

PRIME MINISTER

Ms 1/4

PUBLIC EXPENDITURE 1983/84: STUDENT GRANTS

A bad result of the squeeze on universities is that they cannot afford to recruit outstanding young people for scientific and technological research. I have had sober and sustained pressure from the research councils and universities about the damage that this will do to the quality of our work and therefore about the need to enable them to recruit some "new blood", as it has come to be called.

2 But within the relevant part of the education programme I have already had to use all the savings I can make to prevent an unintended worsening of the position in the universities and to keep the science budget as near stable in real terms as possible.

3 The only place I can look for further savings in order to mount a minimum "new blood" programme is student awards. It is for this purpose that I am proposing, as the Chief Secretary's minute of 1 November explained, to seek gross savings of £15m from the student award budget of nearly £800m.

4 Of the £15m of gross savings I would use £5m to raise the scale by which parental contributions are required - and this would be much welcomed by our supporters. The remaining £10m I would switch to "new blood".

5 In order to make the £15m savings I can either:

42.  
i Eliminate the minimum maintenance award of £410 paid to the 30,000 students whose parents earn more than about £20,000 a year; hold the increase in the main grant to 5% in line with the latest price increase forecast; and reduce the sum set aside for excess travel costs for students who live at some distance from their university or college.

OR:

ii Make a smaller reduction in the minimum award and cut the real value of the main grant for the third year running for 300,000 or 400,000 students.

6 I realise that the abolition - as opposed to the reduction - of the minimum award will be unwelcome to a small number of our supporters; but their children will continue to receive free tuition worth £10,000 or more for a three year course and they themselves have already benefited from our tax reductions - and may benefit further.

7 In my view, the first alternative is the better, both politically and educationally.

8 If the Cabinet approve my proposals I would expect to make an announcement about them very shortly after the Chancellor's general statement on our expenditure plans for next year.

9 I am sending copies of this minute to the other members of the Cabinet and to Sir Robert Armstrong. I shall be grateful if they will restrict its circulation in the same way as the Chief Secretary has asked us to handle his minute.

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| November 1982



10 DOWNING STREET

Prime Minister

Robin

Message from Imogen  
wishes re students  
grants:

- if you raise student grants by 40% rather than 50% the saving would be £5m. =
- minimum maintenance award of £140 against present £410

Ped's