

14 October 1983

PRIME MINISTER

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PUBLIC EXPENDITURE SURVEY: EDUCATION AND SCIENCE

You will be meeting Sir Keith Joseph and the Chief Secretary on Monday to discuss DES public expenditure bids.

It should be remembered that the bilaterals between Sir Keith and the Chief Secretary do not deal with Local Authority current expenditure, which is subject to separate negotiations between Treasury and DoE. The discussion therefore concerns Local Authority capital expenditure and vote expenditure (mainly on universities and student grants).

The present official position is described in the note provided by the Treasury dated 14 October. Sir Keith is seeking net additions of:

	<u>1984/85</u>	<u>1985/86</u>	<u>1986/87</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>
or, excluding MOD/DES Science transfer:	130	136	140
	101	89	72

The Chief Secretary is resisting the increases in the first two years and seeking reductions in the third.

Informal soundings with Treasury and DES suggest that Sir Keith may be willing to give way considerably on the long-term savings, and that the Chief Secretary may be willing to concede the necessity for some amount of additional expenditure in the short term.

You may therefore wish to press for a settlement on roughly these lines:

+50	+25	-10
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I believe that this could be achieved without damaging the education service. The following steps might be taken:

1. Further reductions in grants to voluntary colleges of further education and to the Open University. Sir Keith and the Chief Secretary have already agreed to reductions of:

- 5	- 7	-10
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But many of the voluntary colleges are academically inferior,



and the open university has quite a lot of fat left in it.  
One might press for:

- 8                      -10                      -15

2. Further reduction in level of Student Maintenance Grant.  
Sir Keith and the Chief Secretary have agreed savings of:

-20                      -40                      -50

These would, it is true, allow the value of the maintenance grant to decrease in real terms; but the cash-value of the grant would still increase. One might aim to keep the cash-value constant, which would yield savings of roughly:

-23                      -50                      -70

3. Refusal to allow bid for additional University Capital expenditure.  
The Chief Secretary's arguments are convincing - (see page 2, paragraph (c) of his note). Universities are already spending £120m a year on capital projects - there is surely no need for more. Refusal to allow the bid would yield:

-12                      -12                      -12

4. Increased efficiency savings in Universities. Sir Keith has already offered "efficiency savings" of:

- 7                      -14                      -22

There is room for more ambitious reductions. Many university departments remain luxuriously staffed; and not many are very careful, even now, about "small things" such as energy costs. One might realistically aim at further reductions of:

- 5                      -10                      -15

It should be remembered that this would still leave the DES with net additions on university current expenditure of:

13                      6                      3



5. Reduction in bid for additional LA capital expenditure. Sir Keith is asking for an additional:

50 50 50

Of the arguments put forward by DES, only one is sound - LEAs do need additional funds to adapt school buildings for closures and mergers. It would surely be possible to meet this need without providing the very large sums mentioned. One might press for only:

20 20 20

6. Ensure that extra science bid is met, if at all, from MOD funds. Sir Keith has asked whether he might have additional funds for science out of the MOD budget. He wants:

29 47 68

You will be meeting him and Mr. Heseltine to discuss this on 19 October. You may therefore wish to make clear that this request will be treated separately, and that there is no question of the funds being released by the Treasury if they cannot be prised out of MOD.

Together, the measures outlined above would reduce Sir Keith's bid as follows:

Vol. Colls. & OU	- 3	- 3	- 5
Student Grant	- 3	-10	-20
University Capital	-12	-12	-12
University Current	- 5	-10	-15
LA Capital	-30	-30	-30
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Total reduction in bid	- 53	- 65	- 82

This would leave Sir Keith with net bids (excluding the proposed Science transfer) of:

+48 +24 -10,

which might, I think, meet with the approval of the Chief Secretary.