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Pamela Hirston

cc/p ②

To note - an explanation of Mr Howells bid,

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BHP

16/7

Secretary of State

The Rt Hon Norman Lamont MP  
Chief Secretary  
HM Treasury  
Treasury Chambers  
Parliament Street  
LONDON SW1P 3AG

ms

16th July 1990

Dear Norman

**PUBLIC EXPENDITURE SURVEY : EMPLOYMENT**

Your letter of <sup>16th</sup> 9 July expressed surprise at my bid. I must register three points in response to your comments.

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Nearly half my overbid is for cover for European Social Fund (ESF) payments to local authorities and others. This expenditure is both unpredictable, and matched by receipts. We must ensure that sound plans for expenditure in support of our own clear objectives are not undermined by the vagaries of EC funding.

You also referred to the internal review of the Training Agency which I have set in hand. I anticipated the results of this review in my bid, and assumed savings of 1400 posts - including about 50% of current support staff. These very substantial savings could be realised quickly only through redundancies - for which extra funding would be needed.

I fully recognise the pressure we face this year, and my bid was only submitted after very careful Ministerial scrutiny. Indeed, we are already under severe pressure in our efforts to establish a successful network of Training and Enterprise Councils to deliver the Government's objectives on training. On the existing PES baseline, TEC budgets were due to decline by 7% in cash terms in 1991-92 compared with their 1990-91 level, at a time when it is essential to maintain the commitment of TECs. Even after my bid, TECs face a cut in real terms of almost 7% in their budgets for 1991-92.

I am copying this letter to the Prime Minister, Malcolm Rifkind and to David Hunt.

*For ever  
Michael*

MICHAEL HOWARD



Employment Department · Training Agency  
Health and Safety Executive · ACAS

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Econ for: Public Ent 1744

