

→ Nick Owen

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MR UNWIN

1 November 1985

MISC 119 AND PUBLIC EXPENDITURE SETTLEMENT.

You spoke to me a week or two ago saying that final agreement on some of the PES bilaterals would need to await the outcome of MISC 119. Since that time the MISC 119 timetable has slipped a little and it is clear that the PES settlement will precede the completion of MISC 119. In past years the PES settlement has been absolute and no subsequent changes, however small, have been allowed.

2. I am reasonably optimistic that MISC 119 will come up with some proposals which will meet Ministers' wishes, expressed at E(A) on 31 July, to make Government R & D more relevant to the innovative vitality of the UK economy. It would be a great pity if such changes could not be implemented before April 1987 and much valuable momentum would be lost as well as a crucial signal to UK industry at this time. I therefore suggest that, exceptionally, the PES settlement be made subject to any outcome of MISC 119 agreed by Ministers. Changes are, of course, likely to be largely in the nature of re-allocation between Departments and any net additions or subtractions will be so small as to be insignificant in overall public expenditure terms.

3. I am copying this minute to Ms McNaughton, Michael Stark and Mark Addison.

PP SIR ROBIN NICHOLSON
Chief Scientific Adviser

Jane Lane.