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NEW ST. ANDREWS HOUSE  
ST. JAMES CENTRE  
EDINBURGH EH1 3SX

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CONFIDENTIAL

The Rt Hon Nigel Lawson MP  
Chancellor of the Exchequer  
Treasury  
Parliament Street  
LONDON  
SW1P 3AG

H  
4 September 1985

*Dear Chancellor of the Exchequer,*

REGIONAL POLICY REVIEW

Thank you for sending me a copy of your letter of 16 August to Norman Tebbit about the regional policy review. The new level of savings which you now propose goes beyond the decision about savings which we took in October last year. What we decided then was that overall, partly as a consequence of changes to the RDG arrangements, and partly as a consequence of other changes, including grant levels and, possibly, coverage, we should aim at net savings "in the range from £150 to 200 million a year". This was on the basis that expenditure in 1984/85 was expected to be £495 million.

I gather that officials have agreed the methodology underlying these figures and that the savings calculated on the £495 million base in the current year will automatically work through at a higher level, pro rata, as expenditure increases. But it would be going much too far to argue that there is a commitment to holding expenditure at a constant £300 million over the survey period whatever the level of investment demand. We certainly never agreed to that and the consequences of such an approach in terms of grant rates and map coverage would be much too severe.

I am sending copies of this letter to the other members of E(A), and to Sir Robert Armstrong.

*Yours sincerely,  
John S. Graham*

Private Secretary  
(Approved by the Secretary of  
State but signed in his absence)

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AT 18/5

Treasury Chambers, Parliament Street, SW1P 3AG

17 September 1984

Rt Hon George Younger TD MP  
Secretary of State for Scotland  
Scottish Office  
Dover House  
Whitehall  
London  
SW1A 2AU

Dear Secretary of State,

REGIONAL POLICY REVIEW

Thank you for copying to me your letter of 4 September to Nigel about the level of savings to be achieved on regional policy. I note what you say. We will be able to take forward our consideration of this question when we discuss regional policy changes in E(A)

2 I am sending copies of this letter to other members of E(A) and to Sir Robert Armstrong.

Yours Sincerely,  
Paul Rees

PETER REES

(Approved by the Chief Secretary and signed in his absence)