10 DOWNING STREET

*From the Private Secretary*

8 April 1982

URBAN DEVELOPMENT GRANT

For the record, I write to confirm that the Prime Minister saw your Secretary of State's letter to the Chancellor of 29 March, and the Chief Secretary's reply of 1 April, about a Parliamentary Statement. The Prime Minister was at the time content that a statement should go ahead on the basis indicated by the Chief Secretary, but this has now been rescheduled for an unspecified date after the Easter recess.

I am sending copies of this letter to Muir Russell (Scottish Office), Adam Peat (Welsh Office), Stephen Boys-Smith (Northern Ireland Office), Jonathan Spencer (Department of Industry), David Heyhoe (Lord President's Office), Murdo Maclean (Chief Whip's Office) and David Wright (Cabinet Office).

M. A. PATTISON

David Edmonds, Esq.,
Department of the Environment.

Prime Minister (2)

MCS 2/4

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

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

2 April 1982

URBAN DEVELOPMENT GRANT

Thank you for sending me a copy of your letter of 29 March to the Chancellor.

I am content with the text of the announcement which you propose to make. Since Nicholas Edwards has suggested the addition of a paragraph referring to his intention to introduce a similar scheme for Wales, the position in Scotland needs to be covered also. But I am not sure whether I shall necessarily want to have a UDG scheme similar to yours, since much the same effect is already being achieved through different measures. What I propose is a paragraph on these lines

> "In Scotland my Rt Hon Friend the Secretary of State is considering ways of developing the urban programme there, and the work of the Scottish Development Agency, in order to bring about a similar increase in private sector participation in the renewal of inner urban areas."

The detailed guidance which needs to be prepared, and which is mentioned in the statement will be important, both for the success of your new scheme, and for its relationship with our other policies. I am particularly concerned about the possible impact of UDG on regional and industrial measures. There will need to be consultation between departments about the content of the detailed guidance, and taking into account these relationships.

I am sending copies of this letter to the Prime Minister, Geoffrey Howe, Jim Prior, Patrick Jenkin, Francis Pym, Nicholas Edwards, Michael Jopling and to Sir Robert Armstrong.

Approved by the Secretary of State and signed in his absence

CF/ pps pr
MCS

Prime Minister

Mr Heseltine's statement (Flag A) is now scheduled for Wednesday 7 April.

Agree to him making it?

MCS 1/4

Yes

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Michael Heseltine MP
Secretary of State
Department of the Environment
2 Marsham Street
London SW1P 3EB

1 April 1982

Dear Secretary of State,

URBAN DEVELOPMENT GRANT

Thank you for your letter to the Chancellor of 29 March.

Like you, I am all in favour of following up the reference in the budget speech as quickly as possible. I agree that we should give local government and the private sector time to work up schemes which might be eligible for urban development grants.

However, I am not myself convinced that we are ready for such an early announcement. I fear that it would only lead people to ask for the "detailed criteria" and "detailed guidance notes" which you propose to say will be available "shortly". With the best will in the world, it is bound to take a little time to draft and agree these.

I understand that George Younger and Nicholas Edwards are ready to answer questions about the implications for Scotland and Wales before an announcement is made for England.

If you are certain that an early statement is needed, and if colleagues are content, then of course I will not stand in your way.

I see that your draft says that "Grant will normally be at the rate of 75% of the local authority's stake in a project, as with the urban programme". I think it would be as well, for the avoidance of doubt, to insert the word "maximum" before "rate" in this sentence. I naturally also welcome the fact that the draft repeats that "up to £70 million" will be available in 1983-84, which is of course the formula we agreed, recorded in my letter of 3 March.

If you plan any supplementary publicity when you make your statement, I should be grateful if you would give me a chance to comment on the terms of it.

Copies of this letter go to the recipients of yours.

yours sincerely

LEON BRITTAN

PP (approved by the Chief Secretary & signed in his absence)

1 MAP
2 MCS

2pp

SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switsfwrdd)
01-233 6106 (Llinell Union)
*Oddi wrth Ysgrifennydd Gwladol Cymru*



WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switchboard)
01-233 6106 (Direct Line)
*From The Secretary of State for Wales*

The Rt Hon Nicholas Edwards MP

✓ MAP

1st April 1982

Dear Michael

In your letter of 29 March to the Chancellor of the Exchequer you sought approval for an oral statement to the House on the proposed Urban Development Grant Scheme. (I understand that you now hope to make the statement next week).

You recognised that I might wish to introduce a similar scheme in Wales and, of course, as you now know, I do so intend, although the detailed arrangements will not necessarily be exactly the same as in England. In this connection I would want my officials to be closely involved in the forthcoming discussions with the Treasury on the detailed guidelines under which the scheme will operate.

For the moment, I should be grateful if you could make the following amendments and additions to your statement:

Seventh paragraph: first sentence to read

"In England, the invitation will initially be extended .....1978"

Additional paragraph "My Rt Hon Friend the Secretary of State for Wales proposes to introduce a similar scheme for Wales and will shortly be announcing further details and guidelines".

I am copying this letter to the Prime Minister, Geoffrey Howe, George Younger, Jim Prior, Patrick Jenkin, Francis Pym, Michael Jopling and Sir Robert Armstrong.

