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PRIME MINISTER

PUBLIC EXPENDITURE 1980-81: EDUCATION AND SCIENCE

We are to resume discussion of my programme in Cabinet on Monday; and it may be helpful if I send you this note about some points which, as the minutes of yesterday's meeting (CC(79)10th Conclusions, Minute 4) bring out, caused particular concern.

I understood you to take the view that the unspecified additional cut of £30m proposed in para 35 of the MISC II report attached to C(79)31, coming on top of the £517m, went too far and should be omitted. Within the £517m there are three particularly difficult elements involving new or increased charges which might stimulate demands for excessive pay claims and have serious political consequences:-

✓ Under 5's. Unless we are to make drastic cuts in nursery education, the proposed saving of £70m could be achieved only by amending the 1944 Act to allow local authorities to charge (perhaps £4 a week even for part-time attendance). Perhaps therefore we should stick to my original figure of £20m, which would enable us to keep provision in 1980-81 at about this year's level.

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✓ School transport. The proposed saving of £40m would require legislation to enable local authorities to charge children living more than the "statutory walking distances" (3 miles for secondary pupils, 2 miles for others) from school. The impact, especially in rural areas and on children attending denominational schools, would be severe: to save half the present subsidy the charges would have to average £2.50 to £3 a week. At the very least, the Cabinet may prefer to postpone action on this until 1981-82.

Student grants. Of the proposed saving of £30m, £20m would involve big increases in the parental contribution from those middle managers which the tax cuts in the Budget were particularly designed to help. It would also run counter to our long-term aim of abolishing the parental contribution when resources allow: and, since this might prove the most unacceptable of all the cuts in my programme, I think on reflection it should be

SECRET



SECRET



✓ dropped. It might instead be possible to find savings of £10m elsewhere in higher education (making a total of £45m in that sector).

I should perhaps also say a word about science. A cut of as much as £10m in the budget of the Research Councils would take it below this year's figure, even as reduced by the Budget cut. As you know, Britain still excels in science, and it is important that we should maintain support for our very able young scientists.

I am sending copies of this minute to the other members of the Cabinet, the Minister of Transport and Sir John Hunt.

*Peng Gize*

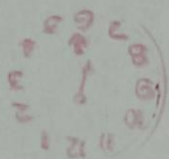
*Jc*

MARK CARLISLE

20 July 1979

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

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20 JUL 1979