

PREM 19/1469

SECRET

C

CONFIDENTIAL FILING

Policy on Education Expenditure

EDUCATION

General policy on education.

PE 1: MAY 1979

PE 4: JANUARY 1984

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
1.84		4.6.84		22.2.85			
20.2.84		12.6.84		4/3/85			
2.84		27.6.84		X			
3.2.84		11.7.84					
8.3.84		25.7.84					
4.3.84		30.7.84					
16/3/84		22.8.84					
19.3.84		12.9.84					
23.84		23.11.84					
8.3.84		27.11.84					
0.3.84		29.11.84					
5/4/84		31.12.84					
11/4/84		6.12.84					
AA 24		10.1.85					
4.84		17.1.85					
4/4/84		21.1.85					
7/4/84		23.1.85					
4.84		24.1.85					
5.84		30.1.85					
5.84		31.1.85					
5.84		1.2.85					
5.84		15.2.85					

PREM 19/1/469

PART 4 ends:-

OL to PM 28.2.85

PART 5 begins:-

Pdiaz Unit to PM 1.3.85

Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

1. Conservative Research Department publication
"Politics Today": Education, 20 February 1984
2. House of Commons Paper 122: Ninth report from the
Committee of Public Accounts, Session 1983-84
Hamilton College of Education, Disposal of Land and
Buildings, HMSO, 22 February 1984
3. House of Commons Hansard, 12 March 1984, columns
129-168 "Hamilton College"
4. House of Commons Hansard, 3 April 1984, columns
828-862 "Education"
5. Report by Her Majesty's Inspectors on the effects of
Local Authority Expenditure Policies on Education
Provision in England, 1983
Department of Education and Science, May 1984
6. House of Commons Hansard, 5 December 1984, columns
360-381 "Student Awards"

Signed

M. Wayland

Date

23 January 2014

PREM Records Team

Agree recommendation at end?

PRIME MINISTER28 February 1985DMS
28/2WHITE PAPER ON SCHOOLS

There is plenty of meat in this long White Paper. If Keith produces a good, shortened version for popular consumption, the Government could score something of a propaganda coup.

The main points are:

1. An agreed national curriculum.

The paper states the Government's intention to ensure that, in future, all primary schools teach English language, maths, some science, religious studies, history, geography, arts and crafts, PE, and new technological skills, as well as giving their pupils 'insights into' the adult world'. And pupils in secondary school between the ages of 11 and 16 are to be offered English (including literature), maths, science, study in the humanities, art and craft, PE and a foreign language for all except the least able. There is to be more emphasis on science and technology, practical applications, and employment; and there is to be a policy for homework in every LEA. These points are to be agreed nationally between LEAs and the Government.

(Chapter 2, especially paragraphs 25, 30, 40, 42).

2. Reform of the exam system.

The new 'GCSE' is to replace O'levels and CSE. There is to be a single system with different papers for more and less able pupils; each grade will be associated with an absolute level of achievement rather than performance relevant to

Education for work

other pupils; and there will be merit and distinction certificates for children doing well in a broad range of subjects. The paper also welcomes LEA experiments in producing 'graded tests', (like piano exams), for all pupils. 'AS' levels are to be added to A levels, giving sixth formers the chance to take an additional subject in slightly less depth. The new 'certificate of pre-vocational education' will replace City and Guilds and BTEC exams for 17 year olds in practical subjects. And there will be records of achievement for all pupils.

(Chapter 3, paragraphs 3, 8, 11, 15-19, 22-29).

3. Better management of the teaching force.

There is to be 'further limited improvement' in pupil/ teacher ratios. Teacher training is to be reformed: criteria have already been issued insisting on more practical training, and the Council for the Accreditation of Teacher Education is now vetting courses to check that they meet the criteria. LEAs and voluntary aided schools are to improve the match between teacher qualifications and the subjects taught. There are to be specific grants for in-service training, accompanied by appraisal of teachers to see who needs training. And there is a welcome for the employers' wish to introduce a new, more flexible, salary structure. (Chapter 5, paragraphs 25, 28-30, 35, 44-45, 50-51).

4. More concentration on truancy.

A new circular will be issued to the Education Welfare Service, telling them to concentrate on truancy.

(Chapter 6, paragraph 8).

5. Legislation on Governors.

Following hostile responses to the Green Paper, parents will not be given a majority on governing bodies; instead there will be no overall control, with parents, the LEA, teachers and co-opted members all on a governing body. But Governors will have the increased powers proposed in the Green Paper: they will have a veto over the appointment of head teachers, a real say in the appointment of other teachers and deputy heads, access to school accounts, discretion over a proportion of spending, and a degree of control over both curriculum and discipline. They will be accountable to parents through a report and an annual general meeting.

(Chapter 9, paragraphs 10-13, 21, 23, 26, 28, 32, 33, 35, 39).

How to be exercised?

6. New guidelines on school size.

The Government will set minimum sizes for each kind of school; LEAs will be expected to observe these minima, except where they are able to provide small schools with special attention and resources.

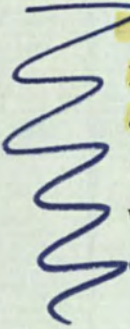
(Chapter 10, paragraphs 8-10).

7. Implementation with the lifetime of this Parliament.

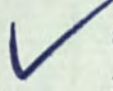
The paper promises that substantial progress will be made on all these fronts by the end of this Parliament: this will involve primary legislation, new regulations, circulars and large amounts of discussion between the Government, LEAs, the examination boards and various advisory boards.

(Chapter 13, paragraph 9 - and elsewhere).

Almost all of these policies - including the controversial GCSE - have already been agreed. Together they constitute a coherent programme to raise standards in schools.



There is a danger that the section on small schools may provoke outrage from the village-school lobby without achieving real savings. And the passages in Chapter 8 on the Swann Report - which are not a major part of the Paper - will need to be amended in the light of H Committee's discussion; we have minuted you separately on this.



We recommend that you should in general welcome the paper, but that you should note the dangers of having a section on small schools, and indicate a desire to see a good, punchy, popular summary.

Ol Letwin

OLIVER LETWIN

*Need 2 points on Swann schools & do be reminded
mb*

CONFIDENTIAL



~~CCNO~~
NORM AT 28/2

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

Mr Turnbull
28/2

D Normington Esq
PS/Secretary of State for Employment
Department of Employment
Caxton House
Tothill Street
LONDON SW1H 9NA

27 February 1985

Sean Land

As you will know from the Chancellor's minute to the Prime Minister on 22 February, he is most anxious for an early sight of your Secretary of State's draft document on jobs; the same goes of course for any document the Enterprise Unit may have in hand following the Report of MISC 107 to E(A).

2. With less than three weeks to Budget day time is now running very short. I would be very grateful if you and Lee Lewis would do all you can to get drafts to this office before the end of this week and preferably earlier.

3. I am sending a copy of this letter to Lee Lewis and also to Andrew Turnbull.

Yours ever

as usual.

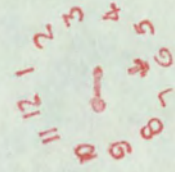
MRS R LOMAX
Principal Private Secretary

Education

PT 4

Expenditure

28 FEB 1985



WHITE PAPER ON SCHOOLS POLICY

1. As you know, I have for some time been preparing a White Paper setting out our policies for the schools in England and Wales. Since we took office we have set about making a large number of changes, all designed to raise standards. In this enterprise we have moved into the school curriculum in a wholly new way; we are reforming the examination system; we are reforming teacher training and pressing local authorities to tackle their management tasks more vigorously in the interest of efficiency; and we have decided to reform school government to give more say to school governors and parents. Running through these policies is the drive for better value for money and for a more efficient use of the resources invested in education.

2. All this needs to be brought home to the education service and to its customers. Progress is being hampered because people cannot see how our various initiatives fit together. The attached draft White Paper, which I will be asking H to consider on 6 March, gives the whole picture and announces some new decisions eg on school government. (The draft assumes certain policy decisions by H in relation to in-service training and appraisal of teachers and the response to the Swann report).

3. The text (which is acceptable to the Treasury at official level) gives pride of place to standards and value for money; stresses the need for a curriculum which properly equips pupils for work, in personal qualities and attitudes as well as in schools, and shows how our various initiatives, notably the TVEI, serve this need.

4. The White Paper, like our policies, breaks much new ground. Indeed, it registers definitively that in the interests of standards this Government is prepared to enter territory not entered by previous Governments since the war. It makes a critical appraisal of the schools and exposes their weaknesses in a way which is unprecedented. The case has to be thoroughly argued, and the evidence marshalled, if the education service is to be persuaded - as you know I cannot coerce it - to do all that we want them to do in the national interest. So the text is necessarily lengthy, and often directed mainly at

RESTRICTED

readers within the education service. To help other readers I propose to issue a short, crisp layman's summary when the White Paper is published.

5. I am proposing to H that the White Paper should be published on 26 March and that I should then make an oral statement in the House. That date would fit well in the announcement of the outcome of David Young's working group on the 14-18 age range. It would also be the occasion for referring as necessary to industrial action by the teachers. We cannot, in my view, allow such action to deflect us from the serious business of making and promoting our policies on school education.

6. I am sending a copy of this minute to Nicholas Edwards.

KJ

26 February 1985 .

CONFIDENTIAL

Prime Minister (2)

Chancellor giving warning to PM
that he will oppose
any extra expenditure
beyond that for YTS.



cyro

AT 22/2

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

TEACHERS: IN-SERVICE TRAINING

I have seen Keith Joseph's minute to you of 21 February about this subject.

2. It is clearly right to co-ordinate any documents or statements about training and schools. There are, however, two points that I should register, ahead of Monday's meeting.

3. First of all, as Keith recognises, we do not yet know what the outcome of the E(A) discussion of David Young's report will be. In my view the proposals in it for additional expenditure on in-service training of teachers are detachable from the major proposal for extending YTS. The question whether additional money is needed to enable the lessons and principles of TVI to be propagated among teachers is one that should be considered in the 1985 Survey.

4. The other point is that if it proves possible to go ahead with the large additional expenditure involved in the YTS proposal, the right place to make the initial announcement - both in order to get maximum impact and to avoid disturbing the markets unduly, would be in the Budget, as part of a comprehensive package.

5. We shall of course need to make sure that the statements and documents issued by colleagues after that add up to a coherent and convincing message. Anything that comes out soon after the Budget will need to be tied in very closely with the Budget



speech. To do this properly, it would be helpful to see drafts of such statements as early as possible.

6. I am sending copies of this minute to members of E(A) and of H, whose decisions will also have a bearing on what can be said.

A handwritten signature in black ink, appearing to be "N.L." with a flourish.

N.L.

22 February 1985



COMMUNICATIONS

22 FEB 1966

11 12 1
10 2
9 3
8 4
7 5
6

PRIME MINISTER

TEACHERS: IN-SERVICE TRAINING

I am writing in advance of the E(A) meeting fixed for 25 February, to call attention to the connections between the report of Lord Young's group, E(A)(85)9, to be considered then, and an important section of the draft White Paper on Schools to be considered by H Committee on 6 March. If both matters go ahead broadly as proposed and our conclusions on the first are announced quite quickly, then it will be important for me to bring out at that stage the relationship between the MISC 107 proposed training scheme for propagating among teachers the lessons and principles of TVEI and my plans for a reformed in-service training regime for school teachers, financed by specific grant and subject to much closer central direction. My scheme cannot be introduced until April 1987, because legislation is needed. To prevent fears amongst local education authorities that our response to recent consultations on in-service training is no more than a short term and limited scheme administered by the MSC, it will be necessary to present this TVEI-related training as the first stage of the implementation of a new policy for improved in-service teacher training generally, with the emphasis on improved value for money from in-service training.

I would propose therefore, subject to consideration of these matters by E(A) and H respectively, to make a statement in broad terms declaring our intention to legislate to introduce a specific grant regime for in-service training for teachers, setting the 1985/86 and 1986/87 bridging arrangements for TVEI-related training in that wider context, at the same time as our announcement on Lord Young's proposals. It would not anticipate the White Paper on Schools in other respects, and would of course be discussed in draft with officials of Lord Young's Enterprise Unit and the MSC.

Copies of this letter go to members of E(A) and H Committee.

14

21 February 1985



DEPARTMENT OF HEALTH AND SOCIAL SECURITY
Alexander Fleming House, Elephant & Castle, London SE1 6BY
Telephone 01-407 5522

From the Secretary of State for Social Services

The Rt Hon Sir Keith Joseph Bt MP
Secretary of State
Department of Education and Science
Elizabeth House
York Road
London SW1

18 February 1985

Norman Fowler

REVIEW OF STUDENT SUPPORT

You sent me a copy of your letter of 21 December to Nigel Lawson about your review of student support.

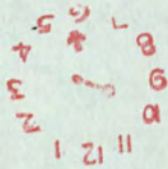
As you say, the timetable is a very tight one but we in DHSS will do our best to provide help on the social security implications of any options for changing the structure of student support. I am sure your officials will keep mine fully in the picture as DES thinking develops. I hope you will be able to consider the needs of students, and the most appropriate ways of meeting those needs, over the whole year including the long vacation. It is also worth registering at this stage that any move to student loans could have important implications for supplementary benefit and housing benefit payments in vacations; and I would want to ensure that a loan scheme did not make us vulnerable to greater benefit expenditure. So far as the inter-departmental working party on students and benefits is concerned, I have asked officials to produce as soon as possible their proposals for both short-term and long-term changes for removing or reducing students' dependence on supplementary benefit and housing benefit. I can then consider with colleagues how options for change can be carried forward in the context of the social security reviews and your own review of student support.

I am copying this letter to the recipients of yours.

Norman Fowler

NORMAN FOWLER

Policy: EDUCATION Pt 4.



18 FEB 1985



8/3 *h*

CF

10 DOWNING STREET

From the Private Secretary

11 February, 1985.

I am writing to confirm that Baroness Cox, Professor Arthur Pollard and Dr. John Marks are coming to see the Prime Minister at 0945 on Tuesday, 12 March, at 10 Downing Street. Your Secretary of State has agreed to be present at this meeting. We would be grateful if briefing could reach us by close of play on Friday, 8 March. I enclose a copy of Lady Cox's original letter for information.

Mrs. Caroline Ryder

Ian Hughes, Esq.,
Department of Education and Science.

h

MRS RYDER

Lady Cox may come through to you. We need a time after the US trip - about ~~an~~ ^{3/4} hour - with Sir Keith Joseph in attendance. Oliver Letwin should also be invited.

DMS

Home 204 2321

6 February 1985



10 DOWNING STREET

From the Private Secretary

6 February 1985

The Prime Minister has asked me to thank you for your letter of 25 January. She would be glad to meet you, with Professor Pollard and Dr. Marks, for a discussion of education. The Prime Minister would also wish to invite the Secretary of State for Education and Science to attend.

If you would be good enough to telephone me, or my colleague, Caroline Ryder, on 01-930-4433 we can look for a mutually convenient time.

David Barclay

The Baroness Cox.



Spoke to DES
and Cabinet Office
Please p.a.

10 DOWNING STREET

Dub
4/2

(4)

PRIME MINISTER

The Policy Unit recommenda-
tion accords with the Chief
Secretary's views (paras
14 and 15 of the paper).

He will no doubt make the
running in H, but do you
agree that I should indicate
your support?

On condition

that K.V.

Dub

finds the

money

31 January 1985

→
not

CONFIDENTIAL



a lot

*pa
Dubs
4/1*

DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH
TELEPHONE 01-928 9222
FROM THE SECRETARY OF STATE

The Rt Hon Peter Rees QC MP
Chief Secretary
Treasury
Parliament Street
London SW1P 3AG

Prime Minister (4)
To note Sir Keith's reply.

31 January 1985 *Dubs*
31/1

Jim Pat

mt

MANAGEMENT OF HIGHER EDUCATION

Thank you for your letter of 18 January commenting on my minute to the Prime Minister of 21 December.

I agree with much of what you say about the universities. But I do not think your letter takes sufficient account of the problem of transition. How in practice do we get the universities from where they are to where we would like them to be? This was what my minute was about, and I concluded that the best course was to continue to develop the arrangements for stronger central guidance that I have begun to establish - using that guidance, in your terms, to be more robust and to give firmer and clearer messages - rather than to contemplate some radical change in the present arrangements for funding and control. I assume that you do not dissent from that.

If that is so, then you have to accept that, however irritating, the inflexibilities in the present arrangements are real. Most academic staff cannot be made redundant because of tenure. University autonomy, whatever its other attractions, means that universities are governed largely by their existing staffs who, when they feel under threat, tend to concentrate on the protection of their own short-term interests, rather than thinking about the long-term interests of the university, let alone the country. But it is important to remember too that the universities have only just completed the process of contraction begun in 1981. The steps that we have already taken to reduce the universities' baseline genuinely leaves universities with little room for manoeuvre, especially in the short-term. And the fact that we are now prepared to contemplate giving the universities firmer and clearer messages for the future does not excuse us from a good deal of the responsibility for the absence of such messages in the past and the subsequent policy vacuum which I hope we can now begin to fill.

CONFIDENTIAL

The next step in this process is the sending of interim letters of guidance to the UGC (and the NAB) given the delay in the publication of the Green Paper to take account of the proposed review of student support arrangements. Enclosed are copies of these which I hope take matters usefully forward.

Turning to some specific points on your letter, first, I am fully aware of the danger that both the UGC and the universities will come to think that the Government must find extra money for every desirable change. The Green Paper will stress that Government guidance will in general relate to the reorientation of effort within existing resources. But it is simply a matter of fact that in universities and many other institutions inside and outside education change within existing resources can only be achieved more slowly and painfully than change which is fuelled by additional funding whether on a permanent or a pump-priming basis.

You refer to the need to start planning now for the expected effects of demography on demand for higher education. The Green Paper is, of course, intended to launch that process. As Treasury officials know from earlier drafts, it will refer quite clearly to the possibility that some institutions will face the prospect of closure. But it would be unrealistic to expect institutions to volunteer for closure, as your letter seems to suggest. Both the criteria to be applied and the actual choice of institutions are likely to be matters for Ministers to decide. And from our limited experience of closures it would be wrong to under-estimate the forces that could be mustered to defend almost any institution one cared to name. You will yourself recall the prolonged death throes of Nonington, and most candidates for closure are in ruder health than that.

We do not expect demand for higher education - even on the lowest projections - to begin to fall before the end of the decade. I agree that we need to start planning now, and Peter Brooke uses every speaking opportunity he has to prepare audiences for future developments. But the political difficulties in planning for a fall in demand that no one has yet begun to experience will be considerable. Whatever some may say in private, we shall have no friends or allies in public. As to where the effects of any fall in demand should be felt, then, by any measure of demand and many measures of quality, the brunt of contraction should be borne by the public sector - despite its lower unit costs - and this is where in practice contraction may more readily be achieved.

Most important for the short term however is to pursue the change in attitudes to which you refer, and a progressive change in the balance of provision within the system. The Green Paper will I hope contribute to the first, and the funding of a "switch" programme to the second.

CONFIDENTIAL

Finally, you mention the proposed demise of the pharmacy department at Heriot-Watt. You will be glad to know that the UGC have now confirmed their decision that pharmacy teaching at Heriot-Watt should be discontinued, and the University have accepted it.

I am copying this letter to the Prime Minister and to Sir Robert Armstrong.

Yours,

Kerr

31 JAN 1985

12 1 2 3 4 5 6 7 8 9 0

✓

Jan
31/PRIME MINISTER30 January 1985H COMMITTEE: IN-SERVICE TRAINING FOR TEACHERS

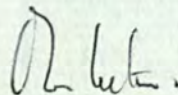
Keith Joseph's proposals would require LEAs to bid for money for in-service training. Bids would be successful only if the LEA had a proper scheme for assessing training needs and for using the teachers once they were trained.

This might inject the idea of assessing poor teachers - which the NUT is at present resisting - into the bloodstream of the education service.

There can be no question of providing extra money for in-service training: with falling pupil numbers and improving pupil/teacher ratios, it should be easy for LEAs to find space for in-service training if they wish to do so. However, the Chief Secretary is right to point out that Keith Joseph's proposals will provide LEAs with an excuse for demanding more money.

The Chief Secretary's other worry - that the proposals will interfere with the review of local authority funding - is less serious. Whatever comes out of that review, it is extremely likely that there would still be room for specific grants.

We recommend that the proposals should be accepted only if Keith Joseph is able to assure H Committee that the money can be found from within the existing education budget. If you accept this recommendation, you may wish to communicate it to Lord Whitelaw and Keith Joseph.

Yes
MS


OLIVER LETWIN



DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

Sir Peter Swinnerton-Dyer
Chairman, University Grants Committee
14 Park Crescent
LONDON WIN 4DH

30 January 1985

Sir Peter.

FUTURE PLANNING OF HIGHER EDUCATION

You are already aware that because of the review of student support arrangements which I announced on 5 December the proposed Green Paper on higher education policy to which I referred in my letter of 12 September will be delayed. That paper will put forward the Government's thinking on the development of higher education into the 1990s in the light inter alia of the advice from the UGC and the NAB which was published last September. There are however certain matters on which an earlier indication of the Government's view is appropriate because of the implications for the work of the UGC and the NAB in the immediate future, and this letter is about them. References in brackets in this letter are references to paragraphs in the UGC's published advice.

Student numbers

Projections of future demand for higher education were published last July in Report on Education 100. It has now been possible to revise Variant Y of those projections - which assumes the continuation of demand at levels consistent with those observed in 1983 - in the light of final figures for entry to higher education in 1983-84. The new figures are slightly higher: they are set out in Annex A and the projections are illustrated in Graphs A-D enclosed

The White Paper containing the Government's expenditure plans to 1987-88 (Cmnd 9428), published on 22 January, says that one of the Government's objectives for higher education is to maintain access for those who want it and are suitably qualified. The projected student number totals in the White Paper are consistent with the revised Variant Y.

In order to make any projections of full-time student numbers from projections of initial entrants it is necessary to make assumptions about the effective length of course and hence about the division of students between universities and the public sector. Variant Y assumes that the division of students between the sectors was as in 1983, but this assumption was made only for these technical

reasons, and does not reflect any policy intention on the part of the Government. Total student numbers are projected to remain relatively stable for the rest of the decade, and it is now necessary to consider their optimum disposition between the universities and the public sector in the light of the resources available, and the nature and quality of the expected candidates for admission. I should like the UGC and the NAB to discuss this with each other and with officers of the Department.

Subject balance

The Government would like to see a higher proportion of students studying subjects of vocational relevance and, in particular, those elements of science and engineering where there is at present an under-supply of qualified manpower. I note the UGC's view that a significant increase in the number of places in science and technology can only be provided if the necessary resources are made available (3.10). The Government is considering the implications of this advice. But it expects the UGC to plan to achieve the greatest possible shift to science and technology within the resources available. I should like to discuss with you exactly what might be achieved. In particular I hope that it will be possible for intakes in these areas to be maintained at at least the levels planned for 1984 and 1985.

I am aware that the UGC and the Engineering Council agree that engineering in universities is at present under-funded. The Government and the UGC have both argued against the Engineering Council's proposal that an intended level of provision for engineering departments should be earmarked. The Government nevertheless looks to the UGC and to individual universities to secure an appropriate share of resources for engineering departments, having regard to the Government's wish to see an expansion of provision in this area even within existing resources, and I am glad that you have already written to universities about this.

Research

The Government has decided to make available to the UGC additional funds of £4 million for the financial year 1985-86 and £7 million a year for each of the financial years 1986-87 and 1987-88 to equip a small number of laboratories to the highest standards. For the longer term, the Government welcomes the UGC's intention to be more selective in its allocation of research support, and the statement of general principles set out in paragraph 5.14 of its advice. The Government hopes that the proposed new planning and allocation arrangements can be formulated and begin to operate by the academic year 1986-87.

Rationalisation of small departments

The Government welcomes the UGC's commitment to the rationalisation of small departments (10.5). I would welcome a further statement

of the UGC's approach to this task in the light of the studies which its sub-committees have been asked to undertake.

Academic staffing

The Government has noted the Committee's views about future staffing levels in the universities (7.1-7.5). The Government's "new blood" initiative is enabling universities to take on some additional new staff over the years for which it operates, and its information technology initiative is creating new teaching and research posts in relevant subjects. The Government's expenditure plans do not provide for further rounds of new blood appointments after those to be made in 1985-86 (although funding continues for the appointments which have been made already or for which current plans provide). The Government will review the position in the light of experience of the scheme and of the UGC's advice (7.13-7.14).

The Government has at present no plans to provide any additional resources to allow reimbursement of redundancy compensation under the Premature Retirement Compensation Scheme (7.7). The Government believes that institutions should be able to use the scheme within planned resources and should be prepared to do so.

Recurrent grant

I announced in November last year that recurrent grant for the universities for the academic year 1985-86 would be £1,309 million. I am now able to tell you that the Government's expenditure plans (Cmd 9428) include provision for recurrent grant in cash terms by financial years of £1,280 million for 1985-86, £1,315 million for 1986-87 and £1,348 million for 1987-88. These figures are subject to review in future public expenditure surveys in the usual way.

External financing

The Government has not been able to provide additional money for a fund to reward institutions for increasing industrial earnings (9.18). There is nevertheless scope for all institutions to increase industrial earnings and income from private sources generally. The Government expects all universities and colleges to develop in the light of their own circumstances a strategy for doing so, and the UGC to encourage this. The UGC has drawn attention to the fact that resources for universities are no longer based on the concept of a deficiency grant (9.9). The Government confirms that its provision for the universities will be determined in the light of its assessment of what the country can afford in all the circumstances of the time and taking account of all other claims on resources. It follows that it will always be to the advantage of the universities to seek to maximise their income from other sources, and, as regards gifts, that they can reassure donors that these will result in a genuine increase in the university's resources.

Retention of capital receipts

I announced in the House of Commons on 15 January new arrangements which provide increased flexibility for the universities to retain the proceeds of property sales. These to a large extent accept

the UGC's proposals in paragraphs 8.39 and 8.40 of its advice.

Efficiency

The results of the efficiency studies in the universities will be available in the next few months. We shall need to consider together and with the CVCP how best to pursue the implications of these studies and what continuing arrangements there might be for the monitoring and evaluation of university efficiency.

Co-operation with the NAB

I welcome the continued development of co-operation between the UGC and the NAB. This is vital to the successful future planning of higher education. The NAB has now been formally reconstituted as the National Advisory Body for Public Sector Higher Education, with revised terms of reference. I enclose a copy of the Parliamentary announcement of these changes.

I am writing a similar letter to the Chairman of the NAB Committee, which is directed particularly to the imminent start of work on the NAB's major planning exercise for 1987-88. A copy is enclosed. I am sending a copy of this letter to the Chairman of the NAB Board, and am arranging for both letters to be published.

Cordially,

Keir



DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

Hon Peter Brooke MP
 Chairman of the Committee
 National Advisory Body
 Metropolis House
 39/45 Tottenham Court Road
 LONDON W1P 9RD

30 January 1985

Dear Peter,

FUTURE PLANNING OF HIGHER EDUCATION

I have today announced the formal reconstitution of the National Advisory Body (NAB) with its new title - the National Advisory Body for Public Sector Higher Education - and with revised terms of reference. I am enclosing a copy of the Parliamentary announcement which sets on record these changes, as well as the new membership of Committee and Board.

As you know, it was a belief in the NAB's ability and willingness to tackle the difficult and important tasks which lie ahead which encouraged the Government to establish the NAB on a permanent basis. I have in previous correspondence and most recently in my letter to you of 18 December last (on target student numbers and the distribution of the AFE pool for 1985-86), acknowledged the progress which has already been made, and indicated some of my hopes and expectations for the future. But the occasion of reconstitution, and the imminent start of work on the NAB's major planning exercise for 1987-88, make it appropriate now to offer some further guidance on the Government's concerns and priorities. Because of the review of student support arrangements which I announced on 5 December the proposed Green Paper on Higher Education policy will be delayed. That paper will put forward the Government's thinking on the development of higher education into the 1990s in the light inter alia of the advice from the UGC and the NAB which was published last September. This letter is much more limited in scope: it will necessarily address points made in the NAB's Strategy advice, but its main intention is to provide a framework for the 1987-88 planning exercise.

Student Numbers

Projections of future demand for higher education were published last July in Report on Education 100. It has now been possible to revise Variant Y of those projections - which assumes the continuation of demand at levels consistent with those observed in 1983 - in the light of final figures for entry to higher education in 1983-84. The new figures are slightly higher: they are set out in Annex A and the projections are illustrated in Graphs A-D enclosed.

The White Paper containing the Government's expenditure plans to 1987-88 (Cmnd 9428), published on 22 January, says that one of the Government's objectives for higher education is to maintain access for those who want it and are suitably qualified. The projected student number totals in the White Paper are consistent with the revised Variant Y.

In order to make any projections of full-time and sandwich student numbers from projections of initial entrants it is necessary to make assumptions about the effective length of course and hence about the division of students between universities and the public sector. Variant Y assumes that the division of students between the sectors will be as in 1983, but this assumption was made only for these technical reasons, and does not reflect any policy intention on the part of the Government. Total student numbers are projected to remain relatively stable for the rest of the decade and it is now necessary to consider their optimum disposition between the universities and the public sector in the light of the resources available, and the nature and quality of the expected candidates for admission. I should like the UGC and the NAB to discuss this with each other and with officers of the Department.

Academic Planning

Decisions on the split of total student numbers between sectors, indications of the resources to be made available (on which see below), and evidence of student demand by subject and mode of attendance will afford the framework for the NAB's plans beyond 1985-86. Within the limits that these impose, the Government will look to the NAB to sustain and enhance the planned shift into science, engineering and other vocational subjects in years beyond 1985-86; and to continue to favour sub-degree provision. This will imply reductions in some other areas of provision. Some subjects may need to come under particular scrutiny, for this or other reasons. I have already in my letter of 18 December touched on three subject areas - teacher education on which my officials will be writing further shortly, art and design and architecture - which will need particular attention during 1985. Others will doubtless emerge as work on the NAB's 1987-88 planning exercise progresses.

A key feature of the NAB's plans for 1987-88 will I am sure have to be the development and application of current work by HMI and others on the pattern of provision in particular subjects, departments and institutions desirable for the maintenance of high-quality and cost-effective higher education. I look forward to receiving proposals informed by this work for changes in the disposition of academic provision within PSHE in 1987-88. This analysis will also raise issues affecting the shape of HE more generally, in the consideration of which I am confident the NAB will wish to co-operate fully with the UGC. My Department stands ready to facilitate this co-operation in any way appropriate.

Resources

Cmnd 9428 embodies a provisional and rounded indication - £660m - of the resources available for recurrent expenditure on local authority higher education in 1986-87. The detailed figures needed

to convert this into the AFE Quantum will not be available until the autumn. However if the conversion process produces results on the same lines as in 1985-86, the AFE Quantum for 1986-87 might be about £645m. As the White Paper makes clear, the split of local authority expenditure generally between services for 1986-87 is provisional and will be finally determined later this year in the light of the situation and prospects then. For 1987-88, the White Paper provides a single figure for local authority current expenditure on education. This shows a cash increase of just over 1% compared with 1986-87. Firm decisions on the split of expenditure between and within services will not be taken until much later, in the light of prevailing circumstances and Government policies. Nonetheless the NAB may wish to take the total figures in the White Paper into account as background to its planning exercise for 1987-88.

For the grant-aided colleges, the White Paper provides in total for recurrent expenditure (including expenditure on the replacement of equipment) of £101m in 1986-87 and £104m in 1987-88. From within these totals the resource for the Voluntary Sector Quantum will need to be determined at the appropriate time each year in the light of advice from the Voluntary Sector Consultative Council. For 1986-87 the Voluntary Sector Quantum might, on a basis comparable to the £41m determined for 1985-86, be in the region of £42.5m.

The White Paper provides in total for capital expenditure of £70m net in 1986-87 and £71m in 1987-88 on local authority further and higher education. The apportionment of those totals (which are themselves necessarily provisional and take no account of capital receipts) between non-advanced further education on the one hand and higher education on the other will be for determination in the light of consultation with the local authority associations. On the apportionment underlying the prescribed expenditure allocations for 1985-86 they would provide for capital expenditure in LAHE totalling some £33m net in each year.

As to capital expenditure in the voluntary college sector, of the £5m per year provided for in the White Paper for capital expenditure in grant-aided institutions of all kinds, some £2m per year might be expected to be available for voluntary colleges falling within the NAB's area of responsibilities.

In considering further its expenditure plans for future years, the Government will continue to bear in mind the recommendations in relation to resources contained in the NAB's Strategy advice. The resources made available for 1985-86 have already allowed the start of a modest programme of selective research support in LAHE and, as I mentioned in my letter of 3 January, have enabled all bids submitted by authorities for capital expenditure on equipment for teaching and research in further and higher education to be met in full.

All of these figures are of course subject to review in future public expenditure surveys in the usual way. Whatever the precise level of resources made available, it will continue to be important for all institutions to use funds effectively and efficiently - and, in particular, for those that have not already done so to move rapidly towards academic staffing levels compatible with the

12:1 target student:staff ratio for the system as a whole adopted by the NAB, so as to allow an appropriate level of resources to be devoted to educational support, equipment and other needs. This will require efficient management practice within PSHE, as well as probably some redistribution of academic provision (as I have already mentioned). I would welcome advice from the NAB on what changes of practice in this area are desirable and how they might be achieved.

I am writing similarly to the Chairman of the UGC as enclosed, and am sending him a copy of this letter. I am arranging for both letters to be published.

Yours,

Kerr .

DEMAND FOR HIGHER EDUCATION IN GREAT BRITAIN 1984-2000

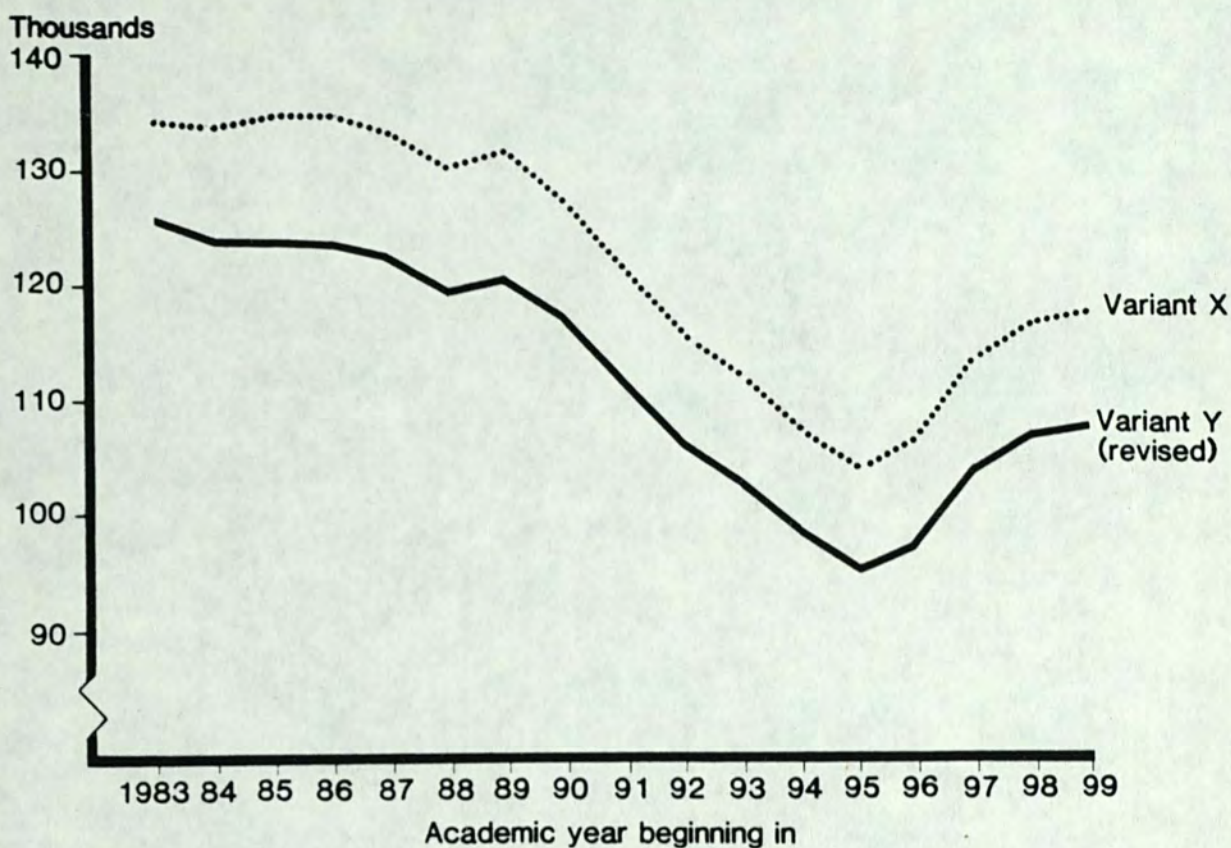
Full-time and Sandwich Students (000s)

	GRAPH A		GRAPH B		GRAPH C		GRAPH D	
	<u>Home Young Initial Entrants</u>		<u>Home Mature Initial Entrants</u>		<u>Total Home Initial Entrants</u>		<u>Total Home & Overseas Nos</u>	
	Variant Y	Variant Y revised	Variant Y	Variant Y revised	Variant Y	Variant Y revised	Variant Y	Variant Y revised
1983-84	123	126*	38	39*	160	165*	560	565*
1984-85	122	124	37	38	159	162	565	568
1985-86	122	124	37	39	159	162	560	566
1986-87	121	123	38	40	160	163	560	564
1987-88	120	122	40	41	160	163	561	565
1988-89	117	119	41	43	159	162	561	565
1989-90	119	121	42	44	161	164	562	566
1990-91	115	116	43	44	157	160	560	563
1991-92	109	111	43	44	152	155	552	555
1992-93	105	106	43	44	148	151	538	541
1993-94	101	103	43	44	144	147	524	527
1994-95	97	99	43	44	139	142	510	513
1995-96	94	95	42	43	136	138	496	499
1996-97	96	97	41	42	137	140	489	492
1997-98	102	104	40	41	142	145	491	495
1998-99	105	107	39	40	144	147	500	504
1999-2000	106	108	38	39	144	147	508	511

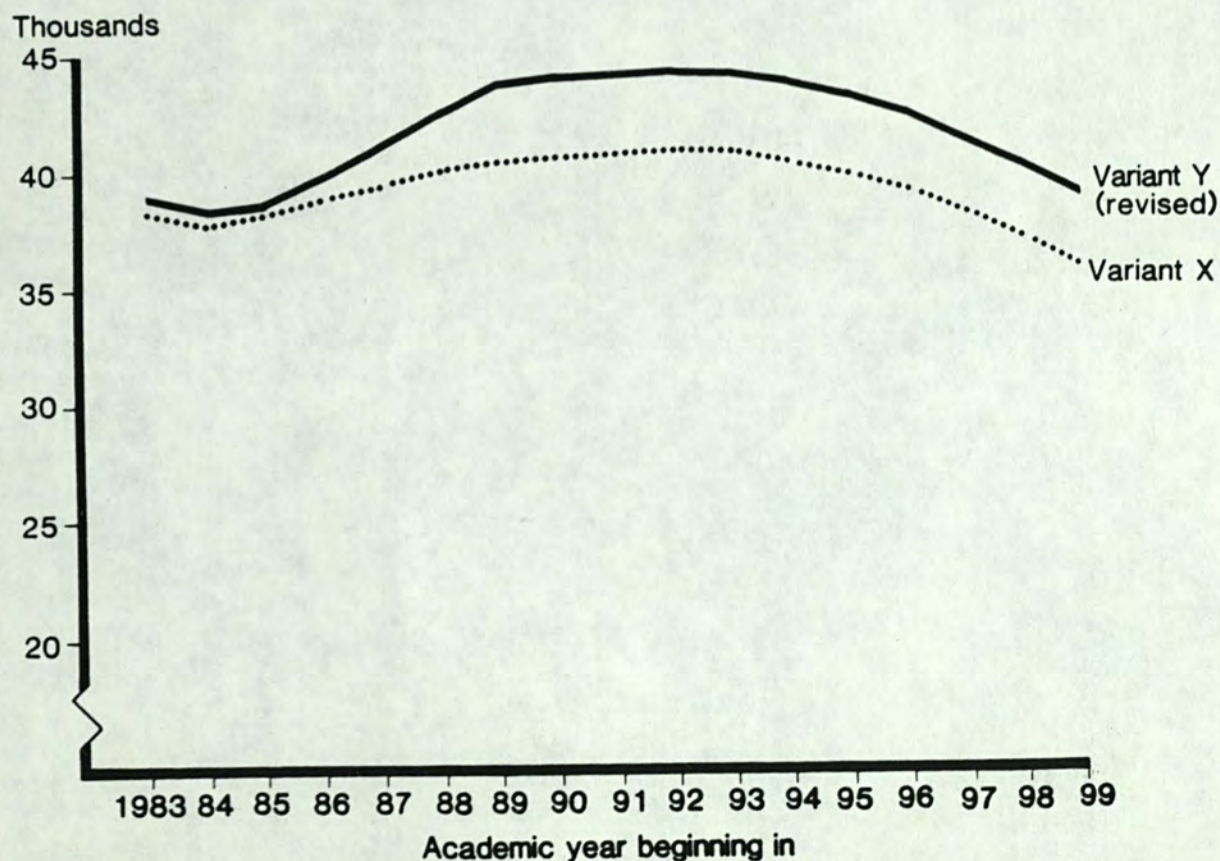
actual figures

Graph A Projected home young entrants (full-time & sandwich)

(Great Britain)

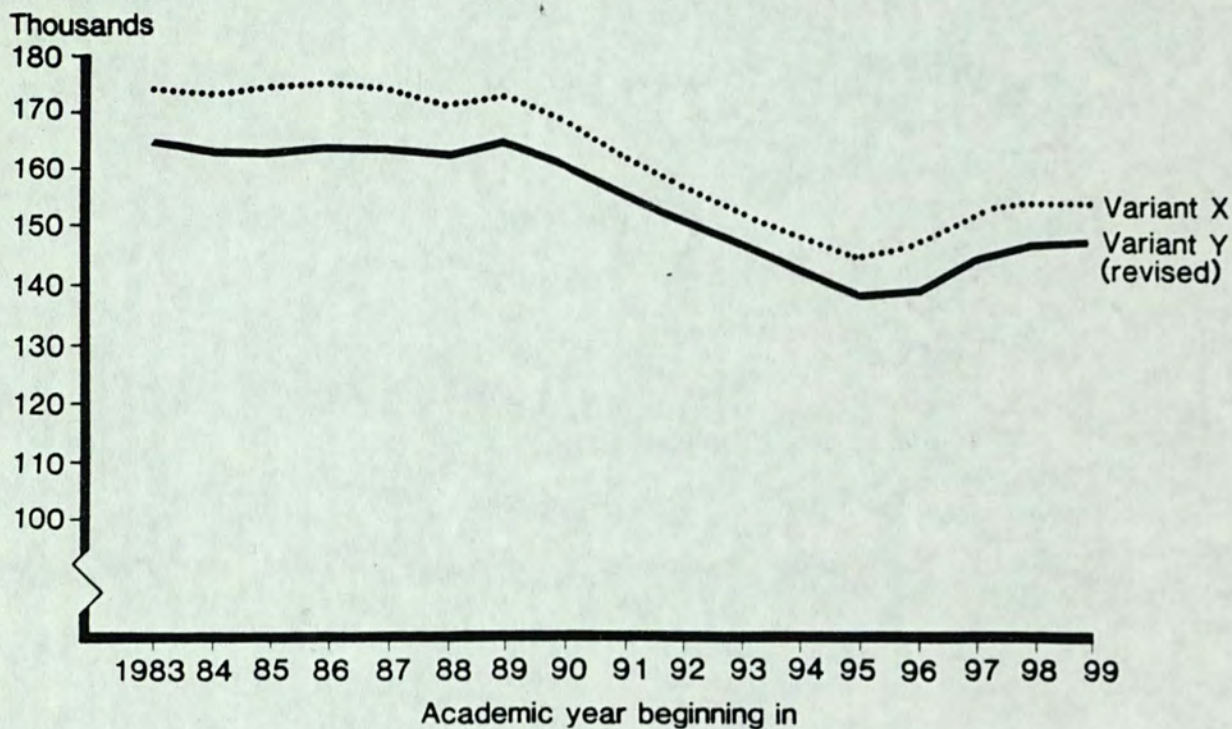


Graph B Projected home mature (ie over 21) initial entrants (full-time & sandwich) (Great Britain)

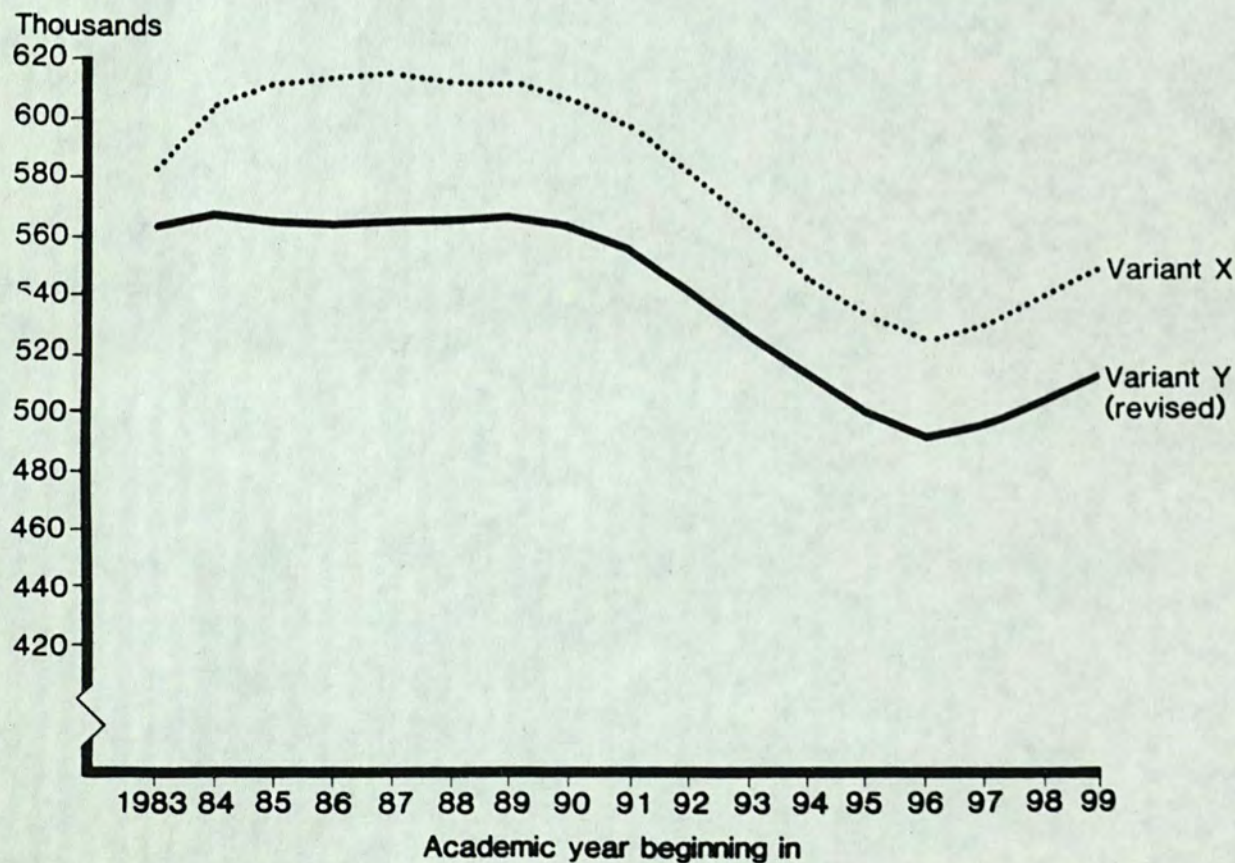


Graph C Projected total home initial entrants (full-time & sandwich)

(Great Britain)



Graph D Projected total student numbers (home & overseas, full-time & sandwich) (Great Britain)



EDUCATION
Power Priy

31 JAN 1985

11 12 1 3 5 4
10 9 8 7 6 5

File

OL

f - Education

DES
Budget

28 January 1985

EDUCATIONAL SPENDING

Student numbers in higher	1978/79	418,000
education:	1983/84	477,000
Percentage increase:		14.1%

Participation rates in HE:	1978/79	12.6%
	1985/86	13.8%

Universities' current	1979/80	£785m
expenditure:	1984/85	£1,339m
Percentage increase:		71.0%

In 1984/85 prices:	1979/80	£1,194m
	1984/85	£1,339m
Percentage increase:		12.0% (Real)

Total expenditure on education:	1979/80	£8,947m
	1984/85	£13,753m
In 1984/85 prices:	1979/80	£13,613m
	1984/85	£13,753m
Percentage increase:		1.0%

Science Budget:	1979/80	£370m
	1984/85	£550m
Percentage increase:		49.0%
In 1984/85 prices:	1979/80	£517m
	1984/85	£550m
		+6% Real

Total Pupil/teacher ratio	Jan.1979	18.9:1
in secondary schools:	Jan.1984	17.9:1

Spending per pupil: Between 1979/80 and 1984/85 rose by:
 16% in real terms for a primary pupil
 8% in real terms for a secondary pupil

Teachers' pay:	May 1979-	
	March 1984:	+62% cash
	RPI	+60%

Sources of revenue for
 University of Oxford:

UGC recurrent grant:	1979/80	£26.4m
	1983/84	£42.4m
Home student fees:	1979/80	£6.7m
	1983/84	£6.6m

College fees:	1979/80	£12.2m
	1983/84	£19.0m
TOTAL:	1979/80	£45.3m
	1983/84	£68.0m
In 1984/85 prices:	1979/80	£69.0m
	1983/84	£70.9m
Percentage increase:		2.8% Real



DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH
TELEPHONE 01-928 9222
FROM THE SECRETARY OF STATE

Tim Flesher Esq
Private Secretary
10 Downing Street
LONDON SW1

Dear Tim,

SCHOOL STANDARDS AND SPENDING

Thank you for your letter of 10 January about the Statistical Bulletin on school standards and spending. My Secretary of State referred to this in the parliamentary statement which he sent to the Prime Minister on 14 November in connection with funding research proposals from Caroline Cox and John Marks.

