



REPORT

Progress with the merger of the Foreign & Commonwealth Office (FCO) and the Department for International Development (DFID)

Foreign, Commonwealth & Development Office



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Foreign, Commonwealth & Development Office

Report by the Comptroller and Auditor General

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Gareth Davies
Comptroller and Auditor General
National Audit Office

15 March 2024



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Key facts

£24.7mn

minimum total costs of the merger in 2020-21 to 2022-23, including direct costs such as staff and consultancy pay and IT costs, but not including indirect costs such as lower productivity due to disruption

59

number of workstreams within the 12 programmes of the original Transformation Portfolio

7

number of core programmes within the Integration Portfolio completed by April 2023 (a streamlined next iteration of the Transformation Portfolio)

16 June 2020

date when the Prime Minister announced the merger of the Foreign & Commonwealth Office (FCO) and the Department for International Development (DFID), to form the Foreign, Commonwealth & Development Office (FCDO)

2 September 2020

date FCDO was created

97%

percentage of staff working in merged teams by April 2021 across 42 directorates and 57 posts, reported by FCDO against a target of 95%

6

percentage point fall in FCDO's staff engagement score in the annual Civil Service People Survey, from 67% in 2020 (survey conducted in October–November 2020) to 61% in 2022 (rising to 66% in 2023), compared to the civil service median scores of 66% in 2020 and 65% in 2022 (falling to 64% in 2023)

£10.4 billion

FCDO's outturn expenditure in 2022-23, compared to £2.7 billion for FCO and £10.8 billion for DFID in 2019-20 (a 23% decrease in outturn expenditure, primarily due to a decrease in development programme spending)

17,549

FCDO staff by headcount as at 31 January 2024, an increase of 556 staff compared to a total of 16,993 staff by headcount as at 1 September 2020 in the former departments FCO (13,559) and DFID (3,434)

Summary

Introduction

1 On 16 June 2020, the then Prime Minister announced the merger of the Foreign & Commonwealth Office (FCO) and the Department for International Development (DFID), to form the Foreign, Commonwealth & Development Office (FCDO). The aim of the merger was to unite development and diplomacy in one new department and enable the Foreign Secretary to make decisions on aid spending in line with the UK's priorities overseas. The former DFID had higher outturn expenditure than the former FCO because of its development programmes (£10.8 billion DFID outturn expenditure compared to £2.7 billion FCO outturn expenditure in 2019-20), but it had fewer staff by headcount (3,434 in DFID compared to 13,559 in FCO as at 1 September 2020).¹ As part of its merger planning, FCDO sought input from counterparts in other countries who have implemented similar mergers, and other organisations with relevant experience and expertise. The new department was created on 2 September 2020.

2 FCDO developed a Transformation Portfolio to merge the two departments, consisting of 12 programmes which it aimed to complete by October 2022. In May 2022, FCDO reduced the scope of the original Transformation Portfolio to create the Integration Portfolio. This consisted of seven programmes focussed on core integration activities such as a single HR and finance system, single intranet, single pay framework and aligned finance policies. FCDO has completed these programmes but is continuing work to embed the merger and address outstanding system and HR issues such as aligning allowances. Following closure of the Integration Portfolio in June 2023, FCDO set up an Organisation Improvement Directorate, tasked with prioritising and overseeing ongoing improvement to departmental systems and processes.

3 In 2010, our report on *Reorganising central government* examined the reasons for reorganisations, the costs and benefits resulting from them and how they are managed. We set out key principles that should be applied when re-organising central government such as: ensuring broad support for the change; communicating well with staff and stakeholders; quickly establishing solid reporting systems; being clear about the outcomes sought; breaking down old 'silos'; and ensuring that normal business is maintained during the transition.² We have considered these principles in our review of the FCDO merger.

¹ Staff in scope for reporting of headcount numbers are UK-based staff (home and overseas) and country-based staff. Staff not in scope are contingent labour, employees not on the payroll and not being paid during the period (such as those on career breaks or periods of unpaid sickness absence), ministers, special advisers and non-executive directors. As the scope includes country-based staff who are not civil servants, these headcounts do not align with the published statistics for FCDO civil service employment as part of ONS Public Sector Employment Statistics or Cabinet Office Civil Service Statistics releases.

² Comptroller and Auditor General, *Reorganising central government*, Session 2009-10, HC 452, National Audit Office, March 2010, pp. 4-5, 23.

Scope of the report

4 This report examines whether FCDO has managed the merger effectively and in a way that will maximise its benefits. It considers whether:

- the objectives of the merger were clear and supported by an appropriate portfolio of work;
- programmes to merge the departments have been implemented effectively so far; and
- FCDO is on track to maximise the long-term benefits that were envisaged.

5 The report does not examine the decision for the merger, but focuses on how the merger has been implemented, with a view to identifying lessons for FCDO going forward and for other government departments faced with machinery of government changes.

Key findings

Planning the merger

6 **The then Prime Minister announced an overarching vision for a merged FCDO in June 2020, but FCDO did not do enough in the early stages of the merger to set out a clear vision and direction for the department.** The aim of the merger was to unite the UK's development and diplomacy efforts in one new department, achieve a more coherent and integrated approach, and increase the UK's impact. FCDO was formally created in September 2020, and it developed a draft outline business case for a Transformation Portfolio in April 2021. This was not completed, as, following further discussions with FCDO, the Infrastructure and Projects Authority (IPA) concluded that a standard business case was not a good fit for FCDO's portfolio delivery model. In place of a business case, FCDO subsequently produced a high-level transformation strategy that set out FCDO's overall ambition for the next phase of the merger and how it intended to track benefits, but this did not contain quantified costs or a delivery plan. FCDO launched a vision and mission in December 2021, following delays caused by the management of several crises and a change in Foreign Secretary. Successive publications, most recently the International Development White Paper, published in November 2023, reiterated the vision behind the merger, of combining diplomacy and development to increase impact. Staff and stakeholders have continued to raise concerns around a lack of clarity of vision and direction for the department in the years following the merger. However, the proportion of FCDO staff who were positive about leadership vision in the 2023 annual Civil Service People Survey increased by nine percentage points, from 42% in 2022 to 51% in 2023 (paragraphs 1.5, 1.7, 1.14 and 3.4).

7 Implementing the merger during the COVID-19 pandemic made organisational change more difficult, and managing further crises and reductions to the aid budget also affected progress. The merger was announced at a time when the two departments were handling the repercussions of COVID-19, both in supporting international efforts for vaccines and aid, and in managing their own staff, many of whom had to work remotely or be repatriated. Staff were not able to meet in person, which made it more challenging to implement change, build trust, build new teams and develop a new culture. FCDO also had to implement significant cuts to the aid budget, which the government introduced because of the continuing economic impacts of the COVID-19 pandemic and its assessment of the impact of this on public finances. FCDO's total expenditure of £10.4 billion in 2022-23 was 23% lower than the combined total expenditure of the former departments in 2019-20, primarily due to the decrease in development programme spending. Successive international crises, including Afghanistan withdrawal and the war in Ukraine, affected the whole organisation, with a knock-on impact on the merger. Responding to these crises and events took up management capacity, and staff, including some with merger responsibilities, were re-deployed to work on other priorities. Two Director Generals with overall responsibility for transformation activity, and the Permanent Under-Secretary provided continuity in senior leadership between the date of the merger and April 2023. However, during that time there were seven Transformation Directors, with tenures ranging from two to 15 months, three of whom provided interim cover. In addition, changes in Foreign Secretary over this period also introduced uncertainty, and slowed progress in some areas, for example, strategic workforce planning (paragraphs 1.4, 1.9, 2.2 and 2.3 and Figure 3).

8 The initial Transformation Portfolio of programmes to deliver the merger was unrealistic in scope and timing. The Transformation Portfolio consisted of 12 programmes, containing 59 workstreams in total. FCDO initially used this as an opportunity to fix issues within the former departments, while simultaneously delivering elements vital for FCDO to function as a single organisation. This resulted in a portfolio which encompassed many major change initiatives rather than prioritising the key elements of the merger. While acknowledging that delivery of large IT programmes and the creation of a new culture would take time to deliver, FCDO set out a challenging two-year implementation timeframe, to ensure sufficient momentum and reduce the risk of staff losing interest or experiencing change fatigue. This included a transition phase from June to September 2020 to deliver a legal, functioning department, followed by a transformation phase which was expected to last until October 2022 (paragraphs 1.12 and 1.13, and Figure 4).

Implementing the merger

9 FCDO rescope the Transformation Portfolio to form a slimmed-down Integration Portfolio in 2022, which brought the merger back on track.

FCDO recognised that it needed to revise its plans to focus on the essential elements required to integrate the department. In November 2021, FCDO's Management Board discussed how to prioritise the Transformation Portfolio and agreed on a list of building blocks scored against key criteria. Following a red delivery confidence rating from the IPA in February 2022, FCDO further reduced the scope of the original Transformation Portfolio to create a new Integration Portfolio. This consisted of seven core programmes, including a single HR and finance system, single intranet, single pay framework and aligned finance policies. The Integration Portfolio received a green rating from the IPA in August 2022 which recognised improvements in several areas, including scope, governance and reporting. FCDO successfully completed all programmes within the Integration Portfolio by April 2023, meeting its core objective of providing the foundations from which FCDO would be able to create an integrated organisation in the future, and the portfolio was formally closed in June 2023. There are still some operational and user issues to address, and responsibility for this has moved to the relevant teams across the department (paragraphs 2.5 to 2.7, 2.9 to 2.11, 2.24, and Figures 5 and 6).

10 FCDO has completed the alignment of pay structures but still has further work to do on overseas allowances, and this remains a key issue for staff.

FCDO completed pay alignment for UK-based staff in autumn 2022 and for country-based staff in January 2023. While it has made significant progress with aligning terms and conditions and overseas allowances, there are several contentious allowances that have yet to be addressed, including children's education and the overseas travel package. Staff have continually raised the lack of progress with aligning allowances as an area of concern. In November 2023, FCDO announced work on an Overseas Employment Framework to modernise existing arrangements and create a single set of arrangements for all UK staff working overseas. In February 2024, FCDO confirmed the need to modernise and simplify allowances so that all staff are treated consistently. FCDO aims to achieve a simpler, streamlined system that involves fewer complicated transactions, and takes account of local factors at the overseas post, composition of households and the cost of living. This will include looking at other parts of the framework for staff that have a financial element, including travel and education. It plans to implement these changes within its existing workforce spending budget. If agreed internally, FCDO will seek relevant approvals from HM Treasury in line with FCDO's plan to start implementing these changes for people applying for new overseas postings from summer 2024. FCDO anticipates that it will take time to implement fully since staff already posted overseas will continue to receive their current allowances until their posting ends (paragraphs 2.18 to 2.20).

11 In some areas, teams across FCDO have drawn on the strengths of the former departments to develop new ways of working. Due to its large programme spending, DFID had more developed risk management, programme management, and supplier management functions. In FCO, there was a more developed security culture and use of influencing skills. FCDO has built on these foundations to design how it operates in these and other areas, adapting where necessary to better suit the needs of the new organisation. The new model is still evolving and teams that made changes early on may need to take stock and make further changes to structures and processes (paragraph 2.17).

12 In other areas, FCDO has taken the opportunity to start from first principles and design new frameworks to fit the objectives and priorities of the new department. This includes developing its Overseas Employment Framework which aims to modernise and simplify allowances. It also recently established a Development Faculty to support development capability across the department. It launched a new capability framework in September 2023 through which it aims to understand, deploy and invest in its capabilities, and in response to staff concerns about lack of clear career pathways and progression (paragraphs 2.19 to 2.21, 2.23, and 4.6).

13 FCDO has increased the accountability and visibility of international development since the merger was announced. Initially, international development was fully integrated in teams throughout the organisation and the merger was viewed by some as a ‘takeover’ of DFID by FCO. Since then, there have been various organisational changes and the creation of three new posts – a Director General for Humanitarian and Development in March 2022, a cabinet-level Minister for Development in September 2022, and a Second Permanent Under-Secretary responsible for aid spending in July 2023. These have given greater prominence to international development internally and externally. The government published an International Development White Paper in November 2023 which, in line with the government’s 2021 Integrated Review and 2023 Integrated Review Refresh, emphasises the importance of development in the UK’s international approach. External partner organisations that we spoke to in the development sector recognised that, while the UK’s aid budgets may have decreased, the UK had shifted to operating in a different way to leverage influence. However, FCDO’s development capability has reduced since the merger. FCDO rates this risk as “severe” and is working to mitigate it (paragraphs 2.12 to 2.14, and 2.22).

14 FCDO has further to go to achieve longer-term culture change beyond merging teams and IT systems. The two former departments had strong identities and missions and, at the time of the merger, staff from the former departments felt they subscribed to different cultures and values. FCDO was aware of the importance of creating a new culture, learning from the experience of similar mergers in other countries. By 1 April 2021, FCDO reported that 97% of staff were working in merged teams across 42 directorates and 57 posts, against a target of 95%. As well as merged teams, some of the other enablers of culture change, such as common systems and single country plans, are in place or underway, but specific work on culture change is at an early stage. FCDO set up an organisational design and development team in October 2022, which is undertaking work to understand current cultures and to articulate the desired culture for the future (paragraphs 2.11, 2.16 and 2.25, and Figure 7).

Understanding the impact on staff

15 The merger has been difficult and disruptive for many staff, although the impact varied across the organisation. Former DFID staff were more significantly affected by the decision to close DFID's London HQ building and the requirement for higher security clearances. Corporate functions such as HR, finance, procurement and internal audit had to merge FCO and DFID teams, at the same time as aligning policies and processes and continuing to provide services. Some overseas posts had greater integration challenges, depending on the size of the former FCO and DFID teams in place and the extent to which they had already started to work collaboratively, while others, such as some posts in Europe and North America were less affected. A stocktake exercise conducted by FCDO in late 2022 found that core business functions (HR, IT and corporate services) were holding staff back, and there was a perceived lack of leadership, vision and objectives, and of a strategic approach to career progression. However, we have also seen examples of where the merger has opened up opportunities for staff to apply for new roles and to learn new skills. FCDO has experienced higher staff turnover in the years following the merger compared to that of FCO, although DFID had higher turnover before the merger. There was a six-percentage point fall in FCDO's staff engagement score from 67% in 2020 (survey conducted in October-November 2020) to 61% in 2022, although in 2023 the score increased again to 66%, above the civil service median of 64% (paragraphs 2.21 and 3.2 to 3.7, and Figures 8 and 9).

Costs of the merger

16 FCDO does not have an overview of the full costs of the merger.

FCDO disclosed merger-related costs of £4.9 million and £27.6 million in the performance report sections of its 2020-21 and 2021-22 Annual Report and Accounts, respectively, but chose not to disclose merger costs in the performance report section of its 2022-23 Annual Report and Accounts, although the Integration Portfolio continued throughout 2022-23. In response to our request for cost data, FCDO identified £6.9 million merger costs in 2022-23, but also provided a higher figure of £5 million for 2020-21 and a lower figure of £12.8 million for 2021-22 after deducting the costs of the Hera programme (to deliver a single HR and finance system) and the Aid Management Platform (AMP) programme. In response to external scrutiny from IPA, FCDO changed its approach to tracking merger-related costs and started including actual programme costs in 2022-23, as well as the costs of managing the programmes. FCDO decided not to track the indirect costs of the merger, considering it would be too complex and resource intensive. FCDO has therefore spent a minimum of £24.7 million on the merger in 2020-21 to 2022-23, not including the full costs of the Hera and AMP programmes or any indirect costs. FCDO stopped tracking the costs of the merger in March 2023. FCDO completed all programmes within the Integration Portfolio by April 2023 and now considers any further costs to be part of ongoing departmental improvement work (paragraphs 3.8 to 3.10 and Figure 10).

