

CONFIDENTIAL



FROM: CHIEF SECRETARY

DATE: 3 December 1984

PRIME MINISTER

**STUDENT GRANTS**

You asked me to let you have a quick note on the scope for finding room, within our agreed public expenditure planning totals and without use of the Reserve, for some easement, on the lines discussed over the weekend, of the impact of the new scheme for student grants.

As I understand it, the easement under consideration is one which would leave all other elements in the scheme unchanged (i.e. the minimum award would be abolished and the scale of potential contributions increased) but would limit the maximum parental contribution to tuition fees to £140 in the first year. This limitation would not apply after the first year. Highly provisional estimates of this cost are £14 million in 1985-86, £5 million in 1986-87, and nil thereafter. This would reduce the net savings from the package of measures on student awards from £40 million to £26 million in 1985-86 and from £46 million to £41 million in 1986-87. The saving of £62 million would be unchanged.

My firm view is that, if we are to contemplate this concession, we should do so on the basis that the savings lost (i.e. £14 million in 1985-86 and £5 million in 1986-87) must be made good by alternative economies within the education programme. After all, the rationale which we have given for these savings is that they are to finance extra spending on science. We must confront our critics with the kind of hard choices which have to be made to keep within a spending limit: so loss of the savings should mean loss of the extra money for science, or some other economy in a related area. The same global sum could be

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kept for the extra spending on science, but now it would have to be phased in gradually, symmetrically with what was being done on the student grants economies.

In reaching this view I have considered carefully the alternatives. If we scored savings of sums of this magnitude in a number of large and often demand led programmes - social security, export credit, employment, are examples - without agreeing specific measures to deliver the savings, we would be doing no more than make paper savings. Those of our critics who argue that our public expenditure planning figures betray 'creative' accounting would - reasonably - assert that our action would serve merely to increase next year's overspend. We must not bring the public expenditure planning process into disrepute in this way. Looking ahead, I am acutely concerned that we shall face a series of cases such as this unless we show the expenditure totals we publish mean what they say.

An alternative to this would be to agree specific further economy measures in one or more areas - say on the DTI's industrial innovation schemes, the Employment department's job creation schemes, agricultural research, the urban programme, or on some other Department of the Environment central government programme. Such measures would, of course, be controversial, and unwelcome to colleagues (by definition, since they were ruled out in the Survey). These difficulties would be heightened because of the need, if we are to avoid accusations of fudging the figures, for the savings to be made explicitly to offset increased expenditure on student awards.

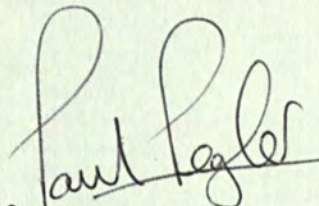
My conclusion is that, if we are to look for further savings, we should do so in the education programme; and that the best possibility is some deferment of the extra spending which the new student grants scheme was designed to finance.

One final point. Events in the past weeks have brought home to me the need to reconsider urgently our stance on student loans. A properly worked-out scheme should, aside

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from its worthwhile effects on student motivation and responsibility, offer sizeable public expenditure savings in the longer term. I suggest that Keith should take this opportunity to prepare the ground for early action on such a scheme by floating proposals in the Green Paper on Higher Education which he is preparing for publication early next year.

I am copying this minute to Willie Whitelaw, Keith Joseph and John Cope.



PETER REES

(Approved by the Chief Secretary  
and signed in his absence)

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5 DEC 1984

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10 DOWNING STREET

From the Private Secretary

3 December 1984

Dear Elizabeth.

Student Grants

I have relayed the Chief Secretary's minute of 3 December to the Prime Minister in Dublin and she has considered the options available. She recognises the difficulties involved but in the circumstances feels that the best course is for the Chief Secretary to seek to negotiate with the Secretary of State for Education and Science savings in the education programme to match the costs of phasing in the student grants package.

I am copying this letter to Janet Lewis-Jones (Lord President's Office), Richard Broadbent (Chief Secretary's Office), David Peretz (HM Treasury), Murdo Maclean (Chief Whip's Office), and Richard Hatfield and Peter Gregson (Cabinet Office).

Yours sincerely  
Andrew Turnbull

(ANDREW TURNBULL)

Miss E. Hodkinson  
Department of Education and Science. TS

SECRET

Andrew  
Advance copy,  
approved by  
the CST.  
Signed version  
follows shortly.



With the Compliments

of the

Chief Secretary to the Treasury's

Private Secretary

A handwritten signature in black ink, appearing to be the initials "AB" with a long vertical stroke extending downwards.

Treasury Chambers,  
Parliament Street  
SW1P 3AG

3/12

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DRAFT MINUTE TO THE PRIME MINISTER

STUDENT GRANTS

You asked me to let you have a quick note on the scope for finding room, within our agreed public expenditure planning totals and without use of the Reserve, for some easement, on the lines discussed over the weekend, of the impact of the new scheme for student grants.