The main finding from the study reported in the Statistical Bulletin was that there is a strong statistical relationship between socio-economic factors and examination results. This finding was confirmed in a related study which looked at examination results for individual schools and to which there was reference also in the November parliamentary statement. The studies indicated a much smaller relationship between examination results and other factors, including measures of expenditure. The contribution of levels of non-teaching expenditure, in particular, was very small indeed. This does not necessarily mean that other factors have no part to play because the socio-economic factors themselves bear some relationship to expenditure and other inputs. For example, financial contributions from parents will be more significant in well off areas, schools in more desirable areas often can and do choose better teachers from among relatively large numbers of applicants, and, as mentioned in the Statistical Bulletin, levels of non-teaching expenditure may have a relationship with other social background factors. Nevertheless, we can point to a negative conclusion from the studies namely that there is no substantial evidence that an increase in educational resources, within the range covered by the studies, would itself raise the examination achievements of pupils in schools.

The studies shed no light on the wide variation in examination achievements amongst pupils from similar socio-economic backgrounds. There are clearly complex inter-relationships between school standards and other factors and it seems likely that we

Prime Minister:

I am afraid that my attempt to pin DEF down on the relationship between spending and results only produced this rather disappointing response.
24 January 1985

Dr
20/1

shall only be able to obtain a better insight into these through studies which take into account social background factors at the level of the individual pupil as well as variations in other factors at school level. This is why my Secretary of State said in November that he was willing to consider proposals for research ranging more widely and exploring the relationship between a range of school outputs including public examinations, the social background of individual pupils, and a range of school inputs such as resources, the achievements of pupils on entry to secondary schools, teaching quality, the organisation of the school and its internal practices including teacher expectations, curriculum continuity and homework. We have already received some proposals for such research and have them under consideration.

It is important that any further research or analysis looks into measures of other school outputs in addition to public examination results: the latter do not provide an adequate measure of all that the schools are seeking to provide or of what my Secretary of State is seeking to achieve through his policies for the curriculum and teaching quality. The evidence of the studies certainly points to the importance of achieving effective use of the available resources, but given the difficulties about measuring standards we cannot offer examples where increased efficiency in using resources demonstrably leads to higher standards. The Secretary of State is however acting in several areas of policy to increase efficiency in a way which promotes higher standards in schools. Pressure on LEAs to remove surplus places and to close or amalgamate schools when rolls fall is tackling the drift towards schools and classes which are too small to permit good education except at a disproportionate cost in staff and other resources. His actions to improve the curriculum and the examinations which affect it are designed to increase the educational benefit which pupils derive from the resources spent on their schooling during the compulsory period. Education Support Grants and our in-service training grants are beginning to show what can be achieved by targeting some of the available resources in support of national priorities when the necessary powers are available. The scope of these grants is however too limited to influence to the necessary extent some of the policies we need to promote. For example, an important aspect of improving teaching quality in support of new policies for the curriculum is the achievement of a more effective distribution of teachers between local authorities and a better use of their time within schools. We are pursuing these issues with the local authorities, but we could undoubtedly expect more rapid progress if we had greater financial leverage through the grant system.

Yours,

Elizabeth

MISS C E HODKINSON
Private Secretary

EDUCATION: Policy on
Expenditure: Pt 4

24 JAN 1985

1
2
3
4
5
6
7
8
9
10
11
12

RESTRICTED

CC NO



DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

2

The Rt Hon Peter Rees QC MP
Chief Secretary to the Treasury
Treasury Chambers
Parliament Street
London SW1

23 January 1985
NSP
N

In Peter,

REVIEW OF STUDENT SUPPORT

Thank you for your letter of 21 January.

I am still anxious to leave open the question of a later review of postgraduate support. The amendment to my announcement which you suggest would carry the strong implication that postgraduate awards would be covered. My officials have since spoken to yours, and I understand that you would agree to the opening of my announcement to read as follows:

"The terms of reference of the [Student Support] Review are to examine financial support for students in higher education. The review will concentrate on support at first degree and sub-degree levels."

I note your comments on timing. As I said before, we must leave the later stages open for the present. This means that I cannot give any commitment that we shall be sufficiently advanced in the review to secure even outline decisions in time for the 1985 Survey.

At George Younger's request, I am amending the announcement to make it clear that he and I will jointly issue the consultative paper.

I am copying this letter to the Prime Minister, members of H Committee, the Minister without Portfolio and to Sir Robert Armstrong.

Leon Keir

EDUCATION: Policy on Expenditure:

Ref.

23 JAN 1985

12 1 2 3 4
5 6 7 8 9



NBM AT 24/1 SCW

NEW ST. ANDREWS HOUSE
EDINBURGH EH1 3SX

The Rt Hon Sir Keith Joseph MP
Secretary of State for Education and Science
Department of Education and Science
Elizabeth House
York Road
LONDON
SE1 7PH

22 January 1985

Dear Keith,

REVIEW OF STUDENT SUPPORT

Thank you for your letter of 21 January.

I understand your concern that the inclusion of postgraduate awards in the review would be a substantial additional burden, and accept that our efforts should be concentrated, at least at this stage, on awards at undergraduate and equivalent level. However it will in my view be very difficult, if fundamental questions of principle are considered, to avoid taking account of the implications for postgraduate support, and I am therefore glad that you recognise that these may require attention as the planned consultation proceeds.

I share your views about the timetable. While we must make all possible haste, our critics will be quick to see through a review whose timing and content have been dictated by the pressures of PES 1985.

As you accept that the implications of proposals for postgraduate support will in due course have to be addressed, I have no difficulty with your proposed announcement. But if our Scottish critics including academics in Scotland, are to be persuaded that Scottish circumstances will be adequately taken into consideration, it will be necessary for me to engage in separate consultations with Scottish interests on a joint paper. I should therefore prefer your statement to be amended as follows:

"My rt hon Friend[s] the Secretary[ies] of State for Scotland [and Northern Ireland] and I shall issue a Consultative Paper as soon as practicable ..."

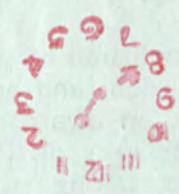
I am copying this letter to the Prime Minister, members of H Committee, the Minister without Portfolio and to Sir Robert Armstrong.

Yours sincerely,
Cunne

EDUCATION ; Policy on Educ. Exp: Pt 4.

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

2
11 12 13
27 JAN 1985



27 JAN 1985

[Faint handwritten notes or signatures]

RESTRICTED



NDFM
CCM
AT 22/1

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Sir Keith Joseph Bt MP
Secretary of State
Department of Education and Science
Elizabeth House
York Road
LONDON
SE1 7PH

21 January 1985

Dear Secretary of State

REVIEW OF STUDENT SUPPORT

Thank you for copying to me your letter of 21 January to George Younger. ^{att.}

I agree of course that the most urgent question is what to do about first-degree students and that this should be the priority for this review. But I wonder whether the explicit exclusion of postgraduates would not leave you rather exposed, as well as running the risk of ruling out any consideration of postgraduate awards for some time. To leave the position open you might consider deleting the last five words of the first sentence.

As for timing, while I appreciate that there is a great deal to be done, I am sure we should make it our aim to secure decisions - at the very least in outline so that we could consider provisional adjustments to your programme - in time for the 1985 Survey. We will be in an extremely uncomfortable position if we cannot give clear answers to questions about our intentions for student support by the time of the next Autumn Statement.

Copies this letter go to the Prime Minister, members of H Committee, the Minister without Portfolio and to Sir Robert Armstrong.

Yours sincerely

P. Rees

for PETER REES

RESTRICTED

[Approved by the Chief Secretary]

22 Jan 7

9 10 11 12 1
8 7 6 5 4

RESTRICTED



B/P with
Ministerial responses
AT 21/

DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH
TELEPHONE 01-928 9222
FROM THE SECRETARY OF STATE

The Rt Hon George Younger MP
Secretary of State for Scotland
Dover House
Whitehall
LONDON SW7

21 January 1985

Dear George,

REVIEW OF STUDENT SUPPORT

I am grateful to you for your letter of 10 January and to Peter Rees for his of 8 January about my proposals for this review.

Both of you call for the inclusion in the Review of support for postgraduate students. I have great difficulty with this, although I too would like to tackle the questions you note. I do not believe there is any straightforward distinction between what is vocational in the postgraduate field and what is not. Much of the support provided by the research councils is for study which is certainly vocational, and we could not rationally exclude their student support activity. This is just part of the complexity inherent in the postgraduate scene: my preliminary judgment is that the addition of postgraduate awards would at least double the scale of the undertaking.

The concern expressed by our supporters has been about awards for mandatory award-holders (to use the English and Welsh term). I hope that on reflexion you will agree that we should concentrate our efforts here. Later, as a separate exercise, I would be prepared to consider a review of support for postgraduates. In the meantime I recognise that the implications for postgraduate awards may receive attention as the planned consultation proceeds.

We all want to make sound progress as far as we reasonably can. I am grateful for the promise of help from you and Peter Rees towards achieving this. The special Scottish - and Northern Ireland - dimension is something of which I am well seized. My officials are of course already talking to yours, and we must agree together on texts which take full account of it.

As to the timetable we are likely to be able to achieve, I think I ought to say this to Peter Rees. The Anderson Committee, which largely consolidated existing practice to provide the foundation

For the present awards system and which excluded postgraduate awards, took nearly two years to report. We must do better this time, but I believe it would be quite unrealistic to suppose that decisions will be reached in time to affect the 1985 PES. Considerable public interest and expectation has been aroused: if we do not allow ample time to consult fully in the way I have set out, or if we attract criticism that we are dealing with the issue in a perfunctory way, we may in the end lose time rather than gain it. Therefore I would not want to rule out the possibility of having to conduct a further, perhaps more limited, round of consultations later in the year, although I hope we can avoid this. We must I feel leave the later stages open for the present, until we see how we get on.

I welcome your support for an early announcement of the Review, the more so as I shall be answering Oral Questions next Tuesday. The text that I propose is:

"The terms of reference of the [Student Support] Review are to examine financial support for students in higher education other than at postgraduate level. In association with my right hon Friend(s) the Secretaries of State for Scotland [and Northern Ireland], I shall issue a Consultative Paper as soon as practicable. After an appropriate period of consultation, the Government will decide on any changes which it may wish to introduce and will publish proposals accordingly."

This assumes agreement to the exclusion of postgraduate awards: I must expect to be asked about this if I do not volunteer a statement which makes the position clear.

I am copying this letter to the Prime Minister, members of H Committee, the Minister without Portfolio and to Sir Robert Armstrong.

Concise,
Kearl.

Policy on Fees: EDUCATION Pt 4.

RECEIVED
12/12/12

27 JAN 1953

CONFIDENTIAL

pa.
DWS
22/1

CC 10

Prime Minister (2)

To note Chief Secretary's
views.

Treasury Chambers, Parliament Street, SW1P 3AG

DWS
21/1

Rt Hon Sir Keith Joseph Bt MP
 Secretary of State
 Department of Education and Science
 Elizabeth House
 York Road
 London
 SE1 7PH

18 January 1985

Dear Secretary of State

MANAGEMENT OF HIGHER EDUCATION

You kindly copied to Nigel Lawson your minute of 21/ December to the Prime Minister. Her office have also sent us a copy of the note of your meeting on 4 January.

I was struck by the contrast between the joint planning arrangements you have introduced for the local authority sector of higher education - which have already done much to rationalise provision, alter subject balance, and improve efficiency - and your relatively tentative and indirect approach to the reorientation of the university sector. Full account must of course be taken of the differences of constitution and tradition between the two sectors; and I do not underestimate the importance of the more systematic guidance you are giving the universities and of the beginnings of a more discriminating approach by the UGC to the distribution of funding. But I do wonder whether we could not afford to be a good deal more robust with the universities, who still seem to me insufficiently persuaded to the urgency of some of today's national needs, of the scale of the adjustment they will be called upon to make over the next decade, and of their responsibilities to the taxpayer.

The immediate issues of 'the switch' and of redundancies are being dealt with separately and I need not refer to them in detail here. But they are illustrative of a danger I see in our current relations with the universities - that they will become more and more reluctant to follow paths one would have hoped they would be ready to tread in the taxpayer's and their own long-term interest unless they are given specific and additional financial inducements to do so. The more they perceive that the Government is ready to provide new money to foster a desired change of direction, the less likely they are to move without it, or to take the painful measures that may be needed to release resources

CONFIDENTIAL

CONFIDENTIAL

from activities of lower priority. We risk reinforcing the natural inertia of bodies governed largely by their existing staffs and their natural tendency to safeguard their vested interests in the name of 'academic freedom'. (We must remember, too, that teaching costs in the universities are already significantly higher than in the maintained sector).

The strength of that inertia is illustrated by the lack of progress so far made, despite the efforts of the Chairman of the UGC, in the rationalisation of small and weak departments. A particular case is the proposed closure of the Department of Pharmacy at Heriot-Watt University. The merits are of course nothing to do with me. But I do find it disturbing that, having come to a clear view of what needed to be done, the Committee should so far (apparently) have proved unable to carry it through.

None of this augurs well for the major readjustment which will be called for - assuming that the maintained sector is not left to bear the whole of the brunt - by the very sharp drop we expect in student demand, even when generous allowance is made for factors which may offset the inescapable effects of demography, in the 1990s. The response of the university world (and, to be fair, of the maintained sector too) to your demand forecasts so far has been to invent reasons why it will never happen - whether generally or to the individual institution - rather than to begin to prepare itself. The less that is done now the worse the shape the university system will be in to stand up to the shock when it comes. I see little evidence that serious thought is being given to, for example, the problems of closing an institution or identifying an institution for closure: something which it may well be necessary to contemplate - indeed it has been successfully if painfully achieved in the only marginally easier case of teacher training colleges - but which the university world still appears to consider unthinkable.

On the way forward, however, I have an open mind. Like you, I hope that we can reform student support in a way which will make potential students ponder more seriously than now before they make their educational choices what it is that they want to achieve from higher education and what their prospects of employment will be. This in turn should in time help to alert the universities to the fact that they operate in a market, and to adjust their decision-making accordingly. But I doubt whether it will be enough on its own. A profound change in attitudes is called for. The present arrangements have yet to produce this. That is not to say that major change in the arrangements themselves is either a necessary or a sufficient condition. It may well be that they can be got to work better than now. But that will certainly require considerably firmer and clearer messages still from the centre, at whatever short-term cost to relations with the institutions.

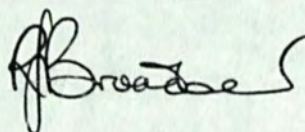
CONFIDENTIAL

CONFIDENTIAL

Perhaps we can bear these thoughts in mind in the further work on your draft Green Paper.

I am copying this letter to the Prime Minister and to Sir Robert Armstrong.

Yours sincerely

A handwritten signature in cursive script, appearing to read 'P. Rees'.

for PETER REES

[Approved by the Chief Secretary]

CONFIDENTIAL

EDUCATION : Policy and Expenditure

Part

1
2
3
4
5
6
7
8
9
10
11
12

21 JAN 1985

CONFIDENTIALFile
Prime Minister (2)To note how KJ sees
the problem of students
claiming SB & HBAT
17/1

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

The Rt Hon Lord Young of Graffham
Minister without Portfolio
Cabinet Office
70 Whitehall
London SW1

M

17 January 1985

Dear David,

PROVISION FOR STUDENTS

Thank you for your letter of 21 December. I am glad to have your support for my proposal to increase the numbers of electronic engineers.

You refer to one possible source of funding to finance the proposal, namely a cut-back in the claims which students currently make for social security benefits. Students are, as you say, able to claim supplementary benefit (SB) during the long vacation. This is because there is no provision in their grants to cover that period. (Some students having requirements above the non-householder scale rate may also claim SB in the short vacations). Students are also able to claim housing benefit (HB) where there is a demonstrable need over and above the provision for accommodation costs which is included in their grants.

I do agree with you that there is a case for examining the present arrangements to see whether there is any scope for directing support more selectively to those students who are in real need of it. This is already in hand in an inter-departmental working party of officials under DHSS chairmanship. We must not however imagine that there is an easy answer, or one which will necessarily produce significant savings in public expenditure. Even under the present arrangements it is not the case that students can claim benefits indiscriminately: they have to show a genuine need, after their grant and any other income have been taken into account.

It is true that in the past decade there has been a sharp rise in the number of students claiming SB, and more recently HB. This may in part be due to students generally being better informed about their rights. But undoubtedly the most significant factors over the same period have been the drop in the number of employment

CONFIDENTIAL

opportunities available to students, especially in the long vacations; the growth in the number of students resulting from demographic change and increased participation in higher education; and the reduction in the real value of the grant itself. The combination of these factors has led to the increase in SB payments on which you remark. As to HB, part of the reason for an increase in payments to students on this account has undoubtedly been the growing scarcity and growing demand for part-time jobs, which has led to more students living away from home in the long vacation to seek work. ?

A move from grants to loans for students - something which I have made it clear that I personally favour - would of course change the whole framework. This would put students in much less of a privileged position than they occupy now. In general, though, whatever the main characteristics of student support, it is not apparent why students should be any less entitled to benefits than other members of the community. Of course we must aim to avoid abuses of the system. In this connexion I sympathise with the point which emerged from our recent talk - that HB should not be available in the long vacation to students in cases where they have a satisfactory parental home to go to. But in some cases students who need vacation jobs to supplement their grants may more sensibly seek these where they are studying rather than where they come from; and I think that we would need to be careful about reducing opportunities of this kind.

Despite the problems, I am hopeful that my review and Norman Fowler's will come up with a more rational, equitable and economic system of student support. But any yield from change will be long term, especially from a switch to loans. In the meantime it remains urgent to identify sufficient resources for universities to take action from 1985/86 to secure additional increases in the output of graduates in shortage areas. As you know, the Prime Minister has now agreed to hold a discussion shortly with those involved to take this matter further.

I am copying this letter to the Prime Minister, Nigel Lawson, Norman Fowler and Norman Tebbit, and also to George Younger, Douglas Hurd and Tom King.

Emman,
Ken

Education: Expenditure Pt 4.

6
7
8
9
10
11
12
1
2
3
4
5

JAN 1985

2



SECRETARY OF STATE
FOR
NORTHERN IRELAND

NBSM
AS 16/1
CCAO

NORTHERN IRELAND OFFICE
WHITEHALL
LONDON SW1A 2AZ

The Rt Hon Sir Keith Joseph MP
Secretary of State for
Education and Science
Department of Education
and Science
Elizabeth House
York Road
LONDON
SE1 7PH

15 January 1985

Dear Secretary of State,

REVIEW OF STUDENT SUPPORT

I have read your letter of 21 December 1984 to Nigel Lawson.

I am content with the proposed terms of reference of the review and welcome your intention to take account of the specific Northern Ireland dimension. Officials in the Department of Education will co-operate fully with their opposite numbers in DES during the course of the review.

I am copying this letter to the Prime Minister, to Nigel Lawson, George Younger and other colleagues on 'H' Committee, to Tom King and David Young, and to Sir Robert Armstrong.

Yours sincerely
Nail Wood
Private Secretary

for DH
(Approved by the Secretary
of State and signed in
his absence in Belfast)

Education Expenditure A 4

15 JAN 1985

17 JAN 1985

15 JAN 1985

CONFIDENTIAL



MAN 492
AT
11/1

DEPARTMENT OF HEALTH & SOCIAL SECURITY
Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

The Rt Hon Lord Young of Graffham
Minister without Portfolio
Cabinet Office
70 Whitehall
LONDON
SW1A 2AS

10 January 1985

Dear David.

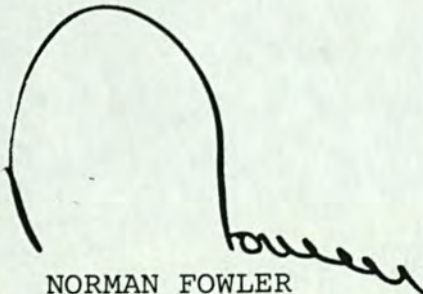
PROVISION FOR STUDENTS

Thank you for sending me a copy of your letter of 21 December to Keith Joseph.

You will not be surprised, I am sure, to find that the subject of benefit entitlements for students is one which has been under active consideration for some time in my social security review. Indeed, I raised it during the last public expenditure survey. I think we are all agreed on the principle and the implications of withdrawing benefit entitlement are now being examined by an official committee. The issue will have to be addressed both in the report of my review and in Keith's review of student support and we will need to consider its presentation carefully.

As far as finance is concerned, the effect of all changes flowing from my review will have to be considered together. The use of any savings which result from the decisions we reach on the review will, as I am sure Nigel Lawson would agree, have to be considered collectively. They certainly cannot be pre-empted now for quite unrelated purposes in different expenditure programmes.

I am copying this letter to the recipients of yours.

Yours etc.

NORMAN FOWLER

CONFIDENTIAL

EDUCATION
Expenditure Pt 4

JAN 1985



10 DOWNING STREET

From the Private Secretary

10 January 1985

School Standards and Spending

The Prime Minister has seen a recent statistical bulletin from your Department on the above subject which indicates that variations in educational attainment by school pupils are related only slightly to levels of secondary school expenditure. The bulletin went on to demonstrate in general terms high spending authorities (and especially those with high non-teaching expenditure) produce no better results than some low spending authorities. The Prime Minister wonders whether this evidence together with developments in other parts of the public sector, for example in the National Health Service where the number of patients treated is increasing at a time when the number of staff is falling, may be strong evidence for the Government's view that a great deal can be done in terms of improved standards by greater efficiency rather than by additional expenditure. I should be grateful if you could confirm whether the evidence of the bulletin bears out this hypothesis and, if so, for one or two graphic examples where better standards appear to be being achieved by greater efficiency rather than by more expenditure.

Tim Flesher

Miss C.E. Hodkinson
Department of Education and Science.



Prime Minister (2)
To note the Younger's comments

CCND

AT 10/1

NEW ST. ANDREWS HOUSE
EDINBURGH EH1 3SX

RESTRICTED

The Rt Hon Sir Keith Joseph MP
Secretary of State for Education and Science
Elizabeth House
York Road
LONDON
SE1 7PH

10 January 1985

Dear Keith,

REVIEW OF STUDENT SUPPORT

Thank you for copying to me your letter of 21 December to Nigel Lawson.

I agree that we should not lose any time in proceeding with this review, and I do not wish to propose a more relaxed timetable than that which you have in mind. But in view of the political sensitivities which this issue has aroused, it will be most important that we consider all aspects very thoroughly so that when our proposals are ready for consultation, we shall indeed be seen to have covered the interests of all those to whom you refer. We shall in particular have to demonstrate to our supporters that we have considered not only the important financial implications of the various options, but also the relationship of the system of student support to our policies for higher education in general and for access to it. The particular features of the Scottish higher education system will obviously have to be given due weight in this regard.

The terms of reference you propose limit the review to undergraduate support but allow discretionary awards for students on higher education courses to be considered. There are no "mandatory" awards as such in Scotland, but the remit you propose will cover their Scottish equivalent. I agree that discretionary awards should be included. I also agree that support for students in NAFE should be excluded, although it will have to be borne in mind that any new system of support for students on advanced courses is likely to have implications for support at non-advanced level.

I do however have some reservations about the exclusion of postgraduate support from the review. I have no difficulty if the proposition is that support of the kind provided by the Research Councils for students studying for higher degrees should be left aside, but the case for excluding from the review the large number of

vocational postgraduate courses for which support is available does not appear to be made. I appreciate that in England and Wales such assistance is provided by a number of sources, but in Scotland the bulk of it is made available under my Department's Postgraduate Students Allowances Scheme, on the basis of rates and scales identical to those applicable to undergraduate support. On both sides of the border awards are made to prospective entrants to professions such as law, accountancy and architecture, and I believe that the review is our opportunity to consider whether it is right that what is to a large extent specific training for the private sector should be charged to public funds. Postgraduate support for teacher training and certain other public service employment is of course a different matter, but I think it would be appropriate to widen the terms of reference to bring support for vocational postgraduate courses generally within the scope of the review.

As you say, the consultative paper should display a range of costed options. These should cover both the cost to the taxpayer and the cost to students and their families. Such costs can be disproportionately high in Scotland, and the Scottish consequences will have to be set out.

Colleagues will, in due course, have an opportunity to consider the substance of the proposals which emerge. You are aware of the reservations I had about the loans scheme which was considered 2 years ago. I still have reservations, but I agree that the case for and against loans should be fully argued in the paper. Tuition fees will also have to be covered, but in view of recent events we must tread carefully. The financial implications make it difficult to envisage the discontinuation of the parental contribution, but is the principal source of discontent among parents and students alike, and we must look carefully at it. There may be a potential contradiction between the degree of students independence implied by a loans scheme and the lack of independence implied by the parental contribution, and if radical options are to be considered, this should be addressed.

I agree that an announcement of the terms of reference should be made as soon as possible. A joint statement would be appropriate, and I should be grateful if you would clear it with me in advance. My officials are in touch with yours on the draft of the consultative paper, and will of course provide the Scottish costs input.

I am copying this letter to the Prime Minister, Norman Fowler, Douglas Hurd and other colleagues in H Committee, to Tom King and David Young, and to Sir Robert Armstrong.

Yours ever,
George.

NO

11
9
8





10 DOWNING STREET

SUBJECT: SCIENCE: budget
1/2

From the Private Secretary

4 January 1985

Dear Elizabeth,

PRIME MINISTER'S MEETING WITH THE SECRETARY
OF STATE FOR EDUCATION

Your Secretary of State came to see the Prime Minister yesterday to discuss various issues in the field of education. Sir Keith said he was concerned about the prospect of continuing disruption by teachers, led by the NUT. Talks had been going on with the teachers to devise a package which, in return for a proper definition of their duties, a system of performance appraisal and greater ability to dismiss sub-standard teachers, would offer them merit pay and better opportunities for in-service training. To the disappointment of the other unions, the NUT had unilaterally withdrawn from these talks.

Sir Keith said he wanted to avoid putting the Government in a negative light. There was a danger that continuing disruption of schools, with children frequently being sent home, could turn public opinion against the Government and could result in an excessively generous pay award being made without securing any of the Government's other objectives. If some positive move could be made by the Government it might be possible to hold public opinion and isolate the NUT.

Proposals had been made by ACSET for more in-service training which would help raise teaching standards. It would also make it easier to identify inadequate teachers if their performance was still poor even after undertaking training. The costs of the proposals could be up to £50 million. He expected to be able to find half from within the RSG but, with the Prime Minister's agreement, he wished to approach the Chancellor to see if additional resources could be found for the rest. The Prime Minister agreed that the Chancellor could be approached though she expressed scepticism about some aspects of the proposals. She doubted whether the better teachers needed substantially more training and she felt that it would be necessary to confine any extra training to specific subjects. Your Secretary of State said that, after consulting the Chancellor, he would circulate a paper to H Committee.

The Prime Minister asked what powers head teachers had

CONFIDENTIAL

for deciding on the way money devoted to particular schools was spent. Sir Keith said they were able to switch non-teaching resources but he would consider whether these powers should be widened in the Bill in the next session needed to re-allocate powers between education authorities, parents and teachers. He mentioned that he was looking again at ideas for creating direct grant primary schools.

The discussion then turned to the Green Paper on Higher Education. Your Secretary of State said he had noted the Prime Minister's doubts about the way in which he was proposing to carry out the review of student support. He did not think a Fowler-type review, in which consultation and development of policy options went more or less hand in hand, was appropriate. It was essential for the Department to set out clearly the implications of various types of loan schemes. If this were not done, the discussion would range over a number of options which the Government could not contemplate. For example, a number of Government supporters who espoused the cause of loans had done so in the belief that they would be interest free.

The Prime Minister wondered whether, in the longer term, it might be better to establish a system of scholarships, which would be allocated for specific subjects. Those not winning scholarships would receive free tuition but would have to meet the full cost of supporting themselves. Sir Keith agreed to look at this but felt that the administration of such a scheme would be extremely difficult.

Sir Keith said he hoped to produce the Green Paper on Higher Education in the spring. It would canvass a number of radical options, eg for the rationalisation of weak departments in universities, but there would still remain a limit on the extent to which the Government could influence directly the courses which universities provided. Direct controls would infringe the academic system; he preferred to use a loan scheme to influence the choice students made away from non-vocational courses.

Any moves to re-structure the balance of university courses would run into the problem of redundancy. Ministers had agreed to end tenure for future appointments but closure of departments would require redundancy compensation which would be very expensive. The Prime Minister thought that, nevertheless, this option should be explored. She also asked whether universities could complete degrees in two four-term years. Sir Keith said this was an option which was being offered to universities.

The discussion then turned to the switch towards engineering and technology. Sir Keith said decisions would be needed by end February if anything were to be done in the academic year 1985-86. The cost of his proposals over the next three years would be £10 million, £20 million, £20 million. He was discussing this with Mr. King and, between them, they hoped to find between one-third and one-half of the cost. He hoped the rest could be found

either from the Contingency Reserve Fund or from other departments. He suggested the Prime Minister hold a meeting in early February to resolve this question. The Prime Minister said other Departments would be reluctant to find additional resources while they saw large numbers of students continuing to study for low priority degrees. Nevertheless, it was agreed that she would hold a meeting which would consider a two-stage approach - an agreement on funding to get the switch started and, for the longer-term, the merits of making extra money available to accelerate re-structuring within universities.

The Prime Minister said she had seen Sir Keith's proposals on the exploitation of Research Council-funded inventions. She was disappointed that it was proposed to devolve rights in the research only as far as the institutions. She thought that individual research should be given greater opportunity to pursue exploitation of their research themselves. Your Secretary of State agreed to consider how this could be done.

*Yours sincerely
Andrew Turnbull*

ANDREW TURNBULL

Miss Elizabeth Hodkinson,
Department of Education and Science.

PRIME MINISTER

Meeting with Sir Keith Joseph

i) Higher Education Policy

Flag A - Sir Keith's minute of 21 December

DES have been planning a Green Paper in the spring but this was given further impetus in the discussion on the "switch". You suggested that you hold a meeting to discuss the role of the universities and government's relations with them but before embarking on this, Sir Keith Joseph wanted to have a discussion with you first. The object is to find a way of exerting further influence over the balance of courses which universities provide without having recourse to a major structure of controls which would damage academic freedom. This raises the question of tenure where it has been agreed to legislate to remove tenure from the future appointments while leaving existing tenure intact. This will limit the speed of future change in the balance of university teaching and Sir Keith argues that more money will be needed to finance redundancy if the process of change is to be speeded up.

ii) The "Switch"

Flag B
Flag C - Sir Keith's minute of 21 December
- Sir Robin Nicholson's minute of 2 January

Sir Keith has been engaged in discussion with other Departments and the UGC to see if some resources can be found at least to get the "switch" underway in the short-term.

iii) Science Budget (no papers)

Sir Keith may want to discuss the question of science generally though I do not know whether he has any new ideas or proposals to put forward on the subject. He may well press again the case for resources to be made available for redundancy payments.

iv) Student Support

Flag D

- Sir Keith's letter of 21 December to the Chancellor

You expressed reservations about the way in which Sir Keith intended to conduct the review. He has proposed that the drafting of the document should take place within the Department, with consultation to follow. You may feel that a Fowler-style review, where consultation and the development of policy options run hand in hand, may be better. At the same time, you might want to raise the question of whether students should continue to be eligible for SB and HB

Flag E

- see David Young's letter of 21 December.

v) Exploitation of Research Council Inventions

Flag F

- Sir Keith's minute of 19 December and
Sir Robin Nicolson's minute of 21 December

Flag G

You were disappointed in the proposal to devolve rights in research to institutions as opposed to the individual researcher. Is it not possible to combine both approaches with rights going to the institution in the first instance with individual researchers having the opportunity to exploit an invention in return for a royalty?

vi) Teachers' Pay, Assessment and Training

The issue is whether there should be a bargain with teachers where, in return for conceding assessment and the weeding out of poor teachers, the teaching profession is given somewhat better pay scales, merit awards, and improved in-service training.

vii) Education Block Grant

DES favour a separate block grant for education instead of the current system of notional allocation within AEG. Sir Keith may seek to convert you to the idea.

viii) Economic Awareness

You have expressed reservations about Sir Keith's proposals for the teaching of the "economic facts of life". The question is whether, without further training itself, the existing teaching profession is capable of imparting the sort of economic awareness that the Government wishes to see.

AT

2 January 1985

RESTRICTED

Prime Minister ②

AT 3/1

cc NO



HOUSE OF LORDS,
SW1A 0PW
2 January 1985

My dear Keith,

Review of Student Support

in meeting folder
Thank you for copying to me your letter to Nigel Lawson of 21st December 1984 in which you propose a review of financial support for students in higher education.

I would like to place on record my support for out and out grants for students and my objections to student loans. In doing so I would acknowledge that the policy is followed in some other countries (I do not know for how long in each). I would also like to reaffirm my belief in our policies of strict financial control in various fields.

In the nature of things, however, student loans are unlikely to assist our finances in the short term. Recovery of them cannot be predicted, and the rate of recovery will depend upon the term of the loan. Enforceability is also unpredictable. My belief is that many loans will never be recovered, and that none will be recovered in the case of graduates who emigrate.

For those who do repay, I do not believe it is a good thing for young graduates to begin their adult lives some hundreds, or thousands, of pounds in debt. It will be a disincentive to marriage and procreation in the very classes we would most desire to marry and reproduce on eugenic grounds.

The Right Honourable

Sir Keith Joseph, Bt.

Secretary of State for Education and Science

RESTRICTED

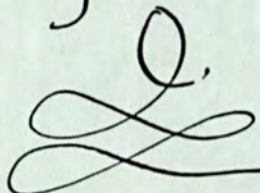
The advantages we will get in the form of taxation, whether direct or indirect, of those who subsequently succeed in life will more than outweigh the investment in grants. In the case of those who fail, the money wasted in their university education will have to be written off anyway.

Loans would also be a disincentive to those whom we would most like to enter universities to seek the advantages of higher education, precisely because, intending to repay, they will include the most conscientious.

Lastly, a loans scheme will be a political liability at the polls.

This letter is copied, like yours, to the Prime Minister, to Norman Fowler, George Younger, Douglas Hurd and other colleagues on H Committee, to Tom King and David Young; in addition to Grey Gowrie and John Gummer; and to Sir Robert Armstrong.

Yrs :

A handwritten signature in cursive script, appearing to be 'L. Q.', written in dark ink.

FROM THE ST. PAUL'S SCHOOL LIBRARY
OF ST. PAUL'S SCHOOL, DELHI.

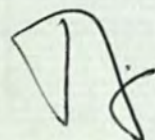
PRIME MINISTER

2
Mr Flesher o/v

SCHOOL STANDARDS AND SPENDING

We have just received a statistical bulletin from the Department of Education and Science which indicates that variations in educational attainment by school pupils is related only very slightly to levels of secondary school expenditure. Within that general proposition there was a slight correlation between attainment and expenditure on teaching but none at all (apart from a marginal inverse relationship) between attainment and higher non-teaching expenditure. In other words the high spending authorities (particularly those in London) produce no better results than low-spending authorities. We were of course already aware of this effect with the Inner London Education Authority which spends 60 per cent more per pupil than the Metropolitan District Councils (London Weighting only accounts for 20 per cent) but achieves no better results.

BF
This together with the considerable increased numbers of patients treated in the National Health Service over the last year at a time when the number of staff was falling is powerful evidence for the Government's view that a great deal can be done in terms of improved standards of public service by greater efficiency. Moreover the addition of more and more expenditure in some areas of the public service not only does no special good but can in some circumstances do harm. If you agree I will ask the DES to produce rather more graphic evidence of the general statistical propositions which are contained in their statistical bulletin and in particular one or two examples.



Yes please no

Tim Flesher

28 December 1984

PRIME MINISTERPROVISION FOR STUDENTS

David Young is right to point out that expenditure of £100 million a year on benefits for students could be a useful source of savings. That is why DHSS and DES are looking into this with the aim of bringing proposals to your MISC Committee on the Benefit Reviews.

It is risky to be discussing ways to spend the money - even if on more electronic engineers - before the savings are in the bag. So soon after the student grants row it is likely that much of the money cut from benefits will have to go back into student support.

The straightforward solution, which appeals to Norman Fowler, would simply be to take all students out of HB and SB on the grounds that:

- benefits were never intended to go to students
- it is an administrative nightmare for DHSS offices in university towns - 3,000 new HB claims at the beginning of every term in Bristol for example.

Norman Fowler would like to write Keith Joseph a cheque for the value of the savings to be spent on improving grants for poorer students or launching a loan scheme. Any money left over could go to the Treasury.

But getting from here to there is not easy. If we established the principle that the grant is intended to provide support for the full year rather than half of it, we would increase pressure for more spending. (Present grants for full year students such as medics and vets are significantly more generous).

DHSS and DES are working on these problems.

David Willetts
David Willetts

28 December 1984

CONFIDENTIAL

PRIME MINISTER

MEETING WITH SIR KEITH JOSEPH: 3 JANUARY

You may wish to discuss two issues:

(i) The 'switch' to engineering and technology in universities;

(ii) the management of higher education.

1. The Switch to Engineering and Technology

Keith Joseph offers to scrap the UGC's 'industrial seed corn' fund, and to use the £3 million p.a. as his contribution towards increasing the provision of Information Technology in universities.

We believe that this is a bad idea.

The 'seed corn' fund would reward universities for attracting extra money from industry. A university would receive X pence additional grant for each £1 of industrial funding. This would induce universities to co-operate more with industry and to raise more private funds. It would provide an invaluable push towards the long-term goal of increasing university independence from the taxpayer. Even if short-sighted businessmen and university administrators do not like the prospect of such independence, they should be given strong incentives to achieve it.

If the 'seed corn' money were removed to fund new courses in information technology, the long-term gain of greater industrial funding would be sacrificed for a short-term purpose. As a result, a few years from now universities would doubtless be coming back for more money to spend on IT or whatever else was needed - without

SLHAGG

having done anything in the meantime to increase independent funding.

The money for the switch to information technology should be found either from reduced funding for weak university departments in other fields or from other government departments or from the private sector.

2. The Management of Higher Education

All the options discussed in Keith Joseph's paper on the management of higher education involve increased action from the centre. He is supported in this by David Young. But we believe that it is entirely the wrong approach.

In higher education as elsewhere, long-term efficiency depends not on ever closer central inspection but on ever greater connection with, and responsiveness to, the private sector. If you wish to make the universities more economically useful, the right thing is to force them to raise more money by charging for courses, doing contract work for industry, raising private donations, etc.

There is no chance of privately funded institutions like Cranfield and Buckingham being inefficient or unresponsive in the long run: they would very quickly collapse. It is the cushion of taxpayer's support that allows other institutions of higher education to doze pleasantly while Cranfield and Buckingham alter and adapt.

3. Conclusion

We suggest that you should ask Keith Joseph:

(i) to return the 'seed corn' fund giving universities incentives to raise industrial money;

(ii) to find money for the 'switch' from weak university departments in other fields or from other government departments or from the private sector;

(iii) to propose means of increasing efficiency and higher education not by additional central planning but by exerting additional pressure on higher education to respond to the private sector.

Jinda Reed

RP Oliver Letwin

28 December 1984

SLHAGG



✓COL

E

CABINET OFFICE

70 Whitehall London SW1A 2AS Telephone 01-233 3299

From the Minister without Portfolio
The Rt Hon Lord Young of Graffham

Sir Keith Joseph Bt MP
Secretary of State for
Education and Science
Department of Education and Science
Elizabeth House
York Road
London SE1 7PH

21 December 1984

Yes Keith,

PROVISION FOR STUDENTS

As you know, I have been thinking about ways in which extra resources might be found to help finance your proposal for an increase in the numbers of electronic engineers. I regard such a move as critically important in gearing higher education to the needs of the changing world outside and I believe that even now we may still be underestimating the scale of the problem.

There is one possible source of funding, as yet untapped, that I think we should consider. I have believed for some time that it is wrong that the social security system should underpin student grants to the extent that it now does. I recognise the sensitivity of any move in this area in the light of recent events. It seems to me however that it should be possible to rewrite the rules so as to target help more closely on those students in real need of extra support during their time at university, rather than making virtually universal help available.

I understand, for example, that as many as 200,000 students might qualify during the long vacation for the non-housholder rate of supplementary benefit (SB) - that is £22.45 a week - and that provision for students within the SB scheme might amount to as much as £60 million a year. Nor does this drain on resources end there, for I gather also that students may be entitled to housing benefit (HB) in some circumstances - and indeed that as many as 150,000 of them might be claiming HB during the university term. Expenditure in this area may be a further £40 million or £50 million a year. This means, in effect, a supplement to the student grant, not explicitly approved by Parliament, of perhaps £2 or £3 a week in individual cases.

