

cc B/C



Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Tom King MP  
Secretary of State for Northern Ireland  
Northern Ireland Office  
Whitehall  
London  
SW1A 3AZ

NBPM

REC  
4/2

4 February 1988

Dear Tom,

**GRANT FROM THE EUROPEAN COMMUNITY IN RESPECT OF CURRENT  
EXPENDITURE BY LOCAL AUTHORITIES**

Thank you for your letter of 26 January. *file with PS.*

In his letter to me of 15 December Kenneth Clarke suggested that the £5 million to which you refer should be distributed between Scotland, Wales and Northern Ireland on the basis of the economically active population in the Assisted Areas. This seems to me a sensible approach and I hope you would feel that it meets your needs.

I am copying this letter to Prime Minister, Nicholas Ridley, David Young, Kenneth Clarke, Peter Walker, Malcolm Rifkind, Norman Fowler and to Sir Robin Butler.

*Yours Ever,*  
*John*

JOHN MAJOR

LOCAL Gov. T.

Relation P. 34







SCOTTISH OFFICE  
WHITEHALL, LONDON SW1A 2AU

The Rt Hon John Major MP  
Chief Secretary  
HM Treasury  
Parliament Street  
LONDON  
SW1P 3AG

*NB*

*Re 16*

*1/2*

29 January 1988

*Dear John,*

ERDF : GRANTS FROM THE EUROPEAN COMMUNITY IN RESPECT OF  
CURRENT EXPENDITURE BY LOCAL AUTHORITIES

Thank you for your letters of *flap PT33* 3 November and *flap PT34* 31 December proposing that we treat Article 15 receipts as de minimis up to the end of 1988-89 and subject to a cumulative upper limit of £5 million. You concede that a review after that date may be necessary in the light of developments on several fronts but that meantime the presumption must be that the normal additionality rules will apply.

The Scottish share of the amount on offer is approximately £820,000. This falls well short of anticipated demand and indeed falls short of bids in existing ERDF programmes either approved or waiting to be approved by the European Commission. A further Scottish complication is that our new local government finance legislation is in place. While it may be possible south of the border from 1990 to make other arrangements to account for Article 15 receipts, this would not be possible in Scotland where our legislation is in place and sets out clearly defined processes which require disclosure of the total figure of AEG. Any deduction from AEG would thus be clearly visible, and would not be a realistic option.

While I am grateful for your offer, I should record that I have concluded that it may not be sufficient for us to be able to make use of in Scotland. Scottish local authorities are unlikely to be willing to put forward schemes without a guarantee of Regional Fund support for at least 3 years, and, unless there are exceptional circumstances, I would not be prepared to consider making offsetting savings in future years to accommodate them. If we do adopt this line we could argue to local authorities and the Commission that central government provision, in the shape of our new Consultancy and Regional Innovation Grants, was sufficient and that no other schemes under Article 15 need be put forward. The difference in practice between England and Scotland might be defended on the basis that in Scotland the Scottish Development Agency and the Highlands and Islands Development Board are also available to assist industry.

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It is therefore possible that we shall not be able to take up the offer, unless the circumstances of any particular case are exceptional or we come under very considerable pressure. We shall, however, look closely over the next few months to see if there is scope for us to use our share of the money.

I am copying this letter to the Prime Minister, Geoffrey Howe, Peter Walker, Norman Fowler, Tom King, Nicholas Ridley, David Young, Kenneth Clarke and Sir Robin Butler.

*Yours ever,  
Malcolm Rifkind*

MALCOLM RIFKIND



LOCAL GOVT : Relations PR34.







SECRETARY OF STATE  
FOR  
NORTHERN IRELAND

Ce PC  
NORTHERN IRELAND OFFICE  
WHITEHALL  
LONDON SW1A 2AZ

Rt Hon John Major MP  
Chief Secretary to the Treasury  
Treasury Chambers  
Parliament Street  
LONDON  
SW1P 3AG

CBB  
26/1

26 January 1988

Dear Chief Secretary.

ERDF: GRANTS FROM THE EUROPEAN COMMUNITY IN RESPECT OF CURRENT  
EXPENDITURE BY LOCAL AUTHORITIES

file with P2 (P 34)  
at Har. P 33  
I have seen your letter of 3 November to Nicholas Ridley about the public expenditure treatment of grants under Article 15 of the ERDF and his reply of 31 December. On the understanding that the £5m additionality easement has been offered on a UK basis and that a portion would therefore be extended to offset the public expenditure costs of the passing on of Article 15 awards to Northern Ireland applicants, I am content to proceed on the basis outlined by Nicholas.

I am copying this letter to the Prime Minister, Nicholas Ridley, David Young, Kenneth Clarke, Peter Walker, Malcolm Rifkind, Norman Fowler and to Sir Robin Butler.

yours sincerely  
Marti Donnelly

PP TK

(approved by the Secretary of State and  
signed in his absence)



LOCAL Gov't: Relation

Pt 34



cc *PK*

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Nicholas Ridley AMICE MP  
Secretary of State for the Environment  
Department of the Environment  
2 Marsham Street  
London  
SW1P 3EB

*NBPA**Rec'd of 1*

7 January 1988

*Dear Nick,*

**GRANTS FROM THE EUROPEAN COMMUNITY IN RESPECT OF CURRENT  
EXPENDITURE BY LOCAL AUTHORITIES**

*File with PG*

Thank you for your letter of 31 December. I am also grateful for Geoffrey Howe's minute of 22 November and Kenneth Clarke's letter of 15 December.

