



DEPARTMENT OF EDUCATION AND SCIENCE

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TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

Rt Hon Peter Rees QC MP
Chief Secretary
HM Treasury
Parliament Street
London SW1P 3AG

Prime Minister (2)

15 March 1984

Sir Keith proposes to establish his efficiency study of the universities by means of the attached exchange of letters. Sir Robin Ibbes would be a member of the Steering Committee.
Content, subject to colleagues?

Mr Peter

Yes
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EFFICIENCY STUDY IN THE UNIVERSITIES

You will recall that during our public expenditure discussions last year you suggested, and the Prime Minister agreed, that we should institute an efficiency study of the universities. I have since discussed this suggestion intensively with the Committee of Vice-Chancellors and Principals and have received a great deal of co-operation from them. What the Committee have proposed is that they should establish a steering committee to be responsible for the conduct of the study with an independent chairman and a significant number of outside members. As the Committee have recently announced, Sir Alex Jarratt has agreed to chair the committee and he and I are being consulted about the rest of the membership. The Government's interest on the committee would be represented by Sir Robin Ibbes (who would alternately be represented by Mr Beesley). Once established, the steering committee would be responsible for promoting studies in perhaps six or eight universities in the light of the known views of Ministers of the matters that required attention and of the guidance given to the committee by the Efficiency Unit. In each university the study, broadly following the Rayner model, would be led by members of the university, but would involve professional consultants where appropriate.

I propose to make up to £300,000 available to the CVCP to be used primarily for the employment of consultants for projects approved by the steering committee, but also for the administrative costs of the steering committee itself and, exceptionally, for some of the costs falling on participating universities if in the case of smaller universities the committee is satisfied that they cannot be expected to meet these costs themselves. The CVCP will account to me for the expenditure.

... Enclosed is a draft of a letter Lord Flowers, the Chairman of the CVCP, proposes to send to me in the course of next week, which will be published with my reply, ... also enclosed, if you and the other recipients of this letter are content with them. I should propose at the same time to answer an inspired Parliamentary Question.

The remit of the steering committee is necessarily general and its exclusion of matters of academic judgment is a necessary reassurance to sensitivities within the universities. It is important to recognise that the direct involvement of the Government in this exercise through the presence of the Efficiency Unit on the steering committee represents a significant breakthrough in our access on such matters, and I am grateful to Robin Ibbs for agreeing to take the job on. I am relying on that presence and on the independent chairman and members of the steering committee for the success of the enterprise. I should be reluctant at this stage to try to amend the draft letter from Lord Flowers, especially as I know that it has been agreed with Sir Alex Jarratt. But I should of course be prepared to raise any points that you or others felt were essential to your endorsement of the exercise.

Although the present draft sets out a suggested membership of the Committee I should stress that some of these outside names have not yet been approached and that I suspect that some of them may not be willing to serve. I shall be having further discussions with Lord Flowers about the composition of the committee and it may be that the final version of the letter will leave the membership for later announcement.

Lord Flowers has asked for reassurance that the universities will be allowed to keep the savings that are generated by the efficiency study. The provision for the universities in 1985-86 and 1986-87 in the latest Public Expenditure White Paper assumes an increased measure of efficiency in the universities which we hope the present exercise will help them to achieve. I am nevertheless anxious to give the universities an incentive and propose therefore an undertaking that the provisional indications of funding already given to the University Grants Committee for the years covered by the current Public Expenditure White Paper will not be reduced on account of any additional savings generated by the efficiency study. For the years beyond that period there cannot, of course, be any guarantee: but I would not want to leave the universities without an incentive to continue finding savings from increased efficiency.

I am copying this letter to the Prime Minister, Sir Robin Ibbs and Sir Robert Armstrong. I should be grateful for agreement to proceed on the lines proposed. I should like to make an announcement on 26 March at the latest to allow Sir Alex Jarratt's committee to start work next month. The CVCP's aim is that the whole exercise should be completed within a year.

