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DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH
TELEPHONE 01-928 9222
FROM THE SECRETARY OF STATE

1 November 1983

Dear Lord President,

MISC 99: Education and Science

Thank you for your letter of 31 October. *- will request is required*

On university current expenditure, the proposed reduction of £50m in 1986-87, combined with your rejection of my additional bid of £18m, is equivalent to a 5 per cent cut in volume in that year. It would mean committing ourselves now to fewer students and, in view of your recommendation on science, to less research. It would also mean going back on the Prime Minister's well-publicised letter of 7 June to the Association of University Teachers, in which she said "the period of contraction" [in higher education] is now nearing the end.... the intention is to hold the level [of expenditure] steady in real terms after 1984-85." I cannot therefore accept this proposal.

On student grants, I continue to believe that the package I proposed in my letter of 28 October is right, politically and educationally. It means halving the minimum award in 1984 and abolishing it in 1985, together with a tougher means test in the middle and upper reaches of the scale. But I would be willing to accept an alternative yielding broadly equivalent or greater savings eg by halving the minimum award in 1984, with no further reduction thereafter, a tougher means test, as above, and increases in succeeding years of 4, 3 and 2 per cent (instead of 5, 4 and 3 per cent) in the cash value of other grants. This would yield savings of £25m in 1984-85, £45m in 1985-86 and £50m in 1986-87. It is much to be preferred to further reductions, beginning next year, in university current expenditure, which would be educationally and politically damaging, as indicated above.

/ I am

The Rt Hon Viscount Whitelaw PC CHMC
Lord President of the Council
68 Whitehall
London SW1A 2AT

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I am copying this letter to the other members of MISC 99 and to Sir Robert Armstrong. In view of my reference to the Prime Minister I am sending her also a copy, together with a copy of my letter of 28 October to you which set out my case on student awards.

Yours sincerely,

Elizabeth Hadfield

Approved by the Secretary of
State and signed in his absence

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PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

31 October 1983

Dear Keith

MINISTERIAL GROUP ON PUBLIC EXPENDITURE (MISC 99): EDUCATION AND SCIENCE
PROGRAMME

I promised at the end of our discussion with you on 26 October to write outlining the recommendations on the education and science programme which MISC 99 were minded to put to the Cabinet as part of our eventual report. I should like at the outset to express to you the Group's thanks for the very clear and helpful way in which you outlined your proposals and the arguments for them. We have also been much assisted by your letter of 28 October about student grants: as was recognized in the discussion, all the packages under consideration assume that there will be reductions in the cost of student grants of £20 million in 1984-85, £40 million in 1985-86, and £50 million in 1986-87.

The following paragraphs set out the Group's views on the issues which we discussed with you on 26 October.

Local Authority Capital Expenditure

In view of the many other pressures on public expenditure in general, and the need to reduce local authority expenditure in particular, the Group do not feel able to support any increase in the provision for capital expenditure on schools, and colleges of further education.

Universities - Capital

The Group do not feel able to recommend any increases here. They consider that priority expenditure should be accommodated within the existing programme.

The Rt Hon Sir Keith Joseph Bt MP

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Universities - Current

Again, the Group do not feel able to recommend any increase. They agree with the Chief Secretary that it should be possible to find efficiency savings by 1986-87; and indeed, I believe that you share this view, though you regard the Chief Secretary's proposals as over-ambitious. Subject to what is said below in the context of student grants, the Group intend to recommend savings of £50 million in 1986-87.

Science

After considering the arguments which you put forward for additional expenditure on science, and having regard to the conclusions of the Prime Minister's meeting on 19 October, recorded in her Private Secretary's letter of the same date, the Group do not feel able to recommend any increase here.

Student Grants

I am afraid that we do not think it likely that the Cabinet would endorse the proposals in your letter of 28 October. It is therefore necessary to look for other measures producing equivalent savings. There seem to be two possible approaches, which we should like to discuss with you.

The first would be a less severe package of savings on student grants, coupled with further savings on university current expenditure. I understand that some suggestions regarding student grants have been put to your officials by the Chief Secretary's.

The second would be to find the whole of the savings from further reductions in university current expenditure.

We realise that neither of these alternatives will be welcome to you; but we regard it as essential to find savings on the scale I have mentioned.

Changes Already Agreed

In earlier discussions you and the Chief Secretary had reached agreement on the following changes.

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	<u>1984-85</u>	<u>1985-86</u>	<u>1986-87</u>
<u>Additions</u>			
Student grants	+ 40	+ 50	+ 45
Science (International subscriptions)	+ 6	+ 8	+ 7
<u>Reductions</u>			
Grant-aided institutions	- 5	- 7	- 10
Student grants	- 20	- 40	- 50
Net effect	<u>+ 21</u>	<u>+ 11</u>	<u>- 8</u>

It transpired at our meeting that you had regarded these changes as involving agreed additions to the baseline in 1984-85 and 1985-86, whereas the Chief Secretary was expecting you to find offsetting savings in those two years. In view of the difficulties which you face in your programme, MISC 99 intend to recommend that you should not be required to find such savings. It would, of course, follow from what is said earlier in this letter that, to the extent that proposals for savings on student grants were not accepted, they would have to be replaced by savings on university current expenditure.

The net effect of these recommendations is to increase the baseline by £21 million in 1984-85 and £11 million in 1985-86, and to reduce it by £58 million in 1986-87. I realise that you will regard them as to some extent disappointing; but they are as far as MISC 99 felt able to go if we are to achieve the Cabinet's objective of sticking to the planning totals. I hope you will be able to accept them on that basis.

Once again, let me say how grateful I and the other members of MISC 99 are for your help.

I am sending copies of this letter to the Secretary of State for Scotland, the Lord Privy Seal, the Secretary of State for Trade and Industry, the Chancellor of the Duchy of Lancaster, the Chief Secretary and Sir Robert Armstrong.