



## THE SCOTTISH OFFICE

## Education and Industry Department

Industrial Policy Division  
Meridian Court  
Cadogan Street  
Glasgow G2 6AT

## CIRCULAR NO EID 2/96

The Chief Executive  
Regional Councils  
Island and District Councils  
New Unitary Authorities

Telephone 0141-242 5543  
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19 February 1996



Dear Sir/Madam

### EUROPEAN COMMISSION STATE AID RULES: GUIDANCE TO LOCAL AUTHORITIES

Circular EID 11/95, which was issued on 13 November 1995, offered advice on block approval arrangements for state aid whereby local authorities will no longer be required to notify in advance to the European Commission individual amounts of aid which they give to small and medium sized enterprises (SMEs). That circular explained that a condition of the block approval was an annual UK report showing the total value of aid given and the total number of companies assisted.

Subsequently this Department held a seminar on 11 January 1996 to give local authority economic development officers the opportunity to hear directly from DTI representatives about the operation of state aid rules. While Circular EID 11/95 offered preliminary guidance on the issue, the seminar highlighted a number of other areas which required clarification. The Department has, therefore, prepared a more detailed guidance note, in consultation with COSLA, and this is now attached to this letter. I should emphasise, however, that there are some areas, particularly in relation to "soft aid", where the EC continues to develop its own guidance. The attached guidance note, therefore, represents our current understanding of the position but this may be subject to change. Further guidance will be issued, if required, to report any developments.

A particular issue raised at the seminar was that of charging for certain services. The guidance note makes it clear that in the case of routine business services such as taxation, consultancy and training, the service must be charged at full cost or if aid is permitted within the rules, at a proportion of the cost. To meet these requirements, all authorities will need to establish and maintain appropriate charging regimes.

## Annual Return

The first annual return will be for the period 6 September 1995 (the date on which the block approval was granted) to 31 March 1996. I attach a simple form which we have devised for this first return and, in view of the imminent changeover from existing authorities to the new unitary councils, we need to ask for its return **before 31 March**.

I should be grateful if you would arrange for the form to be completed and returned to Mr Malcolm Smith, The Scottish Office Education and Industry Department, 4th Floor, Meridian Court, Cadogan Street, Glasgow G2 6AT (0141-242 5543) by 31 March. Additional copies of the guidance are also available from Mr Smith.

A copy of this circular and guidance also goes to Heads of Economic Development.

Yours faithfully

A handwritten signature in black ink, appearing to read 'M T S Batho', with a long horizontal stroke extending to the right.

M T S BATHO