Achieving the benefits of the merger and sharing lessons learned

17 FCDO has not systematically tracked benefits from the merger, including cost savings, organisational improvements, or efficiencies. FCDO has only a partial view of possible benefits from individual programmes, such as the potential for increased efficiency as a result of teams being able to work and communicate on the same IT platform. FCDO outlined a benefits realisation plan in the draft Transformation Portfolio business case but did not formalise or implement it. FCDO subsequently established a more developed benefits realisation model to monitor benefits flowing from individual programmes in the Integration Portfolio, but then did not systematically collect data to measure these benefits, so does not know if they all materialised. It has decided not to monitor any future benefits through this model so it cannot assess whether the immediate benefits of the portfolio outweigh the costs. In addition, these programmes aim to facilitate greater integration across the organisation and are enablers for benefits that may be achieved in years to come (paragraphs 4.2, 4.5 and 4.7 to 4.8).

18 There are examples from across FCDO of where a more integrated approach is achieving benefits. For example, in June 2023 the then Foreign Secretary outlined how the merger has allowed FCDO to utilise its diplomatic leverage to engage with other potential donor countries on development issues, which did not happen previously. FCDO stated that the merger had strengthened the UK's response to the war in Ukraine and other global crises. We also found evidence of benefits in our case studies, where a more integrated approach had led to a better response and likely improved outcomes. Examples of this include the joint humanitarian and political response to the Ebola crisis in Uganda, and the support for delivery of vaccines across the world. Our overseas case studies also highlighted that the merger made it easier to present a joined-up UK government position, to deploy both development and diplomatic levers in a coordinated way, and influence externally (paragraphs 4.3 and 4.4, and Figure 11).

19 The Cabinet Office provided some input to the FCDO merger at the outset, and updated its guidance for future machinery of government (MoG) changes in 2023 based on lessons learned from organisational changes across government.

IPA, situated in the Cabinet Office, has provided FCDO with assurance on programme delivery since the Transformation Portfolio joined the Government Major Projects Portfolio. Separately, the Cabinet Office is responsible for advising the Prime Minister on MoG issues. The Cabinet Office MoG team was involved at the early stages of the merger, for example, it was present on some governance boards. It considers that each MoG change is unique and aims to provide additional expertise and assurance on aspects of implementation, as required, through cross-government functional teams (such as HR, Estates and Digital), alongside the capturing and sharing of good practice. The Cabinet Office revised its 2015 guidance for future MoG changes in February 2023 to reflect the findings of a lessons learned exercise conducted in June to December 2020 with several departments that had undertaken planning for actual or potential MoG changes, including FCDO. The Cabinet Office told us that it circulated the updated guidance to departments in February 2023, but it has not published it (paragraphs 1.6, 1.11, 2.4, and 4.14).

Conclusion

20 The decision to merge FCO and DFID in 2020 was predicated on the view that combining diplomacy and development would improve outcomes and safeguard British interests and values overseas. While efficiency savings were not the primary goal, the Cabinet Office and FCDO anticipated some savings through merging corporate functions, integrating IT systems and streamlining office accommodation. A series of international crises, together with the implementation of large cuts in aid spending and changing ministerial priorities, have placed significant demands on the organisation, and FCDO has made sensible decisions to prioritise its efforts. It has made substantial progress with integrating structures and aligning HR and finance policies, helping to remove the practical barriers to people being able to work together effectively. However, more than three years on, there is still work to do to resolve remaining issues and ensure these basics are delivered. It will also take time for wider cultural change and new ways of working to settle and become fully embedded.

21 FCDO did not clearly articulate or measure the range of anticipated benefits of the merger, and its approach to tracking the costs of the merger was incomplete and changed over time. The estimated direct costs of the merger are small compared to the overall expenditure of the department, but the indirect costs in terms of disruption, diverted effort and the impact on staff morale should not be under-estimated. These factors should be considered against the potential benefits ahead of any major change. There is also more the centre of government could do to learn lessons from departments' experiences and to better support departments going through major organisational change. With unclear objectives, and the absence of mechanisms to track full costs and identify benefits, there is insufficient evidence to conclude on the value for money of this merger. Our assessment has also necessarily focused more on internal activity to deliver the merger, and it may be too early to fully assess the impact on organisational effectiveness and outcomes. However, we have seen evidence of where a more integrated approach has improved the organisation's ability to respond to international crises and events, which has led to a better result. FCDO must now move to a phase of consolidation and develop a clear view of the organisation it wants to be, to ensure that it can achieve the long-term benefits of a fully integrated organisation.

Recommendations

22 Our recommendations focus on what FCDO needs to do to fully embed the merger.

- a** **FCDO should complete its work to align allowances as a matter of urgency, and should also prioritise work to resolve remaining issues with the basics of HR, IT and corporate services provision.**
- b** **FCDO should continue work to clarify opportunities for career progression within the department and support staff to navigate them.** Staff still lack clarity around career progression and capability requirements in the merged organisation. FCDO has developed a new capability framework and should prioritise work to implement this and identify where it has gaps, and the opportunities available for staff.
- c** **FCDO should accelerate its work on culture change.** Now that the core elements of integration have been mostly delivered, FCDO should focus on working with teams in the UK and overseas to build cultures that align with FCDO's strategy and to create the conditions for a fully integrated organisation.
- d** **FCDO should implement a revised internal communications and engagement strategy setting out its plan to deliver future organisational improvement, incorporating where appropriate the remaining elements of integration.** This will help to address the uncertainty and remaining concerns which are affecting staff morale.
- e** **FCDO should formally review what was de-prioritised from the Transformation Portfolio when creating the Integration Portfolio, to ensure that nothing has been missed, and build it into future activity.** FCDO should:
 - ensure that the lessons learned, and feedback from staff and stakeholders to identify enablers and blockers to progress, are captured and used to inform future activity as appropriate;
 - use learning to date to test, refine and fully embed new processes and ways of working; and
 - ensure that workstreams for future activity have clear ownership and monitoring arrangements and are implemented. This should be the responsibility of the Organisation Improvement Directorate.

23 We have also identified areas where the Cabinet Office can strengthen the support it provides to government bodies undergoing machinery of government (MoG) changes:

- f** **The Cabinet Office should ensure there is proper consideration of the costs and benefits of major MoG changes and provide longer-term support and guidance to departments facing significant organisational change.** Once the decision has been taken to implement a MoG change, the Cabinet Office should:

 - provide guidance on a consistent method of tracking costs, including some measure of indirect costs, and require departments to identify and track the costs of MoG changes;
 - ensure that departments can monitor benefits by assessing progress against a baseline assessment taken at the start of delivery using quantitative and qualitative metrics; and
 - proactively offer support to departments tailored to the specific challenges of each MoG change, to help departments make realistic plans.
- g** **The Cabinet Office should routinely gather and disseminate lessons learned from organisational changes across government.** It should engage with all departments who have undergone MoG changes to obtain lessons learned and use this to review, update and publish its guidance on MoG changes at least every two years.

Part One

Planning the merger

1.1 This part of the report assesses the approach taken to planning the merger. It:

- draws out lessons drawn from previous machinery of government (MoG) changes;
- describes the rationale for the merger;
- explains the component parts of the Foreign, Commonwealth & Development Office (FCDO);
- describes the context in which the merger took place; and
- outlines the initial plans for implementing the merger through the Transformation Portfolio.

Machinery of government changes

1.2 MoG changes are reorganisations that create or abolish government departments or move functions between them. They can vary in size and complexity, with minor changes taking place relatively frequently and more major changes happening every few years.³ Decisions about MoG changes in the UK are made by the Prime Minister, without the need for parliamentary approval. In 2010, we reviewed reorganisations of central government departments and their arm's-length bodies between May 2005 and June 2009 and examined the reasons for reorganisations, the costs and benefits resulting from them and how they are managed.⁴ We set out 10 key principles that should be applied when reorganising central government (**Figure 1**). We concluded that the value for money of central government reorganisations could not be demonstrated, given the vague objectives of most such reorganisations, the lack of business cases, the failure to track costs and the absence of mechanisms to identify benefits and make sure they materialise.

³ The most recent major change was announced in February 2023, closing down the Department for International Trade (DIT) and the Department for Business, Energy & Industrial Strategy (BEIS) and creating the Department for Business & Trade (DBT), the Department for Science, Innovation & Technology (DSIT) and the Department for Energy Security & Net Zero (DESNZ).

⁴ Comptroller and Auditor General, *Reorganising central government*, Session 2009-10, HC 452, National Audit Office, March 2010, pp. 4-5.

Figure 1

Reorganising central government – 10 key principles

In our 2010 report, we set out 10 key principles that should be applied when reorganising central government. We have considered these principles in our review of the Foreign, Commonwealth & Development Office (FCDO) merger

| Principle | |
|-----------|--|
| 1 | Ensure board support and leadership for change, underpinned by corporate governance and reporting arrangements. |
| 2 | Ensure the implementation team has detailed plans in place and the necessary skills in project and change management, bringing in external support where needed. |
| 3 | Communicate openly, honestly and regularly with staff and stakeholders, and seek to deliver early benefits to maintain/build their support. |
| 4 | Establish solid financial and management reporting systems quickly to underpin the new organisation and support effective decision-making. |
| 5 | Be clear about the outcomes sought and track benefits and key performance measures regularly. |
| 6 | Recruit and appoint key senior executives early. |
| 7 | Implement decisively and swiftly to limit uncertainty. |
| 8 | Phased implementation of major change can often be more effective than a 'big bang' approach. |
| 9 | Understand working cultures and develop a programme to integrate and break down old 'silos'. |
| 10 | Ensure the 'nuts and bolts' work during transition and that normal business is maintained. |

Note

- 1 We have considered these principles in our review of the FCDO merger and have drawn on them to inform the scope of our assessment. Coverage of some of the issues highlighted above is in Part Two (Implementing the merger), Part Three (Understanding the impact on staff and the costs of the merger) and Part Four (Achieving the benefits of the merger and sharing lessons learned) of this report.

Source: Comptroller and Auditor General, *Reorganising central government*, Session 2009-10, HC 452, National Audit Office, March 2010

The former departments

1.3 Countries have different levels of integration of development and foreign policy, ranging from complete integration within one ministry to two separate ministries. In the UK, successive governments have changed the model. For example, in 1979, the new Conservative government abolished the Ministry of Overseas Development and subsumed an Overseas Development Administration into the Foreign & Commonwealth Office (FCO). In 1997, the new Labour government created a separate Department for International Development (DFID).

1.4 Until 2020, DFID and FCO were separate departments with distinct identities, varying objectives, and different operating and delivery models. DFID led the UK's work to end extreme poverty, while FCO's objectives were to protect British people, project diplomatic leadership and promote UK prosperity. DFID spent much more than FCO because of its development programmes (£10.8 billion DFID outturn expenditure compared to £2.7 billion FCO outturn expenditure in 2019-20), but it had fewer staff by headcount (3,434 in DFID compared to 13,559 in FCO on 1 September 2020).⁵ FCO had a wide overseas presence, whereas DFID's focus was on Africa and South Asia (**Figure 2** on pages 20 and 21). FCDO's outturn expenditure was £10.4 billion in 2022-23, a decrease of 23% compared to the former departments (DFID and FCO combined outturn of £13.5 billion in 2019-20), primarily due to reductions in development programme spending.⁶ As at January 2024, FCDO had 17,549 staff by headcount, compared to a combined total of 16,993 staff in DFID and FCO as at 1 September 2020, at the point of the merger.⁷

The rationale for the merger

1.5 On 16 June 2020, the then Prime Minister announced the merger of FCO and DFID to form the Foreign, Commonwealth & Development Office (FCDO). The aim of the merger was to unite the UK's development and diplomacy efforts in one new department, achieve a more coherent and integrated approach and increase the UK's impact. It aimed to enable the Foreign Secretary to make decisions on aid spending in line with UK priorities overseas. The government had already been taking steps for over a decade to remove barriers to joint working so that all staff working for the UK government overseas could deliver the UK's objectives more effectively and efficiently through its 'One HMG Overseas' programme, launched in October 2010.⁸

1.6 The Cabinet Office is responsible for providing advice to the Prime Minister on MoG issues. It considers that each MoG change is unique and aims to provide additional expertise and assurance on aspects of implementation, as required, through cross-government functional teams (such as HR, Estates and Digital), alongside the capturing and sharing of good practice. Its published 2015 guidance (extant at the time of the merger) stated that "the core test for organisational change should be whether it will achieve a sufficient improvement in performance over time to offset the costs".⁹

5 Department for International Development, *Annual Report and Accounts 2019-2020*, p. 26; Foreign & Commonwealth Office, *Annual Report and Accounts 2019-2020*, p. 56.

6 Foreign, Commonwealth & Development Office, *Annual Report and Accounts 2022-2023*, pp. 74, 157.

7 See footnote 1.

8 National Audit Office, *Briefing to the House of Commons Foreign Affairs Committee: One HMG Overseas*, March 2015, p. 12.

9 Cabinet Office, *Machinery of Government Guidance*, October 2015 [publication withdrawn on 7 November 2023], p. 4. The Cabinet Office circulated updated Machinery of Government guidance to departments in February 2023 [not published]. This encourages project owners to develop a detailed assessment of the anticipated outcomes/benefits and mechanisms for monitoring these.

1.7 The then Prime Minister set out an overarching vision for a merged FCDO at the outset. FCDO launched a more detailed vision and mission in December 2021, following delays caused by the management of several crises and a change in Foreign Secretary. However, staff and stakeholders have continued to raise concerns around a lack of clarity of vision and direction for the department, in the years following the merger. FCDO's Management Board noted in January 2023 that, according to feedback gathered from staff in late 2022, the perceived lack of clarity of vision and direction for the department remained a significant issue for some staff. In June 2023, the Infrastructure and Projects Authority (IPA) found that there was still not a common vision for the organisation. Successive publications, most recently the International Development White Paper, published in November 2023, reiterated the vision behind the merger, of combining diplomacy and development to increase impact.¹⁰ In 2010, we found that objectives in previous domestic MoG changes were often vague.

