

Part 1.

M.T.

909

Confidential Filing

The possible creation of Urban Development Corporations to assist in the regeneration of Liverpool and London docklands.

Inner Cities Policy & Problems.

REGIONAL POLICY

PE JULY 1979

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
20.7.79		28.11.80		<p>PREM 19/577</p> <p>Material used by Official Historian DO NOT DESTROY</p>			
24.8.79		5.12.80					
6.9.79		8.12.80					
11.9.79		5.1.81					
21.9.79		4.2.81					
27.9.79		9.2.81					
3.10.79		11.3.81					
7.10.79		28.7.81					
16.10.79		3.8.81					
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17.4.80							
2.7.80							
15.9.80							

PART 1 ends:-

TL to CS 7.8.81

PART 2 begins:-

Ch of Gen to Pr 11.8.81

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
E (EA) (79) 34	23.7.79
E (EA) (79) 9 th Meeting, Minute 6	25.7.79
E (EA) (79) 41	24.8.79
E (EA) (79) 12 th Meeting, Minute 2	6.9.79

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate CAB (CABINET OFFICE) CLASSES

Signed *D. Wayland*

Date *23 August 2011*

PREM Records Team



Reg BSL

10 DOWNING STREET

MISS STEPHENS

I have spoken to Mr Murray's Office. They will be ringing you back. If you hear nothing by Monday afternoon, can you please ring them.

TL

7 August, 1981

Mr Rogers has managed to say he will ring me.



cc: Miss Stephens
Press

10 DOWNING STREET

From the Private Secretary

7 August, 1981

The Prime Minister has asked me to thank you for your letter of 24 July, and to say that she would be very glad to meet representatives of the TUC General Council to discuss the economic and social problems of the inner cities and the TUC's proposals for dealing with them.

We will be in touch with your office to arrange a suitable date.

T. P. LANKESTER

The Rt Hon Lionel Murray, OBE

15

orc

1



Prime Minister

2 MARSHAM STREET
LONDON SW1P 3EB

DOE advise that you
should see representatives
of the TUC General Council
on inner city problems.

My ref: H/PSO/16660/81

Your ref:

You have never turned
down a request from
the TUC. Shall we
arrange for early September?

6 August 1981

(I can reply to Mr Murray
on your behalf)

Yes no

DL 6/8

Jan Thi

Flora

Thank you for your letter of 27 July in which you ask for advice on Len Murray's letter seeking a meeting with the Prime Minister to discuss the TUC's document "Regenerating our Inner Cities".

The attached note summarises the main proposals in the TUC's document - essentially it is a call for a major increase in public expenditure in the inner cities, coupled with changes in various policy areas to give greater emphasis to the needs of the inner cities.

We doubt whether much constructive would come out of a meeting with the TUC, but feel that there is considerable advantage in the Prime Minister meeting them before the outcome of the Secretary of State's visit to Liverpool is announced. The Secretary of State has declared himself willing to listen to all points of view while he is in Liverpool, and there is advantage in the Government being seen to take a similar line at national level.

John
Dunne

D A EDMONDS
Private Secretary

TUC POLICY STATEMENT: REGENERATING OUR INNER CITIES

SUMMARY OF MAIN PROPOSALS

Urban Programme

1. The Urban Programme should be expanded including special allocations from main spending programmes. £700 million in 1981/82, substantially more in future years.
2. a. There should be more partnerships, and greater involvement of local trade unions and other interest groups, including representatives of ethnic minorities and voluntary groups.
2. b. Cuts in block grant must be reversed.

Industry and Employment

3. The emphasis in Government help to industry should shift from subsidizing private investment to direct involvement of local authorities in job creation.
4. Local authorities should be empowered to give subsidies to employers who create extra jobs.
5. Partnership Authorities should draw up an employment strategy, covering at least 5 years and including direct financing for new and existing businesses.
6. Statutory training boards should be retained and strengthened and greater training opportunities should be provided for inner city residents.

Education

7. There should be greater public expenditure on education in inner city areas - especially nursery education and basic education for adults.
8. More attention should be paid to the special educational needs of minority ethnic groups, and all school children should be educated for life in a multi-racial society.

Health

9. Additional finance should be provided for NHS. In sharing its money out, NHS should give greater recognition to health care problems in inner cities - especially inner London.
10. There should be more use of health centres and community nursing in inner city areas.

Transport

11. There should be more central Government financial support for inner city transport - eg fare reductions, low flat fare exiprements, concessionary fares for elderly and disabled.

Housing

12. 50,000 new homes should be built, and 125,000 houses renovated, in the inner cities, as a first step towards a long term housing programme.

Policing

13. Government should review the role of community policing, and increase the element of police training concerned with the ethnic minorities.
14. Government should intensify efforts to recruit ethnic minorities into police forces.

Equal Opportunities

15. Public sector should develop equal opportunities policies for their employees, and trades unions should aim for the establishment of such policies in all the work places where they have members.



BUSINESS IN THE COMMUNITY

91 Waterloo Road
London SE1 8XP
Telephone: 01-928-6423

Your reference
Our reference

2

Prime Minister

The Prime Minister
10 Downing Street
London

5 August 1981

PL

10/8

md

8/1/81 AP

Dear Prime Minister,

Flag A

Thank you so much for your encouraging and understanding letter.

When Tom King set up our working group the need for industry and commerce to get involved with their local communities was not nearly so evident.

Because of the thought which we have given to the subject I hope we will be able to encourage companies to become active partners within their local communities and help them by showing them examples of work which have been effective in other places.

I much appreciate your offer of further help when the Council is formally established in the autumn. We will keep you informed of our progress.

RECEIVED
15
1 AUG 1981

*Yours sincerely
Alastair Pilkington*

ALASTAIR PILKINGTON



cc DOE

v1b

Key Pal

CF

10 DOWNING STREET

THE PRIME MINISTER

3 August 1981

Dear Sir Alastair

Tom King has told me about the formation of Business in the Community with its aim of encouraging industry and commerce to play a more active role in local communities. I have also heard about its progress from others, including Lord Sieff. I am very pleased to be able to add my good wishes for its success to those you have already received from my colleagues.

I am convinced that there is scope for a much wider involvement of industry and commerce with local communities, and I am pleased that Government Departments are associated with you in your venture. I hope that this association will continue and that, through it, practical projects will be developed.

The recent troubles in some of our inner city areas well illustrate the need for action by all concerned. I hope, therefore, that you will be able to encourage more firms to take a keen interest in meeting the needs of those who live there. This is particularly important in the fields

/ of training

MD

of training young people and encouraging small firms which can provide longer-term employment possibilities. I am sure also that it would help a great deal if the commercial expertise of companies could be deployed, in co-operation with central and local government, to develop some of the under utilised sites which blight so many of our inner city areas.

I understand your Council will be formally established in the autumn. Perhaps at that stage you will let me know more about the form it will be taking and whether there are other particular ways in which you feel we could help you.

signed

MT

Sir Alastair Pilkington, F.R.S.

① 1/9 4. 21/8

② 7/9

③ 14/9

28/8

Mr H. A. Russett

31 July, 1981.

I enclose a letter to the Prime Minister from Mr. H.A. Russett, Director of Premier Transport Ltd. He makes some comments about what he sees as the half-hearted implementation of the Youth Opportunities Scheme.

I should be grateful if you could arrange for a suitable reply to go to Mr. Russett, with a copy to us here for our records in due course.

W. F. S. RICKETT

Miss Marie Fahey,
Department of Employment.

sw

31 July, 1981.

I write to thank you for your letter of 30 July to the Prime Minister.

This is receiving attention, and a reply will be sent to you as soon as possible.

W E C DICKETT

H.A. Russett, Esq.



Head Office: Also at: Queen St.
Sussex Street, Exeter,
St. Philips Tel: 0392 78838
Bristol
BS2 ORB Leckwith Place
Telex: 444396 Cardiff
Tel: 0272 551432 0222 30650

Our Ref: HAR/AT.
Your Ref:

30th July, 1981

The Prime Minister,
House of Commons,
London,
SW1A 0AA.

Dear Madam,

May I wish you well in your endeavours to reduce the number of unemployed in the country. With the world trade recession, a rise in unemployment was inevitable and I consider it most unfair for people to blame the present Government for the very high number of people now out of work.

I do hope you would not consider me impertinent if I suggested you were not getting the support you so richly deserved from the people administering the schemes you and your Ministers have spent so much time and effort to introduce. For example....

I am the third generation to run a road haulage business in Bristol. When the Youth Opportunities Scheme was first introduced we entered into the spirit of the scheme and made application for one of these young people. Numerous forms were completed and we received visits from various people to inspect our training methods etc. In the fulness of time it was agreed our Company was acceptable for giving a youth some training. After the acceptance was received we heard nothing for two years. We certainly received no applicants for the job in spite of numerous telephone calls. A letter was written to Mr. James Prior following which two applicants arrived, one was engaged. He has now completed five months of training and it is our intention to keep him when the six months training is completed.

We have a Depot in Exeter and made similar application in June, for a young man. We are told fresh forms must be completed, it took three telephone calls to get the forms, since when we have again run into a period of nothing happening.

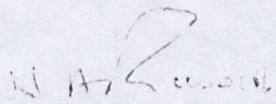
It was decided to try one of these youths in our Bristol warehouse. Nothing has happened as yet but in fairness this application was made in July 1981 so perhaps it is premature to expect anything to happen quite so quickly.

Continued.....

I am not asking or expecting you to do anything as far as my own Company is concerned, the point I am trying to make, with respect, if this is happening throughout the country it is no wonder the number of unemployed is not reducing.

I consider you are not reaping the harvest you should from the seeds of the scheme you have sown with so much time and effort.

Yours faithfully, .



H.A. RUSSETT.



Papers removed from file

Date 27. 8. 07

Tue Policy Statement

Regenerating our
Inner Cities.

La mtg folder for TVC
mtg 1/9 (backup)

C

As requested

56



DEPARTMENT OF THE ENVIRONMENT
2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

3

MINISTER FOR LOCAL GOVERNMENT AND ENVIRONMENTAL SERVICES

My Ref K/PSO/33929/81

28 July 1981

Private Secretary

You said you would like to write to Sir A. Pilkington.

Dear Tim,

Your letter of 20 July confirmed the possibility of the Prime Minister sending a letter to Sir Alastair Pilkington following the formation of Business in the Community.

Drafts attached.

We think such a letter would be well received at this stage and would give a further boost to the recruitment plans for the new organisation. I enclose a draft for the Prime Minister's consideration.

*T2
7/17*

As you will see from the draft, the Council will not be formally in existence until the autumn so it will be difficult to seek specific help on unemployment, as suggested in your letter, until then. The draft does however make mention of the problems of unemployment and the young so that these issues will be in front of the Council on its formation. By inviting Sir Alastair to write back in the autumn we will be offered the possibility of a more specific follow up request at that stage. In the meantime we will ensure that the Department of Employment is kept fully in touch on all of this.

Yours,

PJC

P J CASH
Private Secretary

T P Lankester Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

T P Lankester Esq



DEPARTMENT OF THE ENVIRONMENT
2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

TL Sean
and draft
submitted
to PM

MINISTER FOR LOCAL GOVERNMENT AND ENVIRONMENTAL SERVICES

My Ref K/PSO/33929/81

28 July 1981

Dear Tim,

Your letter of 20 July confirmed the possibility of the Prime Minister sending a letter to Sir Alastair Pilkington following the formation of Business in the Community.

We think such a letter would be well received at this stage and would give a further boost to the recruitment plans for the new organisation. I enclose a draft for the Prime Minister's consideration.

As you will see from the draft, the Council will not be formally in existence until the autumn so it will be difficult to seek specific help on unemployment, as suggested in your letter, until then. The draft does however make mention of the problems of unemployment and the young so that these issues will be in front of the Council on its formation. By inviting Sir Alastair to write back in the autumn we will be offered the possibility of a more specific follow up request at that stage. In the meantime we will ensure that the Department of Employment is kept fully in touch on all of this.

Yours,

PJK

P J CASH
Private Secretary

T P Lankester Esq

DRAFT LETTER FOR THE PRIME MINISTER TO SEND TO
SIR ALASTAIR PILKINGTON IRS, CHAIRMAN, BUSINESS IN THE COMMUNITY,
C/O PILKINGTON BROTHERS LTD, ST HELENS, MERSEYSIDE WA10 3TT

Tom King has told me about the formation of Business in the Community with its aim of encouraging industry and commerce to play a more active role in local communities. I have also heard about its progress from others, including Lord Sieff. I am very pleased to be able to add my good wishes for its success to those you have already received from my colleagues.

I am convinced that there is scope for a much wider involvement of industry and commerce with local communities, and I am pleased that Government Departments are associated with you in your venture. I hope that this association will continue and that, through it, practical projects will be developed.

The recent troubles in some of our inner city areas well illustrate the need for action by all concerned. I hope, therefore, that you will be able to encourage more firms to take a keen interest in meeting the needs of those who live there. This is particularly important in the fields of training young people and encouraging small firms which can provide longer term employment possibilities. I am sure also that it would help a great deal if the commercial expertise of companies could be deployed, in cooperation with central and local government, to develop some of the under utilised sites which blight so many of our inner city areas.

I understand your Council will be formally established in the autumn. Perhaps at that stage you will let me know more about the form it will be taking and whether there are other particular ways in which you feel we could help you.



cc DOE

jd

10 DOWNING STREET

THE PRIME MINISTER

27 July 1981

Dear Councillor Smart

Thank you for your letter of 7 July asking me to receive a deputation from your Association about the plight of England's inner cities.

I know that Michael Heseltine had discussions with you recently, and that officials have subsequently been looking at the handling of the volume reductions and the distribution of the block grant for 1982/83.

In addition, of course, as the Home Secretary has announced in the Debate last Thursday, Mr. Heseltine is spending two weeks in Merseyside looking at the particular problems there, and reporting back on whether there are any more general lessons for the inner cities.

I think it would be best therefore to defer any meeting until after Mr. Heseltine's return, when I am sure he would be glad to set up a meeting. That will provide an opportunity for you to discuss the points made in your letter of 22 July, which I have just received.

signed

MT

Councillor Jack Smart, C.B.E., J.P.

jfh



File 26

6/8

10 DOWNING STREET

From the Private Secretary

27 July 1981

Mr. Len MURRAY

Added DOE for Advice this pm for
PM to write today. KD 6/8

The Prime Minister would be grateful for your Secretary of State's advice on the enclosed letter from Mr. Len Murray asking if she will meet representatives of the TUC General Council to discuss their document "Regenerating Our Inner Cities".

I am sending a copy of this letter and enclosure to Richard Dykes (Department of Employment) and David Heyhoe (Office of the Chancellor of the Duchy of Lancaster).

T. P. LANKESTER

D. A. Edmonds, Esq.,
Department of the Environment.

JFA



File 16
End sent to
Mike Pattison

10 DOWNING STREET

From the Private Secretary

27 July 1981

I am writing to acknowledge your letter of 24 July, which I have placed before the Prime Minister.

A reply will be sent to you as soon as possible.

J. P. LANKESTER

The Rt. Hon. Lionel Murray, O.B.E.

TRADES UNION CONGRESS

CONGRESS HOUSE · GREAT RUSSELL STREET · LONDON WC1B 3LS

Telephone 01-636 4030

Telegrams TRADUNIC LONDON WC1

Rt Hon Mrs Margaret Thatcher MP
Prime Minister
10 Downing Street
London SW1

YOUR REFERENCE

OUR REFERENCE LM/PA/JK

DEPARTMENT Organisation and
Industrial Relations

July 24 1981

Dear Prime Minister

'Regenerating Our Inner Cities'

The General Council have been considering the problems of the inner cities which have been highlighted sharply and tragically by the recent disturbances in a number of urban areas.

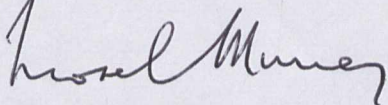
They consider that a concerted national effort is now required to rebuild the morale and confidence of all those who live within Britain's inner cities.

The TUC has therefore published a document 'Regenerating Our Inner Cities' which sets out a wide range of measures for generating employment and improving public amenities and services in these areas. I have already sent copies to your Ministers concerned with these issues and I enclose a copy for you.

The General Council hope that you will agree to meet their representatives as soon as possible in order to discuss the economic and social problems of the inner cities and the TUC's proposals for immediate action.

The General Council would be represented by the Chairmen of the senior committees which were concerned with drawing up this policy statement.

Yours sincerely



General Secretary

Enc



Association of Metropolitan Authorities
36 Old Queen Street Westminster London SW1H 9JE Telephone 01-222 8100

*Copied to Home Affairs
Civil Services*

From the Chairman Councillor Jack Smart CBE JP

The Rt Hon Margaret Thatcher MP
Prime Minister
10 Downing Street
LONDON SW1

22 July 1981

Dear Prime Minister

In my letter to you of 7 July I wrote to ask you to receive a deputation from my Association about the plight of England's inner cities, especially in the light of recent events at Brixton, Liverpool and elsewhere. My Association looks forward to a positive response to the request I made on its behalf. While we note the Government's decision to send the Secretary of State for the Environment to Merseyside, the issues he is discussing there are ones which affect other metropolitan authorities. Indeed I think there is a risk that the concentration on one area, when the problems are widespread, could make the situation worse for the other areas. It is therefore vital that my Association, which represents all of them, should be fully involved in the discussions.

When I wrote on 7 July, I concentrated on the causes which underlie the problems of inner cities. I must now add that, unless the Government takes urgent action to deal with the financial situation, the cost of dealing with the symptoms will reduce still further the resources of local authorities to deal with the underlying causes. The Association fully accepts, as does the Government, the overall need to preserve law and order. Yet the extra cost of policing, especially the cost of overtime and of the protective equipment which we all agree our policemen must have, will only be partly met by the specific police grant. The remaining 50% is borne by police authorities and their expenditure is a precept upon district councils and London boroughs and has to be met by all the ratepayers in the area of each police authority. Moreover, this additional expenditure will inevitably increase the total of all expenditure by local authorities so that many of them will actually lose rate support grant as a penalty, it would mean that the priority given to law and order can only be at the expense of other equally if not more vital services.

It is this impossible situation which has put my Association's representatives on the Police Negotiating Board in a difficult position regarding police pay. My Association firmly adheres to the principle of keeping to all agreements made between employer and employee. Our representatives have therefore said that they are anxious to keep to the Edmund-Davies principle and pay to the police the 13.2% which is due to them in September. But they were willing

cont/

to do this only with adequate assurances on finance from the Government. While for his part the Home Secretary has made it clear that the pay increase will be reflected in that part of the settlement which is grant aided, he has given us no assurance that local authorities will not be penalised when they pay their share of the increase.

In the light of this background my Association is nevertheless reassured, at least on one aspect, by your own statement in the House of Commons on 14 July that compensation paid by local authorities above a penny rate is reimbursed by the Government. My Association wishes to pursue with you how this will operate and what compensation provisions you have in mind. In particular, my Association is seriously concerned by the cost of compensation which will have to be paid under the Riot (Damages) Act 1886. While accepting that this is properly a local matter to determine, the responsibility is a national as well as a local one. At the moment, it is not just that the cost will not attract the 50% specific police grant and therefore fall wholly on the ratepayers. The extra expenditure will mean the authorities losing grant. Already, under the Government's proposals Merseyside County are having a grant penalty of £8m imposed on them. Every pound they pay on police costs in compensation for riot damages or any other expenditure will mean this penalty being increased. Clearly this is an impossible burden for these ratepayers and exactly the same situation applies elsewhere.

Will you please take these points into account when responding to the request I made on 7 July. I can only repeat that my colleagues and I seek an urgent discussion with you on what should be done.

Yours sincerely

Jack Smart

*pps came to WR on 22/7. / Not with WR 23/7
check again*



DEPARTMENT OF THE ENVIRONMENT
2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

MINISTER FOR LOCAL GOVERNMENT AND ENVIRONMENTAL SERVICES

My Ref: H/PSO/16122/81

22 July 1981

*Pl Tyne for PM. cm
23/7*

Dear Willie,

You sent us on 7 July Councillor Smart's letter to the Prime Minister of the same date asking her to receive a deputation from the AMA to discuss the problems of the inner cities.

Mr Heseltine saw the AMA recently, listened sympathetically to their case, and asked officials on both sides to look further into some of the details. The AMA are concerned about the requests for volume reductions in local authority expenditure, and about the distribution of block grant for next year, and they are contributing to discussions on these topics. But decisions are a little way off. In addition, of course, we now have Mr Heseltine's visit to Merseyside, in which he will be looking at inner city problems and reporting back to colleagues. The view here is that it would be right for the AMA to be seen again, but probably not until Mr Heseltine's report has been produced, and has been given some consideration.

/ I attach a draft reply for the Prime Minister to send on those lines.

Yours,

PJC

P J CASH
Private Secretary

William Rickett Esq

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

20 July, 1981.

The Prime Minister was grateful for your Minister's recent minute reporting that the group of leading industrialists with whom he has had discussions on the economic and employment problems of the inner cities has decided to form a "Business in the Community" Council.

B/P-1
The Prime Minister thinks this is an encouraging development, and she would be grateful for a draft letter which she could send to Sir Alastair Pilkington, wishing the Council success.

