

PRIME MINISTER

Student Grants

Lord Whitelaw has reported that he has narrowed the gap to £3m. but has not managed to eliminate it. He also reports that he does not think savings can be found on other programmes. Nor does he believe that Scotland can contribute beyond the £3½m. which it needs to finance the equivalent concession North of the Border.

I have arranged a meeting at 10.45 with the Lord President, Chancellor, Chief Secretary and Deputy Chief Whip after the first three votes and before the money resolution is voted for 45 minutes later.

The choices are:-

- i) Insist that Sir Keith finds £3m. by further delaying the switch into science, possibly softened by a promise of an extra £3m. the year after; or
- ii) Allow him £3m. from the Contingency Reserve.

The advantages of (i) are that it maintains the integrity of programme totals, makes clear to backbenchers that choices have to be faced, and minimises the risk of further bids e.g. for BBC External Services and the British Council. The disadvantages are that it pushes Sir Keith very hard when he feels that he deserves some help from the Treasury which, after all, went along with his original proposals. He also feels that offsetting the savings in full may be counter-productive by provoking a reaction from the scientists and from backbenchers who may feel that £1.5b. of tax cuts are not worth the candle if this is what is involved. I believe Lord Whitelaw favours pressing



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Sir Keith to find the extra savings.

Once you have decided on the course to follow you may want a meeting with Sir Keith. This could take place immediately afterwards though Sir Keith is visibly tired and ill and it might be better to offer him the option of a meeting at 8.45 tomorrow. He may, however, prefer to get it over with tonight.

AT

4 December 1984

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