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My ref:

Your ref:

The Rt Hon John Major MP  
Chief Secretary  
HM Treasury  
Parliament Street  
LONDON  
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*NRB*  
*REC*  
*8/2*

5 February 1988

*Dear John*

SIMPLIFICATION OF URBAN GRANTS

Thank you for your letter of 22 January.

The change is indeed intended to be broadly financially neutral between central and local taxpayers. In the first year of operation, the savings on the local authority side are so small as to be negligible. My officials will contact yours to discuss this.

On the second point, you will appreciate that the simplification in itself has no direct PES consequences. Whether I need to bid for additional resources for future PES rounds to enable me to support the level of private sector activity in our priority areas is a separate issue.

We would be able to absorb the small administrative costs which would arise if demand remained more or less constant. However, if the new arrangements generate a higher level of interest, we would have to consider whether there was scope for finding offsetting savings elsewhere in order to channel more effort into the grant work. We are currently reviewing our overall manpower position in order to identify savings to offset new work on various policy fronts, including this one. It is too early to say what the outcome will be.

As agreed ~~at~~ the Prime Minister's meeting, I intend to announce the new grant on 7 March at the Action for Cities launch. There will then be a short consultation period on some details of the grant with a view to its introduction in early May.

I am copying this letter to the Prime Minister, other members of E(UP) and Sir Robin Butler.

*John Major*  
*Nicholas Ridley*

NICHOLAS RIDLEY

