National Audit Office

NEWS RELEASE

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Report by the Comptroller and Auditor General

Substantial progress made with FCDO merger but more to do to achieve full benefits

- Foreign, Commonwealth & Development Office spent minimum of £24.7 million on merger in 2020-21 to 2022-23, excluding indirect costs.
- Successes include bringing merger back on track by scaling back original plans, delivering key programmes, and building on former departments' strengths.
- Further work needed on overseas allowances and IT, culture change, and sustaining international development capability.
- Integrated approach has achieved some benefits, but FCDO has not systematically tracked them.

The Foreign, Commonwealth & Development Office (FCDO) has made substantial progress with the merger that created it, although more work is needed to resolve outstanding HR and IT issues, clarify capability needs and progress culture change, according to a new National Audit Office (NAO) report.

In June 2020, government announced that the Foreign & Commonwealth Office (FCO) and the Department for International Development (DFID) would merge into FCDO. This was intended to increase the UK's impact overseas through combining development and diplomacy efforts.

FCDO's initial portfolio to deliver the merger was unrealistic in scope and timing, comprising 12 programmes over a two-year timeframe. This was exacerbated by the ongoing COVID-19 pandemic and geopolitical crises in Afghanistan and Ukraine, which took up management capacity and required staff to be re-deployed to other priorities.

However, the new department recognised it needed to revisit its plans and scaled back its ambitions in May 2022, successfully bringing the merger back on track. All programmes in the updated portfolio were subsequently completed by April 2023.

Teams across FCDO have drawn on the strengths of the former departments to develop new ways of working, adapting where necessary to better suit the needs of the new organisation.[1]

There are examples where a more integrated approach to development and diplomacy has improved FCDO's ability to respond to international crises and events, such as the joint humanitarian and political response to the Ebola crisis in Uganda, and the support for delivery of COVID-19 vaccines across the world.

However, FCDO does not know the full costs of the merger and has chosen not to systematically track its benefits, including cost savings, organisational improvements and efficiency gains.

The department spent a minimum of £24.7 million on the merger in 2020-21 to 2022-23, but this excludes indirect costs such as disruption, diverted effort and the impact on staff morale, as well as the full costs of the HR & finance and Aid Management Platform programmes.[2]

Without clear objectives or mechanisms to fully track costs and identify benefits, the value for money of the merger cannot be assessed.

FCDO development capability has reduced due to the loss of some senior development roles and the shortage of programme managers for its Official Development Assistance (ODA) programmes.[3] The department is working to mitigate the risk of not sustaining its international development skills and expertise, which it currently rates as "severe".

However, the creation of three new senior development posts, including a Cabinet-level Minister for Development, has increased the accountability and visibility of international development since the merger.

There are still some issues to resolve with IT systems and modernising allowances for UK-based staff working overseas, the latter of which is a continued priority for staff. Wider cultural change continues to be a work in progress.

FCDO also did not do enough in the early stages to set out a clear vision and direction for the department, although staff engagement and views on leadership have improved.

The NAO recommends that FCDO completes the alignment of allowances as a matter of urgency, and prioritises work to resolve remaining issues with the basics of HR, IT and corporate services.

FCDO should also use learning to date to refine and embed its new processes and ways of working; accelerate its work on culture change; further clarify opportunities for career progression; and implement a revised communications strategy setting out its plans to deliver future organisational improvement.

Finally, the Cabinet Office should provide guidance for departments on how to track costs and monitor the benefits of machinery of government changes, and provide longer-term support and guidance to departments facing significant organisational change.

Gareth Davies, head of the NAO, said:

“FCDO has made substantial progress with its merger against a challenging backdrop of COVID-19, international crises and cuts to the aid budget. It took sensible action to get the merger back on track when it was clear it could not be delivered to the original plan.

“However, more than three years on from the merger, there is still work to do to resolve remaining issues, ensure the basics are delivered and achieve the long-term benefits of a fully integrated department.

“More broadly, government needs to understand the costs of such major change, including the disruption and consumption of management capacity, and weigh these carefully against the anticipated benefits.”

END

Notes to editors

1. For example, due to its large programme spending, DFID had more developed risk management, programme management and supplier management functions. In FCO, the security culture and the use of influencing skills were more developed.
2. FCDO stopped tracking the costs of the merger in March 2023 following the closure of the updated delivery portfolio. It now considers any further costs to be part of ongoing departmental improvement work.
3. FCDO uses ODA, also known as its overseas aid budget, to support and deliver its strategic objectives in international development, including defeating poverty, tackling instability and creating prosperity in developing countries.

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