

Sir Derek Rayner

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Mr Rickett

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REVIEW OF PERSONNEL, ESTABLISHMENTS AND FINANCE IN THE FCO
AND ODA

1. I had a visit this morning from a team consisting of Mr R M Russell, Deputy Chief Clerk and Chief Inspector, FCO; Miss J H Bacon, AS Machinery of Government, MPO; and Mr N J King, AS Staff Inspection, Treasury. They are about to report to higher management in the FCO and ODA on whether a merger of functions and staff in the areas noted above would offer a more effective and economic way of providing these services and on what arrangements should be made for managing the ODA after Sir Peter Preston's retirement.
2. This assignment follows the advice which we gave the PM in April 1981 about a report on FCO/ODA common services, namely that the costs of the obstacles to integrating personnel management, financial and manpower control should be re-examined in the light of what had been learnt from bringing together activities which the two Departments had already decided to integrate.
3. It is the unanimous view of the review team that there are no substantial advantages to be had from merging the common service functions they have been looking at which would offset the interruption of other business. There are some cost savings to be had (around £200,000 in 1980 prices) but these, in the team's view, nowhere near compensate for the damage which would be caused by interrupting some current management work of a very difficult kind, including - on the ODA side - the run-down of the scientific units, the run-down and re-location of the Directorate of Overseas Survey and the management of the dispersed staff in East Kilbride. They believe that if a full-scale merger of the Diplomatic and Home Civil Service staffs of FCO/ODA were in contemplation, the merger would be necessary, but it is not and there is no prospect that it will be during the course of this Parliament. On the finance side, the team argue that there

is a substantial advantage in having a separate management for the substantial Overseas Aid budget; this is also the view taken in the past by the relevant Expenditure Division in the Treasury.

4. Having read last year's papers again this morning; having heard Mr Russell's arguments; and taking account of the present load on FCO Ministers I concluded that, while in an ideal world we might continue to press for the merger, there is little point in doing so at this time. It is certainly the case that both Departments have a substantial burden of policy and management work and there is little to be gained by tinkering with the organisation of the staffs on whom much of the burden will fall.

5. I accordingly told the team that I would note the file to the effect that we had had this discussion; that I saw no merit in pressing for the merger at this time; and that I thought the issue should be settled by Ministers in the two Departments, without reference back to the Prime Minister, given all the other pressures on her time.

6. With regard to the higher management of the ODA, it seems certain that the team will recommend that the top post should be downgraded to that of Second Permanent Secretary, as opposed to full Permanent Secretary (which is, I believe, an arrangement personal to Sir Peter Preston). They are also likely to propose that the number of Deputy Secretaries should be reduced from 2 to 1.

7. I told the team that neither you nor I had any special knowledge of the higher management of ODA to contribute and that you should not be regarded as a hurdle on the course which the team had to clear in presenting their report. However, I added that you had a good personal relationship, reasonably active, with Sir M Palliser and Sir P Preston and that you would be meeting Sir A Acland in the reasonably near future. If it was

likely that you yourself could be helpful to Ministers or senior officials, I was sure that you would be.

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C PRIESTLEY

7 May 1982