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PREM 19/1616

Inner Cities Policy + Problems  
Regeneration of Liverpool  
and London Docklands.

Urban Development  
Corporation.

Part 6

REGIONAL  
POLICY

Part 1: July 79

Part 6: Feb. 85

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
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PREM 19/1616

PART 6 ends:-

E(A)(85) 17Ch.

PART 7. begins:-

S/S Transport to S/S Env. 8/8/88

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
MISC 109 (85) 1st Meeting, Minutes	7.2.85
MISC 109 (85) 8	19.3.85
MISC 109 (85) 1	21.3.85
MISC 109 (85) 2	21.3.85
MISC 109 (85) 3	21.3.85
E(A) (85) 17th Meeting, Minutes	31.7.85

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 Wayland

Date 3 April 2014

PREM Records Team

ARW/AEM

July 1985

R3/8



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Development Corporation  
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Marsh Wall London E14 9SX  
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Telex 894041 LDDC G  
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Rt.Hon Margaret Thatcher  
Prime Minister  
House of Commons  
London  
SW1A 0AA

NBM

Dear Mrs Thatcher

I have great pleasure in enclosing a copy of the Corporation's Annual Report for 1984/85. I do hope you will spare a few minutes to look through what we believe is a fascinating, as well as significant, document. It contains very much more than the bare financial facts and figures!

The report illustrates vividly the accelerating pace of change that is transforming Docklands. If you unfold the cover you will see just one dramatic example of the regeneration process now taking place. We are determined to maintain and, indeed, increase the momentum over the crucial years ahead, consolidating the successful and dynamic partnership between public and private sector investment and the local community. The Royal Docks area is now presenting us with our greatest and most exciting challenge.

Should you have any questions, please do not hesitate to contact us. If you would like a tour of the area to bring you right up to date on the latest progress, please call Anna Moffatt, our Visitor Co-ordinator, on 01-515 3000 Ext 436. We look forward to welcoming you.

Yours sincerely

A.R. Ward

A R Ward  
Chief Executive

Enc

Chairman Christopher Benson  
Chief Executive Reginald Ward

IN FOLDER  
AT BACK  
OF FILE



CONFIDENTIAL

*Prime Minister*

*An alternative view is that the PLA deficit is a red herring. It seems implausible that a premium on this sale will be just enough to avoid recourse to deficit grant. So decide now on its merits.*

*AT.*

P 01630

PRIME MINISTER

LONDON DOCKLAND DEVELOPMENT CORPORATION (SUPPLEMENTARY BRIEF)

I understand that at their discussion last evening the Transport Secretary proposed to the Chief Secretary that the lease already negotiated by the PLA should proceed since the implicit subsidy involved would avoid the need for a subsequent deficit grant to the PLA.

2. This does, however, raise an important new policy point. Ministers have already decided that there should be no further operating subsidies to the PLA. To accept the lease the PLA have negotiated as a substitute for a further operating subsidy would, therefore, in effect be a reversal of the present policy, which would require fuller consideration than the papers now before E(A) allow.

3. You will want, therefore, to ask the Transport Secretary to report on last night's meeting, and the Chief Secretary to comment. If his proposal is that the lease should be allowed to proceed in lieu, as it were, of a further deficit grant, I think the right course would be to ask Mr Ridley to submit a new paper to the Sub-Committee after the holiday setting out the case for this. He may argue that this would cause unacceptable delay. But if the Sub-Committee endorsed Mr Jenkin's proposal for using the Government's vesting powers, this would take much longer (6 months, I think).

4. If Mr Ridley withdraws from last evening's proposal, then you will wish to take the Sub-Committee's views on Mr Jenkin's original proposal and reach a decision this morning. If not, it would perhaps be better to ask Mr Ridley to set out the issues more fully, including the wider considerations affecting the PLA.

J B UNWIN

31 July 1985  
Cabinet Office



CONFIDENTIAL

P 01626

PRIME MINISTER

E(A)(85)17th MEETING AT 10 AM ON 31 JULY  
London Dockland Development Corporation: Acquisition  
of the Royal Docks

FLAG A

Letters of 17 July from the Secretary of State for the Environment to the Chief Secretary; of 22 July from the Chief Secretary to the Secretary of State for the Environment; and of 23 July from the Secretary of State for Transport to the Secretary of State for the Environment

FLAG B

FLAG C

BACKGROUND

1. The Chief Secretary, Treasury, and the Secretary of State for Transport disagree over the terms on which the London Dockland Development Corporation (LDDC) should acquire the Royal Docks from the Port of London Authority (PLA). They hope to resolve the issue tonight (Tuesday); but the item has been placed on the tomorrow's E(A) agenda so that if they fail (as seems likely) the Sub-Committee can take a decision before the recess in order to prevent the momentum for the regeneration of docklands (including the STOLport) being lost.

MAIN ISSUE

2. The main issue is whether the Government are prepared to use vesting powers under the 1980 Local Government and Land Act to secure the land for the LDDC at a lower price than they have been able to negotiate.

The Royal Docks

3. The area of the attached map which is both stippled and orange shows the land at present owned by the PLA which the LDDC wish to develop. It comprises 270 hectares of land and water.

4. There are four ways in which the LDDC might acquire the the site:

(a) by agreed purchase, at the District Valuer's (DV's) valuation; (£3.1 million)

(b) by compulsory purchase, at the DV's valuation;

(c) by relying on the Government's vesting powers in the 1980 Local Government Planning and Land Act (at the DV's valuation); or

(d) by an agreed lease. LDDC and PLA had reached agreement on a lease of £10.1 million

On the assumption that the DV valuation is £3.1 million, the Net Present Value of the lease according to standard Treasury methods is £10.1 million. The Transport Secretary disputes the Treasury methodology used to evaluate the full economic cost of the lease, and argues that the financing cost - £6.5 million - is the relevant figure. But the main issue remains unchanged, since there is still a large premium. The economic assessment of the options is shown in the Annex to the Environment Secretary's letter.

5. The PLA could not accept course (a), believing that the DV's valuation did not recognise the full development potential of the site (and also because Treasury would claw back the capital receipt). LDDC could not contemplate (b) because the necessary public inquiry would delay development by several years. Mr Jenkin's initial view was that the Government should not use (c) its vesting powers (which were intended originally only to establish the LDDC at the outset). The LDDC therefore negotiated a lease <sup>which is not clawed back by Treasury</sup>. Because they attach importance to acquiring the site and developing it quickly, they were ready to agree terms reasonably generous to the PLA. The Treasury, however, less influenced by the need for urgency and applying the normal investment appraisal assumptions, think that the premium of £7.0 million that the lease on their calculation represents over the DV's basic valuation is too high to be acceptable.

6. Mr Jenkin therefore reassessed his policy, and decided that it





CONFIDENTIAL

would after all be acceptable to use the Government's vesting power, in order to secure a swift transfer at the DV's valuation. He hopes that it the Government make it clear they are ready to use the power, the parties will agree a more reasonable lease. If this fails, the Government will have to proceed with vesting, which requires a statutory instrument subject to affirmative resolutions in both Houses and probably scrutiny by a Lords committee.

7. Mr Ridley, however, is unwilling to be party to any action to press the PLA to act other than to its greatest commercial advantage and argues that the Government would look very odd if they rejected an agreement fairly entered into by two responsible bodies.

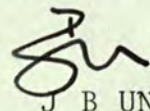
8. The merits of the arguments are difficult to discern. On the one hand it is arguably unreasonable to use the vesting power the Government just happen to have in this particular case to disadvantage the PLA: would the Government contemplate this if the PLA were in the private sector? On the other hand the PLA would long since have been bankrupt if it were in the private sector, so the question would not arise in this way. The Treasury may reasonably argue that if public money is to be given to the PLA, this should be done deliberately, and not by allowing the PLA to exploit a particular commercial situation to extract an excessive price from another public sector body.

HANDLING

9. You will wish to ask the Secretary of State for the Environment to introduce the issue and the Chief Secretary, Treasury to explain why the lease negotiated is unacceptable. The Secretary of State for Transport will wish to explain why he cannot accept that the Government should intervene to have the lease renegotiated.

CONCLUSIONS

10. You will wish to reach a decision on whether the Government should indicate to the PLA and LDDC that they are ready to exercise their vesting powers unless the parties can agree terms of a lease more acceptable to the Government. If not, can the lease proceed on the terms which have been agreed?

  
J B UNWIN

30 July  
Cabinet Office

# Economic Appraisal of the LDDC Royal Docks Strategy

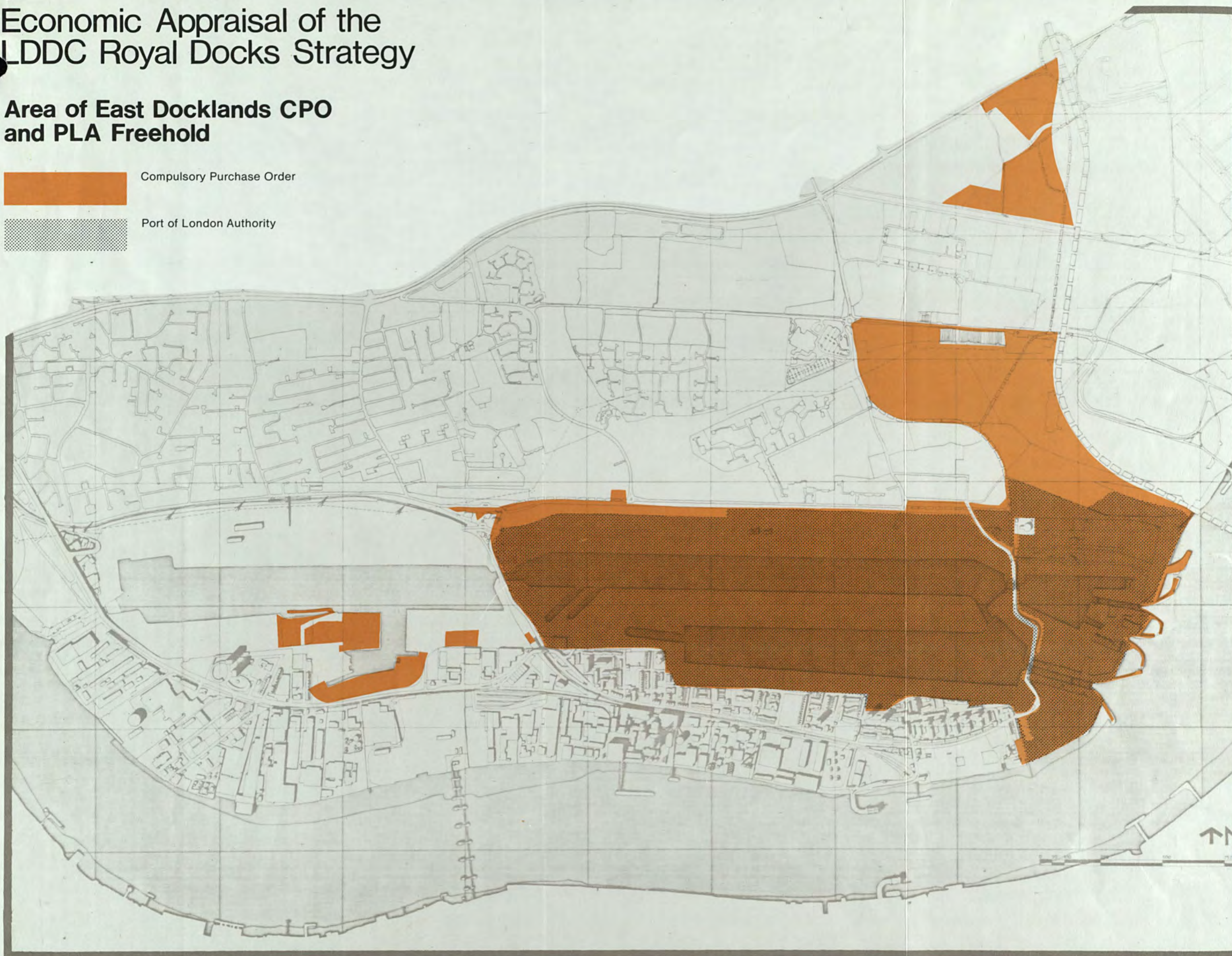
## Area of East Docklands CPO and PLA Freehold



Compulsory Purchase Order



Port of London Authority



NDPn  
AT 2917



DEPARTMENT OF TRANSPORT  
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

The Rt Hon Peter Rees QC MP  
Chief Secretary to the Treasury  
HM Treasury  
Parliament Street  
LONDON SW1P 3AG

29 July 1985

*Dear Peter*

LDDC : ROYAL DOCKS

You sent me a copy of your letter of 22 July to Patrick Jenkin about the terms on which the LDDC should acquire the Royal Docks from the PLA. I understand that the three of us are to meet on Tuesday to attempt to resolve the matter.

I am concerned to see from your letter that there seems to be some difference of view about the financial effects of the different options. As the annex to Patrick's letter of 17 July makes clear, the discounted NPV figure of £10.076m is the cost of the leasing option computed in accordance with the conventions which the Treasury adopt for the purposes of the Public Expenditure Survey. These conventions require that the capital value of an asset should be brought into account in year 1 in addition to the annual leasing costs. This may be a sensible convention for the purposes of the PES, but it involves a measure of double counting since it aggregates a capital value with annual leasing payments. The actual cash cost of the leasing option, discounted, is £6.5m, which makes it only £3.4m more costly than the vesting option. This I would suggest is the figure which we should have in our minds when considering the costs of the different options, and I hope that on reflection you will agree.

I am sending a copy of this letter to the Prime Minister, Patrick Jenkin and Sir Robert Armstrong.

*Nicholas Ridley*

NICHOLAS RIDLEY

LONDON DOCKLANDS DEVELOPMENT - LEASE FOR ROYAL DOCKS

Problem

It is widely agreed that the best way of promoting the rapid development of the London Docklands (including STOLPORT) is for the LDDC to acquire the area around the Royal Docks from the PLA. In its early days the LDDC was empowered to acquire land by the vesting procedure provided in the 1980 Local Government Planning and Land Act. This procedure - effectively a compulsory purchase order without the normal checks and balances - proved contentious and politically sensitive.

Subsequently D/Environment have withheld use of the vesting procedure from the LDDC. In this more normal arms-length situation, the LDDC and the PLA freely negotiated a lease for the Royal Docks area.

Belatedly the Treasury have objected that the terms of the lease are unfavourable to the LDDC who are publicly funded. Treasury want the lease to be re-negotiated, with the PLA being put under pressure from threatened use of the vesting procedure. Nicholas Ridley maintains that to re-open a freely-negotiated commercial agreement between the PLA and the LDDC, in order to pressurise the PLA into a less favourable deal, would undermine the Government's efforts to get the PLA to stand on its own feet, behave commercially, and progressively reduce its call on public subsidies.

Comments

The Government's objectives, not in priority order, are:

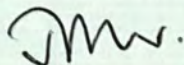
1. To maintain the momentum of the development of the London Docklands.
2. To restructure the PLA and promote a new management attitude so that as soon as possible the Port is capable of operating commercially without Government support.
3. To contain public expenditure.

Peter Rees focusses narrowly on the third objective and is aiming to save the public sector a discounted £3.4 million - roughly one-half the discounted value of the negotiated deal. He dismisses as uncertain the key point that a hard-headed business-like PLA should be capable of reducing the call on Government subsidies by significantly more than the £3.4 million he is after. Moreover, his tactic risks delaying development.

From the recent discussion on the Dock Labour Scheme, you are aware of the wider background. The South and East coast ports, mainly outside the Scheme, are investing heavily to improve their capability and attract new business. The competition is getting tougher. Management attitudes in the PLA are crucial. In public expenditure terms, it would be counter-productive to compromise Nicholas Ridley's efforts to transform management attitudes in the PLA.

#### Conclusion

We would support Nicholas Ridley and let the existing lease between the LDDC and the PLA stand. In the bilaterals Treasury can fight to make sure that Nicholas Ridley's gain at least covers Patrick Jenkin's loss.



JOHN WYBREW



Portlands

P.L.A.

10 DOWNING STREET

Prime Minister

This is the problem Lewis  
Moss raised with you. Mr Ridley  
has introduced a new argument,  
that PLA will need deficit grant  
but ~~and~~ a sale ~~at~~ on favourable  
terms might avoid the need  
for deficit grant. But E(A)  
cannot take a decision on  
a PLA finances now. In  
any case it seems implausible  
that a premium on the sale  
price will be just enough to  
avoid the need for deficit  
grant.

Thus a decision on this  
plot of land should be taken  
on its merits now.

AT  
30/7

NDM AT 23/7

ee NO



DEPARTMENT OF TRANSPORT  
2 MARSHAM STREET LONDON SW1P 3EB

The Rt Hon Patrick Jenkin MP  
Secretary of State for the Environment  
Department of the Environment  
2 Marsham Street  
LONDON SW1P 3EB

23 July 1985

*Dear Patrick*

*- write request (if required)*

LDDC : ROYAL DOCKS

Thank you for sending me a copy of your letter to Peter Rees about the London Docklands Development Corporation's plans for the acquisition and regeneration of the area around the Royal Docks. I fully share your desire to maintain the momentum of redevelopment of London's Docklands, and I agree with your view that the LDDC is the right agency to do this. However, I could not agree to any course of action which seeks to interfere with the terms of a deal which has been freely negotiated between the PLA and the LDDC.

As Peter Rees knows all too well, the PLA has been a financial liability to the Government in the past, and its financial problems are by no means over. We have declared a policy of no more operating subsidies for them, and we have announced that we intend to phase out support for the cost of severances of non-RDWs. I have been pressing the Board to seek to stand on its own feet and to adopt a tougher commercial stance than it has tended to in the past, thanks to the insidious malaise which subsidies always bring. The new Chairman, Sir Brian Kellett, is approaching his task with determination. It would destroy the whole credibility of our approach if we attempted to put pressure on the

PLA to renegotiate the terms of the lease they have agreed with the LDDC, simply because the Treasury (8 months after we were informed of the agreement) takes the view that the terms are too generous. It would seriously harm my relationship with Sir Brian Kellett, and it would also sour the much improved relationship that now exists between the PLA and the LDDC. Moreover, forcing them to accept worse terms than they have negotiated would increase the likelihood that I shall have to provide additional financial support for the PLA, which is the last thing I want to do. And the Government would appear in a very odd light if it rejected an agreement freely entered into by two responsible bodies.

I would also suggest that there are strong practical arguments in favour of allowing the lease to stand. The PLA is not a nationalised industry and I have no sanction to use against them, beyond informal pressure. If we adopted the course you favour and sought to use the threat of a Vesting Order to persuade them to renegotiate the terms of the lease, they might very well call our bluff, leaving us no option but to go through the Vesting Order procedure. This would drag on well into next year, would frustrate our objective of securing the momentum of redevelopment, and would carry with it the risk of a good deal of political and Parliamentary difficulty as well. The figures enclosed with your letter suggest that the financial difference between the two courses of action is £3.4m in discounted terms, and given the particular circumstances of the PLA I suggest that is not an unreasonable price to pay.

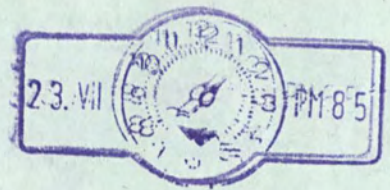


I am sending a copy of this letter to the Prime Minister, the Chief Secretary and Sir Robert Armstrong.

*Yours  
Nicolas*

NICHOLAS RIDLEY







cc: JOE

10 DOWNING STREET

THE PRIME MINISTER

22 July 1985

Dear Mr. Benson,

Thank you for sending me a copy of the 1984-85 Annual Report and Accounts for the London Docklands Development Corporation. It is an exciting document describing an exciting venture. The Corporation is providing a splendid example of what can be achieved by a partnership of public and private sectors in regenerating urban areas. I am happy to pay tribute to the work of the Board, officers and staff of the Corporation for all they have achieved in such a short space of time.

Lewis Moss has drawn my attention to the problem that has arisen over the development of the Royal Docks. I have asked Patrick Jenkin and Peter Rees to examine this to come up with a satisfactory solution which maintains the momentum of development.

Yours sincerely  
Margaret Thatcher

Christopher Benson, Esq., J.P.

MS



Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Patrick Jenkin MP  
 Secretary of State for the Environment  
 Department of the Environment  
 2 Marsham Street  
 London  
 SW1P 3EB

22 July 1985

*Alan Jenkin*

**BIRMINGHAM CONVENTION CENTRE**

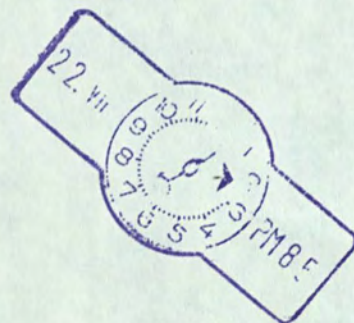
Thank you for your letter of 18 July. It is helpful that you accept that the normal rules would apply to any ERDF grants for this project. That is, Birmingham's block borrowing approval would be reduced by the amount of any such grant made to the City or to any other body involved in the project such as NEC Limited.

I still consider that the economic case for this project is poor, but in view of your enthusiasm I will not stand in the way of your supporting Birmingham's application for ERDF money. It is extremely important that you avoid - both in Brussels and in this country - appearing to bless the devices Birmingham may use to get round the capital controls system.

I am copying this letter to the Prime Minister, Norman Tebbit, Tom King, David Young, Peter Walker, Norman Fowler and Grey Gowrie.

*Alan Jenkin*

PETER REES





Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Patrick Jenkin MP  
Secretary of State for the Environment  
Department of the Environment  
2 Marsham Street  
London  
SW1P 3EB

*Patrick Jenkin*

22 July 1985

LDDC: ROYAL DOCKS

Thank you for your letter of 17 July.

I fully agree that, in order to protect public funds, we cannot agree to the lease negotiated between PLA and LDDC. The important point is that the net present value of the lease, computed in accordance with Treasury guidelines, is some £10.1 million compared with £3 million or just over for the alternative options of vesting or compulsory purchase. It is important to ensure that the LDDC does not pay an excessive price because we could not ensure that the extra benefit the PLA would receive would be matched by an offsetting reduction in public sector support to the PLA.

I am therefore content to proceed on the basis you suggest. We should be prepared to use the vesting procedure but in the hope that this will persuade the PLA to renegotiate the lease on acceptable terms. These would have to have a net present value (which should be computed in accordance with Treasury guidelines) broadly comparable to that of the vesting or CPO options.

I am copying this letter to the Prime Minister, to Nicholas Ridley and Sir Robert Armstrong.

*Peter Rees*

PETER REES

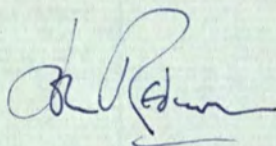
M. R.

19 July 1985

MR TURNBULL

*PLS*

This is the view of Lewis Moss following his meeting with the Prime Minister on rates.



JOHN REDWOOD

## THE PHILOSOPHY AND THE PRACTICALITIES.

On the philosophy I take the view that INACTION IS NOT NOW AN OPTION.

The options are clearly a centralist solution or accountability.

I feel very strongly that A CENTRALIST SOLUTION WOULD NOT BE A CONSERVATIVE ANSWER since Conservatism is surely about reduction of the power of the state and dispersal of that power, so that as many services as possible are provided at local level, including education which is of course a principal interest of practitioners of local government.

In any event the transfer of services from local to central government does not of itself provide solutions to the financial problems, nor meet the government's financial objectives.

THERE ARE OF COURSE TWO ASPECTS OF ACCOUNTABILITY. What I call the Layfield concept which is that the money should be raised where it is spent, and the capitation approach which seeks to equate to the greatest degree possible the spread of local taxation and electoral responsibility. I support both these.

I feel it is essential to recognise that there should be no quick fix on a matter as complicated as this, which must be a vote winner rather than a vote loser and therefore in my view requires the most careful exemplification and presentation in order to be ready before the next General Election, but not implemented until after it.

I suggest that the basic philosophy should be that LOCAL GOVERNMENT IS THE PROVIDER OF SERVICES which the private sector cannot or will not make available, but that CENTRAL GOVERNMENT IS RESPONSIBLE FOR THE RELIEF OF POVERTY.

This brings me to THE PRACTICALITIES. I feel strongly that THE SOLUTION NEEDS TO BE A PACKAGE and possibly an evolutionary package. The Association of County Council's view previously expressed was for local income tax to supplement property tax in the long term, also favouring a limited capitation tax as an augmentation of property taxation rather than its replacement in the meantime.

My current view is that the Conservative objective of progressively raising the thresholds for payment of income tax militates against its introduction locally if we are to achieve accountability, and there is the added factor of the implementation date being quite a way ahead because of technical difficulties of computerisation.

THE PACKAGE I see therefore is a COMMERCIAL/INDUSTRIAL RATE COLLECTED LOCALLY BUT APPROVED NATIONALLY to give protection to commerce and industry. Some RESOURCE EQUALISATION mechanism may be necessary in this connection otherwise commerce and industry in low resource areas will get a large increase in its bill, whilst others would get large reductions.

I feel there is a case for SHIRE DISTRICTS whose expenditure at £1.5 billion is much lower than Shire Counties expenditure of £10 billion should have DOMESTIC RATE as a separate source of income. It would be about 70p with no government grant. If greater accountability is also required for Shire Districts as well as Shire Counties, then there might need to be a mix with a capitation charge.

So far as SHIRE COUNTIES are concerned and the METROPOLITAN AREAS, I feel the mix should be non-domestic rates plus a capitation charge, plus considerably increased reliance on charging, with the balance being government grant in the form of a simple system of resource equalisation, and some specific grants.

For the Shire Counties if they receive non-domestic rates at the current national average and rate support grant at the current figure, a capitation charge of £80 could replace domestic rates.

