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~~Prime Minister~~

~~I'm not sure if you  
saw  
overlaken~~

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p.a.

PRIME MINISTER

#### REGIONAL DEVELOPMENT GRANTS

I chaired a meeting this morning to continue the search for cuts in expenditure on Regional Development Grants. The Secretaries of State for Industry, Scotland, Wales and Energy and Mr Ibbs were present.

2. We agreed that we should seek early legislation to enable the Secretary of State for Industry to taper the grants paid on very large projects. At present, a disproportionately large amount of expenditure goes on relatively few large projects which may create very few jobs in development areas. The proposed legislation would mean that expenditure on RDGs was much more cost-effective in future. The plan would be for a short Bill giving the Secretary of State power to make the necessary Orders. The Bill needs to be introduced as early as possible this Session, so that Royal Assent can be secured early next year and the full savings obtained in 1983-84. Some savings may be possible in 1982-83, but not more than £1 or 2 million

3. We agreed that we should aim for net savings of £50 million a year in 1983-84 and 1984-85 (after allowing for some increased expenditure on selective assistance for particularly important internationally mobile projects). The precise proposals for tapering the grants will be worked out with that objective in mind. The Secretaries of State present at the meeting indicated that they might wish to argue for smaller savings if the detailed proposals<sup>\*</sup> indicated that this would be practicable. For the present, the public expenditure plans will include net savings of £50 million.

\* for achieving £50 million savings appeared too harsh. Eventually, I reserved my right to seek <sup>1.</sup> higher savings if the detailed proposals...

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4. For 1982-83, it was agreed that the Ministers concerned should impose some restraint on RDG expenditure so that total expenditure for the year will be £30 million less than it otherwise would be. The estimate for RDGs will therefore be reduced by £30 million. If during the year it becomes apparent that expenditure is likely to exceed the reduced estimate for any reason other than a genuine increase in investment in the development areas, then administrative action will be taken to hold down the level of payments. This would involve some additional delays in payments but we have agreed that this step should apply for 1982-83 only: it is a short-term measure designed to secure early savings before the effects of the new legislation come through. The Secretary of State for Industry agreed to this proposal in principle, but indicated that he would wish to consult his Accounting Officer.

5. If you agree, I shall report on this to Cabinet tomorrow, but I propose to refer to the £30m reduction in RDG in 1982-83 only in general terms.

6. I am copying this minute to those attending this morning's meeting, to the Lord President, to the Secretary of State for Northern Ireland and to Sir Robert Armstrong.

L.B.

LEON BRITTAN

25 November 1981