functions, as well as the policy, geographical and other functions dealt with in the report:

Economic Planning Staff (ODA)/Economists (FCO)

Establishments & Organisation (ODA)/Relevant parts of the Chief Clerk's organisation (FCO)

Science & Technology, Health & Natural Resources (ODA)/Energy, Science & Space, Maritime, Aviation & Environment (FCO)

Financial staffs other than those covered by the report (ODA and FCO, eg Internal Audit)

18. The treatment of such functions in the report is slight, as indeed is the discussion of Option D. I am not an "all or nothing" unification man, but I am bound to say that paragraphs 11.1-11.6, while helpfully bringing out some of the main points to be considered, do not provide a model of organisation which

one can test on cost or other criteria. I agree with the assumption that unification would make for some important structural changes (paragraph 12.3, Option D) and that its implementation should be well timed (paragraph 11.5), but I think that the criteria selected for judging the options (paragraph 12.2) are insufficiently cost-conscious and that the reference to adverse effects on staff (paragraph 12.3) is too deferential to the legitimate interests of the staff associations in preserving the status quo.

19. The different difficulties of separate staff regimes and separate accommodation have some force, although I suspect that they can be over-played, but I am left with a strong feeling that the compromise solution of experimenting with two more single geographical departments avoids the main issue and is not the best way forward.

20. I see the main issue as how best to organise the functions now combined under the Foreign Secretary in a single framework. This appears to have two parts - first, the degree to which the FCO and ODA duplicate and overlap each other on aid policy at points not covered by the Report's recommendations and, second, the degree to which they also do so in such non-policy areas as economic, scientific and common services. This second part, of course, carries with it implications for the scale of the staff the Foreign Secretary needs.

Next steps

21. I think it would be helpful to discuss this letter and the report, with a view to letting the Prime Minister know this month what is to happen next and therefore with a view to agreeing on a "proposed action" document on the measures to be taken subsequently. May I suggest that the agenda might be as follows?

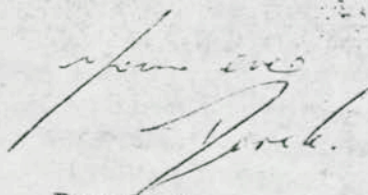
a. To settle on those decisions which can be taken now.

b. To settle how work on aid overlap/duplication can best be carried forward. I suggest that the team's geographical recommendations should be subsumed in a wider study of the interface between FCO and ODA on aid and the UK's relationships with developing countries. I assume that it would also be necessary to take into account the relationship between the FCO/ODA and other Departments in these matters. One possibility might be to adapt the Management Review of the ODA, which is now considering what work should be done during its main stage, to cover these issues.

c. To settle how the remaining "overlap/duplication" issues (paragraphs 17 and 18 above) should be handled. Some would no doubt fall within the work I envisage in b. above, but others (notably perhaps on the support and common services fronts) would at first sight warrant a study geared to the possibility of establishing a FCO/ODA

"fully merged" to take effect at about the time that Richmond Terrace becomes available to house what is left of the ODA in London (report, paragraphs 2.11 and 11.6). (I should make it clear however that I do not regard housing in one place as critical to the success of a merger, desirable though it would be; as with other departments in London one might have to settle for a second best in which sections of the department were housed apart from the main building, or even next to it.)

22. I am copying this to the Foreign Secretary and also to the Minister for Overseas Development, Sir Michael Palliser, Sir Peter Preston and Messrs Adams and McCulloch whose application and hard work I am glad to acknowledge.

A handwritten signature in cursive script, appearing to read 'Derek Rayner', is written over the typed name below.

Derek Rayner

111 JAN 1980

111 JAN 1980



Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

House of Commons Hansard,

30 October 1979, columns 1110 - 1189

"Ministry of Overseas Development (Dissolution)"

Signed Wayland Date 30 August 2012

PREM Records Team



Coat
Machinery

10 DOWNING STREET

From the Private Secretary

16 July, 1979.

Dear Paul

Management Review of ODA

Thank you for your letter of 15 June with further information about the ODA Management Review.

The Prime Minister remains sceptical about the value of management reviews, but has now agreed that the two currently planned should go ahead. She has discussed this with Sir Ian Bancroft and Sir Derek Rayner, and those who are responsible for the management review within the Foreign Office should be in contact again with CSD to see whether Sir Ian Bancroft wishes to modify the format of the review in any way following his discussion with the Prime Minister. The Prime Minister has also asked that Sir Derek Rayner should be kept in touch with the progress of the review, which is complementary to the Foreign Office Rayner project.

I am sending copies of this letter to David Laughrin (Civil Service Department), and Clive Priestley (Sir Derek Rayner's Office).

Yours ever

Mike Pattison

Paul Lever, Esq.,
Foreign and Commonwealth Office.

sr



MAD

CIVIL SERVICE DEPARTMENT
WHITEHALL LONDON SW1A 2AZ
Telephone 01 273 5400

^{GCB}
Sir Ian Bancroft ~~KEB~~
Head of the Home Civil Service

M A Pattison Esq
Private Secretary to the Prime Minister
10 Downing Street
London SW1

29 June 1979

Dear Mike,

MANAGEMENT REVIEWS

When you telephone me today you asked for some more information about the proposed management reviews of MAFF and ODA.