To reduce government grant from 41% to 25% would increase the capitation charge to £163. The average domestic rate payment at the present time is £316 and would be £450 if grant were reduced to 25%. To compare with these capitation charges the multiplier is roughly two to reflect average house occupancy.



But all this is without CHARGING FOR SERVICES. People value the things they have to pay for, and charging automatically exposes a local authority to the discipline of the market place. I feel that SERVICES SHOULD BE CATEGORISED, TO REQUIRE CERTAIN LEVELS OF INCOME IN RELATION TO COSTS. For some the income should be not less than 100% of costs, others say 75%, others perhaps 50% and yet others with no such control.

For relief of poverty government should contribute income to local government for such services as the government considers appropriate to be provided free or at a lower charge to certain categories of people. The greater the charging the lower should be the additional capitation charge and overall government grant.

The philosophy of charging ties in with the philosophy of DE-LEGISLATION AND DISCRETION which I was able to touch upon here January a year ago when we were discussing rate capping.

In relation to CAPITATION CHARGE there is clearly a need for a system which requires PHYSICAL PAYMENT by the largest possible number of electors, but makes available the cash for such payments up to a certain level, where there is a clear lack of resources. This does add to administration costs but would seem to be a pre-requisite of real accountability which would surely be much WEAKENED BY WHOLESALE EXEMPTIONS.

RATE SUPPORT GRANT produced, and continues to produce, extraordinary anomalies. It is that danger which I think highlights the need for a package which can be adjusted flexibly in the light of experience. Total abolition of the rating system at the outset would remove this possibility.

Finally the new system does of course need to be measured against two yardsticks, one its fairness and the other its political success.

#### Addenda

There should not be any changeover to capital values in the domestic rating system as in my view this would be politically unacceptable.

To increase accountability there needs to be a particularly close look at domestic rate relief, domestic rate rebate and direct payment of rates by Council tenants.

The point made in the fourth paragraph on this page does, however, need to be taken into account.

There is in my view a strong case for rating of agricultural buildings but not of land as a means of further reducing the impost on commerce and industry.

The Association of County Councils is continuing its "Way Ahead" study on Local Government Finance parallel with the Government study.

In the aftermath of the May elections these notes should be regarded as my personal views in the absence of a new definition of ACC policy or indeed of the formal policy of the ACC Conservative Group.



WSPM  
AT 22/7  
20

DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

The Rt Hon Peter Rees QC MP  
Chief Secretary to the Treasury  
Treasury Chambers  
Parliament Street  
LONDON  
SW1P 3AG

19 July 1985

Dear Chief Secretary

BIRMINGHAM CONVENTION CENTRE

I have seen your letter to Patrick Jenkin of 16 July and also the previous correspondence including the letter from Norman Tebbit. I would just like to stress how very important politically the decision on the Convention Centre will be regarded in the West Midlands. As you know, the region has faced many very severe problems over the last few years and as I explained at Chequers unemployment in Birmingham is now at a disturbingly high figure.

I very much hope that we will be able to give Birmingham the support which is necessary to ensure a European Regional Development Fund grant. I believe that the few proposals that have come forward on the financing of the Convention Centre meet many of the previous objections that were raised. In particular, the scheme will be operated by the National Exhibition Centre, a private company, which is already making sufficient profits to meet the expected Convention Centre operating deficits.

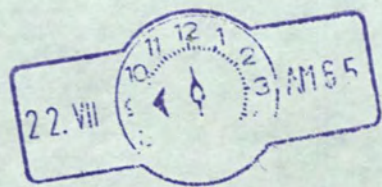
But time is now short. I believe that this issue should be decided in the coming week. I hope that if it cannot be decided in discussion between you and Patrick that we can have a more general discussion of the issues.

I am copying this letter to the Prime Minister, Patrick Jenkin, Norman Tebbit, Tom King, David Young, Peter Walker and Grey Gowrie.

Yours sincerely  
NFW

for NORMAN FOWLER

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





cc No  
2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434

My ref:

Your ref:

18 July 1985

Dear Chief Secretary

BIRMINGHAM CONVENTION CENTRE

Thank you for your letter of 16 July, which we briefly discussed today. I have also seen the letters from Norman Tebbit of 5 July and Grey Gowrie of 11 July, both expressing support for the proposal.

You expressed doubt about three issues:

1. The need for overt Government support for a scheme whose economic basis is uncertain;
2. Birmingham's use of loop holes in the capital expenditure control system;
3. Birmingham's request to avoid the normal consequence of the additionality rules by being given a borrowing consent equivalent to the ERDF grant.

If the project is to go ahead at all, we cannot avoid the need for overt Government support in Brussels for the project. This is essential if the Commission is to be convinced that it should be given grant from the ERDF. But I hope that I can offer you sufficient reassurance on the other two points for you to feel that you need not press your objection on the first.

Our support in Brussels would in no way imply that we endorsed or encouraged the use of loop holes in the capital control system. Birmingham have needed no prompting to find ways round the difficulties for themselves. In Brussels we would be expressing support for the Convention Centre; not for the precise ways in which Birmingham may choose to finance it.

I recognise your difficulties on additionality. Although it puts still more of the burden on Birmingham ratepayers, I am prepared to write to the City Council, indicating that I will support the project in Brussels, but that apart from the ERDF grant that they hope to receive, they will otherwise have to live with the present rules, and

can expect no additional allocation or borrowing consent. The onus will then be on Birmingham to consider whether to go ahead with the project. I believe that one means by which they might do so would be to build up a capital fund from the rates. They already have the necessary spending power from the prescribed proportion available from "notional" capital receipts which are not backed by cash.

I should be grateful for an early reply; if the project is to be included in the current ERDF round we must confirm our support for Birmingham's application next week.

I am copying this letter as before to the Prime Minister, Norman Tebbit, Tom King, David Young, Peter Walker, Norman Fowler and Grey Gowrie.

*Yours sincerely*

*for Atkin*  
PATRICK JENKIN

*Approved by the JTS and  
signed in his absence*

REG POL: Inner Cities Pb





2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434

My ref:

Your ref:

17 July 1985

*Dear Chief Secretary*

LDDC: ROYAL DOCKS

I am writing about the London Docklands Development Corporation's plans for the acquisition and regeneration of that part of the Royal Docks at present owned by the PLA. The Prime Minister has expressed the wish in her Private Secretary's letter of 10 July that the momentum of private sector development in Docklands is maintained. I should therefore like us to reach an early decision on the terms of acquisition by the LDDC.

The LDDC has transformed the western part of its area since its creation in July 1981. I think you know in general terms of the striking progress that has been made. More than £820m of private investment has been attracted and more than 4,100 permanent jobs have so far been created. LDDC now wish to develop the Royal Docks. At present they own the western third of these docks but 270 hectares of land and water, including the STOLport site, are still in the ownership of the PLA and have been idle since 1981. The LDDC have been unable to lease this property from the PLA on terms acceptable to the Treasury.

The PLA are unwilling to agree to an outright sale at the District Valuer's valuation partly because they consider that this would not adequately reflect the development potential of the site, partly because under the terms of their Memorandum of Understanding a capital receipt of this kind would stand to be clawed back by the Treasury because they are so heavily in debt to the public purse, but mainly because they wish to secure a continuing income from the site.

The PLA and LDDC therefore agreed the terms of a lease at the end of last year and Transport Ministers told the PLA that they were content with its terms. I was unable to give final approval to the lease pending consultation between my officials and yours. Your officials took the view that the lease does not represent good value for money. The terms do, indeed, offer the PLA a premium over the District Valuer's valuation for leasing the land to the LDDC.

Despite these setbacks, I consider that it is vital, if the Prime Minister's objective is to be achieved, to ensure that early control of the site passes to the LDDC in order to build on the success already achieved by the LDDC and regenerate the area. LDDC argue that early transfer of the land would secure a number of important developments now under active discussion, which would otherwise be

lost. It would also ensure the most effective and economical provision of public services which could not be guaranteed if the docks were developed in two stages. Mr Moss' letter to the Prime Minister refers also to the consequences of any delay in STOLport becoming operational as a result of doubt about control of the adjoining land. There can be no doubt at all that having one body, not two, in control of the whole area and charged with developing it to the best advantage will strengthen the confidence of would-be investors. Continuation of doubt about who is in charge is bound to impede momentum. Christopher Benson, Chairman of the LDDC, has explained very clearly to us why his experience makes it clear to him that divided responsibility, even in the form of a joint venture, is likely to be ineffectual.

The PLA's reluctance to renegotiate the terms they have secured is understandable. Transport colleagues have, as you know, appointed Brian Kellett to run the PLA on a realistic and commercial basis. I do not dissent from that aim. But I am not sure that the PLA is being realistic if it considers that it can secure some benefit from the Royal Docks other than by disposing of them to the LDDC.

Christopher Benson has expressed to me in the strongest terms his view that the PLA, as a port undertaking, does not have the necessary skills or resources to get the best in development terms out of this area. I do not think that Transport Ministers would dissent. Christopher considers that most of the major developments currently under discussion for the area would be abandoned if the LDDC did not have the remaining PLA land in its control.

We therefore need to seek a way forward which recognises the PLA's special position and ensures that the interests of the taxpayer, as provider of funds to the LDDC, are fully protected. The most obvious way of doing this is to renegotiate the lease with a lower net present value. The PLA have, however, made it clear in more recently negotiations with LDDC, that, despite the Treasury's rejection of the earlier terms, they are not willing voluntarily to agree to a reduced total value of the lease.

One possibility would be a CPO, but that would be too long and costly and momentum would be lost. It would not, in the LDDC's view and mine, be practical to develop effectively the Royal Victoria area (the most westerly section of the Royals, and already in LDDC hands) without being able to offer a clear prospectus about ownership, servicing and marketing of the rest of the area. Terms for outright sale cannot be agreed with the PLA who would sooner await the outcome of a CPO than sell immediately.

There remain three options:-

- (i) to agree to the present lease;
- (ii) to use the vesting procedure provided in the 1980 Local Government Planning and Land Act;



(iii) to be ready to use the vesting procedure to strengthen the LDDC's hand in renegotiating the lease.

The key figures for these options are given in the enclosed annex.

The vesting procedure is the means by which some tranches of PLA land have previously been acquired. It requires the prior agreement of the Secretary of State for Transport and a Statutory Instrument subject to affirmative resolutions of both Houses and almost certainly scrutiny by a Lords committee. Passage might not be easy, but it is very much quicker than a CPO. Transport Ministers are reluctant to consider compelling the PLA to sell a major asset for less than the price expressed in the proposed lease, but I believe that if we are to maintain the momentum of development whilst ensuring that public money is not needlessly wasted, we must seriously contemplate it and be prepared to use it as a last resort. I hope that once the PLA is aware that we are prepared to use the vesting procedure, they will be prepared to renegotiate a lease. This seems to me the best way forward. It is, however, impossible to provide realistic figures for any reduction in the terms of the lease that might be secured under the threat of vesting: that is bound to be a matter of political judgement, balancing what we could bring ourselves to agree to against the undoubted difficulty of applying force majeure to the PLA.

I hope that you and Nicholas Ridley, to whom I am copying this letter, are prepared to agree that we should tell the LDDC and the PLA that we are prepared to use the vesting procedure if they are unable to agree quickly a revised lease. If either of you have any difficulty, I should like to arrange a very early tripartite meeting so that we can reach a decision which will enable me to meet the Prime Minister's wish that the momentum of private sector development in Docklands should be maintained.

I am copying this letter to the Prime Minister, to Nicholas Ridley and Sir Robert Armstrong.

Yours sincerely  
 A. Jenkin  
 for  
 PATRICK JENKIN

Approved by the Secretary of  
 State and signed in his absence

## ANNEX

## COMPARISON OF THE MAIN COST ELEMENTS OF VESTING, CPO AND LEASE: £000s AT END '84 PRICES

Option	NPV (Discounted at 5%)	Not Discounted												TOTAL	
		85/86	86/87	87/88	88/89	89/90	90/91	91/92	92/93	93/94	94/95	95/96	96/97		
Vesting	3,100 <sup>(3)</sup>	3,100													3,100
CPO	3,000 <sup>(4)</sup>		250	250	3,100										3,600
Lease <sup>(1)</sup> (net financing costs)	6,500	777	966	1,023	1,068	794	494	522	546	568	586	516	1,159		9,019
Lease (total costs) <sup>(2)</sup>	10,076	3,877	1,341	1,023	1,068	794	494	522	546	568	586	516	1,159		12,494

The table expresses the cost of vesting and CPO compared with the lease. Net present value (NPV) discounts the stream of costs over time to bring them to a common base at present day values.

(1) Net financing costs: does not include inquiry costs or Treasury requirements for capitalising the value for public expenditure purposes. This assessment also allows for land disposal as the strategy proceeds, thereby reducing the rental payments over time. The Treasury do not accept that these figures correctly reflect the cost of the lease option since they are not computed in accordance with Treasury guidelines.

(2) Total costs: this is the cost based on Treasury guidelines and includes costs, capitalised value of the land and net financing costs of the lease.

(3) This is simply the estimate of the compensation code valuation of the land (including STOLport) given in the LDDC's economic appraisal. The only other costs under vesting would be administrative.

The DV's latest estimate of the compensation code value of the land (including STOLport) is £6.75m. This is, however, a very tentative estimate. A higher value for the land would not significantly alter the relationship between the options since it enters into each calculation (the rent under the lease is derived directly from the CPO valuation).

(4) Including LDDC's estimate of inquiry costs at £0.5m, but excluding any provision for the resources saved through the postponement of annual dock maintenance costs for the two to three years of the CPO.

File into Lewis Moss  
Correspondence

oro



2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434  
My ref:

Your ref:

17 July 1985

Dear Andrew

ROYAL DOCKS

Thank you for your letter of 10 July to John Ballard with which you enclosed a copy of the letter from Lewis Moss to the Prime Minister about the difficulties the London Docklands Development Corporation has encountered over its proposed acquisition of land in the Royal Docks. My Secretary of State also is keen to maintain momentum in Docklands. He has today written to Peter Rees, copied to Nicholas Ridley, proposing a way forward and if necessary a tripartite meeting. I attach a copy of the letter which outlines the issues involved and the options. I will let you know the outcome as soon as possible.

GRIS? all

Your sincerely  
Ala Davis

A H DAVIS  
Private Secretary

Andrew Turnbull Esq



Fly  
CR 24  
COL  
2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434

My ref:

Your ref:

16 July 1985

Dear Chief Secretary

LOCAL AUTHORITY CAPITAL EXPENDITURE 1986/7 - TREATMENT OF CAPITAL RECEIPTS

Following the E(A) discussion on 1 July, our officials have been considering proposals for legislation in respect of capital receipts. You and I are to meet on Thursday this week, 18 July, for a preliminary discussion. I thought it would be helpful to set out in advance, for you and other interested colleagues, my proposals on the way in which we should implement the E(A) decision. I am writing separately about mortgages.

The Prime Minister in her summing up made it clear that there could be no question of depriving local authorities of the right to spend over time the full amount of those receipts which they have already generated. As it is not practicable to make mid-year changes in the rules, I take this to mean that the cascade effect must continue to apply to receipts arising up to 31 March 1986. There was also sympathy at the meeting for the view that, in the light of the difficulty in getting through the changes for 1985/6, it was not practicable to contemplate any further reduction in the prescribed proportions for accumulated receipts. This points clearly towards leaving the situation in respect of accumulated receipts exactly as it is now and legislation only in respect of receipts arising next year and thereafter. We should aim to restore the original intention behind the 1980 Act that the relevant prescribed proportion should be applied to any given receipt on a once-for-all basis. Even that step will be difficult to get through the House and we shall need to offer an increase in the prescribed proportion for future receipts as a recompense.

I therefore propose the following as the maximum package which would in my view command assent in Parliament:

- a. The present rules should continue to apply to all receipts generated on or before 31 March 1986, ie up to and including the present financial year. The cascade rule would continue to operate, and the prescribed proportions would be unchanged at 20% for most housing receipts, 30% for housing land and most non-housing receipts, 100% for low cost home ownership receipts and 1% for repayment of Housing Association Grant.

b. New rules would apply to all receipts generated on or after 1 April 1986. The cascade rule would be ended. Authorities would be able to spend in any one or more years the prescribed proportion applying when the receipt is generated, but no more at any time. To give authorities greater certainty, the prescribed proportion would be fixed. It would generally be 50%, except that the present 100% and 1% proportions would not be changed. There are other small adjustments for which I would wish to argue, including restoring housing land receipts to 100%.

This proposal should minimise the political opposition to legislation. It has positive presentational features: the choice of 1 April 1986 avoids any suspicion of retrospection; the raising of the prescribed proportion thereafter would help to offset the adverse effect for authorities of ending the cascade; and the fixing of the prescribed proportion would remove the most annoying uncertainty in the present system so far as authorities are concerned.

It will be important if we are to sell this change successfully that it should not come as a bolt from the blue. We do not want accusations of bad faith. I would like therefore to say something about it at next week's meeting of the Consultative Council on Local Government Finance. I may in any case be pressed to say something about the timetable for legislation on the longer term review. I would propose to say that I have ruled out major legislation in the 1985/6 session. But I would then go on to say that we are considering two minor changes, one of which would be the end of the cascade. I need at the same time to be able to give an absolute assurance that we shall not be depriving authorities of the right to spend over time the whole of receipts accumulated up to and including this financial year; otherwise we shall start hares and there will be a rush to spend before the legislation takes effect.

The above proposal is, as I say, as far as I believe we can go. I am well aware that the above proposal does not offer an immediate reduction in excess spending power in 1986/7. However, I have to put it to you that I do not believe that the House of Commons would agree to any more stringent measures. If that is right, then our next problem will be to reconcile the outcome with the cash limit for local authority capital implied by the present baseline. I attach a table which shows what would have to happen to capital allocations if the existing baseline is to be delivered. I am sure you will see that the level to which allocations would have to be reduced is, quite simply, unrealistic, (and for 1987/8 it would get even worse). We therefore face a choice. Either we could repeat last year's exercise which involves making harsh cuts only to find that local authorities fail to deliver so that we get the worst of all worlds; or we could recognise reality, make an estimate of what we think local authorities will actually spend and increase the PESC provision accordingly. When we come to the bilaterals, the bids which I and other spending Ministers have made will therefore have to be treated very seriously. The bald fact is that present plans are not deliverable because there is no combination of rule changes and allocation levels designed to meet them which we can sell to Parliament, to say nothing of the continuing deterioration of local infrastructure implicit in them.

I am copying this letter to the Prime Minister, Keith Joseph, Nick Edwards, Nicholas Ridley and Norman Fowler, and to Sir Robert Armstrong.

Yours sincerely

*for* *Atkins*

PATRICK JENKIN

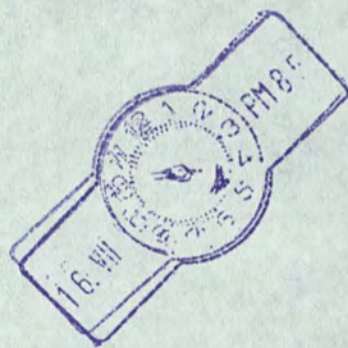
Approved by the Secretary of  
State and signed in his absence

EFFECT ON 1986/7 ALLOCATIONS AND ACCUMULATED RECEIPTS OF ENDING CASCADE

£m

1986/7 provision	PRESENT SYSTEM WITH CASCADE		ENDING THE CASCADE PRES. PROP. 50% FOR NEW RECEIPTS <sup>1</sup>	
	4150 (baseline)	5000	4150 (baseline)	5000
1. Total spending power (provision ÷ 0.85)	4875	5875	4875	5875
2. Spending power from accumulated receipts (6300 x 0.25)	1575	1575	1575	1575
3. Spending power from in year receipts (assumed to be 2000)	500	500	1000	1000
4. New prescribed expenditure	450	450	450	450
5. Allocations (now 1 less rows 2 to 4)	<u>2350</u>	<u>3350</u>	<u>1850</u>	<u>2850</u>

<sup>1</sup> For further details see covering letter





CJB/NJW

16 July 1985

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



London Docklands  
Development Corporation  
The Ledger Building  
Marsh Wall London E14 9SX  
Telephone 01-515 3000  
Telex 894041 LDDC G  
Telecopier 01-987 7070

R 12/7

P 5 att

Dear Prime Minister,

I have pleasure in enclosing a copy of the Annual Report & Accounts for London Docklands Development Corporation for the year 1984/85 which I hope you will find interesting.

This document as well as being a statement of the achievements to date of the Corporation is also a marketing document aimed at encouraging further investment into the regeneration of London's Docklands.

The final section of the narrative deals with the next and most challenging phase of our task, the regeneration of the Royal Docks. I know that Mr. Lewis Moss has mentioned to you the apprehension that we all fear that we cannot offer certainty of ultimate ownership or long leasehold to prospective investors since we are currently unable to agree acquisition terms for the Port of London Authority land which satisfy Treasury. The Secretary of State and Sir George Young are seeking ways of resolving this problem but there can be no doubt that without control of the land through ownership the task of development will be slowed to an unacceptable pace and the form of the development will be less than satisfactory.

Having made that comment, might I add that during my first year of Chairmanship I have been greatly encouraged by the support that I have received, not only by the Officers and Members of the LDDC staff but also from the Department of the Environment.

Yours sincerely  
Christopher Benson

Christopher Benson

Chairman Christopher Benson  
Deputy Chairman Robert Mellish PC  
Chief Executive Reginald Ward



Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Patrick Jenkin MP  
 Secretary of State for the Environment  
 Department of the Environment  
 2 Marsham Street  
 London  
 SW1P 3EB

16<sup>m.</sup> July 1985

*Alan Patrick*

**BIRMINGHAM CONVENTION CENTRE**

Thank you for your letter of 9 July. I have also seen Grey Gowrie's letter of 11 July. The new proposals are not very different in substance from the previous proposal. They exploit loopholes in our unsatisfactory capital control system, and require just as much public expenditure.

I am unhappy about overt government support for a scheme where the economic benefits are uncertain, with continuing subsidy to its operating costs needed from Birmingham ratepayers. (In the last resort that is a matter for Birmingham but I need hardly say that there is no prospect of any special concessions if this were to lead to problems for them). Secondly, we should not lightly endorse and encourage use of loopholes to add to our problems of control of LA capital expenditure. Finally, and most difficult of all, you ask me to agree to waive the normal rules on ERDF grants received by local authorities. This runs counter to the important principle of the treatment of EC receipts and public expenditure, and would set an extremely awkward precedent for other local authority projects. The normal reduction in Birmingham's borrowing approval must be applied if they, or the company they controlled to do this project, received a grant.

I would of course be willing to discuss this with you as you suggest. I am copying this letter to the Prime Minister, Norman Tebbit, Tom King, David Young, Peter Walker, Norman Fowler, and Grey Gowrie.

*Peter Rees*

PETER REES





Chancellor of the Duchy of Lancaster

NAM  
BT 127  
CENO

The Rt Hon Peter Rees QC MP  
Chief Secretary to the Treasury  
Treasury Chambers  
Parliament Street, SW1

11 July 1985

*in Rees,*

BIRMINGHAM CONVENTION CENTRE

Patrick Jenkin kindly copied to me his letter to you of 9 July, together with the previous correspondence.

I very much hope we can give Birmingham the support necessary to ensure that their application for ERDF grant succeeds. I have long been impressed by the forward-looking and enterprising approach adopted by the City Council and by its bipartisan basis. As Patrick Jenkin notes, they have made a great success of the National Exhibition Centre and now that they have found ways of minimising the public expenditure consequences of the Convention Centre project, I think we should be prepared to accept the Council's judgement that the project's benefits to their ratepayers are more than sufficient to outweigh the projected revenue deficit.

Like Patrick, I think we risk serious political embarrassment if we do not back this project: in addition to the reasons mentioned by him, a rejection of the project would be seriously damaging to the credibility of the commitment to the development of employment in the tourism and leisure sector inherent in the MISC 115 report circulated yesterday by David Young.

If there are to be any discussions about this proposal, I should welcome an opportunity to be involved. Copies of this letter go to Patrick Jenkin and the other recipients of his letter of 9 July.

*On all issues this is for the  
most sensible & bipartisan LA*

*200,*

GOWRIE

*1/2*

Leg 101: Inner Cities Pt 6.



lite SM

10 DOWNING STREET

*From the Private Secretary*

10 July 1985

The Prime Minister has asked me to thank you for your letter of 8 July setting out the difficulty the London Docklands Corporation has encountered over its proposed acquisition of land in the Royal Docks. I have asked the Department of the Environment and the Treasury to provide the Prime Minister with a full account of the issues involved. A reply to your letter will be sent as soon as possible.

ANDREW TURNBULL

Lewis Moss, Esq., D.L.

Lewis Moss

16/7



10 DOWNING STREET

file [signature] X

(72)

(JOE say draft coming by 17/7)

From the Private Secretary

10 July 1985

17/7  
Comm  
on W.

Fed. 2488

ROYAL DOCKS

The Prime Minister has received the attached letter from Mr Lewis Moss about the difficulties the London Docklands Development Corporation has run into over its proposed acquisition of land in the Royal Docks. She would be grateful for an account of the issues involved and for advice on how she might reply. It would be highly desirable if this could be agreed with the Treasury. She will naturally hope that a solution can be found which does not hold up the momentum of development in Docklands. Could I have a response on this by 16 July.

I am copying this letter to Richard Broadbent (Chief Secretary's Office).

ANDREW TURNBULL

John Ballard, Esq.,  
Department of the Environment

[signature]

RESTRICTED

NDPM

- a NO



AT  
9/7  
2 MARSHAM STREET  
LONDON SW1P 3EB

01-212 3434

My ref:

Your ref:

9 July 1985

Dear Chief Secretary

BIRMINGHAM CONVENTION CENTRE

Thank you for your letter of 29 May. I have also seen the letter from the Prime Minister's private secretary of 31 May.