In today's economic climate, students' position as a privileged group who have in general greater expectations than their peers of occupying well paid jobs is thrown into sharp relief. Subject of course to Norman Fowler's views, I would be in favour of ending their SB entitlements. As to SB, I recognise that there would have to be cover for those with family responsibilities, and for students in the poorest families; but I believe the system should be re-designed with that objective in mind, and independent entitlement to SB curtailed for all others. I suggest that, for the majority, the model should be the college system in the United States, where a student is generally expected to enrich and add to his academic experience by working his way through college.

If there is anything in this it would go some way to providing the amount - rising to £44 million in 1987/88 - which you would need to finance "the switch". It seems to me that this is a move which is quite defensible politically in that it would be directed at increased resources for students elsewhere in the system. Moreover, the dramatic increase in the numbers of student claimants to SB did not come about until the 1970s, and it is clear that their HB entitlement is almost accidental. (I imagine that before HB was introduced in 1982, few students would have qualified for SB - and therefore an addition for their rent - during the university term.)

I am copying this to the Prime Minister, Nigel Lawson, Norman Fowler and Norman Tebbit.

Lawson
Nigel

RESTRICTED

CND
21



D

DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH
TELEPHONE 01-928 9222
FROM THE SECRETARY OF STATE

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
SW1

Pine Martin:

55 Keir's proposals
on the review of
student support
21 December 1984

Dear Nigel

I don't think
this form of review
will do. The first
paper depends wholly
on checks by
officials. No
written - no
contracts?
who? and

21/12

REVIEW OF STUDENT SUPPORT

I have been giving thought to the conduct of the review of student support which I promised in my statement in the House on 5 December. I said then that we proposed to consider - and consult widely about - whether a radical change in the student support system, which might include loans, should be made so as better to meet the needs of students and their families whilst safeguarding the interests of the taxpayer. I hope that we can arrive at proposals which, sooner or later, save the taxpayer money.

My intention is that we should limit the review broadly to the area of mandatory awards, excluding support for postgraduate students and students in NAPE. Specifically, I propose that the terms of reference of the review should be

"To examine financial support for students in higher education other than at postgraduate level".

This would allow within the scope of the review consideration of support for students on HE courses for which at present only discretionary awards are available, and also of support for those studying in HE part-time. There is legitimate interest in both these categories, especially the former. There would of course be no presumption that money could be made available for extension of support in these directions.

I envisage that the review process will comprise a Consultative Paper, which we should manage to issue in the period between March and May 1985; a period of about three months for comment; and a Green Paper or White Paper would follow still later. The White Paper might contain a promise to legislate, but how this will turn out is inevitably impossible to predict at this stage. The Consultative Paper would be issued in association with the Green Paper on Higher Education, which is now being redrafted to take account of this change.

I have in mind that the Consultative Paper, after setting the scene,

REPRODUCED

should display a range of costed options. As you know, my own preference all along has been for the inclusion of a loan element in student support, and I would reckon to give prominence to options with this character. There are, however, as we have recognised before, and as commentators are already remarking, difficulties about loans. In particular, if every student is to have a right to a loan, whatever his financial prospects and circumstances, it is manifest that the banks will not take on the job without some underwriting by the Government. This has evident public expenditure implications, and implications too for relations between the Government and the banks. You will recognise that I shall need a lot of help from the Treasury in this area, including a willingness to lean on the banks' representatives to deal speedily and authoritatively with questions we may need to address to them.

Among the other matters on which we shall need to consult and which will feature in the options is liability for the payment of tuition fees. There is also the vexed question of the parental contribution (which we must assume to be likely to continue) and the need to open up for discussion the potentially conflicting interests of the student, his family and the taxpayer. Another area which will come under scrutiny in the review is the interrelationship between student grants and certain benefits which is already being examined by officials under DHSS chairmanship.

Given the intrinsic complexities of student support, the interactions with other issues of concern to Government, the many permutations of arrangements which might be displayed for illustrative purposes, and also the specific Scottish and Northern Irish dimension (mandatory awards in Wales lie with my Department): the timetable I sketch in para 3 above is actually a tight one and we shall do well to achieve it. Yet many will criticise it as slow, as happened when I indicated my hope for the timing of the Consultative Paper to the Select Committee for Education, Science and the Arts (ESAC) before whom I appeared earlier this week. I hope therefore that I may look to you and other colleagues concerned to provide all the support you can to enable us to make progress and to respond convincingly to the ideas which will be put to us in the course of the review. I have asked my officials to draw up a first draft of a Consultative Paper, and to aim to circulate this for consideration to the other Departments most closely concerned next month.

What I said to ESAC has been reported in the press this week. I propose, however, to confirm the prospective timing of the review and to announce the terms of reference through an arranged Parliamentary Question after the Christmas recess.

I am copying this letter to the Prime Minister, to Norman Fowler, George Younger, Douglas Hurd and other colleagues on H Committee, to Tom King and David Young, and to Sir Robert Armstrong.

Evan.

King

21 DEC 1984

DEC 21 1984



CONFIDENTIAL

~~CONF~~

A

PRIME MINISTER

MANAGEMENT OF HIGHER EDUCATION

At its meeting on 28 November E(A) discussed, in the context of my proposals for a switch to engineering and technology (E(A)(84)63), the difficulty of managing higher education to ensure that it was responsive to national economic requirements. We agreed to return to this subject under your chairmanship at a later date.

2. I am minuting to you separately about how we might carry the idea of a "switch" forward. This minute is about the more general question of the management of higher education.

Higher education outside the universities

3. Our discussion of this issue in E(A) centred on the universities, and I believe that to be right. In the public sector of higher education in England (the polytechnics and other colleges) we now have in place for the first time a central planning and management system in the National Advisory Body (NAB), which has established itself in its first three years as a body able to face up to hard decisions and with a will to manage the system. As demand has risen and admissions to university have been squeezed the public sector has responded with a significant increase in productivity. Student numbers have increased from 230,000 in 1979-80 to 285,000 in 1983-84. The average student:staff ratio has moved from under 8:1 to approaching 11:1 and is planned to move to 12:1. Unit costs in the local authority sector are likely to be 20% lower in cost terms this year than in 1980.

4. The NAB's plans for local authority higher education also involve a substantial shift towards technical and vocational subjects: they provide for 1985-86 intakes to full-time and sandwich courses in engineering, mathematics and computing and



CONFIDENTIAL

science to be over 20% higher than for 1982-83, and for intakes to social studies, languages and humanities courses (which currently account for 16% of total provision in the sector) to fall by over 15%.

5. In addition to the local authority colleges we have also recently brought under the NAB planning umbrella the various colleges (many of them former teacher training colleges) that are directly grant-aided by the holder of my office.

6. For higher education outside the universities therefore we have a planning system that brings together Government, the local authorities and other interests. It has made a good start and should be allowed to continue to develop in ways we have agreed are desirable.

The universities

7. The universities are funded through the University Grants Committee under arrangements designed to allow individual institutions the maximum degree of autonomy compatible with public funding. I have been concerned, since I assumed this office, that the universities were not responsive enough to national economic requirements partly because of the drift engendered by the abandonment of the quinquennial system, partly because of the Government's public spending policy, which made new initiatives more difficult, and partly - but significantly - because the UGC and the universities were simply not being given enough guidance by the Government about what was expected of them.

8. In July 1982 I began offering more systematic guidance to the UGC, which has in general been welcomed and which I am carrying further in the Green Paper on higher education policy which I am preparing.



CONFIDENTIAL

9. The developments I have in mind involve more coherent and regular guidance from Ministers on priorities, with the Government taking responsibility for higher education policy, including the relations between the two sectors of higher education and the difficult decisions about contraction that are likely to arise before the end of the decade. We have already made progress:

- (a) In research the UGC has announced its intention to develop a much more selective strategy of research funding based on an appraisal of individual universities' research plans. This will help to concentrate available funding on work of the highest quality.
- (b) The UGC has announced its intention to tackle the problem of small and weak departments by a process of rationalisation. The UGC and the NAB are already co-operating in reviewing provision for certain subjects across higher education as a whole.
- (c) We have announced our intention to introduce legislation to limit academic tenure for new appointments when the Parliamentary timetable allows - possibly the 1985-86 session, but more likely 1986-87. When this issue was considered earlier in the year we agreed that we could not contemplate retrospective legislation to interfere with existing contracts of employment. The current inflexibilities will therefore disappear only slowly, but in practice tenure has not made contraction that much more difficult or expensive than elsewhere in the public sector or the nationalised industries.
- (d) Sir Alex Jarratt is at present chairing a committee managing a series of efficiency studies in the universities, to which Robin Ibbs and his unit are making a significant contribution. This work should both be valuable in



CONFIDENTIAL

itself and provide a starting point for the continued pursuit of greater efficiency in the future.

- (e) The UGC has been operating since 1981 a system of student number targets which gives the Committee the potential for greater influence than in the past, and we can build on this without adopting the full panoply of centralist planning outlined in paragraph 12.

- (f) We have also established the principle that some university funding may be channelled through specific programmes for which universities have to compete on the basis of quality and need: the existing examples are the information technology initiative and the "new blood" programme to increase what would otherwise be limited opportunities for the recruitment of top quality young researchers.

10. Since our discussion in E(A) last month I have been thinking about whether there was some more radical alternative for the planning and control of the universities that I could commend to you. The rest of this minute notes briefly some of the possibilities. I should be glad to discuss them with you, and to set them out more fully for discussion with colleagues if you think that appropriate.

Accelerated rationalisation

11. Rationalisation is already being pursued. The UGC has recognised that there are too many departments that are both small and weak, and that that will be one of the major problems for the next few years. This process, which could include the scaling down of provision in minority subjects while securing their continued existence in departments of viable size, would help to achieve the more efficient use of resources. It would not of itself ensure that the output of manpower in perceived shortage areas would be increased. The process could be accelerated only



CONFIDENTIAL

by providing funds to encourage staff movement, and to provide compensation for redundancy and early retirement. But the cost would be significant, especially if more generous terms had to be offered to tenured staff.

More formal academic planning

12. Universities could be required to submit detailed academic plans which would include proposed student numbers by subject and level, research plans and proposals for other academic developments. After a process of negotiation/discussion with the UGC each university would then be told that it was being funded on the assumption that it would achieve specific student number targets - perhaps for all subjects, perhaps only for key subjects - and that although there was some flexibility (plus or minus X%) future funding for teaching would be based on success in achieving targets. Provision for research would be indicated separately and would be settled on judgments of quality and on success in attracting external funding. The process of negotiating an agreed academic plan could be used selectively to increase the output of highly qualified manpower in areas of perceived shortage. But it could create a paper mountain of plans without necessarily gaining anything that could not be achieved by the development of the existing practice of setting student number targets. Resources would still be needed if the process of rationalisation was to be accelerated.

13. I am attracted to the UGC's idea of planning for the selective funding of research (referred to in paragraph 9(a)). The UGC's moves in this direction will give us the opportunity to judge just what the planning approach can achieve.

Preventing entrenchment

14. Colleagues were rightly concerned that once provision for a subject is established, it is difficult to dislodge. Overcoming



CONFIDENTIAL

entrenchment would be possible only by requiring central approval for the continuation of existing departments or even courses, combined with either retrospective legislation on tenure or a willingness to buy it out. In the local authority sector of higher education, where staff do not enjoy tenure, the closing down of activities has nevertheless been slow, laborious and much resisted. Preventing entrenchment for the future is no less difficult. The proposed legislation to limit academic tenure (referred to in paragraph 9(c)) will apply only to new appointments, and will therefore bite only slowly. Government control to prevent entrenchment would still require direction from outside the institution. Entrenchment for the future could only be prevented by agreeing to fund activities for a limited period only, and subjecting their continuation thereafter to regular review. This would effectively mean central control of the amount and distribution of provision in all subjects. We should have to establish a machinery for evaluation that does not exist at present.

A further squeeze

15. A squeeze can have beneficial effects in increasing cost-effectiveness some of the universities hardest hit financially in 1981 have come through the experience much improved. But there are disadvantages. Financial pressures alone will not make the universities responsive to the needs of the economy. In the short term it is rather the areas of high economic activity that suffer because staff are prepared to go voluntarily only where other attractive jobs are readily available. A further squeeze on the universities could therefore be imposed only by forcing them to admit more students - thus reducing unit costs - rather than by reducing resources for present numbers of students. Because of staff losses and difficulties of recruitment it is precisely in the areas of engineering and information technology that universities would have most difficulty in increasing student numbers. With a static or declining student population increased admissions to the universities would mean reducing numbers in the cheaper



CONFIDENTIAL

non-university sector to compensate. A move of this sort may be desirable to relieve some of the pressure of numbers in the non-university sector. But it would not help to increase Government control over the output of higher education.

More radical measures

16. It is possible to contemplate more radical measures that would involve by-passing the UGC, abolishing it or modifying it beyond recognition. A variety of models could be displayed. They would all effectively involve responsibility for the funding of individual universities being taken over either by Government directly, or by a Government-appointed executive body that was not dominated by academics.

17. Any such approach would involve an upheaval in the traditional relationship between the Government and the universities. I am in favour of change, but do not believe that in this area it is best achieved by confrontation. New arrangements would be seen as a frontal attack on academic freedom. They would take time to set up (and possibly legislation) and then even more time both to establish themselves and to win the confidence of the universities. ~~There~~ would be a hiatus in which we might be able to exercise less influence than at present.

Conclusion

18. Higher education can be made more responsive to the needs of the economy. For the public sector the NAB is leading the way. For the universities I want to build on the work of the past couple of years. We have in the forthcoming Green Paper an opportunity to set out the ground rules that will allow for the necessary Government influence without interfering with academic freedom. I believe that our objectives can be achieved within the framework of broadly the present system. The new situation on student awards will inevitably delay the Green Paper by some months and I shall be taking the opportunity presented



CONFIDENTIAL

by that delay to sharpen and refine it in consultation with colleagues. I should be glad to discuss this with you but I hope you will agree that I should proceed as I propose.

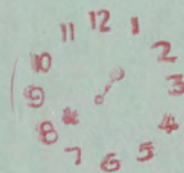
19. I am copying this minute to the Chancellor of the Exchequer and the Secretary of the Cabinet.

ks.

21 December 1984

Department of Education and Science .

21 DEC 1984



File

MR. TURNBULL - on return

Meeting with Sir Keith Joseph

Sir Keith Joseph has asked for a private meeting with the Prime Minister, which we have arranged for 1700 on Thursday 3 January.

I understand from Elizabeth Hodgkinson that Sir Keith is likely to raise three topics:

Principally about

1. Higher education policy in general - he will be sending across a minute on this before the meeting.

Paper coming today.

2. "Economic awareness" - his proposals for increasing economic awareness in schools, and the Prime Minister's comments.

No further papers

✓3. Teachers' pay - he will not be asking for money directly, but will wish to draw the Prime Minister's attention to what he regards as a burgeoning crisis.

No papers

short term. 4. It is possible that he may also raise the subject of "the switch", on which he will be circulating a letter to colleagues shortly.

Minuting today

5. *He may also talk generally about science*

DWB

20 December 1984



Kate Charlesworth

SIR KEITH'S NEW POVERTY TRAP

HERMIONE PARKER

Yet again, the government has aimed its guns at the wrong target, wantonly sacrificing the living standards and self-reliance of middle-income families and their student offspring on the altar of selectivity. Sir Keith Joseph's decision to abolish what remains of minimum student grant, to increase parental contribution rates for the second year running, and to introduce a new contribution towards tuition costs from "those most able to pay," highlights the urgent need for a less doctrinaire approach to policy making, and for all policy which concerns income maintenance to be brought under the control of a single government agency.

Most families affected by the new regulations—at any rate as proposed—can by no stretch of the imagination be described as rich. Some are living at less than 50 per cent above supplementary benefit levels. Yet they are being ruthlessly penalised by a Department of Education which has sim-

ply not done its sums properly.

Unless there's a change of tack, the regulations apply to the academic year 1985-86. Parental contribution rates will be 14 per cent on residual incomes above £8,100; 20 per cent on residual incomes above £10,300; and 25 per cent above £15,000. In this context, residual income means gross (taxable) income less mortgage interest, superannuation premiums and so forth, but before deduction of income tax and NI contributions. A flat rate amount (currently £80) is deducted from the parental contribution for other children.

Since the proposed maximum contribution is capped at £4,000 those worst affected will be families earning between average and 2½ times average earnings. Some will be two-earner families, where each spouse has a low wage. Others will be retirement pensioners. Wealthy families may be able to circumvent the regulations by using "granny"

covenants. But most middle-income families have no wealth except the house they live in and their pension rights. The new regulations will cause hardship and will narrow the incentive gap between earning and not earning. Marginal tax rates will be pushed up to between 64 per cent and 79 per cent. Higher if there is entitlement to rate rebates.

Since 1962, when mandatory maintenance grants for first degree courses were introduced, the criteria for entry to higher education have been hard work and ability. Now, almost without warning, we seem to be moving towards the American system, where money counts more than aptitude. If the regulations go through, there seems little doubt some children from large families where the parents are caught in Sir Keith's new "poverty trap," will be prevented for financial reasons from entering higher education. This is a major policy change. Yet there seemed little intention to let parliament amend it. Last year's Education (Mandatory Awards) Regulations were not laid before the House of Commons until 1 August this year, and were not debated until 30 October, that is several weeks after they had taken effect.

Sir Keith's decision undoubtedly reflects the government's determination to make more effective use of public funds, and few would quarrel with that objective. But his tactics are dangerously wrong and his timing could prove disastrous. For while the Department of Education has been busy putting more selectivity into student grants, the Department of Health and Social Security has been equally busy looking at ways of putting more selectivity into child benefit. Between the two they look set to push marginal tax rates above the rates inherited by Margaret Thatcher in 1979.

Deciding which families are "most able to pay" is clearly outside the competence of the Department of Education acting on its own. In reply to a recent written question by Tony Marlow, the Conservative MP for Northampton North, who tried to discover what slices of after-tax incomes would be preempted by the new parental contributions, the minister replied that "the department does not collect

information on the tax and national insurance payments of the parents of mandatory award holders."

Yet it is precisely the greatly increased taxation of families with children since 1962 which has reduced their ability to pay maintenance costs. Before 1962, parents could set the costs of higher education against a child tax allowance, which was higher than single person's tax allowance—about £2,145 in current terms. This age-related child tax allowance continued after 1962, though reduced in value, until taxable family allowances and child tax allowances were replaced by tax-free child benefit in 1979. Since child benefit stops at 19, the minimum student grant was increased from £80 to £385. Likewise the parental contribution rates were amended to take account of the lost tax allowance. Now all seems set for parents and students to lose minimum grant and the reduced rates of contribution as well as the tax allowance.

Is ability to pay quantifiable? In absolute terms—and without American or continental-style family budget estimates of basic needs and costs—the answer is probably not. But in relative terms, by comparing the net spending power of families of different sizes at different earnings levels with their estimated spending power on supplementary benefit, the answer is emphatically Yes. And it is a most necessary exercise. Without it, increased benefit selectivity, especially when superimposed on high taxes, becomes all too easily a euphemism for pauperisation, as wage and salary earners opt out of a system which penalises effort.

Net spending power in this context means the amount of money left each week from earnings or supplementary benefit, after adding in child benefit and after deducting income tax, national insurance contribution, housing costs and work expenses. Unlike the Department of Education parental contribution scale, supplementary benefit takes into account both the number and ages of dependent children. Rent or mortgage interest, rates and water rates are paid in full with SB. If one also adds 20 per cent to the SB scale rates to allow for "passport benefits" (for instance

SOCIETY AT WORK

free school meals), single payments, additional requirements and disregarded income, then net spending power on supplementary benefit is approximately as shown in table 1.

Supplementary benefit is Britain's unofficial poverty line. It is imperfect, but it is the only measure we have. In America—where welfare scales are based on detailed family budget estimates of the baskets of goods necessary to provide different living standards—a second standard, called the "modest but adequate" level, is drawn at twice the poverty line. The American affluence threshold is defined as five times the poverty line. Those families liv-

Table 1: Estimated net weekly spending power on SB, December 1984 rates

Married couple plus:	£
1 child, aged 17	75
2 children, 17 & 15	93
3 children, 17, 15 & 13	110
4 children, 17, 15, 13 & 11	127

Table 2: Net spending power—married couple with 2 children aged 17 and 15, all in full-time education. Husband earns £12,000, wife earns £5,000. Mortgage £25,000

	£
gross earnings	17,000
+ child benefit	688
- income tax	2,802
- national insurance contribution	1,530
- mortgage interest (at 10%)	2,500
- rates and water rates	500
- work expenses	1,500
= net spending power	8,856
- parental contribution	1,014
= residual spending power	7,842

Table 3: Net spending power before and after parental contribution

Married man with 2 younger children aged 17 and 15, both in full-time education

a. Net spending power (NSP) before application of parental contribution

annual earnings	mortgage £30,000		mortgage £20,000		mortgage £10,000	
	NSP from work	as % of SB	NSP from work	as % of SB	NSP from work	as % of SB
£	£	%	£	%	£	%
25,000	269	289	280	301	291	313
20,000	208	224	222	239	235	253
15,000	142	153	156	168	169	182
12,000	—	—	117	126	130	140
10,000	—	—	—	—	107	115

b. Net spending power after paying maximum parental contribution

25,000	214	230	220	237	226	243
20,000	177	190	186	200	194	208
15,000	132	142	142	153	151	162
12,000	—	—	114	123	124	133
10,000	—	—	—	—	107	115

NB: No parental contribution is payable in the case of £10,000 annual earnings with £10,000 mortgage.

ing above the poverty line, but below the "modest but adequate" level, are described as out of poverty but "hard-pressed."

In Britain, Sir Keith's new tapers will cut in on living standards below twice SB level, in other words on families in the hard-pressed zone. The relative prosperity of those families depends on many variables—for instance, the age and number of children, size of the mortgage, rates and water rates, and the costs to the parents of getting to work. The figures are complex, but the overall picture is clear. Families who are mortgagees, and who have more than two children, are already dangerously close to SB levels, unless they have earnings comfortably in excess of £15,000. None come anywhere near the affluence threshold. Table 2 shows how it comes about.

The £8,856 left from earnings of £17,000 works out at £170 a week, which is 183 per cent of the

family's estimated poverty level. Parental contribution cuts the weekly amount to £151, or 162 per cent of the poverty level. These figures take no account of the student, whose grant, even if made up in full, is below supplementary benefit level if one takes into account the costs of books and travel.

Table 3 sets out the spending power position of families before and after application of the proposed maximum parental contributions. The figures take five earnings levels between £25,000 and £10,000, and assume three different mortgage levels. Superannuation premiums are excluded for the sake of simplicity. Rates are assumed to be £500, and work expenses £1,000. Only the father is earning. With earnings below £20,000, the families are living at less than twice supplementary benefit level, even before paying the parental contribution, which then drags more of them down into the hard-pressed zone. It can be deduced from the figures that larger families are likely to be charged parental contribution on incomes below the poverty line.

It is important to emphasise that these are all hypothetical families. In real life some will be better off and some worse off than the figures suggest. Superannuation premiums, for instance, will reduce the spending power of many families.

The National Union of Students estimates there are about 383,000 student award holders, of

whom 183,000, or 48 per cent are likely to be affected by the new regulations. The department estimates that in 1985-86, some 75,000 families will be affected by the 20 per cent tapers, and 85,000 by the 25 per cent tapers as well. We are talking therefore of successive cohorts of nearly 200,000 families who will be caught for at least three years in Sir Keith's new version of the poverty trap. Because of high marginal tax rates plus the new parental contribution rates, it is a trap from which there is almost no escape. A non-earning spouse who tries to help out by taking paid employment will lose at least 64p out of each extra £1 earned. In some cases (where the family's income tax rate is pushed up to 45 per cent), the total net gain from each extra £1 will be only 21p.

Likewise the student offspring of "rich" parents are less able than their peers to top up spending power by taking part-time or vocational employment. Student grants do not count as part of taxable income, so students on the full award can earn a further £2,005 without liability to income tax. But students whose parents finance their contribution through a deed of covenant forfeit all or part of their personal tax allowance. As a result of the new regulations, there will be many more students who are liable to tax at 30 per cent on all their earnings.

What is the solution? Various options exist. The West German system of loans and means-tested grants (guaranteed by government if the parents default), plus educational tax reliefs for the parents, has much to commend it. A completely new approach would be through basic incomes or social dividend reform. The Basic Income Guarantee scheme, which I costed for 1982-83, would provide every student living away from home with £28.90 a week plus rent.

Meanwhile, the first step must be to bring responsibility for all aspects of income redistribution under the control of a single government agency. Until this happens, no sensible solution is likely to emerge.

Hermione Parker's most recent publication was "Action on Welfare". Next week Howard Glennerster and Julian Le Grand continue the debate on financing students

*cc Key/
Questions*

STATEMENT

THURSDAY 6 DECEMBER 1984
HOUSE OF COMMONS

STUDENTS' AWARDS

WITH PERMISSION MR SPEAKER I WISH TO MAKE A STATEMENT ABOUT THE CONSEQUENCES IN SCOTLAND OF THE DECISION ANNOUNCED BY MY RT HON FRIEND YESTERDAY ON STUDENTS' AWARDS. AS MY RT HON FRIEND INDICATED, THE MINIMUM GRANT WILL BE DISCONTINUED AND THE CONTRIBUTION TO STUDENTS' MAINTENANCE FROM BETTER OFF PARENTS WILL BE INCREASED IN 1985/86. THIS WILL NOT HOWEVER EXTEND TO TUITION FEES, AS ORIGINALLY PROPOSED.

THE CHANGES NOW PROPOSED WILL INVOLVE ADDITIONAL EXPENDITURE ON STUDENTS' AWARDS IN SCOTLAND OF ABOUT 5 M IN 1985/86. JUST OVER 2 M OF THIS ADDITIONAL EXPENDITURE WILL BE MET BY AN ADDITION TO THE SCOTTISH BLOCK FOLLOWING FROM THE CHANGES BY MY RT HON FRIEND IN HIS DEPARTMENT'S BUDGET AND THE OPERATION OF THE FORMULA ADJUSTMENT TO THE SCOTTISH BLOCK. THE REMAINDER WILL BE FOUND FROM WITHIN THE BLOCK.

ONCE FINAL DECISIONS HAVE BEEN TAKEN I SHALL ANNOUNCE THE FULL DETAILS OF MY PUBLIC EXPENDITURE PROGRAMMES FOR 1985/86 TO THE HOUSE. I EXPECT TO DO THIS IN THE COURSE OF THE NEXT WEEK. SUBJECT TO FURTHER SCRUTINY OF PRIORITIES WITHIN MY OVERALL PROGRAMME IT STILL REMAINS MY INTENTION THAT ADDITIONAL RESOURCES WILL BE MADE AVAILABLE TO THE SCOTTISH CENTRAL INSTITUTIONS TO INCREASE THE OUTPUT OF ENGINEERING AND TECHNOLOGY GRADUATES. MEANTIME I AM NOT IN A POSITION TO GIVE FIRM FIGURES.

AS REGARDS THE PROPOSED REVIEW OF THE STUDENTS' AWARDS SYSTEM, I CAN ASSURE THE HOUSE THAT IT WILL TAKE FULL ACCOUNT OF THE SCOTTISH HIGHER EDUCATION SYSTEM, AND THAT MY DEPARTMENT WILL BE CLOSELY INVOLVED.

SCOTTISH OFFICE



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Andrew Turnbull Esq
Private Secretary
10 Downing Street
LONDON SW1

6 December 1984

~~Dear Andrew,~~

STATEMENT ON STUDENT GRANTS IN SCOTLAND

I attach a copy of the latest draft of the statement which it has been agreed my Secretary of State should make in the House this afternoon. I am copying this letter and the enclosure to Charles Marshall (Lord Privy Seal's Office), Richard Broadbent (Treasury), Elizabeth Hodgkinson (DES), David Beamish (House of Lords) and Bernard Ingham.

Yours sincerely,
John S. Graham

J S GRAHAM
Private Secretary

DRAFT STATEMENT

STUDENTS' AWARDS

I wish to make a statement about the consequences in Scotland of the decision announced by my rt hon Friend yesterday on students' awards. I accepted, in the light of the representations which had been made that some amendment to the settlement originally proposed was desirable. I therefore agreed, as my rt hon Friend indicated, that the minimum grant will be discontinued and the contribution to students' maintenance from better off parents will be increased in 1985/86 but that this will not extend to tuition fees, as originally proposed. I also agreed that these changes should apply in Scotland.

The changes now proposed will involve additional expenditure on students' awards in Scotland of just over £5 m in 1985/86. Just over £2 m of this additional expenditure will be met by an addition to the Scottish block following from the changes by my rt hon Friend in his Department's budget and the operation of the formula adjustment to the Scottish block. The remainder will require to be funded from adjustments to other programmes within the block.

Once final decisions have been taken I shall announce the full details of my public expenditure programmes for 1985/86 to the House. I expect to do this in the course of the next week. Subject to further scrutiny of priorities within my overall programme it still remains my intention that additional resources will be made available to the Scottish Central Institutions to increase the output of engineering and technology graduates. Meantime I am not in a position to give firm figures.

As regards the proposed review of the students' awards system, I wish to assure the House that it will take full account of the Scottish higher education system, and that my Department will be closely involved, as is customary when changes in student support are being considered.

COVERING SECRET

*File**Copy**9*

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

5 December 1984

Andrew Turnbull Esq
10 Downing Street
LONDON SW1

Dear Andrew,

.. I attach draft minutes of the meeting at No 11 this morning on Student Grants. I would be grateful if you could have a look at them this morning and let me know if any amendments are required.

Yours sincerely,

Philip Wynn Owen.

P WYNN OWEN
Private Secretary

SECRET



RECORD OF A MEETING HELD AT 9AM
ON 5 DECEMBER 1984 IN NO 11 DOWNING STREET

Those present:

Chancellor
Sir P Middleton
Secretary of State for Education and Science
Mr Hancock
Mr Stuart
Mr Turnbull (No 10)

STUDENT GRANTS

The Chancellor said that the solution agreed upon the previous night was neither the best, nor the most sensible answer. If the meeting could agree a better solution than withdrawing the whole education package and bringing forward new proposals in the New Year, then Andrew Turnbull would report it to the Prime Minister, and he felt there was a good chance that she would agree. To defer the problem would only result in continued agitation, other colleagues trying to unravel their expenditure programmes and uncertainty in the markets. It would be much better to lance the boil now.

2. ~~He thought, and regretted,~~ that for the ~~immediate~~ future the idea of ~~seeking a parental contribution to tuition fees~~ was dead for political reasons. The proposal which the Prime Minister had initially floated at the meeting the previous evening was probably the right one: to abolish the minimum grant, and retreat on tuition fees. Maybe at a later date, while looking at ~~student loans etc.~~, tuition fees could come back into play as part of a longer term package of student support, including loans.
3. It was ^{estimated} ~~agreed~~ that this new solution left a deficit of around £20 million ^{in the first year} ~~on the DES programme in each of the 3 PES~~

ambition
in total
meeting
so much

PES
change
structure



years. The Chancellor asked the Secretary of State to find just a little over 50 per cent of that money in the first year and 50 per cent ^{of which would be concerned cost} in the second and third years. He would then agree to provide the rest as additional money for education. One clean and simple solution so far as the 85-86 cost was concerned would be for the Secretary of State to explain that the £10 million extra for laboratory equipment promised to Vice-Chancellors in years 1 and 2 would simply be delayed a year. That would leave only a small extra amount for DES to find to take their contribution to over 50 per cent of the deficit. ~~The Secretary of State agreed that that was one option. Said he could~~

5. → (X) ^{accept this offer}
6. ^{para 7 as amended}

The Chancellor stressed that his offer represented a major concession on the part of the Treasury. The Secretary of State said that he did not wish to be rescued at the expense of putting at risk the whole public expenditure package. The Chancellor acknowledged that there was high risk, but said that this solution would have to be ring-fenced by the Prime Minister at Cabinet the next day so as to deter colleagues from reopening their own programmes. ~~This was a special case and the Chancellor would have to take criticism on the chin.~~

4. Mr Stuart pointed out that there could be problems in finding the savings of a little over £10 million in each of the second and third years. The Chancellor replied that DES had the whole of the Education Budget to play with in those years and, though he counselled strongly against eating into LA Capital in Year 1, it might be necessary to draw on it for the later years.

6. The Secretary of State wondered whether the Chief Whip would agree to the course proposed. The Chancellor said that it represented an important retreat both by the Government and the Treasury, and he was sure that ^{the Whip} ~~John Cope~~ ^{able to sell} would buy the

SECRET



*and to be grateful to be the other
factor of the which he could accept
subject to detailed examination of
the year. While noting the
Chancellor's comments on the source
of the savings, he would like to obtain
freedom to be precise source of the
savings to be found.*

package. It did not involve phasing, and it involved ^{dropping} the ~~abandonment~~ of tuition fees. at least for the time being.

5
S
X

7. The Secretary of State asked if he was free to take what he could for Science, while giving less to the ABRC and £4 million to the universities. The Chancellor agreed that it was up to the Secretary of State how he divided his share of the cost, but stressed that the Science package had to take its share too at some stage.

8. It was agreed that Andrew Turnbull would report the conclusions of the meeting to the Prime Minister. ^{to be lead President and the Deputy} A draft statement, cleared with the Treasury, would be sent to No 10 by the end of the morning.

P WYNN OWEN
5 December 1984

Circulation:

- Those present
- Chief Secretary
- Mr Bailey
- Mr Scholar
- Mr Faulkner



DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH
TELEPHONE 01-928 9222
FROM THE SECRETARY OF STATE

5 December 1984

Dear Tim,

STUDENT AWARDS - PROPOSED MINISTERIAL STATEMENT

I am submitting for the Prime Minister's approval a draft of the statement that my Secretary of State intends to make, and which I understand that the Earl of Swinton will repeat, this afternoon.

Copies of this letter and draft statement go to the Private Secretaries of the Leader of the House, the Lord President of the Council, the Chancellor of the Exchequer, the Secretary of State for Scotland, the Secretary of State for Wales, the Chief Secretary, the Chief Whip (Commons), the Chief Whip (Lords), the Secretary of the Cabinet and to the Chief Press Secretary, No 10.

Yours,

Elizabeth

MISS C E HODKINSON
Private Secretary

T J Flesher Esq
Private Secretary
10 Downing Street
London SW1

SUBJECT
CC Master.

SECRET

file DSGAEA

bc Oliver Letwin
Bernard Hoggan



8.

10 DOWNING STREET

From the Private Secretary

5 December 1984

STUDENT GRANTS

This letter records the discussions which took place last night and this morning on student grants. At the meeting in the Prime Minister's room at the House of Commons last night, attended by the Lord President, your Secretary of State, the Chancellor of the Exchequer, the Chief Secretary, the Deputy Chief Whip and Mr. Alison, the Deputy Chief Whip reported on the position following the Secretary of State's meeting with Government backbenchers. It was clear that the concession on phasing discussed at the weekend would no longer command support; indeed there had been clamour at the meeting for the Government to withdraw its proposals entirely. He also thought that much of the criticism was implicitly directed at the Treasury for pressing too hard towards the objective of reducing taxation.

In discussion, two options were identified. First, the Government could announce that it was withdrawing the proposal to seek a contribution to fees while, at the same time, delaying the allocation of additional resources to science. The Secretary of State for Education and Science said he could make a significant contribution to such a concession, which would cost around £20 million in the first year, but he could not find the whole amount. If the Treasury insisted that the revised package was neutral in expenditure terms, savings would have to be found from other programmes.

The alternative was to announce that the whole package on student grants and additional resources for science was being withdrawn and that the Government would table new proposals, after consultations, early in the New Year. This would be on the understanding that the public expenditure effect would be neutral, with part of the cost coming from the Education programme. Summing up the discussion, the

SECRET

Prime Minister said the meeting favoured withdrawing the package for reconsideration. She asked those present to reflect on it overnight before drafting a statement to be made on Wednesday afternoon.

In the morning, the Secretary of State, accompanied by Mr. Hancock and Mr. Stuart, came to see the Chancellor. Also present was Sir Peter Middleton. The Chancellor said that, on reflection, the solution favoured the previous night was probably not the best answer. To withdraw the package and bring forward new proposals would only result in continuing lobbying and uncertainty. The process of seeking additional savings from colleagues to make good the shortfall could result in agreements on public expenditure totals being re-opened.

He therefore thought it would be better to revert to the proposal which had been considered earlier, i.e. that the Government should announce that it was dropping the contribution to fees while carrying through the proposal for abolition of the minimum grant. It was possible that, at a later date, perhaps as part of a system of student loans, the fees option could be revived.

It was estimated that dropping the contribution to fees would cost around £20 million in the first year. The Chancellor suggested that the Secretary of State should find a little over half of this in the first year and the same proportion of whatever was the cost of the concession in subsequent years. This could be done by delaying the allocation of funds to science. The Chancellor urged that no attempt should be made to reduce local authority capital expenditure. He believed this would represent a straightforward solution which could be sold to Government backbenchers.

The Secretary of State for Education and Science agreed that announcing the Government's response along these lines would be better than a period of uncertainty. He was grateful to the Chancellor for the offer to meet part of the additional cost by an increase in the programme totals. He agreed to find just over half the savings, subject to detailed examination by his officials of the implications for the later years.

The outcome of this meeting was relayed to Lord Whitelaw and the Lord Privy Seal. I also informed the Secretary of State for Scotland.

The Prime Minister held a meeting at 11.15 this morning to discuss the contents of the statement. Present were the Lord President, Lord Privy Seal, Chancellor of the Exchequer, Secretary of State for Education and Science,

Chief Secretary, Mr. Alison and Mr. Brooke. Also present were Sir Peter Middleton and Mr. Ingham. The Deputy Chief Whip thought the support of Government backbenchers could be secured for the proposals now suggested by the Secretary of State for Education and Science and the Chancellor of the Exchequer. But this would be easier if the existing proposals were first withdrawn and their package was tabled following a period of consultation. This would meet criticism both about elements of the original proposals and about lack of consultation with backbenchers.

In discussion, it was argued that a period of consultation would not necessarily make it easier for the Government to secure agreement as no consensus had or was likely to emerge among backbenchers as to what should be done. Furthermore, parents needed to know soon what was proposed for the academic year starting September 1985.

Summing up the discussion, the Prime Minister said the best course was for the Government to announce in its statement today that it was withdrawing the proposal for contribution to fees in 1985-86. Proposals for the later years, including the possibility of loans would be the subject of review and consultation. This course had the merit of letting parents know where they stood for the next academic year, of scaling down the proposed increase in contributions and of allowing consultation on the longer term system for student support. It left open the option of contribution to fees. If asked whether the fees issue had been dropped for future years, the Government would say that no decisions had been made; this was a matter for the review and consultation. The statement should make it clear that, exceptionally, an addition to programme totals was being allowed. The Prime Minister invited the Secretary of State to draft a statement and to clear it with colleagues. She urged that details of the offsetting savings should be fully worked out before the announcement.

I am copying this letter to Janet Lewis-Jones (Lord President's Office), David Morris (Lord Privy Seal's Office), David Peretz (HM Treasury), Richard Broadbent (Chief Secretary's Office, HMT), Murdo Maclean (Chief Whip's Office), and Richard Hatfield and Peter Gregson (Cabinet Office).

ANDREW TURNBULL

Miss Elizabeth Hodkinson
Department of Education and Science.

SECRET

STATEMENT BY THE SECRETARY OF STATE FOR EDUCATION AND SCIENCE

With permission, Mr Speaker, I should like to make a statement.

2. On 12 November I announced changes to the student awards system involving the abolition of the minimum award, increased contributions from parents in the middle and upper reaches of the income scale and the extension of contributions, for those most able to pay, up to the maximum of the designated tuition fee of £520.

3. The resources released by these measures were intended in part to meet increases in the already substantial bill for student awards - about £700m in 1984-85 - and in part to provide additional money for science.

4. Our system of student support - amongst the most generous in the world - has long been based on the sharing of responsibility by the Government, the student's family and where appropriate the student himself. When resources are limited it is, I believe, right for those parents who can afford to do so to carry a larger share of the costs of their children's higher education, in order to release money for urgent needs elsewhere, particularly for science.

5. I recognise the concern expressed in this House and elsewhere that the increase in parental contribution that was proposed was too sharp and the notice given too short to enable parents to make such a substantial adjustment in their financial affairs. I believe also that parents will want to know where they stand in relation to the next academic year.

6. I should therefore tell the House that it remains the Government's intention, subject to the decision of Parliament, to abolish the minimum award and to increase the level of parental contributions to maintenance for those in the middle and upper reaches of the income scale. I have however decided to withdraw the proposal that parents should make a contribution to tuition fees. My rt Hon Friend, the Secretary of State for Scotland, has decided similarly. The cost of this concession in England and Wales in 1985-86 is £21 million. In order to find this extra sum, I have been through my recently announced expenditure programme again and I have been able to find £11 million savings towards it. These savings will require

- First a reduction of £6 million in the addition to the equipment grant for universities in 1985-86. This means that universities will get £4 million for this purpose in that year instead of the £10 million that I announced earlier. I intend however that the selective scheme, with the agreement of the UGC, should now be extended to cover the 3 years to 1987-88: £7 million will be available in each of the two later years.

- Second, a reduction of £3 million - from £14 million to £11 million - in the amount which I had told the Chairman of the Advisory Board for the Research Councils was a planned addition for science in 1985-86.

- A number of smaller economies amounting to £2 million. This will mean among other examples a smaller increase than already announced for the PICKUP programme; and less for educational research, adult education and the microelectronics programme.

8. The remaining £10m needed in 1985-86 will, exceptionally, be found by an addition of that amount to the public expenditure planning total.

9. The Government propose to consider - and consult widely about - whether a radical change in the student support system, which might include loans, should be made so as better to meet the needs of students and their families whilst safeguarding the interests of the taxpayer.

10. I believe that these proposals meet the two main concerns of the House: first that the increase in parental contribution was too sharp and too sudden; and secondly that the system of student support in the longer term should be reviewed.

PRIME MINISTER

Student Grants

Lord Whitelaw has reported that he has narrowed the gap to £3m. but has not managed to eliminate it. He also reports that he does not think savings can be found on other programmes. Nor does he believe that Scotland can contribute beyond the £3½m. which it needs to finance the equivalent concession North of the Border.

I have arranged a meeting at 10.45 with the Lord President, Chancellor, Chief Secretary and Deputy Chief Whip after the first three votes and before the money resolution is voted for 45 minutes later.

The choices are:-

- i) Insist that Sir Keith finds £3m. by further delaying the switch into science, possibly softened by a promise of an extra £3m. the year after; or
- ii) Allow him £3m. from the Contingency Reserve.

The advantages of (i) are that it maintains the integrity of programme totals, makes clear to backbenchers that choices have to be faced, and minimises the risk of further bids e.g. for BBC External Services and the British Council. The disadvantages are that it pushes Sir Keith very hard when he feels that he deserves some help from the Treasury which, after all, went along with his original proposals. He also feels that offsetting the savings in full may be counter-productive by provoking a reaction from the scientists and from backbenchers who may feel that £1.5b. of tax cuts are not worth the candle if this is what is involved. I believe Lord Whitelaw favours pressing

SECRET

-2-

Sir Keith to find the extra savings.

Once you have decided on the course to follow you may want a meeting with Sir Keith. This could take place immediately afterwards though Sir Keith is visibly tired and ill and it might be better to offer him the option of a meeting at 8.45 tomorrow. He may, however, prefer to get it over with tonight.

AT

4 December 1984

SECRET



6

PRIME MINISTER

Student Grants

I had a meeting this morning to discuss student grants with the Secretary of State for Education and Science, the Lord Privy Seal, the Chief Secretary, Treasury and the Deputy Chief Whip. Mr Gregson and Mr Turnbull were also present.

2. We agreed that it would be unwise to put forward a modification of the Government's proposals on student grants which did not have a reasonable prospect of winning support at least from the more moderate of those backbenchers expressing concern on this issue. Following advice from the Lord Privy Seal and the Deputy Chief Whip it was clear that the least expensive option which would satisfy this test was the one favoured at your meeting on 2 December, ie: that although the minimum grant of £205 would be abolished as planned next year, the contribution to tuition fees in the first year would be limited to only £150. The cost of this option for the Secretary of State for Education and Science's programme in 1985/86 was estimated at £13 million. This would be combined with announcement of a review of student financing which would include (but not be confined to) the possibility of student loans.

3. We agreed that it would be desirable for the Secretary of State for Education and Science to announce this concession in an oral statement tomorrow. The alternative of a written answer was rejected on the grounds that this would be less acceptable to the House and would carry the risk that the debate on the Autumn Statement would be turned into a debate on student grants. The Secretary of State for Education and Science was authorised to say at his meeting with the backbench Education Committee this afternoon that he would be seeking the opportunity to make a statement tomorrow.

SECRET



4. We then turned to the financing of the concession in 1985/86 (the Secretary of State for Education and Science having already agreed to absorb the additional cost in 1986/87). At your meeting on 2 December the Secretary of State had expressed the view that he would be unable to find more than £6 million of the additional cost in 1985/86. However, after further discussion with the Chief Secretary and at our meeting he undertook to find £10 million of the £13 million, on the understanding that the remaining £3 million would be found from elsewhere.