2. In his letter of 15 June about the ODA review, Paul Lever (FCO) referred to the origins of the current management review programme and explained briefly the way in which they are carried out.
3. As he said, their primary purpose is to help a department to improve the effectiveness and efficiency of its internal organisation and management. They are run as a joint operation between the department under review and the CSD. They have provided an important opportunity for the CSD as part of its wider responsibilities in relation to the management of the civil service to examine with departments their organisational structure and main management systems to ensure that these are in a sound condition and that improvements are made where these are needed.
4. Each review results in a report to the Minister in charge of the Department and to CSD Ministers and is supervised by a Steering Committee under the chairmanship of the Department's Permanent Secretary. The composition of the Steering Committee has varied from review to review, but it usually consists of the most senior officials in the department, a member of the CSD (and recently a representative of the Treasury as well) and one or more members from outside the Service. Sir Derek Rayner served as a member of the Steering Committee for the reviews of the Ministry of Defence and of DHSS (which are two of the dozen reviews completed so far).
5. The work of the reviews is carried out by a review team, led by an Under Secretary or Assistant Secretary (depending on the size of the department), together with other members of the department and staff drawn from the CSD's division which carries responsibility for helping departments with these reviews. In some reviews, an external consultant has also been included in the team.

6. The usual practice has been for a review to begin with a preliminary survey, leading to recommendations for a main programme of studies of various aspects of the management of a department. The studies decided on by the Steering Committee in the light of this preliminary survey are then carried out concurrently under its direction. The range and content of these studies have varied from department to department. So has the length of the reviews, but they have normally taken between 9 months and a year from start to finish. In the main studies, a particular emphasis has usually been made on examining the way the department plans and controls the use of its resources. They have not, however, usually been directly concerned with a review of specific policies and programmes, but rather with the longer term problem of ensuring that a department is properly organised and equipped to undertake the work which it has to do.

7. As Paul Lever's letter said, a review had been planned for the former Ministry of Overseas Development and the Secretary of State hopes that a review of ODA can begin in the autumn. Its terms of reference are simply "to review the organisation and management of ODA", but the Secretary of State has indicated that he wishes it to pay particular attention to the relationship between ODA and the rest of the FCO. Some preliminary work for the review (examining the specialised scientific bodies and professional advisory groups attached to ODA) is already proceeding under the direction of the Assistant Secretary appointed to lead the main review and with the help of a Senior Principal from CSD. The other members of the team have yet to be appointed, but it is understood that ODA propose that the Principal selected to work on the "Rayner project" will be joining the team after he has completed it.

8. In the case of MAFF, plans are less far advanced. The Minister mentioned his intention to commission a management review in his minute to the Prime Minister of 7 June. He proposes that it should concentrate on a review of the Ministry's regional organisation where he believes that a number of improvements could be made to take account of the changes in the Ministry's functions under the Common Agricultural Policy. There have been some preliminary discussion between MAFF and CSD over the arrangements for the review which, on present plans, would start in the late summer or early autumn and the review team has yet to be appointed.

9. I hope this further information is helpful to you.

*Yours sincerely,
David*

DAVID LAUGHRIN
PS/Sir Ian Bancroft
29 June 1979

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PRIME MINISTER

When you saw Lord Carrington's proposals for incorporating the functions of the Overseas Development Ministry with the FCO, you questioned the proposed management review. His further advice on this point is at Flag A.

At Flag B, Sir John Hunt suggests that the series of management reviews so far held have not proved their worth. But he also suggests that there is a strong case for some such investigation in the case of ODA, provided that this is not constrained by the methodology and timescale of other recent management reviews. Sir Derek Rayner's Office (Flag C) also see a case for a review of ODA, which would complement his own work.

The series of management reviews started in 1972, and was due to continue now with one for ODA and one for Agriculture - Mr. Walker mentioned this in his "waste" minute at Flag D. *(see Lord M... (Rayner) (1972))*

I think there is a strong case for a special study of ODA at this stage, along the lines suggested by Sir John Hunt. The old ODM was put together from pieces of three existing Ministries, with a number of semi-independent specialist research bodies loosely associated. There may well be room for a great deal of rationalisation. The new FCO/ODA arrangements should open further possibilities for rationalisation, especially in the administrative grades. On the other hand, you may think that the proposal for a management review of MAFF could well be held back at this stage.

Would you like to instruct that the ODA review should go ahead on the lines recommended by Sir John Hunt, but that the MAFF review should be reconsidered?.

MAFF

I still think it

a waste of time & money.

The people in ODA who

*Foreign Office know far better than
authorities how to combine the two. No*

25 June 1979

Ref. A09837

MR. PATTISON

Management Review of ODA

I have been following your correspondence with Mr. Lever with interest because I have come to feel over the last year or so - and I think Sir Kenneth Berrill agrees with me - that the present system of management reviews is time consuming and not very productive.

2. I accept that any Government Department needs to be shaken up from time to time. Otherwise old functions go on unquestioned, staffing levels creep upwards, inefficient practices develop, and service - both to Ministers and to the public - suffers. I accept also that one or two earlier management reviews have produced worthwhile results. ^{However} Too many of them (I have in mind particularly a recent review of the DES and one going on currently of Environment/Transport) seem to involve much time and effort to little purpose. To give them their due, the CSD members of the review teams are well qualified and have now developed considerable experience of this kind of work: but in practice the reviews tend to accept the Department's existing tasks and concentrate on the best way of discharging them - and the Department exercises something like a veto over what shall, or shall not, be discussed. And people from outside the Service are not usually involved. There is the further point that the present round of public expenditure cuts and cash limits are of themselves forcing Departments to examine themselves very rigorously - to put it crudely, the prospect of a 20 per cent cut concentrates the mind much better than a management review!

3. I think therefore that there is a case for re-examining the present system of management reviews. And for this the Prime Minister would no doubt want a CSD analysis of the results achieved by the dozen or so reviews conducted since 1972: and an analysis of the alternatives including for example bringing in outsiders, widening terms of reference, taking control out of the hands of the Departments concerned, etc.



4. Having taken this rather critical line however, I am bound to add that I think a review of the ODA is desirable provided it is rigorously conducted. In the first place ODA needs to be integrated into the FCO in the most economical way possible: second, there is some reason to think that our administration of aid is too labour intensive: and third there are points which ought to be looked at about relations with bodies like the British Council and TETOC. In order to avoid some of the pitfalls of earlier reviews, however, I suggest that:-

- (i) The review should be given a very tight timetable.
- (ii) It should not be chaired by someone from the ODA itself.
- (iii) Given the desire of this Administration to use aid more effectively to help our export efforts, it should ask fundamental questions about relations in both the FCO/British Council area and the Department of Industry/Trade area.