Since they first described the project to me, I have been encouraging Birmingham to seek to recast the project to increase the involvement of the private sector. This is not straightforward. The scheme is projected in itself, as you note, to run a revenue deficit. It is not therefore attractive to private risk capital. I understand that convention centres on this scale are, even in the United States, invariably supported by the public sector, which looks to them to generate economic activity to the benefit of the surrounding area.

Birmingham have nonetheless been seeking ways in which the public expenditure consequences of the project could be minimised. They have developed two alternative approaches. One would require the sale and leaseback of the National Exhibition Centre - itself a testimonial to the City Council's skill in developing very large scale projects of this sort. This would generate a capital receipt, which would enable Birmingham to finance the project themselves, and operate within the capital expenditure control system without the need for a special capital allocation.

The alternative would be to take the project formally outside the local authority sector. The company Birmingham has established to operate the National Exhibition Centre would take over responsibility for constructing the Convention Centre, raising money in the market for the purpose, perhaps through a debenture stock issue. The company would build and operate the Centre; the City Council would still have to fund the deficit.

Either option would still require substantial ERDF grant (some £23m as a minimum). We need to decide within the next week or so whether to pursue our application in Brussels. My strong support would be essential if the project is to succeed. Under the options set out above, Treasury agreement would be needed to give Birmingham a supplementary borrowing approval equivalent to at least part of the total of ERDF grant to avoid repercussions for the rest of the City Council's capital programme; or alternatively, to approve the payment of grant direct to the company operating the scheme. But a major difficulty with the earlier proposal - the pre-emption of large amounts of capital allocation - would no longer arise.



Reg Pol: Inner Cities RES JTED

With that difficulty removed, I hope your attitude to the proposal will now be more favourable. I believe we should agree that I will give the application the support it needs in Brussels. I explained my reasons in my letter of 20 May. I should again underline the political considerations. The project commands all-party support on the City Council, to the extent that they are prepared if necessary to bear the considerably greater rate burden which will come from proceeding without a special capital allocation. It would be very difficult to explain publicly why we were turning down a project on which Birmingham seeks no central Government grant, not even block grant, and which commands local support right across the political spectrum.

I would welcome an opportunity to discuss this proposal with you, although it will have to be soon as the Commission will be asking searching questions about our support for the scheme.

I am copying this letter as before to the Prime Minister, Norman Tebbit, Tom King, David Young, Peter Walker and Norman Fowler. In addition, in view of the interest he has expressed, I am copying this letter to Grey Gowrie.

Your sincerely

Patrick Jenkin

*PJ*

PATRICK JENKIN

Approved by the Secretary of  
State and signed in his absence

From: Lewis D. Moss, D.L.

'Tilney House', 5 Tilney Street, Park Lane, London, W1Y 6JL.  
[Telephone: 01-629 9933]



**London Docklands  
Development Corporation**  
The Ledger Building  
Marsh Wall London E14 9SX  
Telephone 01-515 3000  
Telex 894041 LDDC G  
Telecopier 01-987 7070

8th July, 1985

Rt. Hon. Margaret Thatcher, M.P.,  
Prime Minister,  
10 Downing Street,  
LONDON S W 1.

*Dear Prime Minister,*

Re: The Royal Docks

I much appreciated the opportunity you gave me on Friday of an exchange of views with regard to alternatives to the present system of local government finance. At the conclusion of the meeting I touched briefly on an urgent problem facing the London Docklands Development Corporation in relation to its proposals for the revitalisation of the Royal Docks area, equivalent in extent to the area between Hyde Park Corner and the Tower of London. As arranged I am writing to you, and do so in my capacity as a Board Member of LDDC and the Chairman of its Property Advisory Group.

The practicality of servicing the total Royals Development has to be based on the assumption of our ownership of the Albert and King George V areas. Central to this is the Connaught area between the two Dock systems which provides the only really cost effective routes for the main spine sewer and the equally key new spine road. We were planning to start the sewer works in August but the ownership of the land involved is split between ourselves and the Port of London Authority who have already objected to our proposals and whose development objectives and approach have little compatibility with our own.

As the PLA has been unwilling to sell us the freehold of their land we have started CPO proceedings but in order to expedite matters we have also concluded negotiations under which the PLA would grant the Corporation a 125 year lease. Both the Department of the Environment and the Department of Transport support our proposals which were backed by an economic appraisal of the acquisition options carried out by Peat Marwick. The Treasury have recognised that this appraisal was "a very thorough piece of work which matches up to their guidelines". They conclude, however, that we should pursue the CPO option which would involve something like a two year delay and do not accept our key argument that delay will disperse the momentum of development in the Royals and affect a momentum in the rest of Docklands by a delay in the Stolport becoming operational.

The Treasury are concerned at the difference between the Compensation Code valuation of the land and the basis of valuation which we have agreed with the PLA in order to avoid holding up regeneration. Peat Marwick concluded that there was little difference on economic grounds between the two options. The extra costs of financing the lease would be off-set by the benefits derived from the earlier redevelopment of the area.

// continued ..

Chairman Christopher Benson  
Deputy Chairman Robert Mellish PC  
Chief Executive Reginald Ward

It concerns us greatly that at the very moment when the way ahead has been cleared for the early construction of the Stolport with the development interest which this has generated, we should be at risk in proceeding with the installation of the vital infra-structure on which that development depends.

Christopher Benson, the Chairman of LDDC, is engaged in ongoing discussions with Patrick Jenkin and was scheduled to see him again on Monday evening. Your assistance in resolving the problem of the mechanisms would be very greatly appreciated. There are three ways open to us:-

- [1] Treasury approval of the current deal with the PLA.
- [2] Approval of all concerned to our outright purchase of the freehold.
- [3] Vesting. This would of course be the swiftest and cheapest option of all, but we have not pursued it previously because of indications on the political difficulty of passing a further vesting order through Parliament.

LDDC will, of course, be glad to provide any more information which may be required in further amplification of this proposal.

Yours sincerely,  
Lewis Moss



DW172

Secretary of State for Trade and Industry

NBEM  
AT 8/7  
CEDO

DEPARTMENT OF TRADE AND INDUSTRY  
1-19 VICTORIA STREET  
LONDON SW1H 0ET  
TELEPHONE DIRECT LINE 01-215 5422  
SWITCHBOARD 01-215 7877

5 July 1985

The Rt Hon Patrick Jenkin MP  
Secretary of State for the Environment  
Department of the Environment  
2 Marsham Street  
London  
SW1P 3EB

D. Pahlke,

**BIRMINGHAM CONVENTION CENTRE**

Thank you for copying to me your letter of 20 May to Peter Rees. I have also seen Peter's reply of 29 May and the Prime Minister's comments recorded in her Private Secretary's letter of 31 May.

2. Peter has referred in his reply to my letter of 6 June last year when I agreed that the public expenditure objections to the proposal were over-riding. On that occasion I was of course referring to an earlier set of proposals which you did not yourself consider acceptable. You will recall that I also welcomed your readiness to consider a fresh application from Birmingham should they be able to re-think the balance of funding and develop a scheme with a better chance of attracting private sector involvement.

3. I understand that an alternative financing proposal to that set out in your letter of 20 May is now expected. In the meantime, I feel it is worth commenting further on the industrial case for the centre. The scheme is an important one, not only for Birmingham and the West Midlands, which is greatly in need of alternative jobs following the rapid decline in its traditional manufacturing industries but also in tourism terms. As you know the ETB have now come down strongly in support of a UK centre of this scale and quality which they consider necessary if we are to maintain and possibly expand our share of the increasingly competitive and sophisticated international conference market. As far as location outside London goes, this would be seen as a positive step towards spreading the benefits of tourism beyond London, which is a declared aim of our tourism policy.



4. I would certainly hope that the potential impact on the International Conference Centre in London is not seen as a major obstacle as Peter Rees implied in his reply. The ICC will have a smaller overall capacity than Birmingham and this will limit the extent to which it is likely to be in direct competition. Moreover as long as the ICC is intended primarily for Government use it may be difficult for it to compete on equal terms with other centres for commercial conference business. Elsewhere the most vulnerable venues would tend to be those with outdated facilities not capable of multi-purpose use.

5. My conclusion therefore is that there is much to be said in favour of a Birmingham Convention Centre if the funding problem can be overcome.

6. I am copying this letter to the Prime Minister, Peter Rees, Tom King, David Young, Peter Walker and Norman Fowler.

*Yours ever,  
Norman*

NORMAN TEBBIT

Inner Cities Policy: Regional Policy  
Pt 6.



RESTRICTED



10 DOWNING STREET

31 May 1985

*From the Private Secretary*

bc

The Prime Minister has seen your Secretary of State's letter of 20 May to the Chief Secretary. She has expressed concern about the very limited extent of private sector involvement in this project and at the fact that a continuing operating deficit, even before debt charges, is projected. She has also commented that putting such a substantial degree of public sector money into this project will imply that a number of other projects must be foregone. In addition, a project with such a substantial degree of public sector assistance will make it difficult for other convention centres in which the private sector may play a greater part, to compete. The Prime Minister has asked, therefore, whether the project could be recast to produce more private sector involvement.

I am copying this letter to John Mogg (Department of Trade and Industry), David Normington (Department of Employment), Richard Broadbent (Chief Secretary's Office), Leigh Lewis (Minister without Portfolio's Office), Geoff Dart (Department of Energy), and Steve Godber (Department of Health and Social Security).

ANDREW TURNBULL

John Ballard, Esq.,  
Department of the Environment

RESTRICTED

JK



10 DOWNING STREET

Prime Minister <sup>(1)</sup>

Birmingham Conference Centre.

What is supposed to be a joint private (public sector project is costing £106 million but will be public sector, including the Community, putting up £90 million. How can a centre financed in this way, requiring permanent subsidy represent fair competition against the conference ventures.

Agree Mr Jenkin be asked to look again at the balance of funding?

Yes.

AT

30/5

What other projects will be forgone if the public money is put into Birmingham? not



RESTRICTED



Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Patrick Jenkin MP  
 Secretary of State for the Environment  
 Department of the Environment  
 2 Marsham Street  
 London  
 SW1P 3EB

29 May 1985

*Dear Secretary of State,*

**BIRMINGHAM CONVENTION CENTRE**

*Regional Pol;  
 with AT (inner cities  
 Pt 6)*

Thank you for your letter of 20 May.

I do not believe that we should agree to this proposal. It would put further pressure on LA capital expenditure, about which we are already seriously concerned; leave Birmingham with a revenue deficit of £2.8 million a year, on top of the loan charges; and further threaten the viability of the International Conference Centre in London, on which I have written separately.

As I said in my letter of 5 June 1984, this sort of development should be left to the private sector; and I share Norman Tebbit's view, in his letter of 6 June, that the public expenditure objections to the proposal are overriding.

I am copying this letter to the Prime Minister, Norman Tebbit, Peter Walker, Tom King, Norman Fowler and David Young.

*Yours Sincerely*  
*Paul Rees*

**PETER REES**

*(Approved by the Chief Secretary  
 and signed in his absence)*

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Regional Pol: Inner Cities Pt 6

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MAY 13 1985





2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434

My ref:

Your ref:

28 May 1985

*Re Mark*

*W*

*Dear Mark 28/5*

LIVERPOOL GARDEN FESTIVAL

My Secretary of State thought the Prime Minister might be interested in seeing the attached supplement from the Liverpool Echo marking the reopening of the Liverpool Garden Festival.

*Yours ever*

*Alan Davis*

ALAN DAVIS  
Private Secretary

Mark Addison Esq

S/S - to see

PREM 19/11616

# Festival Gardens

SUPPLEMENT TO THE  
LIVERPOOL ECHO,  
TUESDAY, MAY 21, 1985

## New leisure area rises from the old

TEARS AT the end of Liverpool's International Garden Festival last autumn have now turned to radiant smiles at the birth of the Festival Gardens, reopening on Thursday.

Reborn really describes this most popular new riverside park because, although slightly reduced in size, it still contains many of the attractive and spectacular international features which drew 3,378,369 visits last year.

Mr. Basil Bean, chief executive, Merseyside Development Corporation said: "The concept of the festival gardens is very different from the festival of 1984.

"We have been looking for success — not in terms of the number

ARTICLES BY DEREK WHALE  
ON-SITE PICTURES BY  
DEREK WRIGHT

"through the gates" but rather in the re-creation of the very happy atmosphere and pleasure experienced by visitors to this lovely Merseyside parkland.

"It is difficult now to remember the original total dereliction of the site, which is now a superb example of what can be achieved, given the power and, more importantly, the commitment, to do it.

"As part of our overall regeneration strategy, this delightful parkland (many of the gardens are even more beautiful this year) will enable us to seek a commercial leisure operator for this area in order to secure the long-term future enjoyment of the people

of Merseyside," he added.

A full and exciting programme has been arranged for the season, which ends on September 8.

More than 1,000 entertainers have been booked and a completely new attraction, The Magic Garden — within the space-age Festival Hall — will be among the special features expected to draw scores of thousands of visitors once again.

Admission to the site is £2 for adults and £1 for children and senior citizens. These are day-tickets only and are available at the gates.

All the entertainment within the Festival Gardens will be free. Park-

ing for cars and coaches also will be free. Attendants will be present.

Season-tickets, so popular last year, cost £12—children under 16 and senior citizens, £6. These are now available at the Tourist Information Centre, Lime Street, and from Thursday onwards, from the ticket offices at both entrances to the Festival Gardens.

Passport-approved photographs must be supplied for the season-tickets — children, too. Children under five will be admitted free.

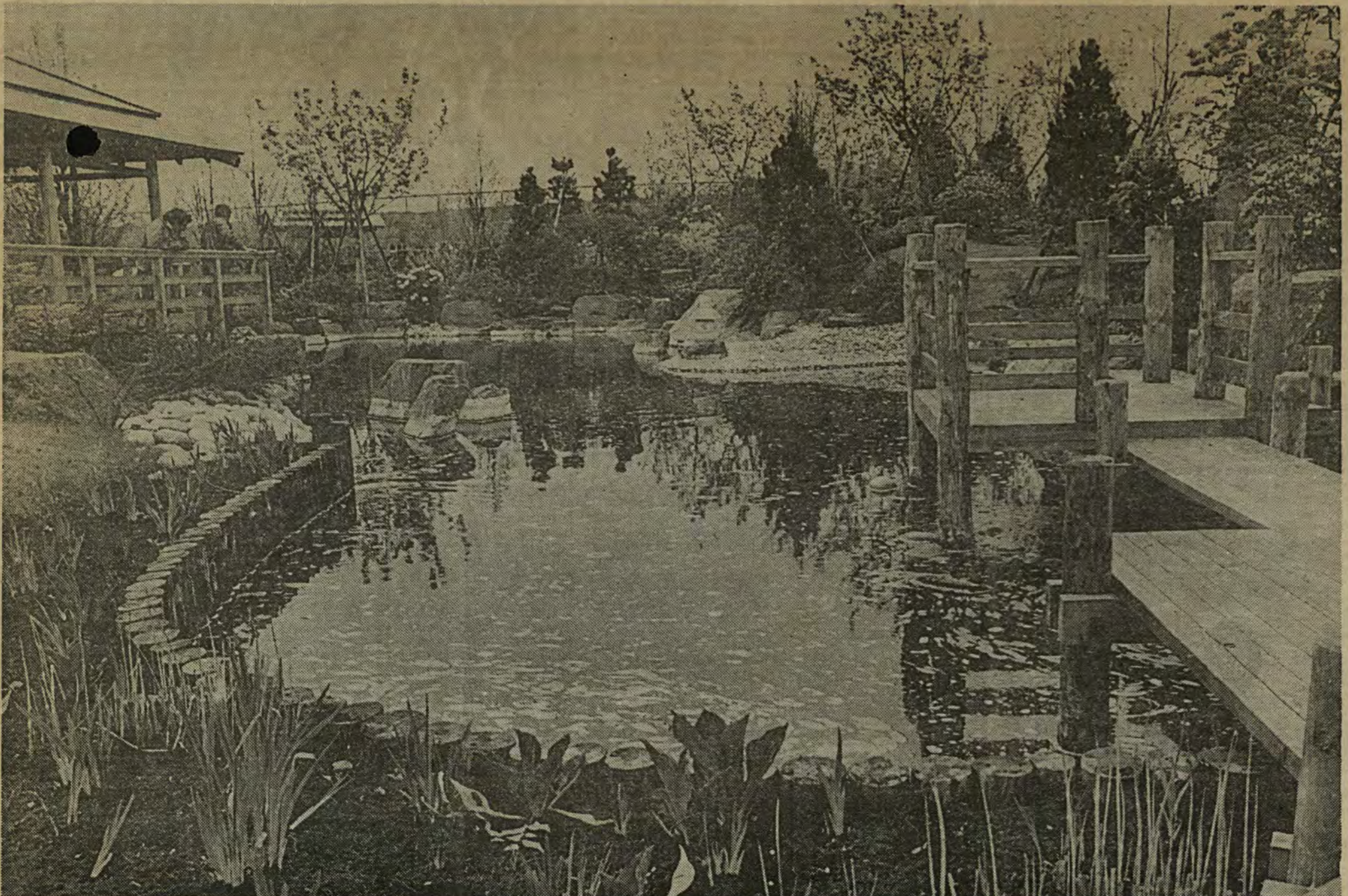
Proof of eligibility (e.g., a pension book or bus-pass) must be provided by senior citizens applying for O.A.P. concessions.

"The season tickets are really great value for money," said ticket-



APPLYING the finishing touches to one of the giant sunflowers, which vary in height from 16ft to 26ft in the Magic Garden

Continued on  
Page Two



Still retained on the site is the serene beauty of the Japanese garden

### Festival Gardens

# It's magic for the children in a garden that's made for giants

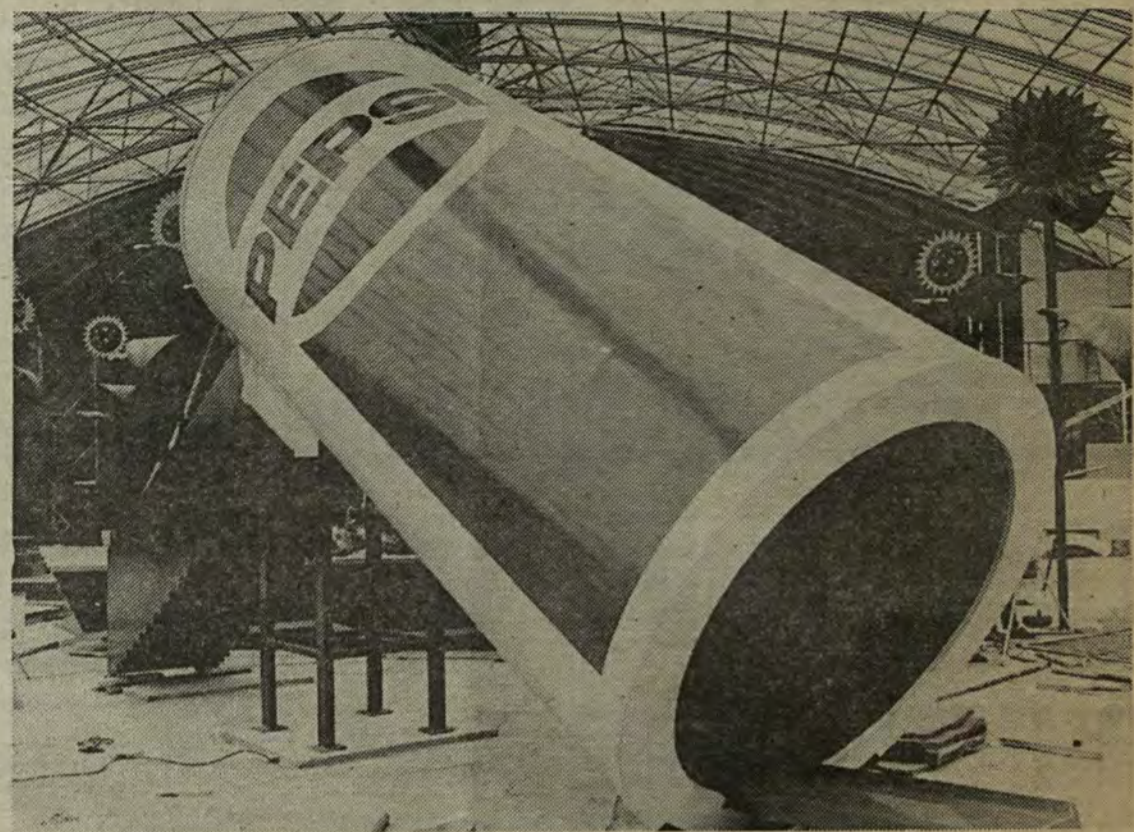
THE MOST exciting children's playground ever devised for Merseyside will open at Liverpool's Festival Gardens, on Thursday.

Called The Magic Garden, this is a make-believe, larger-than-life garden, filling the Festival Hall with gigantic man-made plants, implements

and toys, that make Alice's Adventures in Wonderland tame by comparison.

Indeed, with 38ft garden spades and forks, 7ft flower pots, sunflowers up to 26ft high, 10ft matchsticks and a 20ft teddy bear—just to mention a few of the items in this gargantuan garden—visitors will feel like Lilliputians in Broodingag.

Green carpeting forms the lawns of this huge



Sliding down this outsize soft-drink can will satisfy a few thirsts for adventure.

playground, which has a painted sky background and bridge shaped and coloured as a rainbow.

From the pathway on a high surrounding wall, visitors will be able to look down on this spectacular scene, where youngsters can frolic in a "swamp" comprising 120,000 small plastic balls and which is also the home of a monstrous frog.

Great apples and oranges, a watering-can, tap, and a teapot... one is given almost an ant's eye-view of these



The popular Blue Peter Dragon will be disgorging thousands more excited youngsters this year.

towering toys, making the event the major attraction of the festival.

The teddy, securely tethered in another playpen, can be cuddled by a small army of youngsters.

There are five separate play areas, packed with a host of thrilling oversized objects, like building bricks, tubes and cubes. Children can climb, jump, push and play hide-and-seek.

Even the butterflies in this magic garden are more like the fabled Roc, with 4ft to 5ft multi-coloured wings—and all flying merrily around a 30ft flower.

On the border of the garden there is a restaurant, and an ice-cream shop (in an upturned flower-pot) with lots of "outdoor" flower-shaped tables, where visitors may sit and contemplate this incredible wonderland.

Project manager for the Festival Gardens, Mr. Mark Mitchelmore explained that the idea for The Magic Garden

began to form last January.

A team from Leisure Recreation Management, co-ordinated the festival for Merseyside Development Corporation, suggested the giant garden theme and began to work on it.

"We thought that the festival gardens should include a theme-park and that a spectacular effect could be created by reversing the scale of its contents to make it a great fun product, lively and active, and one in which children could enjoy playing and where parents and guardians could also enjoy watching them," he said.

"There are many park themes in the country,

but certain there is nothing like 'one!'"

Designer of The Magic Garden is Tim Goodchild, the internationally-known theatre designer. The construction was master-minded by Norwest Holst.

Landscape architects are Brock Carmichael Associates



Dinosaurs still roam the earth—at the Festival Gardens, anyway, much to the youngsters' delight.

## So much to remember from last year's show

Continued from Page One

ing administrator, Mr. David Morris.

"We have had a terrific response to these—principally from senior citizens, who, last year, visited the site for the entertainment time and again.

"A person has to make only six visits to the festival and the cost of the season ticket is covered. And many people visited

last year's festival far more times than that!

"Elderly people bring along their flasks and sandwiches and feel safe in the security afforded on the site," he said.

All the general facilities on the site last year will be available again, including the wheelchairs. These are free but it is advisable to book beforehand.

Day-ticket visitors leaving the Festival Gardens will not be permitted to re-enter. Those with season-tickets, of course, may do so.

The International Garden Festival will not be staged in Liverpool again but national garden festivals will be held elsewhere in the country, like that at Stoke-on-Trent, this year.

Because the International show was a one-off event, it was intended that, when the

I.G.F. finished, part of the land would be used for industry, part for housing and part would remain as a riverside, landscaped area and a permanent amenity within the city.

Even so, the public could not have expected that such a high proportion of the site (80 per cent) would have been retained. So, most Merseysiders and others who visited the festival last year will be delighted that so many of the features they enjoyed are still present.

These include the Festival Hall, the Arena, the Japanese, Chinese, Indian and American Gardens, the lake and other water features.

Children's favourites, like the Blue Peter Dragon and the Yellow Submarine

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### Festival Gardens

PREM 19/1616

## Grand parade

A GRAND parade is being planned for the opening of the Festival Gardens, on Thursday morning, and the general public is invited to take part.

This will take the form of a long and lively musical procession, starting at the Herculeanum entrance to the site.

At 11 a.m., Merlin the Wizard will open the gates, amid thunder flashes and clouds of coloured smoke, to lead the procession into the grounds like the Pied Piper.