1.8 Many parliamentarians and wider stakeholders had reservations about the rationale for the merger and its potential impact from the start. Their concerns included its potential negative impact on the effectiveness of UK aid spending, including through its poverty reduction focus being subordinated to other foreign policy interests and loss of development expertise, and damage to the UK's international reputation. The International Development Committee expressed "significant concerns that the merger may jeopardise the ongoing effectiveness of future UK aid spending".¹¹ The Foreign Affairs Committee warned that the merger risked weakening the cultures of each department and raised the possibility of the loss of highly skilled staff who have helped to build the UK's reputation as a leading provider of aid. It also noted historical disparities in the transparency scorings between FCO and DFID.¹² In a letter, nearly 200 UK aid and development leaders called on the government to reverse its decision on the merger, stating that the move "suggests the UK is turning its back on the world's poorest people".¹³

10 HM Government, *Global Britain in a competitive age: The Integrated Review of Security, Defence, Development and Foreign Policy*, CP 403, March 2021, pp. 19-20, 97; Foreign, Commonwealth & Development Office and UK Government, *The UK Government's Strategy for International Development*, CP 676, May 2022, pp. 5-6, 25; HM Government, *Integrated Review Refresh 2023: Responding to a more contested and volatile world*, CP 811, March 2023, pp. 6, 14, 27; Foreign, Commonwealth & Development Office, *International development in a contested world: ending extreme poverty and tackling climate change - A White Paper on International Development*, November 2023, p. 26.

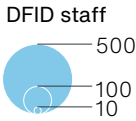
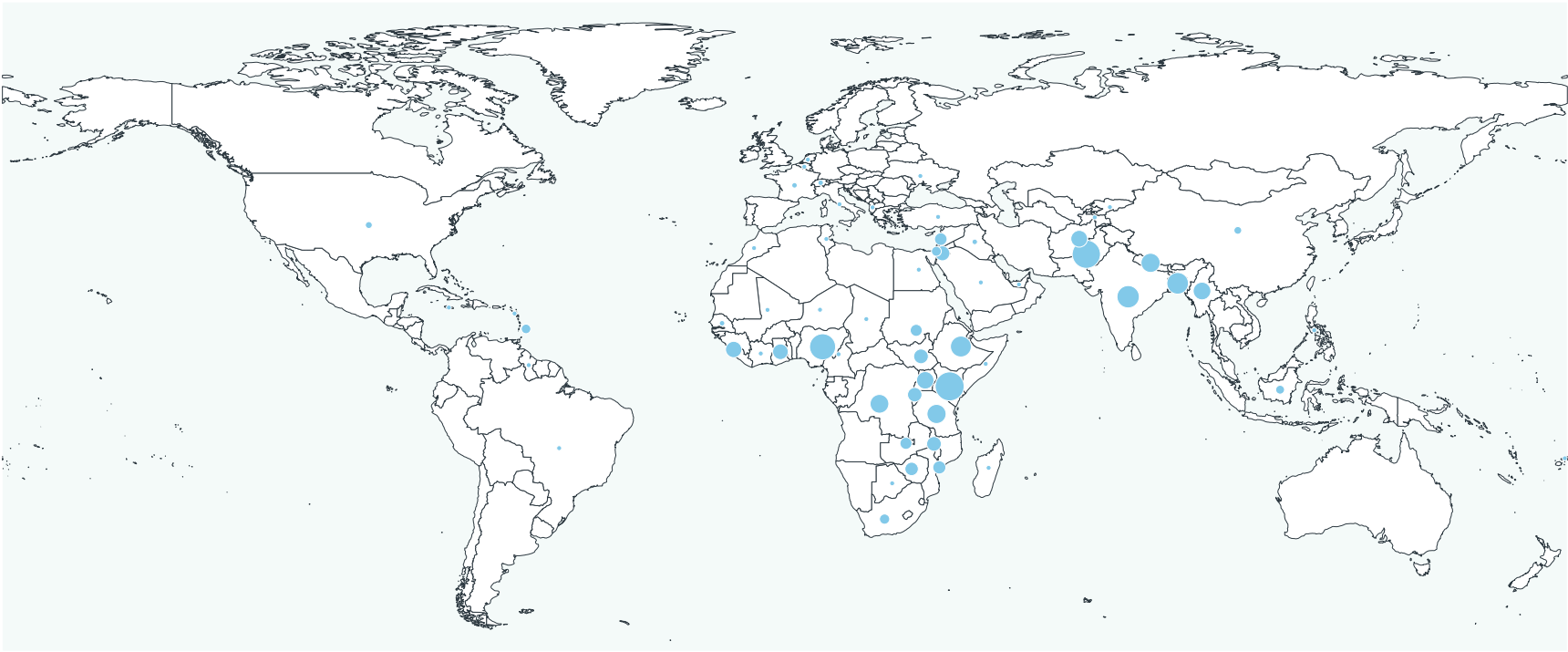
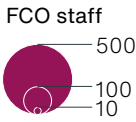
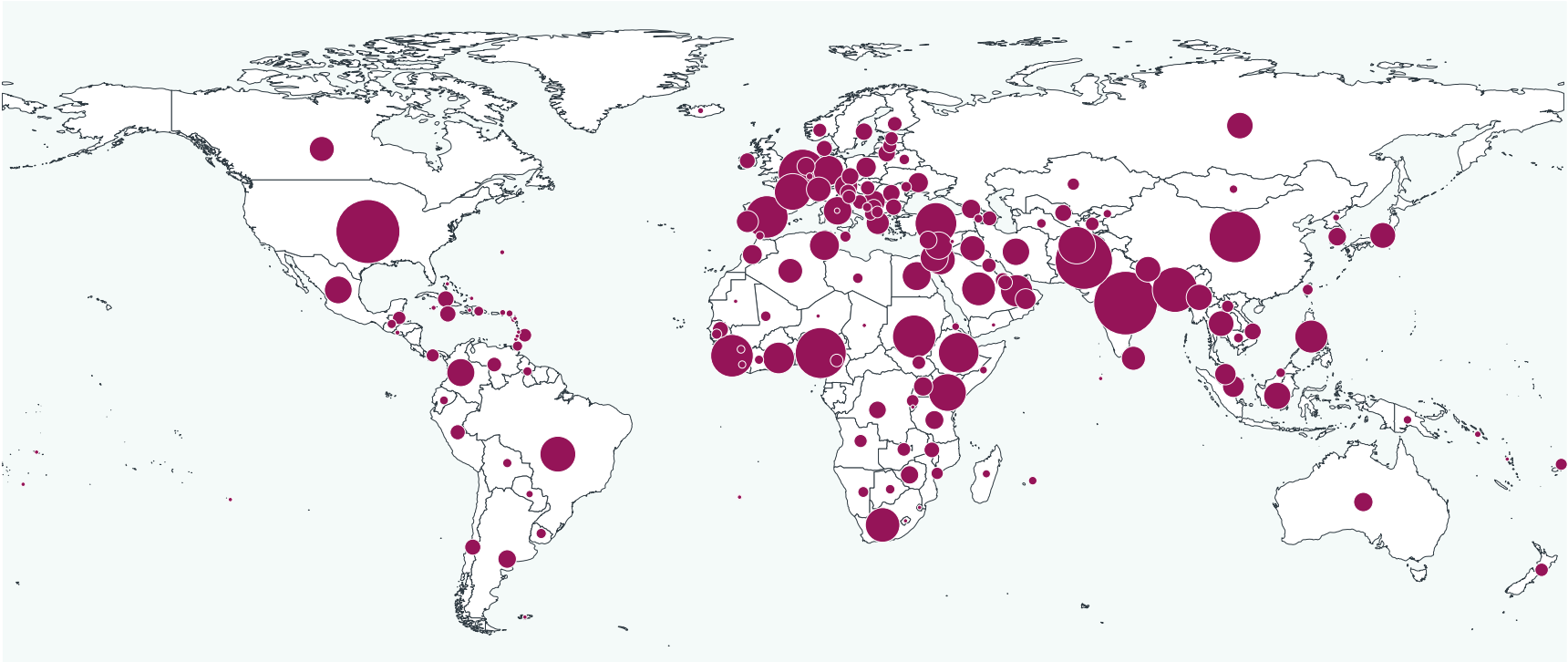
11 House of Commons International Development Committee, *Effectiveness of UK aid: potential impact of FCO/DFID merger*, July 2020, p. 3.

12 House of Commons Foreign Affairs Committee, *Merging success: Bringing together the FCO and DFID*, July 2020, p. 3.

13 Bond, Letter to prime minister Boris Johnson urging a rethink of the DFID merger, June 2020. Bond is the UK network for organisations working in international development.

Figure 2
Foreign & Commonwealth Office (FCO) and Department for International Development (DFID) staff numbers outside the UK before their merger, March 2020

FCO had a wide overseas presence, whereas DFID's staff outside the UK were predominantly based in Africa and South Asia



- Notes**
- 1 The map should not be taken to represent UK government views on boundaries or political status. It has been designed for information purposes only, and should not be used for determining the precise location of places or features, or considered an authority on international boundaries.
 - 2 Circle size is proportional to the number of staff in each country. The circles use a continuous scale, and the legend demonstrates key values on that scale.
 - 3 Because of the sensitivity of data on staff numbers, where there were five or fewer staff from either organisation based in a country, the dot size represents five staff. For FCO, there were 18 countries with fewer than five staff (but at least one). For DFID, this was the case for 27 countries.

Source: National Audit Office analysis of Foreign, Commonwealth & Development Office staff data

Context of the merger

1.9 The merger happened during a very difficult and busy time for the departments, which made it more challenging to implement change. The departments were handling the repercussions of COVID-19, both in supporting international efforts for vaccines and aid, and in managing their own staff, many of whom had to work remotely or be repatriated. Staff were not able to meet in person which made it more challenging to implement change, build trust, build new teams and develop a new culture. At the same time, development staff were implementing significant government cuts to the aid budget, which government implemented because of the continuing economic impacts of the COVID-19 pandemic and its assessment of the impact of this on public finances. Moreover, staff, including some tasked with implementing the merger, were moved from their routine roles into crisis roles to handle successive international crises such as the Afghanistan withdrawal and the war in Ukraine. There were also multiple changes in political and organisational leadership. This context took up management and staff capacity and FCDO had to prioritise its efforts, which had a knock-on impact on progress with merger activity (**Figure 3** on pages 24 and 25).

Advice and support from others

1.10 As part of its merger planning process, FCDO sought input from counterparts in other countries who have implemented similar mergers, other organisations with relevant expertise and other UK government departments that have experienced MoG changes.¹⁴ These bodies shared lessons from their experiences through roundtable discussions, meetings and providing written advice, which included the following:

- Creating a shared culture takes years, and new departments need their own values.
- Senior political representation around international development is needed.
- Loss of development expertise may occur.
- It is important to engage staff early and continue throughout the process.
- Harmonising systems and policies takes time and investment.

1.11 The Cabinet Office provided guidance and support to FCO and DFID before FCDO officially launched on 2 September 2020. For example, it gave contact points for experts on areas such as human resources, who provided support to the Transformation Directorate. It also chaired an Oversight Board tasked with overseeing the strategy for, and implementation of, the merger, and senior Cabinet Office staff attended an FCDO Merger Advisory Board.

¹⁴ T. Durrant and G. Tetlow, *Creating and dismantling government departments: How to handle machinery of government changes well*, Institute for Government, November 2019; OECD, *Integrations, amalgamations and mergers: Lessons from institutional reforms in development co-operation*, July 2020.

The Transformation Portfolio

1.12 In planning its approach to the merger, FCDO considered three implementation options ranging from 12 to 36 months. While acknowledging that delivery of large IT programmes and the creation of a new FCDO culture would take time to deliver, FCDO chose a two-year implementation timeframe, to ensure sufficient momentum and reduce the risk of staff losing interest or experiencing change fatigue. The initial planning document proposed a transition phase, from June to September 2020, to deliver a legal functioning department, followed by a transformation phase, expected to last until October 2022. The subsequent draft business case anticipated a third phase from April 2023 to 2030 for benefits realisation.

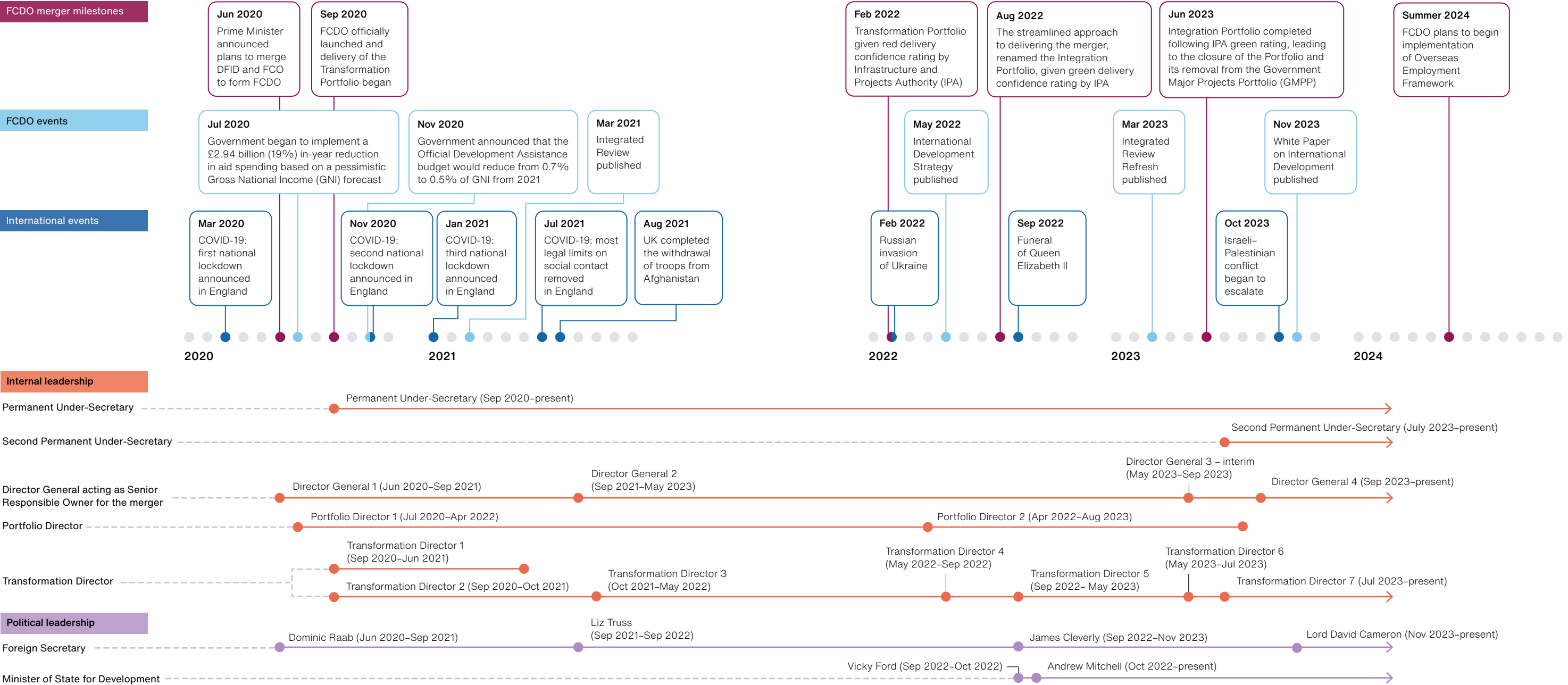
1.13 In October 2020, FCDO's Management Board agreed that transformation would be delivered as a single, integrated portfolio of work (the 'Transformation Portfolio'), headed by a Director General. The Transformation Portfolio consisted of 12 work programmes encompassing all major change initiatives across FCDO (**Figure 4** on page 26). Within the programmes there were 59 workstreams. Our interviews with senior officials highlighted that they initially saw the merger as an opportunity to improve systems and address existing issues in the former departments, which contributed to the large scope. This resulted in a portfolio which encompassed many major change initiatives rather than prioritising the key elements of the merger.

