

7000 BF 23/11

dti

the department for Enterprise

ce/pj

The Rt. Hon. Tony Newton OBE, MP
Chancellor of the Duchy of Lancaster and
Minister of Trade and Industry

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

**Department of
Trade and Industry**

1-19 Victoria Street
London SW1H 0ET

Switchboard
01-215 7877

Telex 8811074/5 DTHQ G
Fax 01-222 2629

Direct line 215 5147

Our ref

Your ref

Date

18 November 1988

NBM

REC 6

18/11

Dear Nick,

LOCAL AUTHORITY ECONOMIC DEVELOPMENT

WILL REQUEST IF (CQUIN)

Thank you for copying to me your letter of 9 November to John Major enclosing a copy of the announcement you are proposing to make about the new economic development power.

I am grateful for your reassurance as to the flexibility with which the new controls will be applied. And on that basis I am perfectly content with the proposed statement, though I think that the drafting of the fourth paragraph, which deals with the potentially controversial issue of restricting the areas in which certain of the powers can be used, might be made clearer. I would suggest the following alternative:

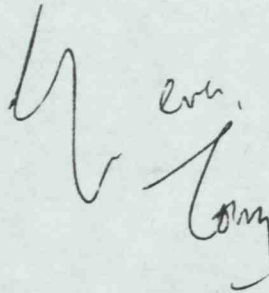
"Further restrictions will prevent the new powers being used for certain forms of expenditure such as deficit financing and for grants specifically to support wages and salaries. While the new power will be available to all local authorities, expenditure on grants, loans and guarantees to businesses conducted with a view to profit will be restricted to areas which have a particular need to promote economic development. These areas will be detailed in the regulations following consultation and will include at least all those areas which currently benefit from some form of central Government priority. There will be a power to adapt the definitions to changing circumstances."

EM3AAA

dti

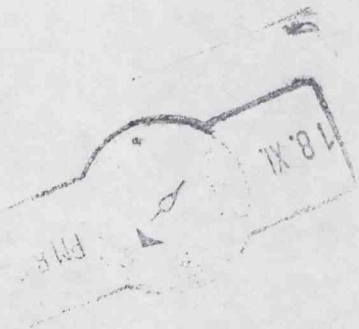
the department for Enterprise

I am copying this letter to the other members of 'H' Committee,
to First Parliamentary Counsel and to Sir Robin Butler.

A handwritten signature in black ink, appearing to read 'Tony Newton'. The signature is written in a cursive style with a large initial 'N' and 'T'.

TONY NEWTON

EM3AAA





the department for Enterprise

CCPU

The Rt. Hon. Tony Newton OBE, MP
Chancellor of the Duchy of Lancaster and
Minister of Trade and Industry

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

Department of
Trade and Industry

1-19 Victoria Street
London SW1H 0ET

Switchboard
01-215 7877

Telex 8811074/5 DTHQ G
Fax 01-222 2629

NBM

PR CG

14/10

Direct line
Our ref
Your ref
Date

215 5147

14 October 1988

John Major

LOCAL AUTHORITIES ECONOMIC DEVELOPMENT POWERS

Your letter of 28 September *will request to read* to John Major was a helpful summary of how you propose to give effect to the new local authority economic development power.

Before commenting on a number of areas which require further detailed consultation between our Departments at official level let me say that I support your preferred approach of framing the new power as a general power and then identifying exceptions, rather than the reverse. I also very much share your inclination to avoid imposing a financial limit on spending by individual authorities. Your letter clearly indicates the constraints that will exist in relation to over-ambitious local authorities and I am sure that these, combined with the existence of a reserve power, will be sufficient to ensure that local authorities behave responsibly. But there is an additional presentational point which seems to me to be very important in this context. Whilst noting your view that the new regime should not be seen as a signal to local authorities to increase their economic development activity, I am keen to ensure that in the context of our inner city programmes in particular we encourage local authorities to play a constructive role in partnership with the private sector to assist in the process of economic regeneration and development. It seems to me that apart from the practical difficulties associated with a system of individual financial limits, this would be received as a very negative signal by many authorities with whom we have a valuable partnership and also by the private sector which, as the CBI's recent report, Initiatives Beyond Charity, makes clear, is looking to act in concert with local as well as central Government.

TN5ABC



the department for Enterprise

On other aspects of your letter I wish at this stage only to put down markers that there will need to be close consultation between our Departments both as the legislation is prepared and in its implementation. This will most certainly be the case in relation to any provisions relating to expenditure on inward investment promotion on which officials have made clear that David Young and I wish to consider further what, if any, controls should be included in the legislation. A good deal more work also needs to be done to sort out the procedures that will be appropriate for seeking European Commission clearance of the activities of individual authorities. Our officials are in touch about that.

Related to that is the issue of how assistance should be concentrated on priority areas. I understand that on this you envisage the primary legislation restricting the power to give grants, loans or guarantees to commercial undertakings to the Assisted Areas, designated districts under the Inner Urban Areas Act 1978 and to derelict land clearance areas, with a power to add other authorities to this list of approved areas by means of secondary legislation. I am content with this approach provided that you can offer reassurance that it will be used flexibly, not least in relation to the totality of the 57 Urban Programme Authorities not all of whose areas will be covered by the necessarily technical definition you propose to include in the primary legislation. There are also a number of other areas where I have no doubt that you yourself will wish to consider designation, for example in some of the rural development areas and in non-Assisted Areas which in due course receive support under the revised ERDF Regulation. I don't suggest the need to agree a list at this stage, but I and no doubt other colleagues will wish to be consulted in the course of the approval process.

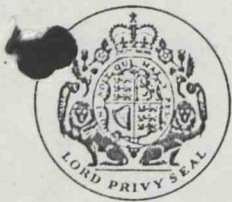
Finally, I should like to sound a cautionary note about the new procedural arrangements you are planning to introduce. Sensible local authority planning and consultation with the private sector are obviously desirable when expressed at that level of generality, but we must, in my view, avoid creating a bureaucratic edifice which requires additional civil service manpower and places unnecessary burdens on both local authorities and business people in their areas. This is of course primarily for you, but given the important role of DTI in the field of economic development we shall need to be closely involved in the formulation of any guidance to local authorities of the kind to which you refer. I hope, therefore, that you will be able to confirm that these sentiments are consistent with your own objectives.

I am copying this letter to the other members of 'H' Committee, to First Parliamentary Counsel and to Sir Robin Butler.

TN5ABC

TONY NEWTON





ceps
PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

nbpm

2 August 1988

Dear Cecil,

RATE SUPPORT GRANT BILL

Nicholas Ridley wrote to you on ^{*11ap*} 27 July with his proposals for the RSG Bill to be introduced in October.

I, for my part, am content with what Nick proposes. It is of course vital that nothing in the provisions should jeopardise its status as a Money Bill; its certification as such is absolutely essential if it is to receive Royal Assent this session.

I am sending a copy of this letter to the Prime Minister, the members of E(LA), the Lord President, the Attorney General, the Chief Whips of both Houses and to Sir Robin Butler.

Yours sincerely
RB

BELSTEAD

The Rt Hon Cecil Parkinson MP

Local Govt: Relations PT35