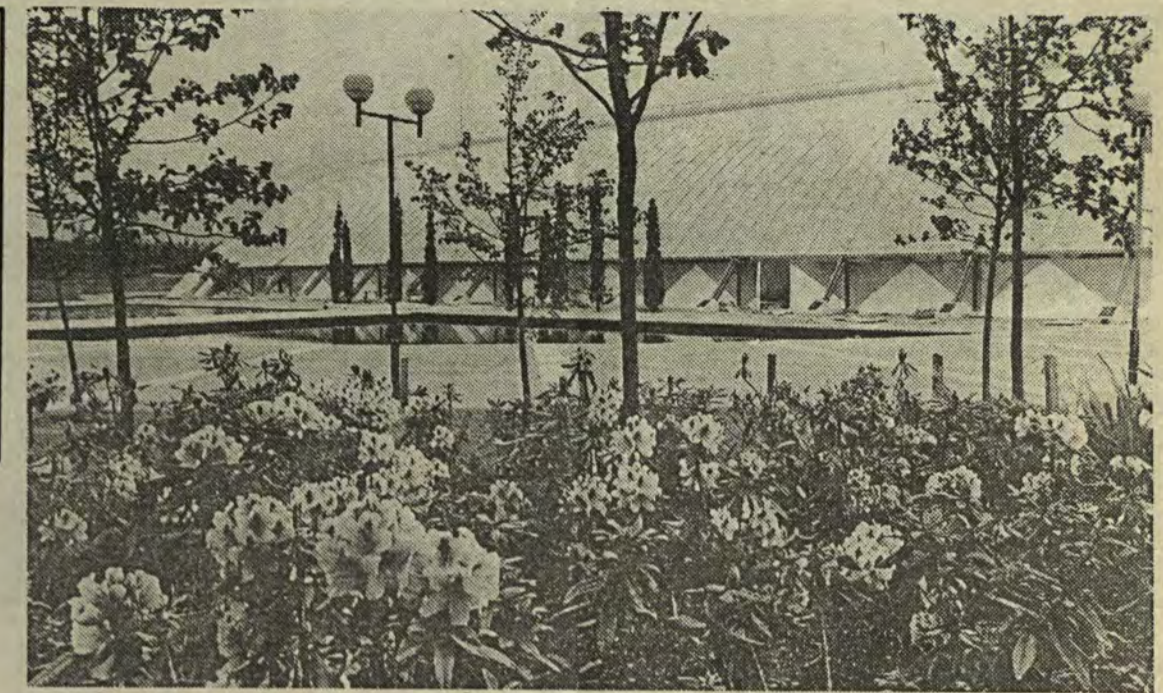
"We hope that members of the public will come along about 10.45 a.m. to join in the procession," say the organisers.

"All those who turn up in fancy-dress, of any sort, will be allowed in free of charge."

Enlivening the big parade will be clowns, a juggler, vintage cars, dancers, still-walkers, a unicyclist, a marching jazz band, a theatre company and Echo Ted.

Also in the parade will be 60 children, in fancy-dress, from St. Michael's Primary School, and 80 young artists from the Elliott Clarke College of Dance and Drama, dressed in various national costumes.

The exciting Marlboro aerobatic team will be flying overhead.



The great Festival Hall remains as the hub of the site.

# Team spirit of many nations

LATE IN 1981, Merseyside Development Corporation undertook the daunting task of organising the reclamation of 250 acres of derelict and polluted land between Otterspool and the Dingle.

And one of the greatest landscaping and botanical achievements since the Hanging Gardens of Babylon was created on this site.

Cheek by jowl with the city and airport, in only two and a half years, was constructed a garden centre that became Britain's top tourist attraction — the International Garden Festival.

This great work was symbolic of the fine achievements which can be wrought by nations working as a team.

East or West — the twin rivalry did meet here at Liverpool.

Together they wove a brilliant and colourful tapestry of artistically landscaped gardens and waterways and seas of glorious blooms, to fashion one of the wonders of the modern world.

Sadly, some of this great tapestry has had to be unpicked — the gardens of Belgium, Egypt, Greece, Spain and Australia have gone to make room for further housing.

Housing development is also taking place in and adjoining the Home and Garden area.

But 31 of the I.G.F.'s original gardens are still incorporated.

The fascinating little masterpiece, the Model Forest, with its thousand of tiny living trees, has been dismantled. So, too, have the Disabled Persons' Garden, the Ceramic Garden,

den, Gardening for Everyone, and the Staffordshire, Cheshire and Stoke-on-Trent Gardens.

Many of these garden exhibits were leased.

The miniature railway is no longer there.

The 45-acre hub of the site, however, which includes the £2.6 million, 80,000 square-foot Festival Hall, the Arena, the Japanese, Chinese, Indian and American Gardens, the lake and some other water features, are being kept as permanent landscaped parkland.

And (this year, at least) the public still will be able to enjoy many of the other gardens and features in the Domestic Theme Gardens and the remainder of the International Gardens not required for immediate redevelopment.



There'll be plenty of "oos" from youngsters boarding this high-perched ship.



A mighty toadstool makes an exciting shelter for Suzanne Byrne, aged five, and Caroline Garnett, aged six, in the Magic Garden.

## Two main entrances

THE Festival Gardens are quite easy to reach, from whichever direction visitors come.

Free space is available for 6,000 cars and for 500 coaches.

Car-parks are situated at both ends of the site — at the Britannia Inn, on the promenade and accessible from Herculeanum) and Fulwood (adjacent to the show houses, at the Aigburth end of the site).

The latter entrance may be reached by car along the now-public roadway leading from the bottom of Jericho Lane, Aigburth, and from Priory Wood (pedestrians only) at the end of St. Michael's Road, off Aigburth Road.

Priory Wood serves

visitors arriving by bus on Aigburth Road and also those coming by train to St. Michael's Station.

A regular 20-minute bus shuttle-service (No. 401) between the city centre and the Festival Gardens will be operating.

Subject to weather and tidal conditions, a ferry service will operate from Liverpool Pier Head and Woodside, Birkenhead, at weekends only and during school summer holidays, to the promenade alongside the Gardens.

The ferry trips proved to be extremely popular last year and intending passengers should inquire about sailing times by phoning (051) 630-1030.



This fascinating cascade may be found in the Japanese Garden.

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**Festival Gardens**

# Over 1,000 performers ready to entertain



Jacquie and Bridie—the ever-popular Liverpool duo, famous for their "Scouse" songs.



The Medieval Street Band . . . musicians of old producing a relatively-new sound.

WITH more than 1,000 performers booked over its 16-week season, Liverpool's Festival Gardens promises to be Britain's biggest and brightest entertainment centre.

An incredible variety of acts are lining up, with international, national and local events ranging from the University of the Philippines Chorus (the visitors from farthest afield), to St. Michael's G.P. School, only a stone's throw from the festival site.

Bands of all descriptions, dancers, singers, clowns, jugglers, puppets, musicians, competitions and contests (including haggis-throwing), fire-eating, folk-music, tightrope-walking, thrilling aerial and parachuting displays, and more, will all add up to a giant package of jollity and interest.

"We are working on a programme which will provide events from about noon up to the 7 p.m. closure for every day of the festival," said deputy events manager Mr. Andrew Bennett.

"This is going to be a marvellous centre, particularly for family outings, and we think that, in addition to the beautiful gardens here, the events themselves will prove a great attraction . . . and wonderful value for money."

One of the highlights will be the longest-running festival of street-theatre in the country, with acts ranging from a single clown to a performing theatre company.

The festival will be one of constant surprises, too, with acts being performed in all parts of the ground. Musicians will be strolling about the grounds and a visitor could simply be admiring a bed of roses when a fire-eating or juggler suddenly appears," said Mr. Bennett.

"Nobody will be sure of what is happening around the corner!"

Many events will be staged in the Amphitheatre and, although the site's largest theatre, the Arena, is now roofless, this also will be used extensively in fine weather.

"Venues for performances on the site will be flexible," said Mr. Bennett.

"We know, for example, that the Haifa Youth Orchestra will draw a big crowd and hope that we shall be able to accommodate them in the larger Arena Theatre.

"However, if the weather is inclement, they will appear in the Amphitheatre."



One of the famous Marlboro Aerobatic Team makes smoke over a familiar Merseyside scene

**Festival Gardens**

# This year's shows still have an international flavour

THE INTERNATIONAL flavour of last year's world-famous festival is still being preserved in a smaller measure at this year's show.

In addition to the many attractive foreign gardens retained, the general entertainers' programme also includes some international events, with items from the United States, Canada, the Philippines, West Germany and Israel.

"Performers are being brought from Texas and Tranmere — and most places in between," said a spokesman for the organisers, the Albert Dock Company.

A programme of continuous events from 12

noon onwards will be held every day.

Certain weeks will have special themes, like National Dance Week, Medieval Week and Folk Week, and there will be a three-day Jazz Festival.

Some of the days also will have theme programmes, like Health Day, Brass Band Day, Gospel Music Day, and even a day called Women Entertain — mime, song, dance and theatre performers.

Resident artists will include: The Risible Street Circus, with stilt-walking, bicycles and circus skills, and The Great Cabbage Cabaret, with strolling musi-

cians, clowning, magic — and assorted vegetables!

Codman's Punch and Judy Theatre established almost as part of Liverpool itself!

A Dutch Organ, with melodies of yesteryear, and Merseyside Young People's Theatre, specially commissioned to engage youngsters of all ages.

The open-air Natural Theatre Company will be returning — and a special Youth Theatre Festival will take place in three sections over the festival season.

That established Merseyside duo, Jacqui and Bridie, specialising in local folk songs and humour, are back.

Rachel Laurence and friends have concocted *Tea and Muffins* to delight their audiences; *Albert The Idiot* (and Henrietta, his car) will bring music, magic and mayhem, and some of the days could be interrupted by John Sampson, the crazy Scottish whistler-player, popping up anywhere.



Eccentric city slicker Tim Bat in a pose from his businessman burlesque show.



Cathy Hunt, events manager for the Festival site, and Mark Sterry-Blunt, maintenance duty manager.



The Liverpool Ladies' Barbershop Singers will be "on song" again at this year's festival.



Harvey and the Wallbangers.

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**Room For Talent**

THERE is still room for more good local talent at the Festival Gardens this season. Those who think that they have presentable acts, either as individuals or as groups, whatever these may be, should ring Cathy Hunter, the festival events manager, on 051-727 0227.

"We shall pay reasonable expenses but cannot guarantee bookings," says the organisers.

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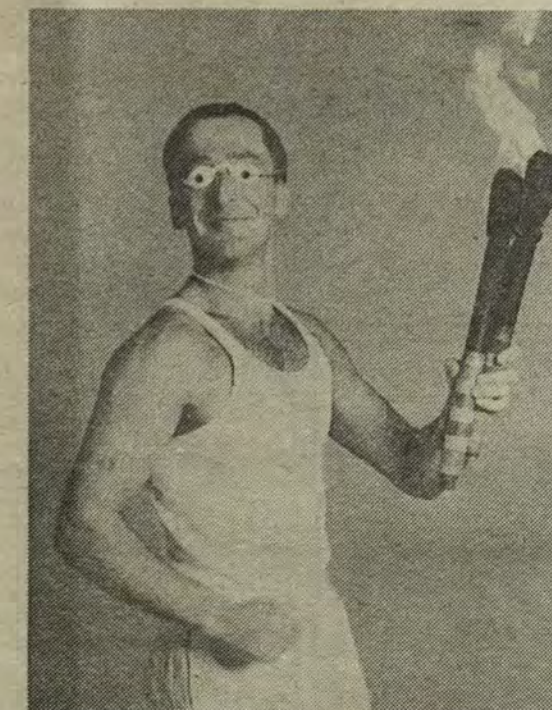
Howley Tannery, Howley Lane, Warrington, Cheshire WA1 2DN  
**WARRINGTON 59363**



Popular folk singer Bob Buckle.



Professor Ronald Codman and his Punch and Judy Show . . . "part of Liverpool"



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# Festival Gardens

## Security chief loves poetry and parachutes

**PARACHUTING and poetry** might seem to be a strange mixture in the top man responsible for the security of the festival site.

But the long experience and expertise of Keith Gardner, the Festival Gardens security liaison officer, is ensuring that Liverpool's greatest attraction remains one of the best maintained and trouble-free public areas.

Keith, aged 52, married with four children and two grandchildren, arrived on the site in March, 1983, as security liaison officer with the main contractor, who shaped the wilderness that was to become an international beauty spot.

Keith's word also was the passport for the use of "courtesy" cars in conveying celebrities, and for all passes issued.

His excellent record and long experience of security, including 10 years in the fire service and many years working abroad for famous international companies, has resulted in the successive bodies controlling the festival site.

As a former parachutist with the 16th Airborne Division, who saw service at Suez, Keith set up the radio-communication system for the security of the festival site.

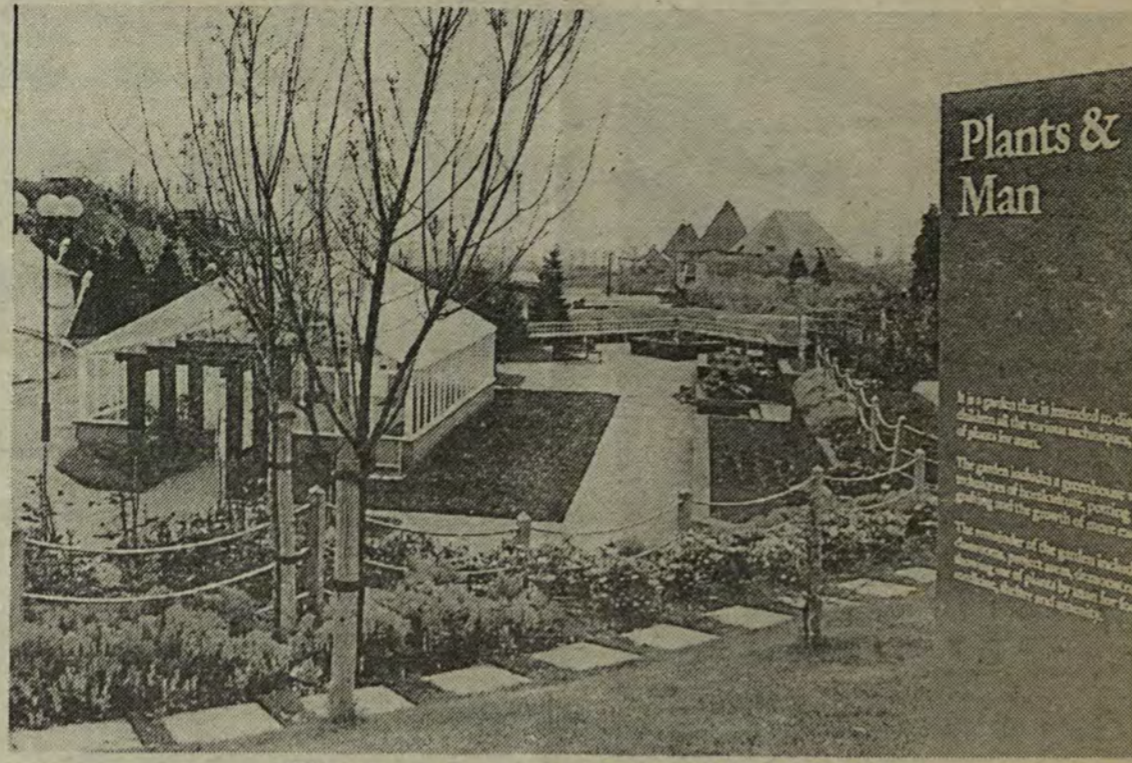
"Vandalism was rife in the early days, until we became organised and then, in liaison with Neptune Security and Alsatian dog patrols, incidents dropped dramatically," he said.

"During the whole of the festival there were

hardly any serious incidents of crime."

Keith believes that this happy state, paradoxically, was considerably aided by the vast crowds in daily attendance.

"Vandals and thieves cannot operate with thousands of eyes watching them," he said.



Plants and Man—the educational garden which has much to offer adults as well as children.

## Vigil and verse

A CAREER that has involved many quiet, long night vigils, in which he has had the opportunity to martial his thoughts, has enabled Keith Gardner to compose poems.

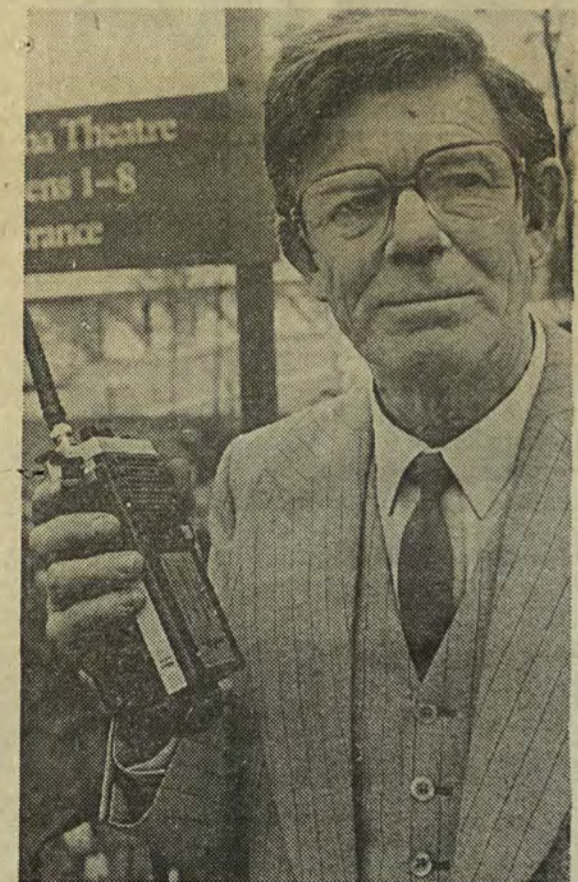
One of these, broadcast to the nation at the time of the I.G.F.'s closure, is "Remembering".

This, supposedly, is related by the Spirit of the Festival and verses of nostalgia sum up the event as most will remember it.

Here are the last two verses:

"In years to come, when you look back,  
You'll find to your surprise,  
Remembering my glorious past  
It's then you'll realise.

It wasn't just a Festival  
We made — Yes, you and me.  
Oh! no, my friend, 'twas much, much more,  
Friend, we made history!"



Keith Gardner, top security man at the Festival Gardens.

## Riverside dream coming true

THE LIVERPOOL citizens' dream for many years—a riverside walk from Garston to the Dingle—is becoming reality at last.

The opening shortly of the new Marine Esplanade (formerly part of the International Garden Festival) as a continuation of Otterspool Promenade, will give a big boost to the city's attraction.

It will permit nearly a three-mile walkway alongside the Mersey,

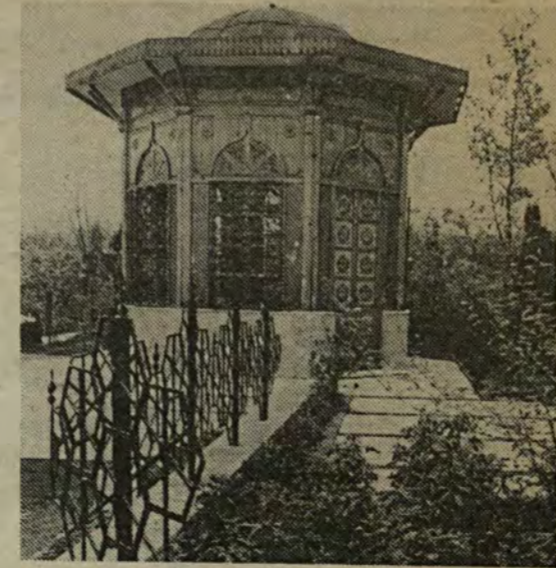
flanked by grassland, gardens and the festival site, to provide Liverpool with a resort-like amenity unrivalled by any other city in the country.

Otterspool Prom already is an established summertime picnic and play area, with its delightful park close by. The promenade also is used by strollers and joggers every day of the year.

Another bonus the extension will bring is



The riverside Britannia Inn is still a big "extra-mural" attraction.



The Turkish Garden will delight many people again this season.

that, with the shrinkage of the original I.G.F. site, to provide Liverpool with a large tract of open land between Otterspool Prom and the new Festival Gardens boundary will become available for leisure and recreation.

The esplanade is no longer part of the Festival Gardens but runs alongside its riverside boundary and access to the gardens on this side is by way of the entrance close to the Britannia Inn.

For those who might feel thirsty after long prom walks, the Britannia Inn, which became so popular when it was situated within the I.G.F. grounds last year, is now a permanent pub.

\* A pre-war hope that, one day, there will be a public riverside walk from Hale to the Pier Head has yet to be realised!

**HOTLINE**

THE Festival Gardens site has its own "hotline" for general information.

For up-to-the-minute reports on what is happening and when, potential visitors should phone (051) 227 8000.

# SUPERCALIFRAGILISTIC-EXPIALIDOCIOUS

Mary Poppins had the right idea.

A little word of magic. Snap your fingers. And the job's well done.

But even Mary Poppins might not have been able to take on a job as big as the one inherited by the Merseyside Development Corporation in 1981.

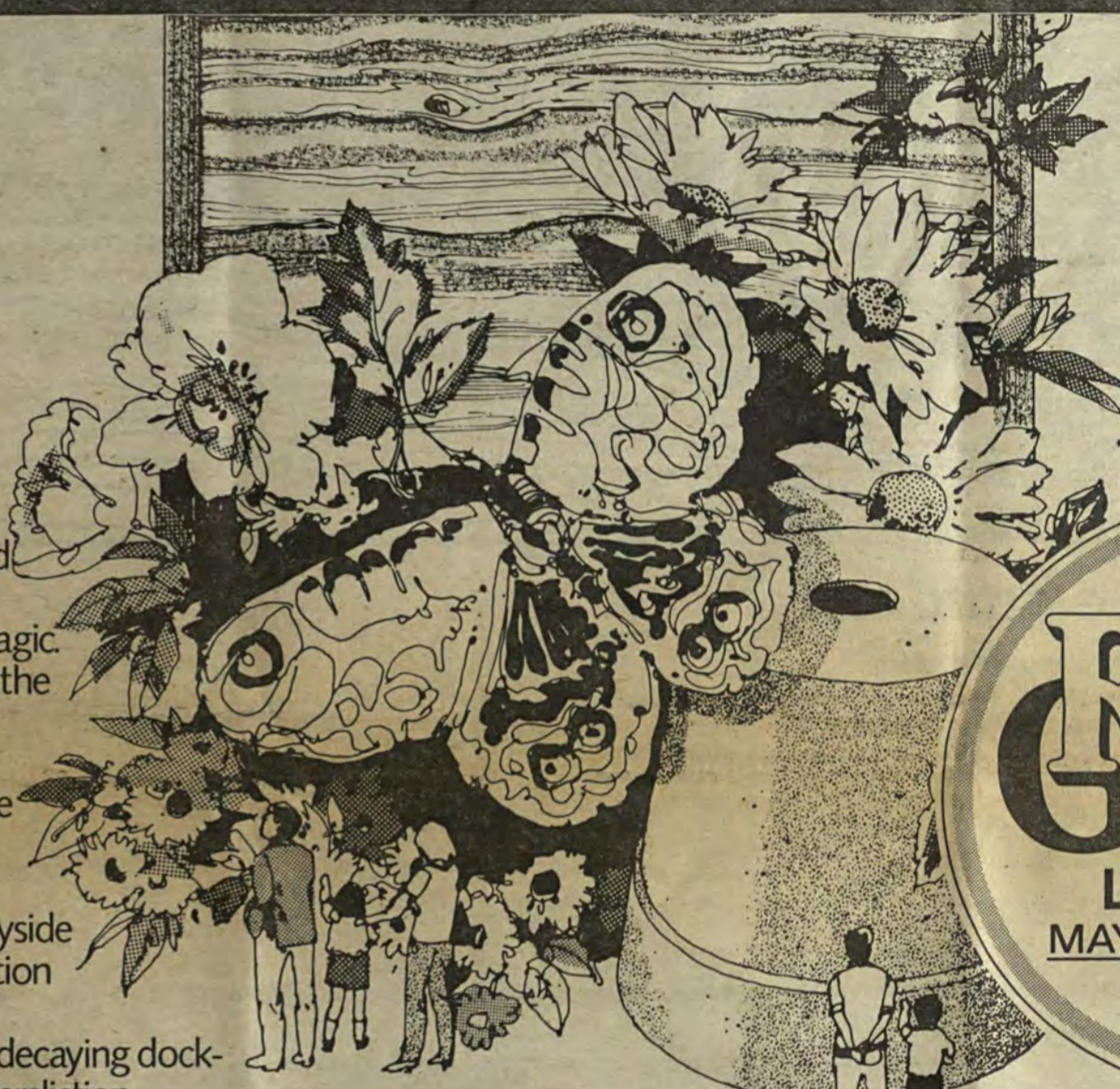
Mile after mile of decaying docklands—near hopeless dereliction.

But something very magical did happen.

A vast riverside rubbish tip became a parkland paradise—and the setting for the International Garden Festival of 1984.

Albert Dock, Britain's largest Grade 1 listed building, crumbling alongside silt filled dock basins—came alive.

In fact there's magic at work all along the Development Corporation's Mersey waterfront.



\*Adults £2.00, OAP's/Children £1.00. All entertainments on site are free.

## FESTIVAL GARDENS

### LIVERPOOL

MAY 23rd - SEPT 8th

OPEN EVERY DAY 11 a.m. to 7 p.m.

This year, for example, much of the International Garden Festival site will again be open to the public—as a fabulous leisure park—'Festival Gardens'.

A wonderland of fun, flowers and family entertainment, the 'Festival Gardens' have retained most of the spectacular gardens and features that proved such a success in 1984. And like last year, once inside, the full programme

of events is free.\*

And this year there's a special kind of magic—the 'Magic Garden'. Filling most of the Festival Hall, the 'Magic Garden' is where everything—flowers, insects, even the garden tools and toys—have grown and tower above your head.

See for yourself the magic the Merseyside Development Corporation is working on Merseyside. Mary Poppins had a word for it...

**INTERNATIONAL GARDEN FESTIVAL SALE!**

FROM INTERCITY OFFICE PRODUCTS

Large quantity of nearly new office furniture and machines, surplus from last year's festival.

