

Prime Minister

To note.

CONFIDENTIAL



PM/82/67

PRIME MINISTER

*There must be no increase
in public expenditure
arising from this change* A.S.C. 29/7.

EC Receipts from the Regional and
Social Funds Additionality

1. The Sub-Committee on European Questions of the Defence and Overseas Policy Committee, OD(E), has considered a report by officials on the precise application of our additionality rules to the Regional and Social Funds. This report followed advice from the Departments responsible for negotiating the current reviews of these two funds that our additionality policy, unless amended, was likely to be an obstacle to obtaining the maximum receipts potentially available for the UK. The Commission and a number of other member states are pressing for evidence that Community expenditures bring a clear extra benefit to the regional and social policies of the recipient member states. The Sub-Committee agreed that it was important to secure the maximum possible receipts from these funds so as to keep to the minimum the size of our unadjusted net contribution to the Community budget - thus reducing the size of the special refunds we need to secure in the budget negotiations. The Sub-Committee has therefore approved four modest changes in our current practice which are designed to help our negotiators get more money from the Regional and Social Funds without damaging control over public expenditure at home. The changes are as follows.

2. First, the way the figures are presented in the Public Expenditure White Paper will be revised so as to remove the present implication that the receipts have no effect on the size of the relevant domestic programmes, but are simply netted off our contribution to the Community. But there will continue to be a table giving figures for our net contribution to the Community institutions so that the receipts will in future appear in two places.



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3. Second, the treatment of Social Fund receipts will be changed so as to give potential applicants in this country a greater incentive to secure the maximum amount available. The precise way in which this will be done is to be worked out between the Department of Employment and the Treasury.

4. Third, the Committee agreed that sympathetic consideration should be given in future to public expenditure survey bids necessary to secure receipts for purposes which do not have priority in United Kingdom spending plans. The problem arises where Departments cannot find room within their existing programmes for these expenditures so that, without some topping-up to cover the receipts, we risk losing very considerable sums otherwise obtainable from the Community. The Treasury has agreed that it would be right to consider such bids sympathetically if the receipts would not otherwise be obtainable but will seek to ensure that total public expenditure is not increased - ie that the increase in the departmental programme is offset by the reduction in our net transfers to the Community.

5. Finally Departments will not in future be asked to find savings to offset receipts by private sector bodies like private ports. Departments have no control over the expenditure of these bodies and so, under the present rules, have to find the savings from their public sector programmes. The sums at stake are very small and the Treasury have accepted this change de minimis.

6. These modest changes will allow our negotiators to show more flexibility in Brussels. We may find it necessary to make further adjustments at a later stage in the negotiations. Some more ideas are to be considered by the group reviewing UK regional policy in case they are needed.

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7. I am sending copies of this minute to the members of OD(E) and Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'F.P.', written in a cursive style.

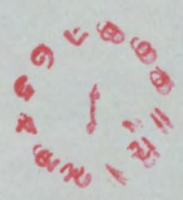
(FRANCIS PYM)

Foreign and Commonwealth Office
28 July 1982

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