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PM/80/56

PRIME MINISTER

Supplementary Expenditure in the United Kingdom  
under Article 235 of the Treaty of Rome

1. The sub-Committee on European Questions of the Defence and Oversea Policy Committee met yesterday to consider a paper by the Chancellor of the Exchequer (OD(E)(80)18), and in particular the recommendations in paragraph 28 of the accompanying Note, concerning the modalities of implementing the Article 235 measures for reducing our net contribution to the Community budget. Colleagues from spending Departments and the Secretaries of State for Scotland, Wales and Northern Ireland attended.
2. We took as our guiding principle that there can be no additionality, in the sense that the Government cannot be obliged by the Article 235 Regulation to incur public expenditure that it does not wish to undertake. We recognised that the avoidance of additionality could well create special problems for the Secretary of State for Northern Ireland because of the risk that Mr Hume and Rev. Ian Paisley would exploit the visible absence of new monies for political purposes. However, given the imperative need to reduce public expenditure, it was recognised that spending Departments could not use the existence of a Community funded programme under this Regulation as a reason for seeking extra funds from the Treasury. On the other hand, it could truthfully be said that public expenditure on all such programmes might well have been lower without our budget refund.
3. We further agreed that monies received from the Community should only be passed on in cases where we had effective means to ensure that there would be no de facto additionality. This appears to exclude local authorities where it is not possible to guarantee that they would not use the savings on interest payments (the Community money will take the form of grants not loans) to increase current expenditure or reduce rates. Once the negotiations in the Council

local authorities must be included in any event unless we can reduce the RSA by an equivalent amount.

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over the text of the Regulation are further advanced, we will therefore press the Commission to confine Community participation to central government and nationalised industry programmes. Officials will now work out the details and ensure that the programmes which we eventually submit give a proper regional spread and adequately cover different types of expenditure.

*Also that they include items outside the British Press.*

4. Subject to these overriding public expenditure considerations, we were agreed that the flow of Community money into the United Kingdom under this Regulation should be given suitable publicity in order to increase public support for our membership of the Community. A Community label can be put on those programmes which are eventually included. Again we have instructed officials to advise on how this can best be done, and to report back to the Sub-Committee on all these questions with their recommendations.

5. I am sending copies of this minute to the other members of OD(E), to the Secretaries of State for Industry, Employment, the Environment, Scotland, Wales, Northern Ireland and Energy, the Chief Secretary to the Treasury, the Minister of Transport and Sir R Armstrong.

*C*

(CARRINGTON)

Foreign and Commonwealth Office

18 July 1980

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