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DEPARTMENT OF EDUCATION AND SCIENCE  
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FROM THE SECRETARY OF STATE

Andrew Turnbull Esq  
Private Secretary to the Prime Minister  
10 Downing Street  
London SW1

10 November 1983

*Dear Andre*

UNIVERSITY FUNDING 1986/7

As requested, this letter contains information relevant to the meeting which the Prime Minister is chairing at 11 am tomorrow. It has not been possible for my Secretary of State to consider its content before despatch.

2. Existing expectations of academic staff wastage (from all causes) in 1984/5 and 1985/6 are 500 per year (under 2% of total academic staff employed). About one half of these posts could be left unfilled without major damage. However, these savings have already been more than offset by the decision to deny Additional Bids which would have met unavoidable cost increases.

*It's ini*

3. If, therefore, a £50m saving in 1986/87 is to be found from reduction in academic staffing, it must come from losses beyond natural wastage, in other words by declaring staff redundant. This would mean approximately 2,500 redundancies over the years 1984/5 and 1985/6. It is largely immaterial in considering the resulting cost implications whether the redundancies are found by closure of institutions, closure of departments within institutions, removal of groups of staff or loss of individuals, or any combination of these. In any event the average level of compensation needed would be around £35,000 per individual.

4. The upshot of this is a requirement for nearly £90m for redundancy money over the two years 1984/5 and 1985/6.

*Pay of non-academic staff*

5. The question then arises, whether some part of the £50m could be found by savings on non-pay items. Of these, rates and National Insurance are not negotiable. Of the remainder, maintenance and repair of buildings and laboratory equipment have already been cut back, creating the threat of heavy future expenditure: it is doubtful if they

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should be cut further. Likewise there are grounds for thinking that, under the pressures of the 1981 cuts and of subsequent failure to provide for some inescapable cost increases, universities have already reduced heavily their expenditure on such items as heating, postage and book purchases. Some further savings in these areas will in any case be needed to cover those future unavoidable cost increases not covered by staff savings.

6. I am copying this letter to the Private Secretaries to the Chief Secretary, Lord Cockfield and Sir Robert Armstrong.

*Yours Sincerely*  
*John Bird*

MR J F BIRD  
Private Secretary

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Academics  
£600 - £300  
Non-academics

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ADDITIONAL INFORMATION ON UNIVERSITY EXPENDITURE

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University Closures

1. In 1981, faced with 8½ per cent cuts in grant over three years, the UGC decided to make selective cuts affecting all universities. A £50m cut in 1986-87, coupled with the loss of money for unavoidable expenditure increases, represents a 5 per cent cut in one year. To meet this degree of retrenchment and to limit damage to the system as a whole it is thought probable that the UGC would want to close at least two, perhaps four universities. The UGC would advise on which universities should close. The decision however would have to be the Government's. An early announcement would be essential; also, on 1981 advice, legislation would have to be introduced to ensure orderly closure and to remove uncertainty over the disposal of assets.

Atkinson

Student Intakes

2. The precise effect on student intakes cannot be gauged until the UGC's advice on how to meet a £50m cut was known. If universities were to close, intakes taken from 1984-85 would stop and students on course in 1986-87 would be transferred to other universities, whose intakes would have to be limited to give room.

3. Over the system as a whole up to 25,000 places would be lost. Because courses mainly last three or four years, student

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number constraint has to be applied to entries. Admissions over the two years 1984-85 and 1985-86 would have to be limited by 25,000. These are the years of peak demand.

4. A particular difficulty is that the UGC, at the Government's prompting, was about to announce an increase in intakes of 3,500 from 1984-85, following publicly invited bids from universities. 2,500 were to be in science and technology to help achieve a further shift in the direction of economically valuable courses.

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Prime Minister

DES have provided a further note. It covers natural wastage but does not:

- (i) explain KJ's threat that universities may have to close
- (ii) set out the figures on the cuts in student admissions.

I have asked that he comes to the meeting armed with this information

This is a disgraceful letter.

AT

10/11  
independents



10 DOWNING STREET

Prime Minister <sup>①</sup>

I have minuted you separately on student awards. Sir Keith has now written defending his position on university current expenditure.

I attach copies of your AUT letter and Sir Keith's letter to the UGC warning that the Government had "hopes" but could give "no undertakings".

If the full savings were achieved on student awards, a small concession could be made here. Alternatively, you could suggest the slight easing of the awards package (i.e. £1:7) throughout the parental contribution scale) but not both.

AT 9/11

PRIME MINISTER

Public expenditure : universities

I should like you to know why I shall resist in Cabinet tomorrow the proposal from MISC 99 for a reduction of £50m in university current expenditure in 1986-87.

With the efficiency savings which I have already accepted (starting in 1984-85) and which I must make to meet unavoidable cost increases it would amount to a reduction of at least 5 per cent in one year, on top of all that has gone before. This would be impracticable without either additional funds of up to £90m in the next two years to achieve before 1986-87 the necessary redundancies or a cut of well over 10 per cent in non-staff costs, which would do severe damage to teaching and research, especially in the more costly subjects like engineering and science.

*Just  
down what  
h/* A cut of this order would require fewer student admissions from next autumn when demand will be at its peak. *111 →*

By the end of this decade, as the 18 year old age-group declines, and if we can harness private funds, we should have been able to make significant reductions in public expenditure on the universities. But for 1986-87 I believe that a cut of £50m would require us to announce at once very different policies, on access, quality and research, from those on which we won the Election.

I am sending copies of this minute to the Lord President, the Chancellor of the Exchequer, the Chief Secretary and Sir Robert Armstrong.

KJ

9 November 1983



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PRIME MINISTER

Student Awards

I reported to you that DES officials did not like the Policy Unit compromise (details of which are attached) and took the view that their Secretary of State would reject it. This was because it took more off the general level of grants in order to ease the burden on those with higher incomes.

I have investigated one further option which is to take the MISC 99 package but to keep the slope of the scale for parental contributions at one in seven throughout rather than steepening it to one in six above £9,000. This still leaves the minimum award being halved but it eases the burden on those between about £15,000 and the point where the minimum award comes in i.e. around £20,000.

Because it does not recoup this easing by reducing the overall grant it produces smaller savings than the MISC 99 package as follows

+£5 million

+£10 million

+£10 million

These are not insignificant sums for the Treasury to swallow though they might be induced to do so if put under sufficient pressure. If you felt that some easing of the scale for middle income groups was essential you could suggest it as a compromise at Cabinet.

My advice, however, would be to accept the MISC 99 package. Which course do you prefer?

AS

8 November 1983

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