

Yes - 26 on an
administration
Mr RICKETT

Sounds like a very over
committed organisation

THE EFFICIENCY STRATEGY 1982:

Prime Minister

You will remember that you asked if we could
press DES to do a scrutiny of the UGC or the
Central London Poly. This minute from
Clive Priestley suggests that these scrutinies
are not really starters. Agree that we should
press DES to do a scrutiny on the Research Councils
(over main
the SSRG)?

THE SCRUTINY PROGRAMME (DES)

1. I have raised with DES the points you put to me in
your minute of 22 February about the University Grants
Committee and the Central London Polytechnic. I also saw
Sir James Hamilton about the latter at his request last
Friday.

2. I have now heard from Mrs Wildeas follows.

3. First, the UGC is not regarded as a starter for the
scrutiny programme. Its staffing has been thoroughly reviewed
by DES's own staff inspectors and its complement is expected
to complete a marked fall from 125 in 1976 to 75 (partly because
of new arrangements for control of capital projects). DES say
that they see no possibility of any further significant reductions.

4. More generally Sir Keith Joseph does not think that it
will be possible or timely to attempt a scrutiny of any part of
the UGC's activities as "this whole area is extremely sensitive
following the reaction to last year's grant allocations by the
Committee". However DES Ministers think that there should be
"a much fuller debate about the formulation of higher education
policy, including the role of the UGC". I understand that
Sir Keith Joseph has told the Prime Minister what he has in mind
and has undertaken to write to her again when he has considered
these matters further.

5. I think that that disposes for the UGC as a scrutiny
candidate.

6. Secondly, the Central London Polytechnic is to be the
subject of other action, which will probably hit the press
today. Sir Keith Joseph has written to Lord Hailsham (who
as you know has a family connection with the Polytechnic) about
this and I understand that he sent the Prime Minister a copy
of his letter.

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7. In brief, the Inner London Education Authority have been so thoroughly alarmed about the Polytechnic's management of its financial affairs that when they announce today their grant-in-aid to the London Polytechnics for the academic year 1982-83 it is probable that the Polytechnic will not figure in the list of bodies receiving grants. This is because the Polytechnic's financial procedures are inadequate to manage any grant they receive, in the eyes of the ILEA. So the next step will be the establishment by the ILEA of a joint Committee with the Polytechnic Court to examine the Polytechnic's financial management. All this means that, in effect, the ILEA will be taking over direct financial control until satisfied that adequate financial procedures have been instituted.

8. As Sir Keith Joseph's letter to Lord Hailsham explains, none of this action is intended to cast doubt on the quality of the education provided by the Polytechnic, which is regarded as among the better institutions of its kind, with particular strengths in engineering and other vocational fields.

9. So I think that disposes of the Polytechnic also. Quite apart from the action already in hand, the Polytechnic is at two removes from the DES, being a limited liability company and receiving its public funding in the form of the annual grant-in-aid from the ILEA. But Sir Keith Joseph's inspectors will be keeping an eye on things.

10. Finally, DES are - as I expected - reluctant to find another subject for scrutiny within their area. Sir Keith Joseph has commissioned numerous studies of important policy issues from officials and wishes these to be carried forward as a matter of priority. DES say that, this being so, it is difficult to find a subject which is significant but has not already been reviewed.


11. Subject to the Prime Minister's views, I think the right course is to tell DES that their undertaking (although



purely formal, I am sure) to keep their eyes open for another possibility later in the year is noted and to let them off the hook on the UGC and the Polytechnic. However, if the Prime Minister agrees, I think we might fire a shot across their bows on the Research Councils sponsored by the DES, other than the Social Science Research Council which is the subject of a review under Lord Rothschild.

12. Net expenditure on the four other Research Councils (Agricultural, Medical, Natural Environment and Science) is about £10m (receipts from government departments and others being £90m). Administrative expenditure, including staff at HQ, totals £26m while the cost of the research establishments, including scientists and supporting staff, is £190m. Following last year's review of supporting services in R&D, on which Sir Derek Rayner will be reporting to the Prime Minister shortly, it is clear that there can be ample room for retrenchment and reform in such establishments. We could either sweep up the Research Councils in the follow-up to the R&D supporting services review as a matter of general application across government or press DES as their contribution to this year's scrutiny programme to do something special.

13. On the whole, my advice would be to press for the latter - less in the expectation of getting it - than in the belief that it would help us to secure the former.


C PRIESTLEY
12 March 1982



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DRAFT OF 12 MARCH 1982

T F Matthews Esq
HM Treasury

FINANCIAL MANAGEMENT

The Prime Minister was grateful for the Chief Secretary's minute of 5 March, which she very much welcomed, and for the Chancellor of the Duchy of Lancaster's note of 10 March. ~~She has asked me to reply as follows, dealing first with the questions of internal audit and external help.~~

2. On internal audit, the Prime Minister ~~would be glad to know when the report to which the Chief Secretary refers will be available.~~ ^{notes that he hopes} She would like it before Easter if possible as she recalls that it is nearly a year since Sir Ian Bancroft and Sir Douglas Wass launched their ~~initiative with Departments in response to the Comptroller and Auditor General's criticisms.~~

3. On external help, the Prime Minister agrees ^{entirely} with the Chief Secretary that the first priority must be getting action, not further general studies. She would like Sir Derek Rayner to be closely associated with the Treasury's work on management accounting and on ^{also} other aspects of financial management. She would like to have the Chief Secretary's advice on the possible association of other

looks forward to receiving the Chief Secretary's report ~~which she is glad to hear that he will be able to let her have this very soon.~~

~~knows a little more detail~~



10 DOWNING STREET

From the Private Secretary

MR. PRIESTLEY
SIR DEREK RAYNER'S OFFICE

The Efficiency Strategy 1982: The Scrutiny Programme (DES)

Thank you for your minute of 12 March. I have consulted the Prime Minister. She agrees that we should not press the DES to do a scrutiny of the UGC or of the Central London Polytechnic. She also agrees that you should encourage the Department to carry out a special scrutiny of the Research Councils (other than the SSRC) as their contribution to this year's scrutiny programme. The Prime Minister was concerned to hear that administrative expenditure on the Research Councils totals £26 million: she feels there must be some room for savings in this area.

W. F. S. RICKETT

15 March 1982

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