5. The meeting saw great difficulty in reopening with other Ministers departmental programmes already settled either bilaterally or in the Ministerial Group on Public Expenditure. We were however, aware that the Secretary of State for Scotland, who also has responsibilities for higher education, was in discussion with the Chief Secretary about the detailed implications of Survey decisions for the Scotland block budget, following the recent exchanges about needs assessment. It was therefore agreed that I should ask the Secretary of State for Scotland whether he would be willing to make visible savings amounting to £3 million on his 1985/86 programme (in addition to the savings he would have to make in Scotland to offset the student grants concession, and over and above the "invisible" savings of £5 million already offered by him to the Chief Secretary in the exchanges about needs assessment). I spoke to the Secretary of State for Scotland immediately after our meeting and he undertook to make every effort to meet this request.

6. The Secretary of State for Scotland reported back to me this afternoon. He greatly regrets that he cannot provide the missing £3 million, for two main reasons. First, he will already be obliged to find savings in Scotland amounting to £3.5 million to offset the Scottish cost of the proposed concession on student grants. Secondly, he would see very great difficulty in justifying a further saving of £3 million on Scottish programmes to meet part of the cost of a concession on English student grants.

SECRET

SECRET



7. In parallel I have explored with the Secretary of State for Education and Science another possible approach under which, although his programme would be asked to find the full £13 million in 1985/86, the Treasury might assist with £3 million in 1986/87. He tells me, however, that his problem is with the first year and that this would not be solved by assistance in the second year.

8. You will no doubt wish to discuss the position which has now been reached.

9. I am sending copies of this minute to the Chancellor of the Exchequer, the Secretaries of State for Education and Science and Scotland, the Lord Privy Seal, the Chief Secretary, Treasury, the Deputy Chief Whip and Sir Robert Armstrong.

halla

4 December 1984

SECRET

SECRET



CCNO 5

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

Richard Broadbent Esq
Private Secretary to the
Chief Secretary
HM Treasury
London SW1

4 December 1984

Dear Richard,

STUDENT GRANTS

The Chief Secretary came to see the Secretary of State this morning in order to discuss how a concession in the Secretary of State's student awards package might be financed. In opening the Secretary of State said that it would cost about £6m to phase the contribution to tuition fees so that parents contributed to only £260 in the first year. This he could find from his own budget, though with difficulty. The Prime Minister had judged however that it would be necessary to make a larger concession in order to win the support of the backbenchers. She wished to see parents making a contribution to only £150 of the tuition fee in the first year; it had now been calculated that this would cost £13m in 1985-86. There would be no consequential costs in later years. Such a sum was beyond the Secretary of State's power to find, and he wished to discuss with the Chief Secretary which if any other Departments might contribute.

Mr Rees said that he admired the Secretary of State's spirited defence of the Government's collective decision on student awards and appreciated the contribution that the Secretary of State was willing to make. He said that it was essential however - and with this the Secretary of State agreed - that the money to finance this concession should be found through clear economies in other programmes. Since he had negotiated those programmes with his colleagues, he felt that he could not take the lead in seeking to reopen those settlements; but if the Prime Minister or Lord Whitelaw were to take such a lead, then he would be willing to make suggestions as to which programmes could perhaps contribute.

SECRET

SECRET

It was recognised by both Ministers that, since the additional support for the Science Budget and for the universities was on a UK basis, their territorial colleagues would benefit and might reasonably be asked to contribute. Similarly, some of the Department of Industry's support for industrial innovation might reasonably be directed to an earlier part of the cycle, namely the universities and Research Institutes where future projects for commercial exploitation were being prepared. It was agreed that this should be discussed further at Lord Whitelaw's meeting later this morning.

The Secretary of State said that his offer to find £6m of savings could be increased to £8m if he were to reduce the additional resources to be made available to the Universities in the first year from £10m to £6m. But he repeated that there was no way that he could close the gap to find the full £13m savings. Savings from other Department's programmes had to be identified.

In closing the Chief Secretary referred to the idea of a review of the student grants system, with the idea of introducing a part loan scheme. He had now discovered that if a scheme of loans from private banks, guaranteed by the Government, were to be introduced, then there would only be public expenditure implications at the point where the guarantee had to be called in. This made a loan scheme much more attractive to the Treasury. The Secretary of State said that he found a loan scheme attractive for educational reasons; it should increase the motivation of students. In the statement that he proposed to make on Wednesday he would say that the Government would consider over the next few months whether there should be a review of the student grants system. He would look to see whether such a review might be announced in the Green Paper on Higher Education which he expected to issue early in the New Year.

I am copying this letter to Andrew Turnbull (No 10), Janet Lewis-Jones (Lord President's Office), David Peretz (HM Treasury), Murdo Maclean (Chief Whip's Office), and Richard Hatfield (Cabinet Office).

Yours,
Elizabeth

MISS C E HODKINSON

SECRET

Pam Minister

① Whitelaw Meeting

The meeting decided to pursue the option which defers the increased contribution to fees so that in year I people pay £150 and in year II the full £520. This would cost £13 million.

Keith Joseph will find £10 million by slowing down transfer of funds to science and by other economies. To meet the remaining gap of £3 million, George Younger has agreed to look for savings in his programmes. He will report back this afternoon.

If this falls into place:

(a) Keith Joseph will say at questions this afternoon that he appreciates the strength of feelings and will consider what can be done.

(b) at the Backbenchers' meeting he will go further by offering an oral statement tomorrow.

(c) you will probably NOT need a meeting when you return this evening.

/P.T.O.

② Coal Strike

Peter Walker has had a phone call from Norman Willis. The TUC will have an internal meeting on this evening and meet the NUM on Tuesday. Willis clearly has no idea what to do. He said that one outcome might be for the TUC to seek a meeting with PW. Would he agree? PW said that he was always willing to meet the TUC publicly or privately. Willis asked about the basis for a meeting. Could not the NCB agree to keep the famous five pits open to make good the shortfall? Could there not be a return to work on the basis of readiness to discuss a new plan for Coal?

PW said that the NCB had already promised to take the 5 pits to the review procedure. There was no point in talking about a new plan for coal without movement by the NUM on uneconomic pits. Otherwise Scargill would simply block all future closures pending talks. Willis will reflect.

③ BT shares at 94.7p. £ at ~~1.20/24~~ 1.2024. CDP.

de vs 4
c Oletwin

10 DOWNING STREET

From the Private Secretary

3 December 1984

Dear Elizabeth.

Student Grants

I have relayed the Chief Secretary's minute of 3 December to the Prime Minister in Dublin and she has considered the options available. She recognises the difficulties involved but in the circumstances feels that the best course is for the Chief Secretary to seek to negotiate with the Secretary of State for Education and Science savings in the education programme to match the costs of phasing in the student grants package.

I am copying this letter to Janet Lewis-Jones (Lord President's Office), Richard Broadbent (Chief Secretary's Office), David Peretz (HM Treasury), Murdo Maclean (Chief Whip's Office), and Richard Hatfield and Peter Gregson (Cabinet Office).

Yours sincerely
Andrew Turnbull

(ANDREW TURNBULL)

Miss E. Hodkinson
Department of Education and Science. TS

S E C R E T

CONFIDENTIAL

PRIME MINISTER

STUDENT GRANTS

The proposal being pursued is that in year one minimum grants are abolished and parents are asked to contribute £140 to fees, with the full contribution in year 2. (This makes the transition in two equal stages). This costs £14 million in 1985/6 and £5 million in 1986/7. It is hoped, but not guaranteed, that this will carry the trick.

Sir Keith has offered to find £6 million in year one and presumably can find the £5 million in year 2. This leaves £8 million in year one to be found.

The options are:

- (i) KJ finds the whole £14 million by slowing down the switch to science
- (ii) KJ announces savings of £6 million, with £8 million "to be found" in some way
- (iii) Other Departments are asked to make savings of £8 million
- (iv) The Treasury says it will find savings of £8 million in a manner which does not represent a claim on the contingency reserve
- (v) The £8 million from the contingency reserve

The Treasury have a strong preference, on grounds of practicality and in order to maintain the credibility of the programme totals, for option (i). KJ has to tell the Back Benchers and the science community that he

cannot make the switch of priorities as quickly as he had originally hoped.

As a poor second best the Treasury have suggested final savings from Mr. Jenkin, Mr. Tebbit, Mr. Ridley and Mr. Jopling. It is not clear whether this would be £2 million from each or £8 million from one of them.

Lord Whitelaw will attempt whatever you ask him to do but he has reservations about re-opening settlements he reached in MISC 106. Treasury are reluctant to re-open agreements reached in bilaterals. Other arguments against option (iii) are :

- How to justify a saving on programme X to finance easing of education proposals
- undesirable precedent of allowing pressure in one programme to force other programmes to be raided
- How to justify a cut in one programme now which was not justified a month ago.

Agree on grounds of practicality and in light of these arguments that KJ is asked to find the savings as in Option (i) ?

If you agree, I will report back on progress of discussions with KJ.

ANDREW TURNBULL

3 December 1984

Andrew
Advance copy,
approved by
the CST.
Signed version
follows shortly.



With the Compliments

of the

Chief Secretary to the Treasury's

Private Secretary

A handwritten signature in black ink, appearing to be "JB".

Treasury Chambers,
Parliament Street,
SW1P 3AG

3/12

CONFIDENTIAL

DRAFT MINUTE TO THE PRIME MINISTER

STUDENT GRANTS

You asked me to let you have a quick note on the scope for finding room, within our agreed public expenditure planning totals and without use of the Reserve, for some easement, on the lines discussed over the weekend, of the impact of the new scheme for student grants.

2. As I understand it, the easement under consideration is one which *(ie The minimum award would be abolished and the scale of parental contributions increased)* would leave all other elements in the scheme unchanged but would limit the maximum parental contribution to tuition fees to £140 in the first year. This limitation would not apply after the first year. Highly provisional

estimates of this cost are £14m in 1985-86, £5m in 1986-87, and nil thereafter. *This would reduce the net savings from the package of measures on student awards from £40 million to £26 million in 1985-86 and from £46 million to £44 million in 1986-87. The saving of £62 million would be unchanged.*

3. My firm view is that, if we are to contemplate this concession, we *(ie £14 million in 1985-86 and £5 million in 1986-87)* should do so on the basis that the savings lost must be made good by

alternative economies within the education programme. After all, the rationale which we have given for these savings is that they are to finance extra spending on science. We must confront our critics with the kind of hard choices which have to be made to keep within a spending limit: ^{so} loss of the savings should mean loss of the extra money for science, or some other economy in a related area. ~~To soften this it might be desirable~~

~~to keep the same global sum~~ ^{could be kept} for the extra spending on science, but ~~refer~~ ^{now it would} ~~have to be~~ ^{it or} phased ~~it~~ in gradually, symmetrically with what was being done on the student grants economies.

4. In reaching this view I have considered carefully the alternatives. *large and often demand led* If we scored savings of sums of this magnitude in a number of programmes -

CONFIDENTIAL

social security, export credit, employment, are examples - without agreeing specific measures to deliver the savings, we would be doing no more than make paper savings. Those of our critics who argue that our public expenditure planning figures betray 'creative' accounting would - reasonably - assert that our action would serve merely to increase next year's overspend. We must not bring the public expenditure planning

process into disrepute in this way. *Looking ahead, I am acutely concerned that we shall face a series of cases such as this unless we show the expenditure totals we publish mean what they say.*

5. An alternative to this would be to agree specific further economy measures in one or more areas - say on the DTI's industrial innovation schemes, *The Employment department's job creation schemes,* agricultural research, the urban programme, or on some other Department of the Environment central government programme. Such

measures would, of course, be controversial, and unwelcome to colleagues

(by definition, since they were ruled out in the Survey) *These difficulties would be heightened because of the need, if we are to avoid I think, be particularly difficult to explain that we were embarking on a accusations of fudging the figures, for the savings to be new economy in these unrelated areas, in order to let students and words explicitly to offset increased expenditure on student their parents off more lightly.*

6. My conclusion is that, if we are to look for further savings, we should do so in the education programme; and that the best possibility is some deferment of the extra spending which the new student grants scheme was designed to finance.

7. One final point. Events in the past weeks have brought home to me the need to reconsider urgently our stance on student loans. A properly worked-out scheme should, aside from its worthwhile effects on ^{student} motivation and responsibility, offer sizeable public expenditure savings ^{in the longer term} *suggest I do hope*

on Higher Education

hope that Sir Keith Joseph ^{should} ~~will~~ take this opportunity to prepare the
early action on ~~ground for floating~~ such a scheme ^{by floating proposals} in the Green Paper ^{which he is preparing}
for publication early next year.

I am copying this minute to Willie Whitelaw.

Peter Rees

Andrew
Turnbull

From: M J C FAULKNER
Date: 3 DECEMBER 1984

CHIEF SECRETARY

cc: PPS
Mr Bailey
Mr Scholar
Mr Gilmore
Mr Lord
Mrs Thoms
Mr Turnbull - No 10

STUDENT AWARDS

DES have now looked again at the back-of-the-envelope costings of the options discussed at the Prime Minister's meeting yesterday. There is some comfort for us in the results.

2. First, it now appears that limiting the parental contribution towards the tuition fee to £150 in 1985-86 would lead to additional expenditure in financial year 1985-86 only with no spill-over into 1986-87. This is because the tuition fee is paid to the institution in November in a single instalment covering the whole academic year - unlike the maintenance award which is paid to the student in three termly instalments.

3. Second, the overall cost is now a little lower than earlier estimates.

4. The net result is that instead of the original estimate of:

(Financial years)	1985-86	1986-87
	£13 million	£ 6 million

given in Mr Turnbull's letter of 3 December we should now read £13 million in 1985-86 only.

5. DES have also costed another variant: limiting the contribution to the tuition fee in 1985-86 to £200 rather than £150. This would

cost only £9 million - again, in 1985-86 only - and therefore has some attractions.

6. Sir Keith will I gather alert Lord Whitelaw to these new figures in time for tomorrow's meeting. He will also say that he is prepared to meet only £5 million of the costs, as follows:

£1 million off local authority capital

£2 million off universities' equipment grant

£2 million in 'penny packets' off other vote-borne programmes

7. You will of course be pressing him to go much further than that. Something to watch is that any deal done on local authority capital is expressed firmly as a reduction in net provision not merely a reduction in what the allocation would otherwise have been: a highly elastic figure, as you know.

MF

M J C Faulkner

Education PT 4
Expenditure

- 3 DEC 1984

11 12 1 2 3 4 5
6 7 8 9

CONFIDENTIAL



FROM: CHIEF SECRETARY

DATE: 3 December 1984

PRIME MINISTER

STUDENT GRANTS

You asked me to let you have a quick note on the scope for finding room, within our agreed public expenditure planning totals and without use of the Reserve, for some easement, on the lines discussed over the weekend, of the impact of the new scheme for student grants.

As I understand it, the easement under consideration is one which would leave all other elements in the scheme unchanged (i.e. the minimum award would be abolished and the scale of potential contributions increased) but would limit the maximum parental contribution to tuition fees to £140 in the first year. This limitation would not apply after the first year. Highly provisional estimates of this cost are £14 million in 1985-86, £5 million in 1986-87, and nil thereafter. This would reduce the net savings from the package of measures on student awards from £40 million to £26 million in 1985-86 and from £46 million to £41 million in 1986-87. The saving of £62 million would be unchanged.

My firm view is that, if we are to contemplate this concession, we should do so on the basis that the savings lost (i.e. £14 million in 1985-86 and £5 million in 1986-87) must be made good by alternative economies within the education programme. After all, the rationale which we have given for these savings is that they are to finance extra spending on science. We must confront our critics with the kind of hard choices which have to be made to keep within a spending limit: so loss of the savings should mean loss of the extra money for science, or some other economy in a related area. The same global sum could be

CONFIDENTIAL

kept for the extra spending on science, but now it would have to be phased in gradually, symmetrically with what was being done on the student grants economies.

In reaching this view I have considered carefully the alternatives. If we scored savings of sums of this magnitude in a number of large and often demand led programmes - social security, export credit, employment, are examples - without agreeing specific measures to deliver the savings, we would be doing no more than make paper savings. Those of our critics who argue that our public expenditure planning figures betray 'creative' accounting would - reasonably - assert that our action would serve merely to increase next year's overspend. We must not bring the public expenditure planning process into disrepute in this way. Looking ahead, I am acutely concerned that we shall face a series of cases such as this unless we show the expenditure totals we publish mean what they say.

An alternative to this would be to agree specific further economy measures in one or more areas - say on the DTI's industrial innovation schemes, the Employment department's job creation schemes, agricultural research, the urban programme, or on some other Department of the Environment central government programme. Such measures would, of course, be controversial, and unwelcome to colleagues (by definition, since they were ruled out in the Survey). These difficulties would be heightened because of the need, if we are to avoid accusations of fudging the figures, for the savings to be made explicitly to offset increased expenditure on student awards.

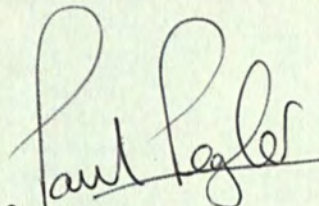
My conclusion is that, if we are to look for further savings, we should do so in the education programme; and that the best possibility is some deferment of the extra spending which the new student grants scheme was designed to finance.

One final point. Events in the past weeks have brought home to me the need to reconsider urgently our stance on student loans. A properly worked-out scheme should, aside

CONFIDENTIAL

from its worthwhile effects on student motivation and responsibility, offer sizeable public expenditure savings in the longer term. I suggest that Keith should take this opportunity to prepare the ground for early action on such a scheme by floating proposals in the Green Paper on Higher Education which he is preparing for publication early next year.

I am copying this minute to Willie Whitelaw, Keith Joseph and John Cope.



PETER REES

(Approved by the Chief Secretary
and signed in his absence)

CONFIDENTIAL

5 DEC 1984

11 12 1
2
3
4
5 6 7

COMPTON

Subject

ate JH



sl2aat

2

10 DOWNING STREET

From the Private Secretary

3 December 1984

Dear Elizabeth,

CC Mast

STUDENT GRANTS

The Prime Minister held a meeting on Sunday evening to discuss student grants. Present were the Chancellor of the Exchequer, the Secretary of State for Education and Science and the Deputy Chief Whip. The latter said that contact with backbench MPs had revealed a great deal of opposition to the Government's proposals. Some felt it was wrong to seek a contribution to fees (though he noted that this had been the case prior to 1977) and others objected to the speed with which the higher contributions were being introduced. The Deputy Chief Whip said it was not clear what tactics the Opposition would adopt for the Debate on Thursday; they might put down an Amendment specifically on student grants or they might table a general Amendment. He believed the latter was more likely but even if the Government were not to be faced with a vote on the student grant issue on Thursday it was nevertheless essential to produce an early resolution to the problem if the Debate was not to be soured. His advice was that the Government could not prevail with its current proposals.

In discussion, it was agreed that the Government should attempt to hold the principle of removing the minimum grant and calling for a contribution to fees. It was agreed also that there could be no increase in public expenditure and that any concession made would have to be matched by further savings elsewhere. Nevertheless it was recognised that some concession could be made on timing. The Prime Minister pointed out that the additional parental contribution being proposed came on top of the halving of the minimum grant agreed in last year's PES.

The Secretary of State for Education and Science acknowledged that the parental contribution being called for was often large in relation to net incomes but he believed it was right to expect people to borrow to finance what, on all the evidence, was an excellent investment for their children. The alternative was to put more of the burden on other taxpayers whose incomes were generally lower.

One possibility was to remove the minimum grant, as planned, in 1985/86 but to seek only half the proposed contribution to fees. The full contribution to fees would be made in year two. It was estimated that this would cost £9 million in 1985/86 and £5 million in 1986/87. The Chancellor argued that the Secretary of State should find the £9 million by savings elsewhere in his programme, eg. by delaying part of the additional provision for science. (The

cost in the second year could be met by the Department in the 1985 PES).

The Secretary of State for Education and Science argued that he could not now withdraw the extra funds being provided for the research councils. He could find savings by delaying the additional provision for equipment in universities, by trimming local authority capital allocations, and by other economies in the departmental programme. These would amount to £5 million or £6 million. He could do no more.

The Prime Minister asked whether the interest on loans for education could be made liable for tax. The Chancellor said this would be very expensive; in any case, it would be impossible to ensure that such loans were dedicated to education.

While he recognised that the Secretary of State for Education and Science was not voluntarily re-opening his programme, the Chancellor said it would be difficult to approach other departments to make up any shortfall. The understanding that departmental programmes should not be re-opened cut both ways.

At this point the Chancellor had to leave the meeting. In further discussion, doubts were expressed as to whether the proposal on phasing would secure enough backbench support. Another possibility would be to remove the minimum grant in year one, require half the planned contribution to fees in year two and the full contribution in year three. While this had the merit of producing a more even phasing for the increased contribution, the process of transition was too extended. It was thought this might cost £20 million in 1985/86, £10 million in 1986/87, and £5 million in 1987/88.

A third possibility would be to make the transition in two years but with only about £150 of the contribution to fees being sought in the first year. This would make the transition in two roughly equal steps. It was thought this variant would cost around £13 million in 1985/86 and £6 million in 1986/87. It was agreed that this should be the Government's preferred course. The Secretary of State for Education and Science said that as he could find no more than £6 million in the first year, a contribution would be required from other departments.

At this point, the Prime Minister spoke by phone to the Chief Secretary and asked him to provide options, by Monday evening, of the savings on other departmental programmes which could make up the shortfall on this third option (and as a contingency, on the second option). The Prime Minister then phoned Lord Whitelaw who agreed to hold a meeting, in the Prime Minister's absence in Dublin, on Tuesday morning with those ministers from whom savings were being sought. The Prime Minister would consider the outcome of this when she returned from Dublin on Tuesday evening.

The discussion then turned to the manner in which the Government's response should be made known. The Secretary of State for Education and Science was meeting backbenchers on Tuesday afternoon. It would not be right for him to make any

formal announcement to a Party gathering. It was agreed that during the course of Monday the Whips should advise backbenchers to listen to what the Secretary of State had to say at the meeting on Tuesday. At this meeting, the Secretary of State should indicate that the Government recognised that the proposals were tough and that the Government was considering how best to mitigate them. It would be made clear that the Government was still adhering to the principle of removing the minimum grant and seeking a contribution to fees and that the concession would, therefore, be confined to phasing. It would also be made clear to backbenchers that the costs of any concession would have to be matched by savings in the education budget or other programmes. The Government would then make its position known in a statement the following day.

It was noted that one of the results of the current debate was that public opinion was becoming much more attuned to the possibility of student loans. The Government should take advantage of this mood by announcing a review of this proposal in its announcement.

I am copying this letter to Janet Lewis-Jones (Lord President's Office), David Peretz (H M Treasury), Richard Broadbent (Chief Secretary's Office), Murdo Maclean (Chief Whip's Office) and Richard Hatfield (Cabinet Office).

*Yours sincerely
Andrew Turnbull*

Andrew Turnbull

Miss Elizabeth Hodkinson,
Department of Education and Science

PRIME MINISTER

STUDENT GRANTS

The position has clearly deteriorated over the weekend. Some concession now seems inevitable.

The tone of backbench and media comment suggests that phasing may do the trick. This could be achieved either (i) by restricting the cuts to new students, or (ii) by introducing the changes over several years. The second option seems best, since it will make planning easier for all parents, including those who are just about to send a child to university.

The contribution to fees should be withdrawn for this year, and reserved (if at all) for the next two years.

In principle, all the money lost through phasing should come off the education budget. But we do not believe that under present circumstances this is politically realistic. Backbench opinion will demand that the first-year loss is mainly borne by the Exchequer: Keith could also be asked to look for some small, quick phasings, and in subsequent years the whole burden can be effectively returned to DES through the PES round.

In presenting the concession, we suggest that ministers should:

- (i) stress that the parents affected by the proposals have gained substantially from tax cuts since 1979;
- (ii) point out, with force, that supporters of the Government's general policies cannot expect to be entirely exempt from the effects of those policies;
- (iii) ^{accept} ~~demand~~ that the increases in parental contribution are too sudden - hence phasing;

(iv) promise to instigate a full-scale review of student support, in response to calls from many quarters.

As the history of regional policy and agriculture shows, a proper review where the arguments are fully developed and aired, can make hard policies easier to sell. Since this subject is now so sensitive, it may be best to operate a review in the same way as the social security exercises, taking evidence from outsiders.

If the Government plays its cards right, it may rescue a long-term victory out of this defeat.

OLIVER LETWIN

2 DECEMBER 1984

Ind. -

Lin. -

Scotland

Notes on numbers

VERBATIM

RESULTS OF RING-ROUND BY TRISTAN GAREL-JONES

- Alexander: Has written to say he will not vote for increased parental contributions. Did not think it wise to press him, but suspect he will take whatever he sees as the first available opportunity to vote against these proposals.
- Marlowe: More friends by giving this than by tax cuts of £1.5 billion. Would be looking for an opportunity to vote - but is not clear about when and where the opportunity will arise.
- Ken Carlisle: Would support a good loan scheme. This is a bolt out of the blue. Government in danger of arrogance. Would not resign.
- P. Fry: I shall vote against the Government. Will talk to others next week - may well be against Autumn Statement.
- Robert Jones: I was canvassing a middle class area today. Bad news. I shall take whatever opportunity arises to vote against the Government.
- M. Latham: I'm very hostile. We can't sell this policy. East Midlands CPC moved an emergency resolution. I would vote against - not clear about when or where. Government must concede.
- Ken Lewis: I agree with Keith, but this is overkill. Unless he changes I'll abstain. There must be scope for a compromise.
- M. Morris: I was amazed at what PM said on Thursday. No one seems to understand how serious this is. No consultation. Unless she is very careful this is a crisis. Not only will I vote against but I will actively campaign against - affects all my ward officers.

R. Ottaway: You can count on me.

W. Powell: It is a shambles. Don't know what form it will come before the House. Haven't signed the motion yet, but I shall do. Can't support this. Also, Government is being inflexible.

A. Stewart: Have written to Keith. Total opposition. Large subscribers to Party totally opposed. Tuition fees particularly offensive. Will not support it - first time. Clearly has no idea when or how this may take place.

P. Tapsell: No firm view on voting intentions - will wait and see. I'm against economic policy in general - so I keep out on minor things. However, if I felt this was part of an upheaval which might affect broad policy I would go along with them - you have to take your friends where you can!

R Body: Haven't signed EDM. See the difficulty, but I've never seen good Tories so upset. What has amazed me is that they are talking of the SDP as a result. If we are going ahead there must be some tax allowance to cope with it. This is hitting Margaret's own people. I don't think he would vote against - certainly not the statement. I'm looking for something to be done - otherwise this will linger on.

Peter Bruinvels: Not happy at all. Can't support. Don't want to say no to the whole Autumn Statement - but will seek every opportunity to oppose. This is frightening.

John Farr: Keith is absolutely right - I've written to tell him so - hope he sticks to his guns.

R Freeman: Not going to vote against Government on Thursday. Cabinet as a whole should have seen this - bilaterals are no good for this. His complaint is about the mechanisms for deciding these matters. Feeling is running high amongst Conservative supporters.

D Hogg: A most unwise decision. Voting against Autumn Statement absurd - if there is a reasoned amendment I would be in difficulty. £39 million is very little for a big row. Some concessions should be made. Party in an ugly mood.

P Holland: Don't worry about me.

P Lilley: Sound on votes. Government should try to phase it and introduce student loans.

Jim Lester: Will vote against and seek every opportunity for doing so.

R Page: Unable to reach him, but he has verbally promised resignation.

Reg
Prentice: A bit of a cock up, but if it comes to the crunch I will support the Government.

Marian Roe: A little unhappy. PR bad. Level pitched too low. Looking for adjustment. Lots of my voters very upset. Ambiguous. Agrees with extra resources for science.

Brandon
Bravo: Discussed it with two university professors (supporters) and with his officers. The real issue is fees. Fees must be maintained. Deeply unhappy. Would have to think very hard. Don't want to rock the boat. I've been in politics too long. But we must think again.

STUDENT GRANTS

If the Opposition are clever, they may prolong the agony by postponing Parliamentary action for some while. But our sources suggest that Giles Radice may in fact persuade his colleagues to table an Amendment to the Chancellor's Motion on Thursday. Presumably, such an Amendment would mirror the Early Day Motion that has been signed by so many Conservative back-benchers.

It is possible that a large revolt will be averted if the Whips are active over the weekend and if Keith Joseph performs well when he meets the back-benchers on Tuesday evening. But these moves may well not succeed.

We suggest that you should meet with Keith Joseph, the Chancellor and the Chief Whip on Tuesday evening, after the meeting of the back-bench committee, to decide quickly on appropriate action. There are four options:

1. Soldier on to victory. If it looks as though the revolt is containable, this is the best option. It will have to be defended aggressively: no apology should be made; the favourable position of students in Britain should be re-emphasised; and people should be reminded that when benefits are targetted on those who most need them, middle and higher income earners are bound to lose out.
2. Soldier on despite severe risks of defeat. Even if the Whips consider that there is a real chance of losing the Parliamentary vote, you could go on defending the policy, and sustain 'an honourable defeat'. This might look less cowardly than giving way in advance.

3. Modify the Plan. If, following the Tuesday meeting, you believe that a large-scale revolt is inevitable, and if you do not wish to run any risk of defeat, Keith might avert the problem by announcing quickly that the Government has listened to the complaint, and recognises that the change may be too sharp and sudden. The tuition fee charges could be dropped, and the increases in parental contribution could be phased over two or three years. Archie Hamilton MP, the Education Whip, believes that this would probably placate most of the backbenchers.
4. Withdraw for reconsideration. If the pressure is judged too great to allow even for option 3, Keith could withdraw the proposals entirely, and offer to produce an amended version within the next few months. This would give time for people to calm down.

A sensible decision cannot be made until Keith and the Whips have reported on back-bench opinion. But once the back-bench meeting has occurred, the decision should be made and announced immediately, to limit the effect of uncertainty on the Enfield By--Election. It is also essential that, if any concessions are made, Keith should explicitly state that the demonstrations by students have not had any effect on the policy, and that he has been influenced only by the arguments of Members of Parliament.

Ol Letwin
OLIVER LETWIN

ANNEX

PUBLIC EXPENDITURE COSTS OF MODIFYING THE PROPOSALS

If Option 3 is chosen, modifications could be as follows:

	<u>Cost £m</u>	
	<u>1985-6</u>	<u>1986-7</u>
1. Remove parental contribution to fees	17.0	23.0
2. Phase increases in parental contribution scale	7.0	5.0
3. Phase abolition of minimum award	4.5	2.0
<u>TOTAL:</u>	<u>£28.5m</u>	<u>£30.0m</u>

These figures are, of course, only indicative. The Government could increase or reduce the sums by phasing items 2 and 3 more or less rapidly, or by phasing parental contribution to fees instead of removing it.

It should be remembered that the present savings are £39 million in 1985-86, and £59 million in 1986-87. The changes listed above would therefore reduce the PES benefits of this unpopular change to £10.5 million in 1985-86 and £29 million in 1986-87.



DEPARTMENT OF EDUCATION and SCIENCE

Elizabeth House York Road London SE1 7PH

Telephone 01-928 9222

PRESS NOTICE

THURSDAY 29 NOVEMBER 1984

SCIENCE IS TOP PRIORITY

File

Student grants still the most generous in the West, says Sir Keith Joseph

Most of the money saved on student grants from next autumn will be used to support Britain's scientific efforts, Education Secretary Sir Keith Joseph said last night.

He told parents in Bristol that top priority was being given to finding more money for the scientific community. His decision on student grants would save about £40 million in the next financial year, to be redistributed as follows:

- 11 - £14 million for the research councils to support projects of high scientific promise;
- 4 - about £10 million for the universities to improve and modernise laboratories and other equipment in selected centres of research;
- about £15 million for student awards, because the student population is still growing.

Sir Keith said:

"If this country is to thrive again - with new inventions, developing them technologically and turning them into commercial successes - we need to do what we can to help our scientists.

"Too many of our university laboratories are full of equipment that belongs in museums of industrial archaeology.

"Too many of the most promising research projects - the ideas of the brightest and the best of our young scientists - have to be turned down because of shortage of funds.

"So I decided that our top priority this year was to find a little more money for science.

"My decision on student grants will save about £40 million in the next financial year.

"Of that, £14m will go to the research councils to release money to support projects of high scientific promise.

"About £10m will go to the universities to improve and to modernise laboratories and other equipment in a few carefully selected centres of research. And we have promised to find a further £10m in the following financial year.

"Finally, we will find about £15m more for student awards, because the student population is still growing. That brings the total spent on mandatory awards by central and local authorities to more than £750 million.

"Every parent and student who is desperately doing arithmetic to work out what our decision means, should remember that we still have the most generous system of student support in the western world.

"If you lived in Sweden with its mixture of grants and loans, you would find that sending a student through university involved taking out a loan for 90 per cent of the total.

"If you lived in the United States with its patchwork quilt of federal and state grants and loans, you would find that the grant is only about one-tenth of that in the UK.

"If you lived in West Germany, you would know that the grant and loan system was scrapped in 1983. Now you have to raise or borrow all the money you need.

"If you lived in Japan, too, you would face a 100% loan system.

"If you lived in Belgium, you would discover that only 45 per cent of students qualify for grants. On average, that amounts to only one-third of the UK level.

"If you lived anywhere else in the European Community, you would find a mixture of grants and loans. And, in each case, the grant is well below the level of that in the UK. The French grant was half the UK's in 1982-83.

"None of this is any consolation for parents who will face extra bills in the academic year beginning October 1985. I do regret that we have given families only 11 months' warning, rather than virtually two years. But I judged that the desperate plight of the scientists could not wait longer.

"We believe that we have been fair in how this extra burden has been distributed:

- around 100,000 parents will pay no contribution next year
- around 50,000 will pay no more in real terms;

- around 100,000 will pay small increases of between £1 and £2 per week;

- of the remaining 80,000 who will be paying more, about 60,000 - those in the highest income levels - will find that they are paying £520 towards tuition fees;
- a further 50,000 students will receive full grant because they are over 25 years of age or have supported themselves for more than three years before going into higher education.

"For the vast majority of students, tuition will still be free - paid in full by their local education authority. And all students, however well off their parents may be, will still be very heavily subsidised by taxpayers.

"To complete a degree course costs anything from £3,000 a year for an arts or humanities student to £7,500 a year for a medical, dental or science student.

"So even those students whose families will pay most will still be subsidised to the tune of between £8,000 and £35,000 to earn qualifications that should put them on the path to worthwhile careers and, in many cases, high incomes.

"There are three main points:

"First, the Government is sticking to the principle accepted by all Governments - since the Conservative Government introduced grants in 1962 - that the cost of student support should be shared by the students and their families on the one hand and the taxpayers and ratepayers on the other.

"Until 1977, and for many years before that, the parental contribution did include an element for fees.

"Second, I have been accused of being grossly unfair. But despite the hard choices we faced and despite the very understandable problems created, we have actually been very fair. We have put the burden on those who should be best able to afford it.

"Finally, I am accused of imposing intolerable pressures on some families. There is, however, a limit - £4,000 - on what a family will have to pay. And the vast majority of the families who are hardest hit are the most credit-worthy in our society. And they have access to tax-saving deeds of covenant.

"It was not an easy decision or one we took thoughtlessly. But I believe we had our priorities right:

- to maintain the educational system as a whole, to find a little more money for it and to redeploy money within the system to areas of highest national priority.
- to continue the pressure to improve standards, especially the quality of education in our schools.
- to sustain the quality of our scientific effort on which future jobs may depend.

"Students will still be a privileged minority in our society. But they cannot be insulated from the economic facts of life. Eventually many of them will find worthwhile and well-paid careers, benefiting themselves and the community."

-----oooOooo-----



10 DOWNING STREET

Prime Minister

It is lamentable that the
Departments pressing for more
IT graduates have ducked
the question of how this
should be financed.

I suggest that para
9(iii) ought to come before
para 9(ii).

AT

27/4



CONFIDENTIAL

P.01445

PRIME MINISTER

The Switch to Engineering and Technology

(E(A)(84)63 and 66)

BACKGROUND

FLAG A

In his memorandum E(A)(84)63 the Secretary of State for Education and Science draws attention to the shortage of graduates in information technology (IT), especially electronic engineers and computer specialists. He proposes that additional money should be made available in order to fund an increase in the output of graduates in the relevant disciplines. The cost would be £15 million in 1985-86, £42 million in 1986-87 and £44 million in 1987-88. Institutions of higher education - not only universities on the University Grants Committee list, but also private sector institutions - could make bids for a share of the extra resources in return for guaranteed increases in the number of places offered. The bids would be considered by reference to criteria set out in paragraph 8 of E(A)(84)63, including costs, the value to industry, and the degree of industrial commitment in providing equipment and staff. The Secretary of State estimates that this expenditure would lead to some 1,500 additional university IT graduates a year by 1989-90 and a short term increase of a further 1,500 a year in information technologists through one year conversion courses from 1986-87. The universities would also be expected to offer, from within their own resources, an additional 600 places in IT related disciplines by 1989-90.

2. Several Ministers have previously expressed support for the objectives of the proposals; but none has been willing to transfer resources from his spending programme. The Secretary of State for Education and Science, in his bilateral

CONFIDENTIAL



CONFIDENTIAL

discussions with the Chief Secretary, Treasury earlier this year in the context of the Public Expenditure Survey, gave priority to bids for 'essential provision for science and the universities required to exploit new scientific opportunities in ways beneficial to the economy' (paragraph 9 of the memorandum). He therefore bids for the cost of the proposals to be found from the reserve. The Chief Secretary, Treasury opposes this on the grounds that the reserve for 1985-86 is tight already and that, particularly so soon after the 1984 Survey has been concluded, discretionary claims must be resisted.

FLAG B

3. In his memorandum E(A)(84)66, the Parliamentary Under-Secretary of State, Department of Trade and Industry (Mr Butcher), who was the chairman of a committee which studied skill shortages in IT, argues that the proposals of the Secretary of State for Education and Science are the minimum necessary and that, ideally, more should be done. However, he does not offer any transfer of resources from DTI programmes.

he barely
mentions
money

MAIN ISSUES

4. The main issues before the Sub-Committee are as follows.

(i) Are the proposals to encourage the output of IT graduates desirable?

(ii) If so, are they so desirable as to merit provision from the reserve of the additional resources requested by the Secretary of State for Education and Science?

Desirability

5. It seems unlikely that any member of the Sub-Committee will argue that the proposals are simply wrong or unnecessary. The evidence of skill shortages and our worsening balance of trade in IT are clear enough. The Sub-Committee may, however,



CONFIDENTIAL

wish to probe two points.

- a. Is the timescale realistic? Table A annexed to E(A)(84)63 shows that existing initiatives are expected to add 1,500 graduates in IT and IT-related disciplines in 1986-87, and 1,900 in 1987-88. Good teachers are already scarce in these disciplines. Can enough be found for the existing and the proposed new initiatives?
- b. How firm is the commitment of industry to help? The remarks in the final sub-paragraph of paragraph 2 of E(A)(84)63 are encouraging. But experience suggests that general statements of support are not always translated into action. Will firms really provide the men and money required?

Funding

6. The most difficult issue is likely to be funding. The Chief Secretary can be expected to make the following points.

- a. No Minister thought the proposals in E(A)(84)63 important enough to offer a transfer of resources from his own programme.
- b. The Secretary of State for Education and Science himself dropped the bid in his bilateral discussions.
- c. It will undermine the disciplines of the Public Expenditure Survey if spending Ministers in bilateral discussions drop proposals which they expect to be attractive to their colleagues, only to resurrect them, as soon as the Survey is over, in the form of a claim on the reserve.

CONFIDENTIAL



CONFIDENTIAL

7. On the other hand, the Sub-Committee are likely to feel that the proposals have considerable attractions; it also seems relevant that the first-year cost (in 1985-86) is only £15 million. They may therefore wish to explore two possibilities.

(i) Whether, after all, some contribution could be found from, say, the Trade and Industry or the Employment (particularly the Manpower Services Commission) programmes.

(ii) Whether it would be possible to get more specific promises of funding or other assistance, particularly for years after 1985-86, from industry. It is not clear that the proposals in E(A)(84)63 make any allowance for funding from this source.

HANDLING

8. You will wish to invite the Secretary of State for Education and Science and Mr Butcher to introduce their memoranda, and then to invite the Chief Secretary, Treasury to comment. Other Ministers with a departmental interest are the Secretary of State for Scotland (he is not responsible for universities, but the electronic industry in Scotland is strong) and the Secretary of State for Employment. The main discussion is likely to concentrate on the issues discussed in paragraphs 6 and 7 above.

CONCLUSIONS

9. You will wish the Sub-Committee to reach conclusions on the following.

(i) Subject to the question of funding, are the proposals in E(A)(84)63 broadly acceptable?

(ii) If so, do they command sufficient priority to be financed, at least in part, from the reserve?



CONFIDENTIAL

(iii) Should any alternative or additional source of finance be sought?

PLG

P L GREGSON
Cabinet Office.
27 November, 1984

CONFIDENTIAL

020



CCNO

W.0891

27 November 1984

PRIME MINISTER

THE SWITCH TO ENGINEERING AND TECHNOLOGY

I support the proposals of the Secretary of State for Education and Science to increase the output of graduates in special engineering disciplines, especially IT. There are already signs of constraints in economic output in the IT and related industries caused by shortages of skilled people and the situation may be expected to get appreciably worse towards the end of the decade as economic recovery continues.

2. The immediate need is for conversion courses since there is a stock of unemployed or under-employed people with science or engineering training which does not match the needs of the market-place. There is also substantial potential for women returning to the workforce after having a family. But the medium-term need is for more graduates.

3. I see three dangers in the scheme as proposed:

(a) the extra people will be sucked in by additional defence R&D and procurement demands, ie the tax-payer will end up paying for both the education and employment of these people;

(b) the extra output will be balanced by the loss of more people to higher-paid and more satisfying jobs abroad, ie the tax-payer funds the education for more skilled people for our international competitors;

(c) the universities will not be able to attract sufficient first-class academic staff in the science disciplines to provide the extra tuition needed.

4. To counter these dangers there is a need for a bargain between Government, Industry and Universities:

(a) If Government finds the additional resources indicated in the paper, it should also undertake to monitor the MoD demand for these skills and ensure that it does not exceed current levels.

(b) Industry undertakes to be more competitive in the international market-place for skills by recruiting and retaining the extra people; it also undertakes to ensure that an adequate number of first-class academic staff remain in Universities, perhaps by giving them 'top-up' payments through consultancy etc as happens in the USA.

(c) Universities accept that differential payments to staff (a principle already accepted for clinical staff) are needed to retain academic staff in scarce disciplines; they also contribute additional student places in engineering at no additional cost, as proposed in the paper.

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

RBN.

ROBIN B NICHOLSON
Chief Scientific Adviser

Cabinet Office
27 November 1984

27 NOV 1984



MR TURNBULL23 November 1984HIGHER EDUCATION: SWITCH TO ENGINEERING AND TECHNOLOGY

Keith Joseph wants to spend £15 million in 1985/6, rising to just over £40 million in the following two years on increasing the provision of university graduates and trained technologists in information technology. The money will buy conversion courses for 1,500 new information technologists each year after 1986/7, as well as 2,000 plus additional university graduates in information technology by 1989/90. Instead of merely dishing out the funds, Keith proposes to set up an auction, with the aim of identifying the most cost-effective university courses.

Assuming that industry is right, and there is a genuine need for more IT graduates and technologists, Keith's system seems fine: an auction is undoubtedly preferable to a in-house decision.

But the Chief Secretary is surely right that this is not a 'contingency' on which the precious reserve can legitimately be spent. If the Secretaries of State for Trade and Industry, Employment, Scotland and Wales all believe that the expenditure is necessary, they - together with the Department of Education and Science - can surely find the money out of their own budgets. There is no better test of their sincerity than their willingness to foot the bill.

On the same grounds, it might be sensible to make an element of private funding a condition for any further public support of IT training. The institute proposed by Cranfield clearly does have a real market, since its expenditure will largely be met from private sources. An institution wholly dependent on public funds does not face the same test.

We therefore recommend that the Prime Minister should:

- i. welcome Keith Joseph's proposal to increase IT provision by funding the most cost effective courses following a public auction;
- ii. insist that Departments find the money from their own budgets without raiding the contingency reserve; and
- iii. suggest that the new funds should be allocated only to institutions that can also attract a degree of private funding.

Oliver Letwin

OLIVER LETWIN



DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH
TELEPHONE 01-928 9222
FROM THE SECRETARY OF STATE

Dr Rhodes Boyson MP
Minister of State
Northern Ireland Office
WHITEHALL
London SW1

*ndpm
Dmb
12/9*

12 September 1984

Jan Rhodes.

TENURE IN UNIVERSITIES

Adam Butler wrote to me on 21 August about the proposed legislation to limit academic tenure in the universities.

I agree that we need to consider the scope of the legislation and how our proposals should be implemented in Northern Ireland, and I agree that officials should discuss these matters in the first instance.

I am sending copies of this letter to the Prime Minister, Members of H Committee, Grey Gowrie, the Attorney General, the Lord Advocate, First Parliamentary Counsel and Sir Robert Armstrong.

