



Circular 68/78  
(Department of the Environment)  
Circular 136/78  
(Welsh Office)

Joint Circular from the



Department of the Environment  
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Sir,

2nd November 1978

**Inner Urban Areas Act 1978**

1. The Inner Urban Areas Act 1978 received Royal Assent on 31 July 1978. It fulfills the undertaking in paragraph 54 of the White Paper "Policy for the Inner Cities" (Cmnd 6845) to give additional powers to local authorities with serious inner area problems so that they may participate more effectively in the economic development of their areas. This circular describes the provisions of the Act, gives general guidance on the use of the new powers and at Annex 3 contains directions already made by the Secretaries of State governing the use of the powers. The Order (SI 1978 No. 1314) designating selected districts in England and Wales where the new powers will be available came into effect on 29 September 1978.

**INTRODUCTION**

2. The provisions of the Act go further than the powers proposed in the White Paper. Some powers are available throughout all the designated districts while others are confined to certain "special areas" in districts where inner city partnerships have been established. First, the Act gives the following powers to "designated district authorities" (ie the district council and county council for the districts designated by the Secretaries of State under section 1 of the Act):—

- (i) to make long-term loans of up to 90% of the mortgage security, at a commercial rate of interest prescribed in the Act, for the acquisition of land or the carrying out of works on land (section 2);
- (ii) to make loans or grants towards the costs of establishing co-operative or common ownership enterprises (section 3);
- (iii) to declare Improvement Areas, which may be predominantly industrial or commercial or a mixture of the two, and in those areas to make loans and grants for improvements to the environment or amenities of the area and to make grants towards the conversion,

improvement or modification of commercial or industrial buildings (sections 4, 5 and 6). (These Improvement Areas are to be distinguished from General Improvement Areas as defined in the Housing Act 1969);

(iv) to adopt a local plan in advance of the approval or alteration of the structure plan, if the Secretary of State so directs (section 12).

3. Secondly, the Act contains a specific power (section 7) for the Secretaries of State and other Ministers to enter into "arrangements for determining action" with local authorities and others and provides three further powers for local authorities involved in these arrangements. The inner city partnerships that have been established constitute such "arrangements". Under section 8 the Secretaries of State may, with the consent of the designated district authority, specify by order a "special area", in any district where such arrangements exist, and within this area the district council or the county council or both (as set out in the order) will have powers:—

(v) to make loans, interest free for up to 2 years, for site preparation works, installation of services and the provision of access roads (section 9);

(vi) to make grants to assist with the rent payable by persons taking leases on buildings intended for industrial or commercial use (section 10);

(vii) to make grants towards the interest payable on any loan made to a small firm (ie one with not more than 50 employees) for the acquisition of land or the carrying out of works on land (section 11).

4. In addition, the Act safeguards authorities' general powers under section 137 of the Local Government Act 1972 (section 13) and amends the Local Employment Act 1972 in order that 100% grants for derelict land clearance may be paid in Greater London (section 14). A full description of the new powers and a commentary on them is at Annex 1.

5. The Secretaries of State have designated a number of districts in England and Wales under section 1 of the Act. The designated districts comprise the areas in which there are authorities participating in partnership arrangements, those where authorities have been invited to draw up inner area programmes but without formal partnership arrangements (programme authorities), and a further nineteen districts. These are listed in Annex 2.

6. It is intended that orders under section 8 to define the special areas in England will be made, with the consent of the authorities concerned, as soon as possible.

#### THE WIDER CONTEXT

7. Many local authorities are already active in promoting the economies of their areas. DOE Circular 71/77 (Department of Transport Circular 4/77, Welsh Office Circular 118/77) discussed ways in which the general policies and programmes of local authorities—housing, planning and so on—could be used to help local industry. The new powers under this Act are only part of local authorities' general ability to assist and encourage employment-generating activity. For example, advice has recently been given in DOE

Circular 44/78 on the ways in which the Community Land Scheme can be used by local authorities in England to assist industrial development. The new powers are moreover intended to complement and not duplicate the assistance already available to firms from the Department of Industry, particularly within the assisted areas. Local authorities may therefore wish to keep in close touch with their regional office of the Department of Industry (in Wales the Industry Department of the Welsh Office). It will also be helpful to small firms if each designated district authority informs the local Regional Small Firms Centre of the Department of Industry of its policy for the application of the new powers and particularly of proposals for Improvement Areas.

#### ADMINISTRATIVE ARRANGEMENTS

8. Circular 71/77 (Welsh Office Circular 118/77) stressed the importance of having one clearly identifiable contact point within an authority for firms seeking information and assistance and it would be helpful if officers who are already acting as such contacts also deal with applications for loans and grants.