The Prime Minister has also asked whether the Council and the companies whose support it will seek could provide any specific help as part of the longer term measures to reduce unemployment, particularly amongst the young. Perhaps the Department of Employment could consider this (in consultation with your Department) in relation to the work which is getting under way under the chairmanship of the Chancellor of the Duchy.

I am sending copies of this letter to Ian Ellison (Department of Industry), Richard Dykes (Department of Employment), John Rhodes (Department of Trade), and also to David Wright (Cabinet Office), together with a copy of Mr. King's minute.

T. P. LANKESTER

Peter Cash, Esq.,
Department of the Environment.

CONFIDENTIAL

Could I see?

Would the group help with
finding more jobs for young
people if we locate
the works point out

Prime Minister

Prime Minister

4

Encouraging. Would you like me
to commission a letter for you
to send to Sir Alastair wishing
the Council success? I understand
the Council will start work in the
Autumn.

I believe you are aware of the encouragement we have been
giving to a group of leading industrialists to stimulate a greater
role by leading firms in helping to tackle economic and employment
problems in the inner cities. I believe this is a very important
initiative and since a number of names involved will be very
familiar to you, I thought it might be useful for you to have the
full list of those initially involved.

This initiative follows a conference I chaired in April '80
which considered experience of private sector involvement in the
inner cities in the UK and the USA. Subsequently, I invited
Sir Alastair Pilkington to lead a working group to consider ways
in which industry and commerce might become more closely involved
with local communities and in particular with local government
and voluntary bodies. DOE provided the secretariat with support
from IBM and BP.

The group has decided to form a "Business in the Community"
Council to carry on its work on a wider basis. The Chairmen or
senior management of BP, GEC, IBM UK, ICFC, Marks and Spencer,
National Westminster Bank, Pilkington Bros, Prudential, Shell UK
and United Biscuits have been involved in the discussions leading
to its formation. They intend to seek support from other
companies. It is also intended to ask prominent individuals from
representative organisations and Government Departments to serve
on the Council. Sir Alastair Pilkington will be its first
chairman.



The work of the Council will be implemented through an Executive Committee, chaired initially by David Sieff. The Committee will be supported by a small unit comprised of senior managers seconded from member companies. I have agreed to second an Under Secretary from DOE as an indication of the Government's commitment to its work. A Director, drawn from senior management in industry, is to be appointed.

The Business in the Community Unit will seek to build on the growing awareness among companies that self interest as well as altruism dictates the development of a wider role in the communities in which their premises are located. A handbook is to be published which will serve to give ideas to local managers on activities they might undertake. I am hopeful that the Unit will also work with DOE and DI in encouraging the formation of local enterprise agencies which bring the resources of the private sector to help resolve local problems.

The recent events clearly give greater relevance to the importance of the role that they could play.

Copies of this minute go to Keith Joseph, Jim Prior and John Biffen.

TOM KING

July 1981

BUSINESS IN THE COMMUNITY

LIST OF THOSE WHO ATTENDED THE INAUGURAL DINNER

- | | |
|--|---|
| Sir Alastair Pilkington FRS | - Chairman of Working Group on Community Involvement the body which has instigated the setting up of Business in the Community. |
| David Sieff | - Member of Pilkington Working Group, Director Marks and Spencer Ltd. |
| Lord Sieff | - Chairman, Marks and Spencer Ltd. |
| Lord Caldecote | - Chairman, "Finance for Industry Ltd. |
| Lord Carr | - Chairman, The Prudential Corporation. |
| E R Nixon | - Chairman, IBM UK Ltd. |
| Lord Weinstock | - Chairman, The General Electric Co Ltd. |
| David Sarre (vice Sir David Steel) | - Personnel Director, British Petroleum Ltd. |
| Bill Bowman (vice Sir Hector Laing) | - Personnel Director, United Biscuits Ltd. |
| Peter Moullin (vice Sir Derek Ezra) | - Member of Pilkington Working Group, Deputy Secretary National Coal Board. |
| Lord Byers | - Marks and Spencer Ltd. |
| Owen Heald (vice John Raisman) | - Director Shell UK Ltd. |
| Charles Green (vice Robin Leigh Pemberton) | - Chief General Manager, National Westminster Bank representing Committee of Clearing Banks. |

CONFIDENTIAL

CP

SUBJECT



cc. co

Regional
A. Ship

10 DOWNING STREET

From the Private Secretary

16 July 1981

Dear Sir,

When the Chancellor called on the Prime Minister this morning, the Chancellor referred to the issue of possible additional funding for Merseyside and inner city areas generally. In response to the Prime Minister's request yesterday that he should provide the Secretary of State for the Environment with a small amount of extra money for spending on Merseyside, he had concluded that £15 million might be offered from the contingency reserve. But no publicity should be given to this figure. As for spending on inner city areas more generally, the Chancellor said that he proposed to ask officials to review the pattern of regional spending - both with a view to seeing whether present spending was being used excessively to displace rather than create jobs, and to see whether more of the existing money could be spent on the inner cities.

The Prime Minister said that she was perfectly content for the Chancellor to proceed on this basis.

A. J. Wiggins, Esq.,
H.M. Treasury.

Tim Lamm

CONFIDENTIAL

CP



16 July 1981

Home Secretary

Robert Armstrong sent to me yesterday evening a draft passage for your speech. I have rather shortened it and I hope it is of help to you.

I am copying this to the Prime Minister, Geoffrey Howe and Robert Armstrong.

for MH

(Minto drafted by the
Secretary and
signed in his absence)

The problems of urban decay and deprivation are not peculiar to Merseyside. They are, however, particularly intractable and deep-seated there, despite decades of efforts to remedy them and the expenditure of very considerable sums of public money.

2. We can none of us in political life, in central and local Government, be complacent, that despite all that has been done and attempted, the problems remain as serious as they do. The recent events on Merseyside are thus a challenge to us to reappraise our approach to the problems, to see whether what is already being done can be done better, whether the resources available are being deployed to the best possible effect, and what more can be done, if resources can be made available. We must also consider whether the action required for Merseyside need be matched by action elsewhere

3. It is not a matter for Government alone.

4. The Prime Minister has asked my Rt Hon Friend the Secretary of State for the Environment, who is of course the chairman of the Partnership Committee for Merseyside, to go up to Merseyside to discuss with the local authorities there, with the Urban Development Corporation, and with representatives of industry, commerce, the unions and the various communities, the problems of the area, the urgent issues raised by recent events, and the opportunities that exist. He will not only be concerned with those areas of policy for which he has Departmental responsibility. He will be looking generally at Government policies, into the way in which they interact with the responsibilities of the local authorities, and into the ways in which ideas, resources and energies can be brought to bear from a wide social and industrial background.

5. He will be accompanied and supported by my hon Friend the Minister of State, Home Office (the Member for Aylesbury), who will bring to bear on these matters his experience in the field of community relations.

6. He will also be supported by a very small team of officials from his Department; and he will be able to call upon the advice and support of the Regional Directors of the various Departments in Merseyside.

7. My Rt Hon and Hon Friends will start by convening a meeting of the Partnership Committee of which my Rt Hon Friend is the Chairman.

8. He will report the outcome of his consultations to his colleagues in the Government, and we shall then consider both how we should proceed in relation to Merseyside and the extent to which the

procedures adopted and the measures envisaged in respect of Merseyside are capable of being, and ought to be, generalised and extended to other areas with similar problems, with the intention of reporting to the House again when we resume in October.



CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-233 8319

From the Secretary of the Cabinet: Sir Robert Armstrong KCB, CVO

Ref: A05264

15th July 1981

SECRETARY OF STATE FOR THE ENVIRONMENT

As requested at this morning's meeting I have prepared, and attach herewith, a draft of what the Home Secretary might say in his speech tomorrow about the mission you are to undertake to Merseyside.

2. It is mostly about what you are doing in Merseyside but I doubt whether it will carry conviction unless there can be some indication that, when you come to report the outcome of your mission, the Government will look at it not only in relation to Merseyside but in relation to other areas also.

3. I am sending copies of this minute and of the draft to the Prime Minister, the Home Secretary and the Chancellor of the Exchequer.

~~Prime Minister.~~ Sent by me P.M. **ROBERT ARMSTRONG** RW

✓ If you are content with this as a contribution to the Home Secretary's speech for tomorrow's debate, you might like to look on it — and especially paragraphs 4-8 — when you tell Cabinet what is planned.

RWA
15 vii

The problems of urban decay and deprivation are not peculiar to Merseyside. They are, however, particularly intractable and deep-seated there, despite decades of efforts to remedy them and the expenditure of very considerable sums of public money.

2. We can none of us in political life, in central and local Government, be complacent, that despite all that has been done and attempted, the problems remain as serious as they do. The recent events on Merseyside are thus a challenge to us to reappraise our approach to the problems, to see whether what is already being done can be done better, whether the resources available are being deployed to the best possible effect, and what more can be done, if resources can be made available.

3. The problems are not problems to which Government ~~alone~~, or Government and local authorities alone, can contribute ideas, solutions and funds. ^{only} Renewal should spring from the needs of the areas concerned, not be imposed on them, and should reflect the resources and skills available, and the industrial and commercial needs and opportunities of the future.

4. The Prime Minister has asked my Right Honourable Friend the Secretary of State for the Environment, who is of course the chairman of the Partnership Committee for Merseyside, to go up to Merseyside to discuss with the local authorities there, with the Urban Development Corporation, and with representatives of industry, commerce, [the unions] and the various communities, the problems of the area, the urgent issues raised by recent events, and the opportunities that exist. He will not only be concerned with those areas of policy for which he has Departmental responsibility. (He will be looking into the totality of Government policies, into the way in which they interact with the responsibilities of the local authorities, and into the ways in which ideas, resources and energies can be brought to bear from every possible source - industry and commerce, financial interests, enterprise trusts, community organisations, the churches,

the schools, the universities - upon the solution of the problems and the improvements of the industrial and social environment on Merseyside.

5. He will be accompanied and supported by my hon. Friend the Minister of State, Home Office (the Member for Aylesbury), who will bring to bear on these matters his experience in the field of community relations.

6. He will also be supported by a very small team of officials from his Department; and he will be able to call upon the advice and support of the Regional Directors of the various Departments in Merseyside.

7. My Right Honourable and Honourable Friends will start by convening a meeting of the Partnership Committee of which my Rt. Hon. Friend is the Chairman. From there their consultations will broaden out to include all those who have an interest in the solution of the problems and a contribution to make to it.

8. He will report the outcome of his consultations to his colleagues in the Government, and we shall then consider both how we should proceed in relation to Merseyside and the extent to which the procedures adopted and the measures envisaged in respect of Merseyside are capable of being, and ought to be, generalised and extended to other areas with similar problems, with the intention of reporting to the House again when we resume in October.

CONFIDENTIAL

File AA

E.R.
SUBJECT

NOTE FOR THE RECORD

INNER CITY PROBLEMS

The Prime Minister held a meeting at 23.30 on 14 July with the Home Secretary and the Secretary of State for the Environment to discuss Ministerial responsibility for dealing with the problems of the inner cities.

Mr Heseltine said that he had not yet been able to think through just what the co-ordination of the Government's policies as they applied to the inner cities really meant. He believed that it would take some time before a considered view on this matter could be reached. What he would like to do immediately was to base himself for a fortnight in Merseyside, starting on Sunday 19 July, in order to see what progress was being made with the implementation of those policies for which he as Secretary of State for the Environment was directly responsible, e.g. the UDC, the enterprise zone and the partnership scheme. But although it would be the DOE's activities he would be looking at, he would inevitably, when these were affected by the work of other departments, notably the Departments of Employment and Industry, need to look beyond them and he would have to have the agreement of the Secretaries of State concerned that he should be able to draw upon the services of their regional offices. It would be desirable, therefore, that if the Prime Minister agreed with the approach he was suggesting, she should mention this at Cabinet later that week. While he was in Merseyside he would also produce privately a report for his colleagues on what co-ordination of Government policies as they applied to the inner cities actually meant and what should be done about improving them: for this purpose, his visit to Merseyside would in practice be a kind of pilot study from which conclusions of more general application could be drawn.

The Home Secretary said that in an earlier discussion with the Prime Minister, she and he had agreed that there would

CONFIDENTIAL

CONFIDENTIAL

- 2 -

be considerable advantage if Mr Timothy Raison joined Mr Heseltine on his visit to Merseyside. He would be particularly well qualified to deal with the community relations aspects of the situation. For the purpose of the visit Mr Raison would of course report to Mr Heseltine. He would like to announce the Merseyside exercise during the debate on Thursday.

Mr Heseltine said that he welcomed the suggestion that Mr Raison should go with him to Merseyside. He envisaged that he would be supported by a small staff from the DOE and there might be a case for supplementing it with some officials from the Home Office. One of the things he would be doing while in Merseyside would be to see what could be done about clearing derelict land and developing it. If he was to make this part of his visit credible, he would need to be able to spend money. Otherwise he would simply create expectations which Merseyside would soon realise were not going to be fulfilled, and the whole point of his going there would be destroyed. He was not talking about large sums of money but he could not find them from within his existing programmes and would need new money.

The Prime Minister said that she agreed that Mr Heseltine should undertake his visit to Merseyside on the basis he had outlined and that Mr Raison should accompany him. The Home Secretary should announce the visit in the debate on Thursday. Very large sums of central Government money were already being spent in Liverpool and she believed that it was more a case of getting better value for it than of additional resources. She was, however, ready to consider giving Mr Heseltine a very small amount of new money for the purpose he had described and she would discuss this the following day with the Chancellor of the Exchequer.

16 July 1981

CONFIDENTIAL

ATW

10 July 1981

Policy Unit

PRIME MINISTER

A MINISTER FOR URBAN RENEWAL ETC

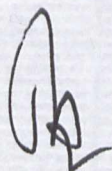
You are considering asking a Cabinet Minister to take charge of a concerted programme to address the problems whose symptoms we have seen in Liverpool etc.

Could we just leave a few thoughts with you on this:

1. The urban unrest/renewal problem has to be approached in two parts. The first must be firm reimposition of order; the second is proper analysis of the problem and then plans for a solution. There is no conflict between a pretty tough - and swift - response to the first part of the task, and a more sophisticated "systems analysis" type of response to the second.
2. As regards the second part of the task, it is obviously important that the Government should be seen to be responding to the problem. Such an appointment must therefore merit serious consideration.
3. However, the automatic assumption within Whitehall and in the country will be that such a Minister, if he is to be seen taking action - which is, after all, his political raison d'etre - must be seen to spend money.
4. This money is likely to be money wasted. Neither the chosen Minister, nor Whitehall as a whole, will have much idea of how to tackle the real problem-solving task, as distinct from the (important) political gesture. Commonsense and political convictions will not be adequate. It will be a task for (forgive the jargon, which I know you hate) a team with the right mixture of skills and disciplines and enough time to think. What those skills and disciplines should be does itself require some careful preliminary thought; for example, the law, local government, small business, intelligent sociology (ie Andrew Sykes at Strathclyde rather than the Sussex University school), psychology, operations research/systems analysis. (Perhaps also a proper regard for the lessons of history: eg Peter Cropper's paper on Merseyside, which suggests that we are about to embark on a doomed mission when we could choose an achievable one.) It should also be possible to draw on practical experience in Northern Ireland and also the

United States, where they must at least have discovered some of the (expensive) ideas that don't work.

5. The problem may still not yield up its secrets to such a team. But it certainly won't yield up its secrets to a team of administrators. All the big problems facing Government tend to be of this "socio-economic systems" kind, which is why past Governments have produced such inadequate responses. For example, I believe the North-East is still full of superfluous roads built during the Hailsham ministry of the early sixties, just as Liverpool is full of empty tower blocks and half-used schools. The reason was the same in each case - aid was seen as providing immediate jobs doing something, however useless, rather than trying to repair the local economy and get it working again.
6. Such an approach does not affect the need for a very firm law and order response as the first priority.



JOHN HOSKYNS



Prime Minister,

Mr.

10 in

ms

PERSONAL

Mr Whitmore

You told me that the Prime Minister had in mind to ask Mr Heseltine to take on the Ministerial coordination job discussed in Cabinet yesterday.

I see the arguments in favour of it.

The D o E is a good base from which to do the job, and Mr Heseltine has the qualities and attitudes for the job.

But there are two 'buts', one small and one big:

- (1) The D o E is a large department and itself a full-time job (that's the small one);

(2) There is some inconsistency between what MH is doing on local authority expenditure and what he would be doing in his job, which would both bring his credibility in question and diminish his ability to be effective.

MH is distrusted and disliked in the local authority world. He is, moreover, on collision course with the authorities whose help he would particularly be seeking and needing, in the context of his 'revision of budgets' exercise. With one hand he is trying to dobber them — and, being MH, doing it with zest and panache — and with the other he would be trying to woo them, and get help — and money —

out of them. And again, being MH, he
will naturally do that pretty head on. Can
the one man really be credible and
effective in both jobs? My fear
is that his nomination would be attacked
and criticised, and his effectiveness
undermined.


The only alternatives seem to me
to be Mr Prior and Lord Soames.

Both have the advantage of having
departments which are not themselves
(or need not be) full-time jobs.

JP would be better at moving local
authorities and others, and probably
at persuading his colleagues to find
the money he would need. The risks

obviously is that he would be better at the
soft words than the vigorous action. But
it has to be said that in purely
departmental terms he is regarded as
an effective Minister. The other risk
is the political significance that would
be read into his ~~app~~ nomination. But
he would not bring with him the
disadvantages under which MHI would
labour.

I know you think that CS does
not apply himself. That is at least
partly because he does not much
care for what he is doing. He
used to apply himself in his old
MAFF days - and in Brussels -



and he can be an effective political operator. If he believed in what he was doing, he would do it with a good deal of effectiveness. And he is an effective public speaker. But the 'image' is against him — both the patrician and the gubernatorial image.

None of these nominations ~~is~~ would be without disadvantage or objection. But I worry about MH, not because he would not do it well, but because I think that it would be extremely difficult even for him creditably and effectively to combine it with what he is already doing.

RCA 10. vii. 81

SECRET

✓ Mr. Haskins
Mr. Haskins

Home Affairs: April 80
Civil Disorder



Prime Minister

I suggest you
discuss this with
Mr. Haskins on Monday -
we will fix a meeting if
you agree. T.G. 10/7

10 July 1981

Prime Minister

MERSEYSIDE AND INNER CITY ISSUES

1. Following our meeting on Wednesday, and the discussion in Cabinet yesterday, I have been considering appropriate ways of responding to events in Liverpool and elsewhere. This minute sets out my proposals on steps that we could take now.
2. First, we are all conscious of the apparently conflicting priorities through which we have to steer. These include:
 - the need as a Government to show proper evidence of our real concern without raising expensive and largely unfulfillable expectations;
 - the need to back the maintenance of law and order, without giving the impression that this is the only issue involved;
 - the need to deal with the particularly acute problems of Merseyside without raising demands elsewhere - and particularly without giving the impression that local communities can secure for their areas expenditure with riots;
 - the translation of the desire of colleagues to see greater co-ordination of programmes and expenditure in a way which would avoid the conflicts arising from the vested interests of the existing spending priorities of Whitehall.
3. It happens that the coincidence of a number of events affecting Merseyside may offer us a way through. I am Chairmain of the Partnership Committee on which sit representatives of the District and City Councils. I have this week seen the Leaders of Merseyside and Liverpool. Both have asked for our help with the current difficulties. Already:

- Parliament has in the last 2 days approved land vesting orders relating to the UDC. The Corporation can now start work: you had a note earlier today on the UDC's powers and present plans;
- the Enterprise Zone in Speke is expected to be operative by the end of July;
- the team of private and public sector advisers I appointed to

look at each of the 143 sites of unused or underused land in public ownership of over an acre in size in Liverpool have today provided me with their first appraisal, site-by-site. We estimate - on a broad brush basis - that £10 million may be required within the city to put each site into economic use, for commercial or housing development, or to convert it into a community asset - such as a playing field.

4. This combination of factors means that I would, in any event, be deeply involved in Merseyside. But I could now, and so propose, significantly increase the urgency with which Merseyside's problems are dealt with by convening an immediate meeting of the Partnership Committee in Liverpool. I would then propose to spend much of the immediate future operating with the local authorities and the UDC, but based in Liverpool, not London.

5. I would devote that time - say 2 weeks - overtly to dealing with the urgent issues that have been raised with us and the opportunities that exist. But in the process I would need to consult widely locally. This would enable me to provide for you a further report on the wider issues of a co-ordinated approach to our policies. This would be quite private to you and Ministerial colleagues and thus avoid the impression that a "great new initiative" was coming. Perhaps it will, but I feel that we must give no hint of this until we have thought through all the implications, and looked hard at co-ordinating means. Whilst in Annex A you will see the scale of central government support you will readily appreciate that the preparation of such a list - in itself I understand an unprecedented event! - is a long way from persuading any one colleague to surrender a part of his spending in favour of another.

6. My firm view is that a serious reappraisal of resources would be achieved - if desired - only by a collective decision arising from a committee chaired either by you or a very senior colleague, such as the Home Secretary or the Chancellor of the Duchy. Any other co-ordination, in real terms, could simply be an endless squabble. But all of this would, if you agree, be for consideration on the report (and any subsequent work) I would put forward to you and colleagues on the wider Merseyside dimension.

