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✓ O. Letwin.

NOTE FOR THE RECORD

PUBLIC EXPENDITURE SURVEY - EDUCATION

Sir Keith Joseph called on the Prime Minister today to explain the package on education which had been negotiated with MISC 99. The latter had offered:

- i. £5 million a year on local authority current expenditure;
- ii. nothing on university capital expenditure;
- iii. nothing on university current expenditure in the first two years and a cut of £50 million in year three;
- iv. savings on the rate and entitlement of student grants of £25 million, £45 million and £50 million.

He had accepted i. and ii. but had reserved his position on the cut of £50 million, pointing out that it was inconsistent with the Prime Minister's letter of 7 June to the AUT.

On student grants, he had agreed a package with MISC 99 comprising:

- i. halving the minimum award;
- ii. a tougher means-test scale;
- iii. increases in the grant 1% below inflation each year.

He was seeking the Prime Minister's approval of this package. He argued that he could not defend savings from the tougher means-test scale without making a cut in the minimum award as this would have a bigger effect on poorer families than richer families. He also argued that there was no shortage of applicants for places in universities. Also fees were no longer charged for tuition.

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The Prime Minister noted that the minimum award had been increased from £50 as a quid pro quo when child tax allowances were replaced by child benefits which were not payable in respect of older children. However, in view of the difficulties Sir Keith had outlined, she reluctantly accepted his proposal.

She would think further about the proposed cut in university current expenditure.

AT

2 November 1983

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