9. Within a designated district, the powers of sections 2, 3 and 4 of the Act are available to both the county and district council. This will enable account to be taken of local circumstances (eg where one authority has so far taken the lead in economic development, it may be reasonable for it to continue to do so) and will mean that the maximum resources can be made available. But effective co-ordination between the two councils will be necessary especially since firms may receive assistance from both tiers, and the limits set out in the Act and the directions in Annex 3 apply to the total assistance given. Authorities may decide that one or other tier will exercise the powers in a particular district and take the main initiatives; or both authorities may use the powers, consulting each other as necessary to ensure that there is no duplication of effort. Whether or not both tiers operate the powers of the Act in any particular district, each can assist in the process of economic development by the exercise of its general powers and it may be appropriate for resources to be provided under joint funding arrangements (section 136 of the Local Government Act 1972). Co-ordination of effort is particularly important in the declaration of Improvement Areas, where consultation between the two tiers is required, although it is expected that the district council will normally take the lead. Only the authority that declares an Improvement Area will be able to exercise the powers of sections 5 and 6 of the Act within that area, but joint declarations may be made (Annex 5).

10. The powers in the Act have been notified to the European Commission who have requested that an annual report be sent to them on the operation of the powers, and that proposals to aid large projects in the non-assisted areas should be notified to them in advance. The precise interpretation of this latter request is still under discussion but, for the moment, authorities in the non-assisted areas are asked to let the regional office of the Department of the Environment know in advance if they propose to give assistance (other than loans under section 2 of the Act) to projects whose land and building costs exceed £400,000. Further advice will be issued.

11. As part of the normal process of monitoring new legislation, the Department and the Welsh Office will be asking designated district authorities about their use of the new powers in due course.

## FINANCIAL ARRANGEMENTS IN ENGLAND

12. Expenditure under the new powers will be met from existing local authority resources: revenue, Locally Determined Sector block allocations or Urban Programme. If additional Urban Programme resources can be made available designated district authorities will be informed. For partnership and programme authorities the enhanced allocations which have already been made from the Urban Programme are intended to enable them to support industrial and commercial projects within or for the benefit of the inner areas of the partnership and programme authorities. Annex 4 describes the proposed arrangements in England for assistance from the Urban Programme.

13. Financial arrangements in Wales will be announced separately.

## CRITERIA FOR ASSISTANCE

14. The new powers are intended to allow authorities to encourage firms to develop and expand in inner area locations when they might otherwise have gone outside the area, or not undertaken the development at all. The use of the powers should result in permanent improvements to the environment and the buildings in inner areas, and indeed the exercise of all the powers is required by the Act to benefit the designated district, special area or Improvement Area, not just individual firms. Authorities will wish to draw up their own guidelines for the use of the powers, and for close control over the allocation of public funds. Some criteria and priorities are suggested below.

15. In selecting projects for assistance (other than those relating to environmental works in Improvement Areas), authorities will need to assess the viability of the project and of the firm undertaking it since the main aim of any assistance must be to secure permanent employment opportunities either by the creation or preservation of jobs. A significant contribution from the private sector, for example, would be a good indication of potential viability. Some authorities are already developing the capability of assessing projects for which assistance is sought; others will need to consider how this capability might best be provided. Designated district authorities will be supplied in the near future with notes on the criteria and methods of assessment used by the Department of Industry in dealing with applications for selective financial assistance under the Industry Act 1972. As a general principle the financial assistance given, within any maximum level prescribed by the Act or directions, should be the minimum compatible with encouraging projects to come forward. Illustrations of how this principle applies to different parts of the Act are given in Annex 1. It is also important that the powers of the Act should not lead to wasteful competition between authorities.

16. Officials of the Department of Industry considering applications for selective financial assistance for firms in designated districts will normally wish to check with the appropriate local authority whether any assistance under this Act has been applied for. In considering such applications, the Department of Industry takes account of any other assistance which the project is receiving from the public sector including assistance from local authorities in order to ensure that there is an effective private sector commitment to the project. In addition the Department of Industry has a duty to see that the total public sector contribution does not exceed ceilings for regional aid laid down by the European Commission. Either of these

considerations may lead to a reduction in the Department's assistance when a project receives help from both a local authority and central government. Designated district authorities, for their part, may wish to notify the regional office of the Department of Industry of any applications they are considering. The Industry Department of the Welsh Office handles applications for selective financial assistance in Wales.

17. Loans by designated districts under section 2 of the Act may be given for the acquisition of any land or the carrying out of works for any purpose, but it is envisaged that the power will mainly be used in providing long-term finance for industrial and commercial projects for which finance cannot be readily obtained from other sources. For the interest-free loans in special areas under section 9, preference might be given to site works for projects which will provide industrial or commercial premises and which are therefore likely to improve employment in the area. In some cases it may be desirable to use this power to assist other types of project such as the clearance of sites for private housing. In selecting projects in special areas for assistance with rent and interest-relief grants under sections 10 and 11, authorities might consider giving priority to helping firms which have been displaced from premises in the area and also to new firms attempting to start up business, although grants may also be offered to attract firms from outside the area.