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**DGSP**

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051-647 8183/8193

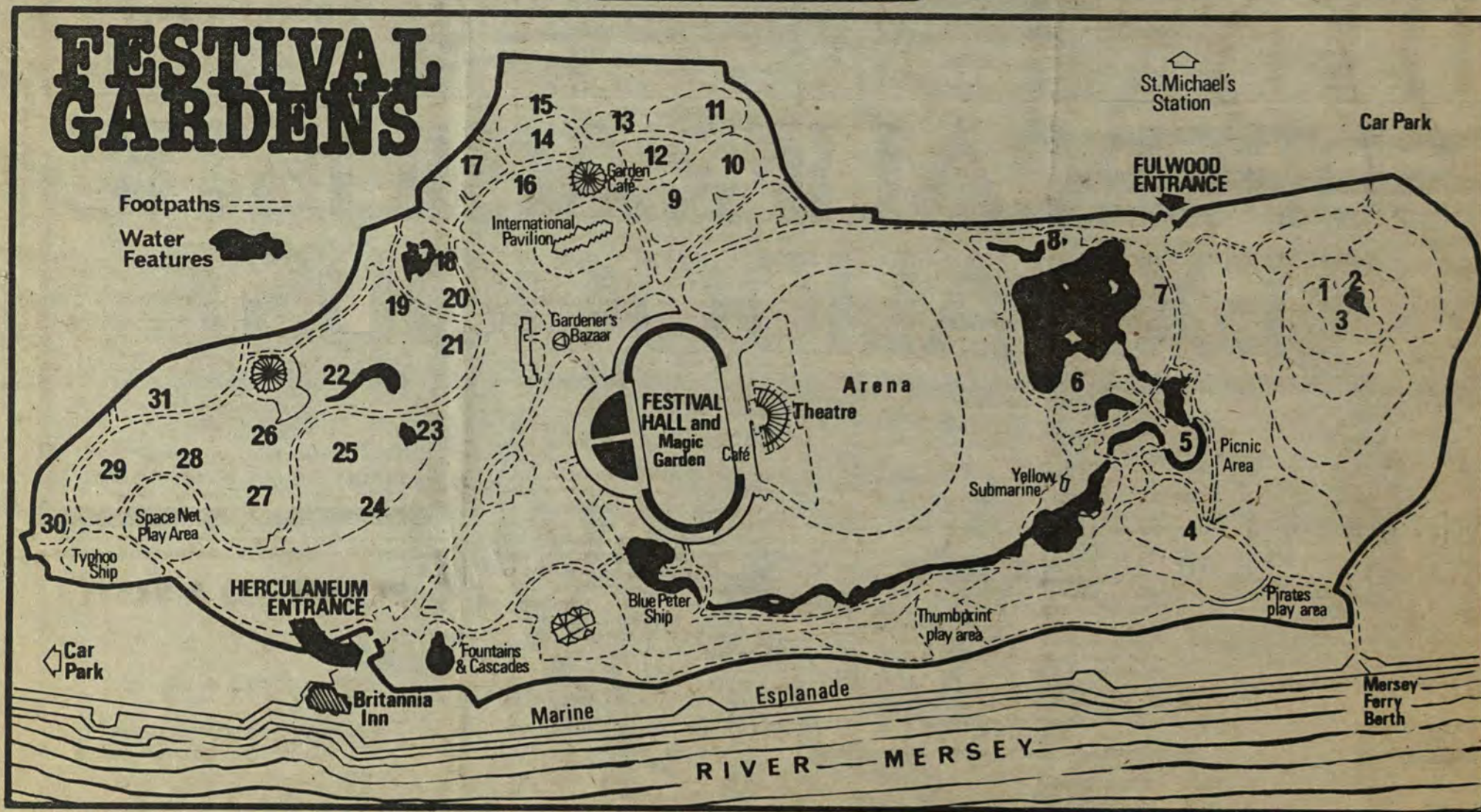
**MDC** Merseyside Development Corporation

Royal Liver Building, Liverpool L3 1JH. Telephone: 051-236 6090.

# THERE'S MAGIC ON MERSEYSIDE

Preem 19/1616

**Festival Gardens**



**Key to theme gardens**

- |                         |                               |
|-------------------------|-------------------------------|
| 1 Nature Garden         | 17 Canadian Rockies           |
| 2 Wild Garden           | 18 Scottish Garden            |
| 3 Wild Plants We Use    | 19 Plantsman's Corner         |
| 4 Indian Garden         | 20 Grass Garden               |
| 5 Cologne Garden        | 21 Land Treatment Maze        |
| 6 Chinese Garden        | 22 Rock Garden                |
| 7 American Garden       | 23 Water Margin               |
| 8 Japanese Garden       | 24 Woodland Garden            |
| 9 Patio Garden          | 26 Garden of Hope             |
| 10 Classical Garden     | 27 Rose Garden                |
| 11 Town Garden          | 28 Alpine Garden              |
| 12 German Garden        | 29 Heather and Conifer Garden |
| 13 Turkish Garden       | 30 Promenade Garden           |
| 14 Courtyard Garden     | 31 Nursery Garden             |
| 15 Mediterranean Garden |                               |
| 16 British Garden       |                               |

**OPENING HOURS**

THE FESTIVAL Gardens will be open from 11 a.m. until 7 p.m. each day and the last tickets sold at 6 p.m.

Last year, the I.G.F. opened at 10 a.m. every day and, in June and July, closed at 9 p.m.

Economy is the reason for the shorter hours of opening, said Mr. David Morse, financial director, Merseyside Development Corporation.

"We recognise that people would like the gardens to be kept open later but we are anxious to keep running costs and administration costs down.

"It is also a rather different event this year. We are not expecting the same numbers of visitors as last year. And admission charges are less."



One of the Echo-sponsored "Adventurers' Camps" by the riverside.



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(1) please  
at prep.

23 May 1985

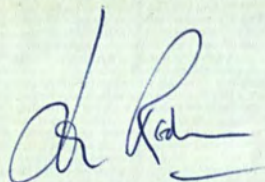
MR TURNBULL

BIRMINGHAM CONVENTION CENTRE

At a capital cost considerably in excess of £10,000 per job generated, and with a continuing forecast deficit on the centre, the expenditure does not look well-based.

I have not had a chance to call for the back up documents and to go into any detail, in view of the pressures on time for the speech this week. My off-the-cuff reaction is to share your scepticism about the high level of public participation, and the scepticism creeping into the figures from Patrick Jenkin's own appraisal team.

Would you like me to carry it any further?



JOHN REDWOOD

Regional Vol. Inner Cities - Pt 6

JUN 1961

FOR THE AD COP UNIT W. C. M.

of a capital, as one depicts an excess of the 600 car for

separated, and with a continuing process.

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COMMUNICATIONS

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RESTRICTED

GCJR



A/P with a  
response

2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434

My ref:

Your ref:

20 May 1985

Dear Chief Secretary

BIRMINGHAM CONVENTION CENTRE

We last corresponded about Birmingham's proposal for a convention Centre a year ago (my letter to Norman Tebbit of 31 May and your reply of 5 June.)

I have since been engaged in discussions with Birmingham City Council about the project. Their original proposals as to the extent of central Government involvement have been substantially modified. I therefore now intend to support the proposal, and this letter invites your comments.

The proposal is for a Convention Centre costing £106m with a seating capacity of 14000. This is far larger than any other Conference Centre in the UK. Birmingham have made an extensive analysis of the project. It was also independently assessed last year by a private sector analyst seconded to my Department and working on schemes for Urban Development Grant. (This was at a time when the Convention Centre proposal was combined with a proposed hotel; the proposals have now been separated and the hotel is subject to a separate UDG application).

Birmingham attach great importance to the project, which has strong all party support in the City Council. The City, along with the West Midlands conurbation as a whole, has suffered severely economically in the last decade following the decline of the metal-based industries. Birmingham's consultants estimated that it would create 1850 direct jobs, 2730 further jobs from spin-off employment, and perhaps 10,000 jobs altogether from further indirect "spin-off". They consider that this would more than outweigh the expected continuing operating deficit on the Centre of £2.8m a year, excluding debt charges.

My own appraisal team questioned whether the benefits envisaged were all genuinely additional. They suggested that 15%-20% of the forecast activity generated by the Centre would occur in the West Midlands region and that up to 50% would occur in the UK even if the Centre did not exist. The overall estimate of 10,000 jobs was considered unduly optimistic. But Birmingham has a proud track record of major public sector schemes, notably the National Exhibition Centre, but also the airport, the railway station and the developing Aston Science Park. The convention Centre would "fit" with these development.

The Centre would be of particular importance in the development of tourism, nationally and internationally, and the English Tourist Board

express interest in the construction of such a Convention Centre in the UK, whilst expressing doubt about whether Birmingham offered the most suitable location.

The proposed site for the Centre is a run-down area on the edge of the City Centre, which would be rejuvenated by the development. (There are a number of planning issues still to be resolved.)

Birmingham's original proposal was for £50m supplementary allocations under section 73 of the Local Government Planning and Land Act 1980 as a project of "national or regional importance." They also looked, and in principle still do, for an ERDF grant of £50m, leaving £6m or so to come from the private sector. Under pressure in my discussions with them, they have amended their proposals as follows:

£30m ERDF grant (this is the maximum we believe the Commission would be prepared to make available - it could be less);

£30m section 73 allocations (£5m a year for 6 years);

up to £11m private sector (this follows an extensive analysis of the opportunities for private sector involvement);

over £30m from Birmingham's own resources (basic allocations and capital receipts.)

The £30m in special allocations would in this case have to be matched by a borrowing consent for £30m. (Normally, the borrowing consent would be reduced by the amount of any ERDF grant. In this case, the "spending cover" for the grant will come from notional capital receipts held by Birmingham which are not backed by cash.)

You expressed concern last year about the degree of public sector involvement. If the project is to go ahead at all, I have become convinced, after pressing Birmingham hard, that the degree of public support indicated above will be essential. I am of course concerned about the implications of the proposal for the Other Services block, where the resources available for allocation to local authorities as a whole are in my view seriously inadequate. We must expect fierce criticism from the other local authority associations of our support for Birmingham. We will return to this issue in the PESC round.

But it seems to me that this is a highly imaginative project, which is for the good of the UK as a whole, and in particular for the West Midlands conurbation. It is vital that we demonstrate our commitment to the economic recovery of the area. Birmingham are prepared to put their own resources behind the project. We should be subject to harsh criticism, not only from the Labour but also from the Conservative leadership on the City Council, if we declined to make a contribution. If we failed to give support through a section 73 allocation, the Commission have indicated that the application for ERDF grant would be turned down on the grounds that the Government did not stand behind it, leaving us to bear the full brunt of the criticism.

The application for the project needs to be lodged with the European Commission by the end of May. Unless you or others concerned wish to discuss the issue further, I shall need to give the Commission soon afterwards the assurance they have sought that the Government will be prepared to make a substantial contribution through section 73 allocations to ensure that the project succeeds. In correspondence

RESTRICTED

with Birmingham City Council, I shall make it clear that that support is limited to an absolute maximum of £30m in special allocations spread over 6 years.

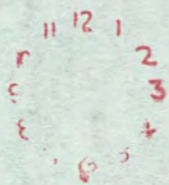
I should therefore be grateful for an early response. I am copying this letter to the Prime Minister, Norman Tebbit, Tom King and David Young. In view of their concern with the Region, I am also copying the letter to Peter Walker and Norman Fowler.

*Yours sincerely*

*Atkin's*  
*for*  
PATRICK JENKIN

*Approved by the STS  
and signed in his absence*

20 MAY 1985



MR. REDWOOD

L03ABW  
file LP

LORD BRUCE AND THE "EURODOME" STADIUM

You will remember we had a word the other day about Lord Bruce's request to see the Prime Minister to discuss the proposals for this Stadium in Docklands. You kindly agreed to see him, if he wished to pursue the points.

I spoke to Lord Bruce today and he welcomed the opportunity of having a word with you. I should be grateful if you would get in touch with him accordingly. His telephone number is 388 2456 in the morning. In the afternoon he is at the House of Lords.

MARK ADDISON

16 May 1985

PRIME MINISTER

PROPOSED EURODOME STADIUM IN THE LONDON DOCKLANDS

You may recall that Lord Young reported to you recently the outcome of a meeting he held with Lord Bruce of Donington. Lord Bruce is backing a development scheme in the Docklands for a stadium to hold 70,000 to 100,000 people. He has in mind that this would give London the capacity to hold the Olympic Games in 1992.

There is also another proposal for a stadium in Dockland currently being worked up. Lord Bruce is aware of this. It will be for the Docklands Development Corporation to consider their merits in the first instance. The question of the Olympic Games in 1992 is of course a matter for the Olympic Committee.

Lord Bruce has asked to see you. He wishes to explain personally that his proposal for an Olympic stadium is a feasible one.

There does not seem much point in meeting Lord Bruce at this stage. He has already seen Lord Young and been asked to pursue any further enquiries with the Minister for Sport. His proposed development is a matter at present for the London Docklands Development Corporation. John Redwood, who has already discussed the general question of London Docklands development with the Corporation, would be happy to see him.

Content for me to suggest Lord Bruce gets in touch with John Redwood?

Man Adelson

Yes no

15 May, 1985





DEPARTMENT OF THE ENVIRONMENT  
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

My ref:

Your ref:

Mark Addison Esq  
Private Secretary to  
Prime Minister  
10 Downing Street  
LONDON SW1

30 APR 1985

*NBPM*

*Dear Mark,*

Thank you for your letter of 2 April about Lord Bruce of Donnington's proposed "Eurodome" stadium in London Docklands.

You recorded that the Prime Minister (having seen a copy of Leigh Lewis' letter of 22 March to me) hoped it would be possible to consider the question of planning permission expeditiously if the proposed "Eurodome" is taken forward. The London Docklands Development Corporation is the development control authority for the site of the proposed "Eurodome", and it will be for them to decide whether planning permission should be granted in view of their knowledge of local circumstances at the time of the application. If, however, the Secretary of State is asked to call in the application for his own consideration, we will certainly ensure that it is dealt with as speedily as possible.

I should add that the proposals for a "Eurodome" do not appear to have yet been worked up in sufficient detail to attract planning permission. They also duplicate several elements of more developed plans for another domed multi-purpose stadium in Docklands which are being promoted by an American sports marketing firm using entirely private sector finance, and for the smaller "Olsen Shed" arena which is currently under construction. The enclosed letter to Leigh Lewis in Lord Young's office examines these points in greater detail. I am also enclosing a copy of a draft letter for Lord Young to send to Lord Bruce, which incorporates the Prime Minister's comments.

*Yours,*

A handwritten signature in dark ink, appearing to read 'P Dykins', written over a horizontal line.

P DYKINS  
Private Secretary

TG



DEPARTMENT OF THE ENVIRONMENT  
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

My ref:

Your ref:

Leigh Lewis Esq  
Private Secretary to  
Lord Young  
Cabinet Office  
70 Whitehall  
LONDON  
SW1A 2AS

30 Apr 1995

*Dear Leigh,*

Thank you for your letter of 22 March about Lord Young's meeting on 21 March with Lord Bruce at which they discussed the proposed "Eurodome" stadium in London Docklands. I am sorry for the delay in replying.

The "Eurodome" is the second proposal to come forward for a large stadium in the Royal Docks, and in addition a further, smaller stadium is already under construction in the West India Docks. I understand that Lord Bruce is aware of these other developments and has discussed the implications for his project with officials from the London Docklands Development Corporation. It is, of course, for Lord Bruce and the developers of the other scheme in the Royal Docks to progress their proposals as they judge appropriate. Whilst DOE Ministers and the Prime Minister (whose comments were copied to you in Mark Addison's letter of 2 April to me) are keen to ensure that viable private sector schemes for Docklands are encouraged, we must also, of course, ensure that a balanced range of development in the area results.

/ As you requested, I attach a draft letter for Lord Young to send to Lord Bruce which also covers the position regarding the 1992 Olympics and suggests that any further queries from Lord Bruce be directed to Mr Macfarlane.

/ A copy of this goes to Mark Addison at 10 Downing Street.

*Yours,  
Philip Dykins*

P DYKINS  
Private Secretary

## DRAFT LETTER FOR LORD YOUNG TO SEND TO LORD BRUCE OF DONNINGTON

Following our interesting discussion of 21 March about the proposed "Eurodome" stadium in Docklands, I have, as promised, drawn this development to the attention of the Prime Minister and to Neil Macfarlane, Minister with responsibility for Sport.

Both the Prime Minister and Neil Macfarlane are concerned to encourage private sector schemes which will attract further investment and will have a significant effect on the regeneration of Docklands. Additionally, Mr Macfarlane is also, of course, keen to encourage sport and recreation provision of both local and national significance.

I understand that you are aware of two similar projects in London Docklands. First, there is the Arena in West India Dock which is currently under construction and which will seat up to 9000; secondly there are the International Sports Marketing proposals for a privately funded multi-purpose stadium (seating up to 30,000) in the Royal Victoria Docks. Questions obviously arise about the implications and viability of three schemes of this kind within Docklands, but I understand that you are pursuing these issues with officials of the London Docklands Development Corporation.

As regards the 1992 Olympic Games which you mentioned at our meeting, any bid to stage the games in this country is entirely a matter for the British Olympic Association and the prospective host cities.

Should you wish to raise any further issues regarding the proposed development or the 1992 Olympics, perhaps the best course would be for you to do so direct with Neil Macfarlane within whose responsibilities these issues fall.

## LONDON DOCKLANDS DEVELOPMENT CORPORATION

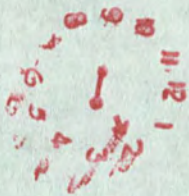
### ROYAL DOCKS - SPORTS STADIA PROPOSALS

The LDDC published its Draft Development Framework for the Royal Docks in January 1985. A key theme is the availability of a major development area 5 miles from the centre of London with potentially excellent transport links and scope for major developments - of national as well as regional significance. Two large scale waterfront sites suitable for such developments are identified in the Framework.

Although the Royals infrastructure programme is at an early stage, interest is being expressed by the private sector in future development possibilities. Two major sports interests have been registered, one on each of the sites referred to above.

1. LONDONDOME - Intersport, an American sports marketing firm are carrying out a feasibility study of a site in LDDC ownership in the Royal Victoria Dock. The proposals currently include a domed multi-purpose stadium to seat a maximum of 30,000 people, suitable for a range of sporting and entertainment events; restaurants; sports and health and fitness clubs; and conference and exhibition facilities providing a total space of up to 230,000 square feet. An interim feasibility study has been received from the promoters and a more detailed report is expected at the end of April/beginning of May. The Corporation will consider the proposal once the feasibility work has been assessed.
2. EURODOME - Lord Bruce of Donington has contacted the Corporation in confidence with an outline idea for a covered 70,000 seat stadium with a retractable roof on vacant land not yet in the Corporation's ownership at the eastern end of the Royal Docks area. The Corporation is attempting to acquire the land by agreement from the Port of London Authority and the Gas Corporation but has included it in a compulsory purchase order in case the negotiations fail. No feasibility assessment is available as yet for this second stadium proposal. Lord Bruce has been informed of the Intersport interest. He has a choice between proceeding with developing his own proposal to the same level of detail so that the Corporation can give it full consideration, bearing in mind that fees would have to be incurred in the process; or discussing his own ideas with Intersport at this stage with a view to pooling resources.

Regional Policy: Inner Cities Pt 6.



30 APR 1985

18 April 1985

LORD YOUNG

File  
c Mr Turnbull

AN EXHIBITION HALL AND SPORTS CENTRE IN DOCKLANDS

I held a meeting today with Christopher Benson, the Chairman and Reg Ward, the Chief Executive, of London Docklands.

They have discussed the Eurodome Stadium project with Lord Bruce. International Sports Marketing Inc have also put plans to them for an international covered stadium, exhibition, business and conference centre called "Londondome". And they have had suggestions from people involved in the Garden Festivals for an Expo-type exhibition in London, or a national product and service exhibition.

They believe that:

1. It is possible to build an exhibition/sports centre in London Docklands - even without the lure of the 1992 Olympics.
2. The capital for this project can come from private sources.
3. A National Exhibition could be mounted by 1988 (perhaps earlier).

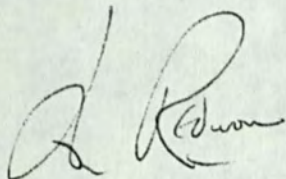
4. They would like some modest, early-year revenue funding - either from their own budget or out of the Urban Programme budget, which they have frequently raided in the past.

I suggested to them that they should enter negotiations with Lord Bruce, and with International Sports Marketing fairly quickly, to see which of the two projects is the better, and whether the competitors could in due course be brought together in a combined effort. There is only room for one exhibition or sports centre in East London.

They also agreed that if a National Exhibition Centre was going to work in Docklands, it would be sensible to bring Jeffrey Sterling into the negotiations at an early stage, so that an alternative use could be discussed for Earls Court. Jeffrey may want some stake in the activity - including the catering activity - of any new Exhibition Centre, as they currently have business interests in Earls Court. Setting up a National Exhibition Centre in Docklands would be seen as a rival to the Birmingham Centre: that could be mitigated if it is a replacement for Earls Court.

I suggested that the LDDC should move quickly to the next stage. They should set the terms for judging between the rival applicants for an exhibition and sports centre, and

then negotiate with all the interested parties to try and proceed by agreement. Any help from government that you felt able to offer would, I am sure, be appreciated, even if it is only by way of enthusiastic but unpaid support.

A handwritten signature in cursive script, appearing to read 'J Redwood', written in dark ink.

JOHN REDWOOD





ech  
SJR

10 DOWNING STREET

*From the Private Secretary*

2 April 1985

PROPOSED 'EURODOME' STADIUM  
IN THE LONDON DOCKLANDS

The Prime Minister has seen a copy of the letter from Leigh Lewis to you dated 22 March. She hopes that if the proposed stadium described by Lord Bruce were to be taken forward, it would be possible to consider the question of planning permission expeditiously.

I am sending a copy of this to Leigh Lewis (Minister without Portfolio's Office).

(Mark Addison)

P. Dykins, Esq.,  
Department of the Environment.

SD



Lu

10 DOWNING STREET

*From the Private Secretary*

29 March, 1985.

The Prime Minister was grateful for your Secretary of State's minute of 28 March about the future of the Liverpool Garden Festival Site. She has commented that this is excellent news.

(Timothy Flesher)

Alan Davis, Esq,  
Department of the Environment.

df



Prime Minister:

A satisfactory  
outcome.

Prime Minister

*Liverpool news.*

*9.5 at 11.00*

*Or*

*28/3.*

FUTURE OF THE LIVERPOOL GARDEN FESTIVAL SITE

Following your visit to the International Garden Festival last year I wrote to you on 15<sup>th</sup> October about plans for the future of the site. I can now report that the site will be re-opened to the public in 1985.

You may recall that although there was considerable public pressure to retain the Festival there was uncertainty over both the amount of the site that could be made available and the intentions of Liverpool City Council. The Council had a legal agreement with Merseyside Development Corporation to take over those parts of the site to be retained for recreation use.

With your approval the MDC announced their intention to re-open to the public those parts of the site not immediately required for development in 1985. At that stage however it was far from certain that the substantial part of the site intended as a permanent recreation facility would be reopened. The City Council were threatening to renege on their agreement with the MDC.

Since October MDC have been in long and difficult negotiations with the City Council but the major difficulties have finally been resolved. The two parties have signed a new agreement under which the MDC will retain control of the site until the end of 1988. During this time they will seek a private sector operator to take on the facility on a permanent basis. I am sure you will agree this would be far the most satisfactory long term solution.



With this obstacle out of the way the Development Corporation have been able to announce plans for the opening this Summer. The site, to be known as the "Festival Gardens", will comprise the permanent parkland area and the best of the international and domestic theme gardens not immediately required for development.

The Festival Gardens will not, of course, be on anything like the same scale as the IGF but they will serve the dual purpose of satisfying popular demand for the retention of the asset and more importantly demonstrating the long term potential of the modified site to the private sector.

I attach a copy of a recent MDC press statement which summarises their plans.

PJ

P J  
28 March 1985

Original PA 176  
Innocent





# PRESS RELEASE

Ref: FGL

6 March 1985

## FESTIVAL GARDENS - THE SHOW GOES ON!

Following the announcement that the Merseyside Development Corporation and Liverpool City Council have reached agreement about the future ownership of part of last year's International Garden Festival site, details have now been announced of the 'Festival Gardens' which will be open to the public this summer.

The site will continue to be managed and operated by the Merseyside Development Corporation, which will be seeking a commercial leisure operator or developer in order to secure the long term future of the site as a major tourism and leisure facility for the people of Merseyside.

More than 70 acres of gardens are to be retained, ensuring that the Festival Gardens will be one of the major events in Britain this year. The individual gardens, with an extra year's growth, are now more spectacular than ever. Special features, including the Yellow Submarine and the Blue Peter Dragon, have been relocated but remain prominent.

A brand new, larger-than-life attraction is intended to appeal especially to children. The festival hall will contain the 'Magic Garden' with plants and features up to ten times life size!

Over 1,000 special entertainment events are planned. With dancers, dragons, bands and buskers, the accent is placed firmly on Merseyside, and the programme is intended to be a showcase for the best creative talents in the region.

Merseyside Development Corporation

Royal Liver Building Pier Head Liverpool L3 1JH Telephone (051) 236 6090 Telex MDC 627110 CHACOM G

Many of last year's favourite entertainers will return together with resident artistes, a sprinkling of international performers, and with the involvement of local schoolchildren.

Part of the former International Garden Festival site is already being developed and prepared for housing and modern-technology industry. But the MDC believes that the exceptional demand from the public that the remainder be reopened demonstrates the enormous potential for tourism and leisure-related projects which exists on Merseyside.

The Festival Gardens will open on Thursday 23 May and continue every day until 8 September. It is expected that more than 250 jobs will be provided during the summer months.

For further information, please contact:

Diana Day  
Merseyside Development Corporation  
051 236 6090

For entertainment details, please contact:

Andrew Caspari  
Albert Dock Company  
051 709 7373

To obtain photographs, please contact:

Judith Barnes  
Northern PR Unit  
051 227 2222

### Notes to Editors

The Merseyside Development Corporation was established by Parliament in 1981 to regenerate Merseyside's derelict docklands.

