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DEPARTMENT OF EDUCATION AND SCIENCE
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FROM THE SECRETARY OF STATE

The Rt Hon John Biffen MP
Chief Secretary to the Treasury
Treasury Chambers
Parliament Street
London SW1P 3AG

24 May 1979

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Dear John.

PUBLIC EXPENDITURE 1979-80

This is my response to your letter of 21 May to Michael Heseltine. You told me when we met yesterday that your figure of £60m for me included the arts and libraries as well as education and science; and our officials are in touch with the Chancellor of the Duchy's about his contribution.

Meanwhile my proposals for saving £58m at 1979 Survey prices (compared with Cmnd 7439 revalued) on education in England and Wales and universities and science in Great Britain are:-

	£m	
i. Abandon pilot schemes for 16-18 grants	70	10
ii. Miscellaneous savings on education	11	11
iii. Reduction in Science Budget	4	5
iv. Raise charge for school meals from 25p to 35p in September 1979	22	22
v. Recurrent grant to universities (including Open University) and voluntary colleges	6	9
vi. Educational building	5	14
Total	58	

Further details are given in the Annex. I have avoided as far as possible cuts in capital expenditure, as you request, and, with the school meals charge, have concentrated on an item which will do the least damage to the education service and bring substantially larger savings in subsequent years. Even so, taken with the effect

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on local authorities of the reduction in the RSG cash limit, there will be serious consequences for the education service and research.

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

Yours ever

Mark

~~MARK CARLISLE~~

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i. 16-18 grants. No provision is required following the fall of the last Government's Education Bill.

ii. Miscellaneous savings on education

a. Latest forecasts suggest reduced capital requirement compared with Estimates figure for university medical schools, which is already below Cmnd 7439 figure.

Saving £3m →

b. Latest forecasts suggest reduced requirement compared with Cmnd 7439 for mandatory awards to higher education students (because of reduced numbers).

Saving £7m →

c. Provision for Advanced Further Education Councils and regional teacher training committees not needed: reduced requirement for capital grants for voluntary youth and community projects.

Saving £1m →

iii. Science. The impact of cash limits may be partly offset by lower international subscriptions resulting from the strength of sterling. This further reduction of £4m will have to bear on expenditure not yet committed and will thus seriously set back important and promising initiatives made possible by the increases agreed last year.

iv. School meals. The savings shown are for two terms only. They are additional to those resulting from the increase of 5p planned by the last Government. The total increase of 10p is the same as that made in 1977. It will bring the annual cost of the charge for each child to about 1.8 per cent of average earnings and the subsidy to about 44 per cent of the cost of the service (compared with 1.9 per cent and 37 per cent after the increase from 8.75p to 12p in 1971). The increased charge will add about 0.25 per cent to the retail price index. 11

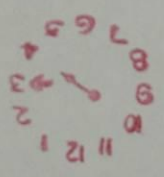
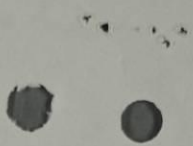
v. Universities etc. The operation of cash limits (even as adjusted to cover the 9 per cent pay increase for university teachers and technicians) will be equivalent to a cut of 3-4 per cent in volume. The further reductions proposed (£5m for the conventional universities, £0.5m for the Open University and £0.5m for the direct grant voluntary colleges of higher education) will represent a further cut of 1-1½ per cent. Since the level of student admissions is now committed for 1979-80 and few if any economies can be made in staffing, the effect of the cash limit squeeze on

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the universities will have to be met from their uncommitted reserves. These are unevenly distributed and in some cases grave difficulties are inevitable. An extra 1 per cent cut would make these difficulties both general and greater, and would be likely to damage the quality and responsiveness of university education.

vi. Educational building. A cut of £5m in capital expenditure will involve a much bigger reduction in the volume of work started. The details need further consideration; but, as an example, the cut might be achieved in England by halving the nursery starts programme of some £6m; reducing the starts programme for substandard schools from £34m to £30m; and reducing the further education starts programme from £45m to £35m (as well as the deferment of a single large project for the Royal College of Art). The Welsh Office would provide a matching contribution yielding a saving of expenditure of £0.4m.

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10 DOWNING STREET

From the Private Secretary

25 May 1979

School Meal Charges

This is to confirm what I told you earlier this morning. The Prime Minister had a discussion with the Chancellor of the Exchequer and the Chief Secretary last night on the Budget, and they agreed that there should be no increase in school meal charges over and above the 5p increase planned by the last Government. However, they also agreed that your Department would have to find offsetting public expenditure savings.

I am sending a copy of this letter to Alistair Pirie (Chief Secretary's Office).

J. P. LANKESTER

Philip Hunter, Esq.,
Department of Education and Science.

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