(John Hunt)

22nd June, 1979

Faint header text, possibly a title or reference number.

Main body of faint, illegible text, likely a letter or report.

22 JUN 1979

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HOLD

Advice coming ^{Yardl.}
Francis J Hunt + ^{Mach}
Sir K Bewell.
BU to me 25/vi. MAF 27/vi

PRIME MINISTER

When you considered Lord Carrington's proposals for handling overseas development matters, you queried the proposal for a management review of ODA.

The attached letter explains the background. Although these management reviews started before your Government's various initiatives to improve efficiency and reduce waste, Sir Derek Rayner's office believe that they should prove very valuable. (Peter Walker reported to you in his minute on efficiency and waste that one was now in hand for agriculture as well.)

In the case of ODA, there are now two important areas which merit proper examination. First, the ODM was originally put together from sections of three existing Ministries, with a number of semi-independent specialist research bodies loosely associated. There may well be room for a great deal of rationalisation without losing the world-wide standing of the quality of output of some of these bodies. Secondly, the new FCO/ODA arrangement may well allow room for some rationalisation in the administrative grades. It is questionable whether separate geographical departments are required in ODA as well as in the main wing of the FCO, for example.

Lord Carrington comments that the review seems more than ever appropriate in these circumstances. Do you agree that it should go ahead?

MAF

19 June 1979

C

cc Sir Derek Rayner o/r
Mr Allen

Mr PATTISON

MANAGEMENT REVIEW OF ODA

1. We had a word about this earlier today. Since then I have heard that there is a minute from the FCO to your office about it. It may be worth confirming what I said this morning.
2. The background is that the Management Review programme was started by Mr Heath's Administration in 1972 and was endorsed by the last one. About 13 major departments have been covered, in each case by a joint team from CSD and the department under review, working to a steering committee chaired by the "home side" Permanent Secretary; in each case, too, the steering committee reports to the Minister in charge of the department and to the senior Minister in charge of the CSD. (I myself in my last post was the senior CSD officer in the MRs of HM Treasury, CSD itself, the DE Group and DES.)
3. MAFF and ODA are due to be MR'd later this year. There is already an embryonic team in the ODA doing some factual groundwork on the relationship between "central" ODA and the scientific units, eg the Centre for Overseas Pest Research. The Minister of Agriculture indicated in his minute to the PM of 7 June on efficiency and waste that he proposes to carry out an MR urgently.
4. Sir Derek Rayner has not commented on the MR programme, either in general or in relation to either ODA or MAFF. (He does not see the Foreign Secretary until 25 June or the Minister of Agriculture until 29 June.) I do not think that he would want to advise either Minister against having an MR, but I think (a) that when he comes to his project on "conventions and barriers" he will want to comment on the programme as an instrument of enabling Ministers to check on the management of operations and resources and (b) that in the meantime he would want to encourage both Ministers to use these MRs to take a close look at their departments' systems for the planning, control and use of resources as well as at such a "burning issue" as the regional organisation question mentioned by Mr Peter Walker. (Typically, MRs examine both control systems and "burning issues", but with more emphasis on the latter than the former.)
5. Finally, you may like to know that the Minister of State, FCO (Mr Douglas Hurd) has now offered Sir DR as his project:

"The merger of the FCO and the former ODM: how to reduce duplication, improve co-ordination of policy and achieve manpower savings."



6. It is probable that Sir DR will accept this.

CP

C PRIESTLEY
19 June 1979

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19 JUN 1979



Foreign and Commonwealth Office

London SW1A 2AH

R19.15 June 1979

Dear Mike,

Management Review of ODA

Thank you for your letter of 30 May about arrangements for handling overseas development matters. The Secretary of State is grateful for the authorisation given for various of his proposals.

You indicated that the Prime Minister desired more information about the proposed management review of ODA, and that she was not convinced that it was necessary at this stage, given various other work which she has commissioned on machinery of Government.

I should explain that the review is intended to form one of the series of management reviews of departments which was launched in 1972 by the previous Conservative Administration and was continued by the last Government. These reviews (of which about a dozen have now been completed) are commissioned by the Minister in charge of the department; are conducted by a joint team drawn from the department itself and from the CSD; and the report is made to the Departmental Minister and to the Lord President. The primary purpose is to help the top management of each department to improve the effectiveness and efficiency of its internal organisation and management, including in particular the planning and control of its resources, both financial and manpower. A review had been planned for the former Ministry of Overseas Development. Since 1964, the Department has developed a complex structure within which there are a number of specialised scientific bodies and professional advisory groups. This needs study and a preliminary survey is already under way. The main review is due to begin in the autumn. It would now examine the new ODA and, in particular, its relationship with the rest of the FCO, taking special account of the points of overlap between the ODA and the rest of the FCO which may emerge in the context of an examination as part of the Rayner project. The review seems thus more than ever appropriate in these circumstances and my Secretary of State hopes that the Prime Minister will agree that it should go forward.

I am copying this letter to Martin Hall (HM Treasury), Jim Buckley (Lord President's Office), Tom Harris (Department of Trade) and to Martin Vile (Cabinet Office).

*Yours ever
George Lever*

PL
P Lever

M A Pattison Esq
10 Downing Street



19 JUN 1978



cc: Hmt Govt HS
LPO
D/Tr Machinery
C.O.



Fue

10 DOWNING STREET

From the Private Secretary

30 May 1979

B.F. 14/6

Dear Paul

The Prime Minister has considered your Secretary of State's minute of 24 May, about arrangements for handling overseas development matters.

She notes that a Transfer of Functions Order will be required. While she is not attracted by the lengthy title that your Secretary of State wishes to apply to Mr. Marten's position, she is content to accept his recommendation.

