

The Rt Hon Lord Drayson PhD
Minister for Science and Innovation

Our ref:
Your ref:

Phil Willis MP
Chairman
Science and Technology Committee
House of Commons
London SW1P 3JA

22 March 2010

Dear Phil

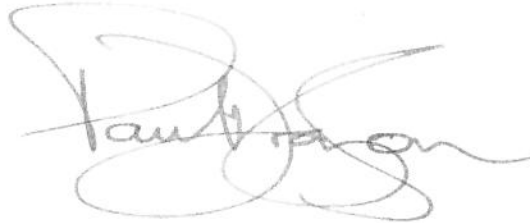
The impact of spending cuts on science and scientific research inquiry

Thank you for your letter of 9 March. You asked for additional information on a couple of matters that were covered at the recent evidence session.

As I said in Committee, there has only been one breach of the Science budget ring-fence in recent times – in February 2007 when £95m of End of Year Flexibility funds were transferred to cover DTI non-science expenditure.

However, I believe Dr Harris was asking about a slightly different situation, that is, one where a ring-fenced budget is used to pay for something previously funded from outside of the ring-fenced research budget and moved into that budget without a commensurate increase in the budget and was referring to the Department of Health's (DH's) ring-fenced research budget. The GCSA has been kept informed on this matter and, as you are aware from the written response to the Committee provided by DH, following an internal prioritisation exercise, some £27m of existing research activity previously funded from other DH policy budgets, and some £35m of research activity that was previously planned and for which no DH budget had been identified, is now going to be funded from the ring-fenced budget without a commensurate increase in the budget. The DH ring-fenced budget will rise to over £1,000m for 2010/11 in accordance with the CSR settlement. The research it currently funds will continue as planned. This now means that the R&D Directorate is able to commission all R&D funded by DH to a common high standard.

You also asked about concerns related to the cost of the RCUK Shared Services Centre. RCUK have kindly provided me with the attached briefing note on the SSC for which they are responsible, I trust that this will answer your questions.

A handwritten signature in black ink, appearing to read 'Paul Drayson', with a large, stylized initial 'D' at the start.

**LORD DRAYSON
MINISTER FOR SCIENCE AND INNOVATION**

Note on Shared Services Centre from Research Councils UK (RCUK)

As part of CSR 2007, the Research Councils agreed to achieve a step change in the number of their back-office activities that are provided on a common basis. Whilst the Councils had been working together for many years they decided to set up the RCUK Shared Services Centre Limited (the SSC) to manage their administrative services more effectively. The services provided are for all the Research Councils and savings made as a result will help maximise funds available for investment in research.

In setting up the SSC the cost commitment, agreed by the Councils, is around £125.5m (with an additional £7m contingency) with benefits forecast at about £450m over 10 years and a payback period of six years. Management of the benefits as a result of establishing the SSC is closely monitored by each Research Council. The overall project costs include setting up the SSC as a business; the deployment of a new grants system; transition of the Research Councils to the new platforms as well as training for 10,000 Research Council employees and communications with over 40,000 external partners (including service providers, universities and research centres).

The original project was budgeted at £79m in 2007 and as the project is more complex than originally anticipated it now has a revised budget and timetable. The key reasons for the variance of £46.5m are: the increased complexity and functionality within core solution (£23m); changes to implementation timetable (£16m); and cost of grants solution against initial estimate (£7.5m).

The Senior Responsible Officer for the project is Professor Ian Diamond, acting on behalf of the Research Council Chief Executives. The project is monitored by a Project Board of senior staff from the Research Councils, and the Board has agreed all changes to the original project budget and timeline. The project to set up the SSC has been subject to the OGC Gateway Review process, the last review was Gate 4 in January 2009 for which the project received an Amber rating.

The transition of administration services from seven different organisations has been regarded as one of the most complex projects of this type currently being undertaken in the public sector. Despite this the SSC is already delivering HR, payroll and finance services to five Research Councils (EPSRC, ESRC, AHRC, STFC and BBSRC, as well as the SSC) and is on target to deliver services to all Research Councils by the end of 2010; which is in line with the agreed timetable, cost, scope and quality levels. The SSC is also looking to further opportunities within the public sector.

A few articles have appeared in the media raising issues about the cost of the programme, the time taken to complete, and RCUK's relationship with its contractor Fujitsu. In November 2009 RCUK released Fujitsu from project delivery and support and maintenance saving further implementation and operational cost exposure.