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THE PRIME MINISTER

28 July 1988

Dear Hugh.

Thank you for your letter of 13 July about the Government's intentions on the Lord's amendment to the Education Reform Bill moved by Lord Swann. This sought to reduce the power of the Universities Funding Council from one of making "payments subject to such terms and conditions as they think fit" to the making of "grants specifying such particular obligations and subject to such particular guidance as they think fit".

As you will by now have heard, the House of Commons, with its responsibilities for Vote expenditure, endorsed on 19 July the Government's view that the amendment did not provide a sound basis for the public funding of universities. The reasons for this are fully set out in the enclosed Hansard extract of Kenneth Baker's speech in which he was able to give unequivocal assurances to meet the various sensitivities.

The Bill, supported by this clear exposition of the Government's position, thus returns to the House of Lords with the words "terms and conditions" reinstated. The need for this has been recognised by the Chairman of the CVCP, Sir Mark Richmond. However, to help remove the

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misapprehensions there have been about the Government's intentions, the word "grants" from Lord Swann's amendment has been retained instead of the original "payments".

I hope that this will allay your concerns.

*Yours
Lansdown
Payant*

The Lord Thomas of Swynnerton