In respect of Cabinet arrangements, the Prime Minister wishes to emphasise that the manner in which Lord Carrington submits papers to Cabinet is entirely a matter for him, but that they must go forward as his papers. However, if Lord Carrington nominates Mr. Marten to attend a Ministerial Committee, he must do so as the representative for the Foreign and Commonwealth Office for that item. The Prime Minister would not wish the Foreign Office to be represented at Ministerial Committees by two Ministers, other than in those Committees where both the Secretary of State and the Lord Privy Seal are required to attend.

The Prime Minister is content with the internal arrangements proposed by Lord Carrington in respect of relations with the Treasury, but she emphasises that these must remain Lord Carrington's responsibility. She is also content with the proposals in respect of relations with the Civil Service Department. The Prime Minister would be grateful for more information about the proposed management review of ODA. She is not convinced that this is necessary at this stage, given various other work which she has commissioned on the machinery of Government.

The Prime Minister regards these arrangements as purely internal, and therefore sees no need for an announcement in the House.

I am copying this letter to Martin Hall (H.M. Treasury), Jim Buckley (Lord President's Office), Tom Harris (Department of Trade) and Martin Vile (Cabinet Office).

Yours ever
Mike Pattison

Paul Lever, Esq.,
Foreign and Commonwealth Office

239

PRIME MINISTER

Lord Carrington's minute at A sets out his proposals for Mr. Marten's responsibilities. Sir John Hunt offers comment at B.

Paragraphs 6 - 9 of Lord Carrington's minute are, as Sir John Hunt observes, essentially housekeeping points. The main points for decision are Mr. Marten's title (paragraph 3), the proposal that he may submit papers to Cabinet under cover of a note from Lord Carrington (paragraph 4), and the proposal that he might in the future be nominated for Ministerial Committees, possibly with another Foreign and Commonwealth Office Minister in attendance on occasion. ^(para 5) Sir John Hunt has commented on the two latter points in his paragraph 3: he sees no major difficulty.

Are you content with these proposals, subject to the comment that you expect them to be reflected in practice by a much closer relationship of our aid programme to our overall foreign policy.

MAD

① How Lord Carrington submits papers to Cabinet for his dept. is a matter for him. That they are his papers. None others are admitted.

29 May, 1979.

② If Neil D. comes to Ministerial Committees he comes as the representative of the F.O. for that item. The only place we have 2 F.O. Ministers is Cabinet & that is an accident of peerage not of the F.O.

Ref. A09645

MR. PATTISON

You asked if we wished to comment on the Foreign and Commonwealth Secretary's minute of 24th May about future handling of matters relating to overseas development.

2. I have no comment on paragraphs 2 and 3 of Lord Carrington's minute dealing with the Transfer of Functions Order and the new titles involved. Similarly I have no comment on the essentially housekeeping points dealt with in paragraphs 6-9.

3. I paused over paragraphs 4 and 5 which envisage Mr. Marten putting papers to Cabinet and also becoming a member of Ministerial Committees where development considerations are predominant. I doubt whether the Prime Minister would welcome anything which looked as though the ODA would be free-standing vis-a-vis Cabinet or Cabinet Committees, and it will be important to show that the change is one of substance and not merely presentation. However I think that an element of face-saving has been going on. In fact paragraph 4 makes it clear that Mr. Marten cannot put papers to Cabinet direct: and paragraph 5 does not seek any decision at the present time.

4. I suggest therefore that the Prime Minister could agree to these proposals (which apparently flow from extensive discussion between Ministers and Permanent Secretaries!) though she may want to comment to the effect that, while she is content with the proposals, she expects them to be reflected in practice by a much closer relationship of our aid programme to our overall foreign policy.


JOHN HUNT

29th May, 1979



PM/79/46

PRIME MINISTER

1. We have made it clear publicly that I am to be responsible for overseas development and that there will be no separate Minister of Overseas Development. I have been considering the best way of implementing this decision.
- ✓ 2. I am advised that to carry out the reorganisation there will have to be a Transfer of Functions Order transferring the functions of Minister of Overseas Development to me and bringing about the lapse of the title. This will require an affirmative resolution. But in practice the new arrangements will be put into effect immediately.
3. I propose that the present ODM be converted into an Overseas Development Administration within the FCO. Neil Marten, in his capacity as Minister of State for Foreign and Commonwealth Affairs, will be responsible to me for overseas development. I propose that his title should be Minister of State for Foreign and Commonwealth Affairs and Minister for Overseas Development. This is unwieldy, but it is important that he should be seen in his dealings with Ministers and others from governments overseas to be the "Minister for Overseas Development" (there is of course an analogy for this in certain other Departments). *Keep him like minister (rank of status). Not the other way round.*
- !!! 4. I also propose that on occasions when Neil Marten thinks that issues in his field merit reference to Cabinet, he will prepare a memorandum for me which I will then pass on to Cabinet under a covering paper.
5. I would further propose to nominate Neil Marten for membership of Ministerial Committees where development considerations are predominant. There may be occasions when it would be appropriate for another FCO Minister to attend as well. *→ No*
6. For practical reasons I am proposing to authorise Neil Marten on my behalf to conduct the normal relations of a spending department direct with the Treasury. Sir Peter Preston, currently Permanent Secretary of the ODM and the senior official in the ODA, will remain Accounting Officer in respect of ODA affairs. *Lord C still responsible,*

/ 7.

24 MAY 1979





7. I also intend to authorise Neil Marten to deal direct with the CSD on relevant ODA matters, keeping me informed as necessary. The staff of ODM are Home Civil Servants. At official level Sir Peter Preston will be responsible to Neil Marten on all personnel and related matters affecting the ODA.

What's for?
8. It is convenient that a management review of ODM (now ODA) has already been arranged to begin in October. This will provide an opportunity to look further at organisational questions.