1.14 In April 2021, once it had certainty around FCDO's 2021-22 funding, the Transformation Directorate produced a draft outline business case for the portfolio. However, it did not include some standard elements, such as a costed financial case or benefits realisation plan, and it was not completed. In its peer review of the Transformation Portfolio in June 2021, and following further discussions with FCDO, IPA concluded that a standard business case was not a good fit for FCDO's portfolio delivery model. In place of a business case, FCDO subsequently produced a high-level transformation strategy that set out FCDO's overall ambition for the next phase of the merger and how it intended to track benefits, but this did not contain quantified costs or a delivery plan. In its peer review, IPA confirmed that it was confident that the Transformation leadership team understood the inherent challenges of achieving transformation and that the portfolio was in a fit state to enter the Government's Major Projects Portfolio (GMPP). It also identified some areas for leadership to focus on: agree a single vision and communications plan for 'buy-in', establish a prioritisation process to avoid change overload, and position digitisation and systems integration at the core of a single operating model.¹⁵

¹⁵ The Government's Major Projects Portfolio (GMPP) contains the government's most complex and strategically significant projects and programmes. Projects on the GMPP receive independent scrutiny and assurance from the Infrastructure and Projects Authority (IPA). Projects on the GMPP are required to provide quarterly data returns on delivery progress.

Figure 3
Timeline of key events since the announcement of the merger between the Foreign & Commonwealth Office (FCO) and Department for International Development (DFID) in June 2020

The Foreign, Commonwealth & Development Office (FCDO) has implemented the merger of FCO and DFID within the context of successive international crises, as well as significant ministerial and senior leadership changes



Note
1 An IPA delivery confidence assessment is an assessment of the likelihood of a project delivering its objectives to time, cost and quality. Ratings are categorised into three groups: 'red', 'amber' and 'green', with 'red' being the lowest likelihood of success.

Figure 4

Programmes within the Foreign, Commonwealth & Development Office (FCDO) Transformation Portfolio, September 2020 to May 2022

The Transformation Portfolio had 12 programmes of work

| Programme | Description |
|---|---|
| Finance Strategy | Deliver the long-term transformational activities to ensure FCDO achieves a single finance operating model, with associated systems, processes and policies. |
| Hera | Deliver a single HR and finance planning and reporting tool. |
| Estates, Security and Location | Design and implement the estate needed for FCDO and ensure staff have the right clearances. |
| Future Digital Data and Technology | Design and implement a route map to provide the required technology for FCDO. |
| People Strategy | Design and implement a clear People Strategy underpinned by HR services and processes to define FCDO's workforce requirement via a series of strategic policies. |
| Transformation Design | Design and implement the future operating model, ensuring FCDO has the structure and roles to fully implement the new operating model and culture. |
| Cultures and Values | Create a new culture for FCDO which builds on the best of both former organisations, delivers mission and organisational objectives, and allows employees to thrive. |
| Delivery Framework, Role of Data and Evidence | Ensure FCDO is a more expert, delivery-focused body, and uses data and evidence to drive outcomes. |
| Expertise, Learning and Capability | Boost learning, capability and professionalism, including the role of the International Academy. |
| Programme Operating Framework and Risk Management | Create a single FCDO approach to project/programme delivery and management, drawing on the best of the former Foreign & Commonwealth Office and the Department for International Development. |
| Business Planning and Resource Allocation | Define and deliver a single coherent approach to business planning and resource allocation. |
| Delivery Options | Review options for delivering programmes in-house rather than through outsourcing to drive value for money. |

Note

- 1 The International Academy is the organisation within FCDO that provides learning and development for the department's staff.

Source: National Audit Office analysis of Foreign, Commonwealth & Development Office business case for the Transformation Portfolio

Part Two

Implementing the merger

2.1 This part of the report examines how the Foreign, Commonwealth & Development Office (FCDO) has implemented the merger since the announcement in June 2020. It assesses:

- FCDO's management of the Transformation Portfolio;
- the rescoping of the Transformation Portfolio into a more focused Integration Portfolio;
- wider progress in implementing the merger outside of the portfolio work; and
- what more needs to be done to complete the merger.

Delivering the Transformation Portfolio

2.2 FCDO had three Foreign Secretaries between the announcement of the merger in June 2020 and late 2023. The frequent turnover in political leadership has hindered progress by creating uncertainty and instability around the department's size, structure, and priorities. For example, incumbents have had different views on the model for the new department, from a smaller department with fully integrated teams, to a larger department with a matrix geographical and thematic structure. These changes have introduced uncertainty and disruption for staff, and affected FCDO's ability to conduct strategic workforce planning for the longer term.

2.3 There has also been turnover among senior leadership in delivery of the merger. Two Director Generals with overall responsibility for transformation activity, and the Permanent Under-Secretary, provided continuity in senior leadership between the date of the merger and April 2023. There has also been continuity in leadership of corporate functions such as HR, finance and IT, which are also important for progressing merger activity. However, there were seven Transformation Directors, with tenures ranging from two to 15 months, and four senior responsible owners of the change portfolios between July 2020 and August 2023. Three of the seven directors provided interim cover during a period in which FCDO was not able to appoint a permanent director. A high turnover of senior leadership slows progress, and also risks the loss of corporate knowledge and expertise.

2.4 To monitor progress, the Transformation Directorate reported to a Transformation Board, which in turn reported to the Management Board. FCDO's Transformation Portfolio joined the Government Major Projects Portfolio (GMPP) in July 2021, bringing greater oversight of programme delivery from the Infrastructure and Projects Authority (IPA), situated in the Cabinet Office.¹⁶

2.5 In November 2021, FCDO recognised that the scope of the Transformation Portfolio was too large and developed plans to streamline the work, placing each component into one of four categories (**Figure 5**).

2.6 In February 2022, IPA awarded FCDO a red delivery confidence rating, concluding that successful delivery of the Transformation Portfolio to time, cost and quality appeared to be unachievable. Key areas of concern included:

- a lack of understanding of the scope and scheduling of delivery;
- failure to identify the full costs of the project;
- benefits not being measured to methodically evaluate success;
- communications with staff on progress delivering the merger; and
- excessive and duplicative governance arrangements.

Delivering the Integration Portfolio

2.7 In response to the red delivery confidence rating, FCDO re-visited the scope of the Transformation Portfolio, and concluded that the prioritised list presented to the Management Board in November 2021 was still too ambitious. In May 2022, the Management Board agreed a revised approach, which separated the Transformation Portfolio into two parts:

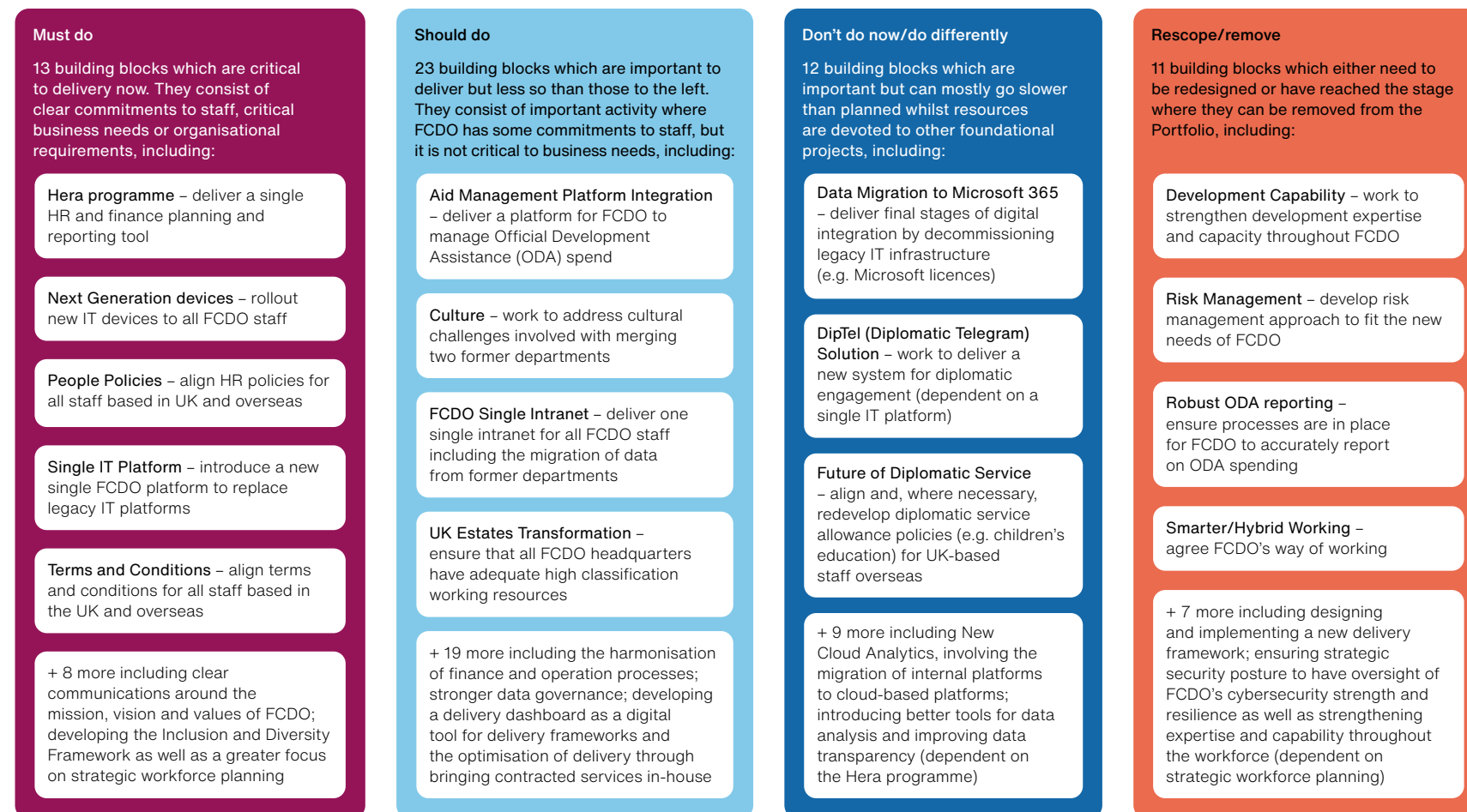
- a new Integration Portfolio, delivering the remaining essential changes to enable FCDO to operate effectively as a merged organisation (**Figure 6** on pages 30 and 31); and
- a potential Future FCDO Portfolio, dealing with the longer-term reform and enduring change required.

¹⁶ The Government Major Projects Portfolio (GMPP) contains the government's most complex and strategically significant projects and programmes. Projects on the GMPP receive independent scrutiny and assurance from the Infrastructure and Projects Authority (IPA). Projects on the GMPP are required to provide quarterly data returns on delivery progress.

Figure 5

Streamlining the Foreign, Commonwealth & Development Office (FCDO) Transformation Portfolio

FCDO broke down the Transformation Portfolio programmes into 59 building blocks and categorised them by order of priority into four groups



Notes

- 1 The Transformation Directorate conducted a prioritisation exercise, which it presented to the Management Board in November 2021.
- 2 The 12 Transformation Portfolio programmes were broken down into 59 'building blocks', scored against key criteria including alignment with strategic objectives of transformation and the impact the work had on staff.
- 3 The 'building blocks' were then grouped into four categories in order of prioritisation: 'must do'; 'should do'; 'don't do now/do differently' and 'rescope/remove'.

Source: National Audit Office analysis of documentation provided by Foreign, Commonwealth & Development Office

Figure 6
Programmes in the Integration Portfolio

There were seven core programmes making up the Integration Portfolio, all delivered by the time of the Infrastructure and Projects Authority’s (IPA’s) final review in June 2023

| Programme | Aim | Date of completion | Whole-life cost | Further detail |
|-------------------------------|--|--|-----------------|--|
| | | | (£) | |
| Hera | Deliver a common HR and finance system for all Foreign, Commonwealth & Development Office (FCDO) staff | November 2022 | 101.8mn | <ul style="list-style-type: none">• Work to deliver a new HR and finance system for the Foreign & Commonwealth Office (FCO) began prior to the merger, in May 2018, under a different name – ‘Atlas’.• The Atlas programme was renamed the Hera programme in 2020 and was a part of the Government Major Projects Portfolio.• Following the merger, FCDO re-assessed the approach to delivering the new Hera system given the new requirements of the merged organisation.• The programme business case outlines an increase of £8 million to the whole-life costs due to the changes brought on by the creation of FCDO.• The new system was launched to all staff in November 2022, however, running costs will continue in the years to come. |
| Osprey | Ensure all staff are working on a common IT platform including through the rollout of FCDO devices | October 2022 | 31.1mn | <ul style="list-style-type: none">• Delivery of the Osprey programme began in April 2021 working closely with the M365 programme.• The programme has a 3.5-year life span and is expected to conclude in September 2024.• Only ‘Phase 1’ of the Osprey programme was included within the scope of the Integration Portfolio.• The cost of delivering ‘Phase 1’ was around £6.0 million. |
| Aid Management Platform (AMP) | Deliver a system which reports on aid spending including the use of Hera financial data, providing a singular digital product for programme management | April 2023 | 11.8mn | <ul style="list-style-type: none">• Prior to 2022-23, costs of the AMP were included within the costs of legacy IT system – ‘ARIES’.• In 2022 work on the AMP became part of the Integration Portfolio and, as such, a programme in its own right.• The costs of the AMP programme in 2022-23 were around £3.9 million.• The programme is expected to continue to 2025, however, this is outside of the scope of the Integration Portfolio. |
| M365 | Ensure all staff are working on a common Microsoft tenant so staff can collaborate efficiently through Microsoft Teams | October 2022 | 8.7mn | <ul style="list-style-type: none">• Delivery of the M365 programme began in 2021-22 working closely with the Osprey programme.• The cost of the programme up to the closure of the Integration Portfolio was £7.2 million.• Work on the programme is expected to continue to 2025, however, this is outside the scope of the Integration Portfolio. |
| Finance | Deliver 20 aligned finance policies and produce guidance to support staff following the introduction of the new HR and finance system | March 2023 | 206,605 | <ul style="list-style-type: none">• The Finance programme was delivered as part of business as usual.• The whole-life cost of the programme has been calculated using estimated staff costs. |
| Single Intranet | Align key information from former FCO and former Department for International Development (DFID) intranets into one unified FCDO intranet | New FCDO intranet launched in December 2022 | 135,958 | <ul style="list-style-type: none">• The single intranet was delivered as part of business as usual.• The work to deliver the new FCDO intranet was completed by 5.2 full-time equivalent staff and three contracted staff.• Remaining work to improve the functionality of the single intranet continues within the Knowledge and Digital Information team, however, this work is outside the scope of the Integration Portfolio. |
| People | Deliver a single pay framework for all FCDO staff | September 2022 (UK-based staff), January 2023 (country-based staff) | 82,757 | <ul style="list-style-type: none">• The People programme was delivered as part of business as usual.• The work to deliver a single pay framework was completed by three full-time equivalent staff over a five-month period.• The remaining work to align terms and conditions and other HR policies is still underway, however, this is outside the scope of the Integration Portfolio. |

Notes

- 1 The whole-life cost of the programmes listed above includes work which is not within the scope of the Integration Portfolio, and not related to merger activity. Some of the programmes listed above existed prior to the creation of the Integration Portfolio. Some programmes will continue to deliver work relevant to the merger after the closure of the Integration Portfolio. Therefore, the costs displayed above cannot be considered the costs of delivering the Integration Portfolio.

