

CNO?

PRIME MINISTER

THE MEDICAL RESEARCH COUNCIL (MRC): CONSTRAINTS ON FUNDS FOR RESEARCH GRANTS

1. I think you should know that Lord Jellicoe and Sir James Gowans came to see me on Monday, following a difficult meeting of the Council on 12 July. They wanted Ministers to know of the Council's decisions before these become public (probably on or before 1 August) because of the outcry that may follow. They also, naturally, wanted to learn what they could of the prospects for public expenditure decisions that would meet what they assess as their minimal needs, for £2M more in 1985/6 and £4M in 1986/7 compared with their present cash planning allocations.

2. Their problem arises from several factors. This year they have to meet inescapable additional expenditure of the order of £2M arising from increased international subscriptions, increased employers' superannuation contributions, and from pay settlements in which they have no part. To deal with this they have taken emergency measures, reducing their Units' consumables budgets by 16% and withholding a 5% allowance for cost movements from both Units and grantholders in universities. They will have to carry these measures through into the following two years when, in addition, they (and the SERC) face the possibility of a "levy" to help the AFRC and the NERC to restructure. Such is the importance that the Advisory Board for the Research Councils attaches to the need to create greater flexibility in the Science Budget through restructuring that they gave notice, in last year's advice to me, that imposing such a levy was a step they were prepared to consider recommending. Although the Board's final advice on this

matter will not be known until later this year the MRC (and SERC) must plan for the possibility of the levy being confirmed.

3. The sum effect of these factors means that the Council, on 12 July, in considering the year's applications for their 3-5 year programme grants have decided that they could not fund a substantial proportion of these, despite their alpha quality, and that work of great merit - including work on depression, stroke and blindness, would not be supported. They foresee that the letters of rejection, likely to issue on or before 1 August, will become publicly known and will cause public concern.

4. I told Lord Jellicoe and Sir James that I could do nothing to help them; the Government would take decisions on public expenditure in 1985/86 and planning figures for later years in the autumn and, as they knew, I would then allocate the Science Budget in the light of advice yet to come from the ABRC. I said that Ministers appreciated being forewarned, and that I would let you know. I have since learnt that they will be writing to acquaint you at first hand with the details and to request an interview; in my discussion I was non-committal on how you might respond. I promised that I would stand by the Council's action if there is a row, and would accept fully the Government's part in the matter - which is to set the total for the Science Budget and allocate it in the light of advice from the ABRC. The detailed decisions on which science to support and from which areas, however good the work, to withdraw or withhold support are for the Council. I urged them vigorously to continue to seek savings through greater efficiency, to speed up redeployment - on which the MRC record is good - and to explore other sources of funds. They will do so, in earnest as I judge; but I am pretty convinced that this will not yield enough, in time, for the Council to rescind these decisions.

5. I have given high priority in this year's PES to bids for international subscriptions, restructuring and superannuation. If they are successful, it would ease the MRC's position, notably by making it possible for the ABRC to consider cancelling the proposed levy. If my bids fail then the consequences must just be faced.

6. These consequences would go much wider, needless to say, than the projects mentioned above. MRC tell me that they will not have the funds to attract new Directors of the required quality to four Units in which Directors have retired or are due to do so but which on scientific grounds they would wish to continue: namely, neurochemical pharmacology; biostatistics; trauma; and mineral metabolism. Their experience in having to reject an increasing proportion of alpha quality research grants is shared by other Research Councils.

7. In short, this episode illustrates in microcosm the difficulty that we have in managing the Science Budget. Resources ought to be redeployed. What should happen is that expenditure in AFRC and NERC should be run down in order to finance more research like that described to you at Chequers on 8 July. In fact, as a result of the accounting rules, projects of high scientific and potential commercial value are being turned down in order that AFRC and NERC can pay redundancy payments and pensions to staff released from lower priority work - costs that in the public service generally are met in addition to allocation. I fear that the morale of our best scientists, and the quality of our science base, are being done disproportionate harm by the accounting rules which the Treasury will neither alter nor relieve. I think that it would be most helpful if some central overview could be taken of these matters of the kind that I suggested in my minute of 2 July that you might ask Robin Nicholson to do, in order to help our discussion of these issues in the course of our public expenditure decisions in the autumn.

8. I am copying this minute to Norman Fowler and Peter Rees, and to Sir Robert Armstrong and Robin Nicholson.

IG

27 July 1984.