



10 DOWNING STREET

From the Private Secretary

Prime Minister ①

Members of Misc 108 have agreed on policy proposals, in particular support for Local Enterprise Agencies, but have not agreed where the money will come from. The Chancellor says the announcement can go ahead, but savings can be found later. Mr Tebbit says his budget can't provide anything. So the chances of securing savings once the announcement has been made are slim.

This is a fudge, but one which the Chancellor for once is prepared to connive at. If you, as recommended, you endorse the deal, you may want to warn against groups like Lord Young's now going ahead in future with proposals before the financing has been settled.

Agree, but with cautionary remarks?

But surely the  
LEAs are largely  
gone to take over  
the work of DT 100  
small business advice  
units  
AT  
30/4  
advice  
units  
savings  
units

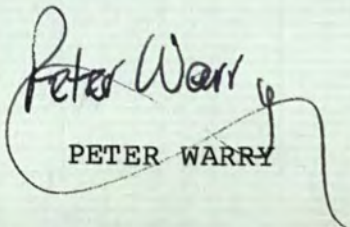
MISC 108

David Young would like to announce his measures to support Local Enterprise Agencies (LEAs) as part of 'Local Enterprise Week' which starts on 15 May. Apparently no E(A) meeting can take MISC 108's report before then.

Many LEAs are already effective supporters of small firms: the intention is to build on this and gradually transfer to them some of the simpler functions undertaken by the DTI Small Firms Service. DTI would then concentrate on coordinating interdepartmental inputs to the LEAs and in providing more complex advice. This should result in less bureaucracy and a more acceptable means of advice to budding entrepreneurs. It is also good politics: LEAs have been successful and we should not allow Labour all the credit.

The proposal will cost approximately £20 million over the next five years. Nigel Lawson is prepared for the announcement about the LEAs to be made in advance of any agreement on how this money will be funded. (David Young's proposal is a change to the small firms corporation tax tapering measures which would more than fund the money required, but Treasury claim that this is a tax measure and outwith the Group's remit. However, Treasury officials had earlier agreed that such tax measures would be legitimate, which explains why the Chancellor is unusually prepared to allow the funding to be discussed after the decision has been announced).

As the Chancellor is party to this agreement with David Young and no Minister has dissented, we recommend that either the Prime Minister accepts this decision or insists on an earlier meeting of E(A) so that all of the decisions can be taken in advance of any announcement for Local Enterprise Week.

  
PETER WARRY