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W.0586

29 August 1984

PRIME MINISTER

MEETING WITH EARL JELlicoe AND SIR JAMES GOWANS TO DISCUSS THE MEDICAL RESEARCH COUNCIL'S FINANCIAL PROBLEMS:
30 August

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1. Sir James Gowans' memorandum of 25 July indicates that MRC has a shortfall of funds for 1984-85 of £2m and that ABRC is considering a levy of £0.9m and £1.8m in 1985-86 and 1986-87 to provide funds for 'restructuring' of AFRC and NERC. Sir James goes on to detail some of the actions which MRC will have to take to meet these reductions in funds.

2. The £2m deficit for 1984-85 arises from unplanned increases in costs such as MRC's international subscriptions, pension obligations and excess salary increases for their staff which are tied to university salary scales and hence outside their direct control. In the short term these cost increases can only be met by reducing the volume of research, which is what the MRC are doing. But the problem is exacerbated by the Treasury rules on annuality which have the effect of encouraging research councils to plan to spend up to the limit of their budgets with little or no allowance for contingencies although with their long-term commitments (up to 5 years) prudence would suggest a more conservative financial policy.

3. The 'restructuring' funds for AFRC and NERC are required to meet the initial heavy cost of laboratory closures, redundancies etc which will not only provide financial savings later in the decade but will also provide greater flexibility for these councils to meet new research needs. ABRC has no source of funds other than the Science Vote to meet the initial costs of restructuring - hence the 'levy' on SERC

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and MRC*. Additionally SERC has already had specific funds when the Appleton Laboratory was merged with the Rutherford, while it could be argued that MRC's policy of closing Units which have passed their peak and opening new ones for new areas of research (an excellent policy, I believe) is a form of continual restructuring which is de facto funded by ABRC.

4. The MRC has, in my view, no argument for being a 'special case'. Its problems are similar to those faced by the other research councils and the only difference lies in the fact that termination of research in the medical field is likely to cause a greater public outcry than in other areas. I have already said, in my minute of 27 July on the Annual Review of Government-funded Research and Development (W.0495), that I believe real damage is being done to research in the universities and research council establishments. The answer lies in re-allocating funds from other parts of the Government's R&D spend, such as defence, to maintain the health of basic and strategic research. I have, in my notes to Treasury on the Annual Review, supported the DES bid for extra resources.

5. Could MRC obtain funds to relieve its difficulties from other sources? These sources might be:

a. The Department of Health and Social Security

FLAG B The Secretary of State for Health and Social Security in his letter of 29 July expresses concern about some of the areas of work that the MRC must terminate and it may be that his Department will offer to pick up the funding of particular aspects of the work in emotive areas such as depression, stroke and blindness. I would have strong reservations about such a course of action. It would be no more than a palliative from the MRC's point of view, as the next Council meeting in the autumn is likely to face the same difficulties in relation to new research proposals, some of which may also be in emotive areas.

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And besides not getting to the root of the problem, DHSS funds would doubtless be drawn from the small budget of the Office of the Chief Scientist and diverted from projects that might be of more immediate relevance to DHSS's responsibilities for the Health and Social Security Services.

b. Industry

The MRC have done quite well in their contacts with industry over the last few years, notably in relation to their agreement with Celltech to exploit their inventions in the field of biotechnology. I know that they have new imaginative plans for more involvement of British industry with the exploitation of their research but I do not think that this can make a significant contribution to the funding of their basic research for some time yet.

c. Charities and Private Funds

The Council co-ordinates its activities with those of the major Cancer Charities, the British Heart Foundation, the Arthritis and Rheumatism Council and other Charities in the medical field. There are occasions when MRG commends application to Charities for funding. But they have to tread a very careful path here, as medical Charities obviously do not wish their intervention to have the effect of reducing Government funding, rather an increase in total funding for their particular field.

d. Efficiency

There is always scope for improved efficiency within a research Council but my experience in ABRC makes me feel that MRC is probably the most efficient of the research councils. Although not directly relevant to the present meeting, I think there is much more scope for improved efficiency from a revision of the overall research council structure. The Dainton Report (Cmnd 4814)

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had some persuasive arguments for a single 'National Research Council' which read even better 13 years later when so many new areas of science, such as biotechnology and remote sensing, straddle the boundaries of the research councils as traditionally defined. I have suggested this line of thinking to Treasury for their PES bilaterals with DES but clearly any savings resulting from such a change are many years ahead.

6. Further background on the events leading up to this meeting is contained in the DES brief which on its first page also suggests a Line to Take. I agree with the line suggested. In particular I support the view that the advice from the ABRC to the Secretary of State for Education and Science should not be bypassed despite the possibility of short-term political problems arising from the announcements of the funding reductions by MRC. The overall funding problem for research councils will properly be a subject for discussion in Treasury's PES bilateral with DES while the subsequent allocation of funds to the individual research councils should not be pre-empted by Ministerial discussion before ABRC's advice is received.

7. I am copying this minute to Sir Robert Armstrong.

RBN

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Chief Scientific Adviser

Cabinet Office
29 August 1984

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29 AUG 1984

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