CONFIDENTIAL

010

Prime Minister ①

The Treasury do not object to these proposals. Content?

MEA 7/8

Yes mt

PRIME MINISTER

UDC FINANCIAL LIMITS BILL

I have a slot for an essential Bill this session to alter the financial limits for UDCs. This minute seeks policy approval to the Bill.

The total of grant-in-aid paid to and sums borrowed by all UDCs is subject to a statutory limit fixed in primary legislation and capable of increase up to a specified level in secondary legislation. The level was fixed in primary legislation in 1980 at £200m, increased in secondary legislation in 1985 to £600m and in recent secondary legislation to £800m. At current forecast rates of spending the £800m limit will be breached in the financial year 1988/89. Primary legislation is, therefore, needed this session to increase the limit yet again.

The present system is clearly cumbersome in terms of the call it makes on Parliamentary time. Given the importance which we now attach to the UDC programme, if we continue with the present system we shall either have to go for very substantial increases in the limits or make even more demands on Parliamentary time in the future.

Both of these options are unattractive and I propose instead to follow the practice adopted for many other grant aided bodies and do away with the statutory financial limit on grant-in-aid, retaining it only for borrowing. The proposed change would not, of course, in any way reduce our controls over UDC expenditure which are exercised through an external financing limit on grant and borrowing. We shall no doubt be criticised for reducing the opportunities for debate on UDCs but we shall be able to argue that the new system is well precedented, that Parliament already has an opportunity to exert control over UDC grant through the Annual Supply Estimates, and that there are plenty of other opportunities for debates on UDCs.

I propose that the limit on borrowing should apply to all borrowing outstanding. The established UDCs have in fact made little use of borrowing and an initial limit of £30 million on all borrowing outstanding would be sufficient to cover all borrowing requirements assuming there is no major change in UDC borrowing patterns. It is just possible that in the future a UDC might want to finance a major project through borrowing and to cover this I propose to take power to increase the borrowing limit to £100m by order subject to affirmative procedure.

My officials have consulted Treasury, Welsh Office, Scottish Office and MPO, all of whom have expressed agreement with these proposals.

Provided you and other members of E(A) are content with my proposals it should be possible to instruct Counsel very quickly with a view to introducing the Bill as soon as Parliament reassembles.

I am copying this minute to the other members of E(A), and to Sir Robert Armstrong.

NR

N R
30 July 1987

File JA

CONFIDENTIAL

cc BG

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

10 August 1987

UDC FINANCIAL LIMITS BILL

The Prime Minister has seen your Secretary of State's minute of 30 July. The Prime Minister is content with your Secretary of State's proposals to alter the financial limits for UDCs.

I am copying this letter to the Private Secretaries to other members of E(A) and to Trevor Woolley (Cabinet Office).

(M.E. ADDISON)

Robin Young, Esq.,
Department of the Environment.

CONFIDENTIAL

ARo

CCBG

MEA seen 7-8.

NBPM.

Treasury Chambers, Parliament Street, SW1P 3AG

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

6 August 1987

Dear Nicholas,

UDC FINANCIAL LIMITS BILL

You wrote to the Prime Minister on 30 July seeking approval to a Bill to alter the financial limits for UDCs. I am replying on John Major's behalf, as he is on holiday.

Given the expansion of UDC activity, I agree that continuing to subject grant-in-aid as well as UDC borrowing to a statutory limit is undesirable. I am satisfied that, if the limit ceased to apply to grants, adequate controls over UDC expenditure would be maintained through external finance limits and Supply Estimates - which will continue to provide the opportunity for Parliamentary scrutiny.

Many other grant-in-aid bodies have statutory limits confined to borrowing, as this element is not voted by Parliament. It seems sensible for the UDCs to be brought into line. I am therefore content that a new statutory limit should be set - to apply only to aggregate borrowing outstanding by UDCs and to sums issued by the Treasury in fulfilment of guarantees.

The limits you suggest appear reasonable given the low level of borrowing by UDCs to date and the need to anticipate possible future borrowing requirements. I therefore agree that you should seek a £30 million initial limit, and provision to increase the limit to £100 million subject to an affirmative resolution in the Commons.

I am copying this letter to the Prime Minister, other members of E(A), and to Sir Robert Armstrong.

Yours ever

Peter

PETER BROOKE

REGIONAL POLICY

INNER CITIES

PTO

Y SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-270 3000 (Switsfwrdd)
01-270 0538 (Llinell Union)
Oddi wrth Ysgrifennydd Gwladol Cymru

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-270 3000 (Switchboard)
01-270 0538 (Direct Line)
From The Secretary of State for Wales

The Rt Hon Peter Walker MBE MP

CONFIDENTIAL

14 August 1987

UDC FINANCIAL LIMITS BILL

Thank you for copying to me your minute of 30 July to the Prime Minister.

I agree that the present acceleration of spending by UDCs necessitates a move away from the present system of continual recourse to primary legislation to authorise increased spending. I am content with the solution you propose including the initial limit of £30 million on all borrowing with the ability to move to £100 million subject to affirmative procedure.

I am copying this to the Prime Minister, other members of E(A) and to Sir Robert Armstrong.

The Rt Hon Nicholas Ridley MP
Secretary of State for the Environment