7. There is a real problem of heightening expectations to unreal

levels, and a proposal for a Minister to spend 2 weeks in Liverpool would clearly lead to intense speculation. There are ready explanations of my presence in my capacity as Partnership Chairman, and as the Minister to whom the UDC is responsible, though I would need to give too a frank explanation of the immediate relationship with recent events.

8. There is no point in thinking for one moment that the exercise would be anything other than a disaster if I was not empowered to take real decisions on my own area of responsibility whilst I am there. Nor can those decisions only be implemented by compensating cuts in existing programmes. I could not advise you to expose a Minister to the inevitable hostility that this would produce.

9. Merseyside does face a different scale of problem in physical terms which only effective capital spending can solve. We have recognised this in the special programmes which already exist. As I have told you, however, it is my view that we need to build up additional capital programmes immediately, perhaps to the extent of an extra £100 million of capital spending by 1983.

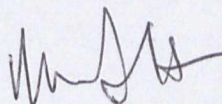
10. I see these programmes as essentially designed to create conditions so that private sector resources can be utilised, and quickly. These would include schemes for bringing ~~into~~ use the derelict sites noted above. We would increase the urban programme - much of which will go into industrial development. There would be environmental and housing improvement.

11. But this should not be seen solely as a public sector venture. There are some very good private sector concerns in Merseyside. My first task would be to pull in the private sector on the widest possible scale. I should promote local enterprise trusts on the lines of the highly successful example of St Helens; we would provide the financial support, local business the personnel. We would attempt to bring in the institutions wherever possible, on the lines of the American social responsibility fund. The building societies would be asked to promote assured tenancy schemes - I understand that the Abbey National is already talking to the UDC. I would build on our existing good relationships with private sector builders.

12. But this has to be backed by public sector resources to do land clearance and reclamation and necessary infrastructure, and for the environmental and housing improvement which can only be done in the public sector.

13. If you agree, we can begin to set this up immediately. I would then report back to colleagues after 2 weeks on the wider issues. You may like to consider whether a member of your staff - perhaps David Wolfson or John Hoskyns - should join me in Liverpool: I realise that I would need to rely very much on your personal support.

14. I am copying this only to Robert Armstrong and Robin Ibbs, who also attended your meeting on Tuesday.



MH

PUBLIC EXPENDITURE IN MERSEYSIDE 1981/82

	<u>£M</u>	FORM OF EXPENDITURE
1. <u>Department of Industry, regional policies:</u>		
(a) Regional development grants paid in SDA (not identical to County Council area) in 1980/81 totalled <u>£80m</u> capital. Outturn for 1981/82 expected to be slightly lower, say,	75	cash grant
(b) Selective financial assistance under Sections 7 and 8 of Industry Act, accepted grant offers, capital; together with office and service industry incentive scheme (OSIS), offers outstanding, capital, for 1981/82 say,	7	cash grant
(c) Advance factory programme through EIEC, capital budget for SDA	10	capital budget
2. <u>Department of Employment, MSC</u>		
Budgeted expenditure, capital and current, for youth opportunity programme, community enterprise programme, community industry, temporary short-time working compensation scheme and job release	<u>61</u>	capital & current budget
3. <u>Department of the Environment</u>		
(a) Urban programme: Liverpool Partnership, Wirral programme authority, budgeted expenditure, mainly capital	21	mainly capital budget, 75% grant aided
(b) Merseyside Development Corporation, budgeted expenditure very largely capital	17	capital budget, mostly grant aided
(c) New Towns: Skelmersdale and Runcorn, not in Merseyside County area, gross capital budget	18	capital budget
(d) Water and sewerage: Water Authority's capital budget for Merseyside, includes additional £5M allocated for this year	16	capital budget
(e) Housing Corporation, expected capital spend in Merseyside say,	30	capital budget
4. <u>Department of Transport</u>		
Special aid to Port of Liverpool under Ports (Financial Assistance) Act 1981. Actual spend depends upon Ministerial decisions, assistance to date	14	cash grant repayable

5.	<u>DHSS</u>	<u>£M</u>
	Regional Health Authority, capital budget	19 capital budget
6.	<u>Local Authorities' capital programmes</u>	
	Total covers capital allocations plus expected capital receipts for Merseyside County, Liverpool, Sefton, Wirral, St Helens, Knowsley Districts, covering housing, transport, education, personal social services, other services	116 capital budget
		—
	TOTAL, say,	400
		—

OTHER CURRENT EXPENDITURE

1.	DHSS	
	Supplementary Benefit, unemployment pay	£200-£250
2.	Local authorities	£665
	of which rate support grant £361 m	

This does not include nationalised industry, defence or PSA spend.
There may yet be further undetected pockets of expenditure

jfh

7 July 1981

I am writing on behalf of the Prime Minister to thank you for your letter of 7 July.

I will place this before the Prime Minister and you will be sent a reply as soon as possible.

WSRICKETT

Councillor Jack Smart, CBE, JP.

re Prev

jfh

② 20/7

17/7

Jack SMART

7 July 1981

I enclose a copy of a letter the Prime Minister has received from the Chairman of the Association of Metropolitan Authorities. Councillor Smart writes asking the Prime Minister to receive a deputation to discuss the plight of the UK's inner cities.

I would be grateful for a draft reply for the Prime Minister to send to Councillor Smart, to reach me here by Friday 17 July.

WSFR

Jeff Channing, Esq.,
Department of the Environment.

58



Association of Metropolitan Authorities
36 Old Queen Street Westminster London SW1H 9JE Telephone 01-222 8100

From the Chairman Councillor Jack Smart CBE JP

Rt Hon Margaret Thatcher MP
Prime Minister
10 Downing Street
London SW1

7 July 1981

Dear Prime Minister

I am writing to ask you to receive a deputation from my Association about the plight of England's inner cities.

As you know we have put the problems of our urban areas - the lack of resources, the social deprivation, the increased unemployment - before the Secretary of State for the Environment on numerous occasions during the past year. We have protested about the reductions in Government's assistance to these areas, but to no avail.

After the Brixton riots my Association instructed me to go back to the Secretary of State for the Environment again. I did so, and while he expressed concern when we met him there has again been no change in Government policy.

The events in Liverpool over the last few days have emphasised yet again how serious this problem is. We need more resources in our inner cities. It is not true, as some Ministerial statements have implied, that extra resources have been made available to such areas. By the Department of the Environment's own figures the reduction in rate support grant to Liverpool for this year as compared with last is over £11m - in percentage terms a reduction of 9%. And if the Secretary of State enforces his threats of action to cut grant further that loss will rise to nearly £14m.

But this is not just a case about Liverpool. The same problems apply in many of our inner city areas. And furthermore the loss of grant under your Government's policy is much greater in other areas, particularly in inner London. In Tower Hamlets for example the reduction in grant which the Government is imposing is of the order of 40%.

We need more resources for the inner cities, and we need them now. I ask you to meet me and my colleagues for an urgent discussion on what should be done.

Yours sincerely

Jack Smart

DRAFT LETTER FOR THE PRIME MINISTER TO SEND TO COUNCILLOR JACK SMART,
CHAIRMAN, AMA, 36 OLD QUEEN STREET, WESTMINSTER, LONDON SW1H 9JE

Thank you for your letter of 7 July asking me to receive a
deputation from your Association about the plight of England's
inner cities.

I know that Michael Heseltine had discussions with you recently,
and that officials have subsequently been looking at the handling
of the volume reductions and the distribution of the block grant
for 1982/83.

In addition, of course, as the Home Secretary has announced in
the Debate last Thursday, Mr Heseltine is spending 2 weeks in
Merseyside looking at the particular problems there, and reporting
back on whether there are any more general lessons for the inner
cities.

I think it would be best therefore to defer any meeting until
after Mr Heseltine's return, ~~when we can consider the timing of~~
~~any meeting and whether it would be best for him to see you first,~~
~~or whether it would be useful for us to meet.~~ ^{I think it} ~~then~~ ^{you be glad to set up a}
^{meeting. That will}
^{provide an opportunity for you to discuss the points made in}
^{your letter of 22 July, which I have just received.}

12 DOWNING STREET,
S.W.1.

With

The Private Secretary's

Compliments

ai

Regional Policy



2 MARSHAM STREET
LONDON SW1P 3EB

R to see
(both letters)
TPA pl
MS

My ref:
Your ref: 11 March 1981
MS

Dear Murdo

I understand that pressure on next week's business in the House is such that there is some difficulty about arranging a debate on the Merseyside UDC Order.

As I think you know, the Prime Minister and my Secretary of State discussed last week the importance of bringing forward quickly measures which might alleviate the severe unemployment problems of Merseyside - these having been exacerbated by the recent announcement of the closure of Tate and Lyle. The Secretary of State's remit is now to identify and bring forward such measures as soon as possible. In this context the speed at which we are able to set up the Merseyside UDC is ^{most} important. If we are to have the UDC set up before the start of the next financial year, it is clearly vital that the statutory processes are completed very rapidly. In these circumstances, my Secretary of State very much hopes that it will be possible to find time for the debate next week. If this really proves to be impossible because of pressure of other business, then we should certainly need an assurance that time will be found, in both Houses, very soon after to ensure that the UDC comes in to being at the earliest opportunity.

I am copying this to David Heyhoe, Michael Pownall, and Nick Sanders.

Jaco
Jaco

J JACOBS
Private Secretary

Murdo MacClean Esq
PS/Chief Whip



Government Chief Whip
12 Downing Street, London SW1

V
MS

11 March 1981

Thank you for your letter of today's date about the Merseyside UDC Order. It is very helpful to have this background information and in the light of it, I shall be proposing to the Opposition today that the Order be taken at 10 o'clock on Thursday 19 March.

I know that Michael Pownall wishes the Order to be debated in the Commons before it is taken in the Lords and I think that this should provide some flexibility for him.

I am copying this letter to the recipients of yours.

(M MACLEAN)

J Jacobs Esq
Office of the Secretary of
State for the Environment
Department of the Environment
2 Marsham Street
SW1P 3EB



✓
MA

*With the Compliments of the
Parliamentary Clerk*

*Department of the Environment
2 Marsham Street London SW1P 3EB
Telephone 01-212 3711*

Regional
Policy

Statement by Secretary of State for the Environment for
Monday 9 February

With permission, Mr Speaker, I would like to make a statement on the outcome of the review of Inner City Policy.

The Inner City Partnership and Programme Authority arrangements will continue, but I have taken steps to simplify their procedures, and intend to consult local authorities very soon on guidelines which will enable programmes to be more efficiently handled.

The private sector should be encouraged to play the fullest possible part. I therefore intend to make effective consultation with local industry and commerce a prior condition of providing urban programme grant. The voluntary sector can also contribute much, and should also be consulted.

I have decided not to make any changes now in the list of authorities with partnership or programme authority status, or designated under the Inner Urban Areas Act 1978. This reflects my assessment of the latest evidence, the constraints on public expenditure and the need to allow time to measure the impact.

I have already announced, subject to Parliamentary approval, my intention to establish two new urban development corporations in London Docklands and Merseyside. The creation of the London Docklands Development Corporation will mean the end of the existing partnership arrangements in London Docklands, to be succeeded by separate arrangements.

We are planning significant increases in expenditure on inner city regeneration - the total provision in 1981/82 at 1980 survey prices will be some £224 million. Of that, some £158 million will go to the Urban Programme, and £66 million to the two corporations. This latter figure includes some monies for land acquisition: in addition the UDCs may be able to acquire and re-develop some further land owned by statutory undertakers.

Allocations under main programme, which despite reductions remain the largest components of public investment in inner cities, will continue where possible to take into account their needs.

Inner Cities remain vitally important to the health of the country. This Government has ensured that more schemes under the Urban Programme are being aimed at strengthening the local economies, and improving the environment, though there will continue to be a role for social and community projects. Our aim remains to make these places where people want to live and work, and where the private investor is prepared to put his money: the changes I have made and intend to make should ensure that we can mobilise resources as effectively as possible to tackle the problems.

Prime Minister

1.



cc Mr Duguid
Mr Vencker

Mr Heseltine wants to make an oral statement on inner city policy, unless you would prefer to use his material in Thursday's speech.

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:
Your ref:

I doubt whether this will be appropriate to your speech. February 1981

Dear Nick

INNER CITY POLICY

Agree, therefore, that he should make the attached statement next Monday? MAP 3/2

Yes not

In Mike Pattison's letter of 8 December 1980 to David Edmonds he informed us that the Prime Minister was content with the broad direction of inner city policy as set out in my Secretary of State's minute to her of 1 December.

My Secretary of State is now anxious to announce publicly the outcome of the Government's review of inner city policy. There is considerable interest, in the House and among a wider audience, on the progress of inner city policies. We need to announce decisions on the coverage of the policy, so that authorities know where they are. In addition, the Lords Select Committee examining the proposals for the London Urban Development Corporation begins meeting on Tuesday 10 February. Counsel advise us that a key feature in the Department's opening statement will need to be an indication of the likely level of resources provided for the new Urban Development Corporation, which means that Parliament should be told first.

I understand that there is no possibility of finding time for an oral statement this week, but that it would be possible for an oral statement to be made on Monday of next week, 9 February.

I should be grateful, therefore, to know whether the Prime Minister would be content for my Secretary of State to make a statement, the text of which is attached, on that date.

I should stress that the main policy points in the statement have already been cleared with all the colleagues concerned, in the course of the exchanges with the Prime Minister in December of last year.

My Secretary of State would be very happy if the Prime Minister felt that, rather than a separate statement on Monday, she decided to use this piece of good news in her speech on Thursday.

I am sending copies of this letter and statement to Robin Birch (Leader of the House and Paymaster General's office), Ian Ellison (DOI), Stephen Boys Smith (Home Office), Richard Dykes (DEmp), Don Brereton (DHSS), Peter Shaw (DES), Anthony Mayer (DTp), Terry Matthews (Chief Secretary's Office), Godfrey Robson (Scottish Office), John Craig (Welsh Office), Roy Harrington (Northern Ireland Office), Bernard Ingham and Murdo Maclean.

Low
J Jacobs

J JACOBS
Private Secretary

Nick Sanders Esq, No 10

Statement by Secretary of State ~~for~~ for Monday 9 February

With permission, Mr Speaker, I would like to make a statement on the outcome of the review of Inner City Policy.

The Inner City Partnership and Programme Authority arrangements will continue, but I have taken steps to simplify their procedures, and intend to consult local authorities very soon on guidelines which will enable programmes to be more efficiently handled.

The private sector should be encouraged to play the fullest possible part. I therefore intend to make effective consultation with local industry and commerce a prior condition of providing urban programme grant. The voluntary sector can also contribute much, and should also be consulted.

I have decided not to make any changes now in the list of authorities with partnership or programme authority status, or designated under the Inner Urban Areas Act 1978. This reflects my assessment of the latest evidence, the constraints on public expenditure and the need to allow time to measure the impact.

I have already announced, subject to Parliamentary approval, my intention to establish two new urban development corporations in London Docklands and Merseyside. The creation of the London Docklands Development Corporation will mean the end of the existing partnership arrangements in London Docklands, to be succeeded by separate arrangements.

We are

~~are~~ planning significant increases in expenditure on inner city regeneration - the total provision in 1981/82 at 1980 survey prices will be some £224 million.

Of that, some £158 million will go to the Urban Programme, and £66 million to the two corporations. This latter figure includes some monies for land acquisition: in addition the UDCs may be able to acquire and re-develop some further land owned by statutory undertakers.

Allocations under main programme, which despite reductions remain the largest components of public investment in inner cities, will continue where possible to take into account their needs.

Inner Cities remain vitally important to the health of the country. This Government has ensured that more schemes under the Urban Programme are being aimed at strengthening the local economies, and improving the environment, though there will continue to be a role for social and community projects. Our aim remains to make these places where people want to live and work, and where the private investor is prepared to put his money: the changes I have made and intend to make should ensure that we can mobilise resources as effectively as possible to tackle the problems.



NBPM Reg Pol
MA

Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213 6400 GTN 213

Switchboard 01-213 3000

Rt Hon Michael Heseltine MP
Secretary of State
Department of the Environment
2 Marsham Street
LONDON SW1

5 January 1981

Dear Michael

INNER CITIES

I have seen your minute of 1 December to the Prime Minister and her Private Secretary's reply, and I have also seen the report of the inter-departmental group of officials to which you refer.

I very much agree that we need to scrutinise closely the value for money which the inner cities programme gives. I tend to agree with the argument in the officials' report that, much as we wish to see inner city areas regenerated, it is difficult to justify giving them a higher priority for resources than other assisted area policies, such as regional policy, which have been more heavily cut.

I think we may also need to be more selective. As the report points out, the problems of areas like inner Liverpool - surrounded by a Special Development Area suffering from one of the highest unemployment rates in the country - are very different from those of inner London - at the centre of what is, even now, a relatively prosperous region.

I also agree with your view that there is further progress to be made in slimming down the bureaucracy involved. In particular I think we need less detailed ministerial involvement, for example in the vetting of individual projects. I look forward to seeing your proposals for simplification.

I am copying this letter to the Prime Minister and other recipients of your minute.

Yours faithfully
Michael Heseltine

Out

Regional Policy

8 December 1980

The Prime Minister has read your Secretary of State's minute of 1 December, about inner cities.

She has noted the work in hand on inner city issues, and she is content what your Secretary of State should for the present pursue issues bilaterally with colleagues. She is content with the broad direction of policy in this area.

I am sending copies of this letter to Ian Ellison (Department of Industry), Stephen Boys Smith (Home Office), Richard Dykes (Department of Employment), Don Brereton (Department of Health and Social Security), Peter Shaw (Department of Education), Anthony Mayer (Department of Transport), Terry Matthews (Chief Secretary's Office), Godfrey Robson (Scottish Office), John Craig (Welsh Office), Roy Harrington (Northern Ireland Office) and David Wright (Cabinet Office).

M. A. PATTISON

D.A. Edmonds, Esq.,
Department of the Environment.

JA

PRIME MINISTER

In October last year Mr. Heseltine and Sir Keith Joseph proposed a major review of inner city policies. You accepted Cabinet Office advice that a major review was unjustified at the time, especially as there had been much recent academic work on individual inner areas. You therefore asked Mr. Heseltine to continue to work on the lines of his statement of September, 1979, and to report to colleagues in summer 1980 on policy changes which had been made or which seemed desirable, and on any issues requiring collective decision.

Here is his response. It is not very specific. Generally, he thinks that he is moving in the right direction within resource constraints. There are one or two issues which he is tackling direct with colleagues, but no points are proposed for collective discussion at this stage.

Content to note and further encourage the work in hand, without bringing this to any Cabinet Committee for discussion?

Yes
ms

MAD

5 December, 1980.



Prime Minister

Inner Cities

In his letter of 29 October 1979, your Private Secretary reported your decision that a major review of Government policies affecting the state of the inner cities was not justified. You asked me to continue working on the lines of my statement of 14 September, and to report to colleagues on progress. I cover in this the main points you raised.

Officials from the several government departments responsible have looked at the operation of inner city policy, and have produced a detailed report which reached me just as we were getting to grips with the public expenditure survey. This naturally caused me to scrutinise the value for money which the programme gives very closely. As a result I have squeezed the resources here very tightly indeed, finding savings of some £27m. I have already used the programme as a sanction in our campaign to get authorities to comply with our overall expenditure policies. We have also announced that the traditional urban programme of small schemes for a large number of authorities should go on.



Other things have moved on also. One major change since we took office has been to encourage greater participation in local affairs and the urban programme in particular by the private sector, and to direct public sector investment to creating the conditions which will facilitate private investment. I have launched an initiative after discussion with Keith Joseph aimed at the CBI and ABCC with the aim of getting the private sector locally and local government closer together. A responsive and representative private sector will be a powerful instrument for changing the entrenched attitudes of many local councils who are reluctant to accept that the future does not lie in rebuilding an old economy and providing everyone with council houses, but developing the local economy in a way which will benefit not only the inner areas but cities as a whole. I intend to use the urban programme grants as a lever to secure private investment wherever possible, and to make the advice of local industry and commerce a condition of providing urban programme grant. We have made good progress towards establishing Urban Development Corporations in London and on Merseyside and starting Enterprise Zones also in a number of places.



My view remains that the difficulties in the inner parts of our major cities add up to a national problem. Part of the solution lies in the sensible use of main programmes. So far as the urban programme itself is concerned, a fair amount of useful work has been done in the short time since the programme started, and I have, in collaboration with my colleagues, been taking steps to ensure that projects undertaken by partnership and programme authorities are relevant and effective ones and are likely to lift the sights of people in these places - where the local authorities are particularly likely to benefit from a programme which gives central government an effective voice. There is certainly scope for useful action in these areas, and we can still make further progress in ^mslimming down the procedures about which some colleagues have rightly expressed concern. I intend shortly to consult colleagues on guidelines for future projects, with simplification as the aim.

L I have looked very carefully at the range of areas helped through the urban programme, in the light of the latest statistical evidence. There are some cases on both sides of the borderline: but the present list is reasonably sound. I see no call for any/^{but}marginal changes.



The programme is one of the principal means of direct government support for voluntary effort. Some of the voluntary sector projects, particularly self help ones, in the urban programme are particularly cost-effective: I would want to keep the proportion of the programme going to the voluntary sector about the same.

