

SUBJECT
cc Master.

FILE

(BEMAQV)
cc: Mr Warry



10 DOWNING STREET

24 June 1985

From the Private Secretary

PAPER BY PROFESSOR VINCENT

The Prime Minister held a meeting this afternoon to discuss the ideas put forward in Professor Vincent's memorandum. Present were the Chancellor of the Exchequer and the Minister without Portfolio. Also present was Mr. Warry.

The Chancellor said the Enterprise Allowance was an excellent scheme which could be developed further. He did not think the way to do this was to change the features of the scheme, but was to publicise it more. Because it had been cash limited it had never been seriously advertised. (He drew a contrast with the amount of advertising encouraging the take up of social security benefits). Additional funds could be diverted from the Community Programme to finance a larger take up of the Enterprise Allowance. He suggested this could be announced around the time of the Party Conference.

The Minister without Portfolio hoped it would be possible to boost Enterprise Allowance earlier than this. He advised against setting a new cash limit which would inhibit those seeking to promote the scheme. Summing up this part of the discussion the Prime Minister said the Chancellor should discuss with the Secretary of State for Employment the possibility of switching money from the Community Programme to permit the Enterprise Allowance to be expanded and more publicity given to it. This could be done initially on a pilot basis in different regions which would permit the increased response to be assessed.

Discussion then turned to Professor Vincent's suggestion that a gap existed for companies in the £5-£50,000 range. The Chancellor doubted whether such a gap existed, though there might be an equity gap in the range £20-£30,000 as financial institutions found it uneconomic to service a portfolio with holdings as small as this. He had agreed with the Minister without Portfolio that when the Peat Marwick report was available they would review the operation of the Business Expansion Scheme. The Government

had rejected the SFIC concept which the CBI had championed in favour of the BES, but he would like to think further about the SBIC concept which Professor Vincent had suggested. The Minister without Portfolio supported this as a way of creating a network of local businessmen, solicitors and accountants who would be able to lend money to small firms in competition with the banks.

The Chancellor said he favoured the Enterprise Scholarship proposal so long as this was established as a private sector scheme. Companies could set up charitable funds to finance these scholarships. The Minister without Portfolio supported the scheme but argued for allowing the costs to be treated as a business expense. It was agreed that the Chancellor should develop this idea further, starting with a discussion with the Chairman of the Clearing Banks.

I am copying this letter to Leigh Lewis (Office of the Minister without Portfolio).

Andrew Turnbull

Mrs. Rachel Lomax,
H. M. Treasury.