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Treasury Chambers, Parliament Street, SW1P 3AG  
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4 November 1983

Andrew Turnbull Esq  
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LONDON SW1

*Dear Andrew,*

STUDENT GRANTS

At the Chancellor's meeting with the Prime Minister yesterday there was some discussion of the MISC 99 proposal on student grants, and possible alternative packages. As ... agreed, I now attach a new note by Treasury officials setting out some new options. As you asked, the DES have not been involved in this exercise.

*Yours ever,  
John Kerr.*

JOHN KERR

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STUDENT AWARDS - ALTERNATIVE PACKAGES

Sir Keith Joseph's proposal was as follows:

- i) Halve the minimum award from £410 to £205
- ii) Uprate the value of the grant by 4%/3%/2%
- iii) Steepen the parental contribution scale to £1 in every £6 of residual income beyond £9,000. Thresholds would be revalued by 7%/5½%/5% in line with assumed movement in average residual incomes.

Savings achieved would be £25 million/£45 million/£50 million

2. We have considered alternatives as follows:

- i) Freeze minimum award at its present level
- ii) Uprate grant by 0%/3%/2% or 0%/4%/3%
- iii) Revalue parental scale threshold by 0%/3%/2% or 0%/4%/3%
- iv) Adjust parental contribution scale so as to produce overall net savings similar to those of Sir Keith's package.

3. Within this framework:-

- a) uprating both grant and parental contribution thresholds by 0%/3%/2% would achieve on its own savings of about:  
£25 million/£45 million/£50 million.

There would be no need to alter the present parental contribution scale (ie £1 in every £7 of additional residual <sup>income</sup> / from £7,100; £1 in every £8 from £9,000; £1 in every £13 from £14,300).

- b) uprating both grant and threshold by 0%/4%/3% would produce savings of about:

£25 million/38 million/38 million.

Changing the contribution scale to £1 in every £7.50 above £9,000 would increase the savings to about:

£30 million/£45 million/£45 million.

4. If however it were judged acceptable for the parental contribution scale to be set at £1 in £7 for all levels of income above £7,100, and the grant were uprated by 0%/4%/3%, it would be possible to uprate the contribution thresholds by 5%/4%/3%, ie in line with assumed inflation and still secure savings of about:

£30 million/£45 million/£50 million.

5. All figures are indications of orders of magnitude only. Precise costings can only be done using the DES model.

H M Treasury  
4 November 1983

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