Yours ever

Nick

The Rt Hon Michael Heseltine MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
LONDON SWIP 3EB


Wimbourne by D/E MCS 30/3

Prime Minister

Agree, subject to the agreement of colleagues, to an oral statement as proposed?

MCS 30/3

(1)

Reg Pd

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

29 March 1982

Dear Chancellor of the Exchequer

URBAN DEVELOPMENT GRANT

Your Budget statement said that up to £70m of the provision for the Urban Programme and for derelict land reclamation in 1983/4 would be earmarked for projects that encourage participation by the private sector. I am now writing to outline my proposals designed to lever private sector investment into our inner city areas.

The money indicated will be available to local authorities with the most pressing urban problems. These authorities will be invited to work up with the private sector a wide range of development projects which involve substantial private funds but which require some kind of public input to enable them to go forward. Projects will be submitted for grant on a competitive bidding basis. The bids will be assessed by a high powered team within my Department which will include relevant private sector expertise. I shall need to state publicly the criteria on which my decision on grant would be based and these will need to be agreed between us; but I would expect them to include the number of jobs created, the impact on the area and the amount of private funds attracted.

The scheme does not involve any new powers not available within the Urban Programme. It will be available to the same 43 designated districts in England in which UP resources are concentrated. For the purposes of the local authority capital controls system, it will be no different from the UP. Although I expect the grant to be awarded to the larger redevelopment projects, the grant arrangements will be the same as those operated under the UP, that is, a central government grant of 75% of the local authority's stake in a project. The scheme will be run under existing legislation powers. The essential difference is that it will only be available for schemes where the public sector input levers private sector investment. In other words the urban programme is being used to stimulate significant private expenditure.

My officials have already discussed and agreed these principles with yours. There are of course some important outstanding points - for example on the exact form in which local authorities put in their share, the cut-off point for schemes and arrangements for clawback - which we will need to work up in thenext few weeks but I am able to announce the basic features of the scheme now. It is essential that I do so well before Easter because to ensure that the scheme comes into operation successfully at the beginning of the next financial year I need bids to be in by this September. This leaves local authorities and developers very little time to work up their projects.

It is also very important that my scheme attracts maximum publicity if it is to succeed in levering substantial private sector investment. I would like at the same time to announce the success of my recent derelict land grant initiative. I therefore suggest that I should make an oral statement to the House after Questions on Wednesday 31 March. I am therefore seeking your approval by close of play on Tuesday 30 March.

I recognise that colleagues may wish to introduce similar schemes in Scotland, Wales and Northern Ireland. I am copying this letter to the Prime Minister, George Younger, Nicholas Edwards and James Prior, and to Patrick Jenkin, Francis Pym, Michael Jopling and Sir Robert Armstrong.

Yours ever

MICHAEL HESELTINE

(letter drafted by the Secretary of State and signed in his absence)

Rt Hon Sir Geoffrey Howe QC MP

2F

DRAFT STATEMENT BY THE SECRETARY OF STATE FOR THE ENVIRONMENT

URBAN DEVELOPMENT GRANT (UDG)

In December I announced an experiment with the derelict land programme to boost development by the private sector. I invited bids for a limited part of the derelict land programme involving private sector commitment to develop land reclaimed at public expense.

The first indications are that for an expenditure of £ m of public money £ m of private investment can be expected.

Based on these experiments I have decided to take a further step in 1983/4. I can now announce details of this initiative which will complement this programme in attracting private sector investment into inner city areas and which was forshadowed in the Budget speech.

I propose to invite local authorities to work up projects with private interests and to submit them to my Department. To encourage the most imaginative projects to come forward I am placing no restrictions on the type of project that can be submitted for grant. They may be industrial, commercial or housing schemes, or a combination. The scheme will be competitive against the total resources available.

Bids will be assessed by an expert team, including relevant private sector expertise in my Department. I intend to ensure that the team will be able to negotiate direct with the parties involved and with financial institutions to secure the maximum possible leverage of private sector investment by public funds.

Grant will normally be at the rate of 75% of the local authority's stake in a project, as with the Urban Programme. I will be looking for projects which, amongst other things, will make a significant impact on the areas concerned, and which will constitute to improving the local economic base. Detailed criteria will be announced shortly.

The invitation will initially be extended to the 43 districts in England designated under the Inner Urban Areas Act 1978. I am determined to ensure that it has sufficient financial muscle to achieve its objectives. I have therefore earmarked up to £70m of the provision to be made for the Urban Programme and for derelict land reclamation in 1983/4 for projects involving participation by the private sector.

In announcing the scheme now I am inviting projects for the initial round of bidding to be submitted by September, to allow time for ideas to be worked up - for a start in 1983/4. Detailed guidance notes will be issued shortly, following discussion with local authority associations and developers themselves.

I recognise that a quick decision is often critically important to developers and investors institutions. I therefore intend to give a decision on grant within 3 months of the closing date for bids.

I am confident that this proposal will be a further stimulus to the economic regeneration of our inner cities. I would like to pay tribute to the work of the Financial Institutions Group in bringing the scheme forward.