

B/E with response

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PRIME MINISTER

MINISTERIAL GROUP ON SMALL FIRMS : REPORT TO E(A)

1 As you know, the report of the group I chaired on small firms (MISC 108) cannot now be taken at E(A) tomorrow and I understand that no further meeting can take place before the week of 13 May. This is particularly unfortunate since "Local Enterprise Week", which itself starts on 15 May, provides an ideal opportunity for announcing a package of measures for small firms.

2 I should like to keep to the timetable of an announcement during Enterprise Week if possible, but the preparation of publicity material clearly could not be held up until E(A) had met. I should therefore like to propose clearing the bulk of the recommendations with colleagues by correspondence over the next week or so. E(A) can then concentrate in the week of 13 May on the resolution of any remaining differences between us.

3 The main issues colleagues will wish to consider are highlighted in my covering note and annex, E(A)(85)23. Briefly, these are:-

- a Local Enterprise Agencies - the group's recommendation is that reducing Government funding over 5 years should be available to eligible agencies to enable them to lever private sector support and build into a strong network providing services to small firms.
- b Finance for small firms - I have discussed the group's recommendations on finance with the Chancellor and accept that it is inappropriate for MISC 108 itself to be involved

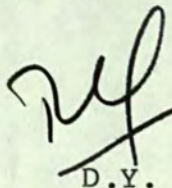
in the review of the Business Expansion scheme (BES). If Norman Tebbit agrees, I should like my Unit to be involved in discussion of the future of the Loan Guarantee Scheme (LGS). I will personally discuss other aspects of financial measures further with the Chancellor.

- c CoSIRA and the Small Firms Service - DoE and MAFF dissent strongly from the recommendation that DoE and DTI should urgently examine the case for transferring the Development Commission, with CoSIRA, to DTI, reporting back to E(A). I believe it is important that Government services to small firms should be better coordinated and that, in so doing, savings can be made. This will certainly have to be discussed at E(A) and I do not expect this to be dealt with in the clearance by correspondence which I have proposed.

4 The additional cost of the recommendations is modest. So too is the amount currently available for direct support services to small firms and it is not easy to find offsetting savings - as I have agreed we must - from these resources particularly in 1986/87 and 1987/88, Peter Rees is pursuing this with colleagues but I have agreed with the Chancellor that exceptionally, in this case, the announcement of a package can go ahead while discussions about finding the resources continue.

5 I should be grateful if colleagues will confirm their agreement to the MISC 108 recommendations and the package I propose should be announced in Local Enterprise Week, indicating any areas of disagreement, by Friday 3 May.

6 A copy of this minute goes to members of E(A), to the Secretary of State for Education and Science, and to Sir Robert Armstrong.


D.Y.

24 April 1985