



NORTHERN IRELAND OFFICE
GREAT GEORGE STREET,
LONDON SW1P 3AJ

p.a.
wn
27/10

Michael Alexander Esq
10 Downing Street
LONDON SW1

20 October 1981

Dear Michael,

COMMUNITY AID FOR HOUSING IN NORTHERN IRELAND

My Secretary of State has asked me to send you, for the information of the Prime Minister, details of an encouraging development in the European Community, which should be of considerable benefit to our housing programme in Northern Ireland and should help to underline the benefits we are squeezing from Community membership.

In July Mr Tugendhat alerted Mr Atkins to the likelihood of an offer by the European Commission of assistance for housing in Northern Ireland. The offer was a response by the Commission to the particular problems of Northern Ireland which had been highlighted in the integrated operations document we prepared for the Commission earlier this year, and to the debate in the European Parliament on 18/19 June. During the last three months, contacts at Ministerial and official level have developed the Commission's proposals to the extent that the Commission have now made a firm proposal for financing this in the 1982 Community Budget, and are in the course of preparing a Regulation to control payment of the grant.

In negotiation with the Commission we have established that

- the scheme, and its underlying financing arrangements, will result in the United Kingdom's net contribution to the Community budget being lower than it would otherwise have been;
- although Commission grant would be at a rate of up to 50%, the Commission acknowledge that the United Kingdom contribution would be funded exclusively from within existing public expenditure ceilings;
- the scheme will extend only to Northern Ireland (if the Commission had proposed extending it to other countries, this would have diluted the benefit to the UK);
- the mechanics of the scheme will fully reflect the mechanics of housing finance;
- the grant will take the form of supporting the overall housing programme in Northern Ireland, and payment will be based on the applications we make to the Commission.

/...

CONFIDENTIAL

The Commission for their part have said from the beginning that they will only be able to pursue this scheme (which is unusual in providing Community assistance for housing, and equally unusual in applying only to one area in one member state) on the condition that we would add the grant to our planned public expenditure for housing. We have had to consider very carefully whether the grant can be accepted on this condition, but it became apparent that this money would only be paid if we agreed to this condition; in view of this, and on the basis that payment is of considerable value (both financial and political) to HMG, my Secretary of State has sought and obtained the agreement of the Chancellor of the Exchequer to accepting the proposed grant on the terms suggested.

The conditions of our agreement are to be recorded in writing (on the basis of a draft being agreed with the Treasury) to avoid any possible scope for subsequent misunderstanding of the conditions on which we have accepted the grant.

At this stage our acceptance relates only to a sum of 28m ECUs which the Commission proposed should be allocated in the 1982 Budget to this scheme. As you may have seen from UKREP's telegrams, the Council of Ministers has decided that this budgetary provision cannot be approved until the necessary Regulation has been made. This was to be expected, but we are ensuring that the Council minutes record an understanding that funds will be made available once the Regulation has been made. The Commission are currently hard at work on the Regulation, and are in close informal touch with our officials, who in turn are working closely with other Departments involved and with the Cabinet Office.

Both the Irish Government and the Irish Commissioner (Mr O'Kennedy) are taking a close interest in the Commission's proposal - Mr O'Kennedy untruthfully claims he is responsible for it - and we are taking care to ensure that the Irish are kept in touch with our thinking. The Irish and the British delegations made supportive declarations at the Council of Ministers meeting on 19 October and we may well be seeking Irish help in lobbying Council members at a later date. Meanwhile we are taking steps to ensure that it is we, not the Irish, who get the credit for having encouraged the Commission's initiative, and developing it to the benefit of the housing programme in Northern Ireland.

I am copying this letter to Private Secretaries to Members of OD(E), to the Secretaries of State for Scotland, Wales, Environment, and Industry, to the Lord President (because of public interest) and to Sir Robert Armstrong.

Yours sincerely
M W Hopkins

M W HOPKINS

BB

CONFIDENTIAL