2. As I understand it, the easement under consideration is one which *(ie The minimum award would be abolished and the scale of parental contributions increased)* would leave all other elements in the scheme unchanged but would limit the maximum parental contribution to tuition fees to £140 in the first year. This limitation would not apply after the first year. Highly provisional

estimates of this cost are £14m in 1985-86, £5m in 1986-87, and nil thereafter. *This would reduce the net savings from the package of measures on student awards from £40 million to £26 million in 1985-86 and from £46 million to £44 million in 1986-87. The saving of £62 million would be unchanged.*

3. My firm view is that, if we are to contemplate this concession, we *(ie £14 million in 1985-86 and £5 million in 1986-87)* should do so on the basis that the savings lost must be made good by

alternative economies within the education programme. After all, the rationale which we have given for these savings is that they are to finance extra spending on science. We must confront our critics with the kind of hard choices which have to be made to keep within a spending limit: <sup>so</sup> loss of the savings should mean loss of the extra money for science, or some other economy in a related area. ~~To soften this it might be desirable~~

~~to keep the same global sum~~ <sup>could be kept</sup> for the extra spending on science, but ~~refer~~ <sup>now it would</sup> ~~have to be~~ <sup>it or</sup> phased ~~it~~ in gradually, symmetrically with what was being done on the student grants economies.

4. In reaching this view I have considered carefully the alternatives. *large and often demand led* If we scored savings of sums of this magnitude in a number of programmes -

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social security, export credit, employment, are examples - without agreeing specific measures to deliver the savings, we would be doing no more than make paper savings. Those of our critics who argue that our public expenditure planning figures betray 'creative' accounting would - reasonably - assert that our action would serve merely to increase next year's overspend. We must not bring the public expenditure planning

process into disrepute in this way. *Looking ahead, I am acutely concerned that we shall face a series of cases such as this unless we show the expenditure totals we publish mean what they say.*

5. An alternative to this would be to agree specific further economy measures in one or more areas - say on the DTI's industrial innovation schemes, *The Employment department's job creation schemes,* agricultural research, the urban programme, or on some other Department of the Environment central government programme. Such

measures would, of course, be controversial, and unwelcome to colleagues

(by definition, since they were ruled out in the Survey) *These difficulties would be heightened because of the need, if we are to avoid I think, be particularly difficult to explain that we were embarking on a accusations of fudging the figures, for the savings to be new economy in these unrelated areas, in order to let students and words explicitly to offset increased expenditure on student their parents off more lightly.*

6. My conclusion is that, if we are to look for further savings, we should do so in the education programme; and that the best possibility is some deferment of the extra spending which the new student grants scheme was designed to finance.

7. One final point. Events in the past weeks have brought home to me the need to reconsider urgently our stance on student loans. A properly worked-out scheme should, aside from its worthwhile effects on <sup>student</sup> motivation and responsibility, offer sizeable public expenditure savings, *in the campus term* <sup>suggest</sup> ~~I do hope~~



on Higher Education

hope that Sir Keith Joseph <sup>should</sup> ~~will~~ take this opportunity to prepare the  
early action on ~~ground for floating~~ such a scheme <sup>by floating proposals</sup> in the Green Paper <sup>which he is preparing</sup>  
for publication early next year.

I am copying this minute to Willie Whitelaw.

Peter Rees

Andrew  
Turnbull

From: M J C FAULKNER  
Date: 3 DECEMBER 1984

CHIEF SECRETARY

cc: PPS  
Mr Bailey  
Mr Scholar  
Mr Gilmore  
Mr Lord  
Mrs Thoms  
Mr Turnbull - No 10

STUDENT AWARDS

DES have now looked again at the back-of-the-envelope costings of the options discussed at the Prime Minister's meeting yesterday. There is some comfort for us in the results.

2. First, it now appears that limiting the parental contribution towards the tuition fee to £150 in 1985-86 would lead to additional expenditure in financial year 1985-86 only with no spill-over into 1986-87. This is because the tuition fee is paid to the institution in November in a single instalment covering the whole academic year - unlike the maintenance award which is paid to the student in three termly instalments.

3. Second, the overall cost is now a little lower than earlier estimates.

4. The net result is that instead of the original estimate of:

(Financial years)	1985-86	1986-87
	£13 million	£ 6 million

given in Mr Turnbull's letter of 3 D cember we should now read £13 million in 1985-86 only.

5. DES have also costed another variant: limiting the contribution to the tuition fee in 1985-86 to £200 rather than £150. This would

cost only £9 million - again, in 1985-86 only - and therefore has some attractions.

6. Sir Keith will I gather alert Lord Whitelaw to these new figures in time for tomorrow's meeting. He will also say that he is prepared to meet only £5 million of the costs, as follows:

£1 million off local authority capital

£2 million off universities' equipment grant

£2 million in 'penny packets' off other vote-borne programmes

7. You will of course be pressing him to go much further than that. Something to watch is that any deal done on local authority capital is expressed firmly as a reduction in net provision not merely a reduction in what the allocation would otherwise have been: a highly elastic figure, as you know.

MF

M J C Faulkner

Education PT 4  
Expenditure

- 3 DEC 1984

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