Britain's first International Garden Festival, together with the phased restoration of the Albert Dock complex of grade one listed buildings, spearheaded the MDC's overall regeneration proposals. In less than three years, 125 acres of derelict and polluted land was transformed into a riverside paradise which attracted 3.4 million visitors in just under six months.

As the Festival closed, a massive popular campaign began for its return. The Development Corporation welcomes the further opportunity to demonstrate the leisure industry potential of the area. Last October reshaping began of parts of the site to accommodate the future uses of housing and light industry. However, a great many gardens remain to provide the basis for this year's event.

### Opening Hours

The Festival Gardens will be open seven days a week from May 23rd to September 8th 1985, from 11 a.m. to 7 p.m. (last ticket 6 p.m.).

### Admission Charges

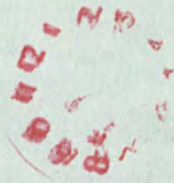
Day Tickets:	Adults £2.00	
	Children (5-16),	OAPs £1.00
Season Tickets:	Adults £12.00	
	Children (5-16),	OAPs £6.00



Regional PD 1 A 6

Inner cities

28 MAR 1985



RATE CAPPING: MISC 109

The rate-capping revolt is crumbling, principally because the Government has refused to panic and has stuck to its policy of 'no negotiations, no precipitate action'.

Now is not the time to change course. The signs are that all the councils - including Liverpool - may well come to heel before any real crisis occurs. And even if some hold out or cause deficits, the Government can well afford to engage in brinkmanship, refusing to intervene until local people ask for help.


On the specific issues raised in the MISC 109 papers:

1. Deficits in rate-capped authorities: wait and see. With luck, the councils will find means of containing their budgets or of 'accounting creatively'. In any case, RSG, rates and other revenue will keep them going until late in the year.
2. Liverpool rates: wait and see. The signs are that new money is being 'discovered' every day. And Hatton may find himself with a personal financial scandal on his hands.
3. Liverpool capital spending: do not precipitate a crisis. There is no merit in taking action which would lead to a financial breakdown unless Liverpool are clearly and openly flouting the law on capital borrowing. They seem, at present, to be backing away from a confrontation: Patrick Jenkin should not unnecessarily force them into a corner.

4. Liverpool contingency planning: take no further action. The arrangements for dealing with a contingency seem sensible. But DoE tend to be too apocalyptic: many of the 'service breakdowns' would take weeks or even months to become serious. It is important to ensure that officials do not swing into action unless and until there is popular clamour for them to do so.
  
5. Special funding for Commissioners: avoid any appearance of rewarding bad behaviour. Special borrowing powers, sales powers or - worst of all - Government grants should be avoided, since they will make us vulnerable to accusations of favouritism. There are two sensible options: either give them no extra powers; or give them power to levy a poll tax, which would bite on everybody in Liverpool, and thereby penalise those who voted the present council into office.
  
6. Size of a Commission: twelve members is too many. A new administration will be much more effective if it consists of just three (or at most, five) members. There will be no time for long meetings of a large committee. And months will be wasted in choosing candidates.
  
7. 'Sounding out' a chief Commissioner: delay action. A Commission should be avoided if at all possible; appointment of a chief Commissioner will merely lead Ministers to believe that this ghastly possibility is more realistic than it is. There is, in any case, no need to act now: a suitable person can be found very rapidly if the need arises, so long as the bait is sufficiently attractive. Besides, if the Government approaches a prospective Chief Commissioner, this will

inevitably leak, and Liverpool councillors will think that they have us on the run.

In short, we recommend that you should use the MISC 109 meeting to take stock, to remind Ministers of the success of the policy so far, and to reiterate the need to avoid any suspicion of panic.



OLIVER LETWIN

K01112



CONFIDENTIAL

PRIME MINISTER

Commissioners: Liverpool City Council  
(MISC 109(85)8)

BACKGROUND

The Group agreed at its first meeting in December that, while the introduction of Commissioners was a last resort, and would need careful handling, the Government should be ready to take such action if the situation warranted it. The Secretary of State for the Environment was authorised to work up plans on the role, recruitment and remuneration of Commissioners, but without going outside Government or making any formal approaches to potential candidates.

Proposals

2. MISC 109(85)8 proposes:
  - i. about 12 full-time Commissioners to deal with the initial restoration of order;
  - ii. (probably) a further group of part-timers to assist with longer-term administration;
  - iii. that individual Commissioners should ideally have a wide range of political and practical skills; and that overall the Commission should reflect the local religious and racial mix. In practice, it may be necessary to accept good calibre candidates whatever their background, but Mr Jenkin proposes ruling out serving civil servants and local government officers;



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- iv. target salaries of about £45,000 for the Chairman and £36,000 for members, but discretion for him to offer more if necessary;
- v. authority to sound out potential Chairmen after Easter (following consultation with colleagues) if there are no strong indications that the Council will make a legal rate.

MAIN ISSUES

3. It seems likely that Ministers will readily endorse Mr Jenkin's proposals on the numbers, qualities and role of Commissioners, which are based on the work done last year. The main issues for discussion are therefore:

- i. Commissioners' salaries;
- ii. whether to begin sounding out potential Chairmen.

Commissioners' Salaries

4. Salaries at the level proposed by Mr Jenkin could well attract criticism in comparison with the cost of elected councillors. On the other hand it is clear that it will be extremely difficult to attract sufficient good candidates for what will be an onerous task. Is it necessary to rule out completely serving civil servants and local authority officers? Failure to identify enough Commissioners would undermine the Government's position, and it may therefore be necessary, as Mr Jenkin suggests, to concede even higher salaries than he proposes. The Group might like to offer some guidance on any discretion given to Mr Jenkin, eg. an absolute limit, or a figure which needs to be referred back to the Group (or to you and the Chief Secretary).

Potential Chairmen

5. The Group will wish to weigh the practical arguments



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for an early approach to potential Chairmen:

- the Chairman is the key appointment, and he should be involved in selecting the other Commissioners;
- it may take three months to assemble a full team; on pessimistic assumptions the Council could collapse within three months;

against the wider tactical risk

- that any leak suggesting that the Government planned to use Commissioners could be damaging, and might undermine the whole strategy towards Liverpool.

6. Relevant considerations are:

- i. the latest information in MISC 109(85)1 that the Council's financial position may be better than previously thought; but the risk of events turning sour is probably such that approaches ought not to be significantly delayed.
- ii. that approaches to a small number of potential Chairmen are less likely to leak than subsequent approaches to a larger number of potential Commissioners.

7. It might be helpful in assessing the risks if Mr Jenkin were asked to identify the potential Chairmen he has in mind.

HANDLING

8. You will wish to ask the Secretary of State for the Environment to introduce his paper. The Chief Secretary, Treasury, will wish to comment on Commissioners' salaries. Thereafter all Ministers present are likely to wish to contribute.



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CONCLUSIONS

9. You will wish the Group to reach conclusions on:
- i. the number, role and qualifications of potential Commissioners, either
    - (a) as proposed in MISC 109(85)8 (ie. 12 high quality Commissioners, a wide range of political and practical skills with some reflection of local interests; no serving civil servants or local authority officers), or
    - (b) on some other basis;
  - ii. the approach to be adopted in fixing Commissioners' salaries, either
    - (a) as proposed in MISC 109(85)8 (ie. £45,000 for the Chairman and £36,000 for members with some discretion to go higher if necessary), or
    - (b) on some other basis;
  - iii. whether to approach potential Chairmen after Easter if there is no clear evidence that the Council will make a legal budget.

C J S BREARLEY

25 March 1985





K01113

PRIME MINISTER

Financing of Commissioners

(MISC 109(85)3)

## BACKGROUND

The draft Commissioner legislation provides for the making of either a rate if the displaced Council has failed to make one, or an emergency, supplementary rate if the Council has made an inadequate rate. There is therefore no need to provide for additional funds, although, as the paper annexed to MISC 109(85)3 shows, a number of possible mechanisms are available if Ministers wish to do so.

Proposals

2. Mr Jenkin seeks the Group's views on:
  - i. the principle of providing special financial support for a Commission; and
  - ii. the various options for doing so -
    - amendment to the block grant system (most obviously lifting holdback)
    - a direct one-off grant
    - Use of assets eg. direct application of receipts to revenue, or tying borrowing to assets
    - special borrowing consent to spread the cost over a number of years

His inclination is against any special grant, although he is prepared to countenance measures which would assist the Commission to use local resources in a way which will spread the costs over a number of years.

## MAIN ISSUES

3. The main issues are:
  - i. whether to decide now on the principle of additional financial support for Commissioners;
  - ii. if so, how this should be given;
  - iii. the longer term.



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#### Additional Finance

4. The main arguments in favour are set out in paragraph 3 of Mr Jenkin's paper; those against in paragraph 4. It is, as he says, largely a political choice between helping the Commissioners to achieve a less painful (for the area) and possibly quicker restoration of the situation, and the potentially expensive and difficult to present precedent which would be set by giving extra help. There would be something very odd in the Commissioners being able to operate to a more relaxed financial regime than the one that had led to their appointment.

5. Whatever is decided on the principle, it is impossible now to reach detailed decisions on assistance to particular authorities, since that will need to be examined in relation to individual circumstances, including the views of the Commissioners themselves. (Even the position on Liverpool is, as Mr Jenkin's situation report acknowledges, far from clear). There is therefore no absolute need to decide the principle at this stage, although it would be helpful to offer guidance on how particular problems are to be handled.

#### Spreading the Costs: The Options

6. Of the available options for assisting the Commissioners, some measure of special borrowing consent is the easiest to justify. It would not need new legislation. Local people would still be paying the full bill; the burden would merely be spread over a period on the grounds of realism. (In the case of Liverpool, for example, the Annex to MISC 109(85)3 shows that it would be possible to keep rate rises to around 30 per cent for 4 years, rather than the 113 per cent rise that might be needed with no special help). The main practical danger is that the resultant rise in indebtedness would put the

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authority in a position from which it could not recover, but it should be possible to minimise this risk by selling assets to redeem capital debt.

7. Allowing the use of capital receipts for revenue purposes or tying borrowing to capital assets would be dubious financial procedures, and new powers would be needed in the Commissioner legislation. Rate increases would however be brought under control quicker. Both special borrowing consent and use of capital would need to be exempted from the normal Rate Support Grant (RSG) rules if they were not to attract holdback, with the consequent loss of two-thirds of the receipts to the Treasury.

#### Other Forms of Assistance

8. None of the other options is attractive. Changing the grant system, eg. by lifting holdback, or a direct one-off grant would involve the taxpayer bailing out the local authority, would be inconsistent with the Government's basic strategy and difficult to present.

#### Longer Term

9. The Annex to MISC 109(85)3 canvasses various ideas for channelling additional resources into alleviating Liverpool's basic housing and environmental problems. A decision on this would need to be taken in the light of decisions on assistance to stabilise the immediate and medium term position; there is no need for Ministers to address this now.

#### HANDLING

10. You will wish to ask the Secretary of State for the Environment to introduce his paper. The Chief Secretary, Treasury will wish to comment on the public expenditure and financial probity aspects. Thereafter all Ministers present are likely to wish to contribute.



CONCLUSIONS

11. You will wish to reach conclusions on:
- i. whether to decide now on the principle of additional financial support for Commissioners;
  - ii. what, if any, guidance should be given on the form of financial assistance to be considered in relation to the problems of particular authorities.

A handwritten signature in dark ink, appearing to be 'CJS' with a flourish.

C J S BREARLEY

25 March 1985



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K01111

PRIME MINISTER

Contingency Planning: Liverpool City Council  
(MISC 109(85)2)

BACKGROUND

The Group emphasised, at their first meeting in December 1984, the importance of timely and thorough contingency planning covering every phase of the situation up to and beyond the financial collapse of the City. The Annex to Mr Jenkin's paper both sets out details of the general preparations which have been made, and identifies potential responses to a number of problems which could arise in particular areas. The question of Commissioners is dealt with in more detail in MISC 109(85)8 and 3. Similar arrangements would apply in the case of a collapse in other lower tier authorities; arrangements for upper tier authorities have been considered but are not described in this paper in the light of their decisions to set a legal rate.

Proposals

2. Mr Jenkin's covering paper, after noting the difficult timing decisions inherent in the Government's basic strategy, stresses the importance of good communications with local people, particularly the churches and the trade unions. He asks Service Ministers:

- i. which trade union leaders might be asked for advice;
- ii. whether they would be prepared to talk to appropriate union leaders at national level.

MAIN ISSUES

3. It is not necessary for Ministers to discuss contingency arrangements in detail at this stage; much depends on the particular



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way in which any crisis arises and develops. The main issues for the meeting are:

- i. whether the contingency planning arrangements are:
  - (a) along acceptable general lines, and
  - (b) sufficient;
- ii. whether to approach trade union leaders in the relevant service areas, and, if so, when and by whom.

#### Contingency Planning Arrangements

4. The arrangements set out in MISC 109(85)2 are the result of extensive work by officials to update the plans prepared last year, and are founded on well-established plans, eg. for the Civil Contingencies Unit (CCU) machinery. It would be difficult to go into more detail without going outside Government. This would be premature at this stage, although Ministers will need to return to this question if events begin to move towards a crisis.

5. As regards coverage, Ministers will wish to note that plans cover only the more essential services; in other areas, listed in Appendix 2, such as education contingency arrangements would be neither practicable nor consistent with the Government's general pre-Commissioners strategy.

#### Contacts with Trade Unions

6. While there are advantages in having a better view on, eg. the likelihood of co-operation from council staff in dealing with service breakdowns, there are obvious risks in Government plans becoming public. Ministers will therefore wish to consider the timing of any approach to the unions very carefully; it may be that Service Ministers will advise either a postponement of any decision for the present or that they should be allowed to play this aspect by ear.



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HANDLING

7. You will wish the Secretary of State for the Environment to introduce his paper. Thereafter Service Ministers may wish to comment briefly on the position as regards their individual services, and on the question of approaching trade union leaders.

CONCLUSIONS

8. You will wish the Group to record conclusions on the following:

- i. whether the contingency planning arrangements set out in MISC 109(85)2 are:
  - (a) along acceptable general lines, and
  - (b) sufficient;
- ii. whether to approach trade union leaders in relevant services, and, if so, when and on what basis.

C J S BREARLEY

25 March 1985



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K01110

PRIME MINISTER

Situation Report: Rate Limited Authorities and Liverpool  
(MISC 109(85)1)

MAIN ISSUES

Mr Jenkin's paper raises no issues for decision - in general the situation seems to be developing as well as or rather better than might have been expected - but the Group may wish to concentrate on the following points.

a. On rate-limited authorities

- i. the position of Hackney, which is required by Court Orders to rate by 1 April if it is not to run out of money very quickly thereafter;
- ii. the latest position on the Greater London Council (GLC) and Inner London Education Authority (ILEA) Court actions against their precept limits, on which judgment is due.

b. On Liverpool

- i. following indications that the financial position may be better than expected, Mr Jenkin's latest assessment of the likely timing of events;
- ii. the latest position on the direction under S.78 of the 1980 Act limiting capital spending;

HANDLING

2. You will wish the Secretary of State for the Environment to introduce, and if possible update, his situation report.

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Thereafter he might be asked briefly about the points listed in paragraph 1 above before moving on to the more substantive agenda items.

CONCLUSIONS

3. You will wish the Group to take note of the position as set out in MISC 109(85)1.

C J S BREARLEY

25 March 1985

CONFIDENTIAL



10 DOWNING STREET

*From the Private Secretary*

25 March, 1985.

The Prime Minister has seen your Secretary of State's minute of 20 March proposing that she should provide a message to be included in the brochure being published on the scope and scale of the Government's programme to assist the inner cities. The Prime Minister has agreed to provide such a message, but would prefer something along the lines of the attached draft. I should be grateful if you would let me know whether your Secretary of State would be content with such a draft, and if so, I shall arrange for you to receive a signed version.

*JONE - NO SIGNATURE REQUIRED.*

I am sending copies of this letter to Janet Lewis-Jones (Lord President's Office), Andrew Lansley (Department of Trade and Industry), Iain Mackinnon (Department of Employment), and Leigh Lewis (Office of the Minister without Portfolio).

(Timothy Flesher)

Andrew Allberry, Esq.,  
Department of the Environment.

In the course of a nation's life, cities change in size and character. People look for new opportunities in new places.

We should welcome such change. It is a sign of vitality.

But rapid alteration can have painful effects. In our inner cities, it has caused many problems, both social and economic.

There is no single solution. Action is required on many fronts - the creation of new businesses, clearing derelict sites, refurbishing old buildings and building new ones, improving homes, training in new skills and supporting volunteers who help the old and lonely.

Our national policies are helping to achieve these aims by fostering an enterprise culture, by making more effective use of our resources, and by providing more up-to-date training.

But we have also spent huge amounts of taxpayers' money on special projects to ease the pains of transition in our towns and cities. The Urban Programme alone has been increased from £50 million to £350 million. This is spent in partnership with the local authorities and in many cases with the private sector. In addition, we are devoting £100 million to specific training schemes and £35 million to industrial schemes.

I am convinced that these programmes could produce better results if they were better focussed. That is why we are setting up City Action Teams in five areas - Birmingham, Liverpool, London, Manchester/Salford, and Newcastle/Gateshead. Their task is to use money more effectively in these areas - to help make the inner cities more habitable for individuals and more attractive to business. I am sure that they will be widely welcomed.



Prime Minister  
Parliament  
M.A. *SJR*

CABINET OFFICE

70 Whitehall London SW1A 2AS Telephone 01-233 3299

From the Minister without Portfolio  
The Rt Hon Lord Young of Graffham

P. Dykins, Esq.,  
Private Secretary to the  
Minister for Sport,  
Department of the Environment,  
2 Marsham Street,  
London, S.W.1.

22nd March, 1985

*Mark Addison?*  
*is it possible to*  
*deal with expectations*  
*MS?*

Dear Philip

**PROPOSED 'EURODOME' STADIUM IN THE LONDON DOCKYARDS**

Lord Bruce of Donnington called, at his request, on Lord Young yesterday to discuss the above scheme.

He explained that a client of his firm of accountants - Jan Bobrowski and Partners - were proposing a stadium development in the London Dockyards. The proposed stadium, in which Lord Bruce said he would have a small financial interest, would have a capacity of between 70,000 and 100,000 and would, it was said, be the largest in Europe. Lord Bruce said that the scheme was currently under discussion with the Dockyards Development Corporation and with a firm of Merchant Bankers, Guinness Mahon. The details of the project are to be found in the attached brochure. Lord Bruce said that the purpose of his seeking a meeting with Lord Young was to emphasise to the Government that the proposed development would give London the capacity to hold the Olympic Games in 1992, should that be a serious prospect.

In response, Lord Young said that he would ensure that the existence of this proposal was brought to the attention of Mr. Macfarlane. He also undertook, in response to a specific request from Lord Bruce, to draw it to the Prime Minister's attention and I am therefore copying this letter to Mark Addison at No. 10.

Lord Young has no wish to become involved in any Government consideration of this issue. He would be grateful, however, if in due course you could provide him with a draft letter to send

..../Cont.

to Lord Bruce following up the meeting and explaining the Government's position, both on the 1992 Olympics and on the proposed Eurodome Development. I should be grateful if you would return the attached brochure with the draft reply so that we may in turn return it to Lord Bruce.

*Yours sincerely*

*Leigh Lewis*

Leigh Lewis  
Private Secretary

PP's  
CCBT

Agree Policy unit  
draft. not

MR FLESHER

22 March 1985

PRIME MINISTER'S MESSAGE ON URBAN POLICY

We believe that the Prime Minister should agree to provide a preface for Patrick Jenkin's booklet on Urban Policy.

But the draft offered by DoE is inadequate. It implies that:

1. The Government wants to arrest economic changes.
2. The Cities are all declining under this administration.
3. Our only response is to throw money at the problem.

I attach a revised version.

*Oliver Letwin*

OLIVER LETWIN



*Much better . Area this  
draft. me*

In the course of a nation's life, cities change in size and character. People look for new opportunities in new places.

We should welcome such change. It is a sign of vitality.

But rapid alteration can have painful effects. In our inner cities, it has caused many problems, both social and economic.

There is no single solution. Action is required on many fronts - the creation of new businesses, clearing derelict sites, refurbishing old buildings and building new ones, improving homes, training in new skills and supporting volunteers who help the old and lonely.

Our national policies are helping to achieve these aims by fostering an enterprise culture, by making more effective use of our resources, and by providing more up-to-date training.

But we have also spent huge amounts of taxpayers' money on special projects to ease the pains of transition in our towns and cities. The Urban Programme alone has been increased from £50 million to £350 million. This is spent in partnership with the local authorities and in many cases with the private sector. In addition, we are devoting £100 million to specific training schemes and £35 million to industrial schemes.

I am convinced that these programmes could produce better results if they were better focussed. That is why we are setting up City Action Teams in five areas - Birmingham, Liverpool, London, Manchester/Salford, and Newcastle/Gateshead. Their task is to use money more effectively in these areas - to help make the inner cities more habitable for individuals and more attractive to business. I am sure that they will be widely welcomed.

Inner Cities : REGIONAL POL. 146.



OLD



Prime Minister:

BJ  
C/101

Rhys Iant advice is attached. They agree that

You should provide a message but have suggested a considerably improved draft.  
Agree Rhys Iant draft?

PRIME MINISTER

URBAN POLICY

We intend to make a substantial publicity effort, with Ministers present in the various cities, to launch the five City Action Teams which will pull together DOE, DTI and DE/MSD programmes in the inner city Partnership areas in line with the recommendations of MISC 104. We shall take the opportunity to highlight the very substantial contribution made by Government programmes to these areas. The launch will take place on 18/19 April when we intend to publish a booklet which will describe and illustrate the scope and scale of our programmes. It would give the initiative a splendid boost and emphasise that this really is a joint effort between Departments if you felt able to provide a message on the inside cover of the brochure. I suggest something along the attached lines.

Pr

I am copying this to Willie Whitelaw, David Young, Norman Tebbit and Tom King.

PJ

P J

20 March 1985

PRIME MINISTER'S MESSAGE

*will' death of better not*  
*Manchester Policy*

The decay in many of our inner cities is something that we must not tolerate.

I am determined that we should arrest the decline. This has been going on for several decades and it has left the cities with many problems - economic, housing and social.

There is no single solution. The problem requires action on many fronts - the creation of new workshops, clearing derelict sites, refurbishing old buildings and building new ones, improving homes, training in new skills, supporting volunteers who help the old and lonely.

The Government accepts its share of the responsibility to overcome these problems. Since 1979 we have increased the money for special projects in our towns and cities through the Urban Programme alone from £50m to £350m. This is done in partnership with the local authorities and in many cases with the private sector. In addition, we are spending £100m on training and £35m on industrial schemes.

I am convinced that these programmes can be better focussed and produce better results. That is why we are setting up City Action Teams in 5 areas - Birmingham, Liverpool, London, Manchester/

Salford and Newcastle/Gateshead. Their task is to get more value  
for money spent in these areas.

I want to see real programme and improvements. I want to see  
our inner cities become once again places where people want to  
live and work and in which firms want to invest.

CONQUEROR

20 MAR 1985

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CONFIDENTIAL

CCNO  
B/F with response from  
Lord Young  
ABPM  
AT 26/2  
not replying  
NBPM

PRIME MINISTER

MISC 104: DETAILED MANAGEMENT PROPOSALS

1. I am content, apart from two reservations, with the proposals set out in David Young's submission to you dated 14 February. I am sure that greater inter-departmental coordination on programmes can only be beneficial.

2. The education service can help the regeneration of inner city areas by appropriate support in some cases in schools. It is therefore sensible that educational projects should be considered for a share of the resources available for Partnership and Programme authorities. The fact that the DES will not be represented on the city action teams could mean that educational interests will be overlooked. I hope that this will not happen and that some machinery for keeping my Department informed about the work of the teams can be developed.

3. Copies of this minute go to the other members of MISC 104 and to Sir Robert Armstrong and Sir Robin Ibbs.

KJ

KJ  
26 February 1985

Regional PD

PTG

Inner cities

COOPERATION

POE  
11 12 1 2

26 FEB 1965

PRIME MINISTER

NIGC 104. DETAILED BARRIERS PROPOSAL

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CONFIDENTIAL



NDP/17 AT 26/2

2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434

My ref:

Your ref:

26 February 1985

*Dear Margaret*

LIVERPOOL AND PWLB LENDING

Thank you for your letter of 19 February.

My Secretary of State is content with the draft PWLB circular and the suggested draft Answer. It is understood that the Public Works Loan Commissioners at their meeting on 20 February agreed to amend the first paragraph of the Circular to read "The Public Loans Board Commissioners are aware that there has been concern about their lending policy." He agrees with the Chancellor that it is important to ensure that both local authorities and the market are aware of the circumstances in which the PWLB would have to stop lending.

On the timing of the circular and PQ, we suggest that it should not issue before the announcement of the Court's decision on the GLC application for judicial review of their precept limit. But it would also be as well if the circular were issued in time for the rate limited authorities and Liverpool to take it into account before they hold their budget meetings, on 7 March but before my Secretary of State visits Liverpool on 5 and 7/8 March. If the circular were to issue while he was there it is liable to be misunderstood. This would suggest that the circular be issued on Monday 4 March.

I am copying this letter to Andrew Turnbull (No 10), the Private Secretaries to MISC 109 members and to Richard Hatfield (Cabinet Office).

*John Ballard*

*John Ballard*

JOHN BALLARD  
Private Secretary

Miss Margaret O'Mara

Reg Por: Liverpool Pt 6.



26 FEB 1985



CONFIDENTIAL

NBPM

AF 22/2

CSTO



FROM: CHIEF SECRETARY  
DATE: 22 February 1985

PRIME MINISTER

**MISC 104: DETAILED MANAGEMENT PROPOSALS**

David Young copied to me his minute of 14 February about the management of the Urban Programme.