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EFFICIENT USE OF PUBLIC RESOURCES

Draft letter from the Chairman to the Secretary of State

I am writing to inform you of the progress that is being made in the matter of the efficiency studies in universities which we propose to conduct under the aegis of the Committee of Vice-Chancellors and Principals. As you know, we have had discussions not only with you and Mr Peter Brooke but also with the Chairman and officers of the University Grants Committee. These meetings have encouraged us to believe that you will look favourably upon our proposals.

I am delighted that Sir Alex Jarratt has accepted our invitation to be chairman of the steering committee responsible for the studies. With him we have considered the remit of the committee and in particular the extent of the studies. We propose that the function of the committee itself should be defined as:

To promote and co-ordinate, in consultation with the individual institutions which it will select, a series of efficiency studies of the management of the universities concerned and to consider and report to the Committee of Vice-Chancellors and Principals and the University Grants Committee on the results with such comments and recommendations as it considers appropriate; provided that the commissioned studies will not extend to issues of academic judgement nor be concerned with the academic and educational policies, practices or methods of the universities.

This remit seeks to give a broad definition of our approach. We have noted the comments which you and Mr Brooke and your officials have made during our discussions and we will make them available to the steering committee. In particular, we will ask them to consider both the scope for more devolved responsibility for budgets and the possibility of achieving greater integration in management information arrangements. Without attempting now an exhaustive list of what comprises management systems, methods and practices, it may be useful to list some of the relevant elements. These will include general financial management covering such matters as resource allocation procedures, management information systems and their adequacy to ensure efficient and economical use of resources; management of physical assets; and general support services. In some areas such as research contracts there are elements of administration and academic policy which the steering committee will distinguish. We consider it important to exclude decisions on academic policy including: priorities between disciplines; the balance of undergraduate and postgraduate teaching; levels of staffing and other resources allocated to teaching and research; and generally matters on which it is the responsibility of the UGC to advise you.

We envisage that the steering committee in inviting the individual universities to participate will seek to form a group of some five or six institutions representing a reasonable cross-section of the university system in terms of character, size and geographic location. In this regard, we have been encouraged by the ready indication to participate which has been displayed by universities. The specification for each study will be for the steering committee to determine with the institutions concerned and we envisage that they together will select the professional consultants and other advisers to undertake a survey. There must be the greatest possible involvement of the individual institutions in the conduct of the studies as there was for the Departments of State in the Rayner studies. On the same basis, therefore, the enquiries will be undertaken in partnership between university staff and the consultants.

It is our intention that the study reports should be submitted by the consultants to the individual universities concerned and subsequently to the steering committee. That committee will have the responsibility of considering whether each report satisfies the terms of reference and whether it requires further work in the particular area of enquiry. It will in due course submit the reports to the University Grants Committee with its own commentary drawing general conclusions from its work as a whole. The Chairman of the UGC expects that his Committee will wish to report itself on the exercise as a whole and that it will agree to make the general report and the individual reports available to you as Secretary of State. The UGC will be represented on the steering committee and will no doubt advise you during the exercise in accordance with the normal conventions.

After discussion with Sir Alex Jarratt, we are proposing to invite 11 other members to serve on the steering committee including the Chairman of the UGC. The names are as follows:

Mr J B Butterworth, Vice-Chancellor, University of Warwick

Sir Adrian Cadbury, Chairman Cadbury Schweppes

Professor F H Hinsley, University of Cambridge

Mr Christopher Hogg, Chairman Courtaulds

Sir Robin Ibbs, The Prime Minister's Adviser on Efficiency

Dr T L Johnston, Principal, Heriot-Watt University

Dr G Lockwood, Registrar and Secretary, University of Sussex

Professor P G Moore, Member of the UGC and
Principal-Designate of the London Business School

Sir Edwin Nixon, Chairman IBM UK Ltd

Professor M Richmond, Vice-Chancellor, University of Manchester

Sir Peter Swinnerton-Dyer, Chairman of the University Grants
Committee

Mr M A Baatz, formerly Registrar of the University of Leicester, will act as secretary.

