



SUBJECT: SCIENCE: budget
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10 DOWNING STREET

From the Private Secretary

4 January 1985

Dear Elizabeth,

PRIME MINISTER'S MEETING WITH THE SECRETARY
OF STATE FOR EDUCATION

Your Secretary of State came to see the Prime Minister yesterday to discuss various issues in the field of education. Sir Keith said he was concerned about the prospect of continuing disruption by teachers, led by the NUT. Talks had been going on with the teachers to devise a package which, in return for a proper definition of their duties, a system of performance appraisal and greater ability to dismiss sub-standard teachers, would offer them merit pay and better opportunities for in-service training. To the disappointment of the other unions, the NUT had unilaterally withdrawn from these talks.

Sir Keith said he wanted to avoid putting the Government in a negative light. There was a danger that continuing disruption of schools, with children frequently being sent home, could turn public opinion against the Government and could result in an excessively generous pay award being made without securing any of the Government's other objectives. If some positive move could be made by the Government it might be possible to hold public opinion and isolate the NUT.

Proposals had been made by ACSET for more in-service training which would help raise teaching standards. It would also make it easier to identify inadequate teachers if their performance was still poor even after undertaking training. The costs of the proposals could be up to £50 million. He expected to be able to find half from within the RSG but, with the Prime Minister's agreement, he wished to approach the Chancellor to see if additional resources could be found for the rest. The Prime Minister agreed that the Chancellor could be approached though she expressed scepticism about some aspects of the proposals. She doubted whether the better teachers needed substantially more training and she felt that it would be necessary to confine any extra training to specific subjects. Your Secretary of State said that, after consulting the Chancellor, he would circulate a paper to H Committee.

The Prime Minister asked what powers head teachers had

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for deciding on the way money devoted to particular schools was spent. Sir Keith said they were able to switch non-teaching resources but he would consider whether these powers should be widened in the Bill in the next session needed to re-allocate powers between education authorities, parents and teachers. He mentioned that he was looking again at ideas for creating direct grant primary schools.

The discussion then turned to the Green Paper on Higher Education. Your Secretary of State said he had noted the Prime Minister's doubts about the way in which he was proposing to carry out the review of student support. He did not think a Fowler-type review, in which consultation and development of policy options went more or less hand in hand, was appropriate. It was essential for the Department to set out clearly the implications of various types of loan schemes. If this were not done, the discussion would range over a number of options which the Government could not contemplate. For example, a number of Government supporters who espoused the cause of loans had done so in the belief that they would be interest free.

The Prime Minister wondered whether, in the longer term, it might be better to establish a system of scholarships, which would be allocated for specific subjects. Those not winning scholarships would receive free tuition but would have to meet the full cost of supporting themselves. Sir Keith agreed to look at this but felt that the administration of such a scheme would be extremely difficult.

Sir Keith said he hoped to produce the Green Paper on Higher Education in the spring. It would canvass a number of radical options, eg for the rationalisation of weak departments in universities, but there would still remain a limit on the extent to which the Government could influence directly the courses which universities provided. Direct controls would infringe the academic system; he preferred to use a loan scheme to influence the choice students made away from non-vocational courses.

Any moves to re-structure the balance of university courses would run into the problem of redundancy. Ministers had agreed to end tenure for future appointments but closure of departments would require redundancy compensation which would be very expensive. The Prime Minister thought that, nevertheless, this option should be explored. She also asked whether universities could complete degrees in two four-term years. Sir Keith said this was an option which was being offered to universities.

The discussion then turned to the switch towards engineering and technology. Sir Keith said decisions would be needed by end February if anything were to be done in the academic year 1985-86. The cost of his proposals over the next three years would be £10 million, £20 million, £20 million. He was discussing this with Mr. King and, between them, they hoped to find between one-third and one-half of the cost. He hoped the rest could be found

either from the Contingency Reserve Fund or from other departments. He suggested the Prime Minister hold a meeting in early February to resolve this question. The Prime Minister said other Departments would be reluctant to find additional resources while they saw large numbers of students continuing to study for low priority degrees. Nevertheless, it was agreed that she would hold a meeting which would consider a two-stage approach - an agreement on funding to get the switch started and, for the longer-term, the merits of making extra money available to accelerate re-structuring within universities.

The Prime Minister said she had seen Sir Keith's proposals on the exploitation of Research Council-funded inventions. She was disappointed that it was proposed to devolve rights in the research only as far as the institutions. She thought that individual research should be given greater opportunity to pursue exploitation of their research themselves. Your Secretary of State agreed to consider how this could be done.

*Yours sincerely
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