More schemes are being aimed at strengthening local economies and improving the environment. I shall continue to encourage this so that we are seen to be making a positive contribution to regeneration, though I welcome the continued involvement of the social departments in the programme. The inner cities seem bound to face particular stress while employment remains high, and they contain significant concentrations of people who are especially likely to be out of work.

The urban programme is designed to help problems of deprivation in urban areas, and is not specifically biased towards ethnic groups, though of course many of those helped



under the programme are ethnic minorities. I shall be discussing with Willie Whitelaw how we can ensure that this element in the programme is best handled along with other relevant policies.

I am copying this minute to Keith Josphe, Willie Whitelaw, Jim Prior, Patrick Jenkin, Mark Carlisle, Norman Fowler, John Biffen, George Younger, Nicholas Edwards, Humphrey Atkins and Sir Robert Armstrong.

MH

M H

- 1 DEC 80



Prime Minister

2.

The Paymaster mentioned this today. DOE acknowledge that some expenditure in the last two years has not been on top priority activity; but recent commitments have been better focused.

2 MARSHAM STREET
LONDON SW1P 3EB

My ref: _____

Your ref: _____

28 November 1980

MF

Dear Pike

MAP 28/x1

INNER URBAN AREA PROGRAMMES

We had a word this morning about comments relayed to the Prime Minister about the urban programme. I believe that the origin of this was the north east and that a reference was made to a scheme of bus subsidy.

I attach a note on the point.

[Handwritten signature]
D A E

D A EDMONDS
Private Secretary

M A Pattison Esq

URBAN PROGRAMME: CAPITAL REVENUE SPLIT

1. The current split between capital and revenue in the urban programme is 75% capital/25% revenue. This reflects the continuation of past commitments which take time to work through. Ministers of the present Government have been stressing the importance of going for capital rather than revenue projects; for reviewing revenue expenditure arising from past commitments; and for giving the programme a greater bias towards economic and environmental projects. Thus in the programmes for 1980/81 from the partnership authorities, new schemes from partnerships showed a capital/revenue split of nearly 7:1. while expenditure on existing commitments showed a split of about 2:1. There were more environmental and economic schemes among the new schemes. Programmes for the current year are just coming in, and it looks as if there is a further shift in that direction, though it is too soon to analyse.

2. Ministers here take the view that there is still a need in the programme for some revenue projects: these are important in the social, educational and voluntary aspects of the programme; and Ministers ^{of} other sponsoring departments for the programme - notably DHSS - have expressed their support for schemes of this kind.

3. There is one instance, in Tyne and Wear of urban programme support, for an experimental bus service; a subsidy of £55,000 a year to help South Tyneside unemployed travel to jobs in Washington New Town. This was approved for a period by the last government. A monitoring report is expected soon, and Lord Bellwin will examine it critically.



*File 16
Raymond Pal*

10 DOWNING STREET

From the Private Secretary

15 September 1980

The Prime Minister has seen the Secretary of State for the Environment's minute of 8 September, about Urban Development Corporations.

She is pleased to note that colleagues have reached agreement about land transfer arrangements.

I am sending copies of this letter to John Wiggins (H.M. Treasury), Julian West (Department of Energy), Anthony Mayer (Department of Transport) and David Wright (Cabinet Office).

D. A. Edmonds, Esq.,
Department of the Environment.

M. A. PATTISON

SP



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.

MH

MH

- 8 SEP 80

PS / PRIME MINISTER

Reference

Reg. Pat. TL

Discussed with MAP 7/7/80 and agreed to report 'NO' to DOE.
Mr. Say yes

LOCAL GOVERNMENT, PLANNING AND LAND (NO 2) BILL -- DE-CLASSIFICATION OF PAPERS

Chapter 25.8 of DOE's Notes on Public Bill Procedure instructs Bill teams to attempt to de-classify or downgrade all classified documents before the binding of the Bill papers.

On 11TH SEPTEMBER 1979, The Private SECRETARY sent a Confidential/~~Restricted~~ minute/letter to DAVID EDMONDS DOE, about urban DEVELOPMENT corporations

at Map.

I would be grateful if you would advise as soon as possible whether this document may be de-classified, either now or on Royal Assent.

R. C Thompson

Note.

LG4/ DOE
P1/119
2, Marsham Street
01-212-3880
3. 7. 80.

DOE informed that we are not prepared for the above mentioned document to be de-classified.

JBP.
7/7.

FB



Regional Policy

2 MARSHAM STREET
LONDON SW1P 3EB

My ref: H/PSO/12899/80

Your ref:

17 April 1980

Dear Sir

*✓
MS*

URBAN DEVELOPMENT CORPORATIONS: LAND TRANSFER

Thank you for your letter of 31 March. Officials will now be getting on with examining the issues, including those mentioned in your letter: for example, although it is perfectly true that a UDC should not purchase land without having secured approval from DOE on reasoned grounds, it may not always be possible precisely to know the exact use of particular sites at the time it is acquired. But no doubt if any difficulty on this or other aspects emerges in discussion officials will let us know.

I am copying this as before.

Yes

MHE

MICHAEL HESELTINE



Reg. P.

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Michael Heseltine MP
Secretary of State
Department of the Environment
2 Marsham Street
London SW1P 3EB

31 March 1980

Dear Michael,

R 20/3

URBAN DEVELOPMENT CORPORATIONS: LAND TRANSFER

Thank you for your letter of 13 March to Geoffrey Howe.

I readily agree that officials should look at any difficulties concerning public expenditure conventions, which may arise when UDCs buy land from other public bodies; and that your department should pursue this with the Treasury and other departments concerned in the way you propose.

Although as you say the Local Government, Planning and Land Bill contains a power to transfer parcels of public land to the UDCs as part of the designation arrangements, the guiding principle should be, I suggest, that a UDC should not purchase land until it has a reasonably clear idea what it wants to do with it and has demonstrated to your department that the use to which the land will be put will meet the financial obligations and criteria for the corporations' investment which are at present under discussion between DOE and the Treasury. It will as you say be necessary to consult the appropriate sponsor Minister about public sector holdings. It would not be appropriate to transfer the land if the public body holding it can demonstrate a compelling requirement for it in order to pursue its statutory activities.

We also need to ensure proper control of public expenditure totals. If a public body sells land, or any other asset, to a UDC, we have to see to it that the proceeds are not used to carry out additional expenditure. It is difficult to make sure of this in the case of sales by nationalised industries, and even more so in the case of sales by the Port of London Authority and Mersey Docks and Harbour Board. Neither of these bodies is subject to a cash limit. And the new system of capital controls

to be introduced under the Local Government, Planning and Land Bill explicitly provides for local authorities to keep and use capital receipts from land sales of this kind.

So there may be some problems. But these are precisely the sort of points which Treasury officials will gladly discuss with yours.

I am copying this letter to the Prime Minister, David Howell, Norman Fowler and Sir Robert Armstrong.

Yours
John Biffen

JOHN BIFFEN



PRIME MINISTER

Mr Heseltine is now following up with Treasury his discussion with you on accounting conventions. You are quoted overleaf - not unreasonably.

Raymond
2
2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

13 March 1980

See briefing *MA* *14/3* *ms*

URBAN DEVELOPMENT CORPORATIONS: LAND TRANSFER

I have been discussing Urban Development Corporations with Nigel Brookes. He is full of enthusiasm, and anxious to engage the private sector to the maximum possible effect. I am certain he will bring that degree of dynamism, expertise and purpose which London Docklands so obviously lack at the moment.

The main aim, to which we are all committed, is to ensure that the docklands areas can be effectively regenerated, in a manner that draws on commercial expertise and the private sector as much as possible.

One of the major problems of London (and indeed Liverpool) Docklands is, of course, the extent to which the public sector retains holdings of large areas of land, capable of being brought forward for development, but at the moment effectively frozen. There are significant local authority holdings, and also holdings in the possession of the statutory undertakers, notably the Mersey Docks and Harbour Company, the Port of London Authority, and the British Gas Corporation. I shall expect to look very closely indeed at the situation here, in consultation with the appropriate sponsor Ministers.

There are, however, some general questions which concern me. One is the way we treat for PESC purposes transfer of land within the public sector. I think it would be in everyone's interests for the UDC to bring to bear its skills of development and promotion to ensure that land was effectively used and marketed, even if at the moment it is in the possession of statutory undertakers who do not foresee an immediate use for it. The way in which this is actually achieved will need the co-operation of existing statutory agencies. We have the powers to transfer to the Urban Development Corporations at the outset of their operations parcels of public land via the designation order. Thereafter we will need to ensure that PESC conventions do not impede expeditious treatment and sensible development of available land. In some cases, I would hope it may not be necessary actually to transfer the ownership of land; it may be sufficient to rely instead on joint arrangements between the UDC and the existing landowner. In other cases, land transfer may be the only way forward, with the need for consequent PESC adjustments.

The problem of PESC conventions arose in discussions I had with the Prime Minister last week, when she visited this Department. The Prime Minister, I think, shares my views that we should do all we can to enable the UDC to make a real success of its efforts and find ways round any technical obstacles or procedural difficulties. I think myself it would be helpful if we asked officials to look urgently at all these matters and to report back. If you agree, I will ask my department to arrange a meeting with those concerned which I think would mean the Treasury and Departments of Transport and Energy. There is probably quite a range of possibilities and I hope you would agree that it might help if my Department circulated a more detailed note in advance of any meeting between officials.

I am copying this letter to the Prime Minister, Norman Fowler, David Howell, and to Sir Robert Armstrong.

John ...
MHE

MICHAEL HESELTINE



Caxton House Tothill Street London SW1H 9NA

6400

Telephone Direct Line 01-213

Switchboard 01-213 3000

MAD
Regional Policy

Rt Hon Michael Heseltine MP
Secretary of State
Department of the Environment
2 Marsham Street
LONDON SW1

10 December 1979

Dear Michael

URBAN DEVELOPMENT CORPORATIONS (UDCs): POWERS

I read your letter to Keith Joseph of 14 November 1979 with interest. I would attach importance to the proposal that UDCs should be empowered to provide housing for key workers - by which I take you to mean housing for workers moving from other parts of the country into jobs important for the economy. I believe that the provision of such housing could make a substantial contribution to relieving crucial labour shortages and perhaps also to relieving unemployment. It has always proved impossible to make effective arrangements through local authorities who are reluctant to give "foreigners" precedence over their own electors. The way round the difficulty is for housing for incoming workers to be provided by an independent body and the UDCs would be admirably suited to do the job.

I am sending copies of this letter to colleagues on E (EA) and to the other recipients of your letter.

Yours
J

PRIME MINISTER

Mr Heseltine is still encountering resistance amongst colleagues over his plans for the Urban Development Corporations. You held a meeting to clear the ground in September (Flag A). Officials have been working on details ^{of powers} since, and Mr. Heseltine hoped that his letter at Flag B would lead to ministerial agreement without further discussion. I now understand that Sir Keith Joseph will propose further discussion in E(EA).

30 November 1979

na MAF 31/11 2
Ray Post

MAF

[Handwritten signature]



BF 28.11.79

await
correspondence

cc Mr. Duguid

2 MARSHAM STREET
LONDON SW1P 3EB

My ref: H/PSO/16533/79

Your ref:

14 November 1979

Dear Keith

URBAN DEVELOPMENT CORPORATIONS (UDCs): POWERS

We discussed at E(EA) on 6 September the setting up of UDCs, and the Prime Minister agreed at our meeting with her on 12 September that the announcement of our intentions should be made and that the powers in the Bill should be drafted on a wide basis. Work has proceeded apace on that, and the Bill is now virtually complete, with the draft clauses circulated and discussed at official level. You and I have had separate correspondence since then, and you have suggested that there are points on which colleagues should be brought in.

The agreement reached in the discussions up to September 12 was that while the main legislation should provide wide powers for UDCs there would need to be separate detailed decisions on the actual mix of powers that should be transmitted across to each agency at designation order stage. We will, however, need to indicate at Second Reading the sort of strategic powers envisaged for each UDC: the powers the new bodies are to have are an essential feature of the case for legislation and there will be considerable interest in our intentions.

The inter-departmental Working Group Report made a series of recommendations on area (paragraph 3.5), designation (3.6), method of land transfer (3.8), planning procedures (3.9), powers in the housing field (3.10), building regulations (3.11), finance (3.12), powers to provide infrastructure and of promotion and development (3.14), and on the composition and powers of control over the UDCs themselves (3.15-3.16). We did not discuss all these in detail, but I think there is general agreement about all except housing and the promotion and development of industry and commerce.

I share your view that the aim must be to open up areas to private enterprise and break down the barriers created by existing public institutions. The UDCs will therefore need powers that will

enable them to break down these barriers if necessary. We must ensure that the UDCs are able to do everything that is necessary for the regeneration of their areas if the local authorities prove unwilling or have their views distorted by short-term political considerations. I have some hopes of securing a measure of local authority support: Liverpool City have been forthcoming. I met the Leaders of the London Docklands Boroughs and gave them a frank assessment of the position. Some of them may come round: though publicly, as I well understand, they will continue to resist our proposals.

I think colleagues are generally agreed about the powers that UDCs will need, though you have expressed doubts about the two areas I have mentioned. First, housing. I want UDCs to build only in the last resort. But one of the major problems is that the local authorities have not provided the right kind of housing. The UDC must aim to create the conditions for private enterprise to do that and to provide housing for key workers: this may mean showing the way by providing some housing of its own on difficult sites. At the same time, the UDC must be in a position to prevent local authority action or inaction in the housing field from frustrating its purposes: the only sure defence is its own power to provide (and improve) houses if necessary. We will be able to keep the UDCs' activities in the housing sphere under strict control by our capacity to approve their plans and their expenditure: I would intend to keep the UDC housing activity to the minimum required. I am convinced that the only way to ensure that the local authorities adopt a sensible attitude and provide the sort of public housing that makes sense of future UDC policy is the knowledge that in the last resort the UDC can go ahead with its own housing.

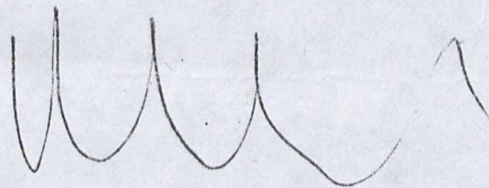
The second area of concern is industrial and commercial promotion and development. I am sure we can, through administrative action, ensure that there is no overlap with EIEC activity in Merseyside. I propose, exceptionally, to retain my powers to negative or amend proposals for designation of improvement areas under the Inner Urban Areas Act so as to avoid wasteful duplication of activity. I believe it will be possible to attract private enterprise to do much of the work if there are vigorous agencies to lay the ground: and the public reaction so far to my proposals is encouraging in this respect. But I do think that we will want to ensure that UDCs are able, flexibly, to participate in some schemes of development and do some development themselves in the early stages at least. There would need to be an appropriate financial discipline on these arrangements and my officials are in discussions with Treasury officials over the best way to secure this.

Against this background it seems to me that our best stance would be to make clear at Second Reading that, in principle, we stand ready to transfer the main strategic powers referred to above to the individual UDCs: we could add, however, that the final decision will depend on the points raised on the various clauses as they pass through the House, where we may wish to take note of any strongly expressed opinions. In addition, by the time we come to

lay the designation orders we may have a clearer idea of local authority opinion and will thus be able to do any fine tuning required.

I am sending copies of this letter to colleagues on E(EA) and also to those to whom I sent copies of the draft of my 14 September statement on inner city policy. I hope we can agree this general position in correspondence well before the end of this month. There will, of course, be a further opportunity to take stock when we come to draft the actual designation orders. If you do not feel able to agree, then by all means let us discuss in E(EA).

Yours ever



MICHAEL HESELTINE

3F



Reg Pol.

10 DOWNING STREET

Copy, with my letter
of 29/X~~E~~, to Martin Vile

na

MAP
8/11

LH-



2 MARSHAM STREET
LONDON SW1P 3EB

My ref:H/PS0/16348/79

Your ref:

7 November 1979

Dear Mike

Thank you for your letter of 29 October to David Edmonds.

My Secretary of State is very content to proceed on the lines the Prime Minister has decided. He will arrange, in consultation with the Secretary of State for Industry and the other Ministers concerned, a report to colleagues next summer covering the points you mention. He would be happy to leave any question of further study until after that.

I am copying this to the Elmsin

Yours sincerely
Jill Jacobs

J JACOBS
Private Secretary

M A Pattison Esq



✓ MAP

Regional
2 MARSHAM STREET
LONDON SW1P 3EB
P. Stey

My ref: H/PSO/16090/79

Your ref:

29 OCT 79

Dear Paul

URBAN DEVELOPMENT CORPORATIONS

Thank you for your letter of 15 October. I am still thinking about possible candidates for the post of Chairmen of the UDCs, and I hope to circulate my views on this soon. When this has been settled, my hope would be to make an announcement as soon as possible: probably at or around the time of Second Reading, though I am glad that you leave this to my judgement.

As you say, the appointments would in fact be to shadow bodies, since the UDCs would not assume statutory status until the Designation Order had been passed by the House. My officials are discussing with yours the technicalities of this exercise.

I am copying as before.

Yours
MICHAEL

MICHAEL HESELTINE

Paul Channon Esq MP
Minister of State
Civil Service Department
Whitehall
LONDON SW1



cc: CO

28
Regional
Policy

10 DOWNING STREET

From the Private Secretary

29 October 1979

Inner Cities

The Prime Minister has considered your Secretary of State's minute of 15 October and the Secretary of State for Industry's letter of 3 October and minute of 24 October about a review of inner city policies.

She does not think that a major review of all the numerous Government policies which affect the state of the inner cities would be justified at present. Despite their shortcomings, much of the ground was covered in the Inner Area Studies of Liverpool, Birmingham and Lambeth, prepared by consultants commissioned by Peter Walker. There is better understanding, as a result, of the interplay of public policies as they affect inner areas, and greater recognition that some policies have actually worsened conditions. Any further wide-ranging analytical review would be of Royal Commission dimensions, taking several years. It would lead to a policy vacuum meanwhile, and there would be no guarantee that it would come up with better ideas than we have now.

In the short term, the best approach seems likely to be the re-shaping of inner city policy and machinery framed by the last Government to accord with the present Government's general philosophy and priorities. Your Secretary of State outlined the kind of reorientation that is needed in his statement on 14 September. He stressed the need for a simplification of the existing bureaucratic processes and much greater emphasis on the private sector and voluntary effort, with the public sector concentrating on creating the right climate and conditions for enterprise to flourish.

The Prime Minister would like your Secretary of State, in consultation with the Secretary of State for Industry, to continue working on the lines of his statement and to report to colleagues next summer on the policy changes which have been made or which seem desirable, and on any issues which require collective decision. The report might deal, among other things, with the coverage of inner city policy - whether the Government is attempting to give special assistance to too many authorities; with the respective roles of the public and private sectors, including the scope for voluntary initiatives and self-help; with the mix of

/schemes

CB

schemes coming forward from local authorities; and with policies for housing and employment in inner city areas, including the mix of housing tenures, and the role of manufacturing industry, on which Departments have not always seen eye to eye in the past.

If the report throws up issues which call for further study, that will be the time to decide whether a review by outside members would be helpful.

I am copying this letter to Ian Ellison.

M. A. PATTISON

D.A. Edmonds, Esq.,
Department of the Environment.

PRIME MINISTER

There have been exchanges between Mr. Heseltine and Sir Keith Joseph about inner city policy. I attach Cabinet Office advice with the papers in question. I have also added (Flag E) the note of your discussion about urban development corporations which has generated the subsequent exchanges.

Sir John Hunt's advice is that you should allow Mr. Heseltine to proceed with the work he has already set in hand, keeping Sir Keith Joseph in the picture. Ministers should consider the outcome next summer, and further outside work could be commissioned on issues then unresolved.

This approach gives the Government time to complete work on enterprise zones before any major outside study is commissioned. This would be helpful. The sort of studies Sir Keith has in mind would be of limited value if the Government were simultaneously taking decisions on a new concept like enterprise zones.

May I respond to the exchanges as in the draft letter proposed by the Cabinet Office?

MAD

*Yes - the letter
is excellent.
M.T.*

26 October, 1979.

MR. PATTISON

Inner Cities

A — In your minute of 16th October, you sought advice on the proposed
B — review of inner city policies put forward by the Secretary of State for Industry,
C — and on the response of the Secretary of State for the Environment. We have
also seen Sir Keith Joseph's minute of 24th October to the Prime Minister.

2. As you know, Sir Keith Joseph has been pressing for an independent and wide-ranging review on the grounds that "we do not understand the cumulative inter-action of all the policies impinging on inner cities". He lists some of them in his letter of 3rd October, namely "town planning, new towns, rent controls, municipal housing, immigration, social security and welfare, subsidised transport, plus the economic and cultural climate for small businesses and entrepreneurship generally; the fashion and standards in education, regional policy and job-rescue". All these, he suggests, have contributed to the problems which are now described as "inner city" - though in fact not all parts of all inner cities are depressed.

3. The Secretary of State for the Environment argues that such a review would take a long time, create uncertainty and undesirable expectations. He would prefer a quick internal review by officials, culminating in a paper for Ministers, setting out the options. If pressed, he would accept a specific and limited review by outside members in parallel.

