

Prime Minister

File

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You should be aware of this before Cabinet. If you do not like it, we should warn the Chancellor before Cabinet

MR TURNBULL

2 October 1984

PUBLIC EXPENDITURE: DES

No - we did this last year. We cannot add further to FERB 2.10.

The Chief Secretary and Keith Joseph have this afternoon agreed to a level of DES spending that will be thoroughly satisfactory to the Treasury. We expect that news of this settlement will be brought to Thursday's Cabinet. The Prime Minister should, however, be warned that the package includes cuts in student grants. *is proposed is equivalent to an increase*

The proposal is to abolish the minimum award, to steepen the parental contribution scales and to make richer parents liable to pay a small amount towards fees. This will affect parents as follows:

Parental Income (£)*	Contribution on present policy (£)	New Proposals: Increase in Contribution (£)
8000	0	0
10000	291	0
12000	617	57
14000	950	124
16000	1283	241
18000	1617	407
20000	1680	725
22000	1680	725

Because of the way that the student grant is calculated, parents with two or three children will not lose twice or three times as much as those with one child; indeed, many of them will lose no more than single child families. And the DES propose to add a special relief to ensure that no family with more than one student loses too heavily, although the details of the scheme have yet to be worked out.

* 'Parental Income' = 'Residual Income' after allowance is made for various financial burdens.

The package will save £39 million in 1985/6, rising to £61 million in 1987/8.

No one can pretend that the proposals will delight the Government's supporters. But they probably constitute the only practicable means of achieving the reductions that the Chancellor desperately needs. Most of the expenditure nominally assigned to the DES is in fact already committed through the Rate Support Grant which Cabinet settled some time ago. This leaves the Treasury with little room for manoeuvre; and they have seen no way of meeting their targets without either making inroads into science or cutting the student grant. Given the delicate condition of science funding, Keith Joseph has opted for cuts in the grant level.

We reluctantly recommend that the Prime Minister should accept the Treasury/DES proposals.

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Public Expenditure

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