2 In general I am content with the arrangements proposed in the report attached to his minute. It is particularly important to establish targets for output and arrangements for monitoring them in each of the partnership areas as soon as possible since these will help us achieve better value for money. The report seems to overstate the difficulties here; even for aspects of programmes over which the teams do not have direct control (either because of the role of local authorities or because they are demand led) it should be possible to establish targets provided these are appropriate to the degree of influence and control exercised by central government.

3 However, I fully agree with the report's recommendation that it is not sensible to make a single official in each area responsible for all departments' expenditure. Whilst I accept the technical difficulties referred to in the report, I do not regard these as overriding. The fundamental point is that single accountability would mean achieving less good value for money from expenditure by the Departments of Employment(Dem) and Trade and Industry (DTI) overall. The official responsible for expenditure would be able to ensure that decisions were taken so as to achieve best value for money in his partnership area (or areas) but could not take account of whether the DEM or DTI resources could be used to best effect, in terms of the Government's objectives overall, outside his area.

CONFIDENTIAL

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4 Finally, I think we should be realistic about the significance of these changes. They represent a useful reform which should achieve better value for money and a clearer public awareness of the total resources being spent in the partnership areas; they are not a major new initiative. Press briefing should reflect this.

5 I am copying this minute to the other members of MISC 104, to Sir Robin Armstrong and Sir Robin Ibbs.

PK.

PETER REES

CONFIDENTIAL

REG. POL; Inner cities;  
A66.

22 FEB 1988  
1988 FEB 22

CONFIDENTIAL

CONFIDENTIAL

The Rt Hon Lord Young of Graffham  
 Minister without Portfolio  
 70 Whitehall  
 LONDON  
 SW1A 2AS

SCOTTISH OFFICE  
 WHITEHALL, LONDON SW1A 2AU  
 TELEPHONE: 01-233 3000

22 February 1985

Dear David,

Thank you for sending to George Younger a copy of your minute of ~~14 January~~<sup>February</sup> to the Prime Minister, covering the detailed proposals for the management of urban policy along the lines agreed by MISC 104. I am replying in George Younger's absence in Scotland.

For our part we are content with what is proposed. The proposals have no direct implications for Scotland (where, because of the role of the Scottish Development Agency in relation to economic and environmental action, the consequent difference in the role of the urban programme here and the co-ordination possible within the Scottish Office, the situation is very different); but we are wholly in agreement with the basic objectives - of improved co-ordination of effort and the setting of targets and objectives in order to increase the cost-effectiveness of the expenditure devoted to deprived urban areas. We have already instituted some relevant improvements in relation to the urban programme and we will wish to keep in touch with developments in England, in order to consider what lessons may be learned for Scotland from the English experience.

I am copying this letter to the other members of MISC 104 and to Sir Robert Armstrong and Sir Robin Ibbs.

Yours  
 Michael

MICHAEL ANCRAM

22 FEB 1985

27 FEB 1985

10 11 12 1 2 3 4 5 6 7 8 9

Y SWYDDFA GYMREIG  
GWYDYR HOUSE  
WHITEHALL LONDON SW1A 2ER  
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From The Minister of State

21 February 1985

*Oddi wrth y Gweinidog Gwladol*

CT/7123/85

*Dear David,*

I was interested to have a copy of your minute of 14 February to the Prime Minister outlining proposals for the future management of urban policy.

These proposals of course relate to the position in England and it might be helpful if this point is made clear either in the Parliamentary Answer or in the Press briefing. The position is somewhat different in Wales. We do not have Partnership Authorities and so far as urban policy within Wales is concerned, the Welsh Office is well placed to co-ordinate and take an over-view of the way it is developing and the use of the Instruments available, such as the Urban Programme.

At the same time I recognise that much of what you have been discussing has relevance within Wales and I have been considering how best to take specific ideas into account, for example the important issue of target setting. This is an area which I have already asked to be strengthened in Wales. To that end I have looked to ensure in the Urban Programme approvals I recently announced for 1985/86 that the resources are concentrated on high quality schemes with clear objectives along the lines we discussed in MISC 104. It will be against these objectives that my Department will be evaluating achievement as the Urban Programme continues. It would be particularly helpful if my Department could be kept in touch with the way experience develops on the proposed new arrangements in England.

I am copying this letter to the Prime Minister, members of MISC 104 and to Sir Robert Armstrong and Sir Robin Ibbs.

*Yours ever,*

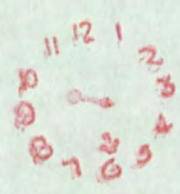
*John.*

JOHN STRADLING THOMAS

The Rt Hon Lord Young of Graffham  
Minister without Portfolio  
Cabinet Office  
70 Whitehall  
LONDON

Bas Pol L'ord 186

22 FEB 1985



DEPARTMENT/SERIES ..... <i>PREM 19</i> ..... PIECE/ITEM ..... <i>1616</i> ..... (one piece/item number)	Date and sign
Extract/Item details:  <i>Letter to Kenneth Baker dated          21 February 1985</i>	
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DEPARTMENT/SERIES ..... <i>PREM 19</i> ..... PIECE/ITEM ..... <i>1616</i> ..... (one piece/item number)	Date and sign
Extract/Item details:  <i>Letter from Downey to Barclay  dated 20 February 1985, with  enclosure</i>	
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10 DOWNING STREET

19 February 1985

*From the Private Secretary*

MISC 104: DETAILED MANAGEMENT PROPOSALS

The Prime Minister has seen Lord Young's minute of 14 February and discussed it with him yesterday. The Prime Minister has also seen the comments of the Efficiency Unit. She questioned whether it was possible to go further towards providing unified control and accountability in each of the City Action Teams. Lord Young explained that to go further than he had proposed would require legislation which would delay establishment of the arrangements for better co-ordination. He accepted that if the new arrangements were shown not to be working well, the Government would have to consider legislation. On this basis and subject to the views of colleagues, the Prime Minister accepted his proposal and was content for an announcement to be made shortly.

The Prime Minister was content with the proposal that the group of Ministers which had worked on the co-ordination arrangements would continue in existence to set targets and monitor progress. Sir Robert Armstrong has advised that this could be established as a MISC Group. The Prime Minister would be grateful for a report in about 12 month's time on the way CAT's are working and how they might be further developed.

I am copying this letter to the Private Secretaries to Members of MISC 104, Richard Hatfield (Cabinet Office), and Ian Beesley, (Efficiency Unit).

Andrew Turnbull

Leigh Lewis, Esq.,  
 Office of the Minister without Portfolio



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

NDPM

AS

19/2

John Ballard Esq  
 Private Secretary to the  
 Secretary of State for the Environment  
 2 Marsham Street  
 LONDON SW1P 3EB

19 February 1985

*Dear John,*

**LIVERPOOL AND PWLB LENDING**

MISC 109 discussed issuing an advisory PWLB circular to local authorities generally to draw their attention to the constraints on PWLB lending (MISC 109(85) 1st Meeting). I now enclose a draft circular which the Secretary to the PWLB proposes to put to the Board meeting on 20 February.

It is equally important that market operators should understand the position. But PWLB circulars are not easily available to them. The Chancellor has concluded that an arranged Written Answer would best achieve what we want. Although a PO would give added political prominence to the statement, there are even greater risks if we fail to disabuse the market of the notion that the PWLB will lend in all circumstances. I therefore also enclose a draft of an arranged Question and Answer.

The Chancellor would be glad to know that your Secretary of State is content and to have his views on the timing of the circular and PO.

I am copying this letter and enclosures to Andrew Turnbull (No 10), the private secretaries to MISC 109 members and to Richard Hatfield (Cabinet Office).

*Yours sincerely,*

*Margaret O'Mara*

MISS O'MARA  
 PRIVATE SECRETARY

DRAFT CIRCULAR No.76

1. The Public Works Loan Commissioners are aware that there has been concern about their future lending policy to some local authorities.
2. The Commissioners wish to make it plain that there is no change in their lending policy. They expect to continue to make loans available on the terms described in their circulars to any local authority having a valid power to borrow. The Commissioners could not lend to an authority which had chosen to act illegally and, more widely, they have a statutory obligation to satisfy themselves, before advancing a loan, that an authority is able to service and repay the loan.
3. Enquiries relating to this circular may be made to 01-606-7321, extensions 25, 28 or 32.

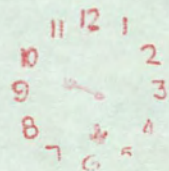
## DRAFT WRITTEN ANSWER

Has there been any change in the policy of the Public Works Loan Commissioners in regard to their lending to local authorities?

Answer

In their Circular No76 issued today the Commissioners have made it plain that there is no change in their lending policy. They expect to continue to make loans available on the terms described in their circulars to any local authority having a valid power to borrow. The Commissioners could not lend to an authority which had chosen to act illegally and, more widely, they have a statutory obligation to satisfy themselves, before advancing a loan, that an authority is able to service and repay the loan.

19 FEB 1985





Prime Minister ①

Following Lord Young's explanation on the difficulty of uniting financial accountability, you have approved his proposals in principle.

To note RIA's advice and agree his recommendations.

AT 18/2

Ref. A085/524

PRIME MINISTER

MISC 104: Detailed Management Proposals

In his minute of 14 February, Lord Young has put to you the detailed proposals for the management of urban policy which have emerged from his small group of Ministers of State. He hopes to announce the changes before his departure for China on 27 February. Given your own movements, an early indication of your views would clearly be helpful.

2. At its third meeting, MISC 104 discussed the question of improving the management structure of urban policy. The Group agreed that greatly improved co-ordination of departmental activity was a pressing requirement; that the creation of a new agency was not without dangers and would take too long to establish; and that a new structure for joint working and planning arrangements for the three Departments principally concerned with expenditure in urban areas should be set up under the leadership, at official level, of the Regional Director of one of the Departments concerned. Emphasis was placed on the need for the right qualities in the lead officials. The Minister without Portfolio was asked to work up proposals with junior Ministers from the Departments concerned.

3. The paper attached to the Minister without Portfolio's minute explains how this form of organisation will work in practice in the Partnership areas and how the setting of targets and the reporting back from the regions to the centre will operate.

4. It seems to me that what has been suggested is a good starting point. As Lord Young himself recognises, the form of organisation which he is suggesting is capable of further development geographically and, if necessary, organisationally.



It covers only the core Departments of the Environment, Employment and Trade and Industry. As the new "city action teams" familiarise themselves with their work, it will be possible to give some attention to the social objectives of urban policy and involve Departments such as the Home Office and Education and Science.

5. The team leaders for the five city action teams will be carefully chosen and it is on their enthusiasm and capacity that the success of the change will ultimately depend. What is required is a willingness to move away from normal bureaucratic channels and to cross departmental boundaries. It will be made clear to the team leaders that they will have support from the top for this kind of initiative. It will then be up to them to set their targets, monitor them and build on their success.
6. Lord Young's group will clearly be important in the continued operation and monitoring of urban policy, and I suggest that it should be given more formal recognition by being made a MISC Group. The membership would initially be restricted to the three main Departments (Environment, Trade and Industry, Employment (MSC)), but could easily be expanded as necessary to bring in others. I would suggest that it stays at Minister of State level, with Lord Young in the chair.
7. On the timing of an announcement, the proposal is for an arranged PQ in the House of Commons on 25 February. This would be accompanied by a press notice and would enable further references to the new arrangement in the Budget debates, if this was felt to be appropriate. Further launches would then take place in April in each of the five areas.
8. I am sure that it is right to place emphasis on local launches. If the new arrangements are to be totally successful, teams must win the confidence of all sorts of local interests. The more they can give the impression that power is being devolved from Whitehall, the easier this will be for them. It is I think important that Ministers take part in these regional





launches. My only doubt is whether the time between the central announcement and the local launches is too long and that some of the impetus will be dissipated. I know that there are problems here, because of Lord Young's visit to China and Mr Baker's involvement in the Committee Stage of the Local Government Bill. Nonetheless I think that, if at all possible, the two announcements should be brought closer together.

9. The proposals mark a significant step in the Government's handling of urban policy and one which will give a much fairer picture of the resources that are devoted to urban areas. It is something of an experiment in terms of organisation; success here will provide a blueprint for possible future extensions. I suggest that you give your agreement to what is proposed, subject to any comments by other members of MISC 104, that you endorse Lord Young's proposal to chair a co-ordinating group of junior Ministers (as a MISC Group), and that you ask for a report on how the city action teams are bedding down and how they might be developed, in about 12 months' time.

RA

ROBERT ARMSTRONG

18 February 1985



10 DOWNING STREET

Prime Minister

Agree Lord Young's proposals  
subject to financial  
accountability which you  
can discuss at the meeting?

Para 6 of the paper sets  
out why he and his colleagues  
came to view that each  
Department had to be responsible  
for its own expenditure in each  
city.

AT

15/2

PRIME MINISTER

15 February 1985

URBAN PROGRAMME

We agree with David Young's recommendations for managing the Urban Programme, except in one important respect: the proposals for increasing accountability are anaemic.

Unless each Urban Policy team leader is directly and personally responsible for his team's resources, he will rapidly turn into a mere figurehead. And no-one will know whom to blame if things go wrong.

David Young argues that, because several Departments are involved, giving team leaders financial responsibility will cause difficulties for vote accounting. But these problems could surely be overcome with a little ingenuity. Many private employers already receive money from several different Departments (eg MSC, DTI, DoE). If such employers can be held responsible for the joint funding, why can't an official team leader?

We recommend that you should in general accept the proposals but press for proper financial accountability.

*Oliver Letwin*

OLIVER LETWIN



**CONFIDENTIAL**

MR BARCLAY

cc Mr Redwood  
Mr Lingard

MISC 104: DETAILED MANAGEMENT PROPOSALS

Sir Robin Ibbs is in New Zealand at present, so I am not able to show him Lord Young's minute of 14 February.

But I know that he would ask, seeing it, what difference these proposals are going to make.

At the MISC 104 meetings in October he advocated setting up a new, purpose-built agency to pull together urban policy and ensure that the money was spent to better effect. The Committee did not favour that, but decided instead to set up Task Forces in the main urban centres.

But now it seems that the 'city action team' leaders are to have no more authority, no more control over resources, than those same officials have under the existing arrangements. I suggest that the Prime Minister should ask:

- (1) how will the new arrangements differ from the present position?
- (2) what assurance can there be that the efforts of various Departments will be better coordinated?
- (3) should not the position of the task force leaders be strengthened so that they can be held accountable for the government's total effort in the area?

I am sure that Sir Robin would advise that, unless the proposals are firmed up in this way:

- any announcement of a Government initiative will look transparently inadequate; and
- in practice the arrangements simply will not measure up to the needs of the situation.

IB

IAN B BEESLEY  
15 February 1985

For Meeting with Lord Young, Mon: 18 Feb.

CONFIDENTIAL

MR BARCLAY

cc Mr Redwood  
Mr Lingard

MISC 104: DETAILED MANAGEMENT PROPOSALS

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I am sure that Sir Robin would advise that, unless the proposals are firmed up in this way:

- any announcement of a Government initiative will look transparently inadequate; and
- in practice the arrangements simply will not measure up to the needs of the situation.

13  
IAN B BEESLEY  
15 February 1985

PRIME MINISTER

MISC 104 : DETAILED MANAGEMENT PROPOSALS

At the 3rd Meeting of MISC 104 on <sup>Attached</sup> 27 November, you asked me to work out detailed proposals for the management of urban policy along the lines agreed by the Group. I have carried this forward in a small sub-group comprising Kenneth Baker, Peter Morrison and Norman Lamont, whose Departments will be the ones mainly concerned. I am pleased to say that we have been able to reach agreement on all the main issues and my report of conclusions is attached.

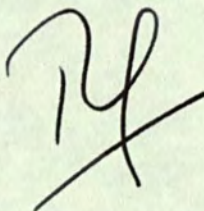
2 I believe the arrangements on which we have agreed, while only a limited reform in organisational terms, will have three important benefits for our urban policy -

- a by encouraging Departments to set targets and forecasts for the output of their expenditure and to give an account of their subsequent achievements we should obtain better value for money from existing individual programmes.
- b by forming interdepartmental teams, with an identified leader, we should greatly improve the coordination - and hence the overall effectiveness - of the various spending programmes and schemes through which we assist the inner cities.
- c by bringing together the expenditure of DoE, DTI and DE/MSD, under a single publicity heading and logo, we

will be taking credit for a far higher level of support for the inner cities than was identified through DoE's urban programme alone.

3 MISC 104 agreed that the new arrangements should be launched this month, and you will see that our intention would be make an initial announcement before I go to China on 27 February. That of course is subject to your approval, and that of colleagues, to what is proposed and it would obviously be helpful to know as soon as possible whether you are in fact content.

4 I am copying this letter to the other members of MISC 104 and to Sir Robert Armstrong and Sir Robin Ibbs.

A handwritten signature in black ink, consisting of a stylized 'R' followed by a horizontal line and a diagonal stroke.

D.I.Y.

14 February 1985

DRAFT REPLY TO WRITTEN PQ

1           The Government are making a very substantial contribution to help improve economic and social conditions in deprived urban areas. They are determined to improve both the cost effectiveness of the various Departmental spending programmes and the co-ordination of Departments' efforts. Therefore the Government are setting up 5 teams to be called City Action Teams which will comprise the Regional Directors of the Departments of Environment and Trade and Industry, and the Manpower Services Commission. One team will serve the 3 London inner city partnership areas (Hackney, Islington and Lambeth) and there will be separate teams for the Partnership areas of Birmingham, Liverpool, Manchester/Salford, and Newcastle/Gateshead.

2           The 3 Departments will share the leadership of the teams to reflect the joint commitment of Departments to improve the delivery of urban policy. The Department of the Environment will lead two of the teams, the Department of Trade and Industry two and MSC one. The leadership of each team will rotate from time to time between Departments. The extension of the teams' work to other urban areas will be considered as experience develops. Further details of the teams and their leadership will be announced shortly.

3           The task of each team will be to secure improved co-operation between Departments in developing and implementing



their policies and programmes reflecting the local circumstances in the Partnership areas. They will work closely with the local authorities and the private and voluntary sectors and will build on and strengthen the existing working arrangements, for example between the Department of the Environment and other Departments and the local authorities through the present Partnership arrangements, and between the MSC and Area Manpower Boards. Within the framework of Departmental policies the teams will develop local priorities relevant to the needs of each area; they will establish joint arrangements for co-ordinating Departmental programmes; output from local programmes and projects will be systematically monitored; they will develop opportunities for joint funding between Departmental programmes.

4 The scale of existing financial resources being provided for the Partnership areas through many Government programmes is substantial. In 1984/85 the Partnership areas are expected to receive over £130 million through the Urban Programme; the MSC expect to spend of the order of £100 million on employment and training measures; and DTI expect to spend some £40 million on assistance to industry. The review of the regional policy map last November brought two more Partnership areas within the scope of regional assistance to industry. The prime objective is to obtain better value for this money.

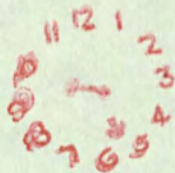
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5 These decisions follow an internal Government review of urban policy which confirmed the need for closer liaison between Government programmes as they are applied in inner city areas. The need for better co-ordination has also been raised many times by local authority leaders.

6 The problems facing inner city areas are long-standing and the structural, economic and social changes affecting these areas cannot simply be reversed. There is however ample scope to ease the process of adjustment and to ensure maximum opportunity for all concerned to release the skills, energy and physical resources in our cities.

7 The arrangements announced today are one important step to improve the Government's contribution to fulfilling this aim.

14 FEB 1985



## URBAN POLICY MANAGEMENT

1 The issues which MISC 104 specifically invited us to consider were: management structure; accountability; targets; extension of the new arrangements beyond Partnership Areas; central co-ordination; and presentation and publicity. I will deal with each issue in turn.

Management Structure

2 MISC 104 concluded that the pressing requirement was for greatly improved co-ordination of Departmental activity, but that a new agency had drawbacks and would take too long to set up. We have therefore developed proposals for inter-departmental teams covering the seven Partnership areas; only five teams will be necessary since one of them will be capable of covering all three London Partnerships. As the teams will not at this stage be concerned with the fourth (social) objective of urban policy, they will be drawn in the first instance from the relevant regional offices of three Departments: DoE, DE and DTI. We propose that the teams should be known as 'city action teams' and should be led by the Regional Director of one of the Departments concerned, who would be responsible for submitting quarterly progress reports to Ministers. In the first instance, DoE would lead in Liverpool and London, DTI in Manchester and Birmingham and DE in Newcastle. It would be desirable for leadership of the

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teams to rotate at intervals, and I suggest the position is subject to review.

3 We suggest that the teams should have the following broad terms of reference:-

- i establishing agreed targets for the various relevant programmes for which constituent Departments are responsible and in relation to the objectives agreed by Ministers.
- ii monitoring expenditure and output with a view to achieving the targets referred to in (i);
- iii exchanging information on programmes relevant to urban policy objectives and setting priorities in relation to the needs of their area;
- iv planning and promoting joint schemes (ie, schemes funded by more than one Department).
- v providing a point of contact for local authorities and other agencies on the major sources of external finance for urban initiatives.

4 It will be the responsibility of each team leader to bring together his colleagues from the regional offices of the other two Departments concerned to carry through these tasks. It will be necessary for Departments to work closely at all levels in order to identify ways in which their programmes can join to make an effective contribution to the particular needs of their Partnership areas. We would also

look at them to identify opportunities for joint funding and to ensure a smooth path for agreed projects. We intend to stress these points when we meet all the Regional Directors involved next month to brief them on the new arrangements.

5 The formation of the action teams will require a few extra staff (from within existing Departmental allocations) and some of the people involved may need to devote more time than at present to the needs of the Partnership areas and the impact of spending programmes upon them. The general picture, however, is that we are making better use of existing Departmental resources.

#### Accountability

6 In your summing up of the last meeting of MISC 104, you said that it would be highly desirable that the lead official in each area should have authority over and accountability for relevant expenditure. We can see the advantages of such an approach, which was of course at the heart of the option MISC 104 also considered, but rejected, for single management of the urban policy. However, having looked at the practical difficulties for such things as Vote accounting, we have concluded that the key improvements in coordination and effectiveness should be achievable through the system of team leadership and collective agreement described above, without any change in formal accounting arrangements. Individual Departments will therefore remain responsible for the management of their programmes with no new facility for

transferring funds between the programmes of different Departments.

### Targets and Reports

7 MISC 104 agreed that targets should be established in relation to Government expenditure on urban policy objectives for 1985/86 in the 7 Partnership areas on the lines I had proposed to the Group. Lead officials and their teams will be expected to confer closely on the deployment of resources and the setting of targets, and to seek an agreed view on significant expenditure decisions. In order to have some targets in place as soon as possible, Departments are now working on their production individually (but in consultation) pending the introduction of the new arrangements. Team leaders will be expected to be able to discuss in their quarterly reports (see paragraph 10, below) how each Department's expenditure relates to targets and the reasons for any divergence.

8 Setting targets will not always be easy. For the demand-led programmes in particular the targets that are produced will be closer to forecasts, since Departments when considering applications from the Partnership areas would find difficulty in seeking to meet pre-set targets if this involved departing from criteria intended to apply nationally. The role of local authorities in certain programmes - for example, housing, derelict land, Urban Programme - is crucial, and where co-operation with local

authorities is poor (the worst case being Liverpool) central Government officials will have less influence over the achievement of targets. It will be up to officials to bring out this kind of issue in their quarterly reports.

9 Notwithstanding these difficulties, I conclude that we must require the teams, year-by-year, to engage in a target-setting exercise for all programmes which contribute to the relevant urban policy objectives. In practice the targets set for 1985/6 will have to be treated with a degree of flexibility. The teams, however, will be expected to build up their assessment of the needs and priorities of their areas, to establish more reliable data about the output from the relevant expenditure programmes, and to use this data to set more soundly-based targets for 1986/7. If, as a result of their assessment of needs, teams come to the conclusion that individual departments should re-examine the rules and priorities of their own programmes, or the allocation of resources to urban areas, team members should be ready to pursue these issues with the headquarters of their department.

10 We are proposing that the teams should make a quarterly progress report, in addition to the annual production of targets, and that the reports should be sent to me and to the relevant Ministers in the other Departments concerned.



Extension of the new arrangements beyond Partnership areas

11 MISC 104 concluded that the possibility of extending the new arrangements to other areas could be considered later, and you invited me to consider the possibility of pilot schemes. I think that in the early stages, the action teams will certainly have sufficient work arising from the Partnership areas to occupy them fully. I would, however, see no difficulty in extending the methods of working developed for the Partnerships to other urban areas. Rather than having pilot schemes, I would suggest that each of the teams, as it settles in, should consider and make recommendations on the extension of their work to neighbouring areas of urban deprivation. We could then review the way forward both for the regions which have Partnership areas and for those (eg Yorkshire and Humberside) which do not.

Central co-ordination

12 At MISC 104, you invited me to chair a Group of Ministers of State from the Departments most directly concerned to co-ordinate arrangements at the centre. In effect that group already exists; it is the one which has helped me to produce the proposals set out in this note. Ministers from other Departments could join the group as and when additional objectives (in particular the social objectives, currently excluded) were brought within the ambit of the action teams. The main activities of the group would be to consider the targets proposed annually by teams, and

the team leaders' quarterly progress reports. It might also need to discuss issues of resource allocation and Departmental priorities raised by team members as proposed in paragraph 9 above.

