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(NO FILE)

Prime Minister 1.



PRIME MINISTER

Yes - am glad we are going to embark on this scrutiny. See comment over page

The Statistics review has produced promising conclusions. Had Soames would now like to launch similar work on R+D supporting services. Agree that he should do so with your explicit support - this area seems ripe for attention? MAD 8/1

REVIEW OF SUPPORTING SERVICES IN RESEARCH AND DEVELOPMENT AND ALLIED SCIENTIFIC ESTABLISHMENTS

You will shortly receive the complete report of the review of Government Statistical Services. It has successfully identified proportionately substantial savings of money and manpower. Derek Rayner agrees that we should mount further exercises adopting the same Service-wide approach. We believe that supporting services in the R & D and allied scientific establishments would be an excellent subject for review.

... I attach a note briefly outlining the aims, coverage and conduct of the Review. This is a big manpower-intensive area in which it has been difficult to use conventional techniques such as Staff Inspection and which the scrutiny programme has so far hardly touched. Ministers have from time to time expressed concern (most recently in MISC 14) about the scale of supporting staff and the comparatively small amount of work which is contracted out to the private sector.

I would like to make an early start, so that the Review can be completed during 1981. There have been preliminary discussions and all 7 Departments with major R & D Establishments have now agreed in principle to take part. This has been mostly at official level but Paul Channon has agreed the broad shape of Defence's contribution with Euan Strathcona. If you agree, I will write to the colleagues concerned to launch the Review and ask them to take personal responsibility for their Department's contribution. It would naturally be a great help if I could say that I had your full support in doing this.

I am sure that there is potential for really significant improvements in efficiency as a direct result of this Review and that we should devote a lot of effort, as we have on the Statistics Review, to make it a success.

Staff dealing with Local Authorities and Industry

While on the subject of Service-wide exercises, perhaps I could take this opportunity to respond to your comments on the reductions in staff dealing with local authority and industrial affairs, which were set out in your Private Secretary's letter of 15 December.

Of the 2,200 savings planned, one third will be achieved by April 1981. We will be pressing colleagues to bring forward into 1981-82 as many of the remaining savings as they can.

But I do not think there are at present many more savings to be gained here. Michael Heseltine and Keith Joseph, who have by far the biggest numbers, have been over this ground thoroughly. They are both convinced that there are essential functions in these areas which cannot be dispensed with, and would prefer to look elsewhere in their departments for their further contributions to the Government's manpower targets.

We did not set a particular target for cuts in industrial staff. But Paul Channon's original suggestion to colleagues for local authority staffs was for a reduction of around one-third, and we are now not far from that.

In short I believe we have gone as far as we can here, and that the R & D Supporting Services will prove a much more profitable field for savings.

S.

SOAMES

8 January 1981

NOTE

THE R & D ESTABLISHMENTS

There are 26 government establishments wholly or partly devoted to R & D. They employ over 33,000 staff. 12 establishments and over 26,000 staff are in MOD, but six other Departments (MAFF, DOE, Industry, ODA, DTP and Scottish Office) also have one or more sizeable establishments. No more than half the staff are actually scientists and engineers. The other half provide various sorts of supporting services.

AIMS OF THE REVIEW

The aims would be to test rigorously the various elements of R & D supporting services, in particular the necessity for the service; its standards; possibilities of greater involvement for the private sector; eliminating any overlap with other establishments or Headquarters, and better working methods.

As in any scrutiny, the officials would test the assumptions underlying present practice and challenge policy where appropriate.

They will not generally be asked to challenge the scientific aims and objectives of the establishment or the technical aspects of the programmes carried out in pursuit of them. They are not qualified to do so.

They would however be required to pay close attention to management. For example, whether it has proper authority and accountability for providing services efficiently; whether those consuming the services are aware of and accountable for the costs; whether services given to and received from bodies outside the establishment are charged for properly. This area is one where we believe the review could provide valuable lessons both for other R & D establishments and outstations generally.

CONDUCT OF THE REVIEW

It would be impracticable to scrutinise all the establishments at the same time. In any case, there are some where privatisation is the dominant current issue. We propose, in the first instance, to scrutinise a solid sample. Departments other than MOD would choose one (or more) of their establishments. In MOD, because of the considerable amount of work already done (and continuing) on such as Lord Strathcona's review, we have decided to assemble a substantial package of work from a number of establishments.

Following the pattern of the Statistics Review, scrutiny officers would be appointed to examine the supporting services in the sample establishments and report to the Minister concerned and Derek Rayner. A small team in CSD would assist him with general co-ordination and preparing a consolidated report, drawing out lessons and so on, for the Prime Minister and the Lord President.

*And for
return on
the investment
in research
This is
especially
important
in defence.*

Gov. MACH



Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

M Pattison Esq
Private Secretary to the Prime Minister
10 Downing Street
LONDON SW1

19 January 1981

Dear Mike, MAF

Thank you for your letter of 12 January to Jim Buckley about the proposed Service-wide review of supporting services in the Research and Development and allied scientific establishments.

The Lord President has noted the Prime Minister's wish that, in the review, management's attention to the return on investment in research should be considered. As it happens, MISC 14 has already commissioned the CPRS to consider, in close consultation with CSD, the most effective methods and procedures for the appraisal of research programmes, to ensure that they provide good value for money.

The Lord President believes that it is this which should cover the Prime Minister's point, and that the Service-wide review should concentrate on improving efficiency and reducing the resources engaged in research. The Study Officers will of course be kept in touch with any relevant material emerging from the CPRS exercise, and make the best use of it.

Yours ever,

E G M Chaplin -

E G M CHAPLIN
Private Secretary

20 JAN 1981



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Sur Mac^{Twp}

12 January 1981

The Prime Minister has seen the Lord President's minute of 8 January, in which he proposes a Service-wide review of supporting services in the Research and Development and allied scientific establishments.

The Prime Minister is glad to see this proposal, and would be happy for the Lord President to make known her personal approval of the proposal. In considering the aims of the review set out in the note enclosed with the Lord President's minute, the Prime Minister has commented that she hopes that management's attention to the return on investment in research will be considered. She regrets this as especially important in Departments with very large R and D programmes.

M. A. PATTISON

Jim Buckley, Esq.,
Lord President's Office.

jfh