



Prime Minister ①

ce J.V.

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

Agree this

Yes

proposal, as modified

not

in the exchange of letters with the Chief Secretary (attached)

i.e. for a borrowing limit of first £2,300m then £2,700m?

MCS 14/16

PRIME MINISTER

SCOTTISH ELECTRICITY BOARDS' BORROWING POWERS

The aggregate outstanding borrowing of the Scottish Electricity Boards is limited to £1,950 million by Section 29 of the Electricity (Scotland) Act 1979. The Boards expect to reach this limit some time during the financial year 1983-84 and we must therefore have new legislation increasing the limit on the Statute Book by next Summer Recess at the latest. A place has been booked in the Scottish Legislative Programme next session for an Electricity (Financial Provisions) (Scotland) Bill to increase the Boards' statutory borrowing limit. The Bill's proposals are in line with previous practice. Past experience suggests that they are unlikely to be seriously challenged although there is likely to be some discussion about electricity prices, Torness and the Invergordon smelter closure.

Past practice has been to fix an overall limit of the amount expected to be required to cover the Boards' borrowings for 6-7 years ahead with an interim limit to be reached after about three years. This interim limit can only be exceeded by Order requiring an affirmative resolution of the House of Commons.

I propose therefore that the borrowing powers conferred by the Bill should be related to a maximum of £2,800 million with an interim limit of £2,400 million. These limits are lower than the estimates provided by the Boards and in my opinion reflect the position more accurately. I would be grateful for your agreement to proceed with this legislation.

I am copying this minute to other members of E(NI).

C.Y.

G Y

4 OCTOBER 1982

EA OCT 1982

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Not final
Policy



cc: CO
✓ D/Corp
✓ D/Energy & I/W
✓ H.M.F.
✓ Trans
M.F.J.
D/T ✓
DOR ✓

10 DOWNING STREET

From the Private Secretary

15 October 1982

Dear Muir,

Scottish Electricity Boards' Borrowing Powers

The Prime Minister was grateful to your Secretary of State for his minute of 4 October about the borrowing powers of the Scottish Electricity Boards. She has also seen the subsequent correspondence between your Secretary of State and the Chief Secretary.

The Prime Minister agrees with your Secretary of State's conclusions as set out in his letter of 12 October i.e. to a borrowing limit of £2,700m., with an interim limit of £2,300m.

I am sending copies of this letter to the private secretaries to the other members of E(NI).

Yours sincerely,

Michael Scholar

Muir Russell Esq
Scottish Office.

R.D.



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

dc sv
Prime Minister²

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

MUS 3/12

M
30 November 1982

Dear Geoffrey,

NATIONALISED INDUSTRIES: PROGRESS SINCE THE CPRS REPORT
SCOTTISH ELECTRICITY BOARDS

At the meeting of E(NI) on 8 September it was agreed that I should report by the end of November on the progress made in implementing the CPRS recommendations so far as the three Scottish nationalised industries are concerned. I wrote to you on 28 September about the Scottish Transport Group (STG) and am now writing to report progress with the two Scottish Electricity Boards (SSEB and NSHEB).

My letter of 26 February set out a number of objectives for the Boards on which I received comments from Leon Brittan and Mr Sparrow. Since then I have seen the correspondence from Nigel Lawson on objectives for the CEGB. I regret that I am not yet able to circulate revised objectives for the Scottish Boards but I hope to be able to do so in the next few weeks. I have, however, had discussions about possible objectives with the new Chairman of SSEB and the Chairman designate of NSHEB before their appointments. I took the opportunity to stress the importance which the Government attaches to increased efficiency in the nationalised industries and the need to deal with the excess generating capacity which exists in Scotland. I intend to follow up both these points in setting objectives for the two Boards.

In order to improve our own business understanding I intend to appoint an accountant from the private sector with appropriate business experience for an extended secondment to the Scottish Office. He will assist my officials in dealing with the Scottish Electricity Boards and the STG. Already we have had a favourable response from some of the major firms who were approached and I hope to make an appointment soon.

Discussions have been underway with officials from the two Boards to devise improved monitoring returns which will enable us to build on the information currently available within the Boards and improve our understanding of their performance. I would hope these new arrangements can be in place for the start of the next financial year. Board officials have also accepted the need to produce study documents dealing with strategic options open to the Boards for consideration by Ministers. We will be pursuing this point in discussions with the Boards in the context of their existing corporate plans, which do not meet the criteria for such plans as envisaged by the CPRS. A draft performance review has also been prepared and has recently been circulated at official level.