*Ken,
Kevin*

Education: Policy on Expenditures 174

9 SEP 1984

11112211
10
9
8
7
6
5
4
3
2



Minister of State

NORTHERN IRELAND OFFICE
STORMONT CASTLE
BELFAST BT4 3ST

Tel. Belfast (0232) 63011
Telex 74272

The Rt Hon Sir Keith Joseph BT MP
Department of Education and Science
Elizabeth House
York Road
LONDON
SE1 7PH

cat
nrpm
dr
22/8

21 August 1984

Dear Keith

TENURE IN THE UNIVERSITIES

I read with interest your letter of 24 July informing Willie Whitelaw of your correspondence with Lord Flowers and I am responding in Jim Prior's absence on holiday.

As you will recall, in Jim's letter of 5 April, he said that he was not optimistic that the universities would be willing voluntarily to deal with this issue and he agrees that we must now be prepared to bring forward legislation.

I do not know whether you have given any thought as yet to the scope of the legislation, but Nicholas Scott has asked his officials to liaise with yours on how best to implement this proposal in Northern Ireland.

I am sending copies of this letter to the Prime Minister, members of H Committee, Grey Gowrie, the Attorney General, the Lord Advocate, First Parliamentary Counsel and to Sir Robert Armstrong.

Adam
Butler

ADAM BUTLER

EDUCATION
Expenditure PE 4

ccgx



PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

30 July 1984

Dear Keith

No pen
DWB
31/7

TENURE IN THE UNIVERSITIES

Thank you for your letter of 24 July telling H Committee of your further exchange with the Vice-Chancellors and Principals and concluding that the Government must now say that it proposes to legislate when the Parliamentary timetable allows. I have seen the comments of 25 July from Arthur Cockfield and 26 July from the Prime Minister's Private Secretary.

I am content with your proposal, and you may take it that you have H Committee's approval to make the announcement. I note that you will need to come to H Committee in due course; your bid for legislative time will of course have to be considered in the normal way by QL Committee.

I am sending copies of this letter to the Prime Minister, the members of H Committee, the Attorney General, the Lord Advocate, First Parliamentary Counsel, and to Sir Robert Armstrong.

The Rt Hon Sir Keith Joseph Bt MP

Education Pt 4

Expenditure



10 DOWNING STREET

From the Private Secretary

cc: LAD
LOD
Parl. Counsel.

CO
CWO
Lord Donham
D/Trav.
HMT
D/Emp.
26 July, 1984

FILE SH
CDLO
DH38
LPSU
DOE
WO
SO
NIU
HO
LCO
LPO
~~HO~~

Tenure in the Universities

The Prime Minister has seen a copy of your Secretary of State's letter of 24 July to the Lord President about tenure in the universities.

Subject to the views of colleagues, the Prime Minister would be content for your Secretary of State to make clear in a statement that the Government proposes to legislate on this subject when the Parliamentary timetable permits.

I am sending copies of this letter to the Private Secretaries to the members of H Committee, to Henry Steel (Law Officers' Department), Iain Jack (Lord Advocate's Department) and to First Parliamentary Counsel and Sir Robert Armstrong.

DAVID BARCLAY

Miss C. E. Hodkinson,
Department of Education and Science

SH

~~C&NS~~



CABINET OFFICE,
WHITEHALL, LONDON SW1A 2AS

Chancellor of the Duchy of Lancaster

25 July 1984

nbpm
Duck
297

Mr Keith,

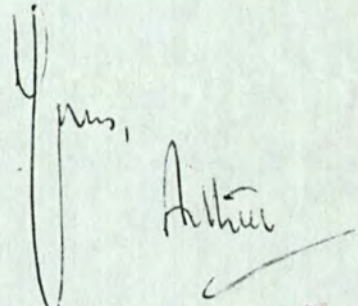
TENURE IN THE UNIVERSITIES

TPM

You copied to me your letter of 24 July to Willie Whitelaw.

I entirely agree that we should be prepared to legislate and make it clear that we are. You will recall that in my letter of 15 March I said that I thought it unrealistic to expect Vice Chancellors to take action voluntarily.

I am copying this letter to the Prime Minister, the members of H Committee, the Attorney General and the Lord Advocate, the First Parliamentary Counsel and Secretary of the Cabinet.


COCKFIELD

The Rt Hon Sir Keith Joseph Bt MP
Secretary of State for Education
and Science
Department of Education and Science
Elizabeth House
York Road
London SE1 7PH

EDUCATION : Policy a Esp : R4



25 JUL 1984



DEPARTMENT OF EDUCATION AND SCIENCE
 ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH
 TELEPHONE 01-928 9222
 FROM THE SECRETARY OF STATE

Prime Minister⁽²⁾

*To note. Sir Keith judges
 that he will have to
 legislate in order to
 get rid of tenure.*

The Rt Hon Viscount Whitelaw PC CH MC, Lord
 President of the Council, Privy Council Office,
 68 Whitehall
 London SW1A 2AT

24 July 1984

*Dub
 24/7*

Dear Willie .

TENURE IN THE UNIVERSITIES

Following my minute of 12 March to the Prime Minister your letter of 28 March conveyed H Committee agreement to the general proposition that action should be taken to modify new academic contracts of employment in the universities in the way proposed in my minute. In your letter of 9 April you agreed that I should be able to say that the Government was in principle prepared to legislate to achieve its objective and my letter to Chairman of the Committee of Vice-Chancellors and Principals of 9 May (which was published in Hansard and circulated to colleagues with my letter to Quintin Hailsham of 29 May) accordingly said that the Government was prepared to introduce legislation if its objectives could not be achieved voluntarily.

Following my letter of 9 May Lord Flowers has consulted all Vice-Chancellors and Principals and in the light of that consultation has advised me that the majority of his colleagues do not believe that their institutions could bring about the changes we proposed by their own volition. This advice accords with my own judgment that many universities have no will to change and that the necessary majorities could not be achieved in some Senates and Councils even under the threat of legislation. I therefore propose to enter into detailed consultations about the form and content of legislation with a view to bringing detailed proposals to H Committee. I should like to initiate these consultations with the clear statement that in the light of Lord Flower's response to my letter of 9 May the Government now proposes to legislate when the Parliamentary timetable allows: I judge that such a statement is necessary if consultations on the form and content of legislation are to be taken seriously and conducted expeditiously. I should be glad to know that I have your agreement and that of my colleagues.

I am copying this letter to the Prime Minister, the members of H Committee, the Attorney General and the Lord Advocate, the First Parliamentary Counsel and the Secretary of the Cabinet.

Cam.

Hein.

Direction
Expenditure
Pt. 4

24 JUL 1984

1 2 3 4 5
6 7 8 9 10
11 12



17417

1.02
~~2 DS to return~~

DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH
TELEPHONE 01-928 9222
FROM THE SECRETARY OF STATE

13/7/84

(DB)

D M Barclay Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON SW1

pa.
DMS
13/7

nbpm
OL to see + return please.
DMS
13/7

12 July 1984

Returned
with thanks.
DL
13/7

Dear David,

FUTURE DEMAND FOR HIGHER EDUCATION

The Prime Minister and other members of the Cabinet may like to know that the Department is today publishing its revised projections of demand for higher education in Great Britain. ... A copy of Report on Education 100 setting out these projections ... is enclosed, as is a copy of the related press notice. Sir Keith Joseph will this afternoon be answering an inspired Parliamentary Question drawing attention to the publication, and will also be referring to it in a speech he is giving to the British Academy ... this afternoon. Enclosed is the relevant extract from that speech, and Sir Keith has suggested that the Prime Minister and colleagues may find this helpful as background and in dealing with any queries on the projections.

I am copying this letter to the Private Secretaries to other members of the Cabinet.

Yours,
Elizabeth

MISS HODKINSON
Private Secretary

Demand for higher education in Great Britain 1984-2000

INTRODUCTION

1. Report on Education Number 991 (RE99) was issued in April 1983 as a contribution to the review of provision for higher education beyond 1985-86 which was promised in the White Paper on *The Government's Expenditure Plans 1983-84 to 1985-86* (Cmnd 8789). Since its issue RE99 has attracted considerable comment and criticism from, among others, the Royal Society, the Committee of Vice-Chancellors and Principals, the Royal Statistical Society and the Association of University Teachers, who have issued their own papers on the subject. The projections in RE99 have now been revised to take account of these commentaries and of more recent information that has become available.

2. This Report, which is issued with the agreement of the Scottish Education Department and the Welsh Office, presents the work that has been carried out by the Department of Education and Science. Ministers will be considering their policy for future provision for higher education in the light of these projections and of the advice they will be receiving from the University Grants Committee (UGC) and from the advisory bodies for local authority higher education on the development of higher education into the 1990s. Accordingly, this Report contains no statement of future Government policy.

3. RE99 was criticised for presenting insufficient statistical material. In the space available in a Report on Education it is not feasible to include a detailed description of the rationale for the assumptions that lie behind such projections and the large number of related tables. But for RE100 an associated *Technical Report*² has been prepared for those who wish to examine the supporting material.

REVIEW OF STUDENT NUMBERS IN HIGHER EDUCATION

4. The historical perspective of student numbers on courses of higher education in universities and in public sector establishments of further education in Great Britain was displayed in RE99 and analysed in more detail in a series of DES *Statistical Bulletins*³. This report therefore provides only a brief analysis of past trends. More detail is provided in the Technical Report.

Table 1 Student numbers in higher education

Great Britain	Thousands					
	1970-71	1975-76	1980-81	1981-82	1982-83	1983-84 (prov)
Full-time and sandwich						
Home students						
Postgraduates	..	..	43	43	40	41
First degrees	..	..	354	374	388	} 474
Other advanced	..	..	71	75	79	
Total home students	422	456	468	492	507	515
<i>of which</i>						
Universities	210	230	265	268	265	259
Public sector	212	226	203	223	243	256
Students from abroad	24	48	53	50	46	45
Total full-time and sandwich	446	504	521	542	553	560
Part-time students						
Postgraduates	..	..	40	41	44	..
First degrees	..	..	20	21	24	..
Open University	20	56	68	72	75	..
Other advanced	..	..	161	163	158	..
Total part-time students	161	217	289	296	300	..
<i>of which</i>						
Universities	42	81	100	105	108	..
Public sector	119	136	189	192	192	..
Total all students	607	721	810	838	853	..

1 *Future demand for higher education in Great Britain*

2 *Technical Report to DES Report on Education 100* will be available (price £8) from Dept. of Education and Science, Room 337, Mowden Hall, Staindrop Road, Darlington DL3 9BG.

3 *Statistical Bulletins* 12/80; 6/81; 9/82; 17/83.

Table 2 Institution and type of course attended by home students in higher education

Great Britain	1970-71	1975-76	1980-81	1981-82	1982-83	1983-84 (prov)
Full-time and sandwich						
Total home students (000s)	422	459	468	492	507	515
percentages of which:						
Postgraduates	..	..	9	9	8	8
First degrees	..	..	76	76	76	92
Other advanced courses	..	..	15	15	16	
Universities	50	50	57	55	52	50
Public sector	50	50	43	45	48	50
Part-time students						
Total part-time students (000s)	161	217	289	296	300	..
percentages of which						
Open University	12	26	24	24	25	..
Other universities	14	12	11	11	11	..
Public sector	74	63	65	65	64	..

5. Table 1 shows the numbers of full- and part-time students in higher education for selected years from 1970. The figures for 1983-84 are derived from provisional returns for the universities and for students on advanced further education courses (AFE) in public sector institutions in Great Britain. AFE courses are broadly those which lead to qualifications of a standard above the Advanced level of the General Certificate of Education (A-level) or the Higher Grade of the Scottish Certificate of Education (SCE Highers). The number of home students in full-time and sandwich higher education in 1983-84 was 515,000 of whom 259,000 were in universities and 256,000 in public sector establishments. Including the 45,000 students from abroad there was a total of 560,000 full-time and sandwich students in higher education in Great Britain. Information for part-time students for 1983-84 is not yet available. Table 1 shows that in 1982-83 about one-third of part-time students studied at universities or with the Open University and two-thirds in public sector establishments. Just over half of part-time students were on courses other than those leading to degrees.

6. Table 2 shows in percentage terms the component parts of the total numbers of full-time and of part-time students in higher education by type of course and by institution. In 1983-84, home full-time and sandwich students were divided almost equally between the university and public sectors. A similar division existed in 1970-71 but between these years the university sector increased to reach 57% of the total in 1980-81. In 1982-83 the Open University accounted for a quarter of all part-time higher education students.

DEMAND FOR HIGHER EDUCATION

7. Demand for higher education comes from a number of different groups. Although the dominant entry group consists of young home students, the numbers of mature (21 and over) students are also important. Projections for the different entry groups have been carried out separately for men and women. Assumptions about future numbers of postgraduate students and students from abroad, about the share of places between universities and the public sector (because of the differences in average course length), and about part-time student numbers also have an effect upon projections of total student demand and are dealt with later in this Report.

YOUNG HOME INITIAL ENTRANTS TO FULL-TIME AND SANDWICH COURSES

Participation indices

8. The extent of involvement in higher education of young full-time and sandwich home initial entrants has, since the days of the Robbins Report, been measured by two participation indices. In the past these measures have been termed 'rates', but the use of this word has been criticised on the grounds that it implied that a direct link existed between the numerator and denominator of the 'rate'. The term 'index' is being used in place of 'rate' in future. The Age Participation Index (API) has been redefined as the number of young full-time and sandwich home initial entrants to higher education expressed as a percentage of half the total of 18 and 19 year olds in the population in any one year.

9. The qualified participation index (QPI) (previously the qualified participation rate: QPR) is defined as the number of home initial entrants aged 20 and under to full-time and sandwich higher education regardless of entry qualification in a given year (x 100) divided by the number of students leaving schools and further education establishments in the previous academic year with at least two GCE A-levels (three SCE Highers if Scotland is included in the calculations). The QPI is not a direct measure of the participation in higher education of students with two or more A-levels who finished A-level courses the previous academic year. It is an indirect measure whose use is justified on the grounds that most of the young home students entering higher education do possess these qualifications. For example in 1982-83 over 4 out of 5 such entrants to higher education courses in England had achieved two or more A-level passes. For some non-degree advanced further education courses a lower level of attainment (typically one A-level) is the minimum prescribed. The use of the QPI as the basis for projection implies that the demand for higher education from young entrants with lower levels of entry qualification will change in future in line with changes in the level of demand from those with two or more A-levels. Tables 3 and 4 give the values of the API and QPI for men and women separately since 1970-71.

Demographic trends and social mobility

10. Social class is widely recognised as an influential factor when assessing the likelihood of children staying on at school or further education college gaining qualifications suitable for entry into higher education. Social class is defined by reference to the occupation of the head of the household. In projecting the future number of qualified leavers account has been taken not only of the total number of births but also of the numbers in the various social classes and of the social mobility of parents between the birth of their children and when they reach age 18.

Social class at birth

11. Since the mid-1960s the number of births in England and Wales has fallen by about a third whilst the number occurring to families in social classes I (professional) and II (intermediate occupations — administrators, managers) has risen by about a fifth. As a percentage of all births, those occurring to families in social classes I and II remained fairly constant (about 17%) between 1951 and 1963. Since then the proportion has risen and reached 30% in 1981.

12. But information which became available from the Office of Population Censuses and Surveys (OPCS) at the end of 1983 showed that, contrary to what had been assumed by some

Table 3 Ages of home initial entrants to full-time and sandwich higher education

Great Britain

	1970-71	1975-76	1980-81	1981-82	1982-83	1983-84 (prov)
Men						
Aged under 21 (000s)	57.2	59.7	65.0	68.6	70.2	68.3
as % of average 18-19 year old population	15.0	14.7	14.3	15.1	14.9	14.4
Aged 21-24 (000s)	9.6	8.6	11.0	11.6	11.9	11.9
as % of average 21-24 year old population	0.56	0.56	0.67	0.71	0.71	0.69
Aged 25 and over (000s)	6.5	9.1	8.7	9.6	9.6	9.6
as % of average 25-34 year old population	..	0.24	0.23	0.25	0.25	0.25
Women						
Aged under 21 (000s)	45.4	47.6	48.9	52.1	55.5	54.6
as % of average 18-19 year old population	12.4	12.4	11.2	11.8	12.3	12.1
Aged 21-24 (000s)	3.6	4.9	5.8	6.3	6.6	6.6
as % of average 21-24 year old population	0.21	0.33	0.37	0.39	0.41	0.40
Aged 25 and over (000s)	7.5	9.0	8.2	8.7	9.3	9.3
as % of average 25-34 year old population	..	0.24	0.22	0.23	0.25	0.25
Men and women						
Aged under 21 (000s)	102.6	107.3	113.9	120.7	125.7	122.9
as % of average 18-19 year old population	13.7	13.6	12.8	13.5	13.6	13.2
Aged 21-24 (000s)	13.2	13.5	16.8	17.9	18.5	18.5
as % of average 21-24 year old population	0.38	0.45	0.52	0.55	0.56	0.55
Aged 25 and over (000s)	14.0	18.1	16.9	18.3	18.9	18.9
as % of average 25-34 year old population	..	0.24	0.22	0.24	0.25	0.25

observers, differentials in fertility by social class had not changed greatly between 1961 and 1981. The observed changes in numbers of births by social class match the changes in the total number of women of child-bearing ages in the relevant class. Taking 1961 as 100 the overall rate of births per thousand women aged 15-44 in 1981 was 73. On a similar basis the rate for births to social classes I and II was also 73 for 1981.

13. The changes in the proportion of births in each social class reflect the movements in the occupational structure resulting from a reduction in employment in the manufacturing sector and a growth in employment in the service industries. Different social class labels have been assigned to families because the work the head of the household does has changed (from manual to non-manual). Between 1960 and 1980 the proportions of GB employees in employment moved as follows between the three categories into which such employees are divided:

Agriculture
down 2 percentage points
Production and construction
down 11 percentage points
Services
up 13 percentage points

Social mobility between birth and age 18

14. The social class composition of the 18 year old population will differ from that of the cohort at birth. Mortality and migration have a marginal effect but social mobility by a change in occupation of the head of the household after the birth of the child is the most significant factor. The 1981 Labour Force Survey has been used in association with the relevant birth data for each social class to provide estimates of the social mobility between birth and age 18 of those born in 1963. It is estimated that nearly half (47%) of those aged 18 in social class II in 1981 had entered since birth. The proportion of the cohort in social class I had increased only slightly. There was a substantial net movement out of the manual classes, some 9.5% of the cohort.

15. An estimate of the future changes in the social structure of the population to the turn of the century is, therefore, required. Projections of occupational trends up to 1990 have been produced by the Institute of Employment Research (IER) at Warwick University. In their latest publication, *Review of the Economy and Employment* (Summer 1983), the IER provides a projection of the number of jobs in each of 18 occupational categories in 1990, which can be compared with the 1961 and 1980 occupational structure. Between 1981 and 1990 the IER projects that the growth in non-manual occupations will moderate substantially. There was a 15 percentage point increase in the proportion in non-manual occupations between 1971 and 1980; it is estimated

Table 4 Numbers of qualified leavers and participation indices

Great Britain

	1970-71	1975-76	1980-81	1981-82	1982-83	1983-84 (prov)
Thousands						
Qualified leavers						
Men	58.4	63.5	69.7	72.3	75.0	76.8
Women	44.0	51.8	63.2	65.2	71.2	74.3
Total	102.4	115.3	132.9	137.5	146.2	151.1
of which % of women	43	45	48	47	49	49
Qualified leaver index						
Men	15.3	15.7	15.4	15.9	16.0	16.1
Women	12.0	13.5	14.6	14.8	15.7	16.3
Total	13.7	14.6	15.0	15.4	15.8	16.2
Qualified participation index						
Men	97.9	94.1	93.3	94.9	93.6	89.0
Women	103.2	91.8	77.4	79.9	78.0	73.5
Total	100.2	93.1	85.7	87.8	86.0	81.4
Younger mature entry index						
Aged 21-24						
Men	..	..	11.3	11.6	11.4	11.5
Women	..	..	5.2	5.1	5.0	4.8

that this will be reduced to a 4 percentage point rise over the next decade.

16. Assumptions about the social mobility between birth and age 18 for births occurring between 1964 and 1980 take account of the data available concerning the social mobility of those born in 1963 (see paragraph 14). Assumptions about the mobility occurring between now and the end of the century have been based upon the IER data. Six distinct periods were identified as having differing annual net movements. The post-birth mobility rates for all birth cohorts from 1963 onwards can be calculated by aggregating the appropriate estimates of annual net movements. These post-birth mobility rates were applied to the relevant birth data to provide estimates of 18 year olds by social class from 1981 to 1999. On this basis the proportion of 18 year olds in social classes I and II is projected to rise from 28.5% in 1981 to 34% by 1999.

Projections of qualified leavers

17. A model has been developed to produce projections of qualified leavers from school and further education in England and Wales based on alternative assumptions regarding the propensities of young people in different social classes to achieve two or more A-levels. Two main assumptions have been tested to date. They reflect differences of view as to the likely timing of the influence of social class on pupils' propensities to achieve two or more A-levels by the time they reach 19. Projections have been prepared for males and females separately.

18. The first projection (Variant I) assumes, as regards both males and females, that the mobility of the parents into a higher social class, between the birth of the child and when reaching age 18, has no effect upon the propensity of their offspring to attain two or more A-level passes, and that such mobility in the years before birth has less than full effect. This 'no assimilation' assumption is similar to that on which the earlier work first published in RE97 and later in *Statistical Bulletin 6/83* was based. The differences in the resulting estimates of qualified leavers arise mainly from the greater sophistication of the newly developed model and from the use of more data.

19. The second assumption (Variant II) is that the attainment of children is affected only by their social class at the time of taking A-levels, so social class at birth is assumed not to be directly relevant. This 'full assimilation' assumption is broadly that used in the Royal Society paper in their model A, although the Royal Society assumed higher social mobility in the future.

20. The projection for females follows the same reasoning as that for males, but with one additional adjustment for England to allow for the relative growth

in female attainment compared with males over the last 10 years. The numbers of females attaining two or more A-levels in England in 1970-71 was around three-quarters of the number of males attaining the same qualifications. By 1982-83 the percentage had risen to about 95%. At this level, for females the percentage of the relevant age group achieving two or more A-levels equals that for males. The projections assume a further small increase in England in the number of females attaining two or more A-levels relative to the number of males doing so, reaching 96% in 1986-87, with a constant ratio thereafter. In Scotland and Wales this ratio has been greater than 100 in recent years and is assumed to remain constant in the future.

21. There is evidence, though tentative, that full assimilation to the attainments of the social class entered has not occurred over the past 10 years. The 'no assimilation' assumption appears to give the better fit. This is based on a comparison of actual attainments of males with the estimates given by the variant projections over the past decade. Variant I (ie the 'no assimilation' variant) which counter-intuitively results in slightly higher figures for qualified school leavers as compared with Variant II has therefore been used for the purposes of projecting higher education demand in the remainder of this Report.

22. Table 5 gives the figures for the projected numbers of qualified leavers in Great Britain to the end of the century which follow from the assumptions made for Variants I and II for England and Wales, together with projections of qualified leavers with three or more Scottish Highers prepared by the Scottish Education Department. The figures are shown in graph form in Graph A. The GB variants are labelled I and II according to which variant has been used for England and Wales. The

projection of qualified leavers used for RE99 is also shown on the graph. The difference between the RE99 figure and the Variant I ('no assimilation') line on the graph, rising from around 2,000 in 1984 (RE99 - 148,000) to 5,000 by 1989 (RE99 - 141,000) and remaining at that thereafter, is due to the later base year information for 1982 and 1983, and, to a lesser extent, to the revised information about the number of women achieving two or more A-levels.

Demand from young home initial entrants

23. The concept of a 'demand' for higher education cannot be regarded as absolute. It adjusts to the characteristics of the system available and to the economic and social conditions at the time. Demand for full-time and sandwich higher education for those under 21 may be described in terms of an index of qualified leavers wishing to enter full-time higher education if places are available — the qualified demand index (QDI). In this Report two projections of qualified demand are presented: Variants X and Y.

24. Variant X assumes the continuation of demand at a level consistent with that observed in 1981 (as measured by those actually entering higher education that year). It therefore reflects the propensity to enter higher education at the then current distribution of places between the universities and the public sector, the then current level of student grant, and any other relevant socio-economic conditions. For men it has been assumed that the peak QPI attained in 1981-82 (94.9) best measures that demand. Excluding teacher training entry which has distorted past trends, the women's QPI has remained about 78% of that for men since 1979-80. For Variant X for women it has been assumed that the QDI will continue its long term tendency to catch

Table 5 Projections of qualified leavers

Great Britain	Variant I*		Variant II			
	Qualified leavers (Thousands)		QLI	Qualified leavers (Thousands)		QLI
	Men & women	Women	Men & women	Men & women	Women	Men & women
1980-81 (actual)	132.9	63.2	15.0	132.9	63.2	15.0
1983-84 (prov)	151.1	74.3	16.2	151.1	74.3	16.2
1984-85	149.8	73.9	16.4	149.2	73.6	16.3
1985-86	149.8	74.1	16.7	149.0	73.7	16.6
1986-87	149.1	73.8	16.8	148.1	73.3	16.7
1987-88	147.7	73.1	17.0	146.3	72.4	16.9
1988-89	144.4	71.5	17.0	142.4	70.5	16.8
1989-90	145.8	72.2	17.4	142.9	70.8	17.1
1994-95	119.2	59.0	18.5	113.9	56.4	17.6
1999-2000	130.5	64.6	18.7	123.5	61.2	17.7

* Variant I, 'no assimilation' was used for the final projections.

up with that for men, increasing to 85% of the value for men by 1986-87. This is the level of demand which would have been reached when women's relative A-level achievements equalled those of men (as they almost did in 1982-83) if trends in female demand for higher education had continued without diminution after 1979-80. It has been assumed that the demand for higher education from women will not increase beyond this level.

25. Variant Y assumes the continuation of demand at a level consistent with the entry to higher education that actually occurred in 1983, with the then current level of student grant and other socio-economic conditions, and with a different distribution of places between the universities and the public sector, but adjusted to take account of NAB* plans and university bids to the UGC for extra student intake for 1984-85 and 1985-86. The level of applications to the universities in 1984 (which has some value as a leading indicator of trends in higher education demand) suggests a QDI in that year similar to 1983-84. For this variant, the QDIs for men and for women have been taken to continue at their 1983-84 provisional values of 89.0 and 73.5 respectively.

26. Table 6 gives the projected numbers of young home initial entrants in Great Britain for Variants X and Y. These figures are illustrated in Graph B which also gives the projections made in RE99. Neither Variant X nor Variant Y are presented as limiting bounds. Changes to the structure of higher education, to the level of student grant or in economic conditions could either increase demand above Variant X or reduce it below Variant Y.

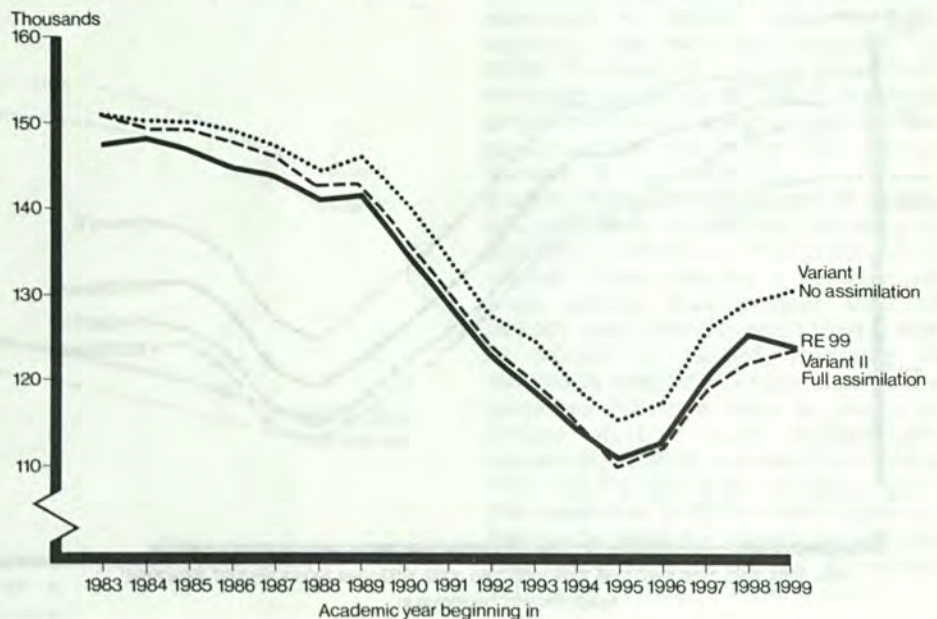
27. The Age Participation Index (API) is slightly different to the age participation rate used in RE99. It is defined in paragraph 8. For Variant X the API is estimated to rise from 14.6 in 1984-85 to 16.1 in 1991-92 and to just under 17 by the end of the century. The QDI for men and women combined moves from 89 in 1984-85 to 90 by 1986-87 and thereafter remains constant. In terms of QDI Variant X represents a slightly higher assumption that the upper bound of RE99, where it was estimated to rise to 89 by 1983-84 (as for Variant X) but to remain at that level thereafter. This increase for Variant X is due to the assumptions made about increasing demand for higher education from women.

28. For Variant Y the API for men and women moves from the combined estimated actual figure of 13.2 in 1983-84 to 15 by 1993-94 and then remains just above this level. The QDI for men and women combined remains at around 81.4, the provisional value of the QPI for 1983-84.

* National Advisory Body for Local Authority Higher Education.

Graph A Qualified leavers

(Great Britain)



MATURE ENTRANTS TO FULL-TIME AND SANDWICH COURSES

29. For this work, full-time and sandwich mature students have been divided into those aged 21-24 (styled 'younger mature') and those aged 25 and over (styled 'older mature').

Younger mature entrants

30. Given that two-thirds of the 21-24 year old entrants to CNA first degree

courses possess at least one A-level, it is assumed for the new projections that the client group of those qualified for entry is made up of those in that age range with at least one A-level. Those who have already undergone higher education are excluded. The number of potential entrants is therefore that of those obtaining one or more A-levels from school or further education (or two or more SCE Highers) who did not take up full-time higher education when aged under 21.

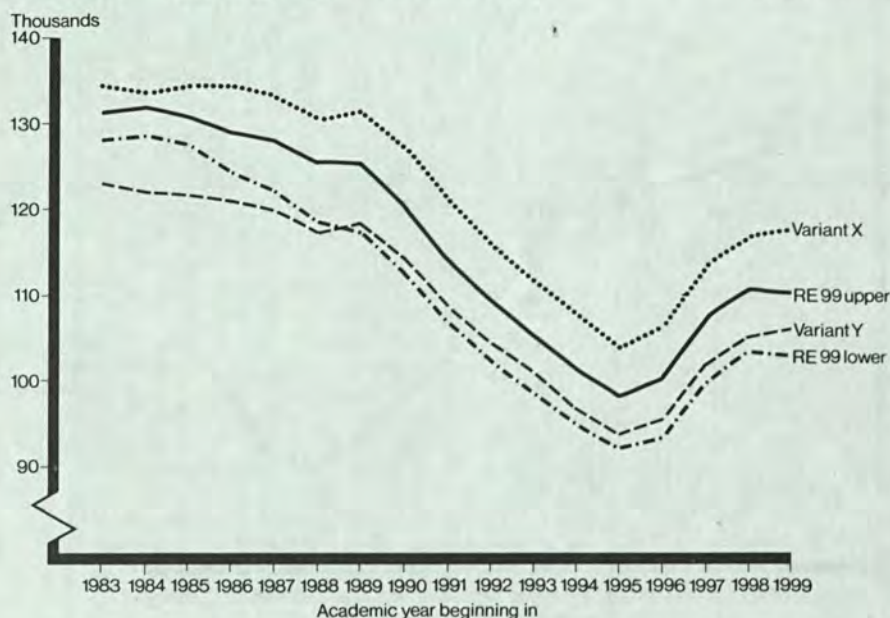
Table 6 Demand projections of young home initial entrants

Great Britain

	Men			Women			Men and women		
	000s	API	QPI	000s	API	QPI	000s	API	QPI
Variant X									
1980-81	65.0	14.3	93.3	48.9	11.2	77.4	113.9	12.8	85.7
1983-84	72.9	15.3	94.9	61.2	13.4	82.4	134.1	14.4	88.8
1984-85	72.0	15.4	94.9	61.7	13.8	83.5	133.7	14.6	89.3
1985-86	71.8	15.7	94.9	62.7	14.3	84.6	134.5	15.0	89.8
1986-87	71.5	15.8	94.9	63.0	14.5	85.4	134.5	15.2	90.2
1987-88	70.8	16.0	94.9	62.4	14.7	85.4	133.2	15.4	90.2
1988-89	69.2	16.0	94.9	61.1	14.7	85.4	130.2	15.3	90.2
1989-90	69.9	16.3	94.9	61.7	15.1	85.4	131.5	15.7	90.2
1994-95	57.1	17.3	94.9	50.4	15.9	85.4	107.5	16.6	90.2
1999-2000	62.5	17.6	94.9	55.2	16.1	85.4	117.7	16.9	90.2
Variant Y									
1983-84	68.3	14.3	89.0	54.6	12.0	73.5	122.9	13.2	81.4
1984-85	67.5	14.5	89.0	54.3	12.2	73.5	121.9	13.3	81.3
1985-86	67.4	14.7	89.0	54.5	12.4	73.5	121.8	13.6	81.3
1986-87	67.0	14.8	89.0	54.2	12.5	73.5	121.2	13.7	81.3
1987-88	66.4	15.0	89.0	53.7	12.6	73.5	120.1	13.9	81.3
1988-89	64.9	15.0	89.0	52.6	12.7	73.5	117.4	13.8	81.3
1989-90	65.5	15.3	89.0	53.1	13.0	73.5	118.6	14.2	81.3
1994-95	53.6	16.3	89.0	43.4	13.7	73.5	96.9	15.0	81.3
1999-2000	58.6	16.5	89.0	47.5	13.9	73.5	106.1	15.2	81.3

Graph B Home young initial entrants

(Great Britain)



31. The numbers of entrants aged 21-24 (x 100) divided by this number gives a younger mature entry index (YMEI) analogous to the QPI for young entrants. As Table 4 shows, like the QPI, the YMEI reached a peak in 1981-82 and has then declined. The levels for men and women differ. Projections have been constructed by analogy with Variants X and Y for young entrants. Variant X continues the men's YMEI at its 1981-82 peak of 11.6 while that for women rises above its 1981-82 value of 5.1 to reach an assumed 5.5 by 1986-87. Variant Y continues the YMEIs for both men and women at the 1983-84 values of 11.5 and 4.8 respectively.

32. The resulting projections give between 19,000 and 22,000 entrants aged between 21 and 24 in 1989-90, and between 17,000 and 20,000 in 1995-96 compared with (provisionally) 18,500 such entrants in 1983-84.

Older mature entrants

33. As only 46% of entrants to CNA first degree courses aged 25 and over possess A-levels it is less appropriate to relate trends in the numbers of such entrants to those with A-levels. Most of this group are aged between 25 and 34, and for them a population-based participation index — called the older mature participation index (OMPI) — equivalent to the young entrants' API has been calculated based upon the 25-34 age group. This index has not exhibited any consistent trends over time. It declined between 1975-76 and 1980-81: increases in 1981-82 and 1982-83 do not appear to have continued in 1983-84. For these older mature students only one projection has been made for men, holding the men's OMPI at its 1983-84 value. Variant X increases the OMPI for women slightly until

1986-87 whilst Variant Y holds it at its 1983-84 value. Of all the projections those for this group are the most uncertain, particularly as nearly 40% of entrants to higher education aged 25 and over hold qualifications below five O-levels or equivalent. The above assumptions lead to figures for both variants of about 21,000 entrants aged 25 and over by 1989-90 and about 22,000 by 1994-95, compared with nearly 19,000 in 1983-84.

34. The projections of mature students of both age groups are set out in Table 7 and compared with those in RE 99 in Graph C.

HOME POSTGRADUATES

35. To complete the tally of full-time and sandwich students, assumptions for full-time postgraduate students and for students from abroad are necessary. In 1983-84 the ratio of university postgraduate numbers to undergraduate numbers was 13:100, while that in the public sector was 4.5:100. It has been assumed that these ratios will also apply in the future. It should be noted that the assumed university share of undergraduate entrants (see paragraph 37) affects the numbers so projected.

STUDENTS FROM ABROAD

36. Students in higher education who pay fees at the overseas rate together with those domiciled in other European Community countries have been assumed to remain constant at their 1983-84 level of 45,000. It has been assumed that increases in student numbers from European Community countries and those countries covered by Government assistance schemes will be counter-balanced by further falls in numbers from other foreign countries.

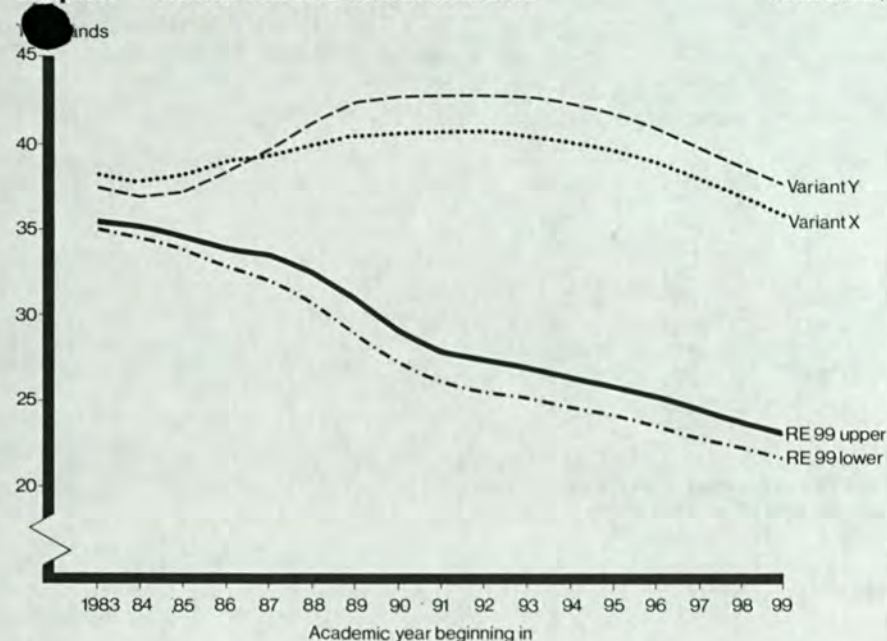
DEMAND FOR FULL-TIME AND SANDWICH PLACES

37. Having forecast the total numbers of young and mature entrants to non-postgraduate full-time and sandwich

Table 7 Demand projections of mature home initial entrants

Great Britain	Thousands				
	All ages			Aged 21-24	Aged 25 & over
	Men	Women	Total	Men & women	Men & women
Variant X					
1980-81	19.7	14.0	33.7	16.8	16.9
1983-84	21.6	16.6	38.3	19.3	18.9
1984-85	20.9	16.9	37.8	18.7	19.1
1985-86	20.7	17.4	38.2	18.8	19.4
1986-87	20.8	18.1	38.9	19.1	19.8
1987-88	20.9	18.4	39.3	19.2	20.1
1988-89	21.4	18.6	40.0	19.5	20.5
1989-90	21.6	18.8	40.4	19.4	21.0
1994-95	21.7	18.7	40.4	18.1	22.3
1999-2000	19.3	16.6	35.9	15.2	20.7
Variant Y					
1983-84	21.5	16.0	37.5	18.5	18.9
1984-85	20.8	16.1	36.9	17.9	19.0
1985-86	20.8	16.3	37.1	17.9	19.2
1986-87	21.4	17.0	38.3	18.9	19.4
1987-88	22.0	17.6	39.6	19.9	19.8
1988-89	23.0	18.2	41.2	21.1	20.2
1989-90	23.6	18.8	42.4	21.8	20.6
1994-95	23.5	18.9	42.5	20.6	21.9
1999-2000	20.9	17.0	37.8	17.3	20.5

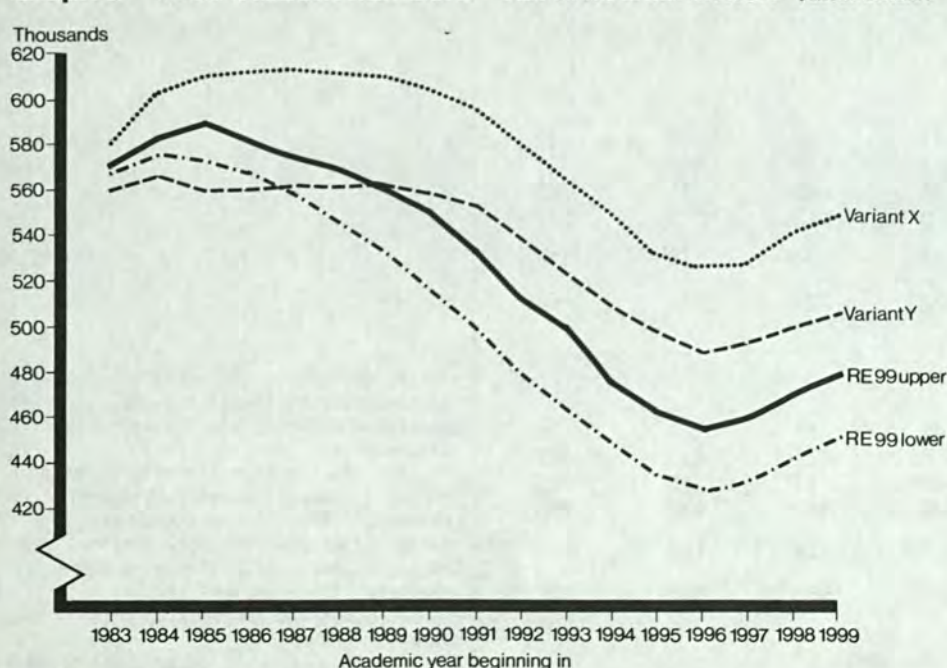
Graph C Home mature initial entrants



courses (by aggregating the series of Variants X and the series of Variants Y described in paragraphs 23-34) a conversion is then made to total numbers of such students using an 'effective length of course' factor. Because course lengths are on average longer in the universities than in the public sector (about 3.2 years compared with 2.8) at this stage it is necessary to make an assumption about the distribution of student members between the sectors. Variant X assumes that the universities' share for each type of entrant (young and mature) throughout the period of projection will be the same as it was in

1979-80 (ie before restraints on university numbers were imposed). Variant Y assumes the shares as in 1983-84. Postgraduate numbers and students from abroad are then added to give the total projected numbers of full-time and sandwich students. These total figures for Variants X and Y are given in Graph D and in Table 8 which also gives the division of numbers between universities and the public sector. These assumptions are adopted only to allow illustrative figures to be calculated. They are not a statement of policy on the future distribution of student numbers between sectors.

Graph D Total student numbers - full time & sandwich (Great Britain)



38. Graph D indicates that the new projections produce numbers in higher education by 1990-91 higher in both variants than the high projection in RE99. The trend of the new projections thereafter is similar to that of the RE99 projections, but at a higher level, but the picture is different in the 1980s. Under Variant X full-time and sandwich student demand is projected to rise to 615,000 places in 1987-88, declining to 606,000 in 1990-91 and then to 525,000 in 1996-97. Under Variant Y numbers remain around their present level of 560,000 until 1990-91, apart from a rise to 565,000 in 1984-85, declining to 489,000 by 1996-97. For both variants the projected fall from peak to trough is around 15-16% (some 77,000-90,000 places). By 1996-97, Variants X and Y are 15% and 7% above the upper bound of the projection in RE99; most of the difference between the present projections and those in RE99 is due to revised estimates of mature student entry.

39. In 1983-84 total full-time and sandwich numbers were 560,000, of whom 470,000 were home students excluding postgraduates. Under Variant Y both total student numbers and home students excluding postgraduates are expected to remain broadly steady to 1990-91. But the composition of home students excluding postgraduates will change: in 1983-84 under a quarter of such students had been 21 or over on entry, but by 1996-97 the projections suggest that the proportion of mature students will have risen to about 30% under Variant Y and to about 27% under Variant X.

PART-TIME STUDENTS

40. In 1982-83 there were some 300,000 part-time students in higher education, including 74,000 in the Open University (OU). They are of widely different ages. In 1982-83 21% of part-time students other than those in the OU were aged under 21 while 53% were 25 and over. It is thus more difficult to construct a satisfactory index of participation than for full-time students.

41. Table 1 shows that the number of part-time students increased from 217,000 to 289,000 between 1975-76 and 1980-81 but since then has shown only slight growth. For the future OU numbers are assumed to be constant. For other courses participation indices have been calculated against the population aged 18-34. These rose from 1.25% in 1976-77 to 1.64% in 1980-81 and to 1.68% in 1983-84. This small rate of increase since 1980-81 has been projected into the future to give an index of 1.73% in 1988-89. The projected numbers of part-time students are given in Table 9 in terms of student numbers and of their equivalent in terms of full-time places.

Table 8 Projections of full-time and sandwich students

Great Britain							Thousands
Year	Variant X			Variant Y			
	Total	Universities	Public Sector	Total	Universities	Public Sector	
1983-84 (prov)	560*	291*	269*	560	291	269	
1984-85	604	354	250	565	284	281	
1985-86	611	359	252	560	280	280	
1986-87	614	361	253	559	280	280	
1987-88	615	362	253	561	280	281	
1988-89	613	360	253	561	279	282	
1989-90	612	359	253	562	278	284	
1994-95	549	318	231	510	248	261	
1996-97	525	303	222	489	238	251	
1999-2000	549	320	228	508	250	258	

* The provisional 1983-84 student numbers reflect the QPIs observed in that year, and are therefore not consistent with Variant X student numbers for 1984-85 which start from assumed 1983-84 QPIs higher than the QPIs which actually occurred — see paragraph 24.

