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From: THE PRIVATE SECRETARY

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NORTHERN IRELAND OFFICE
GREAT GEORGE STREET,
LONDON SW1P 3AJ

5 August 1980

M Alexander Esq
Private Secretary to the
Prime Minister
10 Downing Street
London
SW1

From the file

*Content provided the
Chief Secretary is?*

Dear Alexander

*No Cold
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As you know, the Prime Minister has recently approved certain adjustments in the 1980-81 Public Expenditure programme for Northern Ireland, including the provision of £48m from the Contingency Reserve.

My Secretary of State wishes to announce this in the House of Commons tomorrow afternoon by way of a written answer. (An appropriate veiled reference to this has been included in the Prime Minister's briefing for her meeting with Northern Ireland Trade Unionists tomorrow morning.) I enclose the text of the answer which he proposes to give.

The substance of this answer is of course completely in line with the substance of the expenditure adjustments which have already been agreed with the Prime Minister and the Chief Secretary. If, therefore, I have not heard by 10am tomorrow (Wednesday) morning from you and the other recipients of this letter, I shall assume that there is no objection to this answer being given.

I am sending copies of this letter to the Private Secretaries to the Chief Secretary, the Secretaries of State for Industry, Scotland and Wales, the Paymaster General and the Chancellor of the Duchy of Lancaster.

George Fergusson

G D FERGUSSON

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Parliamentary Question (Written)

To ask the Secretary of State for Northern Ireland whether his review of Public Expenditure priorities is complete and if he will make a statement.

Answer

Yes Sir. As foreshadowed during the debate on the Appropriation (Northern Ireland) (No 2) Order 1980 on 18 July last, I intend to reallocate some £50m within the Northern Ireland public expenditure programme in the current financial year to take account of changed priorities and new demands. In addition, in the light of the review, the Government has decided to increase the resources available to the programme this year by £48m. These figures are at 1980 Survey Prices. The additional resources are being made available from the Contingency Reserve and are therefore within the overall planned total of public expenditure for the UK set by Cmnd 7841.

Of the £50m reallocated, the main reductions are £24m from Environmental Services and £10m each from Education and from Health and Social Services. This reallocation is equivalent to some 2% of total Northern Ireland resources. There will also be certain technical adjustments and some movement of resources within individual NI Departments.

Thanks to the reallocation and the extra resources, I shall be able to increase the money available for industrial assistance and energy by some £80m. That figure will include the cost in 1980-81 of additional assistance by way of repayable loan to enable the De Lorean DMC 12 project to be brought to market launch. The company has indicated that up to £14m will be needed for this purpose. The £80m also includes the cost of action needed to restrain the increase in electricity tariffs. In addition, I propose to increase the provision for Law, Order and Protective Services by some £10m.

I shall when appropriate be consulting the spending authorities on the action now necessary to re-shape expenditure plans. For cash limited services this will involve the conversion of the figures from

1980 Survey Prices into cash terms. An announcement about Class 15 and NID 1 cash limits will be made before the recess.

It follows that the absolute Moratorium on new commitments which I imposed on 30 June is now lifted. Departments and their spending agencies will be considering urgently to what extent, if any, new commitments can now be undertaken.

The changes will be reflected in Supplementary Estimates which will be presented for the approval of the House in due course.

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10 DOWNING STREET

From the Private Secretary

1 August 1980

Dear Minister.

Northern Ireland: Claim on
the Contingency Reserve

The Prime Minister has considered the Chief Secretary's minute of 29 July, and, subject to any objections from colleagues, agrees with his proposals for a claim on the Contingency Reserve by the Northern Ireland Office.

I am sending copies of this letter to the Private Secretaries to members of the Cabinet, the Minister of Transport and to David Wright (Cabinet Office).

— —

T. Lawrence.

A.C. Pirie, Esq.,
Chief Secretary's Office.

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Copied to
De Lorean file
Ireland: July 80

Announced to
Christ Scully
The Chamber and
Mr Atkins have reached
agreement on a call
on the Contingency Reserve
(£35m plus a possible £13m)
Agree subject to any
objections from whom?

PRIME MINISTER

ms

NORTHERN IRELAND: CLAIM ON THE CONTINGENCY RESERVE

The Secretary of State for Northern Ireland wrote to me on 4 July making a claim on the Contingency Reserve because of particular resource problems he faces this year (I enclose a copy of his letter). Following detailed examination of the claim between our respective officials, I have discussed the position with Humphrey Atkins and this minute reports the outcome.