In the area of better self regulation, you will be aware of the recent efficiency audit of SSEB by Coopers and Lybrand which found that the Board's performance compared favourably with other organisations of similar size and type. The consultants also commented favourably on SSEB's methods of investment appraisal. I have emphasised to the Chairman of SSEB the need to pursue vigorously the recommendations which emerged from the study. I made this same point to the Chairman designate of NSHEB which is also currently the subject of an efficiency study by management consultants.

As I said in my letter of 23 September, I met the Chairman of the three Scottish nationalised industries as a group for an initial discussion on this exercise, and have held individual discussions with the Chairman of SSEB and the Chairman designate of NSHEB who is due to take up his appointment on 1 January 1983. In addition senior officials recently met the Board of SSEB and as you know Alex Fletcher and I occasionally meet informally with the Chairman and Board members. However, I agree that a more formal arrangement for meeting annually with the three Boards will be very helpful.

As far as the constitution of the Boards is concerned, they already meet the criteria recommended by the CPRS. They both have fewer than twelve members, of whom the majority are non-executive with good private sector representation. I do, however, intend to strengthen the SSEB's Board financial, business and economic membership in the longer term.

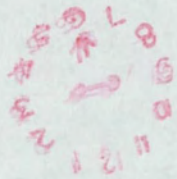
Although other preoccupations within the Scottish Economic Planning Department have delayed our consideration of the application of the CPRS recommendations to the Scottish Electricity Boards I am confident that we are now making good progress. As I noted earlier, I intend to circulate very soon my proposals for the objectives for the Boards.

I am copying this to other members of E(NI).

*Yours sincerely,
George*

Nat Incl

Policy



- 1 DEC 1982



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SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

The Rt Hon Leon Brittan QC MP
Chief Secretary
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

12 October 1982

Dear Chief Secretary,

In your letter of 6 October ^{*with me*} you suggested that the proposed Bill to increase the borrowing powers of the Scottish Electricity Boards should be delayed until the 1983-84 session in view of our recent discussions about the Boards' external financing requirements for 1983-84.

I have given your suggestion careful consideration, but I do not think we should follow this line. It seems to me that little would be gained by delaying the Bill, but there is great potential for embarrassment to be caused should the borrowing limits be reached earlier than expected. I would therefore prefer to stick to the existing timetable and introduce the Bill next Session. I do, however, take your point about the level of the borrowing limits and am prepared to reduce them to £2,300m and £2,700m as you suggest.

I am copying this letter to the Prime Minister and other members of E(NI).

Yours sincerely

Ala Wile

Approved by the Secretary of State
and signed in his absence

Stat Ind, Policy, Pt 7

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JUL 1 1982



cc JR
NBIM (Nat. Inc)
ms 7/10

Treasury Chambers, Parliament Street, SW1P 3AG

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

6 October 1982

Dear Secretary of State

I have seen your minute to the Prime Minister of 4 October suggesting the limits on the statutory borrowing of the Scottish Electricity Boards to be included in a Bill next Session. JPM

We met last week to discuss the external funding limits for the Boards up to 1985-86 and settled on figures somewhat lower than the Boards had originally proposed. I am also sure that it is right to exclude any provision for a new nuclear power station after Torness at this stage. These factors, together with inflation assumptions more in line with the progress we have been making recently, suggest cumulative borrowing requirements significantly lower than forecast by the Boards. Indeed, I wonder whether the Bill could not be put off until the 1983-84 Session. You might wish to consider this, although I should understand if you felt it would be cutting the timescale for Parliamentary approval too fine.

It seems entirely sensible to include two limits in the Bill, the higher to come into effect by Affirmative Resolution later. You suggested intervals of about 3 years between Parliamentary scrutiny and I would certainly not want to plan on the intervals being any longer. On the basis of the forecast borrowing requirements now anticipated, I think it would be prudent to set them a little lower than you propose, at £2,300 million for the first limit and £2,700 million for the second.

A copy of this goes to the Prime Minister and other members of E(NI).

Yours sincerely
J.S. Gieve

LEON BRITTAN

[Approved by the Chief Secretary
and signed in his absence]

Walt Tada, Policy, P47

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