4. Sir John Hunt advises against a wide-ranging analytical review as suggested by the Secretary of State for Industry. Urban problems have had more than their fair share of research and scrutiny over the last ten years, starting with the community development projects and comprehensive community programmes of the Home Office. These were followed by the three inner area studies of Birmingham, Lambeth and Liverpool, prepared by consultants engaged by Mr. Walker when he was Secretary of State for the Environment. These studies took over four years to complete.

5. As a result of the earlier work, there is now a better understanding of the way that the interplay of public policies has, in some measure, contributed to conditions in some inner cities. Some public policies, perfectly sound in their own right, have had harmful side effects, for example, the overspill policies in which people moved from the cities to new and expanding towns, or policies for the re-allocation of "non-conforming industries".

6. Any new review of the interaction of public policies in the context of inner cities would be complex and prolonged. It would amount to a Royal Commission scale of study which, to be done properly, would take several years. There would be no guarantee that at the end it would come up with better ideas than we have now. Meanwhile, there would be something of a policy vacuum.

7. It is right, of course, that the Government should be looking critically at the measures set in hand by the previous Government to improve inner city conditions. The decision has been taken to set up Urban Development Corporations in London and Liverpool Docklands. The Secretary of State for the Environment has announced his intention of re-casting the policy and machinery established by his predecessor so that it accords with the Government's emphasis on private enterprise and voluntary effort. His statement to a Press conference on 14th September (attached) indicated the direction in which, with his colleagues' agreement, he proposed to move. It will take time to implement the necessary changes, but some measures dealing with land and the need to get publicly owned land in the inner cities back on to the market, will be included in the forthcoming Local Government Bill.

8. We understand that there are some issues of policy over which there is disagreement between the Departments of the Environment and Industry, though these are not primarily what Sir Keith Joseph is concerned with. His Department are concerned about locating a substantial amount of manufacturing industry in inner areas. Partly, they see inner city policy as a rival to regional policy; but, more generally, they consider that greenfield locations on the outskirts of cities provide better sites for industry to prosper. The corollary to that viewpoint is greater mobility of labour and a wider social mix in inner areas, with more of the residents finding jobs in offices and services in city centres.



9. In the circumstances, the best course might be to invite the Secretary of State for the Environment, in consultation with Sir Keith Joseph, to continue working in the direction set out in his statement. He could be asked to report next summer to his colleagues (either E Committee or H Committee, as the Prime Minister wishes) on the policy changes which have been made or which seem desirable, and on any issues which require collective decision. In making that request, it would be as well to set out the more important matters to be covered.


10. If the discussion of the report threw up issues which called for further study in depth, it might then be appropriate to call for a review of specific questions by outside members.

11. I attach the draft of a minute to the Private Secretary to the Secretary of State for the Environment.

Mv.

(M. J. Vile)

25th October 1979


DRAFT LETTER FROM THE PRIME MINISTER'S PRIVATE
SECRETARY TO THE PRIVATE SECRETARY TO THE
SECRETARY OF STATE FOR THE ENVIRONMENT

Inner Cities

The Prime Minister has considered your Secretary of State's minute of 15th October and the Secretary of State for Industry's letter of 3rd October and minute of 24th October about a review of inner city policies.

2. She does not think that a major review of all the numerous Government policies which affect the state of the inner cities would be justified at present. Despite their shortcomings, much of the ground was covered in the Inner Area Studies of Liverpool, Birmingham and Lambeth, prepared by consultants commissioned by Peter Walker. There is better understanding, as a result, of the interplay of public policies as they affect inner areas, and greater recognition that some policies have actually worsened conditions. Any further wide-ranging analytical review would be of Royal Commission dimensions, taking several years. It would lead to a policy vacuum meanwhile, and there would be no guarantee that it would come up with better ideas than we have now.

3. In the short term, the best approach seems likely to be the re-shaping of inner city policy and machinery framed by the last Government to accord with the present Government's general philosophy and priorities. Your Secretary of State outlined the kind of reorientation that is needed in his statement on 14th September. He stressed the need for a simplification of the existing bureaucratic processes and much greater emphasis on the private sector and voluntary effort, with the public sector concentrating on creating the right climate and conditions for enterprise to flourish.



4. The Prime Minister would like your Secretary of State, in consultation with the Secretary of State for Industry, to continue working on the lines of his statement and to report to colleagues next summer on the policy changes which have been made or which seem desirable, and on any issues which require collective decision. The report might deal, among other things, with the coverage of inner city policy - whether the Government is attempting to give special assistance to too many authorities; with the respective roles of the public and private sectors, including the scope for voluntary initiatives and self-help; with the mix of schemes coming forward from local authorities; and with policies for housing and employment in inner city areas, including the mix of housing tenures, and the role of manufacturing industry, on which Departments have not always seen eye to eye in the past.

5. If the report throws up issues which call for further study, that will be the time to decide whether a review by outside members would be helpful.

6. I am copying this minute to Ian Ellison.

M.J.



*Cabinet Office Advice
concerning 254x
MAJ*

PRIME MINISTER

Michael Heseltine was good enough to send me a copy of his minute to you of 15 October about a review of inner city policies. I should have commented to you and him earlier.

Your own preference that any inquiry should be speedy coincides with his. My fear is that too quick an inquiry will achieve nothing - and that without a far better understanding than we have now of the causes of inner city conditions we shall not make progress. That is why I still argue that an outside inquiry, chaired by Peter Hall, as Michael suggests, but helped possibly by Christopher Foster and Maurice Stonefrost as well as Nigel Mobbs would save us time, even if it were to take a little more than 6 months.

My suggestion is that Michael should see Peter Hall to ask him whether he would undertake such an inquiry and if so, how long he would take to produce a worthwhile diagnosis and set of proposals. When Michael has Peter Hall's ideas, they could then be considered by him and you.

I am copying this to Michael.

KJ

K J

24 October 1979

Regional
Blay

Fue

dy



10 DOWNING STREET

From the Private Secretary

MR. VILE
CABINET OFFICE

I enclose copies of a letter from the Secretary of State for Industry to the Secretary of State for the Environment, and a minute from the latter to the Prime Minister, about the proposed review of inner city policies.

I would be grateful for advice on the issues raised.

M. A. PATTISON

16 October 1979

TUR



with compliments

MINISTER OF STATE

as requested.

**CIVIL SERVICE DEPARTMENT
Whitehall London SW1A 2AZ**

Telephone 01-273 5563/4086



Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

Minister of State

The Rt Hon Michael Heseltine MP
Secretary of State
Department of the Environment
2 Marsham Street
LONDON SW1P 3EB

15/10/79

Dear Michael.

URBAN DEVELOPMENT CORPORATIONS

I am replying to your letter of 21 September to Christopher Soames in which you say that you want to announce the names of at least the Chairman of the proposed UDCs when the relevant legislation is receiving its second reading. There are two points to be considered: first, the nature of the appointment, and second, the timing of their announcement.

On the first point, as you may remember, the Report of the inter-departmental Working Group on Urban Development Corporations, which was subsequently endorsed by E(EA), noted that statutory bodies cannot be formally set up or appointments made to them without the necessary legislative authority, but that it has sometimes proved useful to set up "shadow" bodies in advance of the legislation. There are a number of precedents for this, for example the current arrangements which you have yourself made in relation to the proposed GLC Staff Commission. I assume that this is what you have in mind in this case since appointments to the UDCs proper cannot be made until the necessary designation Orders have been approved by Parliament. I understand that it would be in line with past practice to announce your intentions to set up shadow bodies during second reading.

On the second point, there are precedents for deferring the announcement of appointments to shadow bodies till after second reading although I understand that in the case of the shadow NEB in 1974 (described as an Organising Committee) the then Government announced in advance of second reading its intention of appointing Sir Don Ryder as Chairman of the shadow body. I think that the timing in relation to second reading of an announcement of appointments to shadow UDCs would be very much a matter for your judgment.

I am copying this letter to the recipients of yours.

J.
Tal



Prime Minister

Keith Joseph sent you a copy of his letter to me of 3 October about the proposed review of inner city policies which we discussed with you on 11 September.

I agree with Keith that we need a proper understanding of inner city problems if we are to take sensible decisions. But I am sceptical about the sort of wide-ranging external inquiry he suggests. Such a review would inevitably take a long time. My own view is that it would create uncertainty; it would therefore inhibit effective action and could create undesirable expectations. Moreover I doubt whether it would give us the basis for clear decisions.

At our meeting you said that any study should be completed within 6 months. My own preference would be for a quick internal review by officials culminating in a paper for colleagues setting out options. However, if it is felt that a parallel review with outside members is desirable, this should be carried out on the basis of specific and limited terms of reference, to be agreed by colleagues. Possible members could be Peter Hall, Tom Boardman, Frank Marshall, Nigel Mobbs and Sarah Morrison.



I am copying this to Keith Joseph in the first instance,
although other colleagues will of course need to be involved.

WJH

M H

15 October 1979

APPOINTMENTS - IN CONFIDENCE

Regional Post



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

✓ HAP

The Rt Hon Michael Heseltine MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
LONDON
SW1

7 October 1979

Yours Michael

Thank you for sending me a copy of your letter of 21 September to Christopher Soames about finding the future Chairmen of your Urban Development Corporations.

I shall be interested to see your proposals for the Chairmen of the new bodies. I have no names to suggest myself, but I do feel very strongly that we should look for younger Chairmen, particularly for London where there is so much to be done.

Perhaps I could mention at this stage one possible candidate for part time membership of the Docklands or Merseyside UDC. This is Donald Redford, the present Chairman and Managing Director of the Manchester Ship Canal Company. He has a striking record of commercial success both in operating his own undertaking and in bringing about industrial

APPOINTMENTS - IN CONFIDENCE

APPOINTMENTS - IN CONFIDENCE

and commercial redevelopment of what would otherwise have been a declining estate. His experience is particularly apt because his task has related to making the best use of a waterway, and this is a feature of the situations which each of your UDCs will face.

I am sending copies of this letter to those who received copies of yours.

John
Norman Fowler

NORMAN FOWLER



Secretary of State for Industry

Regional Parl.
DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

Telephone Direct Line 01-212 3301
Switchboard 01-212 7676

3. October 1979

The Rt Hon Michael Heseltine MP
Secretary of State for the Environment
2 Marsham Street
London SW1

Jan Michael

R 3/16

I think that I undertook to send you a note about an inquiry, chaired perhaps by Peter Hall, on the cumulative effect of relevant policies on inner cities. I do not think that I have to persuade you that the interaction of policies of town planning, new towns, rent controls, municipal housing, immigration, social security and welfare, subsidised transport, plus the economic and cultural climate for small businesses and entrepreneurship generally, the fashion and standards in education, regional policy and job-rescue, have together contributed to the problems which are now described as "inner city" - though in fact not all parts of all inner cities are depressed.

I suggest that an inquiry under Peter Hall would help us to understand the interaction of these and other policies - to our benefit in decision-making and to the benefit of the public in increased understanding of causes and effects.

We all know what a difference there would have been if, for instance, private landlordism had not been stopped as a creative force by rent control. We all know what damage comprehensive redevelopment has done. We are all aware of some of the side effects of different policies - but no group has analysed with authority the cumulative impact of all of them on depressed inner cities and drawn the necessary conclusions.

Peter Hall has, in fact, done a great deal of work on the complex of problems involved. I have read part of his long housing study: you and I have both read the lecture he gave on the need to allow enterprise to flourish. There are other names I can suggest as possible colleagues who would bring formidable analytic capacity to help: Christopher Foster, Maurice Stonefrost, Edwin Brooks - the former Labour MP who was a geographer; someone like Patricia Morgan or June Lait - both deeply informed sceptics on current welfare policies; some expert like Donald Denman on the effect of different policies on land prices; and Peter Hall of course would have ideas of suitable colleagues.

/I don't.....



I don't know how quickly such a group, if appointed by you, could report, but that would be for discussion with Peter Hall if you were to approach him. My proposal is for a wider review than the mainly official review which is to be conducted in accordance with the Prime Minister's six months deadline referred to in her Private Secretary's letter to yours of 11 September. I understand that you will be circulating proposals for that official review shortly.

I am sending a copy of this note to the Prime Minister.

Ken,

Ken



2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

27 September 1979

R 2119

Dear Arnold

LAND FOR REDEVELOPMENT IN CITY CENTRES

The Secretary of State was interested to read the Lord Chancellor's views on land transfer and ownership in city centres. On the broad issue of disposal of publicly owned land for redevelopment the current proposals for registers of land owned by public bodies should help to bring this land into more productive use.

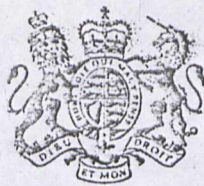
The proposal to set up Urban Development Corporations arises from the need to take more positive measures in difficult urban areas of the country which present real opportunities - where disused docks exist and where the work of reclamation and servicing is expensive. One of the basic reasons for the setting up of UDCs is to marry private and public sector interests and to ensure that bureaucratic red tape is cut. Certainly, we envisage the UDCs being able to acquire holdings compulsorily - where necessary converting leasehold into freehold interests - servicing them and thereafter selling at a profit or leasing long term.

Copies of this letter go to the Private Secretaries to the Prime Minister, all members of the H Committee, all members of the E(EA) Committee, to the Paymaster General and to Sir John Hunt.

Tom Newby
J J Jacobs

J JACOBS
Private Secretary

William Arnold Esq
Private Secretary
Lord Chancellor's Office
House of Lords
London
SW1A 0PW



10 DOWNING STREET

THE PRIME MINISTER

27 September 1979

Dear Kenneth,

Thank you very much for your letter of 14 September.

I appreciate the strength of your feelings, and the arguments you advance. Indeed, as Michael Heseltine has told you, we had to take them into account in reaching our decision since you had very clearly put them before us earlier in the year.

The decision to take powers to set up Urban Development Corporations, and to set them up in London and Merseyside, is not a criticism of local government, either generally or in particular, but a decision on our part that there are some problems of a scale, duration, and national significance that require special solutions, where determined action backed by central government will bring both local and national benefit. We believe that these new instruments, applied sensitively and in collaboration with local people, will in the long run strengthen the capacity of the local authorities to tackle the immense problems they still have to face.

Warm regards

Yours sincerely

James Callaghan

Councillor Sir Kenneth Thompson, Bt.



Regional 2/10/79
PRIME MINISTER

2 MARSHAM STREET
LONDON SW1P 3EB
Toca
MS

My ref:

Your ref:

21 September 1979

See Christoph

Following the statement on inner cities policy I made on 14 September, after agreement with colleagues, I am anxious to maintain momentum on the Urban Development Corporation front.

Response so far has been encouraging - the GLC are obviously willing to co-operate: Liverpool City Council and other authorities on Merseyside are likely to support the idea. I have hopes that Merseyside County Council - though its public posture has been unhelpful - has those in the ruling party there who see the advantages of the Urban Development Corporation approach. Press comment has been generally favourable.

What is essential in dealing with such doubters as the London Boroughs is to demonstrate that the effect of the announcement will not be to hold up development. In order to make that absolutely clear, we need to have the new UDCs preparing themselves for action even before the legislation is passed. With that in mind, I propose at Second Reading of the Local Government Bill in November to announce at least the Chairmen of the UDCs. I am thinking about possible names, and when I have proposals will of course discuss these with colleagues as appropriate. At the same time I propose to say that I intend to take steps to ensure that the UDC itself can spring into life the day after the vesting date, once the designation order has been confirmed. I am giving further thought to the interim arrangements that will be needed to ensure that there is no hiatus.

I am copying this to the Prime Minister, all members of H Committee, all members of E(EA) Committee, to the Paymaster General and to Sir John Hunt.

Yours ever
Michael

MICHAEL HESELTINE

Press Notice 390

14 September 1979

INNER CITIES POLICY

STATEMENT BY MICHAEL HESELTINE, SECRETARY OF STATE FOR THE ENVIRONMENT

The inner cities are vitally important to the health of the country. We cannot have the thriving society we are trying to achieve if we have the inner cities decaying at the heart of it. We cannot afford the waste of resources, of people and of land, represented by areas of dereliction and desolation around our city centres. We cannot risk the build-up of frustration and anger to which such decay gives rise. Over the past few years too many young and skilled people have moved away from the cities, leaving behind those trapped, and without choice - the elderly, the poor, the new immigrant communities, those whose only prospect of a home was on a municipal estate. We want to make it possible for growth and prosperity to return to the inner cities again. The objectives are to make our inner cities places where people want to live and to work, and where the private investor is prepared to put his money.

The public sector has a role to play in our policies but we should not exaggerate it as I believe the previous Government did. Government - central and local - cannot bring about such a reversal on its own. Many of the tasks are not appropriate to Government, anyway. Our great cities grew and flourished as a result of success in trade and manufacture: it is important for us to look carefully at the measures necessary for them to flourish again. There must be a place for individual initiative and enterprise to get on the move, and for the voluntary sector to make its own effective contribution. Government can help create the right climate: by creating opportunities which others can take up, for example by reclaiming land to encourage private development, improving the environment so that there is a demand for homes, encouraging the voluntary sector to build up a self-reliant community. I do not want to raise false expectations; reversing a long established trend will take time and be a difficult process. But it is one to which the Government is firmly committed. Our general policies on land, on taxation, on cutting through bureaucratic red tape and on small businesses will help. In addition I have been looking in particular at our policies for the inner cities as they affect England.

Inner city authorities, like authorities elsewhere, must do what they can to create the right climate for enterprise. Providing infrastructure and improving the environment have a direct impact, but in exercising all their powers it is important for them to take a positive attitude to the needs of firms; The Inner Urban Areas Act gives certain powers to a designated group of authorities. I shall be keeping these powers, and the list of designated authorities, under review.

Derelict urban land is a real problem. I now have plans for registers of vacant or unused land owned by public bodies which should help in the important task of putting it to better use more quickly. Housing is one of the most important policy areas in the inner cities. The approach now being followed under the Housing Investment Programme system gives local authorities an opportunity to be much more imaginative. In particular I believe that they should be pursuing policies which promote a better mix of tenure in the inner city areas.

Partnership and Programme Authorities

We inherited from the previous Government a complex machinery for urban aid. I think Government must continue to be involved - though with the minimum of paperwork and fuss, and I intend to simplify procedures.

Ministers have attended meetings of all seven partnership committees. We think that the partnership approach and the inner area programmes, which the partnerships and the programme authorities produce, have served a useful role.

And we shall certainly wish to ensure that the balance of the programmes is influenced by people employed other than in the public sector.

Subject to the reviews mentioned below we intend to continue the partnership arrangements along the lines I have indicated.

They have drawn together public sector bodies with responsibility for inner city problems. They have also brought Ministers face to face with the bottlenecks that sometimes characterise central and local government relationships.

But their limited gain has been clouded by the bureaucratic scale and frequency of the procedures whereby too many people meet to discuss generalisations, often to little purpose.

Equally, the initial intention to involve the private sector has faded; and we need to emphasise again the role of voluntary organisations. We intend to continue partnership meetings although they will be smaller and less frequent. We intend to ensure that schemes financed by the programme comply with the broad objectives I have set out earlier.

Resources

There must be an effective back-up for this policy in terms of cash. Resources are going to be severely limited over the next few years and we shall be considering the question of resources for 1981/82 and later years in the light of our objective of holding down public expenditure. For 1980/81, however, while I am not yet in a position to announce detailed allocations, I am considering how best to deploy my resources to enable urban aid for that year to continue at about the same level in real terms as in 1979/80. This means putting my resources where people live at the moment, and improving their existing homes and surroundings, rather than by decanting them on to green field sites. However, main programmes themselves provide the major resources for the inner cities. I shall, as I have indicated, do my best to ensure that my programmes reflect the resource needs of inner cities.

Traditional Urban Programme

There are more towns and cities with urban problems than are covered by the partnership and programme scheme. Resources simply do not permit us to increase the numbers covered by the scheme. I believe the bulk of the monies available must continue to go to the worst areas, in terms of scale, concentration and intensity of deprivation, and that these areas are by and large the partnership and programme authorities. But I shall be looking carefully at the basis of selection of authorities in the course of the next year. Meanwhile, as you will have seen from the circular issued this week, I am retaining the traditional urban programme for those other authorities who suffer real problems of urban deprivation. I intend to simplify the procedures for that, too, and intend that the hardest hit areas outside partnerships and programme authorities will be able to receive some benefit from this part of the programme.

Urban Development Corporations

I believe that the existing machinery, streamlined and adjusted, will be capable of carrying developments forward in the inner cities and enable local government and the private sector to fulfil their respective roles. But for London Docklands and the Merseyside Dock Area I do not think that the present arrangements can meet the particular problems and opportunities of those two areas. In both there is a need for a single minded determination not possible for the local authorities concerned with their much broader responsibilities, although, given the geographical area concerned in Liverpool I believe that an effective role will remain for the Liverpool partnership.

To meet the challenge before us, I am proposing to take general powers to enable me to set up Urban Development Corporations. The Corporations can be modelled on the New Town Development Corporations and could be given powers of planning, land assembly and disposal for private sector development, industrial and commercial development and promotion, environmental improvement, housing and provision of infrastructure, to enable them to achieve the regeneration of these two areas. They will need to be provided with resources adequate for their task. I intend to take powers to establish UDCs in legislation in the coming session.