18. While the emphasis in the assistance given is likely to be on manufacturing industry, the service sector may also provide valuable employment opportunities. Authorities will, however, need to consider carefully their policies towards assistance for service enterprises which compete in an essentially local market, eg retail traders. Authorities will want to avoid the risk or the appearance of inequitable treatment and it is important to ensure that public money is not spent merely to create or preserve jobs in one firm in the inner area at the expense of another, although it may be in the interests of the inner area to influence a trader serving the conurbation to be located in that area rather than in a suburb. Appropriate publicity for any policy will also need consideration. A leaflet or pamphlet setting out policy on the use of the new powers, and covering other aspects of assistance that the authority can offer to industry or commerce, would be helpful to local firms and those wishing to set up in the authority's area. A short leaflet on the scope of the Act will be distributed to designated district authorities as soon as possible.

#### IMPROVEMENT AREAS

19. The most novel power in the Act is that which enables designated district authorities to declare Improvement Areas (section 4). It is expected that these will usually be areas of run-down industrial buildings, but the power could also be applied to older commercial areas or to areas of mixed industrial and commercial use. The declaration of an Improvement Area can be an effective means of stabilising the economic life of an older industrial or commercial area but indiscriminate use of the new power will reduce its effectiveness. Furthermore, a proposed Area in one district may have consequences for other districts. For these reasons, the declaration of Improvement Areas is subject to the control of the Secretaries of State. They may negative proposals for an Improvement Area before the resolution establishing it has come into effect, and may also amend or terminate it once established. Annex 5 outlines the factors that the

Secretaries of State will have in mind in considering proposals for Improvement Areas and sets out the information that authorities should provide in support of declarations.

We are, Sir, your obedient Servants,  
A A PELLING *Assistant Secretary*  
R D POTTER *Assistant Secretary*

The Chief Executive

County Councils }  
District Councils } in England and Wales

London Borough Councils

The Town Clerk, City of London

The Director-General, Greater London Council

The General Manager, New Town Development Corporations

[DOE ICD/4390/1]

[WO EP/3/34/1]

## DESCRIPTION AND COMMENTARY ON THE POWERS IN THE ACT

### SECTION 2

#### LOANS FOR ACQUISITION OF OR WORKS ON LAND

1. The power given in section 2 of the Act is effectively an extension of sections 3 and 4 of the Local Authorities (Land) Act 1963. As with loans under that Act, the rate of interest is linked to the Public Works Loan Board non-quota "A" rate under a direction by the Treasury. Loans may be for up to 30 years and must be secured by a mortgage on the land. Details of the PWLB rates and their revisions can be obtained directly from the Board.
2. The important differences from the 1963 Act are: (i) that the loans may be made for the acquisition of or works on any land, whether the local authority owns the land or not, and (ii) that the amount of the loan may be up to 90% (rather than 75%) of the value of the security. Loans may also be made where the authority owns the land and enters into a building agreement. There is no restriction on the use to which the land and works may be put.
3. Loans may be made anywhere within a designated district or within the county of which that district forms part. In the latter case, the lending authority must be satisfied that the acquisition or works will benefit the designated district itself. If a district council wishes to make a loan outside its own area, it must first consult the district council in whose area the land is actually situated.

### SECTION 3

#### LOANS AND GRANTS FOR ESTABLISHING COMMON OWNERSHIP AND CO-OPERATIVE ENTERPRISES

4. Section 3 enables designated district authorities to give grants or loans towards the cost of setting up co-operatives and common ownership enterprises within the definition of the Industrial Common Ownership Act 1976. The assistance is confined to the administrative and other costs of establishing the organisation, for example the cost of seeking legal, financial or other advice; the fee for registering the body under the Industrial and Provident Societies Acts; and office expenses in the period of planning and organising the project. The directions set a limit of £1,000 on the total assistance which may be given in respect of any proposed organisation.
5. The section is not meant to cover the cost of running the enterprise after it has been formed or to finance its capital needs (whether working capital, land and buildings or plant and machinery) since this would discriminate unfairly against other types of small firms. Co-operatives and common ownership enterprises are, however, eligible for assistance under other sections of the Act on the same basis as other types of organisation and for assistance under the Government's regional incentives and national schemes of support for industry.

6. Assistance may be given under the section if the local authority is satisfied that the intention is to set up a body meeting certain criteria under the Industrial Common Ownership Act. These criteria are those about which the Registrar of Friendly Societies (in the case of common ownership enterprises) or the Secretary of State for Industry (in the case of co-operative enterprises) must be satisfied before issuing certificates under that Act: they relate to the form of control by the workforce. The authority does not have to satisfy itself that the proposed body would meet these criteria, merely that the people concerned intend to set up such a body. The local authority must also be of the opinion that such a body would benefit the district. There is no requirement that the recipients of a loan or grant under this section should be members of the co-operative or common ownership enterprise once established and so, for example, a local co-operative development agency could be assisted.

7. The new Co-operative Development Agency and the Regional Small Firms Centres of the Department of Industry will be able to advise authorities and potential members of co-operatives and common ownership enterprises on the procedures for establishing such enterprises and the financial assistance available under the Industrial Common Ownership Act 1976.

