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SUBJECT



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Regional
A. Ship

10 DOWNING STREET

From the Private Secretary

16 July 1981

Dear Sir,

When the Chancellor called on the Prime Minister this morning, the Chancellor referred to the issue of possible additional funding for Merseyside and inner city areas generally. In response to the Prime Minister's request yesterday that he should provide the Secretary of State for the Environment with a small amount of extra money for spending on Merseyside, he had concluded that £15 million might be offered from the contingency reserve. But no publicity should be given to this figure. As for spending on inner city areas more generally, the Chancellor said that he proposed to ask officials to review the pattern of regional spending - both with a view to seeing whether present spending was being used excessively to displace rather than create jobs, and to see whether more of the existing money could be spent on the inner cities.

The Prime Minister said that she was perfectly content for the Chancellor to proceed on this basis.

W. W.

A. J. Wiggins, Esq.,
H.M. Treasury.

Tim Lamm.

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