



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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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

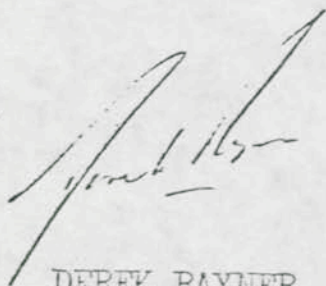
~~15~~13. The FCO and ODA could not be housed together in any one of their existing buildings. Housing in one place is not critical to the success of a merger, but more co-location that at present would very much help its efficient operation. As with other departments in London, one might have to settle 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