## SECTION 4 AND THE SCHEDULE

### DECLARATION OF AND CHANGES ON IMPROVEMENT AREAS

8. Under section 4 designated district authorities may declare Improvement Areas according to the procedure set out in the Schedule. This requires the district or county council, after consulting the other designated district authority, to pass a resolution which defines the area and gives a date (not less than three months ahead) when the resolution is to come into effect. The declaring authority then notifies the Secretary of State, and if the Secretary of State does not negative the declaration, the resolution takes effect on the stated date. The Schedule also sets out requirements for publicity for the declaration.

9. Annex 5 discusses the considerations that should govern the selection of areas for declaration as Improvement Areas and outlines the factors that the Secretaries of State will take into account in exercising their powers to negative the declaration of an Improvement Area. It also indicates the information that should be sent to the Secretary of State with the notification of a declaration.

## SECTION 5

### LOANS AND GRANTS FOR IMPROVING AMENITIES

10. Section 5 enables a designated district authority which has declared an Improvement Area to make loans or grants to assist the carrying out of any of the improvements set out in this section. There are no restrictions prescribed in the Act on the form or the amount of the loans or grants: authorities will need to decide in the light of local circumstances the extent to which they assist various kinds of works. Any policy will need to be set out clearly and made available to those seeking assistance so that firms can be seen to be treated equitably.



11. Projects aided under this section must, under the terms of the Act, benefit the Area and not just an individual firm. The grants and loans are not intended to cover routine maintenance of the exterior of buildings; in particular, assistance for cleaning and painting should be confined to projects which bring major environmental benefits.

## SECTION 6

### GRANTS FOR CONVERTING OR IMPROVING BUILDINGS

12. Under section 6 grants may be given in an Improvement Area by the designated district authority which declared the Area to assist with the conversion, improvement, modification or extension of industrial or commercial buildings or the conversion of other buildings into industrial or commercial buildings.

13. Grant is limited in all cases to the smaller of two figures: 50% of the cost of the works or £1,000 for each job that is likely to be created or preserved as a result of the carrying out of the works. The latter is intended to link the amount of grant to the likely effect of the project on employment (that is, permanent employment in the Area, not the employment created temporarily by the works). The costs eligible for grant are the costs of carrying out the works of conversion or improvement; these would not include any costs attributable to the normal maintenance of the building but would include professional fees on the works. Costs of the acquisition of the building are not eligible for assistance under this section.

14. In deciding on the amount of grant to be given under this section, authorities will need to assess the return to the firm or developer on its investment in the project and to ensure that provision of grant does not result in an excessive return. For example, when a developer wishes to buy and improve a building for subsequent leasing to a firm, the assessment of the return would involve the comparison of the rents likely to be received with the total costs (acquisition plus works) of providing the building. If the return seems likely to be adequate it would not be appropriate to give grant. But, if the return would be insufficient, grant could be given to lower the effective cost to the developer to a point where the return would be reasonable but not excessive. It will be for authorities to determine what is a reasonable rate of return in each case depending, amongst other things, on the risks involved and the current investment climate. Authorities will also need to consider whether any conditions should be applied to the provision of a grant, eg on the sale of the property concerned within a given period.

15. The following examples illustrate some of the cases that might arise.

*Example A:* A firm may come to an authority with a proposal to move into an Improvement Area, take over an empty building and improve or convert it for its own use. The number of jobs created, for the purposes of determining the grant limit, would be the total number of permanent jobs likely to be accommodated in the improved building.

*Example B:* A firm already in the Area may seek aid because it needs to modernise or improve its premises. It may claim either that the cost of doing this is greater than the cost of moving to more suitable accommodation elsewhere or that the cost of improving or moving is

so great that it cannot do either and must therefore shut down. The grant limit would be related to the number of jobs preserved. If the improvements allowed the firm to expand its workforce these jobs would also count towards the limit, as "jobs created".

*Example C:* A developer may wish to convert a building in the Area into small units for subsequent leasing on a speculative basis. Grants would then be based on the total number of new and preserved jobs that, in the opinion of the authority, are likely to be provided in the building (ie where tenants are new firms or come from outside the Area or where firms already in the Area would have closed or left had they not moved into the building). A useful guide is that every 1,000 sq ft of floorspace in an industrial building can normally accommodate up to 4 jobs.

## SECTION 9

### LOANS FOR SITE PREPARATION

16. Authorities may, under section 9, make loans in special areas for specified works of clearance and for the servicing of sites. The loans are essentially on the same terms and conditions as those under section 2 but the interest on them may be waived for up to 2 years and the payment of principal deferred during this period.

## SECTION 10

### GRANTS TOWARDS RENT

17. Section 10 enables authorities to make grants towards the rents paid by firms taking leases of premises intended for industrial or commercial use in special areas. Directions specifying the maximum grant that may be made in various circumstances and prescribing other matters relating to the grants are set out in Annex 3. In special areas within the assisted areas the maximum grant will be twice the annual rent. Elsewhere the maximum grant will be the annual rent except for firms that are presently located in the special area (or in a special area in another district which is covered by the same set of arrangements under section 7) where the maximum will be twice the annual rent. This differential is to avoid conflict with regional policy in the incentives that can be offered to mobile firms and to enable extra assistance to be given to firms displaced by redevelopment schemes.

