



10 DOWNING STREET

From the Private Secretary

DR. NICHOLSON

You will recall that at the Prime Minister's meeting with Lord Jellicoe and Sir James Gowans on 30 August at which the finances of the MRC were discussed the question of the effect on financial planning in the MRC of the system of annual cash limits was raised. Following that meeting the Prime Minister discussed with you the points which Lord Jellicoe and Sir James Gowans had raised and asked if you, in conjunction with the Treasury, would look into the extent to which it might be possible to so apply the rules on carry over of expenditure to the Research Councils as to improve their use of contingency funds. This minute is to confirm that the Prime Minister does indeed wish you to look into this question and I should be grateful if you could now do so.

I am sending a copy of this minute to Mr. Alcock (Kenneth Clarke's Office), Mr. Broadbent (Chief Secretary's Office), Miss Hodgkinson (Department of Education and Science) and Richard Hatfield (Cabinet Office).

T. Fisher

2 October 1984

W.0646

14 September 1984

MR T FLESHER o/v

I refer to your letter of 31 August to Elizabeth Hodgkinson recording the discussion between the Prime Minister and MRC.

As you will remember, the Prime Minister asked me to stay behind after the meeting to discuss with her some of the issues which had been raised. There were two actions which came out of this discussion. The first relates to the inadequate use of contingency funds by MRC (and indeed by all research councils) and the extent to which they were discouraged from this by Treasury rules on carry-over. The Prime Minister felt that the continuing operation of the research councils with minuscule contingency funds would simply lead to further problems in the future and she wanted me to investigate how this problem might be solved.

I am of course happy to do this, but it will require a fairly forceful approach to the Treasury in the first instance and, although the matter is mentioned in your official record of the minute, it is not done in a way which gives me sufficient authority to take on this task. I think I need from you, therefore, a further minute confirming that the Prime Minister does wish me to take on this task, and you would need to copy your minute to the same people to whom you copied your minute of 31 August.

The second action related to my statement to the Prime Minister that the solution of the problems for MRC and the other research councils did not require an increase in public spending, but a reallocation of overall Government R&D resources away from areas where I believe money is being wasted towards areas which desperately need additional funding. The Prime Minister asked me to look further into this problem. To some extent I have already started to look at the problem through my comments to the Prime Minister on the Annual Review of Government-funded R&D (27 July) and my more extensive comments to Treasury as briefing for their bilaterals with Departments in my letter to Alan Bailey (15 August) which I copied to David Barclay. Frankly, although Treasury are interested in the areas where I believe that money is being wasted, they are naturally less interested in reallocating some of this money to areas which I believe are

short of funds. However, before I do further work in this area I believe I have to allow the bilaterals to take place. If, as I anticipate, reallocation of R&D resources does not feature prominently in these, I can then take up the matter again centrally in the context of the subsequent discussions on public expenditure.

Thus, I would not expect to come back to the Prime Minister on this point for a few weeks. Perhaps you could let me know if you feel that this is not the right way of handling this point.

For the record, there is a third item which I took as an action from the MRC meeting, and that is the acceptance by the Prime Minister of Sir James Gowans' invitation to visit Celltech to see the way MRC inventions were being profitably exploited. I have discussed this with David Barclay and have been advised by him to leave the matter over until the end of the month. In the meantime my office has been in touch with Sir James Gowans and with Gerald Fairtlough (Chief Executive of Celltech), and we await proposals at the appropriate time.

I am sending a copy of this minute to Richard Hatfield.

ROBIN B NICHOLSON
Chief Scientific Adviser

Cabinet Office
14 September 1984

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