2. In his letter, the Secretary of State said that the difficulties arose mainly on the industrial development front and he quantified them "as of the order of £50 million". In fact, further consideration has revealed the gap between requirements and resources to be nearer £60 million. This of course represents a major claim and, as you know, the position on the Reserve this year is very tight and causes me considerable concern. In these circumstances it is essential that we take a rigorous approach to any proposal that involves additional expenditure on programmes.

3. The problem facing the Secretary of State before he put forward his claim involved sums considerably larger than the £60 million. But the bid has been held to that figure by some difficult decisions involving the elimination of demands totalling about £85 million and the reallocation of sums totalling about £50 million. By doing this he has gone a long way to close the gap foreseen this year between the resources available to him and the demands likely to be made on them. I am

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satisfied that there is no scope for the Secretary of State to make further major reductions but he has agreed to find a further £6 million.

4. In the light of our discussion, I am prepared to make available £35 million from the Reserve. This does not include finance for the De Lorean car project, which I deal with below.

5. The Secretary of State's claim includes additional finance of £19 million for the De Lorean car project which involves the creation of up to 2000 new jobs in West Belfast. The case for providing additional finance has been put to E(EA) Committee and I have agreed that this should depend on their decision. If the Committee decides that further funds should be made available to the project on merits, I have agreed with the Secretary of State that a further £13 million should be allowed this year as a separate claim on the Contingency Reserve.

6. Unless you or any of our colleagues wish the matter to be discussed in Cabinet, the Secretary of State would like to announce the addition to his programme and the necessary reall-
ocations in the House before the Recess. In the announcement, the terms of which would be agreed in the usual way, he would say that he was receiving an addition to his allocation from the Reserve, in order to make it clear that this did not represent an increase in the overall total of public expenditure.

7. I take this opportunity to mention that any additional expenditure on the fishing industries in the UK will also be a charge on the Contingency Reserve. We are to discuss this in E Committee shortly.

8. I am copying this minute to other members of Cabinet, the Minister of Transport, and to Sir Robert Armstrong.

W J B

JOHN BIFFEN
29 July 1980

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SECRETARY OF STATE
FOR
NORTHERN IRELAND

NORTHERN IRELAND OFFICE
GREAT GEORGE STREET,
LONDON SW1P 3AJ

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The Rt Hon John Biffen MP
Chief Secretary to Treasury
HM Treasury
Parliament Street
London SW1

4 July 1980

Dear John,

As you will have heard from your officials, problems are arising on the public expenditure front in Northern Ireland. This is mainly because additional funds are required to support much needed industrial investment, as cases resulting from the inward investment drive over the past couple of years move along the pipeline. This is essentially demand-determined expenditure which cannot be tightly controlled.

I have been over the ground in detail with my Ministerial colleagues and my officials in the light of developments since we settled the public expenditure levels for 1980-81 in Comnd 7841. I have sought to exploit to the absolute maximum the scope for meeting requirements, by reallocating £50.5m from within my existing resources. However, even after doing this and paring to the bone all claims on my resources I am still left with a gap of the order of £50m which I see no prospect of closing from the means at my disposal.

The rigorous action of excision and reallocation in which I have engaged carries with it very serious difficulties for us here in NI. It will involve us in virtually eliminating new capital starts for the remainder of the financial year, eroding standards in the classroom, departing from the commitment to maintain planned expenditure in the health service, substantially reducing our support for the agricultural industry, and could cost us something of the order of 5,000 jobs in the face of what is the worst unemployment problem of any region in the United Kingdom.

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Clearly this cannot be achieved without a very substantial public reaction which will not be helpful to my efforts to obtain movement on the political front. To go further would in my judgement be disastrous in political, social and economic terms. I am therefore asking my officials to pursue with yours a claim against the Contingency Reserve to permit expenditure to take place at the level which I regard as essential.

I thought I should warn you personally of this development. You will obviously want to consider the matter fully and carefully. In doing that, I know you will understand that the sooner decisions can be finally taken the better, since every week which goes by erodes our freedom of manoeuvre for reallocation. Moreover, before I undertake action on reallocation, I want to be sure that my overall approach has been agreed. I believe it is much better presentationally that I should make a single announcement which explains the position fully and puts the individual decisions in context than have a trickle of individual items, with the result that the negative aspects receive prominence and the positive are discounted or go entirely by default. Meanwhile, of course, the spending departments have been instructed not to enter into any new commitments in respect of capital or current expenditure which would restrict their ability to adjust their budgets and I have put out a holding statement in general terms explaining that a temporary standstill has been imposed until revised budgets are determined.

Yours ever

Humphrey

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