2 FCDO does not include the full cost of the Hera programme in the cost of the merger in 2022-23 on the basis that the former departments FCO and DFID would have required a new HR and finance system regardless of the merger.
- 3 Costs provided for the People programme, Single Intranet and Finance programme are estimates based only on staff time throughout 2022-23.

4 There was no formal time recording mechanism to accurately track staff time spent on the delivery of any of the programmes listed above in 2022-23, so the FCDO Portfolio Management Office has estimated the cost of staff time.

2.8 During transition to the Integration Portfolio, FCDO also streamlined governance arrangements in response to IPA's recommendations. New arrangements required programme teams to report bi-monthly to the newly established Oversight Board. Programme directors were also required to meet monthly as the Portfolio Delivery Board to ensure their work aligned with that of their peers. FCDO also improved its approach to cost and benefit tracking. It established a formal model to track benefits being realised through the Integration Portfolio and programme directors were required to report bi-monthly costs of the programmes to the Oversight Board.

2.9 In August 2022, the IPA awarded a green delivery confidence rating to the Integration Portfolio, concluding that successful delivery of the project to time, cost and quality appeared highly likely and there were no major outstanding issues that threatened delivery. Key areas of improvement included:

- the prioritisation of work delivering the fundamental systems enabling FCDO to operate as a merged organisation;
- streamlined governance arrangements;
- more effective oversight of dependencies between programmes;
- regular reporting on costs of individual programmes;
- the introduction of a benefits realisation framework; and
- a greater understanding amongst staff and stakeholders of the scope and vision of the work.

2.10 FCDO successfully completed all programmes within the Integration Portfolio by April 2023, meeting its core objective of providing the foundations from which FCDO would be able to create an integrated organisation in the future. In June 2023, the IPA awarded the Integration Portfolio another green delivery confidence rating, stating that the Integration Portfolio was now successfully completed and recommending that it be formally closed and removed from the GMPP. As part of this process, programme teams were required to report what had been delivered; benefits being realised through the programme; the cost of the work, as well as any future plans for completing outstanding work relating to their programme which sat outside of the scope of the Integration Portfolio. The Transformation Directorate and the Integration Portfolio programme management office were also closed.

2.11 Following the closure of the Integration Portfolio, FCDO established the Organisational Improvement Directorate (OID), which has adopted a continuous improvement approach to further integration. The FCDO Management Board met in January 2023 to discuss the next stages of organisational reform, acknowledging that many staff feel the department has over-promised and under-delivered despite the wider context of successive international crises. FCDO established the OID to work across all areas of the organisation to prioritise and oversee necessary improvements across FCDO. Responsibility for delivering the remaining work relevant to the merger sits with relevant teams across the organisation, rather than with the OID.

Wider progress in implementing the merger

Visibility and accountability around international development

2.12 Initially, the importance and visibility of international development seemed to have been diminished within the new department. For example, there was no dedicated senior international development position within FCDO, since the vision of the Foreign Secretary at the time of the merger was for fully integrated teams. The merger was viewed by some as a ‘takeover’ of the Department for International Development (DFID) by the Foreign & Commonwealth Office (FCO). This caused some negative reaction from the development sector (paragraph 1.8).

2.13 The government has since recognised the need to reinforce the position of international development within the department and increase visibility and accountability. FCDO created a new post of Director General for Humanitarian and Development in March 2022 and a Second Permanent Under-Secretary responsible for aid spending in July 2023. As additional accounting officer, the Second Permanent Under-Secretary manages, and is accountable for, FCDO’s development programme portfolio. This includes all programme expenditure related to Official Development Assistance (ODA), and development finance instruments. Since September 2022, a Minister for Development has again sat in the Cabinet. FCDO established a new internal Development Committee in September 2023 to strengthen delivery and accountability.

2.14 Successive publications, most recently the International Development White Paper published in November 2023, have emphasised the importance of development in the UK's international approach.¹⁷ Some FCDO staff we talked to thought the UK's influence around international development had decreased, but they attributed this more to reduced aid budgets than to the merger. In Kenya and Uganda, staff told us that the merger made it easier to present a joined-up UK government position and the Heads of Mission could be more effective in external influencing. External partner organisations we spoke to recognised that, while the UK had significantly less money for aid programmes, the UK was still a lead donor and supportive of priorities in that country and had shifted to operating in a different way to leverage influence.

Integrating teams and aligning policies

2.15 Alongside the work delivered through the Transformation and Integration Portfolios, FCDO has also made substantial progress in integrating the two former departments, including changing structures and integrating teams, aligning and redeveloping policies and aligning rewards. Implementing new team and governance structures is only the first step to ensure teams work effectively as a single organisation. New policies will take time to roll out across the organisation and implement consistently. These changes will require review and refinement and embedding new ways of working will take time.

2.16 In November 2020, the Transformation Directorate asked Heads of Mission in posts with both FCO and DFID staff to submit a plan for implementing the merger at overseas posts, with a target for 95% of these plans to be implemented by April 2021.¹⁸ Posts provided an organisation chart showing the proposed new structure, and an explanation of both the immediate and longer-term proposed changes. Heads of Mission at overseas posts were given freedom to implement this integration as they considered best in their particular context (**Figure 7** on pages 36 and 37). In overseas posts and other thematic and policy areas, it was about integrating development and diplomacy disciplines, intelligence and expertise. In April 2021, FCDO's Management Board reported that 97% of staff were now working in merged teams, across 42 directorates and 57 posts.

¹⁷ See footnote 10.

¹⁸ Head of Mission (HoM) refers to the Head of the UK's diplomatic representation in various posts across the world. A HoM represents the UK Government as a whole and leads and coordinates HM Government's activity in-country. HoMs are usually referred to as 'Ambassadors' except in member countries of the Commonwealth of Nations, whereby the term 'High Commissioner' is used instead.

2.17 We found instances where FCDO had used opportunities presented by the merger to capture the best of the former departments. Where there were previously teams in each department carrying out the same function, integration was about forming a new FCDO team with a new policy fit for the new department. These approaches are inevitably still evolving, as the following examples show.

- After the merger, an integrated risk management team created a new approach to meet the needs of the new organisation and worked to implement it throughout FCDO, including support to overseas posts. The team's risk maturity exercise in 2023 found that there had been significant progress over the last three years but that the implementation picture was mixed, and there is more work to do to embed risk management more consistently.
- The Independent Commission for Aid Impact found that FCDO had maintained DFID's effective approach to programme management but simplified it to better suit the needs of the new organisation.¹⁹
- The operating models were very different in digital and IT services. In the former FCO it was mostly outsourced, and in the former DFID it was mostly insourced. The final FCDO model being developed is a hybrid, outsourcing commodity items and building intelligent client capability internally.
- FCDO also told us of other examples of drawing on the 'best of both', including in security, internal audit and commercial teams. Due to its large programme spending, DFID had more developed risk management, programme management, and supplier management functions. In FCO, there was a more developed security culture and use of influencing skills.

¹⁹ Independent Commission for Aid Impact, *The FCDO's Programme Operating Framework*, 23 April 2023, p. 9.

Figure 7
Experiences of integration in different teams across the Foreign, Commonwealth & Development Office (FCDO), 2020–2023

The teams we examined in our case studies took different approaches to integration and experienced it differently

| Team | Aims | Programme spending | Staff | Before the merger | | | Approach to and experience of integrating the team |
|---------------------------|---|--|--|-------------------|----------------|-----------------------------|--|
| | | | | Co-location | Joint planning | Some cross-department teams | |
| Overseas posts | | | | | | | |
| Indonesia | Sustainable and inclusive growth in Indonesia that supports UK priorities and interests. | Spent £13 million in 2022-23 on aid programmes. | Around 140 staff, most of whom came from the Foreign & Commonwealth Office (FCO). | Yes | Yes | No | <ul style="list-style-type: none">Before the merger, the Department for International Development (DFID) presence in Indonesia was small and focused on low carbon development. There was some join-up between DFID and FCO staff, although opportunities were missed.Since the merger, the team has created a new development director role to provide oversight over all development activity. Separate teams from the former departments working on low carbon development have been merged and all staff have been encouraged by leaders to consider both development and diplomacy as part of their roles. The team also established a unit to improve aid management.There is now better collaboration across staff on low carbon development. |
| Kenya | Regional security, peace and stability, trade and investment, and humanitarian support. | Spent £36 million in 2022-23 on programmes, down from £96 million (DFID only) in 2019-20. | Around 270 staff. Before the merger, around two-fifths of staff worked for DFID. The rest worked for FCO, focused on FCO activity in Kenya as well as on providing support for other UK government departments in Kenya, regional staff and the British Embassy Mogadishu (Somalia). | Yes | Yes | Yes | <ul style="list-style-type: none">In September 2020, the FCO and DFID teams were fully merged into teams aligned under five pillars of a UK–Kenya Strategic Partnership, earlier than for other FCDO teams, although there is more to be done on collaborative working. The leadership structure was changed to give the High Commissioner oversight of all FCDO staff. The team prioritised developing capability around external influencing and programme management quality across all spend.The merger has further improved staff collaboration across all UK government departments in Kenya. |
| Uganda | Economic growth and prosperity, improving the resilience and defending the rights of vulnerable people, and maintaining Uganda’s role in hosting regional refugees. | Spent £30 million in 2022-23 on programmes, down from £125 million (DFID only) in 2019-20. | Around 100 staff, of whom roughly half worked for DFID and the rest worked for FCO before the merger. | Yes | Yes | Yes | <ul style="list-style-type: none">Since the merger, the team has made changes to further improve cross-mission working, including creating two new teams to combine expertise and drive excellence around programme effectiveness, finance and fraud. As a result, there has been more collaboration between staff.Development partners in Uganda noted greater championing of their work by senior FCDO staff to the Ugandan government. |
| Yemen | Advance peace and alleviate the humanitarian crisis. | Spent £83 million in 2022-23 on aid programmes, down from £238 million (DFID only) in 2019-20. | Staff, most of whom came from DFID, are scattered in neighbouring countries and the UK. | Yes | Yes | No | <ul style="list-style-type: none">FCO and DFID already worked closely on Yemen before the merger because their aims aligned closely.With the merger, FCDO created thematic teams incorporating staff from both former departments under one leadership. It also merged corporate functions.Some interviewees reported that the merger has made a difference to the level of collaboration. |
| Central thematic team | | | | | | | |
| Global Health Directorate | Helping prevent the next global health crisis and strengthening health systems. | Spent £1,021 million in 2022-23 on aid programmes. | Around 115 staff, most of whom came from DFID, based in London, East Kilbride and Geneva. | No | No | No | <ul style="list-style-type: none">Before the merger, neither FCO nor DFID had a Global Health Director.After the merger, the team had a clear focus to align behind during the pandemic, and staff collaborated effectively. |
| Central functional team | | | | | | | |
| Risk Management team | Supports other teams to implement FCDO’s approach to risk management and provides analysis to the Management Board for overseeing risks. | None. | Small team made up of staff from both former departments, based in different locations in the UK. | No | No | No | <ul style="list-style-type: none">With the merger, the small teams from FCO and DFID came together.DFID’s approach to risk management was more mature than FCO’s. The team created a new approach and worked to embed it across FCDO. |

Note
1 We conducted six case studies in the period September to December 2023 to illustrate the experience of a range of teams in the organisation. See Appendix One for further information.

2.18 The Finance and HR teams have made significant progress aligning pay, finance and HR policies, and terms and conditions for UK-based staff, although there are some contentious issues still to be resolved around allowances for UK-based staff overseas. Pay alignment was one of the original workstreams in the Transformation Portfolio but took until January 2023 to complete, partly for affordability reasons. In 2021, FCDO developed a Strategic Workforce Plan to deliver a 20% reduction in workforce costs, which would release funds needed for aligning pay and terms and conditions. Following a reversal of the decision to make headcount reductions, FCDO had to re-work proposals to align pay within its existing pay remit. Pay alignment was one of the seven essential actions carried through to the Integration Portfolio, in the form of the People programme. Through this programme, FCDO aligned the different pay structures of the former departments to produce single pay structures for UK-based and country-based staff.

- In September and October 2022, respectively, FCDO implemented a single pay structure for UK-based staff; and extended eligibility for the London allowance to all UK-based staff working in London.
- For country-based staff, in the 32 overseas posts where pay structures needed to be aligned, posts introduced changes throughout 2022, with the final post completing this process in January 2023.

Remaining issues to resolve

2.19 FCDO has yet to complete the complex work required to align home and overseas allowances for former FCO and DFID staff. This affects trust in the organisation, as it has taken longer than anticipated, and how staff work together, as those doing a similar job may have very different pay and allowances. Staff have repeatedly expressed concern that the lack of progress is affecting how they work together. In November 2023, FCDO announced work to create an Overseas Employment Framework to modernise existing arrangements and create a single set of arrangements for all UK staff working overseas.

2.20 In February 2024, FCDO confirmed the need to modernise and simplify allowances so that all staff are treated consistently. FCDO aims to achieve a simpler, streamlined system that involves fewer complicated transactions, and takes account of local factors at the overseas post, composition of households and the cost of living. This will include looking at other parts of the framework for staff that have a financial element, including travel and education. It plans to make these changes within the existing workforce spending budget, which means either it would be cost-neutral or paid for by savings elsewhere. If agreed internally, FCDO will seek relevant approvals from HM Treasury in line with FCDO's aim to start implementing these changes for people applying for new overseas postings from summer 2024. FCDO anticipates that it will take time to implement fully since staff already posted overseas will continue to receive their current allowances until their posting ends.

2.21 FCDO's 2022 stocktake of progress with the merger identified a perceived lack of strategic approach to careers, capabilities and skills investment, with staff feeling unable to navigate a career pathway through FCDO. The department's scores against the statement, "There are opportunities for me to develop my career", in the Civil Service People Survey, fell from 54% (FCO) and 52% (DFID) in 2019, to 49% in 2020, and to 45% in 2021, rising slightly to almost 47% in 2022, and 50% in 2023. The civil service median score was 51% in 2019, 52% in 2020, 54% in 2021, 52% in 2022, and 53% in 2023.²⁰ The lack of certainty over future careers, and the increased competition for roles, were frequently mentioned in our interviews with FCDO staff. However, interviewees also gave examples of where the merger has opened up opportunities for staff to apply for new roles and to learn new skills.

2.22 FCDO's development capability has reduced since the merger. FCDO has changed leadership structures and roles to integrate development and diplomacy. As a consequence, in some overseas posts, the loss of dedicated senior development roles has reduced capacity and undermined FCDO's credibility and Official Development Assistance (ODA) accountability. While there has been some replacement through internal accreditation and external recruitment, the number of expert development adviser roles fell by 14% from 867 in 2019 to 747 in 2022. FCDO has also lost development capability around programme management for its ODA programmes, with 25% of such positions in the Major Programmes Portfolio reported as vacant in January 2024. FCDO has been aware of the risk of not sustaining its international development skills and expertise, which it currently rates as "severe", and is working to mitigate this risk.

