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PRIME MINISTER

Student Grants

I had a meeting this morning to discuss student grants with the Secretary of State for Education and Science, the Lord Privy Seal, the Chief Secretary, Treasury and the Deputy Chief Whip. Mr Gregson and Mr Turnbull were also present.

2. We agreed that it would be unwise to put forward a modification of the Government's proposals on student grants which did not have a reasonable prospect of winning support at least from the more moderate of those backbenchers expressing concern on this issue. Following advice from the Lord Privy Seal and the Deputy Chief Whip it was clear that the least expensive option which would satisfy this test was the one favoured at your meeting on 2 December, ie: that although the minimum grant of £205 would be abolished as planned next year, the contribution to tuition fees in the first year would be limited to only £150. The cost of this option for the Secretary of State for Education and Science's programme in 1985/86 was estimated at £13 million. This would be combined with announcement of a review of student financing which would include (but not be confined to) the possibility of student loans.

3. We agreed that it would be desirable for the Secretary of State for Education and Science to announce this concession in an oral statement tomorrow. The alternative of a written answer was rejected on the grounds that this would be less acceptable to the House and would carry the risk that the debate on the Autumn Statement would be turned into a debate on student grants. The Secretary of State for Education and Science was authorised to say at his meeting with the backbench Education Committee this afternoon that he would be seeking the opportunity to make a statement tomorrow.



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4. We then turned to the financing of the concession in 1985/86 (the Secretary of State for Education and Science having already agreed to absorb the additional cost in 1986/87). At your meeting on 2 December the Secretary of State had expressed the view that he would be unable to find more than £6 million of the additional cost in 1985/86. However, after further discussion with the Chief Secretary and at our meeting he undertook to find £10 million of the £13 million, on the understanding that the remaining £3 million would be found from elsewhere.

5. The meeting saw great difficulty in reopening with other Ministers departmental programmes already settled either bilaterally or in the Ministerial Group on Public Expenditure. We were however, aware that the Secretary of State for Scotland, who also has responsibilities for higher education, was in discussion with the Chief Secretary about the detailed implications of Survey decisions for the Scotland block budget, following the recent exchanges about needs assessment. It was therefore agreed that I should ask the Secretary of State for Scotland whether he would be willing to make visible savings amounting to £3 million on his 1985/86 programme (in addition to the savings he would have to make in Scotland to offset the student grants concession, and over and above the "invisible" savings of £5 million already offered by him to the Chief Secretary in the exchanges about needs assessment). I spoke to the Secretary of State for Scotland immediately after our meeting and he undertook to make every effort to meet this request.

6. The Secretary of State for Scotland reported back to me this afternoon. He greatly regrets that he cannot provide the missing £3 million, for two main reasons. First, he will already be obliged to find savings in Scotland amounting to £3.5 million to offset the Scottish cost of the proposed concession on student grants. Secondly, he would see very great difficulty in justifying a further saving of £3 million on Scottish programmes to meet part of the cost of a concession on English student grants.

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7. In parallel I have explored with the Secretary of State for Education and Science another possible approach under which, although his programme would be asked to find the full £13 million in 1985/86, the Treasury might assist with £3 million in 1986/87. He tells me, however, that his problem is with the first year and that this would not be solved by assistance in the second year.

8. You will no doubt wish to discuss the position which has now been reached.

9. I am sending copies of this minute to the Chancellor of the Exchequer, the Secretaries of State for Education and Science and Scotland, the Lord Privy Seal, the Chief Secretary, Treasury, the Deputy Chief Whip and Sir Robert Armstrong.

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4 December 1984

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