9. I am proposing that the Staff Sides of both Offices should be informed in detail of these arrangements and given an assurance that there is no intention at this stage to vary their terms of service or the general arrangements for discharging their tasks.

As the House will be asked to consider this.
10. If you agree with these proposals you will no doubt wish to make an announcement in the House. I attach a provisional draft written reply for consideration.

11. I am copying this minute to the Chancellor of the Exchequer, the Lord President of the Council, the Secretary of State for Trade and to Sir John Hunt.

C

(CARRINGTON)

Foreign and Commonwealth Office

24 May 1979

DRAFT WRITTEN REPLY BY THE PRIME MINISTER

The Government attach great importance to overseas aid and development as an aspect of our relations with the developing countries of the world. My noble Friend the Secretary of State for Foreign and Commonwealth Affairs has assumed full responsibility for these matters, and a Transfer of Functions Order will be laid transferring to him the functions of Minister of Overseas Development. The present Ministry of Overseas Development will become an Overseas Development Administration within the Foreign and Commonwealth Office. Responsibility under the Secretary of State for questions on overseas development rests with my Honourable Friend Mr Neil Marten, MP, Minister of State for Foreign and Commonwealth Affairs and Minister for Overseas Development.

Cont Machinery

CONFIDENTIAL



10 DOWNING STREET

From the Principal Private Secretary

23 May 1979

Machinery of Government Changes

Thank you for your letter of 17 May reporting on where we stand with regard to the various machinery of government changes. This all seems satisfactory and we have nothing to add.

K. R. STOWE

David Laughrin, Esq.,
Civil Service Department.

CONFIDENTIAL

Mh



10 Downing Street
Whitehall

~~Mr. Sanders~~

Thank you for letting me
see the attached.

Behind the scene discussions
seem to have found a way through
(or round in the case of Transport!) the
recent machinery of government changes.
So be it.

Paragraph 4. There is a
Department of Transport which is headed
by a minister of Transport who is
paid as a minister of State.

22.11.19.

010

Copy on Minutes, May 1979
(Status of Min. Trans)



CIVIL SERVICE DEPARTMENT
WHITEHALL LONDON SW1A 2AZ
Telephone Direct line 01 273 5400
Switchboard 01 273 3000

Sir Ian Bancroft KCB
Head of the Home Civil Service

CONFIDENTIAL

K R Stowe Esq. CB
10 Downing Street
London SW1

await further paper from
FCO re ODM: note BPCP
and Transport, which PM
need not see. MAF 2/1/79.

Mr. Pattison

Mr. Sanders.

Some need to do
more than note this?

I have nothing to
add. mys

KRS

22/1/79

17 May 1979

Dear Ken,

MACHINERY OF GOVERNMENT CHANGES

At Sir Ian Bancroft's request I am sending you a report on the administrative and legal aspects of implementing the machinery of government changes which the Prime Minister has made and which he has discussed with the Permanent Secretaries concerned. He has minuted separately about the transfer of the Arts responsibilities on which there is a point for decision by the Prime Minister. In the light of that, work can immediately proceed on the preparation of the necessary Transfer of Functions Order which will take two to three weeks to prepare.

Overseas Development

2. We understand that Lord Carrington is considering the most suitable arrangements for the absorption of the Ministry of Overseas Development within the Foreign and Commonwealth Office and his office will be writing to you, hopefully this week. In due course a Transfer of Functions Order, subject to affirmative resolution, will be needed if ODM is to be formally dissolved but meanwhile there is no difficulty legally as Lord Carrington has authority for the overseas development functions having been appointed Minister of Overseas Development as well as Secretary of State for Foreign and Commonwealth Affairs.

Prices and Consumer Protection

3. The Department of Prices and Consumer Protection, as it existed at dissolution, becomes part of Department of Trade. Since the bulk of DPCP's functions were vested in the Secretary of State "at large", the transfer can be achieved administratively and the Secretary of State for Trade can discharge nearly all the DPCP responsibilities straight away. A tidying up Transfer of Functions Order, subject to negative resolution, will however be required to transfer to the Secretary of State for Trade those functions currently vested in the Secretary of State for Prices and Consumer Protection by name. There is no urgency in this but the Order should be ready in the next week or two.

CONFIDENTIAL

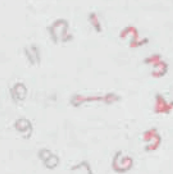
Transport

- ✓
4. The creation of the post of Minister of Transport involves no administrative changes in the Department of Transport which will continue in being as at present. However, we are advised that a Transfer of Functions Order, subject to negative resolution, will be required to transfer to the new Office of Minister of Transport the transport functions which are currently vested either in the Secretary of State "at large" or in the Secretary of State for Transport by name. The Order is in draft and is expected to be ready for the next meeting of the Privy Council on 23 May. In the remaining days before that Order comes into effect, the Minister of Transport can in practice discharge the responsibilities in the transport field although formal instruments will have to be signed by a Secretary of State or by someone authorised by a Secretary of State.
 5. The information in this minute on legal points has been cleared with Sir Henry Rowe, First Parliamentary Counsel.
 6. I am sending a copy of this minute to the Private Secretaries of the Secretary of State for Foreign and Commonwealth Affairs, of the Secretary of State for Trade and of the Minister of Transport.

Yours sincerely,
David

DAVID LAUGHRIN
Private Secretary

17 MAY 1979



CONQUEROR



PRIME MINISTER

To see.

MS

MR K R STOWE

MACHINERY OF GOVERNMENT CHANGES: DPCP AND ODM

I understand that the Prime Minister would welcome notes dealing with the abolition of the Department of Prices and Consumer Protection as a separate department and the merger of the Ministry of Overseas Development in the Foreign and Commonwealth Office.

... I attach notes on both these possibilities with this minute.

