



Prime Minister

*Prime Minister
Mr Heseltine repeats
what he has agreed
with colleagues.*

Handwritten initials

URBAN DEVELOPMENT CORPORATIONS: LAND TRANSFER

MAF 12/1x

On 13 March, following your visit to the Department, I wrote to the Chancellor of the Exchequer about the problem of securing public sector land for redevelopment by the Urban Development Corporations (UDCs) without being impeded by PESC conventions. I had a sympathetic reply from the Chief Secretary on 31 March.

Officials of the Departments concerned have since examined the problem in the light of the foreseeable land requirements of the UDCs. The broad approach of both Chairmen designate - necessarily provisional for the present - is for their UDC to act wherever possible as a catalyst for development by others rather than become a major landlord in its own right. They will in any case have to justify proposals for acquisition to me, against criteria to be agreed, before I will clear them with colleagues as necessary and finance them. But where I do so the UDC will then buy the land.



The cost of the purchase would count as an increase in public expenditure even though the corresponding receipt, to the extent that it represents an unexpected windfall, might be expected to reduce the call on public expenditure of the vending authority by a like amount. To allow such transactions to count as neutral in PESC terms it is necessary to ensure that the receipts are indeed applied to reducing public expenditure. This can be done by arranging for a review during the course of each Survey of the transactions expected in the ensuing year so that a suitable transfer can be made to the UDC programme from those programmes in which prospective vendor authorities score. In the case of local authorities I can arrange this myself. In the case of nationalised industries and the Port of London Authority I shall need the assistance of colleagues concerned in making any consequent adjustments to external financing limits and to the public expenditure projections for ports, in which I realise it may not always be easy to allow for particular transactions.

Officials however believe that with goodwill they should be able to meet our broad objectives. Departments will be in touch accordingly once the Chairmen designate have firmed up their plans in the autumn. I should perhaps add that transactions with the Mersey Docks and Harbour Company, which is within the private sector, cannot be offset in this way.



I am copying this minute to the Chancellor of the Exchequer,
the Secretary of State for Energy, the Minister of Transport
and Sir Robert Armstrong.

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