18. In assessing the appropriate level of rent grant, authorities may wish to take into account not only the general financial situation of the applicant firm but also the rent that it has been paying previously, eg for a firm displaced within the area the grant might be related to the difference between the rent to be paid and its previous rent.

19. The maximum permitted grant is determined in relation to the annual rent that the authority considers to be market rent for the property. This may not be the same as the actual rent passing but the grant paid in any year must not exceed the rent for that year. The assumptions to be made in assessing the notional market rent are prescribed in the directions and are broadly those used in the assessment of rateable values. This use of a notional rent calculated on a common basis for all claimants ensures that

difficulties will not arise where differing terms in leases may mean that the sums payable in the early years of a lease are different from those payable later.

#### EXISTING PROVISIONS FOR RENT CONCESSIONS IN ASSISTED AREAS

20. Where a local authority receives a regional development grant in respect of a factory which it owns, the Secretary of State has been prepared to give consent for the authority to dispose of the factory at less than the market rent by giving a rent free period of up to 2 years, within the limits of the Regional Development Grant, to the first tenant of that factory. Such consents will not normally now be given in relation to local authority factories in special areas; instead authorities may pay rent grants under this new power on their own factories in the same manner as on other premises. Such payment will be eligible in principle for Urban Programme grant.

#### SECTION 11

##### GRANTS TOWARDS LOAN INTEREST

21. Section 11 allows small firms (defined as those with not more than 50 employees) situated in special areas to be given grants to assist with interest payments on loans from any source for land and buildings. The Secretaries of State have made directions specifying the maximum rate of grant and requiring that only firms trading in the special area for 12 months previously should be eligible for these grants and that recipient firms should not be subsidiaries of organisations with more than 50 employees or members of groups whose workforce exceeds 50. Occasionally it may be desirable to give a grant to a small firm even though it is part of a larger economic unit, and in such cases the Secretary of State would consider issuing a special direction waiving or varying this limitation.

22. The maximum total grant is set at 12% of the amount borrowed and the grant may be given in instalments for up to 4 years from the making of the loan. However, the total paid in any one year is not to exceed 6% of the amount borrowed. No grants may be made in respect of loans under section 9 or of loans for works which also receive grant assistance under section 6.

#### SECTION 12

##### ADOPTION OF LOCAL PLANS

23. Section 12 modifies the provisions of Part II of the Town and Country Planning Act 1971 (as amended by the Town and Country Planning (Amendment) Act 1972 and the Local Government Act 1972) and enables a local planning authority, if the Secretary of State so directs, to consider and adopt a local plan for the whole or part of a designated district, or a district where arrangements have been entered into under section 7 of the Act, in advance of the approval or the alteration of the structure plan.

24. Before issuing a direction under this section, the Secretary of State will consult the county and district planning authorities (in London the Greater London Council and the London Borough Councils) for the area of the local plan.

25. The effect of the modification of the structure and local plans system under this section of the Act will be described in a further circular to be issued shortly.

### SECTION 13

#### GENERAL EXPENDITURE POWERS

26. Section 13 prevents the existence of powers under the Act from affecting the general powers of local authorities under section 137 of the Local Government Act 1972 to spend up to the product of a two-penny rate on anything "which in their opinion is in the interests of their area or any part of it or all or some of its inhabitants".

### SECTION 14

#### DERELICT LAND GRANTS

27. Section 14, by amending section 8 of the Local Employment Act 1972, enables grants at a rate of 100% to be paid in any Derelict Land Clearance Area declared in Greater London by the Secretary of State for Industry. London Docklands has been declared such an area (SI 691/1978).

28. Information on the grants available to local authorities in England for reclaiming derelict land was contained in DOE Circular 17/77. Further information may be obtained from the Department's regional offices. Derelict land clearance in Wales is the responsibility of the Welsh Development Agency.

## DESIGNATED DISTRICTS

The following districts have been designated by the Secretaries of State.

**Districts which will contain Special Areas (Partnership areas)**

Birmingham	Islington
Greenwich	Lambeth
Lewisham	Liverpool
Newham	Manchester
Southwark	Salford
Tower Hamlets	Newcastle upon Tyne
Hackney	Gateshead

**Districts where there are to be Inner Area Programmes (Programme authority areas)**

Bolton	Nottingham
Bradford*	Oldham
Hammersmith	Sheffield
Kingston upon Hull	South Tyneside
Leeds	Sunderland
Leicester	Wirral
Middlesbrough	Wolverhampton
North Tyneside	

**Other Districts****ENGLAND**

Barnsley	Rochdale
Blackburn	Rotherham
Brent	St Helens
Doncaster	Sandwell
Ealing	Sefton
Haringey	Wandsworth
Hartlepool	Wigan

**WALES**

Blaenau Gwent	Rhondda
Cardiff	Swansea
Newport	

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\* Bradford is undertaking a Comprehensive Community Programme.