2. My own view is that both changes would on balance be desirable and they could, I believe, be achieved without a significant degree of disruption, although I have not at this stage consulted the Permanent Secretaries of the Departments concerned about the detailed administrative implications.

RB

IAN BANCROFT
4 May 1979

DEPARTMENTAL ARRANGEMENTS FOR OVERSEAS AID AND DEVELOPMENT

Background

The ODM was first established in 1964 by bringing together the overseas technical assistance functions of the Department of Technical Co-operation; the overseas aid policy functions of the Foreign Office, the Commonwealth Relations Office and the Colonial Office; and certain analogous functions of other departments. From October 1964 to August 1967 the department was headed by a Cabinet Minister; and it remained in existence as a separate department, not represented in the Cabinet, until November 1970 when its departmental functions were transferred to the Secretary of State for Foreign and Commonwealth Affairs. The ultimate responsibility for overseas aid was assumed by the Secretary of State, but development work was carried out by a functional wing of the unified Department, the Overseas Development Administration, responsibility for which rested with the Minister for Overseas Development - a Minister of State at the Foreign and Commonwealth Office.

2. Following the February 1974 election a separate Department was re-established. The bulk of the new responsibilities of the Minister of Overseas Development were transferred by the Minister of the Crown Act 1974, and the remainder were transferred subsequently by Order. Under the amendments which were made at that time to the legislation governing the payment of Ministerial salaries, it is, however, only possible to pay a salary to a Minister of Overseas Development by virtue of that office if its holder is not a member of the Cabinet. Mrs Hart, who held the post of Minister of Overseas Development until June 1975, was not a member of the Cabinet. However, since June 1975, the posts of Secretary of State for Foreign and Commonwealth Affairs and Minister of Overseas Development have been held concurrently. This made it possible for Mr Prentice to be appointed as a Minister of State in the Foreign and Commonwealth Office with the title of Minister for Overseas Development, to have a seat in the Cabinet, and to draw a Cabinet level salary, while in practice taking day-to-day charge of ODM which remained in being as a separate Ministry. The Secretary of State for Commonwealth and Foreign Affairs, however, as the holder of the office of Minister of Overseas Development and the

Department's titular head had to make certain outside appointments and, for example, to sign loan agreements. There was a further change in the position when Mrs Hart took over from Mr Prentice in February 1977. Like Mr Prentice, she held office as a Minister of State in the Foreign and Commonwealth Office, but was not a member of the Cabinet. This was the position at Dissolution.

Functions and Structure

3. The ODM formulates and carries out policies to help economic development in less developed countries and is responsible for the management of the aid programme as a whole. It is responsible for the inter-Governmental Agreements under which aid is dispersed; the terms on which aid is offered (including methods of procurement); the appointments and terms of service of British experts; and relations with other organisations concerned with developmental assistance, including international bodies such as the specialised agencies of the United Nations. It contains a number of scientific and technical units providing technical assistance; and it is responsible for the administration of most of HM Overseas Civil Service. It sponsors a number of fringe bodies including the Crown Agents and a large part of the work of the British Council is charged on its behalf.

4. Under the last Administration the Minister for Overseas Development was assisted by a Parliamentary Secretary. The permanent staff of the ODM (with a few exceptions) are members of the Home Civil Service, although most aid work in our Missions abroad is carried out by members of the Diplomatic Service. It has a total staff of the order of 2400 (all but approximately 75 of whom are at HQ) with 11 Administrative and 4 Professional posts at Under Secretary level and above. This total figure includes 950 staff in the technical and scientific units, all of whom are based at HQ.

Alternative Options

5. The arrangement at Dissolution under which the Secretary of State for Foreign and Commonwealth Affairs held concurrently the office of Minister of Overseas Development and was therefore formally responsible for overseas aid and development functions while in practice the

Minister of State for Overseas Development was effectively in charge of the ODM, was a potentially confusing one. If it is desired to retain ODM as a separate Department, it would from this point of view be preferable to separate the post of Secretary of State for Foreign and Commonwealth Affairs and Minister of Overseas Development. This would involve little or no change in administrative terms since the FCO and ODM would continue as now as separate Departments, but ODM would report formally as well as in practice to its own separate Minister. However, this change would not be straightforward if the Minister of Overseas Development was to have a seat in the Cabinet in accordance with the usual practice for all Ministerial departments to be represented there. This is because ^{of} the effect of the legislation on Ministerial salaries ^{which} does not provide for the payment of a salary to a Minister of Overseas Development who is a member of the Cabinet. It would therefore be necessary for the Minister to hold concurrently another office entitling him to a salary.

6. There are, however, stronger arguments in favour of reverting instead to the arrangement during 1970/74 when ODM (which has a relatively narrow functional span) ceased to exist as a separate Department and its activities were the responsibility of a separate functional wing of the FCO. This would provide a unified framework for the development of policy as aid and development as a part of overseas policy generally. This could be achieved in one of two ways :-

i. Full integration

The most thorough-going method for doing this would be complete integration of aid and development functions within the FCO. This would permit the fullest development of foreign policy embracing aid considerations and it should allow for the more effective deployment of personnel, especially among the staff currently engaged in the allocation of aid, with the possibility of some manpower savings, improved career prospects and the avoidance of staff overseas reporting to two separate Ministerial authorities. On the other hand, there would be disadvantages. Full integration would involve a considerable administrative reorganisation with attendant costs of disruption and the fact that ODM personnel are in general members of the

Home Civil Service and not the Diplomatic Service could create some problems for integration; but it is unlikely that these would prove insuperable. Full integration would, however, involve fragmenting what, for some years, has been a clearly defined function generating its own programme. Although there is a good case for full integration, it might be wise to conduct a thorough examination of this option following the introduction of the more limited change envisaged in (ii) below.

ii. Retention of distinct organisational arrangements within FCO to handle aid matters

In view of these factors, there would be considerable attraction at least as a first stage in returning to the pre-1974 arrangement whereby aid and development functions would be administered by a relatively self-contained organisational unit within the FCO. At Ministerial level, the Secretary of State for Foreign and Commonwealth Affairs would, as the holder of that office, assume statutory responsibility for the aid and development field but with day to day charge of the organisational unit dealing with aid and development functions in the hands of a Minister of State designated for that purpose. This change, which could be effected simply, would involve little administrative disruption and would enable the Government to preserve the separate character of aid administration, while bringing it more closely than at present into the general framework of overseas policies.

