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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Lord Young of Graffham
Secretary of State for Employment
Department of Employment
Caxton House
Tothill Street
London
SW1H 9NA

5/2

4 February 1986

Dear David,

INNER CITIES

Thank you for your letter of 4 February.

My understanding was that we came to a clear agreement that up to but not more than, £5 million of "new" money would be made available in 1986-87 for the inner city initiative. I was therefore very surprised to receive your letter saying that £10 million is the minimum that is needed. I was only prepared to agree to up to £5 million being made available after a good deal of persuasion: I have reconsidered the level of new resources that can be made available for this initiative but I see no prospect of increasing the new money above the £5 million figure. If you think it important to use a figure of £10 million in the announcement, £5 million will need to be found from within existing provision. Within your total programme of £3,600 million it must be possible to find £5 million.

You were aware that even the sum of up to £5 million which I proposed to provide could mean that there could be less room for any increase in expenditure on employment measures in the Budget. And I note that no other colleagues have so far been willing to provide savings from their programmes despite the fact that throughout our discussions there has been great emphasis on the need to redeploy existing resources.

Yours ever,

JM

JOHN MacGREGOR

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4 February 1986

INNER CITIES

Following our discussions about the additional resources that should be made available for the inner city initiative I have looked again at the sums that will be required for administrative costs.

The detailed costings come to £1 1/4 million. This covers 8 local units (2 in London) each headed by a Principal, with a private sector secondment at Principal level, an HEO and a CO. The DE HQ Unit is costed on the assumption of a private sector secondment at the same level as the head of it (Grade 4), 3 Principals, an HEO, 2 COs and a Secretary. Separate provision has been made for part-time consultants, office machinery and travel and subsistence. Accommodation is built into the basic staff costs. The £1 1/4 million is at 1986-87 prices and will need to be added to my running cost control figure in the Estimates.

As to the new money for programme costs I provisionally agreed a sum of £5 million with you this morning, but on reflection I agree with the Paymaster General's view that £10 million is the minimum that is needed. You will know that the figure of £10 million has been mentioned in speculative press reports (which I hasten to add did not come from here). The disclosure of this figure will make it extremely difficult for me to announce any lower figure as the Government's contribution to the new initiative. Anything less than a figure of around £1 million per area - which will need to be slightly higher in one or two of the larger areas - is now bound to be seen as an insignificant response to helping to overcome the severe problems in these localities.

I must therefore ask you to consider again the level of new resources that can be made available for this initiative. I fear I will need an early response as the amount of new money available is bound to feature when the Paymaster General and I make our statements on Thursday.

Yours,

David.