As you know, I have been concerned to conclude the protracted debate on Article 15 receipts as soon as possible in order to allow the early submission to Brussels of priority applications. I am therefore very pleased that you and other colleagues are prepared to accept the suggestion in my letter of 3 November that we disregard receipts until the end of 1988-89, subject to a cumulative upper limit of £5 million. I confirm that the receipts of £1.8 million in connection with the Shildon programme may be regarded as an exception to that limit.

We may, as you say, have to review the position in due course. But the presumption must be that the normal rules on additionality will apply to Article 15 receipts after the end of 1988-89.

I am copying this letter to the Prime Minister, David Young, Kenneth Clarke, Peter Walker, Malcolm Rifkind, Tom King, Norman Fowler, Geoffrey Howe and to Sir Robin Butler.

*Yours Truly,*  
*John*  
JOHN MAJOR



LOCAL GOVT : Relations PT34.







The Rt Hon John Major MP  
Chief Secretary  
HM Treasury  
Parliament Street  
LONDON  
SW1P 3AG

NBPM

Recd  
8.1.

2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434

My ref:

Your ref:

31 December 1987

Dear John

ERDF: GRANTS FROM THE EUROPEAN COMMUNITY IN RESPECT OF CURRENT EXPENDITURE BY LOCAL AUTHORITIES

Har PT33

Thank you for your letter dated 3 November, which acknowledges the case I made out for the treatment of these grants as an exception to the policy that receipts from the European Community budget should not increase domestic public expenditure. Subject to the provisos set out below I can accept your proposals.

The figure of £5m that you have offered for receipts during the next two financial years will not be an easy one to live with, which is why I originally argued for £10m. I still see no reason why Central Government programmes should be curtailed to accommodate local authority spending and some way will need to be found of winnowing the applications that have already been submitted. I would propose that this is done by limiting Article 15 measures to ERDF programmes, which is where the Commission have exercised their veto. The level of these programme bids would need to be reduced overall on the basis of an equitable regional allocation.

One exception would need to be made. The Shildon programme includes Article 15 measures which could give rise to receipts of £1.8m. Unlike other applications this sum cannot be renegotiated and, as it takes such a large proportion of the £5m, it will need to be treated - as it was originally - as an exception.

The introduction of the new Government scheme to give assistance to small businesses will help our case for restricting grants to £5m, but we will still be open to criticism both from the Commission and local authorities on our restricted approach. In the light of reactions and particularly any further sanctions that the European Commission impose, we may need to review the policy that we are adopting.

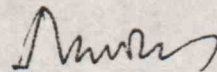
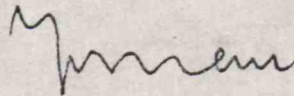
This pragmatic approach also needs to be applied to the situation post 1988/89. All the ingredients involved - local authority finance, the ERDF Regulation and the future of both Central Government and local government assistance to industry - are in the melting pot. I would suggest that we return to this matter nearer the time, before committing ourselves now to policies which may not stand the test of time and which we do not have to decide on immediately.

ccBG





I understand that this general approach is acceptable to the other Departments involved and I am copying this letter to the Prime Minister, David Young, Kenneth Clarke, Peter Walker, Malcolm Rifkind, Tom King, Norman Fowler, Geoffrey Howe and to Sir Robert Armstrong.



NICHOLAS RIDLEY







From the Chancellor of the Duchy of Lancaster  
and Minister of Trade and Industry

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cc BC

THE RT HON KENNETH CLARKE QC MP

CDP 16/12

Rt Hon John Major MP  
Chief Secretary to the Treasury  
Treasury Chambers  
Parliament Street  
LONDON  
SW1P 3AG

15 December 1987

Mr John,

GRANTS FROM THE EUROPEAN REGIONAL DEVELOPMENT FUND IN RESPECT  
OF CURRENT EXPENDITURE BY LOCAL AUTHORITIES

In your letter of 3 November to Nicholas Ridley you proposed that up to the end of the 1988-89 Financial Year £5 million of ERDF receipts for local authorities, in respect of measures of support for small firms, might be permitted as "de minimis".

I am disappointed that your proposal is not closer to my own suggestion in my letter of 17 September, but in the interest of now resolving this long-standing problem quickly, and having considered the detailed implications of your figure, I am disposed to accept it.

We shall not on the basis of your letter be able to make early applications for the long term programmes which local authorities have put to us, and will need to make some selection of applications so as not to exceed £5 million during the period you gave. It is particularly difficult at present to forecast the position after the 1988-89 financial year, as local authority finance, the ERDF and the Government's own services to small firms are all under review.

We do, of course, need to be clear on how the £5 million is to be distributed between Scotland, Wales and Northern Ireland. I suggest that this should be on the basis of the economically active population in the Assisted Areas. I hope colleagues agree with this. Officials can then select applications to send forward. In England I would intend that these should be concentrated under

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Integrated Operation and ERDF programme applications so as to maximise the impact on the Commission's readiness to approve quickly the very large sums of grant at stake here under other ERDF headings.

I am copying this letter to the Prime Minister, Geoffrey Howe, Peter Walker, Norman Fowler, Tom King, Nicholas Ridley, Malcolm Rifkind and Sir Robert Armstrong.

A handwritten signature in black ink, consisting of a large, stylized 'J' followed by a smaller 'L' and a period.

KENNETH CLARKE

Local Govt

Relations

PT 34