7. A Transfer of Functions Order (under the Ministers of the Crown Act 1975) subject to affirmative resolution, would be required to re-absorb ODM in FCO whether on a fully integrated basis or not. This would involve the abolition of the office of Minister of Overseas Development. The Order would transfer the functions vested in the Minister of Overseas Development to the Secretary of State and the office of Minister of Overseas Development would lapse. The Secretary of State for Foreign and Commonwealth Affairs could continue ad interim as now to hold the office of Minister of Overseas Development until the transfer by Order had been made. If a distinct organisational

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unit within FCO was retained (as at (ii) above), a Minister of State appointed to the FCO could be designated in advance of the change as the Minister for Overseas Development.

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THE FUTURE OF THE DEPARTMENT OF PRICES AND CONSUMER PROTECTION

The Present Department and its Functions

The Department of Prices and Consumer Protection was established in March 1974. It is the smallest of the four separate Departments (the others being Energy; Industry and Trade) which came into being following the dismantling of the Department of Trade and Industry.

2. The Department is the focal point for measures to deal with prices. It sponsors the Price Commission and has the principal responsibility for policy over the whole range of retail prices including food prices (for which responsibility and staff were transferred to it in 1974 from MAFF) except for those of the Nationalised Industries (unless they are investigated by the Price Commission). It has overall responsibility for the policy on food subsidies although other departments undertake the detailed administration of the scheme. The department deals with consumer affairs generally and is responsible for policy on fair trading, consumer credit, standards, weights and measures and for monopolies, mergers and restrictive practices. The Director General of Fair Trading is appointed by the Secretary of State for Prices and Consumer Protection as are the members of the Price Commission, the Monopolies and Mergers Commission, the Metrication Board, the National Consumer Council and the various Nationalised Industries Consumer and Consultative Councils. DPCP sponsors more than 40 Nationalised Industry Consumer Councils, some of which are Regional bodies.
3. The Department has a staff of around 340 including 6 staff at Under Secretary level and above. In addition to the Secretary of State, the Department had a Minister of State and a Parliamentary Secretary at dissolution.
4. When the Department was first established, the possibility of giving it somewhat wider functions in relation to food was considered, but it became clear that this would damage the organisational structure and functional unity of MAFF. Other possibilities for expanding DPCP's role

have been considered. These included on the prices side the transfer from the Department of Employment of responsibility for the retail price index. This would not have added significantly to DPCP's functional load since the Department of Employment's local network would still have had to be used for collection of information used in preparing the index. Moreover, there would have been disadvantages from an organisational point of view in the transfer as it would have resulted in further fragmentation of departmental statistical capabilities.

5. On the consumer protection side, it did prove possible to transfer from the Home Office certain limited functions in the field of consumer products safety and safety in the home; and from the Nationalised Industry Departments certain functions in relation to nationalised industry consumer and consultative councils. But it would be difficult to build up DPCP any further in functional terms in the consumer protection field. This would involve the transfer of very disparate responsibilities which are at present exercised elsewhere and which it is difficult to divorce from responsibility for the related function, eg road safety from DOE; drug safety from DHSS.

Organisational and Management Problems in a Separate DPCP

6. For the reasons explained in paragraphs 4 and 5 above, there is little or no scope for expansion of DPCP's present functions and if it is to be retained as a separate Department, it will need to continue to be regarded as being outside the main framework of "functional" Departments in central government; and acting simply as a small focal point for co-ordinating within Government policy on prices and consumer protection matters. The case for retention of a small department of this unusual nature depends largely on the political importance which the Prime Minister attaches to it. But there are significant organisational and management difficulties in the present arrangement.

7. These largely stem from the fact that by its small size and nature of its role, DPCP has no substantial functional base on which to operate. The work of virtually every Department is bound to impinge on others, but the activities of DPCP cut across those of other Departments to a

quite exceptional degree and the capacity to formulate and implement policies from within the Department is inevitably very limited. This can be seen if each of the main areas of work of DPCP is considered.

8. Policy towards countering inflation (which determines the action to be taken on prices) is a key element in the national economic strategy, for which Treasury has lead responsibility. The policing of prices in industry and commerce and of rules and regulations for consumer protection and credit are very closely linked with the Department of Trade's responsibilities for the regulatory and legal framework for industry and commerce as a whole. The responsibility for food prices and subsidies which came from MAFF is inextricably inter-linked with MAFF's general responsibilities for agriculture, sponsorship of the food manufacturing industry and food standards. In the event, this has proved to be an unclear boundary line with overlap and confusion of responsibility. The responsibility for representation of consumer interests has tended to cut across the responsibility of those Departments sponsoring the industries or activities concerned - most notably in the area of consumer representation in the nationalised industries.

9. In terms of management, the very small size of the Department creates its own difficulties. The administrative costs of operating a small department tend to be relatively high because of diseconomies of scale and problems arise for career management and availability of specialist services. In the case of DPCP, these problems are certainly minimised by the common service and citizenship arrangements with the Department of Industry and Department of Trade, but the particularly heavy dependence on services provided from outside the Department which the small scale of DPCP requires must necessarily cut across the responsibility of Ministers and senior officials of DPCP for the overall efficiency and effectiveness of the Department.