The causes of the problems of the inner cities are diverse, and policy needs to evolve to meet changing demands. It is important that we learn the lessons of the impact of the various policies that have been pursued by successive Governments. The Government, over the coming year, will be looking very closely at the mix of schemes produced under the present arrangements. In addition we will need to review the role of inner city policy within the wider context.

Conclusion

We are offering opportunities - not palliatives to be provided for out of a thin trickle of taxpayers' money. I would like to see inner cities once again be full of hustle and bustle on a human scale, varied, alive, above all places where people are free to develop and to succeed.

Telephone Nos: 01-212 4682/4684/5/6
Night Calls (6.30 pm to 8.00 am)
Weekends and Holidays: 01-212 7071



Regional Policy

2 MARSHAM STREET
LONDON SW1P 3EB

Prime Minister

to the Hon
Mr James

The attached draft
is in line with the
decisions you took
yesterday, and seems OK.

My ref:

Your ref:

12 September 1979

Yes ✓

Don Anderson

Content subject to other Ministers' views?

You will have seen a copy of Tim Lankester's letter to me of
11 September recording the Prime Minister's decision on Urban
Development Corporations and the statement on inner urban area
policy.

TL
12/9

My Secretary of State has amended the draft statement in the light
of the decisions at the Prime Minister's meeting, and taking into
account the points made by your Secretary of State. I enclose a
copy of the revised and hopefully final draft.

My Secretary of State proposes to make this statement at 10.00
on Friday 14 September.

I am copying this to Tim Lankester at No 10 and to the Private
Secretaries to all members of H Committee and E(EA) Committee,
to PS/Paymaster General and to PS/Sir John Hunt.

For secret
D A Edmonds

D A EDMONDS
Private Secretary

informed DOE

TL
13/9

Andrew Duguid Esq
PS/The Rt Hon Sir Keith Joseph MP

RESTRICTED

INNER CITIES POLICY

DRAFT STATEMENT BY THE SECRETARY OF STATE

1. The inner cities are vitally important to the health of the country. We cannot have the thriving society we are trying to achieve if we have the inner cities decaying at the heart of it. We cannot afford the waste of resources, of people and of land, represented by areas of dereliction and desolation around our city centres. We cannot risk the build-up of frustration and anger to which such decay gives rise. Over the past few years too many young and skilled people have moved away from the cities, leaving behind those trapped, and without choice - the elderly, the poor, the new immigrant communities, those whose only prospect of a home was on a municipal estate. We want to make it possible for growth and prosperity to return to the inner cities again. The objectives are to make our inner cities places where people want to live and to work, and where the private investor is prepared to put his money.

2. The public sector has a role to play in our policies but we should not exaggerate it as I believe the Labour Government did. Government - central and local - cannot bring about such a reversal on its own. Many of the tasks are not appropriate to Government, anyway. Our great cities grew and flourished as a result of success in trade and manufacture: it is important for us to look carefully at the measures necessary for them to flourish again. There must be a place for individual initiative and enterprise to get on the move, and for the voluntary sector to make its own effective contribution. Government can help create

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the right climate: by creating opportunities which others can take up, for example by reclaiming land to encourage private development improving the environment so that there is a demand for homes, encouraging the voluntary sector to build up a self-reliant community. I do not want to raise false expectations; reversing a long established trend will take time and be a difficult process. But it is one to which the Government is firmly committed. Our general policies on land, on taxation, on cutting through bureaucratic red tape and on small businesses will help. In addition I have been looking in particular at our policies for the inner cities as they affect England.

3. Inner city authorities, like authorities elsewhere, must do what they can to create the right climate for enterprise. Providing infrastructure and improving the environment have a direct impact; but in exercising all their powers it is important for them to take a positive attitude to the needs of firms. The Inner Urban Areas Act gives certain powers to a designated group of authorities. I shall be keeping these powers, and the list of designated authorities, under review.

4. Derelict urban land is a real problem. I now have plans for registers of vacant or unused land owned by public bodies which should help in the important task of putting it to better use more quickly. Housing is one of the most important policy areas in the inner cities. The approach now being followed under the Housing Investment Programme system gives local authorities an opportunity to be much more imaginative. In particular I believe

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that they should be pursuing policies which promote a better mix of tenure in the inner city areas.

Partnership and Programme Authorities

5. We inherited from the previous Government a complex machinery for urban aid. I think Government must continue to be involved - though with the minimum of paperwork and fuss, and I intend to simplify procedures.
6. Ministers have attended meetings of all seven partnership committees. We think that the partnership approach and the inner area programmes which the partnerships and the programme authorities produce, have served a useful role.
7. And we shall certainly wish to ensure that the balance of the programmes is influenced by people employed other than in the public sector.
8. Subject to the reviews mentioned in paragraph 16 below we intend to continue the partnership arrangements along the lines I have indicated.
9. They have drawn together public sector bodies with responsibility for inner city problems. They have also brought Ministers face to face with the bottlenecks that sometimes characterise central and local government relationships.
10. But their limited gain has been clouded by the bureaucratic scale and frequency of the procedures whereby too many people meet to discuss generalisations often to little purpose.

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11. Equally, the initial intention to involve the private sector has faded; and we need to emphasise again the role of voluntary organisations. We intend to continue partnership meetings although they will be smaller and less frequent. We intend to ensure that schemes financed by the programme comply with the broad objectives I have set out in paragraph 1.

Resources

12. There must be an effective back-up for this policy in terms of cash. Resources are going to be severely limited over the next few years and we shall be considering the question of resources for 1981/82 and later years in the light of our objective of holding down public expenditure. For 1980/81, however, while I am not yet in a position to announce detailed allocations, I am considering how best to deploy my resources to enable urban aid for that year to continue at about the same level in real terms as in 1979/80. This means putting my resources where people live at the moment, and improving their existing homes and surroundings, rather than by decanting them onto green field sites. However, main programmes themselves provide the major resources for the inner cities. I shall, as I have indicated, do my best to ensure that my programmes reflect the resource needs of inner cities.

Traditional Urban Programme

13. There are more towns and cities with urban problems than are covered by the partnership and programme scheme. Resources simply do not permit us to increase the numbers covered by the scheme. I believe the bulk of the monies available must continue to go to the worst areas, in terms of scale, concentration and intensity of

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deprivation, and that these areas are by and large the partnership and programme authorities. But I shall be looking carefully at the basis of selection of authorities in the course of the next year. Meanwhile, as you will have seen from the circular issued this week, I am retaining the traditional urban programme for those other authorities who suffer real problems of urban deprivation. I intend to simplify the procedures for that, too, and intend that the hardest hit areas outside partnerships and programme authorities will be able to receive some benefit from this part of the programme.

Urban Development Corporations

14. I believe that the existing machinery, streamlined and adjusted, will be capable of carrying developments forward in the inner cities and enable local government and the private sector to fulfil their respective roles. But for London Docklands and the Merseyside Dock Area I do not think that the present arrangements can meet the particular problems and opportunities of those two areas. In both there is a need for a single minded determination not possible for the local authorities concerned with their much broader responsibilities, although, given the geographical area concerned in Liverpool I believe that an effective role will remain for the Liverpool partnership.

15. To meet the challenge before us, I am proposing to take general powers to enable me to set up Urban Development Corporations. The Corporations can be modelled on the New Town Development Corporations and could be given powers of planning, land assembly and disposal for private sector development, industrial

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and commercial development and promotion, environmental improvement, housing and provision of infrastructure, to enable them to achieve the regeneration of these two areas. They will need to be provided with resources adequate for their task.

I intend to take powers to establish UDCs in legislation in the coming session.

16. The causes of the problems of the inner cities are diverse, and policy needs to evolve to meet changing demands. It is important that we learn the lessons of the impact of the various policies that have been pursued by successive Governments. The Government, over the coming year, will be looking very closely at the mix of schemes produced under the present arrangements. In addition we will need to review the role of inner city policy within the wider context.

Conclusion

17. We are offering opportunities - not palliatives to be provided for out of a ~~thin~~ trickle of taxpayers' money. I would like to see inner cities once again be full of hustle and bustle on a human scale, varied, alive, above all places where people are free to develop and to succeed.

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10 DOWNING STREET

cc	HO	DHSS	CO
	LCO	CDL	
	D/I	D/T	
	LPO	D/N	
	D/EMP	DES	
		CH SEC	
	SO	CWO, H/C	
	WO	CWO, H/L	
	NIO	D/TRNS	

From the Private Secretary

11 September 1979

Regional Policy

The Prime Minister held a meeting at 1100 hours this morning to discuss your Secretary of State's proposal to establish Urban Development Corporations for Merseyside and London dockland. The Chancellor of the Exchequer, the Secretary of State for Industry and your Secretary of State were present. They had before them your Secretary of State's minute of 10 September and Sir Keith Joseph's minute of 7 September reporting the conclusions of E(EA) Committee.

The Prime Minister said that she was attracted in principle to Mr. Heseltine's proposal - especially the idea of a UDC for London. She understood that two main objections had been raised. First, there was concern over the setting up of two new quangos. Second, the Chancellor was worried about the financial implications. As for the quango point, she did not think the setting up of two UDCs would be a problem when seen against the reduction of DOE quangos from 119 to 57. As regards the Chancellor's worry, she understood that no additional public expenditure would be involved, and that any public sector financing of the UDCs would be offset by savings on other DOE programmes.

Sir Keith Joseph said that these were not the only issues. There were other objections which needed to be considered. First, the UDC proposal would involve an overlap with the proposal for "enterprise zones", which Ministers were not yet in a position to go firm on. Assuming it was decided to go ahead with "enterprise zones", it would have been better to have announced them and the UDCs at the same time. Second, there was the question of powers. It had been argued in E(EA) Committee that the UDCs' powers should be limited to land acquisition and reclamation and planning. In particular, if they were to have industrial promotion powers, this would duplicate the powers which the Government had. Third, he personally had doubts whether the establishment of a new bureaucratic structure would successfully deal with the problems of inner city areas. If it were decided to proceed with the 2 UDCs, he hoped that they would be announced in modest terms - rather than giving the impression that they could be an immediate panacea to the problems of London and Merseyside. In any case, he would like to suggest a review of Government policies towards the inner cities which would look at their cumulative effect over the years. The Chancellor added that he was worried that, if UDCs were set up for London and Merseyside, other

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/regions 48

regions would press for them. In addition, he was worried that, notwithstanding Mr. Heseltine's assurances about offsetting savings, there would nonetheless be additional expenditure.

Mr. Heseltine said that there would be no conflict between the UDC's and the proposed "enterprise zones". In order to get ahead with introducing the necessary legislation, it was not possible to hold up the announcement on UDC's until decisions on "enterprise zones" had been taken. As for the question of powers, he wanted to keep them wide in the Bill; but he would not expect to use them all. In any case, before laying the necessary Orders for the setting up of the two UDCs, he would consult with colleagues first. As regards expenditure, he assured the Chancellor that there would be no net addition to DOE programmes. The UDCs would spend far more effectively money which the local authorities were currently spending. Moreover, he would make it clear in presenting the Bill that only two UDCs were intended. As for the idea of an enquiry, he was prepared to consider this further with Sir Keith. But rather than have a review of Government policies generally, he would prefer to have an enquiry which considered the effect of policies over the years in one or two cities only.

Summing up, the Prime Minister said that Mr. Heseltine should announce the setting up of the 2 UDCs in his statement on inner cities, and that work on the drafting of the necessary legislation should proceed. Further consideration should be given to the idea of a review of inner cities policy; any such review should be completed within six months.

I am sending copies of this letter to the Private Secretaries to members of E(EA) Committee, members of H Committee and to Martin Vile (Cabinet Office).

T. P. LANKESTER

D.A. Edmonds, Esq.,
Department of the Environment.

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INNER CITIES POLICY

DRAFT STATEMENT BY THE SECRETARY OF STATE

1. The inner cities are vitally important to the health of this country. We cannot have the thriving society we are trying to achieve if we have the inner cities decaying at the heart of it. We cannot afford the waste of resources, of people and of land, represented by areas of dereliction and desolation around our city centres. We cannot risk the build-up of frustration and anger to which such decay gives rise. Over the past years too many young and skilled people, and too many energetic and expanding firms, have moved away from the cities, leaving behind those trapped, and without choice - the elderly, the poor, the new immigrant communities, those whose only prospect of a home was on a municipal estate. We want to make it possible for individuals and companies to grow and prosper in the inner cities again. The objectives are to make our inner cities places where people want to live and to work, and where industry and the private investor are prepared to put their money.

2. The public sector has a role to play in our policies but we should not exaggerate it as I believe the Labour Government did. Government - central and local - cannot bring about such a reversal on its own. Many of the tasks are not appropriate to Government, anyway. Our great cities grew and flourished as a result of success in trade and manufacture: it is unrealistic to believe that they can flourish again if we do not encourage measures which can create wealth. There must be a place for individual initiative and enterprise to get on the move, and for the voluntary sector to make its own effective contribution. Government can help create the right climate: by creating opportunities which others can take up, for example by reclaiming land so that industrialists can invest, improving the environment so that there is a demand for homes, encouraging the voluntary sector to build up a self-reliant community. I do not want to raise false expectations; reversing a very well established trend will be a long and difficult process. But it is one to which the Government is firmly committed. Our general policies on land, on taxation, on cutting through bureaucratic red tape and on

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small businesses will help.

3. Inner city authorities must do what they can to create the right climate for enterprise. Providing infrastructure and improving the environment have a direct impact; but in exercising all their powers it is important for them to take a positive attitude to the needs of firms. The Inner Urban Areas Act gives certain powers to a designated group of authorities. I shall be keeping these powers, and the list of designated authorities, under review.

4. Derelict urban land is a real problem. I now have plans for registers of vacant or unused land owned by public bodies which should help in the important task of putting it to better use more quickly. Housing is one of the most important policy areas in the inner cities. The approach now being followed under the Housing Investment Programme system gives local authorities an opportunity to be much more imaginative. In particular I believe that they should be pursuing policies which promote a better mix of tenure in the inner city areas.

Partnership and Programme Authorities

5. We inherited from the previous Government a complex machinery for urban aid. I think Government must continue to be involved - though with the minimum of paperwork and fuss, and I intend to simplify procedures.

6. Ministers have attended meetings of all seven partnership committees. We think that the partnerships, and the inner area programmes which they and the programme authorities produce, serve a very useful role. They bring together those public sector bodies who are responsible for the inner cities, and allow obstacles to development to be identified and tackled. Most local authorities share this view. So we intend to continue these arrangements though with smaller and less frequent meetings which will concentrate on strategic issues. We look forward to a rolling three-year programme, which will enable central government to play its part in determining in discussions with local authorities the balance of the programme. We intend to ensure that individual projects meet the new objectives I have mentioned above (paragraph 1).

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Resources

7. There must be an effective back-up for this policy in terms of cash. Resources are going to be severely limited over the next few years and we shall be considering the question of resources for 1981/2 and later years in the light of our objective of holding down public expenditure. For 1980/81, however, while I am not yet in a position to announce detailed allocations, I am considering how best to deploy my resources to enable urban aid for that year to continue at about the same level in real terms as in 1979/80. This means putting my resources where people live at the moment, and improving their existing homes and surroundings, rather than by decanting them onto green field sites. However, main programmes themselves provide the major resources for the inner cities. I shall, as I have indicated, do my best to ensure that my programmes reflect the resource needs of inner cities.

Traditional Urban Programme

8. There are more towns and cities with urban problems than are covered by the partnership and programme scheme. Resources simply do not permit us to increase the numbers covered by the scheme. I believe the bulk of the monies available must continue to go to the worst areas, in terms of scale, concentration and intensity of deprivation, and that these areas are by and large the partnership and programme authorities. But I shall be looking carefully at the basis of selection of authorities in the course of the next year. Meanwhile, I propose to retain the traditional urban programme for those other authorities who suffer real problems of urban deprivation. I intend to simplify the procedures for that, too, and intend that the hardest hit areas outside partnerships and programme authorities will be able to receive some benefit from this part of the programme.

Urban Development Corporations

9. I believe that the existing machinery, streamlined and adjusted, will be capable of carrying developments forward in the inner cities and enable local government and the private sector to fulfil their respective roles. But I do not think the present arrangements can meet the problems and the opportunities of all areas. I have in mind the London Docklands and the Merseyside Dock area. The London Docklands, starting just east of the City, offer major opportunities

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for take-off that I think must be pursued with a single-minded determination not possible for the local authorities concerned, with their much broader responsibilities. In the Merseyside docks some of the particular problems are so acute that I do not think they are susceptible to handling under the present machinery - although, given the geographical area concerned, I believe that an effective role will remain for the Liverpool partnership.

10. To meet the challenge before us, I am proposing to take general powers to enable me to set up Urban Development Corporations. The Corporations will be modelled on the New Town Development Corporations and will be given powers of planning, land assembly and disposal for private sector development, industrial and commercial development and promotion, environmental improvement, housing and provision of infrastructure, to enable them to achieve the regeneration of these two areas. They will need to be provided with resources adequate for their task. I intend to take powers to establish UDCs in legislation in the coming session.

11. Inner city policy needs to evolve to meet the situation. The Government, over the coming year, will be looking very closely at the mix of schemes produced under the arrangements I have outlined above. In addition, we will be reviewing more generally the exact role of inner city policy, and its relationship with other Government initiatives.

Conclusion

12. All this adds up to a balanced and coherent package. We are offering opportunities - not palliatives to be provided for out of a thin trickle of taxpayers' money. I would like to see inner cities once again be full of hustle and bustle on a human scale, varied, alive, above all places where people are free to develop and to succeed.

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HOUSE OF LORDS,
SW1A 0PW

*With the Compliments of the
Lord Chancellor's
Private Secretary*

FROM THE PRIVATE SECRETARY

HW. [Signature]

HOUSE OF LORDS,
SW1A 0PW

10 September 1979



Dear David,

The Lord Chancellor has now seen your Secretary of State's minute of 6 September to the Home Secretary and has commented as follows:-

"Though involving new Quangos this policy may well be right. But the Secretary of State should not forget that part of the reason for city blight is the complexity of legal titles to land in city centres. The only remedy is to acquire compulsorily in block and to sell to developers. This can be done at a profit, but hitherto Conservative administrations have recoiled from public ownership and Labour from the resale to private enterprise. To cut bureaucratic red tape both are necessary".

Copies of this letter go to the Private Secretaries to the Prime Minister, all members of H Committee, all members of E(EA) Committee, to the Paymaster General and Sir John Hunt.

Yours sincerely,
William Arnold

WILLIAM ARNOLD

Private Secretary to
The Rt Hon Michael Heseltine MP
Secretary of State for the Environment
Department of Environment
2 Marsham Street
LONDON SW1P 3EB

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pm su

PRIME MINISTER

URBAN DEVELOPMENT CORPORATIONS (UDCs) AND INNER URBAN AREA POLICY

I am grateful to you for agreeing so quickly to a meeting to discuss these. You already have a report from Keith Joseph on the outcome of E(EA); a copy of Geoffrey Howe's letter to me of 7 September; and you have seen a copy of my proposed statement. I thought it might be helpful if I briefly set out my position on UDCs before your meeting.

Some of our major cities face massive problems of urban dereliction. In two of them the existing institutional framework has proved inadequate to cope with the task.

London Docklands comprises some 6000 acres of largely derelict land close to the heart of the City. Much of the unutilised land is owned by local authorities and nationalised industries. In an attempt to deal with the problem, the Docklands Joint Committee (with representatives from five Labour London Boroughs and the GLC) was set up under Sir Hugh Wilson. He now tells me however, that the tensions between the Boroughs and between them and the GLC is such that progress is not possible. The situation would get worse if the GLC changed political hands next year. Docklands affords a real opportunity which some parts of the private sector have described as the most exciting in Europe. They would certainly be willing to play an active role there, but are inhibited by the lack of drive and the prejudices of the existing bodies.

Sir Horace Cutler has told me that he believes that the present ineffective body should be replaced by an organisation with powers commensurate with the task.

In Liverpool the city has lacked effective leadership for some time as a result of political stalemate, and is at loggerheads with the county - which itself could revert to Labour. The opportunities in Merseyside docks are less immediately obvious than in London - but my own view is that it would not be politically or economically right to allow the present drift to continue.

What I propose therefore is to set up UDCs, with powers to act inside inner areas analagous to those achieved by New Town Corporations in the field of land assembly, servicing and planning. Provision of adequate communications - to which Norman Fowler attaches great importance - would be a major function. This would enable them to press ahead with the task, and engage the private sector effectively. The legislation (to avoid hybridity) would have to be in general terms - but I would make it clear that it would apply only to London Docklands and Liverpool. Only powers essential for a specific area would be deployed when the particular UDC was set up by Order.

Colleagues generally are enthusiastic about this proposal and Geoffrey Howe has suggested contingent drafting approval. They have, however



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two main worries to which he refers.

First, there is concern over the setting up of a new quango. I think this must be set in context: as you know, I have already reduced DOE quangos from 119 to 57 and have further work in hand. In this case I am considering the establishment of two bodies, and in the case of London it would be replacing an existing body, the DJC. I have no doubt that the creation of single-minded and effective UDCs would command real support from the private sector - this puts them on a quite different plane from most quangos.

