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10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

12 November 1990

*Dear Jeremy,*

SCIENCE AND TECHNOLOGY

The Prime Minister was grateful for the Chief Secretary's minute of 6 November, giving details of the proposals for total public spending on science and technology over the next three financial years. She has also seen the minute from the Chief Scientific Adviser setting out his views on the settlement for science and technology.

The Prime Minister has noted both minutes without comment.

I am copying this letter to the Private Secretaries to members of E(ST), to Sir Robin Butler and to Professor Stewart (Cabinet Office).

*Yours ever,  
Barry*

Barry H. Potter

Jeremy Heywood, Esq.,  
Chief Secretary's Office,  
H.M. Treasury.

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Prime Minister

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See also attached minute from Bill Stewart. Agreement that the settlement on science & technology is tough but defensible.

FROM: CHIEF SECRETARY

DATE: 6 November 1990

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PRIME MINISTER

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**SCIENCE AND TECHNOLOGY**

You will wish to know what the bilateral agreements I have reached with colleagues mean for expenditure on science and technology.

2. Total public spending on science and technology, excluding launch aid, will be £5,963 million in 1991-92, an increase of 4.9 per cent on this year. Provision for civil science and technology, again excluding launch aid, has been increased by £212 million in 1991-92, bringing the total in that year to £3,249 million. Launch aid, which cost some £82 million this year, will yield net receipts for the first time in 1991-92, amounting to £13 million.

3. While this outcome will no doubt be criticised by the science and technology lobby I believe it is defensible in a difficult year, for five main reasons.

4. First, we must put next year's plans in the context of recent trends. In the last two Surveys we have added substantially to science and technology provision. As a result, total spending has increased by more than 18 per cent over the last two years. In this tight year additions have necessarily been more modest. However, the plans still envisage that total spending on science and technology next year will be almost a quarter higher than two years ago.

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5. Second, we can point out that there are special factors which make the apparently small increase in the science budget deceptive. One is the completion of two major capital programmes which will not require provision after this year: the new ship for Antarctica (the James Clark Ross) and the relocation of two Research Council headquarters to Polaris House. Another is a technical adjustment in the timing of payment of post-graduate fees. These release funds for use elsewhere, and taking this into account, provision for next year will be maintained at this year's level in real terms.

6. Third, the Government's policy of shifting resources from near-market spending to basic and strategic research is now having a decisive effect. While overall spending on science and technology in 1991-92 will be maintained at the same level in real terms as it was in 1988-89 - when we approved that policy - the science budget, which is the largest element in our funding of basic and strategic research, will have enjoyed a 6 per cent real increase. Some other basic and strategic programmes have done even better over the period: for instance the Department of the Environment's research budget has increased by more than a fifth. There have been offsetting reductions in real terms in spending on agriculture, energy and trade and industry.

7. Fourth, we can use individual departmental programmes to show how we have responded to changing priorities within a tight but affordable total. I attach a table which summarises the outcome.

...  
i. agriculture, fisheries and food. Increased provision for research into food safety (including BSE and salmonella), the environmental impact of pesticides and farm waste and the effects of climatic change on crop diseases and flooding is being offset by reductions in near-market research and by increased receipts earned by the Agricultural Development and Advisory Service.

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- ii. trade and industry. Apparent reductions on the trade and industry programme reflect the positive returns from launch-aid and a realistic assessment of likely demand from industry for innovation programmes which now focus on pre-competitive, collaborative research and development, as well as a transfer of some spending on science and technology to the Department of Employment.
- iii. energy. Spending on research into renewable energy resources will increase by £6 million between 1990-91 and 1991-92, while overall spending on energy research will decline mainly because of a fall in nuclear research.
- iv. environment. The Department of the Environment's research budget will be £97 million, up 20 per cent on 1990-91, which will allow further research on climate change and protecting the environment.
- v. education and science. After 1991-92 the plans allow for further growth in funding for basic and strategic science in the science budget. They will also need to reflect the switch of funds from the Universities Funding Council to the Research Councils, as proposed in John MacGregor's minute of 23 October 1990.
- vi. defence. Figures for defence research and development are based on the real terms ceiling agreed by E(A) in 1986. This has yet to be adjusted in the light of the options-for-change exercise.

8. Finally, we can draw attention to the continuing growth in research and development performed by industry and other non-Government sources. Between 1978 and 1988 (the last year for which data is available) this increased by over 30 per cent in real terms. Taken together, public and private spending on research and development in the UK rose 25 per cent in real terms in those 10 years.

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9. I am sending copies of this minute to other members of E(ST), and to Sir Robin Butler and Bill Stewart at the Cabinet Office.

*M.*

NORMAN LAMONT

SCIENCE & TECHNOLOGY

£ million

	1988-89 Outturn	1989-90 Outturn	1990-91 Estimated outturn	1991-92 Baseline Agreed Bid	1992-93 Baseline Agreed Bid	1993-94 Baseline Agreed Bid
Ministry of Agriculture Trade and Industry of which Launch Aid DTI excl. launch aid	134 410 98 312 194	135 404 91 312 180	141 425 82 343 188	138 366 -2 368 160	138 299 -64 363 148	142 306 -66 372 147
Energy Environment	65 717	73 828	81 913	84 912	83 934	85 957
DES: Science Budget	803	829	872	885	910	933
Universities	54	65	87	89	89	92
Other DES	270	289	279	299	301	309
Other departments	128	171	222	104	79	81
UK contribution to EC R&D						
Civil Science and technology CHANGES incl. launch aid CHANGES excl. launch aid	2,773 2,675	2,975 2,883	3,206 3,124	3,036 3,038	2,981 3,046	3,051 3,117
LEVELS incl. launch aid LEVELS excl. launch aid & change YR on YR	2,773 2,675	2,975 2,883	3,206 3,124	3,236 3,249	3,321 3,370	3,338 3,424
Ministry of Defence	2,123	2,350	2,558	2,599	2,637	2,703
Total Science and Technology CHANGES incl. launch aid CHANGES excl. launch aid	4,896 4,798	5,325 5,233	5,764 5,682	5,635 5,637	5,618 5,682	5,754 5,820
LEVELS incl. launch aid LEVELS excl. launch aid & change YR on YR	4,896 4,798	5,325 5,233	5,764 5,682	5,950 5,963	6,118 6,167	6,011 6,096

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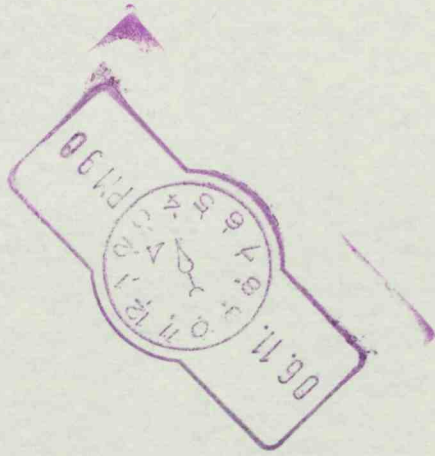
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