2.23 In September 2023, FCDO's Executive Committee agreed a new capability framework of eight capability clusters, spanning across the department, through which it aims to understand, deploy and invest in its capabilities. It agreed further work to develop 'heads of capability' to build on existing heads of profession, and a new two-year programme to embed the framework in key HR processes such as appointments and workforce planning.

²⁰ The Civil Service People Survey median score represents the median score for organisations within the civil service, not median respondent score. Where there are an even number of participating organisations, the middle two values are averaged. See: Cabinet Office, *Civil Service People Survey 2023: Technical Guide*, February 2024.

2.24 FCDO has successfully aligned IT systems following the rollout of the Hera (HR and finance) system to former FCO users in July 2022 and former DFID users in October 2022. FCDO conducted two surveys of Hera users in January 2023 and in December 2023 to January 2024. They are not directly comparable due to differences in populations and some questions and ratings. However, they broadly show that user satisfaction with the new system is improving over time, but more support needs to be provided to users across the FCDO network to ensure the system's functionality is optimised:

- In January 2023, FCDO conducted a survey of Hera users which had a 5.5% response rate. Only 30% of the 1,077 respondents were “somewhat satisfied”, “very satisfied”, or “extremely satisfied” with the system overall. 71% of respondents felt that it was either “difficult” or “extremely difficult” to access adequate help and support if they encountered any issues with the new Hera system.²¹
- In December 2023 and January 2024, FCDO conducted a further Hera user satisfaction survey which had a 2.4% response rate. The overall satisfaction among respondents was higher than in January 2023, with 57% of 642 respondents saying they were “somewhat satisfied”, “satisfied”, or “very satisfied” with the system. It also showed improvement in staff views of the help and support provided for the Hera system: 41% of respondents found it “somewhat easy”, “easy” or “very easy” to access adequate help and support, while 50% of respondents felt that it was either “difficult” or “very difficult” to access adequate help and support.²²

2.25 FCDO's work on culture change is ongoing. At the time of the merger, staff from the former departments felt they subscribed to different cultures and values. FCDO was aware of the importance of creating a new culture, learning from the experience of similar mergers in other countries. As such, it included ‘culture and values’ as a cross-cutting programme within the Transformation Portfolio, but it did not take work on culture forward into the Integration Portfolio. FCDO set up an organisational design and development team in October 2022. The team conducted a series of cultural conversations in a selection of posts and directorates during 2023, with the aim of identifying the prevailing cultures and initiating behavioural change towards productive and healthy cultures in the future. This work is ongoing.

21 The January 2023 survey had 1,077 responses, representing 5.5% of the Hera user base (19,670). Users surveyed included Phase 1 (former FCO), Phase 2 (former DFID), FCDO Services staff and some other UK government department staff. Questions were not mandatory and there were no “not applicable” options.

22 The December 2023 to January 2024 survey had 642 responses, representing 2.4% of the Hera user base (27,058). Users surveyed included those outlined above plus staff in FCDO who had only ever used the Hera system. The later survey is not directly comparable with the January 2023 survey: while some questions were the same, the response options used in this survey were slightly different in some cases. It included additional questions, and questions were mandatory but included “not applicable” options.

Part Three

Understanding the impact on staff and the costs of the merger

3.1 This part of the report examines:

- how the merger has affected staff, including changes in staff engagement and turnover over the merger period; and
- the costs associated with the merger.

How the merger has affected staff

3.2 We heard from staff that the merger has been a difficult and disruptive process overall but that it has also created some opportunities. The impact of the merger varied across different groups of staff, as shown in the following examples.

- Some posts had greater integration challenges than others, depending on the size of the former teams in place and the extent to which they had already started to work collaboratively, while others, such as some posts in Europe and North America, were less affected.
- Staff noted the benefits of more opportunities to widen their knowledge across both development and diplomacy and to apply this through greater cooperation with colleagues from each of the former departments.
- Former Department for International Development (DFID) staff were more affected by the decisions to close DFID's London HQ building, and the requirement for higher security clearances. More recently, in December 2023, the Foreign, Commonwealth & Development Office (FCDO) announced that its joint headquarters (occupied solely by former DFID staff prior to the merger) would move from East Kilbride to central Glasgow in 2025.
- The merger has brought opportunities for staff to apply for a wider variety of roles. This has been most evident in opening up some key former Foreign & Commonwealth Office (FCO) roles. For example, as at January 2024, 13 of 155 Heads of Mission (8%) were employed by DFID at the time of the merger in September 2020.²³

²³ See footnote 18.

- The Independent Commission for Aid Impact found that one of the most negative impacts of the merger had been on country-based staff (CBS), who reported feeling disempowered and demoralised.²⁴ However, we heard of a mixture of pros and cons for CBS from those we interviewed. For example, in Uganda, CBS mentioned benefits such as new policy adviser posts, better inclusion, wider consultation and new learning and development opportunities.
- Non-UK nationals who are working for the FCDO on UK-based contracts are excluded from applying for certain jobs.

3.3 Between 2020 and 2022, FCDO staff engagement fell and turnover increased. However, the volatile and changing context since 2020 means that it is not possible to separate the impact of the merger from other factors placing pressure on staff, such as the COVID-19 pandemic, managing a series of international and domestic crises and the reduction in the aid budget. In our report on *Managing reductions in Official Development Assistance spending* we set out the impact of implementing such a significant reduction in aid spending, particularly on staff in overseas posts managing programmes, and recognised that FCDO staff were acting under considerable pressure.²⁵

Staff engagement

3.4 FCDO has monitored staff engagement throughout the merger through surveys, consultation exercises, and a stocktake in late 2022. This monitoring has shown that, throughout the period, staff have experienced change fatigue and are unhappy that key issues such as terms and conditions and career pathways have yet to be resolved.

- FCDO surveyed staff through pulse surveys from the start of the merger through to November 2021. FCDO issued the pulse survey weekly to a randomised sample of 1,000 staff but stopped them in November 2021 due to falling response rates, which made the results less useful.
- From 2020 onwards, the annual Civil Service People Survey has reported lower scores for ‘staff engagement’ (commitment to the organisation’s goals and values, and motivation to contribute to its success) in FCDO than it previously reported for the former departments, and the score fell each year up to 2022 (**Figure 8** on page 44). However, in 2023 the score improved to near 2020 levels of engagement and was two percentage points higher than the civil service median score of 64%. In 2019, the Institute for Government found that, while the issue of poor morale can be severe during periods of reorganisation, it also tends to be temporary.²⁶

24 Independent Commission for Aid Impact, *UK aid under pressure: a synthesis of ICAI findings from 2019 to 2023*, September 2023, p. 6.

25 Comptroller and Auditor General, *Managing reductions in Official Development Assistance spending*, Session 2021-22, HC 1146, National Audit Office, March 2022, p. 44.

26 T. Durrant and G. Tetlow, *Creating and dismantling government departments: How to handle machinery of government changes well*, Institute for Government, November 2019, p. 12.

- Views on leadership vision also became less positive, with a 42% positive response in 2022 to the question of belief that FCDO's senior leaders have a clear vision for the future of the organisation, down from 51% in 2020. However, this rose by nine percentage points to 51% in 2023 (compared to a 54% median score for the civil service as a whole).²⁷
- FCDO conducted a stocktake exercise at the end of 2022, engaging with staff across the organisation, using a survey and focus groups.²⁸ It found that there was a perceived lack of leadership, vision and objectives, a perceived lack of strategic approach to careers, capabilities and skills investment, and that the basics (HR, IT and corporate services) were holding staff back. Change fatigue was evident at all grades, and staff said that change appeared to be done 'to' them rather than 'with' them. In response, FCDO has wider work underway to address remaining issues and has set up the Organisational Improvement Directorate to drive change in the highest priority areas (paragraphs 2.11 and 2.19 to 2.25).

Staff turnover

3.5 FCDO has experienced higher staff turnover in the years following the merger compared to that of FCO, rising to a high of almost 11% in 2021-22 before dropping to 10% in 2022-23, although DFID had higher turnover before the merger (**Figure 9** on page 45). However, turnover was lower than the civil service as a whole in 2021-22 (13.6%). Proportionally, turnover increased the most for the middle- and higher-grade staff between 2019-20 and 2022-23.²⁹ For example, Grade 6 turnover almost doubled, from 5.3% in 2019-20 to 10.4% in 2022-23, and turnover in Senior Civil Servants increased from 7.6% to 11.7% over this period.³⁰

27 Civil Service People Survey 2023, Question B40: "I believe that my organisation's senior leaders have a clear vision for the future of my organisation."

28 The online survey had 437 respondents while the focus groups had 83 participants. Results were triangulated with the 2022 Civil Service People Survey results which had 11,432 respondents. The online survey consisted of two open-ended questions designed to focus on points for improvement:

1) "To be successful in my role I need..."

2) "For the FCDO to be successful in 2025 it needs..."

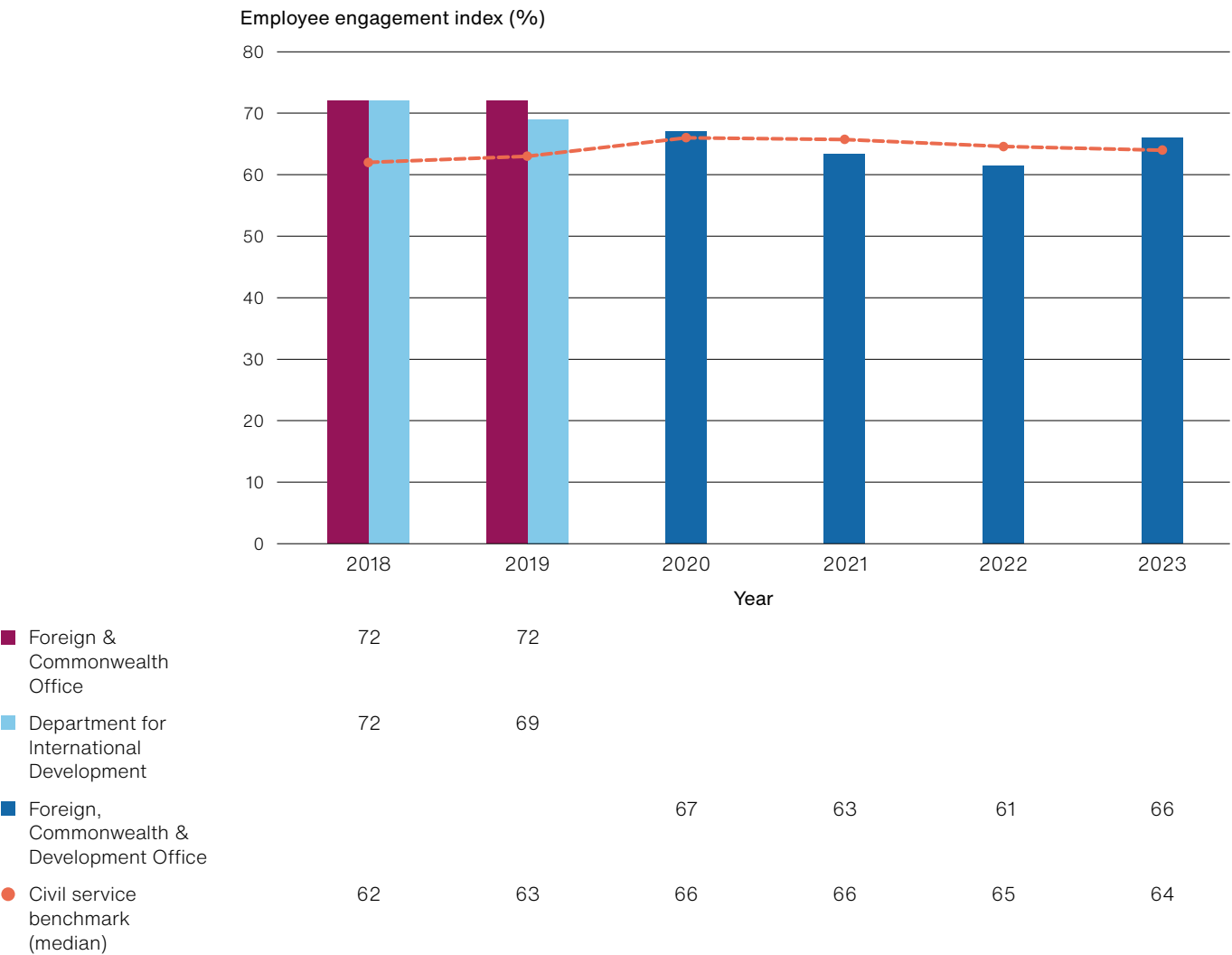
The FCDO's Centre for Data and Analysis reported a medium confidence rating in this methodology since the questions focus on points for improvement, so it is plausible that those with the strongest negative opinions were more likely to be involved.

29 The hierarchy of civil service job grades from most junior to most senior is: Administrative Assistant (AA), Administrative Officer (AO), Executive Officer (EO), Higher Executive Officer (HEO), Senior Executive Office (SEO), Grade 7 and Grade 6 (experienced officials with significant policy responsibilities), and Senior Civil Service (SCS) which includes senior management grades such as Director and Director General.

30 FCDO calculated turnover based on civil service standard methodology, as laid out within: Cabinet Office, *Turnover in the Civil Service: Guidance on Calculations*, December 2019. Turnover here refers to the rate of those leaving FCDO specifically, and not the civil service overall.