Secondly, the Chancellor is concerned about UDCs and public expenditure. To a large extent UDCs would only be using - and to better effect - resources which will otherwise be spent by the existing authorities and, it can only be assumed, to the lack of effect that has characterised the last ten years. The choice is between allowing existing institutions to waste resources and miss opportunities: or to grasp the nettle and set up UDCs which have a chance of doing the job, and which can bring in private sector investment on an increasingly large scale. The decision to proceed with the establishment of UDCs in no way pre-empts future detailed decisions on public expenditure: UDCs would not begin to spend until 1981/2 and later years, and we can allocate resources to them which will determine the pace of their activity. With the substantial economies that we are making in DOE programmes it is all the more vital that we ensure that such sums as remain are spent with maximum effect and I believe that UDCs which we create and whose boards we appoint have much better chance of achieving this than the existing warring local authorities. I simply don't see the private sector responding to the potential opportunities without a new and more sympathetic climate.

If we are to get the legislation through in time, I need to take powers in my forthcoming Local Government legislation. And if I am to prepare the way properly I should like to announce the decision on UDCs as part of my inner city package this week.

At our meeting tomorrow, I shall therefore be seeking your agreement to pressing ahead with drafting the legislation and announcing the policy intention on UDCs. This will enable me to keep to our timetable of introducing the Bill shortly after the return of Parliament.

I am copying this to Geoffrey Howe, Willie Whitelaw and to Keith Joseph.

MH

MH

10 September 1979



Secretary of State for Industry

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

Telephone Direct Line 01-212 3301
Switchboard 01-212 7676

10 September 1979

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The Rt Hon Michael Heseltine MP
Secretary of State for the Environment
2 Marsham Street
London SW1

Dear Secretary of State

INNER CITY POLICY

Thank you for your letter of 6 September enclosing a revised statement on inner city policy, and for your earlier letters of 3 and 5 September.

I welcome your proposal that officials should consider how we might review inner city policy and to propose methods of handling. I still think that we need a wide ranging and independent study because I am sure that we do not understand the cumulative interaction of all the policies impinging on inner cities. But this we can sort out when we have the views of our officials on the various options open to us; I hope that this initial clearing of the ground can be done quickly. Your immediate statement will as you say have to be general but it needs to be in slightly firmer terms than paragraph 11 of your present draft so as not to preclude a wide ranging review should we decide on this course.

Our predecessors took the view that special efforts should be made to encourage industry to set up in inner areas in preference to the surrounding areas; that was the main purpose of the Inner Urban Areas Act. I agree with Nigel Lawson that our statement should not commit us to this objective. This aspect of inner city policy merits particular attention by officials in their ground clearing work.

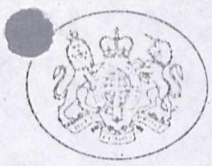
... With these above points in mind I attach some relatively minor amendments to your draft statement. If these amendments can be incorporated, and subject to the final decision on Urban Development Corporations, I am content for you to make the statement this week.

I am sending copies of this letter and the attachment to the Prime Minister and to the other recipients of your letter of 6 September.

Yours sincerely
PE Mason

PP KEITH JOSEPH

(approved by the Secretary of State and signed in his absence)



INNER CITY POLICY: AMENDMENTS TO DRAFT STATEMENT

Paragraph 1

In line 8 delete "and too many energetic and expanding firms"

Replace penultimate sentence by the following:

"We want to enable growth and prosperity to return to the inner cities".

In the last sentence, penultimate line, delete 'industry and' and replace 'are' by 'is'.

Paragraph 2

Delete the third sentence.

In line 12 replace 'so that industrialists can invest' by 'to encourage private development'.

Paragraph 3

In the first sentence replace 'Inner city' by 'Local' and add at end of sentence a semicolon and the following:

"this is as crucial in the inner cities as elsewhere".

Paragraph 6

The second sentence might be interpreted as a commitment to the existing partnership and programme authorities. It might be clearer if there were a cross reference to the statement in paragraph 8 that these authorities will be reviewed.

Paragraph 9

These will of course depend on the final decision on Urban Development Corporations.



Paragraph 11

Replace last sentence by the following:

"The causes of the problems of the inner cities are diverse; they include the cumulative impact of various policies that have been pursued by successive Governments. It is important that the correct lessons are learnt. I shall therefore be setting in hand a review of the role of inner city policy within this wider context."

Paragraph 12

Delete the first sentence.

Department of Industry
7 September 1979

"X" is particularly valid, given what you heard about overlapping functions in Manchester

MR M PATTISON

QUANGOS: PROPOSAL FOR URBAN DEVELOPMENT CORPORATIONS

MAD 7/1X

I have seen a copy of Sir Leo Pliatzky's minute of 6 September. I am not in a position to comment on his remarks on public expenditure and merits, but I strongly support his comments on the quango aspect.

2. In addition to the points he makes on that, it should be noted that:

a. setting up UDCs will be an extremely time-consuming business - taking several years, if experience of the early days of new town development corporations is a useful guide;

b. whole new staffs will have to be recruited to serve these corporations, and, to a large extent, these will be in addition to and not in replacement of existing local authority staffs, because the local authorities will continue to exercise most of their existing functions; and

c. because they will be operating in built up areas the UDCs will need to work extremely closely with the existing local authorities and will remain dependent on them for many services both inside and outside their designated areas. It is doubtful therefore whether the relative simplicity of the new town arrangements, in mainly green field sites, will be achieved.

3. There is also the patronage point which is one of the strands in the criticism of the proliferation of quangos. Each UDC will have up to ten or so members all appointed by Ministers and, if the new town example is followed, all paid.

4. I am copying this minute to Sir Leo Pliatzky and Sir Derek Rayner.

IRB

IAN BANCROFT
7 September 1979



PRIME MINISTER

URBAN DEVELOPMENT CORPORATIONS

The Sub-Committee on Economic Affairs met today to continue discussions of the proposals from the Secretary of State for the Environment for establishing Urban Development Corporations to assist in the regeneration of London Docklands and Merseyside.

The Secretary of State for the Environment argued that the problems of these areas are not only very serious but cannot be solved using the existing institutional framework. In London the Docklands Joint Committee (DJC) involves representatives of 5 Boroughs, all Labour-dominated, and unwilling to consider changes which would alter the historical pattern of employment and type of housing in the area. The Chairman of the DJC has himself admitted that it cannot make effective progress. There are suggestions of possible enthusiastic private investment in this area, but this is most unlikely to be forthcoming under present institutional arrangements. In Merseyside the political position is largely deadlocked, and again no effective action is being taken. Clearly we should, if we can, remove institutional obstacles of this kind.

The Secretary of State for the Environment's proposal therefore is to create two new bodies on the lines of the New Town Development Corporations whose aim would be to bring about the regeneration of the designated areas and to create thriving urban communities within

/them ...



them. The attractions are self-evident; an 8½ square mile site in the centre of a capital city ought to represent a major opportunity. They would be given powers, functions and finance appropriate to these aims though the exact extent of their powers, and their inter-relationship with the existing local authorities, would be for settlement later. A legislative vehicle for giving effect to these proposals exists in the Local Government Planning and Land Bill due to be introduced to the House shortly after the recess. Unfortunately, to include powers related solely to London and Liverpool would render the Bill hybrid so that it would be necessary for the powers to be expressed in general terms and available for use in any part of England and Wales. The Scottish Office have asked that, because of the potential applicability of these ideas to Clydeside, the powers should extend to Scotland too. The Secretary of State for the Environment does not resist this though his intention would be to make it clear, from the outset, that the Government intended to set up UDCs in London and Merseyside only.

The Sub-Committee clearly had a lot of sympathy with what the Secretary of State for the Environment is trying to do. On the other hand, serious doubts were expressed, not least on the financial side. To summarise:-

- a) there were doubts whether investment in the derelict dockland of Merseyside - and to a lesser extent London - would bring returns commensurate with the cost;
- b) there were doubts whether the problems of the docklands

/could ...



could be satisfactorily separated from those of the surrounding conurbations;

- c) there was the question whether, in a period when we are actively reducing the number of quangos, it would be presentationally acceptable to set up two new ones - although one of them would replace an existing body;
- d) but most important, there were doubts about the uncertain financial implications of the proposals. The costs are in one sense immeasurable in advance of final decisions on what precisely the corporations would do - not least because a good deal of their work would be taking over tasks which would otherwise be performed by other authorities. The best estimate which officials can make is that the two corporations might involve a total expenditure of between £80 and £100 million per annum from 1983 onwards of which perhaps £25 or £30 million would be additional to what might otherwise be spent. The Secretary of State for the Environment expressed a very clear determination to find these additional sums from within his own allocation even though the extent of that allocation will not be known until Cabinet has taken its public expenditure decisions over the next 6 weeks or so. The Sub-Committee recognised, however, that the existence of general powers and their deliberate extension to Scotland, could well give rise to pressure from other areas for similar arrangements and thus for higher expenditures generally. The Financial Secretary to the Treasury, who represented the Chief Secretary at our meeting, felt unable to commit the Chief Secretary or the Chancellor to the expenditures involved and reserved their position.



The Secretary of State for the Environment naturally accepted this reservation and its possible consequences for the statement on inner city policy which he intends to make on Monday next (this statement covers many matters besides the Urban Development Corporations and its text is being cleared separately by correspondence under the aegis of the Ministerial Committee on Home Affairs). He is nevertheless anxious that the financial question should be cleared quickly and asked for and was given, permission to begin drafting the necessary clauses of his Bill on a purely contingent basis. Such drafting will of course, also involve a number of subsidiary points and these too will hopefully be cleared in correspondence between colleagues.

The only way in which the Secretary of State for the Environment could get financial authority for his proposals in time for a foreshadowing announcement next Monday would be if you were prepared to discuss the matter with him, (the Chancellor of the Exchequer and possibly myself) so as to resolve the matter ex-committee. I promised to suggest this course to you (though I have since learned that your absence from London makes such a meeting impossible before next week). Failing such a meeting, I can see no alternative but to bring the matter either to the Ministerial Committee on Economic Strategy (presumably at its meeting on 20 September) or to the Cabinet in the course of the public expenditure discussions.

/In ...

CONFIDENTIAL



5

In addition to copying this minute to colleagues on E(EA) I am also copying it to members of H and to Sir John Hunt.

KJ

K J

7 September 1979

Department of Industry
Ashdown House
123 Victoria Street
London SW1

① PRIME MINISTER

Urban Development Corporations

As you know, Ministers have been working on the proposal to establish Urban Development Corporations, initially for Merseyside and London Dockland.

Mr. Heseltine was due to make a statement on inner city policy on Monday 10 September. This is attached at Flag A. Paragraphs 9 and 10 deal with the Urban Development Corporation proposals.

When this was discussed in E(EA), Ministers found that there were a number of unresolved issues. The two which may most concern you are the public expenditure implications and the Quango implications. On public expenditure, I understand that the Chancellor is still uneasy about the scale of financial commitment which will be necessary to create the two UDCs. Mr. Heseltine apparently feels that he can accommodate this within projected figures for Environment, but the Chancellor thinks that this may make tight control on expenditure for Environment much more difficult in the coming years. The Quango point is of lesser significance, but Sir Leo Pliatzky is a little concerned that the announcement of these two new Quangos will not be helpful just as his work is getting under way.

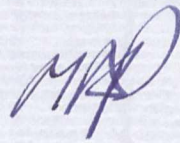
If received in time for the box, I will include at Flag B Sir Keith Joseph's report of the E(EA) discussion, at Flag C a letter relating the Chancellor's comments, and at Flag D Sir Leo Pliatzky's comments, *and supporting comments from Sir Ian Bancroft.*

I think the Chancellor will be prepared to accept an announcement on UDCs shortly provided all concerned are aware of the implications. But given the doubts which arose in E(EA),

/further

*① Enterprise zones,
② Power - each core -
Not to have housing
power.
Small group
first proposed change
and*

further Ministerial discussion would be appropriate. This could be at E Committee on 20 September, but it might be best in a smaller group. Would you be prepared to discuss it with Mr. Heseltine, Sir Keith Joseph and the Chancellor at 1100 on Tuesday? Mr. Heseltine has decided to hold up his inner city policy statement for a few days in the hope that there can be agreement to include something on UDCs.



7 September 1979

CONFIDENTIAL



*Other papers with PM.
BF Monday for possible
meeting Tuesday MAF 7/18*

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

7 September 1979

Dear Michael

URBAN DEVELOPMENT CORPORATIONS

Following our discussion yesterday afternoon, I have thought further about your proposal, that you should announce on Monday your intention to legislate for the establishment of Urban Development Corporations in the London Docks and on Merseyside. I have considered all this in light of the draft statement attached to the letter which you wrote to Willie Whitelaw yesterday afternoon.

I recognise, of course, the arguments for a new approach to the problems of urban renewal particularly in these two areas. But I still have substantial doubts whether it would be wise to proceed at the present time with legislation that would permit the establishment of an unspecified number of large new Quangos, which would have considerable powers to spend public money, and could only make more difficult our essential task of stopping the growth of public expenditure.

The thrust of our philosophy lies in liberating the private sector and cutting the public down to size. Yet the centre-piece of your statement (which does not propose any specific reductions in existing public agencies) is this uncosted extension of public sector activity. It does not strike me as in tune with the times. For that reason, it is my own view that the matter should be further considered by colleagues before any public announcement is made.

I know you face a tight timetable if powers to establish UDCs are to be included in the Local Government, Planning and Land Bill, but I see no reason why drafting should not proceed on a contingent basis while we have a further look at the proposal.

I am copying this letter to the Prime Minister, Members of E(EA) and Sir John Hunt.

(GEOFFREY HOWE)

The Rt. Hon. Michael Heseltine, MP



2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

6 September 1979

A. L. H.

STATEMENT ON INNER CITY POLICY

not signed 10/10/79 { I wrote to you yesterday reporting on the exchanges with colleagues over my proposed statement on inner city policy.

At E(EA) this morning, there was further discussion of my proposals on Urban Development Corporations. Keith Joseph is reporting the outcome of that discussion, and the Treasury reservations, to the Prime Minister. Keith suggested that the statement, subject to any changes which may be necessary to reflect further decisions on UDCs, should now be circulated to all colleagues on H Committee.

/ I therefore attach to this letter a final version of the statement which I still hope to make on Monday 10 September. I think that most colleagues will already have seen the previous draft and I believe that I have met all the substantive points, though Keith Joseph may wish to propose one or two amendments. If so, I should be glad to settle these with him during tomorrow, Friday 7 September.

I am copying this to the Prime Minister, all members of H Committee, all members of E(EA) Committee, to the Paymaster General and to Sir John Hunt. Given the proposed timetable I should be grateful for any final comments by 3.00 pm tomorrow.

yes
MHE

MICHAEL HESELTINE

The Rt Hon William Whitelaw MP

MR PATTISON

QUANGOS - PROPOSAL FOR URBAN DEVELOPMENT CORPORATIONS

1. Sir Keith Joseph sent an interim account to the Prime Minister on 30 July of the consideration being given by E(EA) to Mr Heseltine's proposal to set up new bodies, to be called Urban Development Corporations (UDCs), to deal with problems of inner city areas, with particular reference to the docklands of London and Liverpool. I understand that Sir Keith Joseph is now submitting firm proposals to the Prime Minister following a further discussion in E(EA) this morning. *not yet rec'd.*

2. There are three aspects of this proposal which need to be considered -

The quango aspect


The public expenditure implications

The merits of the proposal

3. I understand that Sir Keith Joseph will report that the majority in E(EA) strongly supported the proposal on merits, but that the Financial Secretary reserved the Chancellor of the Exchequer's position, and that the Prime Minister's potential interest in the creation of new quangos was taken on board. Mr Heseltine would like to make a very early announcement, but it was recognised that the Prime Minister and/or the Chancellor might want a further collective discussion, possibly in Cabinet.

The quango aspect

4. I have put the quango aspect first, because that is my special interest. The proposed new Corporations would be very similar to the New Town Corporations, and would for certain planning and expenditure purposes supersede the role of the local authorities - including, in London, the existing statutory Dockland Joint Committee, in which a number of different local authorities come together with special planning powers. This existing Committee would be displaced by the Urban Development Corporation for Docklands. Although the present intention is to set up these new Corporations only for London and Liverpool, the legislation would enable them to be set up in other towns also.



5. If this measure is approved, the presentation will need careful handling. It will not be possible to claim virtue for the very small savings on the bodies which Mr Heseltine is going to axe, which will be far outweighed by the large expenditure on these new Corporations.

6. It is true that Mr Heseltine intends that the existing New Town Corporations should in due course be wound up, but that has always been the intention. The Government will be able to claim no more than that they are winding up bodies which have served their purpose. It will be important not to imply that the New Town Corporations are going because they are undemocratic and bureaucratic, if very similar Urban Development Corporations are being set up.

7. It does not follow that, because the Prime Minister wants to reduce quangos generally, new ones cannot be created where there is a very strong case, any more than the reduction in public expenditure generally prevents exceptional treatment for cases of clear priority, such as security in Northern Ireland. But everyone recognises the over-riding priority of security measures in Northern Ireland, whereas the Urban Development Corporations will be strongly opposed in some quarters. Therefore, even with careful presentation, the Prime Minister would have to expect to be charged with inconsistency.

Public expenditure

8. Expenditure on the new Corporations in London and Liverpool would build up to a large amount, perhaps £100 million a year in due course. There would be no point in having them otherwise, because they are meant to be more dynamic in spending money than the existing local authorities. Mr Heseltine says that he will accommodate the cost within his programmes at whatever level is approved, but obviously it would become that much more difficult to secure savings in these programmes - all the more so if there is successful pressure to set up Urban Development Corporations in other cities also.

9. It is of course for the Chancellor to state his position on this. My understanding is that, as of this morning, he was strongly opposed to the proposal, but Mr Heseltine was to call on him this afternoon, and I do not know if this will have resulted in any softening of the Treasury's attitude.

Merits

9. There is certainly a problem over dereliction in London, starting on the South Bank close to the National Theatre, long before you get to docklands proper. This has been caused

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largely by the container revolution, which has rendered most of the wharfing and warehousing activities along the Thames redundant. I am not myself convinced that resort to a new Corporation will produce better results than making further efforts to activate the admittedly unsatisfactory Docklands Joint Committee. I do not have a similar first hand acquaintance with the Liverpool situation.

Conclusion

10. I do not think that a decision should be rushed simply for the sake of an early announcement. In substance the public expenditure cost is more serious than the quango aspect, but at the least there is a presentational problem which will need careful handling.

L.P.

LEO PLIATZKY

6 September 1979

Copies to: Sir Ian Bancroft
Sir Derek Rayner

CONFIDENTIAL

P. LE CHEMINANT

CONFIDENTIAL



CABINET OFFICE
70 WHITEHALL
LONDON SW1A 2AS

MAD
Regional Policy

or- 233 8339

P 101

6 September 1979

Dear Andrew

URBAN DEVELOPMENT CORPORATIONS

I enclose a draft reporting minute which your Secretary of State might consider sending to the Prime Minister following this mornings discussion in E(EA). Although the conclusion of the minute reflects this morning I have subsequently learned that, in practice, it will be impossible for the Prime Minister to hold a meeting on this subject before next week. It follows that reference to E or Cabinet is the almost certain outcome and that Mr Heseltine will be unable to say very much, if anything, about UDCs in the statement he is to make next Monday.

P Le Cheminant
P Le Cheminant

Andrew Duguid Esq
Department of Industry

CONFIDENTIAL

DRAFT MINUTE FROM SIR KEITH JOSEPH TO THE PRIME MINISTER

URBAN DEVELOPMENT CORPORATIONS

The Sub-Committee on Economic Affairs met today to continue discussions of the proposals from the Secretary of State for Environment for establishing Urban Development Corporations to assist in the regeneration of London Docklands and Merseyside.

The Secretary of State for the Environment argued that the problems of these areas are not only very serious but cannot be solved using the existing institutional framework. In London the Docklands Joint Committee (DJC) involves representatives of 5 Boroughs, all Labour-dominated, and unwilling to consider changes which would alter the historical pattern of employment and type of housing in the area. The Chairman of the DJC has himself admitted that it cannot make effective progress. There are suggestions of possible enthusiastic private investment in this area, but this is most unlikely to be forthcoming under present institutional arrangements. In Merseyside the political position is largely deadlocked, and again no effective action is being taken.

The Secretary of State for the Environment's proposal therefore is to create two new bodies on the lines of New Town Development Corporations whose aim would be to bring about the regeneration of the designated areas and to create thriving urban communities within them. They would be given powers, functions and finance appropriate to these aims though the exact extent of their powers, and their inter-relationship with the existing local authorities, would be for

settlement later. A legislative vehicle for giving effect to these proposals exists in the Local Government Planning and Land Bill due to be introduced to the House shortly after the recess. Unfortunately to include powers related solely to London and Liverpool would render the bill hybrid so that it would be necessary for the powers to be expressed in general terms and available for use in any part of England and Wales. The Scottish Office have asked that, because of the potential applicability of these ideas to Clydeside the powers should extend to Scotland too. The Secretary of State for the Environment does not resist this though his intention would be to make it clear, from the outset, that the Government intended to set up UDCs in London and Merseyside only.

