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CC MASTER SET

10 DOWNING STREET

From the Private Secretary

17 October 1983

Dear Imogen

Public Expenditure Survey: Education

The Prime Minister held a meeting today with your Secretary of State and the Chief Secretary to discuss the issues outstanding from the bilaterals. Excluding an additional bid for the Science Budget which is to be discussed on Wednesday and excluding the adjustment for the 3% pay factor, the net additional bids totalled £101m, £89m, and £72m in the three years. The Chief Secretary said he could not concede such increases and achieve his target. Your Secretary of State set out the case for each of his additional bids.

On university capital expenditure the money was needed particularly for medical and dental schools; to make good shortcomings in libraries; and to finance restructuring. It was noted, however, that universities already had a capital budget of £120m. The Prime Minister said she was sceptical about the argument that university laboratories were becoming threadbare. She said it was desirable that universities sought more of their finance from industry. Your Secretary of State said he agreed and would be producing a paper on this shortly but it was not possible to take action in this area in the immediate future.

The additional bid on local authority capital expenditure was needed to finance increased closures and amalgamations. It was pointed out that the local authority capital budget was already £300m a year and the additional bid of £50m more than reversed the saving which had been offered the previous year. Against this it was argued that much of the £300m was already committed for new buildings.

In discussion it was noted that the agreed savings included the removal of the minimum student award. The Prime Minister expressed concern at this and your Secretary of State agreed to restructure the package of savings on student grants.

After some discussion, your Secretary of State said he could not withdraw his bids and it was agreed that they should be referred to the MISC group of Ministers.

The Prime Minister said she was concerned about a number of developments and asked for more information; how much of the £300m of local authority capital expenditure was already committed; how much of it was earmarked for amalgamations and closures;

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why it was that so much was being provided for new building when closures were taking place; whether there was scope for scaling down the building programme. Your Secretary of State agreed to provide a note on this. Similarly, on university capital expenditure your Secretary of State agreed to provide a breakdown of the £120m showing how much was committed in new buildings. He would also provide figures on student/teacher ratios.

The Prime Minister was disturbed at a number of longer term developments. For example, very little progress seemed to have been made on the problem of tenure. It was necessary to look at fundamental work practices in the universities such as three short terms. Finally, she was concerned at the way teacher numbers had risen in schools, apparently at the expense of non-staff expenditure.

I am sending a copy of this letter to John Gieve (Chief Secretary's Office, HM Treasury).

Yours sincerely

Andrew Turnbull

ANDREW TURNBULL

Mrs Imogen Wilde,
Department of Education and Science.

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18 October 1983

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and Science
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Dear Richard

PUBLIC EXPENDITURE SURVEY - EDUCATION

I was a little concerned on reading Andrew Turnbull's letter of 17 October to Imogen Wilde to see that the impression may have been given at the Prime Minister's meeting that the savings so far agreed between the Chief Secretary and your Secretary of State 'included the removal of the minimum student award'.

2. All that was agreed at the bilateral was that 'a negotiable scheme of reductions' be devised of the order of £20 million/£40 million/£50 million. The Chief Secretary suggested that 'a package of individually modest and relatively uncontroversial measures' would stand the best chance of success with colleagues. He did not I think have in mind abolition of the minimum award (as opposed to, perhaps, some reduction) as a likely component of such a package.

*Yours ever
Richard*

M J C Faulkner

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18 OCT 1983





With the Compliments
of the
Chief Secretary to the Treasury's
Private Secretary

Andrew

For reference. Sharp
practice on Sir K's part
1 year.

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J. S. Giers.