Figure 8
Staff engagement in the Foreign, Commonwealth & Development Office (FCDO) and its former departments, 2018 to 2023

Staff engagement fell from 72% in the former departments in 2018 to 61% in FCDO in 2022, before rising to 66% in 2023; the civil service median score remained relatively stable year-on-year



Notes

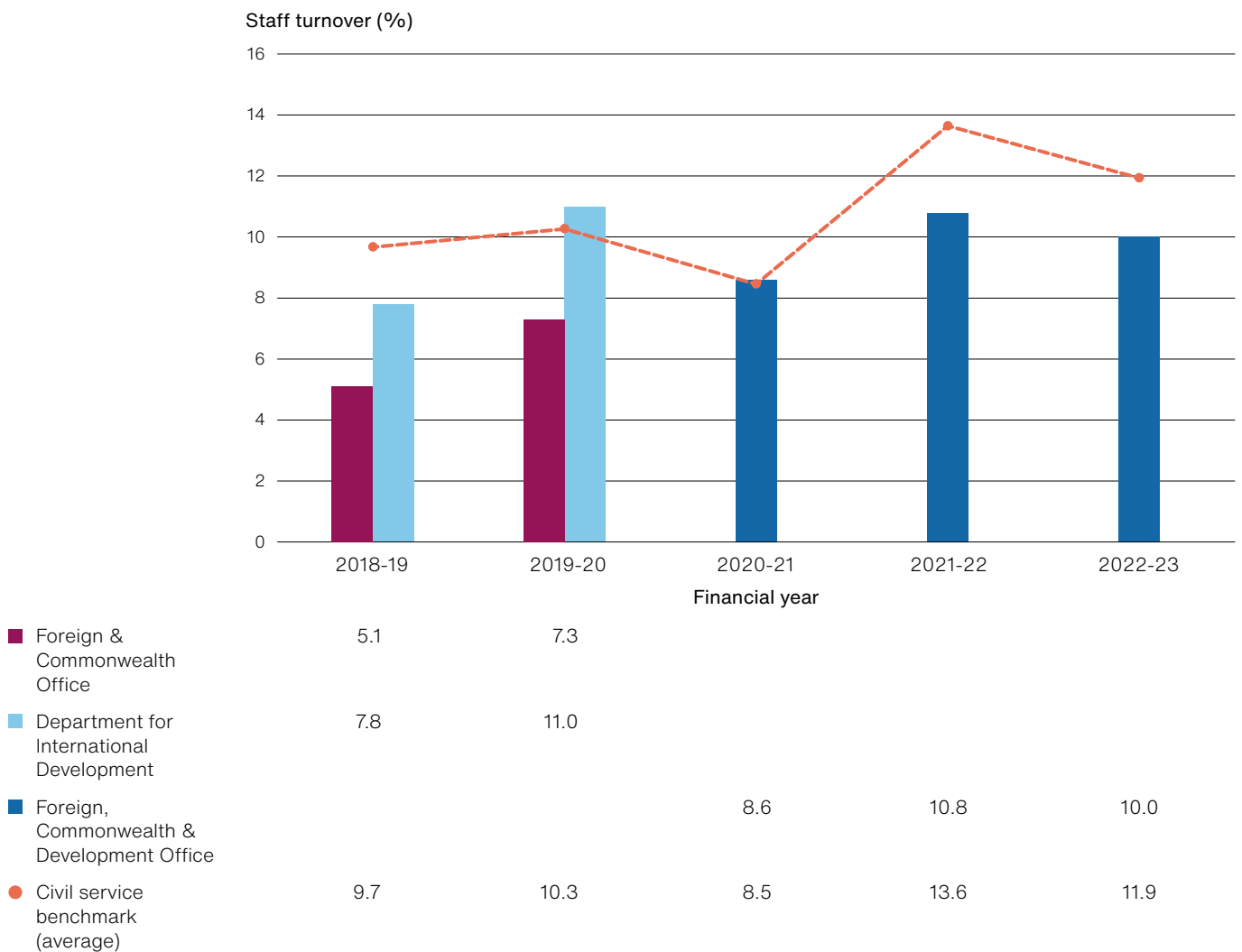
- 1 The Civil Service People Survey is conducted each calendar year. The Cabinet Office gathers data in autumn of each year.
- 2 The employee engagement index is defined as commitment to the organisation's goals and values, and motivation to contribute to its success. For further information see *Quality and Methodology Information for the Civil Service People Survey 2023*, Cabinet Office. Available at: www.gov.uk/government/publications/civil-service-people-survey-2023-results/quality-and-methodology-information-for-the-civil-service-people-survey-2023, (viewed on 8 March 2024).

Source: National Audit Office analysis of publicly available Civil Service People Survey results

Figure 9

Staff turnover in the Foreign, Commonwealth & Development Office (FCDO) before and after the merger

Staff turnover increased from 7.3% for Foreign & Commonwealth Office (FCO) staff, but fell from 11% for Department for International Development (DFID) staff in 2019-20 to 10% across all FCDO staff in 2022-23

**Notes**

- 1 The organisation turnover figures available are as at 31 March in each financial year, for that year.
- 2 Civil service average departmental turnover figures are calculated as per Cabinet Office methodology. These include staff moving within the civil service. For a given period, the turnover figure is calculated as the number of leavers within that period divided by the average of staff in post over the period. The average staff in post can be calculated as the average of headcount at the start and end of the period.
- 3 For further information see *Turnover in the civil service, Guidance on calculations*, civil service HR, Cabinet Office, p. 1. Available at: www.gov.uk/government/publications/turnover-in-the-civil-service, (viewed on 27 February 2024).

Source: National Audit Office analysis of the Foreign, Commonwealth & Development Office turnover data and Civil Service Statistics data

Business support functions

3.6 Until the Integration Portfolio was completed, staff from the two former departments were working on separate systems, which made communication difficult. The rollout of the new HR and finance system addressed the issues created by running dual systems, but there were a lot of teething problems, and staff expressed dissatisfaction with it (see paragraph 2.24). FCDO's reporting to its Management Board also recorded an increase in the percentage of corporate and finance measures that it has rated as 'red' (off-track, high risk) from 6% in December 2021 to 22% in December 2023.

3.7 Staff have raised various HR issues during the merger, including slow recruitment processes, which reduced teams' capacity. Since the merger, senior FCDO staff have given FCDO's HR function among the lowest average ratings, compared to senior staff from other departments rating their own departments' HR functions, in an annual Cabinet Office survey.³¹ HR Services told us that several factors had affected its ability to meet expected service levels:

- staff shortages, exacerbated by recruitment freezes and the requirement for all staff to be cleared at 'Developed Vetting' (DV) level, which precluded the use of agency staff;³²
- dual running of FCO and DFID HR and finance systems until the introduction of the Hera system; and
- HR Services not being able to make any changes to HR or finance records during the 'go-live' launches of Hera, which led to a casework backlog.

With the help of additional staff on loan from other directorates, HR Services gradually reduced backlogs in priority areas and improved its performance to within expected service levels in the majority of areas.

Costs of the merger

3.8 The Cabinet Office recognises that organisational changes can generate upfront transitional costs, but normally expects departments to absorb them within their existing budgets. In addition to direct costs relating to aligning staff pay, re-branding, changes to buildings, and new IT or HR systems, there are indirect costs such as lower productivity due to disruption. FCDO has not tracked the indirect costs of the merger and is not seeking to do so because of lack of resources and the complexity involved. Staff told us that the merger has taken up a lot of staff time and energy, which could have been used in other ways. In 2019, the Institute for Government estimated the upfront cost of a mid-sized merger of government departments to be around £15 million, with potential for much higher costs in lost productivity.³³

31 The Cabinet Office runs the internal functional survey of senior civil servants across departments. The survey aims to benchmark the quality of functions within departments across the civil service, and provide senior leaders an opportunity to offer their views on functions.

32 There are five main levels of national security vetting: Accreditation Check (AC), Counter Terrorist Check (CTC), Level 1B, Security Check (SC) and Developed Vetting (DV). FCO required staff to have DV clearance, whereas DFID only required SC clearance.

33 T. Durrant and G. Tetlow, *Creating and dismantling government departments: How to handle machinery of government changes well*, Institute for Government, November 2019, p. 1.

3.9 FCDO's approach to tracking and reporting costs has changed over time.

- Between June 2020 and autumn 2021, FCDO only tracked the costs of managing the Transformation Portfolio including Transformation Directorate costs and wider costs, such as relocating DFID staff to FCO buildings and the cost of higher-level security clearance for former DFID staff. It excluded the cost of the programmes making up the Transformation Portfolio from the merger costs.
- In autumn 2021, in response to external scrutiny from the Infrastructure and Projects Authority (IPA), FCDO attempted to set out a more systematic approach to tracking the costs of the merger. It started to include staff costs, external consultants, contractors and spending categories that would likely be of interest to the media.
- In February 2022, following a recommendation made by IPA, FCDO changed its approach to tracking merger-related costs and started including actual programme costs in 2022-23, as well as the costs of managing the programmes. FCDO streamlined the Transformation Portfolio into the Integration Portfolio and required programme directors to accurately record the costs of each programme. FCDO has tracked costs for the four programmes within the Integration Portfolio with business cases – Hera, M365, Osprey and the Aid Management Platform (AMP). As the other programmes were delivered as part of business as usual, and did not have separate budgets, costs were based on estimated staff costs. For some of the seven core programmes, the full scope of the programme was not included within the scope of the Integration Portfolio (Figure 6). In this instance, FCDO tracked the cost of those elements of the programmes that related to the merger. There was no formal time recording mechanism to accurately track staff time spent on programme delivery, so FCDO has estimated staff costs for all of the programmes.
- In March 2023, FCDO stopped tracking the costs of the merger. FCDO completed all programmes within the Integration Portfolio by April 2023 and now considers any further costs to be part of ongoing departmental improvement work.

3.10 FCDO disclosed merger costs of £4.9 million and £27.6 million in the performance report sections of its 2020-21 and 2021-22 Annual Report and Accounts respectively, but did not disclose merger costs in the performance report of its 2022-23 Annual Report and Accounts, despite the Integration Portfolio continuing throughout 2022-23.³⁴ In response to our request for cost data, FCDO identified £6.9 million spent on the merger in 2022-23, and provided a higher figure of £5 million for 2020-21. FCDO also provided a lower figure of £12.8 million for 2021-22 (£14.8 million less than the amount previously disclosed), having deducted the costs of the Hera and AMP programmes (**Figure 10**). FCDO's view is that its predecessor departments would have had to develop a new system regardless of the merger, therefore it was misleading to attribute the full costs to the merger. FCDO has excluded the costs of the AMP programme on the basis that AMP needed to be reworked to integrate with the new Hera system, therefore former DFID would have borne these costs regardless of the merger. FCDO has therefore spent a minimum of £24.7 million on the merger in 2020-21 to 2022-23, not including the full costs of the Hera and AMP programmes or any indirect costs.

34 Foreign, Commonwealth & Development Office, *Annual Report and Accounts 2020-21*, Session 2020-21, HC 660, 22 September 2021 p. 11; Foreign, Commonwealth & Development Office, *Annual Report and Accounts 2021-22*, Session 2021-22, HC 493, 19 July 2022, p. 64; Foreign, Commonwealth & Development Office, *Annual Report and Accounts 2022-23*, Session 2022-23, HC 1465, 17 July 2023.

Figure 10

Direct costs of merging the Foreign & Commonwealth Office (FCO) and the Department for International Development (DFID), 2020-21 to 2022-23

The Foreign, Commonwealth & Development Office (FCDO) has spent a minimum of £24.7 million on merging its predecessor departments, not including the full costs of the Hera or the Aid Management Platform (AMP) programmes, or any indirect costs

| | 2020-21 | 2021-22 | 2022-23 | Total |
|--|--------------|---------------|--------------|---------------|
| | (£000) | (£000) | (£000) | (£000) |
| Annual total | 4,982 | 12,824 | 6,921 | 24,728 |
| Of which: | | | | |
| Transformation Directorate staff pay | 3,459 | 3,475 | 568 | 7,502 |
| Transformation Directorate non-pay | 606 | 1,113 | 102 | 1,821 |
| Non-Transformation Directorate costs | 918 | 8,236 | 6,252 | 15,405 |
| Breakdown of non-Transformation Directorate costs: | | | | |
| IT (excluding Hera and AMP) | 818 | 6,439 | 617 | 7,874 |
| Legal advice/Professional services | 50 | – | – | 50 |
| Signage | 45 | 8 | – | 53 |
| Communications | 3 | – | – | 3 |
| Former DFID staff security clearance | 2 | 224 | – | 226 |
| Relocation of former DFID from 22 Whitehall to King Charles Street, London | – | 173 | – | 173 |
| Staff pay | – | 565 | 358 | 923 |
| Consultancy, temporary staff and other costs | – | 827 | 5,277 | 6,103 |

Notes

- 1 The costs outlined above do not include the costs of delivering the Hera or the AMP programmes.
- 2 The Hera programme delivered a new HR and finance system. The Hera programme has a whole-life cost of £101.8 million over a 10-year lifespan. FCDO has assessed Hera costs separately to the costs of the merger, on the basis that the predecessor departments would have had to develop such a system regardless of the merger. As of January 2024, FCDO estimates that £1.5 million of the costs of the Hera programme were directly attributed to the merger. These costs have been recorded under Hera programme costs to avoid double counting.
- 3 AMP is the Aid Management Platform used for managing Official Development Assistance programmes. The AMP programme has a whole-life cost of £11.8 million. FCDO has excluded the costs of AMP from those outlined above on the basis that AMP needed to be reworked to integrate with the new Hera system, therefore former DFID would have borne these costs regardless of the merger.
- 4 FCDO has not sought to track the indirect costs of the merger, and therefore they are not included in the costs outlined above. An example of an indirect cost is reduced productivity due to disruption caused by the merger.
- 5 FCDO stopped tracking the costs of the merger in March 2023. FCDO completed all programmes within the Integration Portfolio by April 2023 and now considers any further costs to be part of ongoing departmental improvement work.
- 6 Some costs do not sum due to rounding.

Source: National Audit Office analysis of Foreign, Commonwealth & Development Office financial data

Part Four

Achieving the benefits of the merger and sharing lessons learned

4.1 The merger was intended to achieve a more coherent and integrated approach across the UK's development and diplomacy efforts, and to increase the UK's impact overseas. This part of the report considers:

- the approach the Foreign, Commonwealth & Development Office (FCDO) has taken to tracking benefits;
- whether the anticipated benefits of the merger are being achieved; and
- whether FCDO has learnt and shared lessons from its experience so far, to inform its own plans and future machinery of government (MoG) changes.

Tracking the benefits of the merger

4.2 Our framework for reviewing programmes outlines key questions to consider when managing benefits.³⁵ Previously, we have found that central government bodies were weak at identifying and systematically securing the benefits they hoped to gain from MoG changes. They expressed broad reasons for changes rather than clear explanations of expected benefits, and, without setting metrics to track benefits, they were unable to demonstrate whether the benefits had been realised.³⁶ These findings also apply to the merger of the Foreign & Commonwealth Office (FCO) and the Department for International Development (DFID) into FCDO. FCDO has not taken a systematic approach to assessing how far the anticipated benefits of the merger as a whole, or of individual aspects of the merger, have been realised.

- FCDO outlined a benefits realisation plan in the draft Transformation Portfolio business case, but this plan was not formalised or implemented.
- FCDO established a formalised benefits realisation model to monitor benefits being realised through the Integration Portfolio.
- FCDO has not systematically collected data to measure these benefits against a baseline.

³⁵ National Audit Office, *Framework to review programmes update*, April 2021, p. 18.

³⁶ Comptroller and Auditor General, *Reorganising central government*, Session 2009-10, HC 452, National Audit Office, March 2010, p. 5.

- FCDO has identified a series of benefits realised through the Integration Portfolio in preparation for the Infrastructure and Project Authority's (IPA's) review in June 2023, which will enable greater integration across the organisation, for example, increased productivity, as all staff can collaborate more easily on a single IT platform, as well as a reduction in the number of complaints and demotivation as a result of introducing a common pay structure.
- When closing the Integration Portfolio, FCDO made the decision not to monitor any further benefits from it on the grounds that such monitoring would not be an efficient use of resources. FCDO considers that the programmes in the portfolio are enablers of greater integration across the organisation.

Benefits achieved to date

4.3 While FCDO does not have a systematic understanding of progress in realising the anticipated benefits, it has reported some benefits internally and externally, including the following.