The Sub-Committee clearly had a lot of sympathy with what the Secretary of State for the Environment is trying to do. On the other hand serious doubts, not least on the financial side, were expressed. To summarise:-

- a. there were doubts whether investment in the derelict dockland of Merseyside - and to a lesser extent London - would bring returns commensurate with the cost;
- b. there were doubts whether the problems of the docklands could be satisfactorily separated from those of the surrounding conurbations;
- c. there was the question whether, in a period when we are actively reducing the number of quangos, it would be presentationally acceptable to set up two new ones;

d. but most important there were doubts about the uncertain financial implications of the proposals. The costs are in one sense immeasurable in advance of final decisions on what precisely the corporations would do-not least because a good deal of their work would be taking over tasks which would otherwise be performed by other authorities. The best estimate which officials can make is that the two corporations might involve a total expenditure of between £80 and £100 million per annum from 1983 onwards of which perhaps £25 or £30 million would be additional to what might otherwise be spent. The Secretary of State for the Environment expressed a very clear determination to find these additional sums from within his own allocation even though the extent of that allocation will not be known until Cabinet has taken its public expenditure decisions over the next 6 weeks or so. The Sub-Committee recognised however that the existence of general powers and ~~eg~~ their deliberate extension, to Scotland, could well give rise to pressure from other areas for similar arrangements and thus for higher expenditures generally. The Financial Secretary to the Treasury, who represented the Chief Secretary at our meeting, felt unable to commit the Chief Secretary of the Chancellor to the expenditures involved and reserved their position.

The Secretary of State for the Environment naturally accepted this reservation and its possible consequences for the statement on inner city policy which he intended ~~to~~ to make on Monday next (this statement covers many matters besides the Urban Development Corporations and its text is being cleared separately by correspondence under the auspices of the Ministerial Committee on Home Affairs). He is nevertheless

anxious that the financial question should be cleared quickly and in any case asked for and was given, permission to begin drafting the necessary clauses of his Bill on a purely contingent basis. Such drafting ^{will} of course also involve a number of subsidiary points and these too will hopefully be cleared in correspondence between colleagues.

The only way in which the Secretary of State for the Environment could get financial authority for his proposals in time for a foreshadowing announcement next Monday would be if you were prepared to discuss the matter with him, the Chancellor of the Exchequer and possibly myself so as to resolve the matter ex-committee. I promised to suggest this course to you. ~~Otherwise~~ I can see no alternative but to bring the matter either to the Ministerial Committee on Economic Strategy (presumably at its meeting on 20 September) or to the Cabinet in the course of the public expenditure discussions.

In addition to copying this minute to colleagues on E(EA) I am also copying it to members of H and to Sir John Hunt.

(though I have since learned that your absence from London makes such a meeting impossible before next week). Failing such a meeting, ~~to meet~~,



await other back
correspondence.

TL also to see 0/2 10/11

MAD 5/11

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

3 September 1979

See Kirk

INNER CITIES POLICY

Thank you for your letter of 30 August about this. Willie Whitelaw, George Young, Rhodes Boyson and Norman Fowler have all replied to my letter of 7 August, raising a number of points, but agreeing my general analysis and conclusions and the need for an early September statement. As you mention, Nigel Lawson in his letter of 21 August raised some questions on the timing of a public statement, and I replied to this on 22 August. Jim Prior was also content that we give the local authorities the broad outcome of our conclusions in a September announcement, but suggested that we might make a further announcement covering land and housing, and the implications of our policies here for inner cities, at a later stage. In fact, our policies here are well advanced, and I do not wish to take two bites at the cherry - I explained this in my reply to him of 28 August.

I am glad that, for your part, you do not want to stand in the way of my making an announcement on inner cities policy in early September. You will now have seen the draft statement which I would like to make, circulated as Annex B to my memorandum to E(EA) on Urban Development Corporations, which we are to discuss on September 6. Much of that statement is, I hope, in line with what you suggest in para 3 of your letter.

More generally, I very much share your feeling that there is an overlay of policies in this particular area. We certainly need to ensure that the money we are putting into the inner cities is well used, and produces results: and that inner city policy, as it evolves, takes into account as necessary the outcome of other reviews, such as the one on industrial promotion agencies you mention. I am, however, more doubtful about the use of an outside academic review. An external examination would take time, could raise expectations unduly, and might be difficult to mesh in with existing departmental reviews. There has been no shortage in recent years of academic studies of the inner cities. There are the Inner Area Studies, commissioned by Peter Walker. Peter Hall has, of course, himself contributed. The partnership and programme authority arrangements which I propose to continue are only a framework: it is for us to evolve our own policies with the authorities. My own inclination would be to concentrate on specific things that have to be done, and extent to which existing schemes

are yielding results and how policies ought to be adapted in the light of that. We could for example ask officials to examine a sample of inner city schemes, funded by urban aid, and report on the effectiveness, or lack of it, of their contribution. In addition, if we wanted an intellectual analysis of specific items, for example, the effect of some past policies on the inner cities, then I can see the attractions of commissioning someone like Peter Hall. But we would certainly need to look very carefully at the terms of reference, and indeed the timescale, of any such commission. If you agree, I think we could ask officials to list topics for consideration in this whole policy field and propose methods of handling, whether in-house, or out to commission.

On the other points in your letter, I am glad that you will continue to keep in mind the claims of the inner cities in your work of encouraging industrial investment in the AAs and in any future factory building programme. I agree that we will need to look very carefully into the question of selectivity, in particular the designated districts under the Inner Urban Areas Act. I am glad you share my view that New Town programme needs looking at, to see how far we can switch funds. The question of rent control on new buildings is a difficult one, but some of the implications here are being looked at in the context of Enterprise Zones.

Finally, there remains the key question of what changes should be made to the draft statement to ensure that it is acceptable to you, and other colleagues. We need to get ahead. Given the comments I made in my letter to Jim Prior of 30 August, I think the existing text should be acceptable to all concerned, apart from Nigel Lawson and yourself. I hope that we will be able to agree at E(EA) on the need to take matters forward with urban development corporations, so that an appropriate reference can be made in the statement. I hope I can meet the Treasury concern, and part of yours, by redrafting para 5 of the statement to make it clear that the decisions I am now announcing carry with them resource implications for 1980/81 only, without commitment to the level of any funding thereafter. This is implicit in the existing text, but we could make it explicit by deleting the existing second and third sentences and replacing by, "Resources are going to be severely limited over the next few years, and we shall be considering the question of resources for 1981/2 and later years, in the light of our objectives of holding down public expenditure and avoiding real increases in taxation. For 1980/81, however, while I am not yet in a position to announce detailed allocations I am considering how best to deploy my resources to enable urban aid for that year to continue at about the same level in real terms as in 1979/80".

I think the question of some form of review could usefully be canvassed in a new paragraph 10, just before the existing conclusion. Given that, as I have suggested above, more thought needs to be given to the exact form of this, what can be said will need to be fairly general. I suggest something along the lines of a new paragraph stating "Inner city policy needs to evolve to meet the situation. The Government, over the coming year, will be looking very closely at the mix of schemes produced under the arrangements I have outlined above. In addition, we will be

reviewing more generally the exact role of inner city policy,
and its relationship with other Government initiatives."

I am sending copies of this letter to the Prime Minister, and
as before.

yes - on

lll l

MICHAEL HESELTINE



DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

Telephone Direct Line 01-212 3301
Switchboard 01-212 7676

Secretary of State for Industry

30 August 1979

The Rt Hon Michael Heseltine MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
London SW 1

Dear Michael

INNER CITIES POLICY

Thank you for copying to me your letter of 7 August to Willie Whitelaw, about inner cities policy. Nigel Lawson and Jim Prior have since replied on 21 August and 22 August respectively.

I do not want to stand in the way of your making an announcement on the subject in early September although I note that Nigel Lawson and Jim Prior have argued against this. But I cannot agree to continuing in the medium term this and other policies affecting the inner cities inherited from our predecessors without a thorough review. I suggest that this should be an outside review and that Professor Peter Hall of Reading University might be a suitable chairman: he is disenchanted with the centralising aspects of Labour policy, intensely aware of market factors - as witness his remarkable lecture on 'ski slopes in Vermont' which so influenced Geoffrey's thinking towards enterprise zones. His work in many related fields would, given good colleagues - and I would very much like to suggest other names - enable a group led by him to give us an analysis of the degree to which different policies of many sorts superimposed upon each other have set up often conflicting pressures to the harm of urban vitality and quality. It would seem tragic simply to add another layer of policies on top of all those already in force without some such authoritative analysis.

I would therefore be content for your statement to say that the partnership arrangements are to continue for the present, subject to streamlining of the procedures. Your statement will no doubt range more widely than this but in advance of Ministerial consideration of related issues I would expect it to be confined to rehearsing problems and canvassing possible solutions. If you and colleagues agree it would also be appropriate to announce the decision to set up an independent review of policies affecting the inner cities.

I welcome your review of procedures for selecting "partnership" and "programme" authorities. I hope that you will take into account that some 50 local authorities have now been designated. In my view this either calls into question whether the policy which the Government has inherited is sufficiently selective or alternatively whether the

/problems ...



problems which its predecessors argued were particularly acute in the inner cities were in reality so confined to such areas as they suggested. The most obvious illustration is the designation of Ealing.

I sympathise very much in principle with your inquiries as to how far it may be practicable to switch funds from the new town programme towards old towns and cities. I would also suggest that you might consider removing rent control from new building, a measure which could have a significant impact on revitalising inner city areas.

The contribution the Department of Industry can make to inner city policy is limited. We settled the map of the Assisted Areas (AAs) in July and the combination of the abolition of Industrial Development Certificates in the Intermediate Areas and the substantial raising of the exemption limit in the non-Assisted Areas reduces the scope for any local 'steering' of industrial development towards inner city locations. The most important financial incentives to encourage firms to locate in the AAs - Regional Development Grant - is administered on a non-discretionary basis and so cannot be used to favour inner city locations as opposed to other locations in similar categories of AAs. As to Regional Selective Assistance we are reducing the expenditure involved and tightening up the criteria against which applications are considered in order to make the instrument more selective and more cost-effective. One of the relevant factors however is the extent to which the inherent unattractiveness to industrial investors of particular location makes it necessary to consider greater assistance and in doing so we will continue to take into account inner city locations within the AAs. We will also continue to keep in mind the claims of the inner cities in our work of encouraging industrial investment in the AAs and in any future factory building programme, subject of course to our ability to find suitable land and the success of our efforts to persuade local authorities to sell their own land at a realistic figure.

There are at present a number of interdepartment reviews in related fields, such as the review which officials in the Department of Industry are leading into industrial promotion agencies. When we come to consider the results of these reviews we shall have to take into account that insofar as they relate to inner cities policy they do not pre-empt the results of the independent review.

I am sending copies of this letter to the Prime Minister and to recipients of yours.

Law.

Kew



I have little doubt that our policy of encouraging the sale of council housing will help, but it may be that further measures will be needed to bring about an adequate mix of housing in the inner cities. Without such a mix the latter will continue to decline into ghettos.

Some time will be needed if issues such as these are to be examined, but I see no reason why officials should not work up proposals on each in time for an announcement by, say, mid-October. We would then be in a position to make a statement of positive policies for the inner cities. This could also encompass our proposals for Enterprise Zones and the details of our plans for Urban Development Corporations, though I imagine you will wish to make some reference to the latter when you announce the future of the partnerships.

In short, therefore, I suggest that in order to put the partnerships out of their misery you might announce at the beginning of September that you propose to continue them, while cutting the associated bureaucracy, but that you should reserve until nearer the re-assembly of Parliament a more detailed announcement of positive measures.

I am sending copies of this letter to those who received yours.

Yours
T



PS/MST (C)
PS/MST (H)
Sir O Wase
Sir A Rawlinson
Mr Bailey
Miss Payson
Mr Schoke
Miss Sinclair
Mr Hawkin
Mr R H Wilson
Mr M. L. Williams
Mr Lutcutt
Mr O J Bastock

Treasury Chambers, Parliament Street, SW1P 3AG

21 August 1979

The Rt Hon Michael Heseltine MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
LONDON
SW1

Dear Secretary of State,

INNER CITIES POLICY

In your letter of 7 August to Willie Whitelaw you set out your views on the policies which the government might adopt towards inner cities policy and proposed that you should make a general announcement on this subject in early September.

Officials are of course looking in detail at your proposal that Urban Development Corporations should be established in Liverpool and the London Docks area and I understand that you will be writing again to colleagues on this subject later this month. We will then need to decide whether it will, as you suggest, be appropriate to make an early announcement about Urban Development Corporations.

As for your proposal that there should be fewer full partnership meetings and a more efficient procedure for approving Urban Programme projects, I am sure that we would all welcome anything which makes the existing partnership arrangements work more smoothly; subject of course to the need to ensure that all the main areas of concern are taken into account, and potential conflicts avoided.

I am however unhappy about your proposal to make a statement early September which could be interpreted as committing the Government to a high level of expenditure on, or especial priority for, the inner cities. The Cabinet has already reached difficult decisions on reductions in the inherited plans for public expenditure in 1980-81, and will be discussing next month the further substantial reductions which will have to be made in the later years of the survey period if we are to achieve the objectives of holding down the level of public expenditure and avoiding real increases in taxation. Any additional public expenditure commitment will make those tasks more difficult. In particular, so far as inner cities policy is

erned, it will I think be hard to reconcile your proposals for continuing to give a high priority to deprived urban areas with the substantial cut in the public expenditure provision for the Urban Programme which has been agreed for 1980-81 and with the need to make similar cuts in the later years. I note that you might wish to transfer resources from New Towns to inner urban areas; but if it is indeed possible to make further savings in the provision for New Towns I think the overriding presumption must be that these savings should be used to help us in the very difficult task of holding down total public expenditure and the PSBR.

A further consideration is that Keith Joseph wrote on 24 July proposing an interdepartmental review by officials of industrial promotion. His proposal has attracted a wide measure of support from colleagues and I understand that you also have endorsed his proposals. The review will include industrial promotion under the Inner Urban Areas Act, so it would surely be premature to make any announcement about the future of the Act until we have had the opportunity to consider the results of our officials work.

All of this points I think towards avoiding a statement of the kind you propose in early September; indeed I would think it more appropriate not to make any announcement about our policy in this area until we have reached agreement on public expenditure for future years.

I am copying this letter to Willie Whitelaw, Keith Joseph, Jim Prior, Patrick Jenkin, Mark Carlisle, Norman Fowler and to Sir John Hunt.

Yours sincerely,

P. Diggle (private secretary)

N NIGEL LAWSON

*(Signed in the Financial Secretary's
absence but with his approval)*



2 MARSHAM STREET
LONDON SW1P 3BB

7 August 1979

INNER CITIES POLICY

We have just concluded our series of discussions with the partnership and programme authorities, and now need to take a view on our position here.

This is a major policy area. Too many of those with the energy and resource to leave have done so. Too many firms have sought an investment opportunity more conducive to profit and stability. If we are to reverse these trends I am convinced that our aims must be to help local authorities make the inner cities places where people want to live, and where industry and the private investor are prepared to put their money. In purely political terms, it is essential that we do something positive about the inner cities; the dangers and the opportunities there are both great. On the other hand we need to be careful not to arouse unrealistic expectations, or claim more than is in fact possible for the ability of the public sector alone to bring about urban regeneration - very much the trap that the Labour Government fell into.

In a sense we are in a loss leader situation. The urban programme should be designed in detail to make possible or encourage opportunities to which others will react - reclamation of land so that investors will invest, or so that homes may be built; environmental improvement to create an attractive climate or to stimulate others to continue where we leave off.

The task of the Minister in charge of a partnership programme is also that of a progress chaser. There are always too many delays in reaching decisions about land release, development or infrastructure provision. In the ordinary course of events, they just don't get to Ministers quick enough and these delays stifle initiative and opportunity.

Most of the work to be done is for the local authorities or private industry. Ministers should see their role as essentially removing the obstacles that prevent more rapid progress. Voluntary effort should also be encouraged.

There is a role to ensure that main programmes help where possible and are in touch with the urban initiative.

The majority of the partnership authorities are clearly keen for some form of partnership arrangements to continue. They welcome Ministerial involvement, but would like smaller meetings, less paper and less cumbersome approvals procedure. Against this background, I do not consider that there is any point in parading a vast caravanserai of Ministers and officials at each meeting. I believe my Ministers can cope alone with the regular meetings. Full partnership meetings should concentrate on strategic issues and be limited to one or two a year. However, I think there is a need for a fairly representative attendance from other Ministers once a year when the main decisions are taken over priorities and types of scheme. Apart from that, Ministers from Departments other than DOE could be invited only when there were specific agenda items that really justified their attendance. On approvals, I think we should aim for a rolling programme which would enable us to keep sufficient grip on the overall balance of the programme and types of scheme, but not involving ourselves in masses of detail and continual reference back. I am asking my officials to circulate proposals on this.

We must have effective, though limited, resource back up for this policy via urban aid. I have not yet decided the precise allocation of my PESC programme for 1980/81. I am however considering the extent to which a more appropriate level of expenditure might be reached by switching resources from the new town programme to expenditure in the towns and cities from which otherwise investments and people are being decamped often to the detriment of the urban climate.

The Prime Minister has stressed the opportunities main programmes can afford to the inner cities. I recognise that main programme bending will be even more difficult given the constraints on these - and local authorities who face cuts on their main programmes will not be slow to lean even more heavily on urban aid for some types of scheme. Still I think we must all preserve an inner city slant wherever possible to our main programmes while recognising frankly the difficulties. For my part I intend to do this in the housing programme.

I am sure the bulk of the monies must continue to go to the worst areas, ie the partnership and programme authorities, though Tom King and I will be looking carefully at the basis for the selection of these. But there are many other authorities who also suffer real problems of urban deprivation: for these we should I think, keep the traditional urban programme in being, though we should simplify the procedures while still allowing us to determine the types of schemes approved.

I have been active in opposing the piecemeal extension of local authority powers to assist industry. We have now promised the AMA to consider their proposals for general local authority powers. But it is extremely important for inner city authorities, by providing infrastructure and improving the environment, to do their bit in providing a climate in which small firms, in particular can flourish. The Inner Urban Areas Act, which we supported in opposition, gives limited but helpful powers to a designated group of authorities, and I would propose to retain it.

We can use the existing machinery, carefully adapted, in most areas to carry matters forward, unlock initiatives, bring the private sector in and help ensure that our policies are implemented. But there are some areas where the existing arrangements are woefully inadequate: Docklands

and Liverpool are the obvious ones. Here I think we need to take bold steps to secure powers to set up Urban Development Corporations: I put proposals to colleagues in E(EA) *recently* which were strongly welcomed. We will be working these up *urgently*.

I think we must aim for a general announcement of our conclusions on all this at the very beginning of September: on some of the details we can afford to let different patterns emerge in different areas, and consult the local authorities about the finer points of the procedure. But we must give them the main thrust of our thinking. I hope, accordingly, that you will be able to let me have your views soon, and in any case by the middle of August so we can work up a package which can be announced in time.

I am sending copies of this Keith Joseph, Jim Prior, Patrick Jenkin, Mark Carlisle, John Biffen, Norman Fowler and to Sir John Hunt.

Handwritten signature
Handwritten initials
2P
MICHAEL HESELTINE

(approved by the Secretary of State
and signed in his absence)

CONFIDENTIAL



PRIME MINISTER

Regional Policy 2

~~PRIME MINISTER~~

To see.

MS

*MS
30/11/66*

URBAN DEVELOPMENT CORPORATIONS FOR LIVERPOOL AND LONDON DOCKLANDS

When the Sub-Committee on Economic Affairs (E(EA)) met on Wednesday evening, we considered a radically new approach advocated by Michael Heseltine for tackling the deep-seated problems of Liverpool and London Docklands. Although in many respects the problems of these two areas are different, it is widely accepted that the existing arrangements have failed, and are failing, to tackle effectively what in each case needs to be done. In the case of London Docklands, Michael argued that there was little chance of agreement between the five London Boroughs concerned and the GLC, especially when further and much larger areas of land are relinquished by the Port of London Authority. In Liverpool the problem has been long standing political weakness within the city plus bad feeling between the city and the county. But in both cases there has been no one organisation with the powers and the drive to get things moving.

Michael Heseltine proposed to us that in each case we should set up a single-minded development agency with appropriate powers and finance modelled on the New Town Development Corporations which not only have been successful in getting things done, but have been able to put real emphasis on private sector development.

/We ...



We strongly supported his analysis and were greatly attracted by his proposed solution. We recognised, however, that there would be major implications for regional and urban policy and for public expenditure. New legislation will be essential if we decide to take this further. But for the moment we have asked Michael Heseltine to arrange for urgent detailed studies by an interdepartmental group of officials with a view to enabling him to formulate detailed proposals which we will consider in the autumn. Pending that further consideration, no public announcement will be made.

I am copying this letter to members of the Sub-Committee and Sir John Hunt.

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K J

30 July 1979

Department of Industry
123 Victoria Street
LONDON SW1



Original
cc OBE
from
1. Gov Regional
Policy

10 DOWNING STREET

THE PRIME MINISTER

30 July 1979

Dear Peter,

Thank you for your letter of 9 July suggesting that a New Town corporation be established in Docklands to develop land released by the PLA.

Michael Heseltine is reviewing the arrangements for tackling the problems of the inner cities, including Docklands, and Norman Fowler is considering the Corporate Plan recently submitted by the PLA. I see you have written to them both and I am sure they will consider your suggestion.

Yours

Peter Hordern, Esq., M.P.

Peter Hordern