THE INNER URBAN AREAS (ENGLAND AND WALES) DIRECTIONS 1978

The Secretary of State for the Environment, in relation to England, and the Secretary of State for Wales, in relation to Wales, in exercise of the powers conferred on them by sections 3(2), 5(3), 6(4), 9(6), 10(2) and 11(2) of the Inner Urban Areas Act 1978, and of all other powers (if any) enabling them in that behalf, hereby give the following general directions:—

CITATION, APPLICATION AND INTERPRETATION

- 1.—(1) These directions may be cited as the Inner Urban Areas (England and Wales) Directions 1978 and apply to England and Wales.
- (2) In these directions—
  - “the Act” means the Inner Urban Areas Act 1978;
  - “assisted area” has the meaning given by section 6(2) of the Industry Act 1972,
 and any other expression which is used in these directions and which is also used in the Act shall, unless the context otherwise requires, have the same meaning as it has in the Act.
- (3) The Interpretation Act 1889 shall apply for the interpretation of these directions as it applies for the interpretation of an Act of Parliament.

FINANCIAL ASSISTANCE UNDER SECTION 3

- 2.—(1) In this direction “financial assistance” means any loan or grant or both made under section 3 of the Act.
- (2) The aggregate of the amount of financial assistance given by a designated district authority for the purpose of enabling any persons to establish a body and of any financial assistance given in respect of those persons and that body by the other designated district authority shall not exceed £1,000.

IMPROVEMENT GRANTS UNDER SECTION 6

- 3.—(1) In this direction “improvement grant” means a grant under section 6 of the Act in respect of any works mentioned in subsection (2) of that section.
- (2) The aggregate of the amount of an improvement grant made by a designated district authority in respect of any works and of any improvement grant in respect of those works made by the other designated district authority shall not exceed the amount referred to in section 6(3) of the Act.

RENT GRANTS UNDER SECTION 10

- 4.—(1) In paragraphs 5 and 6 below “rent grant” means a grant under section 10(1) of the Act towards the rent payable under a lease of a building to which that section applies.
- (2) In paragraph 5 below “market rent” as respects a building means the amount which, in the opinion of the designated district authority, is the annual rental value of that building immediately before the commencement of the lease of that building on the following assumptions—

- (a) that the building is in a state of repair which might reasonably be expected by an occupier of that building,
  - (b) that the tenant undertakes to pay all usual tenant's rates and taxes and to bear the cost of the repairs and insurance and other expenses, if any, necessary to maintain the building in a state to command the market rent, and
  - (c) that section 10 of the Act had not been enacted.
- (3) In paragraph 6(2) below "year" means a period of 12 months beginning with the commencement of the lease or an anniversary thereof.

5. The aggregate of the amount of any rent grant made by a designated district authority in respect of any building and of any rent grant in respect of that building made by the other designated district authority shall not exceed—

- (1) if the building is in an assisted area, twice the market rent, or
- (2) if the building is not in an assisted area—
  - (a) twice the market rent if for a period of two years immediately prior to the commencement of the lease the person to whom the rent grant is made has occupied for industrial or commercial purposes another building situated within either—
    - (i) the same special area as the building of which he has taken the lease, or
    - (ii) a special area consisting of the whole or any part of a district other than the district in which the building is situated and those two districts are covered by a single set of arrangements under section 7(1) and (2) of the Act, or
  - (b) the market rent, in any other case.

- 6.—(1) The period in respect of which a rent grant is made shall not exceed 5 years beginning with the commencement of the lease.
- (2) The aggregate of the amounts of any instalments of rent grant payable in any year by either or both of the designated district authorities shall not exceed the amount of the rent under the lease for that year.

#### INTEREST RELIEF GRANTS UNDER SECTION 11

- 7.—(1) In paragraphs 8, 9, 10 and 11 below "interest relief grant" means a grant under section 11(1) of the Act towards the interest payable in respect of a loan to which that section applies.
- (2) In paragraph 8 below "the land" means the land which is being acquired by the small firm or on which the works are to be carried out by that firm.
- (3) In this sub-paragraph and in paragraph 9 below "group of companies" means a company and all other companies which are its subsidiaries and "subsidiary" has the same meaning as in the Companies Act 1948.
- (4) In paragraph 11(3) below "year" means a period of 12 months commencing with the making of the loan or any anniversary thereof.

8. No interest relief grant shall be made to a small firm unless for the period of one year immediately prior to the making of the loan the firm have occupied for industrial or commercial purposes a building situated within either:—

- (a) the same special area as the land, or
- (b) a special area consisting of the whole or any part of a district other than the district in which the land is situated and those two districts are covered by a single set of arrangements under section 7(1) and (2) of the Act.

9. No interest relief grant shall be made to a small firm which is a company if that company is one of a group of companies and the aggregate of the number of employees of all the companies in that group is more than 50.

10. No interest relief grant shall be made in respect of a loan which is made to enable a small firm to carry out any works if—

- (1) a grant has been made or is to be made in respect of those works under section 6 of the Act, or
- (2) a loan has been or is to be made in respect of those works under section 9 of the Act.