- The 2023 Integrated Review Refresh noted that the merger of diplomacy and development in FCDO has strengthened both its development offer and its foreign policy.³⁷ It pointed to the humanitarian response to Russia's invasion of Ukraine; work to support a ceasefire to be reached in Ethiopia to enable humanitarian access, where it brought together diplomatic lobbying and development programming; and work to encourage the Government of Yemen to implement economic reforms to reduce the price of food imports and improve food security.
- In June 2023, the then Foreign Secretary told the International Development Committee that the merger has allowed FCDO to act more politically in its development work while simultaneously building development priorities into its political work by using diplomatic leverage to engage with other potential donor countries on development issues.³⁸

4.4 From our case studies and interviews we found examples of staff having a better understanding of development and diplomacy, with greater cooperation between these areas, and greater coherence at posts (**Figure 11** overleaf). Where this is working well, FCDO is better able to respond to crises or events, drawing on a wider range of expertise and using tools from across development and diplomacy. There are examples from different areas of FCDO's work, including the response to crises in Ukraine and Sudan and to the COVID-19 pandemic, and greater focus on development issues in countries where DFID did not previously have a presence. In the UK, having everyone in one department allows FCDO to convene different teams quickly, for officials to work together to develop options and provide consolidated advice without delays or conflicts between departments.

³⁷ HM Government, *Integrated Review Refresh 2023: Responding to a more contested and volatile world*, CP 811, March 2023, p. 27.

³⁸ International Development Committee, *Oral evidence: Future of UK aid*, HC 148, June 2023, pp. 7-9.

Figure 11

Examples of benefits from integrating development and diplomacy in the Foreign, Commonwealth & Development Office (FCDO) since September 2020

Across our case studies, we found evidence that an integrated approach to development and diplomacy had led to better results

The **COVID-19 Vaccine Global Access initiative (COVAX)** aimed to accelerate the development and manufacture of COVID-19 vaccines and guarantee fair and equitable access for every country. Richer countries were able to purchase vaccines through the initiative, while poorer countries received donated vaccines from richer countries, facilitated by COVAX, or directly from COVAX supply contracts paid for by donors. Interviewees told us that, since the merger, **FCDO's Global Health Directorate has been able to use political, diplomatic and health expertise in a more integrated way**, and make use of FCDO's wide overseas network. For example, FCDO was able to use its network of diplomatic staff to encourage host countries to buy into the COVAX initiative.

The **Indonesia Just Energy Transition Partnership (JETP)**, announced in November 2022, is a country-led partnership to help Indonesia pursue a transition away from fossil fuels and towards renewable sources, while supporting economic growth. Since the merger, formerly separate Foreign & Commonwealth Office (FCO) and Department for International Development (DFID) teams working on low carbon development in Indonesia have become one team and have been encouraged by leaders to consider both development and diplomacy as part of their roles. Interviewees told us that **staff have found coordinating expert analysis and diplomatic influence on this issue easier** as a result, which is important because of the political nature of energy issues in Indonesia.

In **Kenya**, interviewees told us how they were **able to draw on the whole toolkit of development and diplomatic levers for a coordinated approach** to key events and issues. For example, the political and governance team combined programmatic and diplomatic levers to support the Kenyan government to deliver an orderly election in 2022, using diplomatic political expertise to inform the design of the election aid programme. FCDO's work on green finance in Kenya involves combined input from climate and economic development advisers, together with trade experts. And, prior to the merger, the former FCO would have led on planning a royal visit, but the visit in October/November 2023 was a joint effort involving staff from across the British High Commission in Nairobi, to plan an itinerary that encompassed a wide range of areas of interest.

In **Uganda**, interviewees told us how they **used an integrated approach to respond to the Ebola crisis in 2022**, with staff from health, political, and growth and prosperity teams working together to provide a coordinated response. Using influencing and lobbying techniques to persuade other partners to proactively support the Ugandan government together with limited aid spending targeted to the most hard-hit areas, it helped avoid an economic, political and security crisis.

In **Yemen**, interviewees identified **benefits of the merger for FCDO's work in Yemen around better coordination of political negotiations with negotiations on humanitarian access**. Other interviewees noted that the merger did not lead to greater integration as there was already a high degree of close working across teams.

Notes

- 1 The Risk Management team is not included here because it seeks to enable benefits from the merger across FCDO, in terms of real-world impact, rather than delivering benefits directly itself.
- 2 Case study interviews and visits were conducted between October and December 2023.
- 3 These teams did also experience challenges from the merger, including around disruption to HR services and IT.

Source: National Audit Office analysis of documents provided by Foreign, Commonwealth & Development Office and interviews with staff in the case study teams

Future benefits

4.5 It is too early to say whether some of the longer-term anticipated benefits will be achieved. Despite progress in delivering core aspects of the merger, these programmes are enablers for benefits that may be achieved in years to come. In addition, effective benefits management is also about managing any disbenefits. Since the beginning of the merger, FCDO has emphasised that a MoG change of this scale takes time, and it believes benefits realisation will take place over many years. FCDO told us that it expects embedding an integrated culture could take up to 10 years.

4.6 FCDO is aware of risks to achieving the anticipated benefits of the merger. Risks that it has identified and tried to mitigate include the loss of development influence, impact and capability, inability to maintain the workforce, and loss of reputation. For example, FCDO has established a dedicated Development Committee aimed at strengthening internal accountability and scrutiny of FCDO's development objectives. FCDO has also acted positively to improve development capability by growing the learning and development resources available for Heads of Mission through the Development Faculty. A new head of Development Faculty has been appointed with courses still in development. FCDO now has clearer oversight of workforce data following the delivery of the new HR and finance system.

Cost efficiencies

4.7 While the merger was not announced with the primary goal of creating efficiency savings, the Cabinet Office and FCDO anticipated some savings. For example, the outline business case for the Transformation Portfolio recognised the potential for savings from merging corporate functions, integrating IT systems and streamlining office accommodation. FCDO also noted the potential for increased efficiency as a result of teams being able to work and communicate on the same IT platform and Microsoft system. However, FCDO has not systematically tracked or quantified cost savings at portfolio or programme level.

4.8 After the closure of the Integration Portfolio, FCDO identified anticipated benefits including reduced whole-life technology costs as well as delivering outputs more efficiently and effectively. At programme-level, the teams tasked with delivering digital aspects of the merger identified proposed benefits in the form of cost savings within programme business cases. For example, the M365 programme highlighted potential cost efficiencies from the removal of duplicated access to software being used within the former organisations.

Learning and sharing lessons

4.9 FCDO sought advice from other countries that had merged development and diplomatic organisations over the last 20 years, but it has still experienced some of the same issues faced by its counterparts in Australia, Canada and New Zealand. FCDO learnt from other countries about the importance of creating a new culture – which is still a work in progress in FCDO – and the importance of retaining expertise.

4.10 FCDO has gathered lessons around the implementation of the merger and is learning from them. For example, in April 2021, overseas posts set out the changes they were making to their structures to implement the merger. FCDO drew out lessons from this exercise on what could be improved in future phases of organisational design (OD) including greater clarity of what was being asked, ensuring tools and guidance were fit for purpose and continuing to build OD skills and knowledge in the network.

4.11 In November and December 2022, FCDO conducted a stocktake exercise which engaged with staff to understand their views on progress with organisational change to inform its plans going forward. Findings showed that staff felt that there had not been clear or realistic communication of FCDO's progress and there was a need for greater transparency to build trust and support throughout the organisation.

4.12 FCDO also gathered lessons learned from each programme in the Integration Portfolio in April 2023 in preparation for the IPA's Gateway 5 review which it grouped into five themes – rightsizing the scope and definition of the portfolio, communications and change management, resourcing, governance and project management. It noted that a common thread running through all themes was the need for appropriate skills and experience at sufficiently senior levels to establish the right ways of working. It intends for the new Organisational Improvement Directorate to lead some of these themes in a centre of excellence role.

4.13 We asked senior officials across the organisation about the lessons they had learned through the delivery of the merger. We have consolidated these views, feedback from the 2022 stocktake exercise and lessons gathered in April 2023, into broad categories (**Figure 12**).

Figure 12

Lessons learned from the merger of the Foreign & Commonwealth Office (FCO) and the Department for International Development (DFID) into the Foreign, Commonwealth & Development Office (FCDO)

FCDO identified a number of lessons as a result of issues encountered since the announcement of the merger of FCO and DFID in June 2020

| Category | Lesson |
|------------------------|--|
| Scope | There was insufficient consideration of the scope and complexity of the necessary work. |
| Timing | Expectations were set too high within the timeframe provided. |
| Senior leadership | <p>Changes in organisational structure and turnover of senior staff added uncertainty and contributed to a lack of clear understanding and vision.</p> <p>The centre should give clear direction and set principles but give local autonomy.</p> <p>It is important to have strong and aligned leadership across development and diplomacy to implement change.</p> |
| Project management | Crucial elements of the project should be prioritised, rather than attempting to fix all existing issues within the former organisations. |
| Communications | <p>Upfront honesty in communications is needed to manage expectations and to help with 'buy in'. A lack of clear understanding can damage morale and productivity.</p> <p>Have a positive narrative about the benefits for individuals.</p> |
| Resourcing | <p>Delivering the merger alongside routine work, alongside the department's response to successive international crises, stretched business resources.</p> <p>Acknowledge increased workload and consider how to make space.</p> <p>Need dedicated resource (for example, HR and IT support) and investment in appropriate expertise to support merger activity.</p> |
| Stakeholder engagement | Seek advice and guidance from relevant organisations to understand the common risks and challenges and use this advice to inform plans for delivery. |
| People | <p>Progress made on work addressing the cultural differences between the former organisations has been too slow.</p> <p>Disparities in pay and allowances are still affecting morale and are a barrier to integration.</p> |
| Managing change | <p>Change at this scale is difficult and disruptive. Need to acknowledge the wider costs of change.</p> <p>Implementing change when staff were working remotely was a barrier to building trust and merging teams.</p> |

Source: National Audit Office analysis of documents provided by Foreign, Commonwealth & Development Office (FCDO) and the Infrastructure and Projects Authority and interviews with FCDO staff

4.14 The Cabinet Office told us that it continues to evolve its MoG function with lessons learned from MoG experiences, including the FCDO merger. In the period June to December 2020, the Cabinet Office conducted a lessons learned exercise with several departments that had undertaken planning for actual or potential MoG changes, including FCDO.³⁹ One of the findings was that the 2015 published guidance on implementing MoG changes was outdated and did not always encourage effective practice. The Cabinet Office revised its 2015 guidance for MoG changes and told us that it circulated this to departments in February 2023. The updated guidance draws from the 2020 lessons learned exercise, including areas such as improving governance and accountability, ensuring continuous improvement through lessons learned, and change management capability. It also contains additional advice on benefits realisation and engagement with external stakeholders. The Cabinet Office has not published the updated guidance.

39 The Cabinet Office's Machinery of Government (MoG) Change team conducted over 40 interviews with stakeholders with experience of either preparing for or implementing MoG changes. The team also spoke to the private sector and drew on its own experience and literature around MoG changes. The intention was to produce recommendations to improve the way it advises on and implements MoG changes.

Appendix One

Our audit approach

Our scope

1 This report examines the merger of the Foreign & Commonwealth Office (FCO) and the Department for International Development (DFID) to create the Foreign, Commonwealth & Development Office (FCDO). We do not examine the decision for the merger, but focus on how the merger has been implemented, with a view to identifying lessons for FCDO going forward and for other government departments faced with machinery of government changes.

2 We reached our conclusions based on our analysis of evidence collected during fieldwork between September and December 2023.

Our evidence base

Qualitative analysis

Departmental interviews

3 We conducted around 40 interviews online and in-person with FCDO staff selected to participate because of their job role and relevance to the audit. This included staff responsible for the Integration Portfolio and various other corporate functions involved in the merger, such as HR. We tailored interviews to the role of the person being interviewed.

4 We organised findings from interviews by theme in a matrix to identify common trends across the evidence base. Interviews were designed to provide:

- identification of further documentary evidence;
- understanding of the perspectives of staff on their experience of the merger;
- understanding of FCDO actions when implementing the merger; and
- triangulation against evidence from other sources.

5 We also engaged with the Cabinet Office, HM Treasury and the Infrastructure & Projects Authority.

External stakeholder interviews

6 We selected stakeholders based on their expertise in the diplomatic and development sectors and sought their views on progress with the merger. We engaged with the Independent Commission for Aid Impact and we also interviewed the following organisations:

- the Development Co-operation Directorate of the Organisation for Economic Co-operation and Development (OECD);
- Chatham House; and
- the Institute for Government (IfG).

Case studies

7 To illustrate the findings from our other methods, we carried out case studies to understand how the merger was experienced in teams across the new organisation. We selected case studies to include teams that have experienced the merger differently. This included considering relative numbers of DFID and FCO staff at the time of the merger, geographic spread, spending by the departments and the team's role within the organisation. We selected four country teams (Indonesia, Kenya, Uganda, Yemen), a central thematic team (Global Health Directorate) and a central functional team (risk management team) as case studies. We conducted six case studies in total from October to December 2023. We achieved a good range over our sampling criteria, including geography, spending and relative size of teams. However, these case studies are not intended to be representative of the whole of FCDO.

8 We interviewed staff and staff representatives. In these interviews, we discussed:

- how the merger had been experienced by that team;
- what work had been required to merge that team;
- whether there had been any benefits or disbenefits to that team's work due to the merger; and
- whether they had any lessons learned to share.

9 We also requested and reviewed relevant documents. These included:

- team organograms;
- current country plans; and
- planning documents prepared by teams on how they were approaching the merger.

10 For four of the case studies, we conducted interviews online. We conducted in-person visits to the country teams in Kenya and Uganda to increase our understanding of local circumstances and how the merger has progressed there. We also interviewed local partner organisations working with FCDO in Kenya and Uganda.

11 We considered evidence against a framework, to enable systematic assessment for each case study against a set of questions, using interviews and documents. This included understanding the characteristics of the team, how it planned for and carried out the merger, benefits/disbenefits it found as a result, and any lessons learned. We used case study findings within the report to illustrate broader points.

Document review

12 We reviewed more than 300 documents, including business cases, board minutes, project management documentation and FCDO analysis, and analysed these against key themes. This document review also informed the questions we asked in our interviews.

13 We reviewed documents from the Cabinet Office and the Infrastructure and Projects Authority. We also reviewed reports and publications from the International Development Committee, the Foreign Affairs Committee and other organisations including the Independent Commission for Aid Impact, the Institute for Government, and the Organisation for Economic Co-operation and Development.

Quantitative analysis

14 We drew on data from across FCDO and the Cabinet Office. Our primary data sources were:

- Staff numbers, turnover and opinions
 - Civil Service People Survey results for FCDO and wider civil service;
 - FCDO data on staff numbers and turnover; and
 - other FCDO survey data.
- Costs of the merger
 - FCDO published Annual Report and Accounts for the years following the merger;
 - business cases for the main programmes that made up the Transformation and Integration Portfolios; and
 - FCDO's own assessment of costs attributable to the merger.
- Organisational performance
 - performance reports as prepared for FCDO's Management Board.

Our analysis took place between September and December 2023 and is used within the figures in the report and to support points of detail, and to aid our wider understanding of FCDO's performance.

15 On limitations to evidence we reviewed, as noted in paragraphs 3.8 and 3.9, we requested data on indirect costs and costs after 2022-23 relating to the merger.

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