

SECRET



CCNO 5

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

Richard Broadbent Esq
Private Secretary to the
Chief Secretary
HM Treasury
London SW1

4 December 1984

Dear Richard,

STUDENT GRANTS

The Chief Secretary came to see the Secretary of State this morning in order to discuss how a concession in the Secretary of State's student awards package might be financed. In opening the Secretary of State said that it would cost about £6m to phase the contribution to tuition fees so that parents contributed to only £260 in the first year. This he could find from his own budget, though with difficulty. The Prime Minister had judged however that it would be necessary to make a larger concession in order to win the support of the backbenchers. She wished to see parents making a contribution to only £150 of the tuition fee in the first year; it had now been calculated that this would cost £13m in 1985-86. There would be no consequential costs in later years. Such a sum was beyond the Secretary of State's power to find, and he wished to discuss with the Chief Secretary which if any other Departments might contribute.

Mr Rees said that he admired the Secretary of State's spirited defence of the Government's collective decision on student awards and appreciated the contribution that the Secretary of State was willing to make. He said that it was essential however - and with this the Secretary of State agreed - that the money to finance this concession should be found through clear economies in other programmes. Since he had negotiated those programmes with his colleagues, he felt that he could not take the lead in seeking to reopen those settlements; but if the Prime Minister or Lord Whitelaw were to take such a lead, then he would be willing to make suggestions as to which programmes could perhaps contribute.

SECRET

SECRET

It was recognised by both Ministers that, since the additional support for the Science Budget and for the universities was on a UK basis, their territorial colleagues would benefit and might reasonably be asked to contribute. Similarly, some of the Department of Industry's support for industrial innovation might reasonably be directed to an earlier part of the cycle, namely the universities and Research Institutes where future projects for commercial exploitation were being prepared. It was agreed that this should be discussed further at Lord Whitelaw's meeting later this morning.

The Secretary of State said that his offer to find £6m of savings could be increased to £8m if he were to reduce the additional resources to be made available to the Universities in the first year from £10m to £6m. But he repeated that there was no way that he could close the gap to find the full £13m savings. Savings from other Department's programmes had to be identified.

In closing the Chief Secretary referred to the idea of a review of the student grants system, with the idea of introducing a part loan scheme. He had now discovered that if a scheme of loans from private banks, guaranteed by the Government, were to be introduced, then there would only be public expenditure implications at the point where the guarantee had to be called in. This made a loan scheme much more attractive to the Treasury. The Secretary of State said that he found a loan scheme attractive for educational reasons; it should increase the motivation of students. In the statement that he proposed to make on Wednesday he would say that the Government would consider over the next few months whether there should be a review of the student grants system. He would look to see whether such a review might be announced in the Green Paper on Higher Education which he expected to issue early in the New Year.

I am copying this letter to Andrew Turnbull (No 10), Janet Lewis-Jones (Lord President's Office), David Peretz (HM Treasury), Murdo Maclean (Chief Whip's Office), and Richard Hatfield (Cabinet Office).

Yours,
Elizabeth

MISS C E HODKINSON

SECRET