- 11.—(1) The aggregate of the amount of an interest relief grant made by a designated district authority in respect of a loan and of any interest relief grant in respect of that loan made by the other designated district authority shall not exceed 12% of the amount of that loan.
- (2) The period in respect of which an interest relief grant is made shall not exceed 4 years beginning with the making of the loan.
- (3) The aggregate of the amounts of any instalments of interest relief grant payable in any year by either or both designated district authorities shall not exceed 6% of the amount of the loan.

C J S BREARLEY

Signed by authority of the  
Secretary of State

29 September 1978

An Assistant Secretary in the  
Department of the Environment

R D POTTER

Signed by authority of the  
Secretary of State

2 October 1978

An Assistant Secretary in the  
Welsh Office



## FINANCIAL ARRANGEMENTS—ENGLAND

## URBAN PROGRAMME

1. Because decisions upon assistance to commercial or industrial projects often need to be taken rapidly, the Department proposes to make special arrangements for approval of these projects under the Urban Programme so that loan sanction and grant (where appropriate) can be made available throughout the year. These arrangements which will apply to all appropriate projects in designated districts, with the exception of projects in or for the benefit of the inner areas of partnership and programme authorities (see next paragraph), will be described in further advice to be issued shortly.

2. Allocations of Urban Programme funds have been made to partnership and programme authorities for projects in, or for the benefit of, their inner areas, including projects making use of the powers of the Inner Urban Areas Act. Inner area programmes should include the total sums that the authorities wish to allocate from their Urban Programme allocation to industrial and commercial projects. Authorities will then be able to propose individual projects for Urban Programme support against the resources allocated to them subject to the formal approval of the Department for the key sector loan sanction and, where appropriate, the payment of grant. Applications should be made through the appropriate regional office.

## ELIGIBILITY FOR GRANT OR LOAN SANCTION

3. The normal rules for Urban Programme grant will apply where it is sought for projects under the new powers in the Act. For convenience, the way in which these rules will normally operate in relation to each section of the Act is set out below. Proposals for factory buildings in areas covered by Industrial Development Certificate control will be subject to that control in the normal way; before putting forward any such proposals local authorities may find it helpful to consult the appropriate regional office of the Department of Industry on this aspect.

*Section 2, loans:* Authorities may apply for key sector loan sanction under the Urban Programme to make such loans. Urban Programme grant will not normally be payable because the interest received on any loan made should exceed the interest payable on money borrowed by a local authority to finance the loan. Grant will not be paid on loans funded from revenue.

*Section 3 and Section 5, loans and grants:* In the case of loans, Urban Programme grant will normally be payable on the net cost of loan charges incurred, ie for loans made at subsidised rates account will be taken of the interest to be received. Grants will be aided at 75% of their cost to the authority if funded from revenue, or at 75% of the annual charges if funded from loan.

*Section 6, grants:* Urban Programme grant will normally be paid on the same basis as grants under section 3 and section 5.

*Section 9, interest free periods:* Urban Programme grant will be paid on the net cost of the loan charges in each year; thus in years when relief from

interest is given, grant will be payable. For other years, the loans will be on the same terms as under section 2 and grant will not normally be payable.

*Sections 10 and 11, rent and interest relief grants:* Urban Programme grant will be payable on the actual amount paid to firms in any year or, if the money for this is raised by borrowing, on the loan charges over the relevant period.

## SELECTION AND DECLARATION OF IMPROVEMENT AREAS

## CHOICE OF AREAS

1. The aim of declaring an Improvement Area is to secure a stable level of permanent employment in an older industrial or commercial area where economic activity might otherwise steadily decline owing to adverse environmental factors, inadequate buildings and a pattern of land use that is unsuited to modern industrial or commercial needs. Designation as an Improvement Area should carry with it concentrated attention by the declaring authority, using the whole range of its powers: planning, land assembly, traffic management etc, and implies the diversion of significant manpower and financial resources in setting up and maintaining good working relations with the firms in the area, establishing their needs and carrying out or financially assisting the necessary improvements. It is important that authorities do not regard Improvement Areas merely as areas where some extra grant powers are available but use the concept as a means of tackling comprehensively the problems found in these older areas.

2. The powers in the Act which relate to Improvement Areas are likely to be most useful in older industrial areas where substantial improvements in the environment and the land usage pattern need to be made and only action by the local authority is likely to begin the process of improvement. Declarations of areas consisting predominantly of commercial property, where the improvements in those areas could be carried out by the local authority under existing powers or where the buildings within the area would be likely to be converted or improved in the normal course of events by private interests, are unlikely to commend themselves to the Secretaries of State. Further, while some vacant or derelict sites will be found in most Improvement Areas, and indeed may provide vital room for expansion for existing firms, areas with extensive dereliction and few viable firms are not likely to be suitable for declaration as Improvement Areas.