The costs of the studies and the work of the steering committee are, we understand to be met by a special allocation from the Department of Education and Science. We shall wish to discuss with the UGC and with your officials the detailed arrangements in this regard.

We trust that these proposals are agreeable and look forward to your early observations. Our hope is that, as was the case with the earlier Rayner enquiries, the studies can be concentrated into a short period and that the findings can be available early in 1985.

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9.3.84

DRAFT LETTER FROM THE SECRETARY OF STATE TO LORD FLOWERS

EFFICIENCY STUDY IN THE UNIVERSITIES

Thank you for your letter of 13 March.

I am grateful to you and to your Committee for the initiative you have taken in response to my wish that there should be an efficiency study in the universities. I endorse your proposals for the management of such a study and like you I welcome the fact that Sir Alex Jarratt has accepted your invitation to chair the steering committee that will be responsible for it. I look forward to our further discussions about the membership of the committee.

I welcome your intention that the steering committee should draw general lessons from these reviews and pass them to the UGC and to me. The application of what is learnt by universities not in the sample will be the final and crucial stage of the exercise. I agree that the remit to be given to the steering committee should be expressed only in the broad terms you propose: in considering the specific topics to be considered the committee will have available a wide variety of experience, including that of the Government's Efficiency Unit. I am happy too with the general approach to the study outlined in the rest of your letter and particularly welcome the emphasis on resource allocation procedures, including indicators about costs and performance.

On this basis I propose to make available for the study the sum of up to £300,000 to be used primarily for the employment of consultants, but also to provide for the servicing of the steering committee itself. In general I would expect participating universities to bear any costs involved in the involvement of their own staff in individual studies, but I am content for the steering committee to have discretion to help universities exceptionally if they judge that this is essential. Officials of the Department will be in touch with the Secretary General of the Committee about the detailed arrangements for payment and accounting.

Peter Brooke and I stand ready to be consulted at any time about the progress or conduct of the study if you or Sir Alex Jarratt feel that would be helpful.

We have agreed that you should release this correspondence to the press. I shall be arranging to make a simultaneous announcement to Parliament.

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10 DOWNING STREET

From the Private Secretary

19 March 1984

Efficiency Study in the Universities

The Prime Minister has seen a copy of your Secretary of State's letter of 15 March to the Chief Secretary about setting up an efficiency study of the universities. Subject to the views of colleagues, the Prime Minister would be content for your Secretary of State to proceed on the lines set out in his letter. She has noted that Sir Robin Ibbs would be a member of the steering committee.

I am sending copies of this letter to John Gieve in the Chief Secretary's office, to Sir Robin Ibbs and to Richard Hatfield in Sir Robert Armstrong's office.

David Barclay

Miss Elizabeth Hodkinson
Department of Education and Science

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Prime Minister²

The Chief Secretary agrees to the Education Secretary's proposed study of efficiency in the universities.

Dms
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Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Sir Keith Joseph Bt MP
Secretary of State for Education
Department of Education and Science
Elizabeth House
York Road
LONDON
SE1 7PH

ms
21 March 1984

Dear Secretary of State,

EFFICIENCY STUDY IN THE UNIVERSITIES

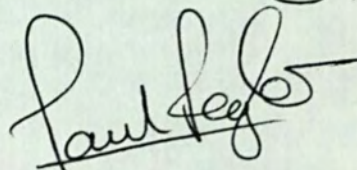
Thank you for your letter of 15 March.

I am delighted at your success in persuading the Committee of Vice-Chancellors and Principals of the necessity and value of the proposed study and I am content with the coverage and the steering arrangements. I am particularly glad that the Efficiency Unit will be involved in the latter.

I have no changes to suggest to either of the draft letters. I hope however that, while (for reasons with which I entirely sympathise) 'issues of academic judgement' and 'the academic and education policies, practices or methods of the universities' are excluded from the studies, the processes by which such judgements and policies are arrived at, particularly the manner in which resource considerations are brought into play and relevant financial data are made available to the decision-takers, will not be neglected. It seems to me important, too, that the review should consider how accountability for the financial consequences of decisions can best be secured. But these are points which I am sure we can leave Robin Ibbs to pursue as appropriate in the Steering Committee's work.