Table 9 Projections of part-time students

Great Britain			
	Numbers (thousands) Excluding Open University	Participation Index	Full-time equivalents (thousands) Including Open University*
1980-81	220.4	1.64	111.0
1983-84	229.4	1.68	117.1
1984-85	232.8	1.69	118.3
1985-86	236.3	1.70	119.6
1986-87	240.2	1.71	121.0
1987-88	243.7	1.72	122.2
1988-89	246.8	1.73	123.4
1989-90	248.2	1.73	123.9
1994-95	240.4	1.73	121.1
1999-2000	221.7	1.73	114.4

* Conversion factor of 35.8% was used for part-time students other than Open University students. This is a weighted average of the part-time day and evening only factors. Open University constant fte 35.0, 1983-84 - 1999-2000; 32.1, 1980-81

Table 10 Projections of total higher education student demand

Great Britain					Thousands
	1983-84 (prov)	1989-90	1996-97	1999-2000	
Variant X					
Full-time and sandwich					
Home postgraduates	41	48	40	42	
Home other students	474	519	440	461	
Students from abroad	45	45	45	45	
Total	560*	612	525	549	
Part-time (ftes)¹	117	124	118	114	
Total full- and part-time	677	736	644	663	
Variant Y					
Full-time and sandwich					
Home postgraduates	41	40	34	36	
Home other students	474	477	410	427	
Students from abroad	45	45	45	45	
Total	560	562	489	508	
Part-time (ftes)¹	117	124	118	114	
Total full- and part-time	677	686	607	622	

* see footnote to Table 8

¹ In full-time equivalent terms (including Open University)

TOTAL STUDENT DEMAND

42. Table 10 brings together the various elements of total full-time and part-time demand.

Extracts from this Report may be reproduced provided that the source is acknowledged.
Issued by the Department of Education and Science, Elizabeth House, York Road, London SE1 7PH. Further copies are available, free, from the Publications Despatch Centre, DES, Honeypot Lane, Stanmore, Middlesex HA7 1AZ.
Printed in England for Her Majesty's Stationery Office

ISBN 0-85522-148-8

EXTRACT FROM A SPEECH BY THE SECRETARY OF STATE FOR EDUCATION
AND SCIENCE DELIVERED TO THE BRITISH ACADEMY ON 12 JULY 1984

1. [Mr Chairman] I am grateful to you and to the British Academy for inviting me to address your Annual General Meeting. I was pleased to accept not because I have any major statements to make about the future of higher education, but because I welcome the opportunity to meet and talk to a gathering exclusively concerned say with the arts and the humanities.
2. I do not intend to talk to you today primarily about policy matters. But as there is a certain interest in these matters at present, and as the Department has only today published its revised projections of demand for higher education, it may be of some interest if I say a few words first about those projections and, more generally, about where we go from here.
3. Between 1982 and 1995 the 18 year old population of Great Britain will fall from about 940,000 to about 640,000, a fall of over 32%. The Department's Report on Education (ROE) 99, published in April last year, was our first attempt to assess the likely effects of that demographic fall on future demand for higher education. The Department had no hesitation in concluding that demand for higher education from qualified applicants was likely to be more buoyant than might be assumed from a simple view of the decline in the size of the 18-20 year old age group. The fall in demand might nevertheless approach 20%, and even that potential fall was daunting to contemplate in terms of the planning problems involved and, of course, in terms of its implications for the future of institutions. And in a system of higher education which is largely publicly funded the necessary adjustments to falling demand would not be brought about by the market forces.
4. ROE 99 was, as I have said, a first attempt to quantify the likely scale of the problem, and the conclusions of that

attempt were offered for discussion. A variety of comments and criticisms were made in response, both about the technical statistical methodology, and about the assumptions and approaches that underlay the projections. Many of these comments were helpful and constructive: others had at least an air of special pleading about them. But all the comments that were received were considered carefully and in response to them the Department has refined some of the technical aspects of the production of the projections and revised some of the assumptions that underlay them. In the light of these changes and of the most recent data the Department has produced the revised projections of demand that are set out in Report on Education 100, and explained at great length in the supporting Technical Report [which, I am told, should carry a Government health warning for its possible effects on those without professional training in statistics.]

5. The outcome of these revisions is a forecast that the fall in demand for higher education will be no greater than 13% when various factors affecting demand are held steady, and that any fall will not start to show itself before 1990.

6. Even these revised projections may not still some critics. But their attention now should be directed very much towards the policy implications of the projections, rather than the technicalities. There may well be matters of judgment about some of the assumptions that underlie the projections, where professionals can only agree to differ: no one, for example, can do more than make a judgment about the kind of social mobility - eg. the drift away from manual work - which we shall experience in the rest of the century, or about the rate at which women's participation in higher education will improve. The problems posed by declining demand will still have to be faced even if the timescale is a shade less urgent. It is nevertheless important that we should keep up the momentum, in the development of policy because we all know how long it takes to decide and to implement change,

especially in higher education with its sophisticated but time-consuming system of decision-making.

7. Demand for higher education is not the only issue that needs to be considered, although the prospect of some decline in demand will serve to sharpen our consideration of many other issues. Such other issues include:

- the maintenance of quality in higher education: this is for me an imperative - the issue is how to ensure that it is achieved, as it is with my next concern;
- the protection of the research capability at a time of constrained resources - in the humanities as much as in the sciences;
- the need to secure the supply of skilled manpower;
- the balance of provision between the sectors of higher education;
- future provision for continuing education;
- the arrangements for the management and funding of higher education through the UGC and the NAB;
- future arrangements for student support; and
- the continuing search for greater economy and effectiveness throughout higher education.

8. On these and other matters the UGC and the NAB are now considering the responses to their strategy review exercises - in which many of you will have been involved. I expect to receive advice from the UGC and the NAB in the course of the Summer and early Autumn. That advice will of course be published,

and will, I am sure, be widely discussed. But rather than have a further intermediate round of consultations in which you and your colleagues all tell me what you have already told the UGC and the NAB, what I propose to do on receipt of the advice from the UGC and the NAB is to formulate my own preliminary views on the various key issues that arise, and to bring forward my own proposals by about the turn of the year.

9. So we face a prospect of continuing debate about various aspects of the future of higher education; I hope not only an informed debate, but a debate informed by a shared concern for the future of higher education in this country.



DEPARTMENT OF EDUCATION and SCIENCE

Elizabeth House York Road London SE1 7PH

Telephone 01-928 9222

PRESS NOTICE

113/84

NOT FOR USE BEFORE
1530 THURSDAY 12 JULY 1984

NEW PROJECTIONS ON DEMAND FOR HIGHER EDUCATION INTO THE 1990s

Demand for higher education places in Great Britain from qualified home students is likely to remain at least at its current level until the end of the decade, says a Report on Education* published today by the Department of Education and Science.

Mainly because of possible increased demand from those aged over-20 demand for higher education will not fall as fast or as far as had previously been projected.

The new projections update those in Report on Education 99, which was published by the Department in April last year as a contribution to the public debate on the development of higher education into the 1990s.

The latest figures take account of further work by the Department's statisticians as well as detailed comments from interested bodies on the earlier projections.

An associated priced Technical Report** presents in detail supporting information for the projections.

The new projections take account of:

- substantial upward revisions to mature student numbers;

* Report on Education 100 "Demand for Higher Education in Great Britain 1984-2000", obtainable free from DES, Publications Despatch Centre, Honeypot Lane, Stanmore, Middlesex HA7 1AZ.

** Technical Report to DES Report on Education 100, obtainable price £8 from DES, Room 337, Mowden Hall, Staindrop Road, Darlington DL3 9BG.

- the most recent information available about A-level achievement in schools and colleges;
- refined assumptions and methodology concerning the effect of social class differences in birth trends on future numbers of qualified school and college leavers;
- further work on different trends in qualified demand as between men and women.

A principal conclusion of Report on Education 99 was that "demand for higher education from qualified applicants is likely to be more bouyant than might be assumed from a simple view of the decline in the size of the 18-20 year old age group. However, if the number of higher education places currently available were to be maintained, the supply of places would, sooner or later, exceed demand".

The new projections support this conclusion, but also suggest that total qualified demand for higher education before 1990 is unlikely to fall below the current level.

While there may be a small decrease in the number of young qualified applicants as the size of the age group falls, there is now expected to be at least an equivalent increase in demand from mature candidates.

In 1990-91 the upper variant (Variant X) of these projections is 10 per cent above the upper bound of those contained in Report on Education 99, and the lower variant (Variant Y) is two per cent above that bound. By 1996-97 the respective percentages are 15 per cent and seven per cent.

The total of student numbers for 1996-97 implied by the upper bound of Report on Education 99 was 456,000 as compared with 525,000 under Variant X of the present report, while the lower bound of Report on Education 99 implied 429,000 students as compared with 489,000 under Variant Y.

The proportional fall in total student numbers implied by the revised projections from peak to trough years is about 15 per cent under both variants. Variant X implies that by 1996-97 student numbers will be six per cent less than estimated actual numbers in 1983-84 and Variant Y implies 13 per cent less.

Much of the difference between the projections in the two reports results from revised assumptions about the numbers of those aged over-20 likely to wish to enter full-time higher education in future years.

It is estimated that there were about 37,000 mature home initial entrants to higher education in the current academic year. The lower bound of Report on Education 99 assumed that by 1990-91 the number of such entrants would fall to about 27,400; both variants of the new projections assume that in that year there will be over 40,000.

Ministers will be considering their policy for future provision for higher education in the light of these projections and of the advice they will be receiving from the University Grants Committee and from the advisory bodies for local authority higher education on the development of higher education into the 1990s.

-----ooo0ooo-----



CE/JO

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

nbpun

27 June 1984
27/6

Dear Keith,

SURVEY OF SHARED AND EXTENDED USE OF SCHOOLS

Thank you for your letter of 6 June about your Department's follow-up survey of the shared and extended use of schools. The preliminary results look interesting and I look forward to seeing more detailed findings in due course. While it would, of course, be wrong to seek to draw firm conclusions at this early stage, there are two points I think I would like to make.

The first is that apparently over 20% of all schools do not open at all outside school hours and - more worryingly - 77% of schools remain locked up all through the summer holiday. Secondly, I shall be particularly interested to see the extent to which your survey indicates an increase in the use of schools by the wider community, as opposed to simple out of hours opening. It is the encouragement of this wider use which is my concern, and the Government's; I suspect that the more detailed findings of your Department's survey will indicate that there is a great deal still to be done in this area.

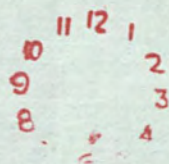
As I think you know, the Sports Council are in the process of producing a booklet setting out the advantages to the Community, as well as to schools, of shared use, and have money available in their grants programme this year to assist with the implementation of schemes. My officials will be in touch with yours very shortly about this.

Yours ever
Patrick

PATRICK JENKIN

The Rt Hon Sir Keith Joseph Bt MP

27 JUN 1984





NAPM

AT

19/6

5

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

The Rt Hon Peter Rees QC MP
 Chief Secretary
 Treasury
 Parliament Street
 London SW1P 3AG

19 June 1984

Dear Peter.

VAT ON BUILDING ALTERATIONS

Thank you for your letter of 12 June.

I do not accept your arguments. They ignore my point about equity and are mutually inconsistent. In paragraph 2 you reject the Section 20 solution for education, which would reduce public expenditure, because of its impact on the revenue. In paragraph 3 you take credit for using the Clause 11 solution for the NHS because it does not add to public expenditure - and ignore its much larger effects on the revenue.

So far as later years are concerned, we shall need to come back to this issue in the 1984 Survey, when I shall press my additional bid very hard. And I reserve the right to seek supplementary provision for 1984-85 to avoid a reduction in the volume of investment.

I am copying this letter as before.

*Yours faithfully,
 Peter Rees*

EDUCATION: Expenditure 194

19 JUN 1964





NBPM

AT

14/6

CENC

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Sir Keith Joseph MP
Secretary of State for Education
and Science
Department of Education and Science
Elizabeth House
York Road
LONDON
SE1 7PH

12 June 1984

John Kerr

VAT ON BUILDING ALTERATIONS

Thank you for your letter of 4 June.

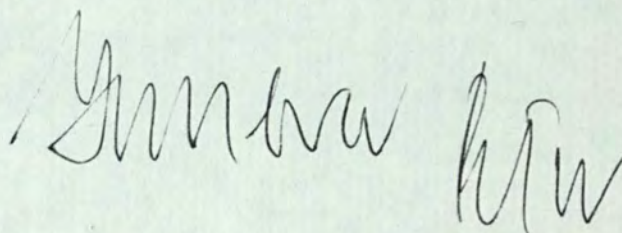
2. I am afraid that I cannot agree to the inclusion of voluntary schools, universities and research councils in section 20 of the VAT Act 1983. The purpose of section 20 was to fulfill a pledge which we gave before VAT was introduced that it would not be allowed to fall as a direct burden on local authority rates or the rate support grant. Many bodies have sought inclusion in the section since VAT was introduced. We have therefore adopted a strict policy, and in fact the only bodies added to the section since then are one which was originally overlooked and those which have come into being subsequently and which have local authority functions and are rate financed. The inclusion of universities, research councils and voluntary schools in section 20 would cut right across this policy and would lead to renewed pressure for inclusion from a wide range of bodies - including charities - who would see themselves as having an equally strong case. The revenue consequences of this could be quite serious.

3. I have very little to add, I am afraid, to my letter of 29 May. I do not accept that the cash plans are based on specific assumptions about individual taxes or prices, and I can only reiterate my earlier view that changes like this are of the kind which cash limits are meant to absorb, and need to be seen against the wider background: as you know, our published view of general inflation in 1984-85 has been somewhat reduced since we published the plans for 1984-85 in the Autumn Statement. As I explained in my last letter, the Reserve from which this year's

cash limit adjustments would have to be found is under pressure: you will know for example of the extent of local authority likely overspending as indicated by their budgets. Finally, so far as the National Health Service is concerned, the measure which you mention is being implemented as part of the arrangements to encourage government departments to contract out certain services (Clause 11 of the Finance Bill), and does not add to public expenditure.

4. I regret, therefore, that I must repeat my request that you absorb the cost of the VAT change within your existing programme.

5. I am sending copies of this letter to the Prime Minister, Patrick Jenkin, Norman Fowler, George Younger and Nick Edwards.

A handwritten signature in cursive script, appearing to read 'P. Rees', written in dark ink.

P REES



nbpm
cc NO

dmh
6/6

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

6 June 1984

Dear Patrick

SURVEY OF SHARED AND EXTENDED USE OF SCHOOLS

You will recall that in the discussions leading up to the preparation last year of the draft joint circular (in the event abandoned) on sport and recreation, reference was made to the sample survey being launched by the Department to follow up that of 1978-79 on the shared and extended use of schools and to establish the current position. The results of the survey, covering use in the summer holiday and autumn term of 1983, are now being analysed with a view to publication, as in the case of the earlier survey, as a DES Statistical Bulletin. I would expect this to make a useful contribution to putting across the message on the dual use of facilities, with which we both continue to be concerned.

You may be interested to have an advance indication of the main findings which are emerging from the analysis. It is encouraging and reassuring that the levels of use recorded in 1978-79 have been maintained or improved. The main findings so far are as follows:

- i. There has been an overall increase in the regular use made of both primary and secondary schools during term-time and the summer holidays. 79% of all schools were regularly used during term-time and 23% during the summer holidays, as compared with 71% and 21% respectively in 1978-79.
- ii. There has been a particularly marked increase in the regular use of primary schools during term-time - 75% in 1983 compared with 65% in 1978-79.

/iii. The

Rt Hon Patrick Jenkin MP
Secretary of State for the Environment
2 Marsham Street
LONDON SW1 3EB

- iii. The level of regular use of schools during the summer holidays has also increased very slightly to 19% of primary schools and 40% of secondary schools (previous figures were 17% and 39% respectively).
- iv. During term-time, the most regular users of both primary and secondary schools were the school children themselves in extended use of the schools. School children were still the major users of primary schools during the summer holidays while, for secondary schools, the most common users over this period were organised groups and societies.
- v. The facilities most commonly used in term-time were halls in primary schools and specialist sports spaces in secondary schools. During the summer holidays, specialist sports spaces were most commonly used in both primary and secondary schools.
- vi. In line with this, the survey indicated that sports users were the group most likely to make regular use of primary and secondary school premises. Parent/teacher groups were most likely to make occasional use of premises.
- vii. Although less use was made of primary than of secondary schools, the levels of use in primary schools were directly related to the number of facilities available, and the greater use made of secondary schools was
 - * explained by the number and type of the facilities available in those schools.

Other results of the survey suggest that while there are physical and financial obstacles to greater use of school premises by the community, the availability of adequate alternative facilities nearby - affecting demand - was also seen as a limiting factor. The three most serious limiting factors in primary schools were inadequate storage space, unsuitable furniture, and availability of adequate facilities elsewhere. In secondary schools, the single most important limiting factor was the fact that grassed playing fields were already used to full capacity and could not sustain greater use. Other obstacles arose from inadequate storage space, cleaning, supervision, availability of adequate facilities elsewhere, and charges to users.

I intend to summarise the salient statistical points from the above in a short written answer to a Parliamentary Question expected to be put down very soon. The text is enclosed. The Department will thereafter wish to consider the scope for further expanding the use of school premises. On this, firm conclusions about possibilities must await the fuller collation of information from the results. I shall be arranging for discussions with the local authority associations in due course in the light of the material from the survey. Officials here will keep yours informed, and in the immediate future will let them know when the PQ is to be answered. They may like to bring it to the notice of the Sports Council, as mine expect to be doing in the case of the local authority associations.

In view of the previous interest in this subject I am copying this letter to the Prime Minister and to Peter Rees.

4 ... h ~

Suggested Written Parliamentary Question and Answer

QUESTION

To ask the Secretary of State for Education and Science whether the results of his Department's follow-up survey of the shared and extended use of schools are now available; and if he will make a statement.

ANSWER

The first results of the 1983 follow-up to the 1978-79 survey of shared and extended use have now become available and suggest that levels of use have been maintained or improved. They show that 79% of all schools were regularly used during term-time and 23% during the summer holidays in 1983, as compared with 71% and 21% respectively in 1978-79. There has been a marked increase in the regular use of primary schools during term-time from 65% in 1978-79 to 75% in 1983. Sports users continue to be the group most likely to make regular use of both primary and secondary school premises. The full results of the survey will be published in the form of a Statistical Bulletin later this year.

06 JUN 1984



05 JUN 1984



Prime Minister (2) cc Press Office

The HMI report will be published on Wednesday.
This note covers the main points.

MR BARCLAY

4 June 1984

DMB
4/6

HMI REPORT ON EXPENDITURE AND PROVISION

1. The HMI report on expenditure and provision is traditionally a catalyst for criticism of our financial policies. This edition will be no exception, since HMI comment adversely upon:

- i. unsatisfactory work in one third of all observed lessons for junior and 11-16 year old classes (Para 16);
- ii. unsatisfactory staffing levels in about 15 LEAs for each type of school (paras 24 and 25);
- iii. inadequate supply of non-teaching staff in one seventh of the schools visited (para 35)
- iv. poor accommodation in one-quarter of the schools visited (para 36);
- v. deficient repair and decoration in nearly three-quarters of LEAs (para 37);
- vi. inadequate provision of books in one-fifth of primary lessons (para 39);
- vii. insufficient advisers in two-thirds of LEAs (para 49);
- viii. a lack of teachers in remedial work, English, Mathematics, Science, CDT and Business Studies (para 53);

2. The present report is, however, an improvement on its predecessors in one signal respect: it lays the blame for these deficiencies as much on mismanagement as upon lack of funds. HMI point out that:

- a. "good management - by LEAs, schools, colleges and individual teachers - helps to enhance the level and appropriateness of available resources and what can be achieved with them;" (para 14);
- b. "poor management not only affects teaching quality but also the level, appropriateness and effective use of available resources" (para 31);
- c. "poor management of the school or department or

pa

DMB

5/6

both was considered to be adversely affecting the performance of almost one-quarter of the schools visited, with all types of school being equally affected" (para 55);

- d. "in nearly one-fifth of all schools visited, improved leadership by either heads, heads of department or both, was deemed necessary if the quality of work seen was to be improved or the curriculum was to be changed and developed" (para 56).

3. In addition to this message about management, the report provides a number of optimistic comments about resources, which go some way towards balancing the prophecies of doom. Quotable passages include the following:

- i. "in looking at the quality of what was taking place in class and lecture rooms throughout the system HMI judged most of it to be satisfactory or better" (para 7);
- ii. "overall, the levels of appropriate resources in schools and colleges were slightly improved in Autumn 1983 from those of the previous year, particularly with regard to the provision of teachers and books" (para 10);
- iii. "average secondary school ratios in individual LEAs ranged from 12.3:1 to 18.0:1" (para 25);
- iv. "the overall provision of consumable materials in primary, secondary and special schools was considered to be satisfactory or better in nine-tenths of LEAs" (para 42);
- v. "the LEA's provision for education is increasingly being supplemented by parental contributions of both cash and labour;" (para 51);
- vi. "the FHE system was, in general, reasonably well resourced" (para 68).

4. Line to take. If asked about the report, the Prime Minister could say something on these lines:

This year's HMI report on expenditure and provision reveals, as usual, that the enormous resources devoted by the taxpayer and the ratepayer to education are not being appropriately used in some places; it rightly stresses that the principle cure for this is better management, better leadership and more sensible matching of resources to needs; that is what the

Government's education policy is designed to bring about.

Educational expenditure does not necessarily equate with educational standards: the IEA spends 60% more per pupil than the national average, without achieving higher standards.

O. Letwin.

OLIVER LETWIN

CCND



NBSM

AF 4/6

5

DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE, YORK ROAD, LONDON, SE1 7PH
TELEPHONE 01-928 9222

FROM THE [REDACTED] - SECRETARY OF STATE

4 June 1984

Jan Peter

VAT ON BUILDING ALTERATIONS

Thank you for your letter of 29 May.

For several reasons, I do not think that your request to me to absorb the cost of this budget proposal is reasonable:-

- i. The voluntary aided schools, universities and voluntary colleges and research councils should not be expected to make a volume cut of up to 10 per cent in their capital expenditure which does not affect most other parts of the public sector.
- ii. Your comparison with the private sector is wholly invalid. It can at least try to pass on its increased costs - or some of them - as well as absorb some of them: these educational and scientific institutions cannot.
- iii. Your proposal is discriminatory in relation to schools. It treats the two parts of the dual system (voluntary aided schools and other maintained schools) separately and differently. We have again and again stated our commitment to the dual system and the voluntary sector, most recently in last month's Green Paper on School Government (Cmd 9242). There is no basis on which I could defend this discrimination to the Churches.
- iv. Similarly, you are proposing to discriminate against the universities and voluntary colleges but not the polytechnics and other local authority colleges, which together form our system of higher education.

/There is

The Rt Hon Peter Rees QC MP
Chief Secretary
Treasury
Parliament Street
London SW1P 3AG

There is also an important general issue. If Budget changes are to be absorbed within cash limits, then cash limits must be determined in the knowledge of Budget changes. It makes nonsense of cash planning if, shortly after the cash provision in Estimates has been agreed between spending Ministers and Treasury Ministers on one set of assumptions about taxation, you can then revise the rules on taxation to reduce the value of what the cash will buy. (If the rate of VAT had been reduced, I cannot believe that you would not have sought to reduce my programmes to take account of this, just as they are reduced to take account of changes in National Insurance.) Indeed, although your letter is silent on this point, I understand that you have recognised its validity by agreeing to compensate the NHS at least for part of the much bigger bill (£70m) which it would otherwise face as a result of the VAT proposals. I ask for the same treatment.

Like you, I am advised that clause 11 of the Finance Bill is not an appropriate instrument for the change which I believe to be essential. But if you are unwilling to increase my programme this year and beyond, it appears that there is another possibility which would require neither an amendment to the Bill nor an increase in public expenditure. As you will know, Section 20 of the VAT Act 1983 enables the Commissioners to refund VAT to certain bodies - including local authorities - named in the Section and also to "any body specified for the purposes of this Section by an order made by the Treasury." If such an order were made so as to exempt altogether from VAT the voluntary aided schools, universities etc. and research councils, we could then agree on a reduction in the expenditure provision for those bodies in such a way as to restore the position which obtained before the budget.

I hope that you will see your way very quickly to action by one or other of these methods, which would be entirely defensible in relation to charities and so on which are not dependent on public funds.

I am sending copies of this letter to the Prime Minister, Patrick Jenkin, Norman Fowler, George Younger and Nick Edwards.

Yours ever,
Ken.

Education Pt 4

Expenditure



10 JUN 1984



DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

| June 1984

Dear Willie,

You may recall that HM Inspectorate produces each year a report on the effects of local authority expenditure policies on the education service. I recently received their report on the effects in 1983 and have arranged for it to be published on Wednesday 6 June.

I enclose a copy of the report for your information, together with a copy of the brief statement* that I intend to issue to the press. You will see that the report this year explores a little further the complex of factors which affect the quality of education. The main emphasis, however, is still expenditure-related and, although HMI noted some slight improvements in the levels of appropriate resources in class and lecture rooms in Autumn 1983, there is a significant catalogue of deficiencies. We must therefore expect critical comment - albeit perhaps less strident than in previous years.

I am sending copies of this letter and the enclosures to the Prime Minister, George Younger, Nicholas Edwards, Patrick Jenkin and Peter Rees.

Yours ever,

Kevin

Rt Hon Viscount Whitelaw PC CH MC
 Lord President of the Council
 Privy Council Office
 68 Whitehall
 London SW1A 2AT

* Statement to follow.

CONFIDENTIAL

EDUCATION SECRETARY COMMENTS ON HMI REPORT

The Education Secretary, Sir Keith Joseph, today announced the publication of the report by Her Majesty's Inspectors on the effects which local authority expenditure policies were having on the education service in England in the autumn of 1983. Commenting on the report, Sir Keith said:

"This year's report considers in greater depth than in previous years the complex of factors affecting the quality of education in schools and colleges. I hope that the full version will be widely read: here I pick out some of the main features.

HMI judged that the quality of most of what was taking place in class and lecture rooms throughout the system was satisfactory or better. The levels of appropriate resources in schools and colleges were slightly improved in the autumn of 1983 from those of the previous year.

The report notes however that there are continued grounds for concern about the wide variations in provision, that problems with accommodation and the maintenance and repair of school and college buildings remain and that the long term consequences of the deterioration in the capital stock of buildings are particularly worrying.

The clear message from the report is that, although schools and colleges were facing difficulties because of demographic

changes and constraints on expenditure, only some of them were grasping the opportunities which exist to improve the service they offer. More could do so given more effective management and a clearer perception of the needs of pupils and students.

The report lays particular emphasis on the need to improve the match between the qualifications and experience of teachers and the jobs they do. It points out that greater provision and take-up of in-service training opportunities could help here, assisting teachers to respond to changing demands in the classroom, lecture hall and workshop and to improve the overall quality of teaching. HMI sees the quality of teaching as paramount in its effect on the quality of education."



DEPARTMENT OF EDUCATION AND SCIENCE
 ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH
 TELEPHONE 01-928 9222
 FROM THE SECRETARY OF STATE

CCND
 nbpm
 DMS
 29/5

The Rt Hon Lord Hailsham of
 St Marylebone PC CH FRS DL
 Lord Chancellor
 House of Lords
 LONDON SW1A 0PW

29 May 1984

Dear Quentin,

TENURE IN THE UNIVERSITIES

Thank you for your letter of 11 May about my proposals for the future of academic tenure.

In practice I do not think there is anything between us on this issue. Tenure in the strongest form in which it is found in the universities is incompatible with their high degree of dependence on public funds. Retrospective legislation is however objectionable in principle and likely to receive significant opposition in practice. Legislation which is not retrospective will have relatively little effect -

- (a) on the ability and willingness of the universities to achieve any further contraction that may be necessary as the size of the relevant age group falls over the next decade or so. The paper attached to my minute to the Prime Minister of 12 March made clear that any further contraction of the universities would require financial provision for restructuring;
- (b) on the willingness of universities at anytime to contemplate the redundancy of academic staff in response to financial pressures, regardless of whether or not those staff have contractually firm tenure. American experience, with their generally weaker form of tenure, supports the view that we should not expect legislation to remove tenure significantly to increase the willingness of institutions to contemplate the dismissal of academic staff.

Tenure has however become an issue to which the Government's attitude has to be resolved. I do not expect my proposals to solve any managerial problems that may be posed by contraction in the short term, nor would I wish in the long term to give academics less security of employment than would generally be available from a good employer. Indeed, I am particularly concerned to ensure that my proposals do not, and are not seen to, pose any threat to academic freedom. I see my proposals as only a contribution to improving the managerial effectiveness of the universities. But it is important to remove the present uncertainties about the Government's attitude to tenure, and in particular about the possibility of retrospective action. It is also important to resolve for the future the significant uncertainties about tenure and the legal powers of institutions that at present surround the terms of employment of academics at many universities. We shall be in a better position to judge where we stand on all this when I have consulted the Vice-Chancellors and others on the basis of my published letter of 9 May to Lord Flowers as ~~Chairman~~ *attached* of the CVCP. I am enclosing a copy of this for you and colleagues who may not have seen it.

I am sending copies of this letter to the recipients of yours.

Yours ever,
Kerr

Education PTY
Expenditure



CCNYO

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Sir Keith Joseph MP
 Secretary of State for Education
 and Science
 Department of Education and Science
 Elizabeth House
 York Road
 LONDON
 SE1 7PH

nbpm
 DUK
 29/5

29 May 1984

Dear Secretary of State,

VAT ON BUILDING ALTERATIONS: EFFECTS ON EDUCATION AND SCIENCE

Thank you for your letter of 17 May.

I am advised that, because Clause 11 of the Finance Bill applies to government departments as defined in the VAT legislation, there can be no question of extending the refund arrangements to universities or voluntary schools, even if we were persuaded that on policy grounds this was the right course to take. Although some Research Councils might, perhaps, be included within the purview of Clause 11 (the legal position is unclear) I am afraid that we could not contemplate, on wider VAT policy grounds, exempting them from VAT on alterations, given the pressures this would generate for our stance on VAT on non-departmental public bodies and charities generally.

I have carefully considered the case you make for agreeing an addition of some £8m to your programme as compensation for the additional VAT burden. Our general position under cash planning is that Budget changes should, like other price changes, be accommodated within the existing cash provision for departments. Furthermore, the Reserve is already under considerable pressure (you will recall that the forecast in the FSBR was that the whole of the Reserve will be spent) and I am most anxious to minimise any further claims upon it. Finally, although I appreciate the difficulties which the education sector faces these are no more acute than those facing many in the private sector generally which were brought to our attention in the Finance Bill Committee debates. It would, I think, be difficult for us to justify a more accommodating approach to the education sector than that which we are pursuing generally. I must, therefore, ask you to absorb these sums within your existing programme.

I am copying this letter to the Prime Minister, Patrick Jenkins,
Norman Fowler, George Younger and Nick Edwards.

Yours sincerely,
Paul Rees

PETER REES

(Approved by the Chief Secretary
and signed in his absence)

Education Pt 4

Expenditure

NYBPT
AT 17/15

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

17 May 1984

Jim Peter.

VAT ON BUILDING ALTERATIONS: EFFECTS ON EDUCATION AND SCIENCE

I am writing to you about this subject following exchanges between officials here and in the Treasury.

The FSBR said that the proposals to widen the VAT base would involve some additional costs for the public sector and added "It is the Government's intention that these be absorbed within existing programmes wherever possible." I am clear that such a course is not possible for the education programme. The sums involved are not large - about £8m this year and a little more in later years - but they represent up to 10 per cent of the planned expenditure on buildings of the three biggest groups of institutions, namely the voluntary-aided schools, the universities and the research councils. The Anglican and Roman Catholic Bishops have made representations to me about their schools; and I do not think that we should expect them to curtail the volume of their building work because of the new tax when all other schools maintained by local authorities will escape it. The same is true of the universities in relation to the local authority colleges. Indeed, it is not our intention, as I read the speeches by Treasury Ministers in the Budget Debate and on the Finance Bill, to reduce the level of activity in the building industry.

You have already agreed to amend the Finance Bill to relieve listed buildings (including, as it happens, some university buildings) and you propose to make some special arrangements for the housing associations. More important, I gather that you are considering sympathetically measures to remove most of the burden of VAT (£70m) that would otherwise fall on alterations to hospitals (including some teaching hospitals whose capital expenditure is partly financed from my programme).

/I understand

The Rt Hon Peter Rees QC MP
Chief Secretary
Treasury
Parliament Street
LONDON SW1P 3AG

CONFIDENTIAL

I understand your concern to avoid the increase in public expenditure which would result from an addition to my programme. The alternative, which you may think preferable even though its effect on the PSBR would be similar, would be either to find some way of applying clause 11 of the Finance Bill to the research councils and perhaps even to the universities and voluntary schools so as to relieve them from VAT on alterations or to amend the Bill so as to exclude them in the same way as listed buildings.

I shall be grateful for an early reply since the schools and other institutions concerned must know where they stand well before 1 June.

I am copying this letter to the Prime Minister, Patrick Jenkin, Norman Fowler, George Younger and Nick Edwards.

Tom...

Ken

97 MAY 1984



CEAD



HOUSE OF LORDS,
SW1A 0PW

|| May 1984

nbpm
DMS
14/5

My Dear Keith:

Academic Tenure in the Universities

I have studied with care your suggestions for reform in this area but regret that at this stage I must record a ~~reservation~~ *reservation. qualification*

On 14 March I took part in the Higher and Further Education Debate introduced by Lord Annan. You are probably already aware of his observations on that occasion on tenure but in case you should not be, I reproduce them here (Hansard col. 734) :

"It is now two years since the Secretary of State asked the universities to consider academic tenure. Except at Cambridge, a young lecturer will be appointed at about the age of 25. The decision to grant him or her an unshakeable contract of employment until he is 65 years old will be taken two and a half years later. That has for long been a scandal. There is a rumour - and it is only a rumour - that the universities might now put forward the daring scheme of extending the probationary period from three to five years. I would not expect that to satisfy the Secretary of State, who believes that redundancy should be a fit cause for dismissal at any time. I think that he is wrong."

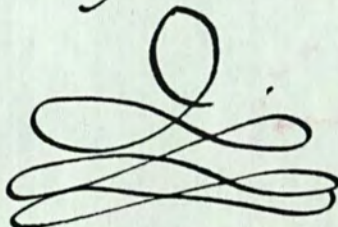
The Right Honourable
Sir Keith Joseph, Bart, MP,
Secretary of State for Education
and Science,

Elizabeth House,
York Road,
LONDON,
SE1 7PH

Whilst I too accept that the removal of tenure in those universities where it does apply is desirable, the legislation you propose might achieve little by way of practical benefit. It would require universities to accept a power of dismissal, but it could not require them to exercise it. It is likely therefore that many will continue in their present way until financial pressures persuade them otherwise. And as - and this I welcome - you have ruled out retrospective legislation, it will be some time before any benefit at all might become apparent. So though I would not oppose the principle I am doubtful as to the efficacy of the solution proposed.

I am sending copies of this letter to the Prime Minister, other members of H Committee, to Sir Robert Armstrong and to First Parliamentary Counsel.

Yrs.

A handwritten signature consisting of a large, stylized capital letter 'L' with a loop at the top, followed by several horizontal, overlapping loops that form a decorative flourish.

Edwe. : Polian P+4

114 Nov 1964





CC 100

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

Lord Flowers FRS
Chairman
Committee of Vice-Chancellors
and Principals of the
Universities of the United Kingdom
29 Tavistock Square
London WC1H 9EZ

9 May 1984

Dubs
29/5

Dear Brian,

TENURE

You are aware of my concern about academic tenure, which we have discussed on a number of occasions. It is now over two years since your Committee proposed for the consideration of universities that the contracts of newly appointed academics should provide for dismissal for reasons of redundancy or financial exigency. With one or two limited exceptions there has been no response and, although I appreciate that universities have had other preoccupations, I think it now probably has to be recognised that the problem is not one that they can resolve by themselves.

I continue to believe that tenure in the strongest form in which it is enjoyed in some universities cannot be justified by reference either to the need to protect academic freedom or to the case for reasonable security and continuity of employment for academics, both of which I accept. Neither requires that academics should be guaranteed continued employment until retiring age no matter how the circumstances of their university change.

I therefore propose that tenure should in future be limited. The Government is prepared to introduce legislation if this cannot be achieved voluntarily. I should say at once however that we have in mind no interference with existing contractual rights. We wish only to limit the tenure that may be granted by contracts made after some specified future date.

The Government's objective is to ensure that all universities have, in respect of all academics whose contracts are entered into after the specified date, the right - subject to appropriate procedures to protect academic freedom, to which I refer below - to terminate their appointments for redundancy and reasons of financial exigency, and to ensure that universities cannot waive that right by the terms of the contracts they grant.

Before developing my proposals any further there are a number of matters on which I should welcome your views:

- (a) I believe that many universities will be glad to have this matter resolved for them, especially as there is no threat of retrospective action. Given the Government's clear intention and its willingness to legislate, is there any prospect that universities will act themselves to comply with the Government's wishes, given a period of time in which to do so, and a clear indication of what changes would be acceptable; or would they prefer to have legislation? I am sceptical that legislation can be avoided, because it would take only one dissentient to make it necessary.
- (b) As to the nature of legislation, I have noted your distaste for the idea of the development of a body of general law for the universities and the danger of moving inadvertently in this direction. I would therefore propose to follow precedent and proceed by way of legislation to establish and empower Commissioners (of which there would no doubt need to be more than one set for universities or groups of universities in different circumstances) to make the necessary changes to statutes. The general approach would be that once the job was done the Act would disappear from the Statute Book while the amended statutes for each university would continue in force, with subsequent amendment possible only with external approval - usually from the Privy Council - as at present. Can I assume that this approach to legislation would be more acceptable to you and your colleagues than cruder but brisker provisions that would have to remain upon the Statute Book?
- (c) I do not wish the changes I propose to create any threat to academic freedom. I should be glad to know your views on, and to discuss with you, the procedures necessary to achieve this and to safeguard against abuse.
- (d) In 1982 your Committee proposed that, where existing definitions of "good cause" did not provide for it, universities should be able to terminate tenured appointments for failure satisfactorily to perform the duties of the post. To what extent do universities already have this power and to what extent do those that have it use it? Should any legislation on tenure seek to make such a provision common to all universities for future appointments? If so, how would it be possible to ensure that such provisions contained adequate safeguards to protect academic freedom without rendering them unworkable?
- (e) Even with action on tenure I believe it is necessary to improve and extend the probationary arrangements for new appointments, although not necessarily in the way set out in your Committee's 1982 proposals. I should be glad to know your views.
- (f) There may be other ways in which statutes could usefully be clarified but in general I want to ensure that in all respects except tenure (and perhaps probation) each university's terms of employment will remain for them to determine.

When I have your views on these matters I shall report further to my colleagues before deciding how to proceed. I shall of course ensure that you are kept informed of our intentions and consulted at every stage in the preparation of any legislation.

I am anxious to be able to resolve the uncertainty about the Government's intentions as soon as possible and I look forward to hearing from you. Peter Brooke and I are of course ready to discuss these proposals if that would be helpful.

I am sending a copy of this letter to the Chairman of the UGC and to the ^{General} Secretary ~~General~~ of the AUT, and am arranging for it to be released to the House of Commons and the Press.

Your own

Leah

Education
Expenditure

Pr 4

129 MAY 1953

9 10 11 12 1
8 9 10 11 2
7 8 9 10 3
6 7 8 9 4



CENO

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

Sub,
9/5

9 May 1984

Dear Keith

TENURE IN THE UNIVERSITIES

Thank you for your letter of 4 May explaining the background to your agreement with Jim Prior that the new University of Ulster should not be invited to further amend the provisions of its Charter relating to security of tenure for academic staff.

I appreciate your argument that, whilst the objective remains to prevail upon universities to change their Charters voluntarily, it would be difficult to single out particular universities in advance of a general agreement with Vice-Chancellors. In these circumstances I am content that your advice to Jim Prior should stand.

I am sending copies of this letter to the Prime Minister, the members of H Committee, the Attorney General, the Lord Advocate, First Parliamentary Counsel and to Sir Robert Armstrong.

The Rt Hon Sir Keith Joseph Bt MP

Education: Expenditure Pt 4



9 MAY 1984



ccwp
Northern Ireland Office
Stormont Castle
Belfast BT4 3ST

The Rt Hon Sir Keith Joseph MP
Secretary of State for
Education and Science
Elizabeth House
York Road
LONDON SE1 7PH

abpm
DWB
10/6

8 May 1984

TENURE IN THE UNIVERSITIES

Thank you for your very helpful reply of 12 April, which will now allow me to respond to the Privy Council on the Charter of the University of Ulster.

My officials will be glad to liaise with yours on the precise wording of this reply, and to agree the terms of a letter which can be regarded as a joint response to the Privy Council's letter of 17 February. This agreed response should therefore clear the way for the University of Ulster's Charter to be granted in time for the merger of The New University of Ulster and the Ulster Polytechnic to be effected by 1 October 1984.

I am entirely content that no public announcement which suggests that there has been any change in policy should be made; nonetheless, it seems reasonably certain that news of this particular decision will emerge sooner rather than later. When it does, and some comment is required from us, I will ensure that my officials consult yours and agree with them the text of any proposed statement.

I am copying this letter to the Prime Minister, the members of H Committee, the Attorney General and the Lord Advocate, the First Parliamentary Counsel and Sir Robert Armstrong.

Education Pt 4

Expenditure

17 0 MAY 1984





DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

4 May 1984

Dear Willie,

TENURE IN THE UNIVERSITIES

Thank you for your letter of 17 April about my exchange of letters with Jim Prior on the line to be taken on proposals for new or amended charters and statutes for universities while we await the outcome of the discussions with Vice-Chancellors proposed in my minute to the Prime Minister of 12 March.

I fully recognise that I should not assume that there will be early legislation on tenure, if legislation should prove to be necessary. But our agreed aim is to achieve a change in the terms of all new academic contracts either by legislation or by "voluntary" action under threat of legislation. The same considerations apply to how we should deal with proposals for new or amended charters and statutes that have to be processed in the meantime, however that global change is eventually to be achieved.

Until my recent minute to the Prime Minister and the policy agreement that has flowed from it I have operated the makeshift policy of advising the Privy Council not to accept proposals that did not include some recognition of the possibility of academic redundancy. But I have not sought to impose on individual universities the kind of changes in statutes that would be necessary to achieve the policy we have now adopted, and it would have remained open to any university that had accepted the modified form of words I had proposed to continue to grant tenure in the terms of individual contracts. The line I have been taking until now was therefore manifestly unsatisfactory both in terms

/of its effect

The Rt Hon Viscount Whitelaw PC CH MC
 Lord President of the Council
 Privy Council Office
 68 Whitehall
 London SW1A 2AT

egno

*upon
DMS
8/4*

of its effect on individual statutes and because it applied only randomly to a very small number of institutions. In fact, the effect to date has been simply to dissuade institutions from seeking to amend their statutes, so that the statutes for the proposed University of Ulster would have been the first serious attempt to impose this makeshift policy if we had proceeded with it. Universities in Ulster are, of course, Jim's responsibility and not mine, but I share his view that it would be wrong to try to push the new university to be formed from the merger of the Ulster Polytechnic and the New University of Ulster further than any other university had yet gone in incorporating provisions for redundancy in its statutes, especially as still further changes in statutes would be required once our new policy was implemented - whether as a result of legislation or of the threat of it. Neither of us would want to do anything that would put the merger at risk (and the same is true in my case for the merger of the Bedford and Royal Holloway Colleges).

The advice I have given to the Privy Council to date was essentially unsatisfactory, and of an interim nature. I am sure it cannot be maintained once the Government's determination to secure global and more wide-ranging changes is known, but I hope this letter will reassure you that my abandonment of it does not depend on any assumption on my part that there will be early legislation.

I am copying this letter to the recipients of yours.

Conex.

Kevin.



NEW ST. ANDREWS HOUSE
EDINBURGH EH1 3SX

Rt Hon Peter Rees QC MP
Chief Secretary
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

30 April 1984

Dear Peter,

JK
2/5

THE AUDIT COMMISSION - VALUE FOR MONEY

Thank you for sending me a copy of your letter of 6 March to Keith Joseph. I have seen his reply of ~~15~~ March and Patrick Jenkin's of ~~30~~ March.

I too am anxious that the various Inspectorates and groups of central government advisers for which I am responsible should not do anything which would seem to be in conflict with our policy on local government expenditure.

I am sure that you are correct in suggesting that the various Inspectorates of local authority services have an increasing part to play in identifying how local authorities might achieve better value for money, without departing from their traditional role. Indeed, the fact that the Inspectorates generally are recognised as having considerable expertise means, in our experience, that their comments are taken seriously by local authorities.