3. Because of the demands on their management effort and resources, authorities will need to consider carefully the size of the area that can be dealt with effectively. An over-large area where it appears to the firms that much is promised but little visible happens will be detrimental to the relationships between the local authority and the business community. It is suggested that most realistic declarations will relate to areas of up to 50 hectares. It may be helpful for authorities to think in terms of an initial phase of 3-5 years when major attention is paid to the area with a similar period after that time for residual works. After that, the declaration of the Improvement Area should be terminated, if the exercise has proved successful, and attention concentrated elsewhere.

4. Before declaring an Improvement Area, authorities will wish therefore to consider:

(i) To what extent the use of local authority powers will improve the area. Are there opportunities for the local authority to assemble sites for industrial or commercial development or to make available land to existing firms or to improve access? What improvements to traffic arrangements will be required?

(ii) Will concentrated attention from the local authority succeed in stabilising employment opportunities? For example, the area may be dominated by a declining industry; there may be acute shortages of

certain labour skills or of opportunities to match the skills of local people. The extent to which firms are locally controlled may be relevant. It is important that local authority resources are put into areas where there is a reasonable chance of success, and not necessarily into the most derelict area in any district.

(iii) What evidence is there of co-operation by firms in the area and willingness to spend their resources on environmental improvements? Preliminary contacts with firms, preferably by members or officers of the authority or otherwise by survey, will be essential in formulating plans for the area. This will establish how local firms perceive their problems; what their attitude is towards remaining in the area; and how prepared they are to improve their own properties.

(iv) What management organisation will be appropriate for ensuring a coherent approach to the problems of the area and maintaining close relationships with its business community? A small team may be needed with representatives of the different departments of the authority and perhaps of the other designated district authority also. The manpower resources which can be assigned to the project, and the financial allocations that can be made, may be the crucial factors in determining the size of area to be declared.

(v) What is the relationship of the proposed area to adjacent residential areas? Authorities will need to consider the effect the declaration of an Improvement Area may have on neighbouring housing; in some cases it may be appropriate for there to be related declarations of HAAs or GIAs so that a neighbourhood as a whole can be improved. An area cannot be both an Improvement Area and a GIA (since the first must be predominantly industrial or commercial or a mixture of the two and the second predominantly residential), but it would be possible for there to be an overlapping declaration if an area of mixed character lay between an industrial or commercial area and a residential area.\*

5. The Department has commissioned a study of the Industrial Improvement Area established by Rochdale MBC to see what lessons can be learnt from this project for the benefit of other authorities. The Report of the study is expected in early 1979 and it, or its conclusions, will be made available to designated district authorities.

#### NOTIFICATION TO THE SECRETARY OF STATE

6. It would be helpful if authorities were to discuss their proposals for the declaration of Improvement Areas informally with the regional office of the Department of the Environment or the Welsh Office before making formal declarations. Formal notification, as required by the Act, should

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\* A collection of case studies of mixed use in inner areas drawing together the experience of various inner city authorities has been published under the title "Industry in the Inner City: Case Studies of Mixed Use Development", obtainable from Inner Cities Directorate 3, DOE, price £1.70 net. The first part of this publication deals in general terms with broad objectives of planning mixed residential and industrial use. The second illustrates the application and modification of these objectives in a series of case studies.

be sent to the Department or the Welsh Office as soon as possible, and in any case not later than 1 month after the resolution has been passed by the declaring authority. In England, this should be sent to the appropriate regional office. Receipt of the notification will be acknowledged. Informal discussions will normally have clarified the general context of the proposal but, in addition to the copy of the resolution and the copy of the map that the Schedule to the Act requires, it would be helpful for the Department or the Welsh Office to have the following information:

(a) a brief note on the context of the proposal describing how it relates to general planning policy for the area, how it relates to other existing or proposed Improvement Areas, and in the case of partnership or programme authorities the relationship to the inner area programme;

(b) a statement of the intended policy towards the area including the proposed use of other powers by both county and district authorities, the proposed policy in giving loans and grants for environmental works under section 5, the organisation for running the project, the estimated expenditure and timescale, any related declarations of GIAs or HAAs, and a statement of the views and intentions of the other designated district authority;

(c) a brief statistical statement dealing with the size of the area, the existing employment, the amount of existing floorspace and the vacant land and buildings situated in the area.

It would be helpful for the other designated district authority to be sent these documents at the same time.

7. Where both county and district councils intend to be active in an Improvement Area and to use the new powers provided by the Act it will be necessary for the council of each authority to make a formal declaration by resolution. But to avoid duplication of effort the resolutions may be publicised jointly and the Department or the Welsh Office will be prepared to accept joint notification of the proposals. Maps and other information need only be supplied by one authority.

8. As soon as possible after receiving the notification, the regional office or the Welsh Office will inform the authority whether the Secretary of State intends to use his powers to stop the area becoming an Improvement Area.

9. In deciding whether to negative the declaration of an Improvement Area, the Secretaries of State will have in mind not only the statutory criteria but also the considerations discussed in paragraph 4 above. They will also be concerned with the wider implications of the proposals, including the relationship of the Area to existing or proposed Improvement Areas in other districts and they will wish to be assured that effective, speedy and visible improvements will result from the declaration.

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