I am content also with the terms of the assurance which you propose to give Lord Flowers. You will need of course to point out that the level of future provision for the universities must be decided in all the circumstances of the time; but it should be to the advantage of the universities in this context rather than the reverse that they be seen to be managing their resources effectively and efficiently.

Copies of this letter go to the Prime Minister, Sir Robin Ibbs
and Sir Robert Armstrong.

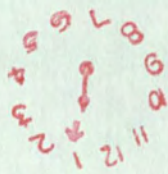
Yours Sincerely,


PR PETER REES

(approved by the Chief Secretary
and signed in his absence)

EDUCATION : EXP

Pt 4



1984



DEPARTMENT OF EDUCATION AND SCIENCE
 ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH
 TELEPHONE 01-928 9222
 FROM THE SECRETARY OF STATE

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 22/3*

22 March 1984

Dear Robin

EFFICIENCY STUDY IN THE UNIVERSITIES

Thank you for your letter of 19 March.

I share your concern that the terms of reference of the steering committee should not prevent the efficiency studies in the universities from tackling the ground we both want to cover because some minor academic judgment is involved. This point has already been forcibly made to the CVCP and I intend to make it to Sir Alex Jarratt when I see him next week. In practice I do not think there will be any difficulty about achieving the kind of studies we want. The CVCP are well seized of Ministers' concerns, and Brian Flowers in particular realises that the credibility of the universities' commitment to efficiency in the eyes of Ministers depends on the satisfactory conduct of this exercise. At the same time, he feels the need for some reassurance for colleagues in less direct touch with Ministers' intentions than he and I am therefore not disposed to press for a change in the terms of the remit. I am, however, amending the third paragraph of my letter to him to conclude, "... emphasis on resource allocation procedures which I understand, will extend to indicators about costs and performance without of course trespassing directly on major matters of academic judgment."

I fully accept that the time you will be able to give to the steering committee will have to be found from that already set aside for your role as the Prime Minister's adviser on efficiency. I shall ensure that the position is understood by Sir Alex Jarratt.

/I am copying

Sir Robin Ibbs
 Efficiency Unit
 70 Whitehall
 LONDON SW1

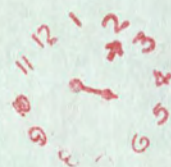
I am copying this letter to the recipients of yours. You and they may like to note that to allow the CVCP time to assemble their team for the steering committee I shall be delaying the announcement until Wednesday 28 March.

Ernie

Kevin

Education: Expenditures Pt 4

22
MAY 1984





EFFICIENCY UNIT

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Enquiries : 01-233 8412

Direct line : 01-233

19 March 1984

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The Rt. Hon. Sir Keith Joseph Bt, MP
Secretary of State for Education and Science

Dear Keith,

UNIVERSITIES EFFICIENCY STUDIES

Thank you for sending me a copy of your letter of 15 March to Peter Rees.

I am concerned that the draft letter from Lord Flowers puts so much emphasis on excluding anything which touches on academic judgement (especially in the final paragraph on the first page). I do not mean that the study should interfere with the proper academic judgements of the Universities, but I do think that it is important that efficiency issues should not be excluded because they entail some minor academic judgement. Otherwise there is a real risk that, in practice, major opportunities for improving efficiency will be left untouched.

May I also raise an important point about my own involvement? I will certainly help as much as I can with the studies. But I must find the time from that already set aside for my role as the Prime Minister's adviser on efficiency. For this reason the main burden in connection with this work will have to fall on Ian Beesley. I know that you understand this and will bear it in mind. Hence, I am not asking that the proposed public announcement should be changed, but I should be grateful if you would ensure that it is also understood by Sir Alex Jarratt.

I am copying this to the Prime Minister, Peter Rees, and Sir Robert Armstrong.

Yours ever
ROBIN IBBS

EDUCATION: Expenditure Pt. 4

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20 MAR 1984