In Scotland there has been no dissent from the view which I expressed on the Rayner scrutiny of the Schools Inspectorate that "to facilitate a successful and cost effective implementation of the Government's policy for education, I consider it essential that my principal professional advisers are able to ensure that the resources being made available for education are being used as effectively as possible".

You also mentioned in your letter the financial information system which is being developed for HM Inspectorate of Constabulary in England and Wales. We have kept closely in touch with this work and with the related development of guidelines for use by the Inspectorate in their annual inspections of police forces. The need for a sophisticated

data base is perhaps less in Scotland, where there are only 8 police forces, than south of the Border, but we stand ready and willing to draw constructively on the Home Office's experience. Meanwhile I have taken steps to strengthen our Inspectorate by the appointment of a second full Inspector of Constabulary from July.

The other groups of professional advisers within the Scottish Office who have contact with local authorities are also fully aware of the need to achieve value for money. The Civil Engineering and Water Services Divisions are already engaged in their own specialist value for money studies which are of relevance to local authorities. The Building Directorate is regularly involved in providing value for money advice to local authorities.

The Commission for Local Authority Accounts in Scotland, which has been in existence since 1974 and carries out a role similar to that of the Audit Commission in England, has a programme of value for money work and is fully aware of the importance the Government attaches to this work. The Commission encourages auditors to conduct their audits in a way which helps authorities to achieve value for money and in addition have mounted a number of co-ordinated exercises covering a number of authorities in order to help improve value for money. Where necessary the Commission have contact with the Scottish Office, including the Inspectorates.

Finally I might mention that I and Michael Ancram have made value for money the theme of speeches to the Scottish Local Authorities' Convention, to CIPFA and to the Rating and Valuation Association in the past four weeks.

I am sending copies of my letter to those who received yours.

Yours wet,
Cunry.

Education: May On Education Expenditure. etc.

It is a pleasure to inform you that the...

The other groups of professional workers...

It is a pleasure to inform you that the...

Finally, I wish to mention that...

I am sending you a copy of my letter...



Handwritten signature and scribbles.



~~C/O~~

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

17 April 1984

nbpm
DWS
24/4

Dear Keith

TENURE IN THE UNIVERSITIES

Further to our H Committee correspondence about your forthcoming discussions with Vice-Chancellors about tenure in the universities, I see from your letter of 12 April that you have advised Jim Prior that, given your intention to legislate, it is no longer necessary to reject petitions for new University Charters or Statutes which contain unsatisfactory provisions regarding teaching staff's security of tenure.

This illustrates the problem which I had in mind when, in my original letter of 28 March, I sounded a warning note about the difficulty of legislating next Session and indeed the undesirability of assuming that we could do so even in 1985/86. I entirely share your view that the Government must say, and mean, in its discussions with Vice-Chancellors that it is willing in principle to legislate; but I do not think that we should allow 'planning blight' to affect the action we or universities themselves would otherwise have been taking in respect of individual Charters. The position still remains that the Government wants tenure to be changed by means of voluntary action and will resort to legislation only if that is unsuccessful. I do not think that we should act, or refrain from action, now on the assumption that voluntary action will be unsuccessful.

I am sending copies of this letter to the Prime Minister, members of H Committee, the Attorney General, the Lord Advocate, First Parliamentary Counsel and to Sir Robert Armstrong.

Yours
L. Howe

The Rt Hon Sir Keith Joseph Bt MP

EDUCATION
Expenditure
Pt. 4

← *APR 1964





DEPARTMENT OF EDUCATION AND SCIENCE
 ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH
 TELEPHONE 01-928 9222
 FROM THE SECRETARY OF STATE

nbpm

DUB

124

The Rt Hon James Prior MP
 Secretary of State for Northern Ireland
 Northern Ireland Office
 Whitehall
 London SW1

12 April 1984

Dear Jim,

TENURE IN THE UNIVERSITIES

reg mtd reg'd

Thank you for your letter of 5 April. I am glad to have your agreement - as the other member of the Cabinet with university responsibilities - to the course I propose in respect of tenure.

In your letter you raise the question of the line to be taken, in the period before legislation, on proposals for new or amended charters and statutes. I fully understand your wish to bring about, within the announced timetable, the planned merger of the New University of Ulster and the Ulster Polytechnic. I would not wish to do anything to put this at risk and am myself in a similar position in relation to the proposed merger of the Bedford and Royal Holloway Colleges of London University. I am therefore content for you to take the line you propose in relation to the charter and statutes of the new University, and for officials to agree the terms of a response to the Privy Council Office accordingly. I propose not to make any announcement of a change of line - at least until our proposed action on tenure is settled and public - but to allow particular decisions to emerge individually and to say that each case is considered in the light of its own circumstances - which is indeed the case as mergers, in particular, raise distinct problems of their own. I should therefore be grateful if officials of this Department could be consulted about the terms of any statement you may have to make that bears on this matter.



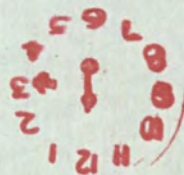
APR 1984

Education: Exp Pt 4

I am copying this letter to the Prime Minister, the members of H Committee, the Attorney General and the Lord Advocate, the First Parliamentary Counsel and Sir Robert Armstrong.

Yours ever,

Keir.



2 APR 1984

cc/50



PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

9 April 1984

nbpm.
JMS
15/4

Dear Keith

TENURE IN THE UNIVERSITIES

Thank you for your further letter of 4 April about the line to be taken in your forthcoming discussions with the Vice-Chancellors.

When you wrote before, I was slightly concerned that you talked about "whether we should legislate quickly" as one of our options; and from my experience as a business manager I thought that it might be necessary to sound an early warning note about the practicality and timing of any legislation which is mooted in correspondence between colleagues.

I am, however, happy that you should conduct the discussions in the way proposed in your letter of 4 April; and that any need for legislation and its timing should be considered as necessary after you have held those discussions. The formula in my letter was intended to do no more than define the limits of the position you might adopt in your discussions: I am content that you should say that the Government is in principle prepared to legislate.

I am sending copies of this letter to the Prime Minister, other members of H Committee, the Attorney General, the Lord Advocate, First Parliamentary Counsel and to Sir Robert Armstrong.

Yours sincerely
JMS

The Rt Hon Sir Keith Joseph Bt MP

Education R4

Expenditure

APR 1984

1
2
3
4
5
6
7

PRIME MINISTER

(2)

COPIED TO:
✓ Parliament PT12 Legislation
✓ National Health PT3
w/e box
Expenditure + Efficiency
9/4
mb

H Committee

At its meeting last week, H Committee considered two topics: fluoridation, and NHS recruitment advertising. Their conclusions ^{coincided} ~~agreed~~ with your views on both subjects, i.e., a power and not a duty to add fluoride, and an approach to the professional journals to try to persuade them to reduce advertising costs. The Committee agreed that if the latter tactic failed, the Secretary of State for Social Services should pursue the option of a national jobs register which would be put out to competitive tender among private publishing firms.

More parental influence over schools

At their meeting next week the Committee will be considering detailed proposals from the Education Secretary for increasing parental influence over schools. There are two main themes in his paper, a copy of which is at Flag A:-

- (i) Giving parents the right to elect a majority of governors from among their number.
- (ii) Legislating to define the respective roles of governing body, head teacher and LEA. Existing arrangements for church schools would not be affected.

If the Committee agrees, Sir Keith Joseph plans to publish his proposal as a Green paper in May with a view to legislation in 1985/86

Education support grants

The Committee will also be considering a paper summarising the Secretary of State's proposals for allocating education support / grants.

grants. He has £30 million to allocate. Nearly half would go towards the purchase of micro-computers and related staff training. Other main items will be the improvement of mathematics teaching, experiments in recording achievement for school leavers, and the provision of micro-electronic aids for handicapped children. Further details are in his paper at Flag B.

Dms

5 April, 1984.



DEPARTMENT OF EDUCATION AND SCIENCE
 ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH
 TELEPHONE 01-928 9222
 FROM THE SECRETARY OF STATE

CCND

nbpm
 dms
 4/4

4 April 1984

Dear Willie.

TENURE IN THE UNIVERSITIES

file with 47

Thank you for your letter of 28 March. I am grateful for your agreement to action on the lines proposed in my minute to the Prime Minister of 12 March. On timing, that minute was not intended as a bid for legislation in the 1984-85 session, and I realise that I cannot pre-empt now a place in the programme for 1985-86. But in discussion with the Vice-Chancellors I have to be able to say that the Government is in principle prepared to legislate if I am to be able to take the matter any further. I need say and indeed intend to say nothing about the timing of legislation, but I cannot be tied at the beginning of my discussions to the formula at the top of page 2 of your letter. As I say in the third paragraph of my minute it may be that there is no hope of the universities complying with the Government's wishes without legislation and that a declared period of grace for compliance (as opposed to a simple wait for a slot in the programme) would be counter-productive. This is a matter on which I shall offer you and colleagues a judgement after I have talked to the CVCP.

I am copying this letter to the Prime Minister, the members of H Committee, the Attorney General and the Lord Advocate, the First Parliamentary Counsel and Sir Robert Armstrong.

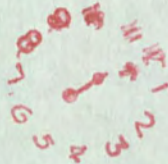
Yours ever,

Kewin.

The Rt Hon Viscount Whitelaw PC CH MC
 Lord President of the Council
 Privy Council Office
 Whitehall
 London SW1A 2AT

Education Pt 4

Exp. Policy



APR 4 1964

*With the compliments of
the Attorney-General*

*Attorney General's Chambers,
Law Officers' Department,
Royal Courts of Justice,
Strand. W.C.2A 2LL*

01 405 7641 Extn. 3201



01-405 7641 Extn

ROYAL COURTS OF JUSTICE
LONDON, WC2A 2LL

The Rt.Hon. Sir Keith Joseph Bt.MP.,
Secretary of State for Education and Science
Department of Education and Science
Elizabeth House
York Road
London SE1 7PH

3 April 1984

nbpm
DUB
4/4

Dear Keith,

TENURE IN THE UNIVERSITIES

Thank you for sending me a copy of your minute of 12 March to the Prime Minister.

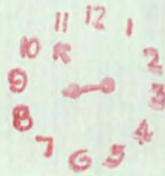
I am content with your proposed approach generally - and in particular with the conclusion that we should avoid retrospection. I shall look forward to seeing the further detailed proposals in this field.

I am copying this letter to the Prime Minister and the other recipients of your minute.

Yours ever,
Michael

EDUCATION
SEP.
P 4

- 4 APR 1984





CONFIDENTIAL

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

30 March 1984

Dear Peter,

THE AUDIT COMMISSION - VALUE FOR MONEY

Thank you for sending me a copy of your letter of 6 March to Keith Joseph. I have also seen his reply of 15 March.

I share your concern that the proper involvement of HM Inspectorates with standards of provision for individual services should not appear to conflict with the Government's overall objective of containing the aggregate of local authority expenditure. I welcome the steps which Keith records have been taken to ensure that his Department, HM Inspectorate of Schools and the Audit Commission are taking to ensure that each is aware of the other's interests, and the recognition that obtaining value for money is a significant part of the Inspectorate's remit.

I think that in presenting our eventual decisions on local authority expenditure for 1985/86, we might make more of the distinction between key services - in education's case those provided in the classroom - and ancillary services where significant savings could be made provided that authorities were prepared to face up to the difficult political decisions that must be taken.

Finally, I should emphasise again, as I did in my letter of 12 January to Leon Brittan, the importance of avoiding in our public statements any prejudice to the independent status of the Audit Commission, a point you make in your own letter.

I am copying this letter to those who received yours.

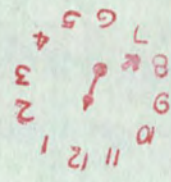
Patrick Jenkin

PATRICK JENKIN

CONFIDENTIAL

EDUCATION: Vol R44

CONFIDENTIAL



30 MAR 1984

CONFIDENTIAL



The Rt Hon Margaret
Thatcher, MP
With the Compliments

of

LORD ADVOCATE

..... 29th March 1984

Lord Advocate's Chambers
Fielden House
10 Great College Street
London SW1P 3SL

Telephone: Direct Line 01-212
Switchboard 01-212 7676



GC NO
Lord Advocate's Chambers
Fielden House
10 Great College Street
London SW1P 3SL

Telephone: Direct Line 01-212 0515
Switchboard 01-212 7676

29 March 1984

Sir Keith Joseph Bt MP
The Secretary of State for
Education and Science
Elizabeth House
York Road
LONDON SE1 7PH

DMB
2/4

Dear Keith,

TENURE IN THE UNIVERSITIES

I have seen a copy of your minute to the Prime Minister of 12 March.

I am a member of the Scottish Universities Committee of the Privy Council and have an interest in this question in that capacity and also as a Law Officer.

I agree with the approach proposed (particularly as regards retrospection). As to the form of legislation the Universities (Scotland) Act 1889 contained provisions for statutory Commissioners. These provisions however were designed for the purpose of a comprehensive reorganisation of the Universities; in contrast for this specific and limited objective it might be simpler and quicker to legislate directly so that the requisite powers of dismissal etc. are available in respect of all contracts made after the new Act.

Copies of this letter go to the Prime Minister and the Attorney General.

Yours ever,

Jama

MACKAY OF CLASHFERN

30 MAR 1984





CC LNO

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

28 March 1984

Nbpm
DMS
29/3

Dear Keith

TENURE IN THE UNIVERSITIES

Thank you for copying to H Committee colleagues your minute of 12 March to the Prime Minister.

You will have seen the comments from the Prime Minister's Private Secretary, George Younger, Peter Rees and Arthur Cockfield. There is general agreement that action should be taken to modify new contracts of employment in the way you propose, but that it would not be practicable to require amendment of existing contracts. You may take it that you have H Committee's agreement to that general proposition.

However, in our capacity as business managers, both John Biffen and I are concerned about the suggestion that one way forward is for the Government to announce its intention to legislate. We entirely take the point that further persuasion may be ineffective, but that does not mean we can give legislation on this subject priority over other matters.

Cabinet has recently agreed the content of the legislative programme for 1984/85, and no bid was made by you for legislation on this subject. If we were to contemplate legislation within that timescale now, I think we would need to remove an equivalent main programme Bill. I doubt that this is practical at this stage and therefore do not think we should commit ourselves to legislation before 1985/86; and even in respect of that year, we should only talk about the possibility or the prospect of legislation. As regards the Government posture during the forthcoming

The Rt Hon Sir Keith Joseph Bt MP

discussions, therefore, I do not think that it is practicable or desirable to go beyond statements to the effect that the Government will seriously consider legislation (timescale unspecified) if the universities do not put their house in order by a particular date. You will then be able to put forward a bid for 1985/86 legislation when QL Committee trawls for bids later this year. On the question of the form of any legislation which was introduced, I would favour the Statutory Commissioners' approach, not least because it offers the prospect of quicker Parliamentary progress.

I am copying this letter to the Prime Minister, members of H Committee, First Parliamentary Counsel and to Sir Robert Armstrong.

4
as a
letter

7

EC NO



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

nbpm
DMS
23/3

Sir Keith Joseph Bt MP
Secretary of State for Education and Science
Elizabeth House
York Road
LONDON
SE1 7PH

22 March 1984

Dear Keith,

TENURE IN THE UNIVERSITIES

Thank you for letting me have a copy of your minute of 12 March to the Prime Minister about the future of academic tenure in the universities.

I agree entirely with your proposition that we should be prepared to declare our willingness to legislate, if need be, in respect of future academic appointments in order to avoid the difficulties described in your minute; but I accept also that retrospective legislation would be undesirable. I note your intention to bring forward more detailed proposals in due course, after further discussions with the Committee of Vice-Chancellors and Principals.

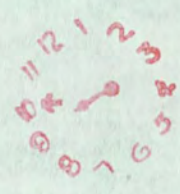
Copies of this letter go to the Prime Minister, Members of H Committee, Sir Robert Armstrong and First Parliamentary Counsel.

Yours truly,
George.

EDUCATION: Polina Emp: A-4

100
100
100

23 MAR 1984





DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

*nbpm
DUB
22/3*

22 March 1984

Dear Robin

EFFICIENCY STUDY IN THE UNIVERSITIES

Thank you for your letter of 19 March.

I share your concern that the terms of reference of the steering committee should not prevent the efficiency studies in the universities from tackling the ground we both want to cover because some minor academic judgment is involved. This point has already been forcibly made to the CVCP and I intend to make it to Sir Alex Jarratt when I see him next week. In practice I do not think there will be any difficulty about achieving the kind of studies we want. The CVCP are well seized of Ministers' concerns, and Brian Flowers in particular realises that the credibility of the universities' commitment to efficiency in the eyes of Ministers depends on the satisfactory conduct of this exercise. At the same time, he feels the need for some reassurance for colleagues in less direct touch with Ministers' intentions than he and I am therefore not disposed to press for a change in the terms of the remit. I am, however, amending the third paragraph of my letter to him to conclude, "... emphasis on resource allocation procedures which I understand, will extend to indicators about costs and performance without of course trespassing directly on major matters of academic judgment."

I fully accept that the time you will be able to give to the steering committee will have to be found from that already set aside for your role as the Prime Minister's adviser on efficiency. I shall ensure that the position is understood by Sir Alex Jarratt.

/I am copying

Sir Robin Ibbs
Efficiency Unit
70 Whitehall
LONDON SW1

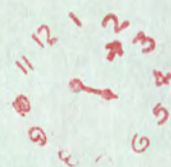
I am copying this letter to the recipients of yours. You and they may like to note that to allow the CVCP time to assemble their team for the steering committee I shall be delaying the announcement until Wednesday 28 March.

Ernie

Kevin

Education: Expenditures Pt 4

22
MAY 1984





pa
Dms
22/3

u/s
Prime Minister²

The Chief Secretary agrees to the Education Secretary's proposed study of efficiency in the universities.

Dms
21/3

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Sir Keith Joseph Bt MP
Secretary of State for Education
Department of Education and Science
Elizabeth House
York Road
LONDON
SE1 7PH

ms
21 March 1984

Dear Secretary of State,

EFFICIENCY STUDY IN THE UNIVERSITIES

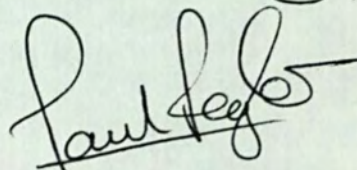
Thank you for your letter of 15 March.

I am delighted at your success in persuading the Committee of Vice-Chancellors and Principals of the necessity and value of the proposed study and I am content with the coverage and the steering arrangements. I am particularly glad that the Efficiency Unit will be involved in the latter.

I have no changes to suggest to either of the draft letters. I hope however that, while (for reasons with which I entirely sympathise) 'issues of academic judgement' and 'the academic and education policies, practices or methods of the universities' are excluded from the studies, the processes by which such judgements and policies are arrived at, particularly the manner in which resource considerations are brought into play and relevant financial data are made available to the decision-takers, will not be neglected. It seems to me important, too, that the review should consider how accountability for the financial consequences of decisions can best be secured. But these are points which I am sure we can leave Robin Ibbs to pursue as appropriate in the Steering Committee's work.

I am content also with the terms of the assurance which you propose to give Lord Flowers. You will need of course to point out that the level of future provision for the universities must be decided in all the circumstances of the time; but it should be to the advantage of the universities in this context rather than the reverse that they be seen to be managing their resources effectively and efficiently.

Copies of this letter go to the Prime Minister, Sir Robin Ibbs
and Sir Robert Armstrong.

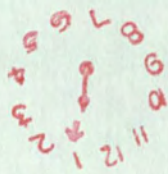
Yours Sincerely,


PETER REES

(approved by the Chief Secretary
and signed in his absence)

EDUCATION : EXP

Pt 4



1984

SUBJECT: *hang on:*

Housing: Private Rented Sector

Feb 84

PRIME MINISTER

H Committee

H Committee will be considering three papers at their meeting next week.

Private Rented Sector

The first is Mr. Jenkin's paper, which you have already seen, on the private rented sector. He is seeking approval to the de-regulation of rent for all new lettings. The Cabinet agreed that legislation on this subject might be introduced in 1985/86, if policy approval is obtained.

Crombie Code

The Government is committed to ending use of the Crombie Code of compensation for employees in the public sector. Legislation is required to make this change effective, but there is a dispute between the Department of the Environment and the Treasury over who should promote it.

Commercial Activities in Further Education Establishments

The Education Secretary has circulated proposals for extending the powers of local authority-maintained further education establishments to act commercially. They are at present inhibited from undertaking work for industry and from fully ~~employing~~^{exploiting} their research ideas. The change proposed by Sir Keith Joseph is attractive, but there may be criticism from those who fear an extension of entrepreneurial competition from the public sector.

I will report the Committee's conclusions to you next week.

DB

20 March 1984



EFFICIENCY UNIT

70 WHITEHALL, LONDON SW1A 2AS

Enquiries : 01-233 8412

Direct line : 01-233

19 March 1984

*nbpm
Dmb
20/3*

a No

The Rt. Hon. Sir Keith Joseph Bt, MP
Secretary of State for Education and Science

Dear Keith,

UNIVERSITIES EFFICIENCY STUDIES

Thank you for sending me a copy of your letter of 15 March to Peter Rees.

I am concerned that the draft letter from Lord Flowers puts so much emphasis on excluding anything which touches on academic judgement (especially in the final paragraph on the first page). I do not mean that the study should interfere with the proper academic judgements of the Universities, but I do think that it is important that efficiency issues should not be excluded because they entail some minor academic judgement. Otherwise there is a real risk that, in practice, major opportunities for improving efficiency will be left untouched.

May I also raise an important point about my own involvement? I will certainly help as much as I can with the studies. But I must find the time from that already set aside for my role as the Prime Minister's adviser on efficiency. For this reason the main burden in connection with this work will have to fall on Ian Beesley. I know that you understand this and will bear it in mind. Hence, I am not asking that the proposed public announcement should be changed, but I should be grateful if you would ensure that it is also understood by Sir Alex Jarratt.

I am copying this to the Prime Minister, Peter Rees, and Sir Robert Armstrong.

Yours ever
ROBIN IBBS

EDUCATION: Expenditure Pt. 4

11 12 1
10 11 12
9 10 11
8 9 10
7 8 9
6 7 8
5 6 7
4 5 6
3 4 5
2 3 4
1 2 3

20 MAR 1984



file ecc

10 DOWNING STREET

From the Private Secretary

19 March 1984

Efficiency Study in the Universities

The Prime Minister has seen a copy of your Secretary of State's letter of 15 March to the Chief Secretary about setting up an efficiency study of the universities. Subject to the views of colleagues, the Prime Minister would be content for your Secretary of State to proceed on the lines set out in his letter. She has noted that Sir Robin Ibbs would be a member of the steering committee.

I am sending copies of this letter to John Gieve in the Chief Secretary's office, to Sir Robin Ibbs and to Richard Hatfield in Sir Robert Armstrong's office.

David Barclay

Miss Elizabeth Hodkinson
Department of Education and Science

HU



file ECL

10 DOWNING STREET

From the Private Secretary

19 March 1984

Dear Elizabeth,

Tenure in the Universities

The Prime Minister was grateful for your Secretary of State's minute of 12 March setting out his conclusions on the way forward on tenure in the universities. She has noted in particular his view that action should be taken only in respect of new contracts. Subject to the views of colleagues, the Prime Minister is content with the line proposed by your Secretary of State, and agrees that he should discuss his proposals with the Committee of Vice-Chancellors and Principals, on the basis that the Government would be prepared to legislate on this subject if necessary.

I am sending copies of this letter to the private secretaries to the recipients of your Secretary of State's minute.

Yours ever,

David

David Barclay

Miss Elizabeth Hodkinson
Department of Education and Science

ECL



FROM: CHIEF SECRETARY

DATE: 16 March 1984

pa
DMS
26/3

PRIME MINISTER

(2)
Prime Minister : To note.

MR

The Chief Secretary is content
with the Education
Secretary's proposals on
tenure.

TENURE IN UNIVERSITIES

DMS
19/3

I have seen Keith Joseph's minute to you of 12 March about the future of academic tenure in universities. I agree with him that further persuasion is likely to achieve little and that we should now consider legislation. I am content to accept his judgement on the form which legislation might take.

2. I see from the paper attached to the minute that extra financial provision might be needed to meet additional compensation payments. I would imagine that it is too early to say what this might amount to, and it would depend, in any case on what other efficiency savings the universities might identify in the forthcoming review. But as soon as a clear picture starts to emerge, I would be grateful if officials here could be consulted.

I am copying this letter to other members of H Committee, Sir Robert Armstrong and to First Parliamentary Counsel.

PR

PETER REES

PRIME MINISTERAcademic Tenure

The Education Secretary's minute of 12 March at flag A seeks colleagues approval for his proposals to phase out academic tenure in the universities. He concludes that the Government should act only in respect of new contracts - ending tenure for existing staff would be very expensive.

The Policy Unit agree with this (see note at flag B), but they point out that it could be at least 10 years before the bulk of the academic population are subject to the new rules.

Even though existing staff would not be affected, Sir Keith's proposals are bound to encounter considerable opposition from those with a vested interest in the maintenance of tenure.

Content, subject to colleagues, for the Education Secretary to discuss his proposals with the Committee of Vice-Chancellors and Principals, on the basis that the Government would be prepared to legislate on this subject if necessary?

Yes Sir.

Dub

16 March 1984



DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

The Rt Hon Peter Rees QC MP
 Chief Secretary
 Treasury
 Parliament Street
 London SW1P 3AG

15 March 1984

Dear Peter,

THE AUDIT COMMISSION - VALUE FOR MONEY

Thank you for your letter of 6 March.

will request if required

I too set considerable store by what the Audit Commission may be able to achieve. I know from discussion with its Chairman and Chief Executive that there is every intention that the messages from its value for money exercises will be pressed home hard.

The Commission's effectiveness will depend on it being seen to be independent of Government. Nevertheless, I have been pleased to hear of the various links, both formal and informal, which have been established between the Commission and the Department. These links include specific liaison arrangements between the Commission's staff and Her Majesty's Inspectorate, not so that the two bodies can operate together - for each has its own rather different job to do - but so that they can share their findings and perspectives. Both the Commission and HMI recognise, I think, that they can learn from each other and that an understanding by each of the other's findings can inform and illuminate their own work. In developing policy advice the Department needs to learn from both. It always has used HMI and is beginning to make use of the Commission's work.

The various Inspectorates have differing roles and responsibilities and, as you suggested, other colleagues may want to chip in from their own service standpoints. You will know from the policy statement "The work of HM Inspectorate in England and Wales", which Nick Edwards and I published in March last year, that the schools Inspectorate has a clear remit to look at value for money. HM Inspectors, though, come at that issue by a different route from the Audit Commission. They report on the standards that they find in class and lecture rooms and the value for money considerations arise from their findings directly or indirectly. In some cases they may be able, for example, to point clearly to underused resources (libraries for instance), or to say that a particular form or organisation

*cc: 100.
 Education: Policy: Re 2*

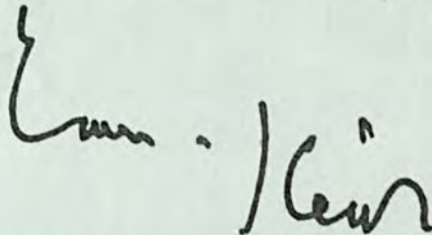
*nbpm
 Dms
 16/3*

in a school or college is relatively demanding of staff and other inputs to achieve a desired result, or to draw attention to differing standards between subject departments attributable in part to differential funding. The publication of HMI's reports which I started last January will help to ensure that these findings are given proper attention by those responsible.

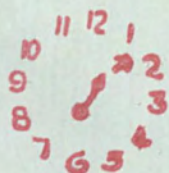
In other cases, however, the issues may not be so obvious - particularly if the school or college is not clear about its educational objectives. The policies which I set out in my speech to the North of England Education Conference in January should help on this front. Clearer objectives in schools will not only help lift educational standards but should also clarify some of the value for money considerations which institutions and local authorities have to decide. HMI has, of course, been much involved in advising me about these objectives.

Finally, let me turn to the question of how local authorities deploy their resources. Here there is a complex of issues: some which HMI can look at, some which are more clearly the territory of the Audit Commission and some which are political questions of policy priorities. HMI can help through their reports on education across the whole or part of a local education authority's area; for instance, the report on education in Inner London made clear that in many instances standards were low but that this was generally not for want of resources, and the report on Toxteth pointed dramatically to the failure of the Liverpool Authority to tackle the problem of falling rolls. (Copies of both these reports are enclosed.) The Inspectorate is now committed to producing about three "LEA reports" each year; some may identify scope for savings whilst other authorities will be shown to be running very tight ships. The Audit Commission's special studies, for instance on non-teaching costs, will also be important in this field. But in many authorities the biggest blocks of resources which could be freed for more profitable use depend on political decisions about cleaning and, particularly, school meals. Those who make savings in these areas can improve what is provided in the classrooms without increasing total spending. That to me is real value for money.

I am copying this letter to those who received yours.



10 MAY 1984





DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

Rt Hon Peter Rees QC MP
Chief Secretary
HM Treasury
Parliament Street
London SW1P 3AG

Prime Minister (2)

Sir Keith proposes to establish his efficiency study of the universities by means of the attached exchange of letters. Sir Robin Ibbes would be a member of the Steering Committee.
Content, subject to colleagues?

15 March 1984

Mr Peter

Yes
mt

DWB
16/3

EFFICIENCY STUDY IN THE UNIVERSITIES

You will recall that during our public expenditure discussions last year you suggested, and the Prime Minister agreed, that we should institute an efficiency study of the universities. I have since discussed this suggestion intensively with the Committee of Vice-Chancellors and Principals and have received a great deal of co-operation from them. What the Committee have proposed is that they should establish a steering committee to be responsible for the conduct of the study with an independent chairman and a significant number of outside members. As the Committee have recently announced, Sir Alex Jarratt has agreed to chair the committee and he and I are being consulted about the rest of the membership. The Government's interest on the committee would be represented by Sir Robin Ibbes (who would alternately be represented by Mr Beesley). Once established, the steering committee would be responsible for promoting studies in perhaps six or eight universities in the light of the known views of Ministers of the matters that required attention and of the guidance given to the committee by the Efficiency Unit. In each university the study, broadly following the Rayner model, would be led by members of the university, but would involve professional consultants where appropriate.

I propose to make up to £300,000 available to the CVCP to be used primarily for the employment of consultants for projects approved by the steering committee, but also for the administrative costs of the steering committee itself and, exceptionally, for some of the costs falling on participating universities if in the case of smaller universities the committee is satisfied that they cannot be expected to meet these costs themselves. The CVCP will account to me for the expenditure.

... Enclosed is a draft of a letter Lord Flowers, the Chairman of the CVCP, proposes to send to me in the course of next week, which will be published with my reply, ... also enclosed, if you and the other recipients of this letter are content with them. I should propose at the same time to answer an inspired Parliamentary Question.

The remit of the steering committee is necessarily general and its exclusion of matters of academic judgment is a necessary reassurance to sensitivities within the universities. It is important to recognise that the direct involvement of the Government in this exercise through the presence of the Efficiency Unit on the steering committee represents a significant breakthrough in our access on such matters, and I am grateful to Robin Ibbs for agreeing to take the job on. I am relying on that presence and on the independent chairman and members of the steering committee for the success of the enterprise. I should be reluctant at this stage to try to amend the draft letter from Lord Flowers, especially as I know that it has been agreed with Sir Alex Jarratt. But I should of course be prepared to raise any points that you or others felt were essential to your endorsement of the exercise.

Although the present draft sets out a suggested membership of the Committee I should stress that some of these outside names have not yet been approached and that I suspect that some of them may not be willing to serve. I shall be having further discussions with Lord Flowers about the composition of the committee and it may be that the final version of the letter will leave the membership for later announcement.

Lord Flowers has asked for reassurance that the universities will be allowed to keep the savings that are generated by the efficiency study. The provision for the universities in 1985-86 and 1986-87 in the latest Public Expenditure White Paper assumes an increased measure of efficiency in the universities which we hope the present exercise will help them to achieve. I am nevertheless anxious to give the universities an incentive and propose therefore an undertaking that the provisional indications of funding already given to the University Grants Committee for the years covered by the current Public Expenditure White Paper will not be reduced on account of any additional savings generated by the efficiency study. For the years beyond that period there cannot, of course, be any guarantee: but I would not want to leave the universities without an incentive to continue finding savings from increased efficiency.

I am copying this letter to the Prime Minister, Sir Robin Ibbs and Sir Robert Armstrong. I should be grateful for agreement to proceed on the lines proposed. I should like to make an announcement on 26 March at the latest to allow Sir Alex Jarratt's committee to start work next month. The CVCP's aim is that the whole exercise should be completed within a year.

Erin
Hein

EFFICIENT USE OF PUBLIC RESOURCES

Draft letter from the Chairman to the Secretary of State

I am writing to inform you of the progress that is being made in the matter of the efficiency studies in universities which we propose to conduct under the aegis of the Committee of Vice-Chancellors and Principals. As you know, we have had discussions not only with you and Mr Peter Brooke but also with the Chairman and officers of the University Grants Committee. These meetings have encouraged us to believe that you will look favourably upon our proposals.

I am delighted that Sir Alex Jarratt has accepted our invitation to be chairman of the steering committee responsible for the studies. With him we have considered the remit of the committee and in particular the extent of the studies. We propose that the function of the committee itself should be defined as:

To promote and co-ordinate, in consultation with the individual institutions which it will select, a series of efficiency studies of the management of the universities concerned and to consider and report to the Committee of Vice-Chancellors and Principals and the University Grants Committee on the results with such comments and recommendations as it considers appropriate; provided that the commissioned studies will not extend to issues of academic judgement nor be concerned with the academic and educational policies, practices or methods of the universities.

This remit seeks to give a broad definition of our approach. We have noted the comments which you and Mr Brooke and your officials have made during our discussions and we will make them available to the steering committee. In particular, we will ask them to consider both the scope for more devolved responsibility for budgets and the possibility of achieving greater integration in management information arrangements. Without attempting now an exhaustive list of what comprises management systems, methods and practices, it may be useful to list some of the relevant elements. These will include general financial management covering such matters as resource allocation procedures, management information systems and their adequacy to ensure efficient and economical use of resources; management of physical assets; and general support services. In some areas such as research contracts there are elements of administration and academic policy which the steering committee will distinguish. We consider it important to exclude decisions on academic policy including: priorities between disciplines; the balance of undergraduate and postgraduate teaching; levels of staffing and other resources allocated to teaching and research; and generally matters on which it is the responsibility of the UGC to advise you.

We envisage that the steering committee in inviting the individual universities to participate will seek to form a group of some five or six institutions representing a reasonable cross-section of the university system in terms of character, size and geographic location. In this regard, we have been encouraged by the ready indication to participate which has been displayed by universities. The specification for each study will be for the steering committee to determine with the institutions concerned and we envisage that they together will select the professional consultants and other advisers to undertake a survey. There must be the greatest possible involvement of the individual institutions in the conduct of the studies as there was for the Departments of State in the Rayner studies. On the same basis, therefore, the enquiries will be undertaken in partnership between university staff and the consultants.

It is our intention that the study reports should be submitted by the consultants to the individual universities concerned and subsequently to the steering committee. That committee will have the responsibility of considering whether each report satisfies the terms of reference and whether it requires further work in the particular area of enquiry. It will in due course submit the reports to the University Grants Committee with its own commentary drawing general conclusions from its work as a whole. The Chairman of the UGC expects that his Committee will wish to report itself on the exercise as a whole and that it will agree to make the general report and the individual reports available to you as Secretary of State. The UGC will be represented on the steering committee and will no doubt advise you during the exercise in accordance with the normal conventions.

After discussion with Sir Alex Jarratt, we are proposing to invite 11 other members to serve on the steering committee including the Chairman of the UGC. The names are as follows:

Mr J B Butterworth, Vice-Chancellor, University of Warwick

Sir Adrian Cadbury, Chairman Cadbury Schweppes

Professor F H Hinsley, University of Cambridge

Mr Christopher Hogg, Chairman Courtaulds

Sir Robin Ibbs, The Prime Minister's Adviser on Efficiency

Dr T L Johnston, Principal, Heriot-Watt University

Dr G Lockwood, Registrar and Secretary, University of Sussex

Professor P G Moore, Member of the UGC and
Principal-Designate of the London Business School

Sir Edwin Nixon, Chairman IBM UK Ltd

Professor M Richmond, Vice-Chancellor, University of Manchester

Sir Peter Swinnerton-Dyer, Chairman of the University Grants
Committee

Mr M A Baatz, formerly Registrar of the University of Leicester, will act as secretary.

The costs of the studies and the work of the steering committee are, we understand to be met by a special allocation from the Department of Education and Science. We shall wish to discuss with the UGC and with your officials the detailed arrangements in this regard.

We trust that these proposals are agreeable and look forward to your early observations. Our hope is that, as was the case with the earlier Rayner enquiries, the studies can be concentrated into a short period and that the findings can be available early in 1985.

T/zd5

9.3.84

DRAFT LETTER FROM THE SECRETARY OF STATE TO LORD FLOWERS

EFFICIENCY STUDY IN THE UNIVERSITIES

Thank you for your letter of 13 March.

I am grateful to you and to your Committee for the initiative you have taken in response to my wish that there should be an efficiency study in the universities. I endorse your proposals for the management of such a study and like you I welcome the fact that Sir Alex Jarratt has accepted your invitation to chair the steering committee that will be responsible for it. I look forward to our further discussions about the membership of the committee.

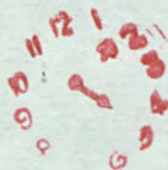
I welcome your intention that the steering committee should draw general lessons from these reviews and pass them to the UGC and to me. The application of what is learnt by universities not in the sample will be the final and crucial stage of the exercise. I agree that the remit to be given to the steering committee should be expressed only in the broad terms you propose: in considering the specific topics to be considered the committee will have available a wide variety of experience, including that of the Government's Efficiency Unit. I am happy too with the general approach to the study outlined in the rest of your letter and particularly welcome the emphasis on resource allocation procedures, including indicators about costs and performance.

On this basis I propose to make available for the study the sum of up to £300,000 to be used primarily for the employment of consultants, but also to provide for the servicing of the steering committee itself. In general I would expect participating universities to bear any costs involved in the involvement of their own staff in individual studies, but I am content for the steering committee to have discretion to help universities exceptionally if they judge that this is essential. Officials of the Department will be in touch with the Secretary General of the Committee about the detailed arrangements for payment and accounting.

Peter Brooke and I stand ready to be consulted at any time about the progress or conduct of the study if you or Sir Alex Jarratt feel that would be helpful.

We have agreed that you should release this correspondence to the press. I shall be arranging to make a simultaneous announcement to Parliament.

LD
11 5 MAR 1964





NBPM

AT
14/3

2 BP'S

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

14 March 1984

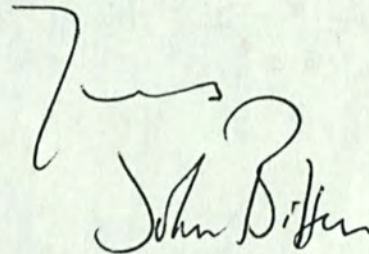
Dear Keith,

EDUCATION (GRANTS AND AWARDS) BILL

Thank you for your letter of 8 March in which you told me that you would want this Bill to come back to the Commons to reverse a new clause inserted by the Opposition in the House of Lords.

I quite understand the need for this and we shall try to complete all stages before the end of March, as you request. However I do not think that I can at this stage give you an absolute commitment. We shall do our best.

I am copying this letter to the Prime Minister, Willie Whitelaw, Nicholas Edwards, John Wakeham, Bertie Denham and David Swinton and also to Sir George Engle and Sir Robert Armstrong.

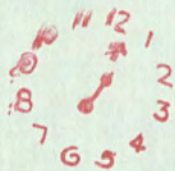
A handwritten signature in dark ink, appearing to read "John Biffen". The signature is written in a cursive style with a large initial "J".

JOHN BIFFEN

Sir Keith Joseph MP
Secretary of State
Department of Education and Science

educ policy Pt 4

4 MAR 1984



GF: B/H
for

MR BARCLAY

TENURE IN THE UNIVERSITIES

Keith Joseph wants to abolish tenure for all new university contracts, including those taken out by academics who are changing jobs. This does not mean that these university teachers would henceforth be on short-term contracts. It means, rather, that they would be subject to dismissal for reduced efficiency, redundancy, and 'financial exigency', and would be entitled only to normal rates of compensation. We believe that this is the correct course: new academics should be subject to dismissal like everyone else; but they should not be put onto short-term contracts, because this would leave them constantly at the mercy of the professoriate, and would threaten their freedom to challenge established ideas.

We also support Keith Joseph's suggestion that probationary periods should be extended. Experience in Cambridge, where it takes many years to become a fully fledged lecturer, shows that extended probation enables faculties to make better judgements about the quality of new academics.

Keith Joseph does not want to abolish tenure retrospectively: those in post would still be protected against dismissal for all reasons except gross misconduct. This may at first sight seem unsatisfactory, since it would take at least 10 years before the bulk of the academic population were subject to the new rules. But we believe that Keith Joseph is right: tenure is a kind of property; to abolish it retrospectively with compensation would undoubtedly cost several hundred million pounds; and to abolish it retrospectively without compensation would be a form of robbery. We understand that the Lord Chancellor is almost certain to support this view.

Oliver Letwin

OLIVER LETWIN

Policy Unit
14 March 1984

a x

PRIME MINISTER

TENURE IN THE UNIVERSITIES

I undertook to minute you when I had considered the question of the future of academic tenure in the universities. I am confining this minute to my conclusions and recommendations for action, but a background paper by officials is attached.

I have concluded:

- (a) that tenure as it applies in at least half the universities is undesirable because of the rigidities it creates and is not necessary for the protection of academic freedom provided that the grounds on which academics may be dismissed or made redundant are properly defined in their contracts;
- (b) that terms of employment in many other universities may well in practice have the same disadvantages;
- (c) that it would be too expensive to buy out the tenure of those who hold it at present, and an intolerable interference in existing contracts to override them retrospectively by legislation;
- (d) that the way forward is therefore to take action in respect of new contracts only;
- (e) that our objective should be to ensure that all universities have, in respect of all academics whose contracts were entered into after the specified date, the power to terminate their appointments (subject to appropriate procedures to protect academic freedom)
 - (i) for anything that would constitute fair dismissal under the Employment Protection (Consolidation) Act 1978,
 - (ii) for redundancy, defined by analogy with that Act, and
 - (iii) for compelling reasons of financial exigency (ie where a university simply cannot afford to employ all its staff, which may fall outside the statutory definition of redundancy),and that universities cannot waive their right to this power by the terms of the contracts they grant to individuals;
- (f) that the Government should also seek:
 - (i) to have clarified any statutes that may be at all unclear as regards tenure,

- (ii) to ensure that institutions have the power to dismiss for reduced efficiency that is short of scandal, where this may be in doubt, and
- Could be better put*
- (iii) to improve and extend the probationary arrangements for new appointees;
- (g) that in other respects a university's terms of employment should remain for them to determine in order to demonstrate that the changes we are making are in no sense intended to limit or attack academic freedom;
- (h) that the universities for various reasons either cannot or will not achieve the necessary changes without external compulsion, and that if we are to achieve change we must therefore either legislate as soon as the Parliamentary timetable will allow or make it clear that we shall be prepared to legislate if the universities do not agree to comply with our requirements within a specified period.

The courses of action I am considering are either to announce a decision to legislate and to consult on the content of the legislation, or to announce an intention to legislate unless the universities agree within a specified period to make the changes required of them within a further specified period. The danger of the latter course is that there could be a longish period of uncertainty and that some universities might hope to delay matters so that the whole process was interrupted at some stage by a General Election. Some Vice-Chancellors and some institutions will welcome external compulsion as the only way in which this matter can ever be resolved. Whether we should legislate quickly or allow a period of grace for compliance first are alternatives between which, after I have discussed the foregoing proposals with the CVCP, I shall offer you and colleagues a judgment. But in order to be able to embark on those talks at all I must be able to declare the Government's willingness to legislate.

As to the form of legislation, there are considerable attractions in being guided by precedent - in this case the precedents of the Universities of Oxford and Cambridge Acts of the nineteenth century and of 1923, all of which appointed Statutory Commissioners with power to amend the statutes of the Universities. This approach means that the legislation does not have to do the job itself, and that once the job is done the Act disappears from the Statute Book while the amended statutes of the universities remain in force subject to the usual procedure for their amendment (which requires the approval of the Privy Council, so that the universities cannot just change them back).

I am anxious to make progress on the question of tenure because uncertainty is widespread. Until the Government's position is clear it will be difficult to address many of the fundamental issues relating to the planning of higher education over the next decade. I should be glad to have your reactions and those of colleagues to this minute. Subject to those reactions I shall discuss the matter further with the CVCP and in the light of that bring detailed

proposals to colleagues.

I am sending copies of this minute to the members of H Committee,
to Sir Robert Armstrong and to First Parliamentary Counsel.

ky

12 March 1984

EDUCATION: Expenditure Pt 4

Paper by DES Officials

Introduction

The most important factor in the Government's decision to make £100m available for the compensation of staff leaving universities as a result of the cuts announced in the 1981 Public Expenditure White Paper was that many universities could only reduce the numbers of their academic staff by agreement. Because the staff had tenure* they could not be dismissed. Any attempted dismissal would have been contested in the courts and could have led to levels of compensation far in excess of those offered to voluntary leavers under the arrangements proposed by the Committee of Vice-Chancellors and Principals (CVCP) and endorsed with only limited amendment by the Government.

