

PRIME MINISTER

PROVISION FOR STUDENTS

David Young is right to point out that expenditure of £100 million a year on benefits for students could be a useful source of savings. That is why DHSS and DES are looking into this with the aim of bringing proposals to your MISC Committee on the Benefit Reviews.

It is risky to be discussing ways to spend the money - even if on more electronic engineers-before the savings are in the bag. So soon after the student grants row it is likely that much of the money cut from benefits will have to go back into student support.

The straightforward solution, which appeals to Norman Fowler, would simply be to take all students out of HB and SB on the grounds that:

- benefits were never intended to go to students
- it is an administrative nightmare for DHSS offices in university towns - 3,000 new HB claims at the beginning of every term in Bristol for example.

Norman Fowler would like to write Keith Joseph a cheque for the value of the savings to be spent on improving grants for poorer students or launching a loan scheme. Any money left over could go to the Treasury.

But getting from here to there is not easy. If we established the principle that the grant is intended to provide support for the full year rather than half of it, we would increase pressure for more spending. (Present grants for full year students such as medics and vets are significantly more generous).

DHSS and DES are working on these problems.

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