Merger with Department of Trade

10. So long as a focus for decision and action within Government on prices and consumer questions is desired, it would not be possible to

eliminate entirely all the areas of cross cutting responsibilities referred to in paragraph 8 above but, on the assumption that the Prime Minister does not wish to recreate a combined Department of Trade and Industry, the more limited move to merge the bulk of DPCP's functions with the Department of Trade could certainly reduce significantly the organisational and management problems inherent in the free-standing DPCP.

11. A merger would ensure that the prices and consumer functions would be exercised in a Department with a much broader span of policy functions and in particular would bring together in a single Department responsibility for all aspects of the regulatory and legal framework within which industry and commerce should operate; and this would have the obvious advantage for industry and commerce of having to deal with only one Department in this area. This would therefore seem to represent a sensible rationalisation of industry and commerce functions, without adding to the responsibilities of the already heavily loaded Department of Industry.

12. A merger with Department of Trade would provide the opportunity to return responsibilities for food subsidies and prices to MAFF where they more appropriately belong. It would also be possible to return the Nationalised Industries Consumer and Consultative Councils to the sponsor departments. However, unless the sponsor departments closely co-ordinate their activities in this field - and this suggests that special co-ordinating machinery might be required - there would be no capacity for taking a coherent across the board view of consumer interests. Moreover, restoring responsibility for the NICCs to sponsor departments might lead to the excessive subordination of consumer interests to those of the nationalised industries. On balance, therefore, this responsibility would be better located in the Department of Trade.

13. A merger would naturally help to reduce the management problems arising from the very small size of DPCP, referred to in paragraph 9 above. The total staff of a merged department would be about 7,900 with 33 staff at Under Secretary level and above: this would compare with the corresponding totals in the Department of Industry of 5,300

and 41 - these figures exclude the "DTI" group Common Services. While it might be expected that the common service arrangements with the Department of Industry would continue, the merged Department would clearly not be so dependent on the provision of services from outside itself as DPCP has been.

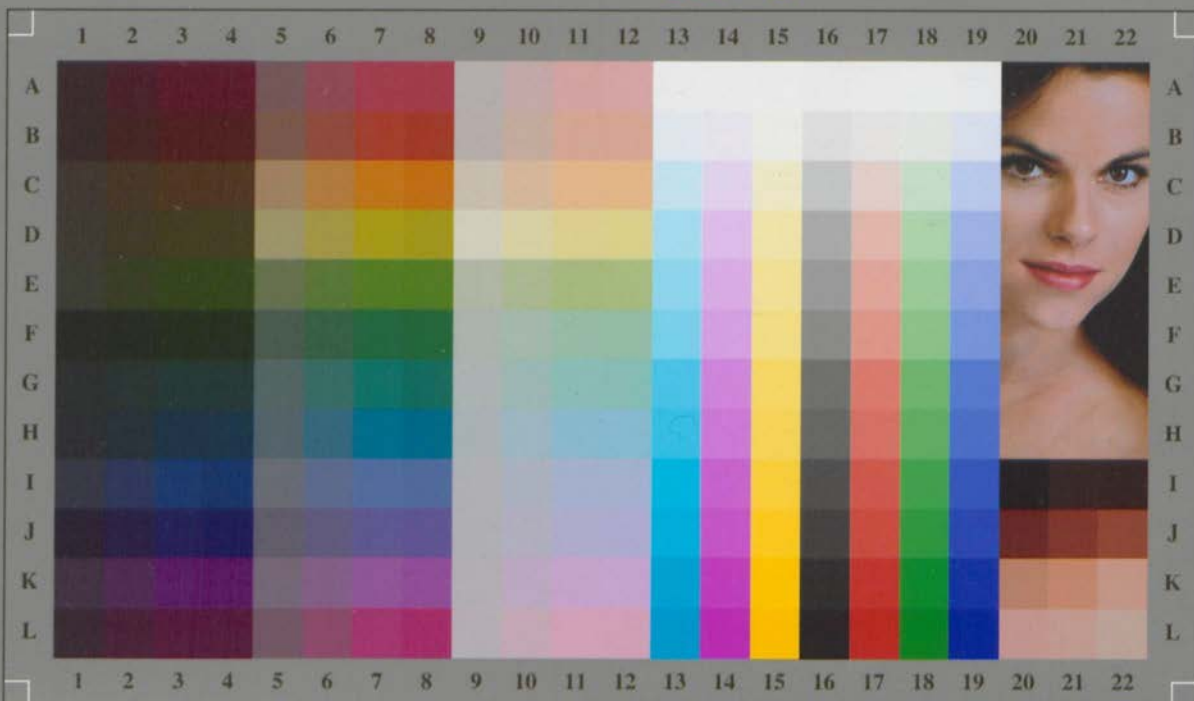
Mechanics of Change

14. The maintenance of "common citizenship" and of many common services since 1974 between the Departments of Industry, of Trade and of Prices and Consumer Protection would make it easier than usual to implement a merger in this area. DPCP could be dissolved administratively : there would be no need for a formal dissolution by a Transfer of Functions Order, subject to affirmative resolution. The bulk of the functions are vested in the Secretary of State, rather than in the Secretary of State for Prices and Consumer Protection by name, and these could be transferred administratively to the Secretary of State for Trade. A Transfer of Functions Order, subject to negative resolution, would however, be required subsequently to transfer any property, rights and liabilities which are currently vested in the Secretary of State for Prices and Consumer Protection by name. The various MAFF functions were transferred administratively in 1974 and could therefore be returned to MAFF in the same way.

Conclusion

15. If the Prime Minister wished to retain co-ordinating arrangements for prices and consumer protection and felt that the political arguments for retaining a separate DPCP were not decisive, the organisational arguments suggest a merger with Department of Trade as envisaged in paragraphs 10-13 above. This would involve the minimum of disruption and would bring prices and consumer protection into the framework of a department with related functions. Although the merged Department would have a wider policy span, it would not be too big for a major functional department. If the Prime Minister wished to emphasise the importance of prices and consumer protection, a Minister of State could be given special responsibilities in this field.

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