

PRIME MINISTER

Sir Keith Joseph has been conducting negotiations with MISC 99. He was offered:-

- (i) £5 million a year on local authority current expenditure;
- (ii) nothing on university capital expenditure;
- (iii) nothing on university current expenditure in the first two years and a cut of £50 million in the third year;
- (iv) net changes on student grants of + £21 million, + £11 million, and minus £8 million.

Sir Keith was asked to set out the cuts in student grants and entitlement underlying (iv).

He wrote back to MISC 99 (see attached letter) saying he could not accept a £50 million cut on (ii), which he argues is inconsistent with your AUT letter. On student grants he is prepared to move away from his original proposal of abolishing the minimum award. He now proposes halving the minimum award, a tougher means test scale, and increase in the grant one per cent below inflation in each year.

attached

He saw MISC 99 again this morning. He is accepting their package with the exception of the £50 million on university current expenditure. The Group's recommendation to Cabinet on student grants will be along the lines proposed by Sir Keith above. He is coming to see you at 1530 today for 15 minutes to explain the proposals on grants, and in particular, why he feels some cut is necessary in the minimum award. He is strongly opposed to making savings from other parts of his programme to finance any shortfall on student grants.

/On this

On this he might find some support from the rest of the Group.
The alternative which the Chief Secretary had proposed ^(a 25% cut in the man award) would
produce £5 million less in the second and third years.

AT

ANDREW TURNBULL

2 November, 1983

STUDENT GRANTS: MEANS TEST SCALE

	<u>Old</u>	<u>Proposed</u>
£0 - £7,100	Nil	Nil
£7,100 - £9,000	£1 in 7	£1 in 7
£9,000 - £14,300	£1 in 8	£1 in 6
£14,300 -	£1 in 13	£1 in 6

Amounts are residual incomes