2. The financial crisis of the universities naturally focussed attention on the question of tenure. It seemed absurd that institutions almost wholly dependent on public funds should be able to commit the public purse by such inflexible conditions of employment. In September 1981 the CVCP decided to review the question. They took the view that the contractual rights of existing holders of academic posts were sacrosanct - there could be no retrospection - but that universities should consider modifying the terms on which new appointments were made:

- (a) to provide for a longer and more rigorous probation, and
- (b) to allow permanent appointments to be terminated for reasons of redundancy or financial exigency.

These proposals (Annex A) were sent to universities by the CVCP in February 1982 and commended by the Secretary of State for Education and Science in a Parliamentary answer in March (Annex B).

*In this note "tenure" is used to mean conditions of employment which provide for dismissal before retiring age only for "good cause", defined variously in different statutes, but broadly covering: failure or inability to perform the duties of the post; physical or mental incapacity; conviction for an offence; or conduct of an immoral, scandalous or disgraceful nature rendering the academic unfit to continue to hold office.

3. The CVCP has now reviewed progress since then, on the basis of confidential reports from Vice-Chancellors. What they have reported may be summarised as follows:

- (i) The 50 institutions that replied (ie very nearly all of them) have all taken Counsel's opinion on their tenure position.
- (ii) About half of them have been told that their staff do not have effective tenure. This view would in many cases be contested by the Association of University Teachers (AUT) and any attempt to dismiss staff would be fought to the House of Lords if necessary. There may therefore be little comfort here: such institutions will continue to shrink from the idea of imposed redundancy.
- (iii) The universities that have been told that their staff do have tenure have at least the incentive to think about their position for future appointments. They are said to be doing so but there is as yet little to show for it. One institution has agreed in principle to accept "financial exigency" as a reason for breaking tenure and to seek to amend its statutes accordingly. Another has allegedly got agreement to include redundancy provision in contracts of employment.
- (iv) Some institutions have not taken a decision of principle, but are in practice making significantly more fixed term appointments and several are making only fixed term appointments.
- (v) Little attention has been given to the CVCP's proposals on probation because of the concentration of attention on tenure.

4. None of this adds up to very much after two years, and it seems almost certain that the CVCP will be unable to deliver any more, even if some universities continue to struggle with the issue on their own. Ministers therefore need to consider afresh what their objectives are and how to pursue them.

Objectives

5. The prime objective is to ensure that the universities are able and willing

to manage themselves effectively in the interests of quality and efficiency, and to respond quickly and rationally:

- (a) to changes in the level of support from public funds, whether occasioned by a further squeeze on resources per student or by a reduction in student numbers because of the fall in the size of the 18-21 age group, and
- (b) to the needs of the economy for skilled manpower and for research.

6. To this end it is desirable to secure the removal of the protection which some academics enjoy against redundancy**. This alone, however, is not likely to achieve the objectives in para 5 above. Even if permanent employees are untenured, universities will need the resources to be able to dismiss them on reasonable terms (ie terms comparable to those offered elsewhere in the public sector, the nationalised industries and the private sector). To achieve the changes that may be needed between now and the mid-90s it is likely to be necessary to reintroduce some special centrally funded arrangements for compensation akin to those now coming to an end.

7. The definition of "good cause" in some universities' statutes may be insufficient to allow dismissal for incompetence or diminished competence. Any action Ministers decide to take in relation to tenure should include any appropriate amendment of the definition of "good cause" to ensure that universities were able to dismiss those who failed satisfactorily to carry out the duties of their office.

**"Redundancy" is used throughout this note to embrace both the definition given in section 81(2) of the Employment Protection (Consolidation) Act 1978 and, because that may be insufficient for university purposes, also the concept of dismissal for what the CVCP proposals call "compelling reasons of financial exigency". Redundancy as defined in the Act extends to dismissal because the employer ceases to carry on the business for which the employee was employed or because the requirements of the business for work of a particular kind diminish. This definition of redundancy may not cover the situation where a university can simply no longer afford to employ all its staff - particularly as academics are employed for research and scholarship as well as teaching, which makes the business analogy difficult to pursue. Any provision for dismissal in legislation, in university statutes or in individual contracts would therefore need to embrace the wider concept of "financial exigency" as well as the statutory definition of redundancy.

8. It is necessary to consider whether tenure can be denied only to new entrants to academic posts, or removed also from those who enjoy it at present. The latter would mean either:

- (i) buying tenure out at a price freely negotiated, or
- (ii) removing it by legislation by retrospective intervention in contracts of employment.

These possibilities may be argued at length, but it seems unlikely that the Government would be prepared either to find the money for (i) or to embark on the legislation necessary for (ii). They are not further considered here, and the rest of the paper assumes that only denial of tenure to new entrants to posts is being considered. If Ministers are not prepared to contemplate retrospective action for them to say so publicly as early as possible would help considerably to clear the air.

9. For universities to be able to manage themselves effectively in the interests of quality and efficiency some changes in probationary arrangements may also be desirable. Probation is in some ways less significant if tenure is to be limited, or if there is to be a greater will to develop and use the machinery for dismissal for incompetence, but there is nevertheless a prima facie case for proceeding on probation in its own right. The CVCP have proposed up to eight years' probation in the form of fixed term contracts of three and five years; the Chairman of the UGC has suggested that the necessary judgments can be made and action taken in five years (to include a year's notice). The latter seems more likely to command support. It should be noted that dismissal at the end of a probationary period still has to be "fair" unless the period is a fixed term contract with a statutory waiver.

10. The Government's objectives might be attacked on the grounds that tenure is necessary for the protection of academic freedom and that limiting it in the manner proposed could be used as a covert way of securing the dismissal of those holding unpopular views. It would be important therefore to stress that the Government accepted that arrangements would have to be introduced for the dismissal of staff to ensure that the cause of dismissal was bona fide.

Possibilities for action

11. The nature of the relationship between the Government and the universities is such that the possibilities for action are relatively few. They may be identified as follows:

(a) Legislation. This could take two forms:

- (i) Direct. Such legislation would lay down that notwithstanding the provisions of their charters or statutes or the terms of individual contracts of employment it should be lawful for universities to dismiss any academic for reasons of redundancy. The provision would apply only to contracts made or employment entered into after a specified date. Such legislation would not be popular and would be unlikely on its own to inspire universities to use their new powers.
- (ii) Indirect. Acting on the precedents of the Universities of Oxford and Cambridge Acts of the nineteenth century and of 1923, Statutory Commission(s) could be established with power to amend the statutes of the universities as necessary to achieve specified objectives. (The necessary powers to amend statutes could not be given to a Royal Commission.) The 1923 Act would provide a model in many respects, eg as to time limits and procedures, rights of appeal etc. The powers of the Commission(s) would not be retrospective and the rights of existing office holders would be guaranteed. Such an approach would allow the Commissioners to tackle each institution's statutes individually to achieve the necessary amendment or clarification: this approach might not create the same hostility as direct legislation, and some might welcome it as removing a stumbling block while sparing institutions much hurtful and destructive internal dispute.

Legislation would give universities the power to make staff redundant. It could not ensure that universities would or could use this power, given the nature of their internal decision-making processes.

(b) Action through grant. This could take a variety of forms, from the sledgehammer of the more or less gradual removal of grant from those who did not co-operate to a more narrowly focussed condition that grant could not be used for any new tenured appointment. There could be constitutional difficulties with the UGC. There would in any case be significant difficulties in policing any such condition and endless scope for confrontation and brinkmanship. Some institutions would be harder hit than others - a few would be able to make no new appointments at all unless Senate and Council agreed to change their statutes.

(c) Exhortation. Some Vice-Chancellors are reported to argue that universities have no incentive to do anything about tenure until the Government's immediate intentions are known. If the Government says that it is not seeking to remove tenure retrospectively (as is suggested in para 8 above) and does not intend to legislate, this might clear the air and thus create some hope of achieving sensible changes for new appointments by local negotiation, either by amending statutes or in the terms of individual contracts. The Secretary of State would make a statement to the effect that he intended to take no direct action on tenure, that he had no wish to interfere with existing contractual rights, but that he believed universities should themselves take action:

- (i) to remove protection against redundancy,
- (ii) to ensure that they were able to dismiss the incompetent after due process, where this power was in doubt (see para 7 above), and
- (iii) to improve their probationary arrangements,

amending as necessary in respect of new appointments either their statutes or the terms of the contracts they offer. (Even some universities that had been advised that they did not have tenure would be well advised to clarify the position for new appointments.) Because action would relate only to those newly appointed to academic posts, no existing rights would be at risk and there should in theory be no question of "buying out".

The AUT will argue that existing salary scales are low because of the degree of security afforded by tenure. If those who come after are not to have it, they should be more highly paid. At the same time they might shrink from the two-tier structure this would imply. The response is presumably that some universities do not offer tenure now and that the attraction of academic jobs on the new terms will have to be tested in the market. But the nature of negotiation might make it impossible to offer nothing.

What course to adopt?

12. Legislation would be effective in giving universities powers to act. Direct legislation is feasible, but unattractive and unlikely to command support. Legislation to appoint Statutory Commissioners is more easily defended by reference to precedent and the merits of the case.

13. Action through recurrent grant is possible but messy. It would be long drawn-out and difficult to police. The results would be unpredictable.

14. The course described as "exhortation" is least likely to be immediately effective to the narrow purpose, but would not preclude action later.

15. All this assumes that no retrospective action is contemplated.

16. No course would obviate the likely need for some further financial provision for restructuring through early retirements etc if universities are to contract further during the next decade or so.

Department of Education and Science
February 1984

Committee of Vice-Chancellors and Principals of the Universities of the United Kingdom

29 Tavistock Square London WC1H 9EZ Telephone 01-387 9231 Telex 8811492

Secretary General: G K Caston MA Executive Secretary: B H Taylor BSc (Econ)
Assistant Secretaries: D E Bennett MA K S Davies BA E Newcomb BA Miss B Crispin BSc (Econ)

T3/2/4
CIRC/82/11

16 February 1982

In reply please quote:

The present structure of the academic profession in the universities of the United Kingdom has remained virtually unchanged for some considerable time. One of its most characteristic features is that, on successful completion of an initial period of appointment, the appointee is confirmed in post up to the retirement age recognised by the institution. The career grade is that of Lecturer but in practice a significant number of academic staff are later promoted to the grade of Senior Lecturer or Reader.

The Vice-Chancellors' Committee has considered whether this structure continues to be appropriate for the proper performance of teaching and research within universities. The question is frequently raised in public debate on the funding and development of the university system. It has become particularly acute at the present time by the financial crisis in which the universities have been placed. Such difficulties are likely to recur and the universities would wish to be able to meet them with a better ordered response than is now possible. It is not easy to defend a structure which may bind a university to a legal commitment to continue an appointment to the normal age of retirement no matter how circumstances change.

The main concern of the Committee, in its discussions over the past months, has therefore been to draw up a series of proposals for consideration by every university in the context of the changing circumstances facing the system as a whole, and in the light of its own current contractual and statutory arrangements. I am now writing to send you the attached paper which the Committee, at its recent meeting, agreed should be put forward to universities for their consideration. In framing these proposals the Committee has been mindful of the autonomy of each individual university, which is free to make arrangements with its own staff as it wishes in accordance with its own Charter and statutes, and subject where appropriate to the provisions of national agreements on salaries and superannuation.

The aim of these proposals has, in the first place, been to continue to provide as secure and rewarding a career for the staff of universities as may be found in other occupations financed from public funds. It is recognised nevertheless that the universities cannot automatically be immune from cuts in public expenditure, nor can they be seen to provide

/greater..

greater security for their employees than is afforded in the rest of the public service except to the extent that their duties as scholars to be free to study, teach and publish so require. As their second aim the proposals therefore also specify as precisely as possible those circumstances in which a university may legally terminate an appointment. In the view of the Committee this part of the proposals (contained in section 3 of the attached paper) assumes particular importance and urgency in the present circumstances.

The responsibility for decisions as to whether and how to promote any or all of the changes suggested rests with each university, and each will no doubt take its own legal and other advice. (The Committee has not taken legal advice.) Generally speaking, changes can only apply to new contracts of appointment. If changes in statutes are required, the appropriate procedure will of course have to be followed, including where appropriate approval by the Privy Council.

Yours sincerely

GEOFFREY CASTON
Secretary General

Committee of Vice-Chancellors and Principals

STRUCTURE OF THE ACADEMIC PROFESSION IN THE UNIVERSITIES OF THE U.K.

Proposals for consideration by individual universities

The proposals deal with three issues:

1. the duties and responsibilities of academic staff.
2. the characteristics of two complementary types of appointment that might be contemplated for the future. The first, for purposes of illustration is designated an "unestablished appointment". It is for a fixed period or periods and is intended normally for new entrants to the academic profession. The second is designated an "established appointment". It is intended as an appointment to a career grade, normally to the retirement age of the staff of the university.
3. the conditions under which appointments might be terminated.

1. Duties and responsibilities governing all academic staff

Appointment to, and continuation in, any academic post of the university is on the condition that the person appointed, to the satisfaction of the university:

- (i) undertakes such teaching as the designated university authorities may prescribe;
- (ii) engages in research and scholarship;
- (iii) carries out such examining and other duties as the designated university authorities may prescribe.

2. Nature of appointments to an academic post in the university

There would be two types of appointment to academic posts in the university:

- (a) Appointments on a fixed-term basis for a total period not exceeding eight years ("unestablished"), but determinable by notice on either side during that period, and
- (b) appointments normally to retirement age ("established") but subject to termination for reasons of "good cause" or for failure to perform satisfactorily the duties of the appointment or for redundancy or compelling reasons of financial exigency.

(a) "Unestablished post"

Initial appointment to an academic post for a new entrant to the profession would normally be for a fixed-term period of three years. Provided the duties prescribed under 1. above are satisfactorily fulfilled, the university may, in writing, not less than three months before the expiration of the contract, give notice of its willingness to consider making an offer of a further appointment for a fixed-term period not exceeding five years.

/The...

DEPARTMENT OF EDUCATION and SCIENCE

Elizabeth House York Road London SE1 7PH

Telephone 01-928 9222

PRESS NOTICE

68/82

23 MARCH 1982

CVCP PROPOSALS RECOGNISE NEED FOR FLEXIBILITY

Education Secretary Sir Keith Joseph welcomed proposals from the Committee of Vice-Chancellors and Principals to reshape the present basis of academic appointments in universities in the House of Commons today.

In a written answer to a Question from Mr K Harvey Proctor, MP for Basildon, who asked if the Secretary of State had seen the CVCP proposals and if he would make a statement, Sir Keith replied:

"I have seen the proposals of the Committee of Vice-Chancellors and Principals for the structure of the academic profession in the universities. The CVCP have, very responsibly, recognised that institutions that are significantly dependent on the annual voting of public funds by Parliament for their support must be able to respond flexibly to changes in the level of that support and that it is inconsistent with this need for flexibility that academic and related staff should be appointed until retirement age on terms which protect them against dismissal for reasons of redundancy or financial exigency.

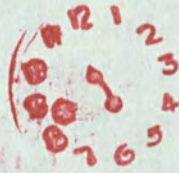
"I welcome the CVCP's initiative in putting forward proposals designed to achieve the necessary flexibility without inhibiting academic freedom in teaching and research. These proposals are now for individual universities to consider. I hope that this consideration will lead them to bring forward in due course, where necessary, proposals for appropriate amendments to their charters and statutes. I hope also that from now on, in making appointments of new academic staff, they will do so as far as possible consistently with the long term arrangements which they propose to adopt

NOTE FOR EDITORS

The Committee of Vice-Chancellors and Principals proposals for the structure of the academic profession were sent to universities by the CVCP on 16 February.

EDUCATION: Expenditure Pt 4

2 MAR 1984





DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

8 March 1984

Dear Sir,

EDUCATION (GRANTS AND AWARDS BILL)

During the Report Stage of the Education (Grants and Awards) Bill on Monday the Opposition parties carried against us by a majority of nine in a thin House a new clause which would make it impossible for any education support grants paid to local education authorities to be used in support of expenditure in grammar schools. None of our supporters voted for the amendment.

I need hardly say that this new clause, which is identical to one that was rejected by a majority of 86 during the Report Stage in the Commons, is not acceptable. I understand that it would be contrary to the conventions of the House of Lords for the Government to attempt to remove this new clause when the Bill has its third reading in the Lords on Tuesday 13 March. The Bill will therefore have to go back to the Commons for the new clause to be deleted and then back to the Lords again. No other amendments have been made to the Bill in the Lords and we will be resisting any amendments tabled at third reading.

I very much hope that the final stages in both Houses can be completed before the end of March so that we can begin the necessary statutory consultations with the local authority associations without delay. This being so, we shall complete the consultations in time for regulations subject to the affirmative resolution procedure to be debated in both Houses and made well before the Summer Recess.

/I am copying

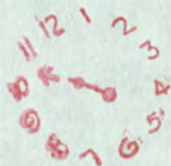
The Rt Hon John Biffen MP
 Lord Privy Seal and Leader of the House
 68 Whitehall
 London SW1A 2AT

I am copying this letter to the Prime Minister, Willie Whitelaw, Nicholas Edwards, John Wakeham, Bertie Denham and David Swinton who has been in charge of the Bill in the Lords.

Ken

Ken

8 MAR 1964



PRIME MINISTER

Mr Prime Minister (2)

AT 23/2

#3
You were justifiably aggrieved that a letter you had signed during the election to the AUT has since been quoted against you and against the Government for the sentence it contains that 'the period of contraction is now nearing the end' and that our intention was to hold university spending 'steady in real terms after 1984/1985'.

You were certainly entitled to assume that the letter had been carefully considered before being put to you for signature.

It did reflect our then intention - as we had often articulated it, but it could have been drafted more cautiously.

It was not drafted by the DES. It was drafted by William Waldegrave and Oliver Letwin for my scrutiny and it was approved by me.

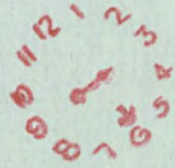
I thought that I should clear up where the responsibility lay. I am sorry that I did not ensure that cautionary words were included.

KJ

23 February 1984

Education: Policy Pt 4.

23 JAN 1984





pa
DMS
27/2

C/BT
(not white)
Paper

Treasury Chambers, Parliament Street, SW1P 3AG

D Barclay Esq
Private Secretary
10 Downing Street
Whitehall

21 February 1984

- 1) Mr Fletcher
- 2) Prime Minister ⁽²⁾

To note. The Report will criticise the Scottish Education Department for their "casual approach" to the sale of Hamilton College. The Opposition will probably try to use this to attack the Government on "education cuts" in general, and teacher training in particular.

Dear David

PAC NINTH REPORT - HAMILTON COLLEGE

The Financial Secretary thought you might like to be aware of a PAC Report on the Disposal of Hamilton College which is to be published tomorrow, Wednesday 22 February. There is considerable political concern in Scotland about the sale and this is likely to surface again with the appearance of the Report.

I attach (top copy only) an advance copy of the Report which is of course confidential until published at 12.00 on Wednesday 22 February and a copy of an internal submission to the Financial Secretary which sets the background to this.

yours sincerely

FPBogan

MISS F P BOGAN

FROM: C H A JUDD

DATE: 20 February 1984

FINANCIAL SECRETARY

cc Principal Private Secretary
PS/Chief Secretary
PS/Economic Secretary
PS/Minister of State
Sir P Middleton
Mr Bailey
Mr Anson
Miss Kelley
Mr Pestell
Mr M A Hall

Please do
✓

PAC NINTH REPORT: HAMILTON COLLEGE

The PAC plans to publish its 9th Report, 1983-84 on the sale of Hamilton College of Education on 22 February at Noon. You should receive your advance copy this afternoon. We will circulate other CFR copies in the usual way.

2. The PAC Chairman is holding a Press Conference to publicise the report. As you have already noted the report deals with a serious matter and care will need to be taken with the Government response. HE will be reporting to you on the proposed response in due course.
3. The substance of the report is strong criticism of the Scottish Education Department for failing to pursue the procedures the Scottish Office designed to maximise the selling price of property being sold effectively on behalf of the Exchequer. In the Treasury's view the procedural stricture on SED is deserved. At the same time it must be said that we have seen no evidence that better bids would have been forthcoming if the proper procedures had been observed.
4. The PAC urges the Scottish Office to reissue and clarify the procedures. The Treasury is urged to consider issuing appropriate instructions to all departments in England and Wales.
5. The relevant advice given to Scottish departments followed the recommendations of the Halliday Committee (1980) which was asked to examine the procedures for disposing of publicly-owned property following substantial profits obtained by developers from purchasing a former hospital site. We now discover that DOE (as the responsible department) agreed in 1981 to notify departments more widely about the lessons to be learnt from the Halliday Report. But it seems that this was never done. That will certainly have to be chased up.
6. As you will be aware there is some considerable political concern in Scotland about the sale and the circumstances which led to it.

This is likely to surface again when the report is published. There was also an attempt by one of the Opposition front bench spokesmen on Scottish affairs (Mr O'Neill) during Scottish Ministers' questions in the House last Wednesday (15 February) to attack the sale programme of the Forestry Commission (which was itself the subject of PAC questioning last Monday) by reference to Scottish Office's handling of this Hamilton College sale.

7. In the circumstances you may think it prudent to alert No.10 to the appearance of this report on Wednesday.

conf

C H A JUDD



10 DOWNING STREET

From the Private Secretary

Prime Minister ①

Stung by your dismissal of their earlier proposals on school closures, the Policy Unit have produced the attached. I doubt if you need study all the annexes though Annex B is interesting as it shows how the LEA could save money while keeping an extra village school open (partly transport costs, and partly mobilizing finance from parents).

But the annexes demonstrate that Policy Unit has done its homework

Agree they deserve chance to discuss with DES?

AT

27/11

SECRET

27 January 1984
Policy Unit

PRIME MINISTER

PRIVATE MONEY AND PARENTAL CHOICE

Keith Joseph's new proposals to increase the number and power of parent-governors are excellent. But we can increase parental power and choice further by providing a middle way between maintained and independent education in which parents pay the school directly for part of the cost. They would then gain more responsibility and more influence over the quality of their children's education.

Two ways of widening choice are the Assisted Places Scheme and Vouchers. But Assisted Places help only bright children, and Vouchers were abandoned last year after long debate. To find a genuine via media we need some version of the "grant-aided" principle, under which the state partially subsidises schools, and leaves them to raise the rest of their funds by charging modest fees, related to parents' capacity to pay.

We present three schemes for consideration, which Oliver Letwin has prepared with help from Stuart Sexton:

- (1) a proposal for new direct-grant technical schools;
- (2) a proposal enabling existing county schools to transfer from maintained to grant-aided status; and
- (3) a proposal to allow parents of children in a school under threat of closure access to limited grant to keep the school open. (In response to your earlier criticism of this idea, we provide - in Annex B - evidence to show that this scheme would not cost more than closures.)

(1) Direct-Grant Technical Schools

Under Section 100(1)(b) of the 1944 Education Act, the Secretary of State has the power to "pay grants in respect of expenditure incurred or to be incurred for the purposes of educational services". This power could be used to establish one or more new direct-grant technical schools, without any need for further primary legislation.

These schools would be managed by independent charitable trusts, with governor-trustees. The governors would appoint the staff, have financial responsibility, and run the schools. A proportion of governors should be elected by parents, and the remainder would be appointed by the body founding the school.

SECRET

Having set a maximum number of pupils for each school, the Government would make a per capita grant. The rate of grant would be fixed at half the cost of providing a pupil with technical education under the TVEI. The schools would find the bulk of their remaining funds from fees and donations. The Government could add a subsidiary grant to give low-income parents some fee remission. There could be a sliding scale; at the bottom end, parents with incomes below £6,000 might pay only £300 p.a. of fees or even less. No child should receive an entirely free education.

The schools would select pupils according to their ability to benefit from technical education. It would be traditional to fix the age of selection at 11. But it might be politically astute to select instead at 14, since this would enable us to describe the scheme as an extension of the TVEI; it would also be easier to determine a child's suitability for technical education at this age.

The cost of creating such schools would be an addition to public expenditure as, in the short-term, LEAs would not be able to make matching savings. To keep the additional expenditure very low, it would be necessary to restrict the scheme to a few model establishments, which might serve as showpieces of technical education. David Young has suggested that one obvious location for such a model school would be London. Applications from LEAs wishing to participate in the TVEI have now been received by the MSC. The ILEA is one of the few LEAs to have made no application. The Government could announce that Londoners should not be left out, and that it proposed to reopen the direct-grant list. Applications from new or established charitable bodies wishing to set up a new technical school in inner London would be invited.

Setting up such a school might involve public capital expenditure up to a maximum of £7 million. (This capital cost would have to be written off, though the Government would retain ownership of the assets.) The Exchequer would have to find a further £1 million in running expenses once the school was fully established. A parent whose income exceeded £10,000 might expect to pay about £900 p.a. in fees. The capital cost could be lowered substantially if (a) the specification of building and equipment was less lavish and the land given free from public land banks; or (b) if an existing school subject to closure was adapted. (A table of the likely costs and revenues is given in Annex A.)

(2) Transfers from Maintained to Grant-Aided Status

If the direct-grant list were reopened, it could be used for other purposes besides setting up technical schools.

The most radical option would be to offer grant-aid to any foundation wishing to set up an academically respectable school. But this would involve subsidising new independent schools that would have been created in any case, and also existing independent schools which could "abolish themselves" and reopen with a grant. This would lead to needlessly increased public expenditure. As our aim is not to subsidise independent schools, we should not pursue this option. But we could open the direct-grant list for those schools that are at present maintained. (To avoid difficulties with the Churches, it might be prudent to restrict the opportunity still further, allowing only county schools to join the list.)

In some places, such as Liverpool, the parents at a given school may almost unanimously agree that the policies of the LEA are disastrous, and may well be willing to pay fees in exchange for greater freedom of action. At present, these views are unlikely to be reflected by the governing body, since the governors of county schools are generally the creatures of the LEAs. Keith Joseph's new proposals will change this: a majority of the governors will be chosen by the parents.

Under this new regime, it would be practicable to give the governing bodies of county schools the right to apply to the Secretary of State for transfer to the direct-grant list. Before approving any such transfer, the Secretary of State would have to take into account:

1. Objections from the LEA.
2. Objections from parents at the school.
3. The likelihood that the governors could manage the school properly once the umbrella of the LEA was removed.
4. The effect on public expenditure.

Since such a transfer would cause the school to start charging fees, where none had been charged before, some parents might feel that they were being robbed. They would, of course, have the right to move to other local county schools; but they might nevertheless strenuously

object, as they do when closures are proposed. To minimise such problems, it might be wise to stipulate that no transfer to direct-grant status should be permitted if more than 5 per cent of the parents at the school objected in writing.

Where a transfer was approved, the school's position would be roughly the same as that of a direct-grant technical school. The governors would be reconstituted as trustees of an independent charitable trust who would appoint staff, take financial responsibility, and in every way run the school. The LEA would have to lease the buildings to the governing body at a peppercorn rent. The Government would make a per capita basic grant to the school, fixed at half of the national average cost for pupils of the relevant age; and this would be supplemented by a fee-remission grant for poor parents, arranged on a sliding scale, as in the case of the technical schools.

The position would be different from that of the technical schools in three ways:

1. Legislation would be required, setting out the Government's relation to the LEA in the case of a transfer.
2. Instead of increasing public expenditure, the scheme would certainly contain, and might possibly reduce it. (The Secretary of State would not approve a transfer unless he was satisfied that (i) the grant paid would be less than the funds provided by the LEA for the school; and (ii) the LEA would reduce its expenditure sufficiently to offset at least the net increase in Exchequer funding.)
3. The likelihood of some parents objecting, and of the transfer being baulked, would be very high: this option is therefore, in our view, much less likely to work than the direct-grant technical school.

(3) School Closures

When a school is scheduled for closure, particularly in a village community, many parents would like to find a way of preserving it. The Secretary of State has the power to accept or reject any LEA proposal to close a school. He could therefore make such approval conditional upon the LEA's willingness to grant-aid the school, if parents wished to reopen it as a charitable trust.

We should ensure that this saved as much or more money than closure, by inserting the further condition that the Secretary of State would disallow any grant-aid where either the DES or the LEA could show that it would cost more than closure.

Where the LEA did offer grant-aid and this offer was taken up by the parents, the position of the school would be in most respects the same as that of non-technical direct-grant schools: the same status as a charitable trust, the same gubernatorial control of staff and educational policy, the same leasing of the school buildings from the LEA at a peppercorn rent, and the same need for primary legislation. The differences would be that:

1. The basic grant and supplementary fee-remission grant would come from the LEA, rather than the Government.
2. The Secretary of State would not have to worry about objections from parents since the scheme would be offering relief from closure, and would therefore constitute a pure gain for the parents - an offer that they could take or leave.
3. The basic grant paid would be fixed not at half the national average cost, but at half of the average cost of educating a pupil in the area covered by the LEA.
4. The school could be allowed to set its own fees, subject only to the approval of the Secretary of State.

I attach, in Annex B, examples which show that schools of this sort could both be viable for the parents and as cheap as closure for the LEA.

The examples overstate likely costs and understate likely revenues, and have been checked with DES officials and by the more numerate members of the Policy Unit.

The political advantages of a scheme of this sort are obvious: parents, particularly in rural areas, would be offered a way of avoiding school closures by taking a significant proportion of the cost of the school upon themselves. There is a reservoir of goodwill and willingness to volunteer and help in our village communities that should be tapped, and that could result in both financial economies and better education.

We recommend that these three options be sent to the DES to further the policy of finding private money and a middle way of educational change. Schemes (1) and (3) are strong contenders. Scheme (2) may be more problematic, as the hurdles parents would have to leap to succeed could be too high.

John Redwood

DIRECT GRANT TECHNICAL SCHOOL: COSTS AND REVENUES

The Tables below set out the likely costs of establishing a direct grant technical school, and show how these costs might be met from grants and fees. The amounts given here are necessarily more speculative than they would be in the case of a non-technical school, since we have had only limited experience with technical education in recent years.

Table I is based on the assumption that all places in the school are taken up, and that parental incomes are distributed roughly as we have found them to be when operating the Assisted Places Scheme.

Table II is based on the pessimistic assumption that 20 per cent of the school places are not taken up, that all those who fail to take up places have well-off parents, (leaving the school with large numbers of parents entitled to fee-remission), and that the pupil/teacher ratio is only 15:1.

As the Tables show, the school would be comfortably viable after the first year of operation, and would need only modest increases in grant in the first year.

DIRECT GRANT TECHNICAL SCHOOL: COSTS AND REVENUESTABLE I: Assuming full take-up of places and expected distribution of parental incomes1. Costs

	No. of Places	No. of Pupils	No. of Teachers	Cost of Teachers ⁽¹⁾ £	Non-Teaching Salaries ⁽²⁾ £	Other Running Costs £	Total Running Costs £	Capital Costs (Purchase of Bldg, + Equipment) ⁽³⁾ £		
								Lavish	Economy	Refurbishment
Yr.1								[5,000,000	4,000,000	3,000,000]
Yr.2	1,000	250	15	200,000	55,000	200,000	455,000	[500,000	250,000	187,500]
Yr.3	1,000	500	25	300,000	55,000	350,000	705,000	[500,000	250,000	187,500]
Yr.4	1,000	750	40	480,000	100,000	500,000	1,080,000	[500,000	250,000	187,500]
Yr.5	1,000	1,000	50	600,000	100,000	650,000	1,350,000	[500,000	250,000	187,500]

2. Revenues

	No. of Places	No. of Pupils	Basic Grant per capita ⁽⁴⁾ £	Total Basic Grant £	Fee Remission Grant ⁽⁵⁾ £	Total Exchequer Grant £	Full Fee Charged £	Fee at £8,000 £	Fee at £6,000 £	Total Fee Income £	Total Revenue £	Surplus/Deficit on Running Costs £
Yr.1												
Yr.2	1,000	250	850	212,500	37,500	250,000	900	600	300	180,000	430,000	(25,000)
Yr.3	1,000	500	850	425,000	75,000	500,000	900	600	300	360,000	860,000	155,000
Yr.4	1,000	750	850	637,500	112,500	750,000	900	600	300	540,000	1,290,000	210,000
Yr.5	1,000	1,000	850	850,000	150,000	1,000,000	900	600	300	720,000	1,720,000	370,000

(See explanatory notes overleaf)

NOTES TO TABLE I

- (1) This assumes that the average teacher costs £12,000, but that the senior teachers are recruited in the first years.
- (2) The figure for non-teaching salaries assumes: (i) in the first 2 years, 3 cleaners @ £5,000 each plus 4 technicians @ £10,000 each; and (ii) in the next 2 years, 3 cleaners @ £5,000 each plus 8 technicians @ £10,500 each.
- (3) We estimate that each pupil will need 55 sq.ft. of space (40 sq.ft. for teacher, 7.5 for dining, staff rooms etc, and 7.5 for assembly hall etc). This estimate is based on figures from a major public school in the London area which does not make a habit of overcrowding its classrooms.

The cost of a site in a residential area of London should be roughly £100,000. (For a school of 55,000 sq.ft. on five floors, we would need 11,000 sq.ft. and another 10,000 sq.ft. for the grounds - amounting to 21,000 sq.ft., or half an acre - and land in residential areas of central London costs about £200,000 per acre.)

We are told that the building itself would cost c.£3 million. This includes the cost of architects, engineer, quantity surveyors and interest charges. (Costs of refurbishing an old building are typically 20% to 30% lower.)

The total cost of land and buildings should therefore be c.£3.1 million. To this, we might add something under £2 million for initial technical equipment - a generous allowance by any standards. And we assume that a further £0.5 million will be spent each year on additional equipment, as the number of pupils rises.

We estimate that a school on somewhat less lavish lines could be constructed as follows:

Site + Building	£3.0 million
Initial Equipment	£1.0 million
Additional Equipment	£1.0 million
	<hr/>
Total	<u>£5.0 million</u>

and we believe that a school could be constructed by refurbishing existing property outside the expensive part of central London at something like the following costs:

Site + Building	£2.5 million
Initial Equipment	£0.5 million
Additional Equipment	£0.75 million
	<hr/>
Total	<u>£3.75 million</u>

- (4) The basic grant per capita = 50% of the average cost of TVEI. (The average full recoupment cost for normal 14-18 education is c.£1,200 per pupil; the TVEI costs an average of £500 more than this.)
- (5) The sum allocated for fee remission grant assumes that 20% of parents earn £8,000, for each of whom the school receives an additional grant of £250; and that a further 20% earn £6,000, for each of whom the school receives an additional £500. (These assumptions are based on our experience of the Assisted Places Scheme.)

DIRECT GRANT TECHNICAL SCHOOL: COSTS AND REVENUES

TABLE II: Assuming only 80% take-up of places, a high proportion of poorer parents, and pupil/teacher ratio of 15:1 (1)1. Costs

	No. of Places	No. of Pupils ⁽²⁾	No. of Teachers ⁽³⁾	Cost of Teachers £	Non-Teaching Salaries £	Other Running Costs ⁽⁴⁾ £	Total Running Costs £	Capital Costs (Purchase of Bldg, + Equipment) £		
								Lavish	Economy	Refurbishment
Yr.1								[5,000,000	4,000,000	3,000,000]
Yr.2	1,000	200	13	180,000	55,000	150,000	385,000	[500,000	250,000	187,500]
Yr.3	1,000	400	26	312,000	55,000	300,000	667,000	[500,000	250,000	187,500]
Yr.4	1,000	600	40	480,000	100,000	400,000	980,000	[500,000	250,000	187,500]
Yr.5	1,000	800	53	636,000	100,000	500,000	1,236,000	[500,000	250,000	187,500]

2. Revenues

	No. of Places	No. of Pupils	Basic Grant per capita £	Total Basic Grant £	Fee Remission Grant (5) £	Total Exchequer Grant £	Full Fee Charged £	Fee at £8,000 £	Fee at £6,000 £	Total Fee Income ⁽⁶⁾ £	Total Revenue £	Running Surplus (or Deficit) £
Yr.1												
Yr.2	1,000	200	850	170,000	37,500	207,500	900	600	300	135,000	342,500	(42,500)
Yr.3	1,000	400	850	340,000	75,000	415,000	900	600	300	270,000	685,000	18,000
Yr.4	1,000	600	850	510,000	112,000	622,500	900	600	300	405,000	1,027,500	47,500
Yr.5	1,000	800	850	680,000	150,000	830,000	900	600	300	540,000	1,370,000	134,000

(See explanatory notes overleaf)

NOTES TO TABLE II

- (1) All other assumptions are as in Table I, except where stated otherwise.
- (2) Number of pupils is reduced by 20%.
- (3) Pupil/teacher ratio is c.15:1.
- (4) These costs are considerably reduced, since the smaller number of pupils will use less electricity, spare parts, materials, etc.
- (5) The Fee Remission Grant remains as in Table I, because the number of poor pupils remains as high.
- (6) Total fees are considerably reduced because (i) the number of pupils has decreased; and (ii) the proportion of pupils paying reduced fees has increased.

COMPARISON OF SAVINGS FROM SCHOOL CLOSURES AND GRANT-AID

Area X: Country District with 4 Primary Schools

Present situation: As a result of falling rolls, the district's 4 primary schools have, between them, 250 surplus places; the average cost of educating a pupil in this area has consequently risen to £814 p.a., compared with an average cost of £700 p.a. in the LEA as a whole. The position is:

Table with 8 columns: School, No. of Pupils, No. of Teachers, Pupil: Teacher Ratio, No. of Places, No. of Surplus Places, Cost per Pupil (£), Total cost (£). Rows A, B, C, D, and a total row.

LEA proposal: The LEA is alarmed by the number of surplus places, and believes that small village schools are educationally damaging. It therefore proposes to close schools C and D, which have a small number of pupils, large numbers of surplus places, and high unit costs. The proposal is to move the 25 children in school C to school A, and the 25 in school D to school B. The two part-time teachers in C and D are to be made redundant; the full-timers are to be transferred to A and B respectively: this minimises redundancy costs, which can in any case be set against receipts from sale or lease of the redundant premises. The result of the move is to eliminate 150 surplus places and to reduce average unit costs by £41 p.a. There are, however, considerable additional transport costs - another 25p per child per day: this amounts to £50.00 per child per school year, or a total extra cost for the 50 displaced children of £2,500p.a. The total saving brought about by the closures is therefore only £15,500 p.a. The LEA's costs will be:

Table with 9 columns: School, No. of Pupils, No. of Teachers, Pupil: Teacher Ratio, No. of Places, No. of Surplus Places, Cost per Pupil (£), Additional Tspt. Costs (£), Total Cost (£). Rows A, B, C, D, and a total row.

Grant-aided option:

School D is not particularly popular; most parents do not object to closure. But 20 of the parents at C do like their school, and are happy to pay something to keep it open. Ten of the parents from D decide to join them. Under the new grant-aided scheme, they could set up as an independent trust, and receive half the LEA's average cost per child as a basic grant, together with a fee-remission grant for poor children, and lease of the buildings at a peppercorn rent. But the LEA is not obliged, or indeed allowed, to offer this grant unless it is clear that the savings will at least equal those accruing from closure.

In the present case, the LEA's average cost per child is £700; the basic grant is therefore fixed at £350 per child. To this must be added a fee-remission grant of, say, £100 per child for the 5 children whose parents have incomes of between £10,000 and £8,000, and £200 per child for those 5 whose parents have incomes below £8,000. [These figures are based upon reasonable assumptions about the level of parental income, which are derived from our experience of the Assisted Places Scheme.] The LEA also loses unit savings from failing to fill some surplus places in A and B. But there are compensating savings on transport. The LEA would, in the short term, lose from its failure to lease or sell C's premises at commercial rates; but it would retain title to the assets. And the LEA would gain from the absence of redundancy payments, due to C's remaining open. It should also be remembered that the continued existence of school C under the scheme covers the LEA should there be any further expansion of the village in future years.

The LEA's running costs might be as follows:

School	No. of Pupils	No. of Teachers	Pupil: Teacher Ratio	No. of Places	No. of Surplus Places	Cost to LEA per Pupil (£)	Additional Tspt. Costs (£)	Total Cost (£)
A	255	12	21:1	300	45	725	250 (4)	185,125
B	165	8	21:1	200	35	850	750 (4)	141,000
C	30 (1)	2 (2)	15:1	100	70	400 (3)		12,000
D	—	—	—	—	—	—	—	—
	450	22	Av. 20.5:1	600	150	Av. 749	1,000	338,125

Notes:

- (1) = 20 from C + 10 from D.
- (2) = 1 full-time from C + 1 part-time from C + 1 part-time from D.
- (3) = £350 per child basic grant + £50 average of remission grant spread over 30 pupils. (The remission grant figure assumes that 5 parents have incomes of £8,000 and qualify for £100 remission; while 5 have incomes of £6,000 or below, and qualify for £200 remission.)
- (4) = £50.00 per child for 5 remaining children from C, going to A; and for 15 remaining children from D, going to B.

As the table shows, the total cost to the LEA of the district's schools will be £12,500 less under the grant-aided scheme than under the closure scheme.

But will the new grant-aided school be financially viable? Its annual costs might be:

	£
1 full-time teacher (salary and employment costs)	10,000
2 half-time teachers	10,000
1 half-time caretaker	3,000
Heat, lights, repairs, books, equipment	5,000
	<u>£28,000</u>

The receipts might be:

Basic grant from LEA, @ £350 per capita	10,500
Fee remission grant for 10 poor people @ £100 for those with incomes bet. £6,000 & £10,000 and £200 for those with incomes under £6,000	1,500
Fees of £700 from 20 pupils whose parents have over £10,000 p.a.	14,000
Fees of £500 from 5 pupils whose parents have £8,000 p.a.	2,500
Fees of £300 from 5 pupils whose parents have under £6,000 p.a.	1,500
	<u>£30,000</u>

In other words, by charging its richer parents fees of under £15 per week, and by remitting over half of this for its poorest parents, the school could comfortably cover all its expenses.

Indeed, as the following table shows, the school could cover its costs even if half of its pupils' parents had incomes below £10,000, and even if two-thirds of these had incomes below £6,000. (The table also shows that such a school would cost the LEA a total of only £1,000 p.a. more in fee remission grant, and would therefore still be cheaper than the closure option.) The revenue of the school would be:

	£
Basic grant	10,500
Fee remission grant	2,500 (vs. £1,500 above)
Fees of £700 from 15 pupils (income £10,000)	10,500
Fees of £500 from 5 pupils (income of £8,000)	2,500
Fees of £300 for 10 pupils (income under £6,000)	3,000
	<u>£29,000</u>

This example is not arbitrary or wildly optimistic. It is based upon plausible assumptions about costs. It shows not that life would be easy for such a school, but that some schools in this position could very probably be grant-aided, and could survive, whilst both saving the LEA as much as closure, and charging extremely reasonable fees.

3 January 1984

PRIME MINISTER

PRIVATE MONEY AND SCHOOL CLOSURES

I attach a paper by Oliver Letwin, suggesting a new way of increasing the number of independent schools and of reducing the opposition to school closures.

Do you agree that the paper should be sent to Keith Joseph, with a Private Secretary's letter asking for the viability of the scheme to be considered, and expressing your support for the principles behind it?

JOHN REDWOOD

Prime Minister ①

Agree I forward this to Sir Keith, expressing your interest, and asking that the proposal be looked at and a report sent back to you?

AT

4/1

No - this is much too stalling and has one or two fundamental failings. From a LEA viewpoint - it is much deeper

This scheme would be far more expensive especially in the earlier years

Note: Policy Unit asked to reconsider. They will provide PM with a fuller statement of the argument.

AT 5/1

not

PRIVATE MONEY AND SCHOOL CLOSURES

Because of falling pupil numbers, LEAs are closing schools. Parents object, and many say that they would be willing to pay to keep their schools open. Why not give them the choice?

In 1979, we gave LEAs the right to pay all or part of the fees of any child at an independent school. It is therefore proper for an LEA to allow a maintained school under threat of closure to reopen as an independent school, and then to pay all or part of the fees of pupils attending the school. *wavy line*

Why are LEAs unwilling to do this at present? The answer is that: (1) they have no incentive to do it; (2) they are afraid that it will attract custom away from other schools in the area, and thereby cause their unit costs to rise; and (3) they do not realise how cheap independent schools can be. *4) it will cost them more money than closing the school down*

There is an obvious way to overcome the first of these difficulties. The Secretary of State could announce that he will approve a school closure only if the LEA concerned has offered to pay fees for pupils at an independent school on the same site. This would force LEAs to offer financial assistance to any parents who wished to set up their own replacement for a closed school.

No - it wouldnt

The scheme would achieve savings at least as great as those achieved by closing the school and transferring the children to nearby establishments. We would need to study the costs in one or two LEAs, to determine exactly how much of the fees should be paid to achieve this. Our guess is that the LEA could pay $\frac{2}{3}$ of the average unit cost of educating a child at a maintained school in its area.

If other schools in the area lost custom as a result of the scheme and had to be closed, this would be grist to our mill: parents at these schools, too, would have to be given the option of financially assisted independence.

The Secretary of State probably already has the right to impose the proposed conditions for approval of school closures; but a short Bill might be needed to prevent LEA legal challenge. We would also need safeguards to ensure that parents did not set up Dotheboys Halls.

PART 3 ends:-

DB to DES 19.12.83

PART 4 begins:-

J Redwood to pm 3.1.84