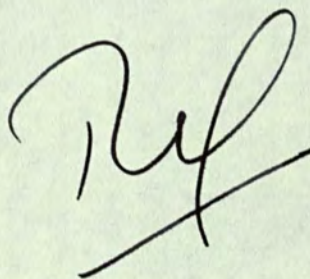
#### Presentation and Publicity

13 Reports of our proposals have already appeared in some newspapers and have stimulated considerable interest and speculation. Local authorities are partly supportive, but also suspicious, and I do not think it would be desirable to allow this speculation to continue for longer than necessary. I therefore propose that an initial announcement of our plans should be made as soon as possible, preferably before I go to China. This could be in the form of an arranged PQ, accompanied by a press notice; a draft Parliamentary Answer is attached. Kenneth Baker has proposed that it would be a Commons Question, probably to be answered on 25 February. An early announcement would have the further advantage of enabling something positive to be said about urban policy in the follow-up to the Budget.

14 This initial, central announcement would be followed up in April by separate launches in each of the five areas. We would highlight the new emphasis on close inter-departmental working by involving in the launches Ministers from all three Departments concerned as well as myself. The Departments will join together to produce publicity material, probably in the form of a brochure or booklet, for distribution at the

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launches and subsequently. This would draw attention to the beneficial effects of the substantial Government expenditure in Partnership areas under the relevant programmes, and would provide information for potential applicants on how to exploit the schemes funded under these programmes. We would also use the regional launches to unveil the new urban policy logo, and we would propose to circulate more details of this, and other aspects of the launches, in due course.


A handwritten signature in black ink, appearing to be 'D.I.Y.', written in a cursive style.

D.I.Y.

14 February 1985

DEPARTMENT/SERIES ..... <i>PREM 19</i> ..... PIECE/ITEM ..... <i>1616</i> ..... (one piece/item number)	Date and sign
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DEPARTMENT/SERIES ..... <i>PREM 19</i> ..... PIECE/ITEM ..... <i>1616</i> ..... (one piece/item number)	Date and sign
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PLEASE NOTE

DAVID SHEPPARD HAS BEEN  
INCORRECTLY ADDRESSED  
TWICE

It should be:  
The Rt Rev. the Lord  
Bishop of Liverpool





lie

RW

cc: D. Kemp

10 DOWNING STREET

THE PRIME MINISTER

8 February, 1985

My dear Lord Bishop.

Thank you for your letter of 21 January. I am sorry I did not pick up your point about the adult training strategy in my earlier letter.

I fully understand your concern that our support for adult training in Merseyside, particularly for the unemployed, should not be reduced. Let me assure you that there is no question of any reduced commitment to supporting adult training on Merseyside or other areas experiencing high unemployment. In fact, we plan to more than double the number of adults trained on Merseyside with the Manpower Services Commission's support next year. Nearly 7000 adults are expected to be helped by the Commission's training programmes, and this increase will substantially benefit unemployed people, who will account for about half of those supported, as well as those already in jobs. We are introducing new programmes which we hope will be more relevant to the local labour market and expanding the successful elements of existing schemes, such as training for people to set up small businesses.

We are able to help more people within the same level of resources nationally and with minor adjustments at regional level by tailoring training to local needs and ensuring it is delivered cost-effectively.

RW

As far as the particular problems of areas such as as Liverpool 8 are concerned, I assure you that the Manpower Services Commission will continue to take these fully into account when considering which training courses to support, and will continue to work closely with other organisations and departments, including the Task Force, in tackling the needs of Merseyside. In the particular case of the review of the Skillcentre network, I hope you would agree that our main concern should be to provide more training which is more relevant to the needs of the area rather than to preserve courses and institutions which are not proving effective. But the Manpower Services Commission's proposals for Skillcentres certainly envisage retaining the best of the Skills training currently provided at Airtree and elsewhere on Merseyside.

I hope this information is helpful. Thank you for writing on this important matter.

Y  
ours sincerely

Margaret Thatcher

The Right Reverend the Lord Bishop of Liverpool



CONFIDENTIAL

file ea  
bc J. Redwood



MISC 104:  
Ld Pres  
HS  
S/Educ  
S/Env  
S/Social Servs  
S/Trade & Ind  
S/Emp  
CS HMT  
MWP *From the Private Secretary*

10 DOWNING STREET

7 February 1985

URBAN POLICY AND PROGRAMME REVIEW

The Prime Minister has seen your Secretary of State's minute of 4 February and the Chief Secretary's minute of 6 February. She was content with the draft reply indicating that it was not proposed to publish the review but agrees with the Chief Secretary that, when MISC 104 has completed its work, it should consider whether to publish a summary or a statement of the future of urban policy and the Urban Programme.

I am copying this letter to Private Secretaries to other members of MISC 104 and to Richard Hatfield and Sir Robin Ibbs (Cabinet Office).

(Andrew Turnbull)

John Ballard Esq  
Department of the Environment

CONFIDENTIAL

✓



GTR  
 M typed for  
 PM signature

Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213.....7789

Switchboard 01-213 3000

Andrew Turnbull Esq  
 Private Secretary  
 10 Downing Street  
 LONDON SW1

7 February 1985

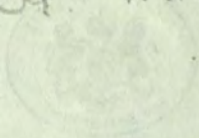
Dear Andrew,

... I attach a draft for the Prime Minister for the Bishop of Liverpool as requested in your letter of 28 January. It has been cleared at ministerial level and I should be grateful for a copy for our records.

Yours sincerely,  
 Judith Rutherford

JUDITH RUTHERFORD  
 Private Secretary

REGIONAL POLICY: Inner cities.  
Pt 5.



THE SECRETARY OF STATE  
FOR THE DEPARTMENT OF THE INTERIOR  
WASHINGTON, D. C. 20540

Very truly yours,  
[Signature]

Assistant Secretary  
for Policy and Planning

Enclosure

100-100000-1000

DRAFT FOR PRIME MINISTER

Our ref: PO 16653

The Rt Rev David Sheppard  
Bishop of Liverpool  
Church House  
1 Hanover Street  
LIVERPOOL L1 3DW

*RAMADAN*

Thank you for your letter of 21 January. I am sorry I did not pick up your point about the adult training strategy in my earlier letter.

I fully understand your concern that our support for adult training in Merseyside, particularly for the unemployed, should not be reduced. Let me assure you that there is no question of any reduced commitment to supporting adult training on Merseyside or other areas experiencing high unemployment. In fact, we plan to more than double the number of adults trained on Merseyside with the Manpower Services Commission's support next year. Nearly 7000 adults are expected to be helped by the Commission's training programmes, and this increase will substantially benefit unemployed people, who will account for about half of those supported, as well as those already in jobs. ~~What we are doing is~~ introducing new programmes which we hope will be more relevant

to the local labour market and expanding the successful elements of existing schemes, such as training for people to set up small businesses.

We are able to help more people within the same level of resources nationally and with minor adjustments at regional level by tailoring training to local needs and ensuring it is delivered cost-effectively.

As far as the particular problems of areas such as Liverpool 8 are concerned, I assure you that the Manpower Services Commission will continue to take these fully into account when considering which training courses to support, and will continue to work closely with other organisations and Departments, including the Task Force, in tackling the needs of Merseyside. In the particular case of the review of the Skillcentre network, I hope you would agree that our main concern should be to provide more training which is more relevant to the needs of the area rather than to preserve courses and institutions which are not proving effective. But the Manpower Services Commission's proposals for Skillcentres certainly envisage retaining the best of the Skills training currently provided at Airtree <sup>and</sup> elsewhere on Merseyside.

I hope this information is helpful. Thank you for writing on this important matter.

CONFIDENTIAL

MEMORANDUM FOR THE DIRECTOR, FBI

Reference is made to the report of the Special Agent in Charge, New York, dated 1/24/85, and the report of the Special Agent in Charge, Chicago, dated 1/24/85, both captioned as above.

The New York report states that on 1/23/85, a confidential source advised that a meeting would be held in New York City on 1/24/85, at the home of a certain individual, to discuss the activities of a certain group. The Chicago report states that on 1/24/85, a confidential source advised that a meeting would be held in Chicago on 1/25/85, at the home of a certain individual, to discuss the activities of a certain group.

It is noted that the New York and Chicago reports are consistent in their description of the meeting and the individuals involved. It is suggested that further investigation be conducted in New York and Chicago to determine the identity of the individuals mentioned in the reports and to determine the nature and objectives of the group mentioned in the reports.

Very truly yours,  
 Special Agent in Charge

RE: [REDACTED] (S) (C) (U) (P) (R) (D) (I) (O) (T) (I) (O)

CONFIDENTIAL

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On 1/24/85, a confidential source advised that a meeting would be held in New York City on 1/24/85, at the home of a certain individual, to discuss the activities of a certain group. The source stated that the meeting would be held at approximately 8:00 p.m. and that the individuals attending the meeting would include the following:

[REDACTED]

The source stated that the meeting would be held at approximately 8:00 p.m. and that the individuals attending the meeting would include the following:

[REDACTED]

The source stated that the meeting would be held at approximately 8:00 p.m. and that the individuals attending the meeting would include the following:

[REDACTED]



CONFIDENTIAL

6

PRIME MINISTER

Liverpool City Council: Possible S.78 Direction

BACKGROUND

The latest City Treasurer's report provides more evidence that Liverpool's 1985/86 capital expenditure is likely to exceed, perhaps by as much as £32 million, the resources available to it (block allocations plus use of available capital receipts) under the Local Government Act 1980. Section 78 of the Act provides that, in such circumstances, the Secretary of State may issue a direction barring the Council from incurring expenditure which would take it over the statutory limits and from entering into new capital commitments (over a size to be specified) without his permission. Once such a direction has been made, spending on letting of contracts in defiance of it would be ultra vires, and wilful loss arising from such action could lead to legal action and the surcharge and disqualification of the councillors responsible.

2. The consequences of action might be far-reaching. Treasury officials have advised that any ultra vires action by Liverpool would prevent the Public Works Loans Board (PWLB) from lending, even if it did not of itself jeopardise the security of the PWLB loan. (The Department of the Environment are less convinced; Mr Jenkin should be able to report on the latest position). This might precipitate a financial collapse, leading to a need to activate the existing contingency plans, including Commissioners.

Proposals

3. Mr Jenkin's letter of 5 February to the Chief Secretary proposes:



- a. sending Liverpool a warning letter to coincide with his visit on 7/8 February;
- b. allowing 14 days for representations, with the implication that a direction would then be made if the Council response was unsatisfactory;
- c. once a direction has been issued, taking a tough line on consents for new capital expenditure;
- d. action within Government to minimise the imposition of fresh requirements on Liverpool for capital expenditure in 1985/86.

#### MAIN ISSUES

4. The main issues are:
  - i. whether to embark now on a course which could lead to the issue of a S.78 direction;
  - ii. the Government's stance once a direction has been issued.

#### S.78 Direction

5. The immediate question is whether or not to make formal inquiries about the Council's position. If a letter along the lines of the draft attached to Mr Jenkin's letter of 5 February is sent, he will be legally bound to consider Liverpool's response before deciding whether or not to issue a direction. It is just possible that the Council will be able to suggest ways in which their capital programme can be legally financed, in which case no direction could be issued. It is more likely that the Council's response will be unsatisfactory. Mr Jenkin would then have little option but to proceed with a direction. It follows that if Ministers are not prepared to institute a direction and





follow through the consequences, the process of formal inquiry should not be initiated.

6. Ministers will wish to balance the disadvantages of pursuing the direction route:

- it will lead to accusations that the Government is deliberately provoking a financial collapse;
- the direction could have adverse effects on Liverpool's, and perhaps other local authorities' creditworthiness;
- it will be difficult to present given Liverpool's housing problems;
- the powers have not been used before, and there must be some worries about their effectiveness;
- the direction would not necessarily bring Liverpool's capital spending quickly under control. Existing contracts would still be legal. Some new contracts could be required to meet other statutory obligations (see paragraph 9 below);
- if a collapse did result, the timing would be uncertain. It might be some months into 1985/86 before expenditure clearly exceeded resources. If the Council let contracts without consent, this would be a clear breach, but enforcement would rely on legal action by a ratepayer, councillor or the Attorney General;

against the advantages:

- Although they have never been used the S.78 powers are a normal part of existing legislation. If the Government failed either to employ them or even to be seen to consider employing them, this might be taken as indicating a lack of confidence on its part.



This could have an adverse effect not only on the Government's handling of Liverpool, but also on abolition and the rate-capped authorities;

- Mr Jenkin's proposals are consistent with the general strategy, approved at the Group's first meeting, of letting events take their course. Mr Jenkin outlined the possible need for a direction at that meeting (MISC 109(84)1st Meeting);
- Ministers have already accepted that a collapse is probable; it is not clear how a S.78 direction would affect the timing;
- a direction opens the way for a curtailment of excess spending. Liverpool might comply with either the warning or the direction. If not, a collapse should lead eventually to Liverpool's finances being put on a sounder footing;
- the direction need not be the cause of collapse; the Treasurer's report shows a £25 million deficit on revenue in January;
- Government action will be welcome to moderate opinion; there is evidence that the Council is becoming increasingly unpopular.

### Timing

7. Mr Jenkin argues for a decision now, so that he will have a clear position for his visit to Liverpool. The Treasurer's report which would form the basis of his approach is equivocal; although identifying a gap between spending plans and resources it says that ways of bridging the gap are being examined. The Department of the Environment believe it is unlikely that these moves will be successful,



but the Group might consider the case for waiting until the position is clearer; any direction could not take effect before 1 April. On the other hand too long a delay could allow Liverpool to pile up further commitments.

#### Government stance post-direction

8. Mr Jenkin advocates a tough stance on consents for new expenditure. This is likely to mean turning down other-wise desirable projects, eg. on education. There may be scope for some flexibility on a case-by-case basis, but any other general stance would be unlikely to bring spending under control, which would be the justification for making the direction.

9. It is unclear whether a S.78 direction would override other statutory obligations, for example on education expenditure, but there is no need for the Group to resolve this, or other matters of detail now.

#### HANDLING

10. You will wish to ask the Secretary of State for the Environment to explain his proposals. The Chief Secretary might then be asked about the financial implications. Individual Service Ministers will wish to comment on the implications for their services.

#### CONCLUSIONS

11. You will wish to reach conclusions on the following:

- i. whether the Group is prepared to countenance the issue of a S.78 direction;
- ii. if so, whether Mr Jenkin should proceed to early formal inquiries of Liverpool;



iii. the Government's general stance following the issue of a direction.

A handwritten signature in dark ink, appearing to be 'C J S Brearley', written in a cursive style.

C J S BREARLEY

6 February 1985

Prime Minister  
Policy Unit have investigated this further. They  
now recommend  
(1) that Mr Jenkin does issue his letter  
and (2) that PWLB issue a circular.

PRIME MINISTER

AT  
6/2

6 February 1985

### LIVERPOOL AND THE PWLB

If Liverpool exceeds its capital allocations, some action will have to be taken. But we do not want to give Liverpool an excuse for claiming that the Government has precipitated a financial crisis.

You therefore asked, last night, whether the Public Works Loans Board could be induced to take responsibility for cutting off funds if Liverpool exceeds its allocations.

#### The Status of the PWLB

The PWLB is a Government Department operating under the terms of the National Loans Act 1968. It has a Board composed of serving local authority officers, former local authority officials, public servants of other types and city financiers. The Board has a staff of 17.

The Board is responsible to the Chancellor of the Exchequer, and their legal adviser is the Treasury Solicitor.

Before lending to any authority, the Board is obliged to satisfy itself:

- a. that the loans will be repaid; and
- b. that the council in question has authority to borrow.

We are told by Treasury, DoE officials and lawyers that the PWLB would have no grounds for refusing to lend if Liverpool merely exceeds its allocation. This would not be either

E.R.

ultra vires or a reason for supposing that Liverpool would be unable to repay its debts.

We are told that the PWLB would have grounds for refusing to lend only if:

- i. Patrick Jenkin had issued a directive forbidding further capital spending by Liverpool; and
- ii. Liverpool had disobeyed that directive.

Under these circumstances, Liverpool's action would be clearly ultra vires, and the PWLB would have to refrain from lending.

What can be done?

Since the PWLB is nominally a Government Department, the Chancellor can easily ensure that it issues a statement. And such a statement would certainly be regarded by many people as a non-political (and perhaps even non-Governmental) item.

However, the statement clearly cannot threaten to withdraw funds if Liverpool merely exceeds its allocation, since such withdrawal would be improper.

We therefore recommend that the PWLB should issue a general circular in the very near future, describing the conditions for lending to any authority. This need not mention Liverpool by name. Nor need it refer explicitly to any Government policy. The circular could, however, be given high profile in press briefing and the Government could refer to it throughout the ensuing dispute.

But the issuing of such a circular would not solve the initial problem raised by Patrick Jenkin - ie, whether he

should issue a letter and a directive forbidding further capital spending by Liverpool. The arguments for issuing such a letter and directive are strong; but if Patrick Jenkin does act in this way, and if Liverpool defies him, the Government will almost certainly be blamed for precipitating the ensuing crisis, regardless of any circular issued by the PWLB.

On reflection, we recommend that the letter and directive should be issued despite these dangers: otherwise the Government's general policy on capital expenditure will come under severe threat from authorities who realise that we have no teeth. But it will be absolutely vital to accompany the letter and directive with effective Government rhetoric, stressing the revolutionary nature of Liverpool's activities, its massive wastefulness, and the fact that the council is intending to put the future of its area in hock by reckless borrowing. If public attention is directed away from capital spending and towards irresponsible borrowing, it may be possible to keep opinion on our side.

*Ol Letwin*

OLIVER LETWIN

**CONFIDENTIAL**



PRIME MINISTER

LIVERPOOL CITY COUNCIL

In advance of tomorrow's discussion of the proposed Direction limiting Liverpool City Council's capital spending for 1985/86, you may like to have the attached report on latest developments in the City.

I am sending copies of this minute to members of MISC 109 and Sir Robert Armstrong.

*Atkin*  
*for*  
P J

6 February 1985

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

**CONFIDENTIAL**



CONFIDENTIAL

LIVERPOOL CURRENT POSITION

Latest Developments

1. As expected the Councillors have started a campaign locally for backing from Unions etc, claiming that a balanced budget for 1985/86 would require a 220% rate rise or 6,000 redundancies. These figures assume that the Council deliberately make matters as difficult as possible for themselves. We understand that discussion of the 1985/86 budget is at political level, with no involvement (or at least none that is admitted) of officers. Since the Council's message is likely to be very much the same as last year, they may have less success in whipping up support. At the same time, a series of insensitive or provocative acts is giving the Council very bad publicity. These include attacks on housing co-operatives and the voluntary sector; the appointment of a militant race relations adviser from Brent, and the passing of the right of appointment to council security posts to the militant lead GMWU. It has also been suggested in the press that Councillor Hatton has improperly sought to fix, for a developer, planning permission for an ASDA store in Speke.

Budget Position

2. The latest Treasurer's Report of 16 January estimates the deficit for 1984/85 as £25.4m (including holdback). There is still no evidence of any attempt to make economies to reduce this deficit (though the Treasurer is considering what he has left in his creative accounting armoury) or to reduce the base budget which will need to be paid for in the 1985/86. We believe that the

.../2

final deficit could be some £5m to £10m higher before allowing for any creative accounting effects. A 1985/86 budget of £268 m (one definition of 'standstill') plus a deficit of £30m carried forward would require a rate increase of 139%. The Council would receive only £24m for spending at this level, as against a potential of £118m available if they spent at target (£222m).

#### Audit Action

3. The District Auditor wrote to the Council on 28 November warning them about the build up of the deficit in 1984/85. The letter was simply noted and, as indicated above, the Council has taken no action to respond to the warning. It is not clear what further steps the Auditor intends to take.

#### Credit

4. There have been no recent developments. Liverpool and some rate capped authorities are still being asked to pay a slightly higher premium rate on loans.

#### Urban Programme, etc.

5. Liverpool have now been told their allocation for 1985/86 will be £24.1m (the same in cash as this year excluding the £2.5m they were given in last year's budget settlement), subject to them submitting a satisfactory programme. The Secretary of State has decided to withdraw part of the derelict land grant on the Jolliffe Street Housing Project. Grant was offered here on the basis of a private sector scheme which the Council subsequently municipalised without consultation.

Housing Issues and Capital Programme

6. Liverpool's Housing Investment Programme allocation for 1985/86 is £31m, a reduction on 1984/85 to which they will be able to add a smaller proportion of capital receipts. The Council reacted predictably to this announcement. The Treasurer's January Report puts forecast capital expenditure in 1985/86 at £97m, which is likely to exceed allocations, receipts and tolerance by more than £32m. The Report does not admit that there will be an unbridgeable gap, however, saying that ways are being sought to finance the programme. The Treasurer appears to be considering in particular selling off the Council's debt on housing mortgages and entering into deferred payment contracts with contractors and/or finance houses. We doubt whether these measures could bridge the gap. The Secretary of State has now written to ministerial colleagues on the issuing of a direction under Section 78 of the Local Government Planning and Land Act to control Liverpool's capital spending in 1985/86. The Treasurer's equivocal report makes it more necessary than ever to issue warning letters to the Council giving them the opportunity to explain their position before a Direction is actually issued.

Visits and Meetings

7. The Secretary of State is visiting Liverpool on 7 and 8 February. If a warning letter about the Section 78 Direction has been sent this will be an helpful opportunity to give it publicity.

Contingency Measures

8. Work is in hand on tidying up the Commissioner Legislation and in considering what emergency measures might be necessary to maintain services prior to the appointment of Commissioners.

- 6 FEB 1985

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CONFIDENTIAL



DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

Rt Hon Patrick Jenkin MP  
Secretary of State for the Environment  
2 Marsham Street  
London SW1P 3EB

6 February 1985

*Dear Patrick.*

LIVERPOOL: CAPITAL EXPENDITURE

Thank you for your letter of 5 February.

I am concerned that, whatever view might be taken by a court of whether a Section 78 direction would override a specific statutory duty (the legal point on which as you say our officials have been unable to agree), any such conflict should be avoided, if the point is reached at which a direction is issued. This will entail, as you say, issuing a consent or consents as necessary under the direction. Such a step is likely to be necessary to enable the Liverpool authority to fulfil its duties under Section 12(9) and Section 13(6) of the Education Act 1980 in respect of proposals for secondary school reorganisation which I have approved with a set implementation date under Sections 12(6) and 13(4) respectively. The consents would be needed to enable the authority to enter into the necessary contracts, if they had been unable to do so before 1 April, and perhaps to incur expenditure at a later stage. There could also be other instances of such statutory duties in respect of education provision.

I understand that you have been advised that a direction should not be qualified and that consents should not be of a general nature, but should be considered by you case by case. I therefore ask you to agree that my officials should be consulted on applications for consent which involve education.

I fully share your objective of wishing to curb wasteful and irresponsible expenditure, but my approval of the authority's secondary school reorganisation proposals was given with consequential savings of recurrent expenditure very much in mind. It would be politically very damaging if Liverpool could argue that we were blocking projects which would have produced substantial current savings by their implementation.

*in meeting folder.*

*ETO*

CONFIDENTIAL

The course of action you propose may not lead to the issue of a direction, or not yet. But since that is the underlying threat I think we should be very careful at the outset not to create any impression that we are intending to provoke a conflict with statutory duties. While it could be argued that a simple reference, as in your draft warning letter, to a Section 78 direction should be sufficient to demonstrate to the authority that consents will be considered as provided for in the Section, I think this should be made explicit. That could be achieved by inserting a sentence as follows after the words "the year beginning 1 April 1985" in the third paragraph:

"This would have the effect of prohibiting the authority from making payments or entering into contracts in the terms of that Section without his consent."

I hope you will find it possible to add something on these lines.

Copies of this letter go to the Prime Minister, members of MISC 109, Peter Rees, Patrick Mayhew and Sir Robert Armstrong.

*Erwin*

*Kevin*

CONFIDENTIAL

*Prime Minister ②**X seems sensible**AT 6/2*FROM: CHIEF SECRETARY  
DATE: 6 February 1985

PRIME MINISTER

## URBAN POLICY AND PROGRAMME REVIEW

Patrick Jenkin copied to me his minute to you of 4 February to which he attached his proposed answer to a question from Simon Hughes about the conclusions and publication of the Urban Programme and Policy Review.

I am content with the draft reply. It was never intended that the UPPR should be published as it stands although we might publish a summary. Alternatively we could make a public statement about the future of urban policy and Urban Programme, drawing on the work of the UPPR. Both these options should be considered once the outcome of MISC 104's work on the substance is reasonably clear. The draft reply does not preclude this.

3 I am copying this to the other members of MISC 104, Sir Robert Armstrong and Sir Robin Ibbs.

*PR*

PETER REES

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- 6 FEB 1985



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CONFIDENTIAL

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2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434

My ref:

Your ref:

5 February 1985

Dear Chief Secretary

It appears likely that Liverpool City Council will be unable to contain the level of capital expenditure in 1985/6 to which it is already committed within the resources available to it under the Local Government, Planning and Land Act 1980.

On 5 December the City Treasurer reported to the Performance Review and Financial Control Sub-Committee of the Council that, assuming allocations at 1984/85 level (and presumably also assuming no change in the prescribed proportions of capital receipts which authorities are allowed to use on top of allocations), there would be a shortfall of resources to cope with existing commitments.

On 16 January he reported again, in the light of the allocations received and of my announcement on 18 December about prescribed proportions. He said that the Sub-Committee had already approved an examination of the way in which schemes within the Council's capital programme could be financed. However, the gap is so huge that it seems unlikely that it can be bridged.

As I forewarned you and other colleagues at the meeting of MISC 109 on 12 December (MISC 109(84) 1st meeting) I am having to consider the use of my powers under section 78 of the 1980 Act. Under that section, if it appears to me that an authority has failed or is likely to fail to keep its capital expenditure for a year within the statutory limits, I may direct that the authority shall not incur expenditure which would take it over those limits or enter into new capital contracts over a certain size without my consent. Such a direction would be fully in line with the strategy of allowing events to take their course. I should be bound to consider the issue of a direction to any authority in similar circumstances. A breach of such of such a direction would be ultra vires. I understand that Patrick Mayhew has indicated that the Law Officers would if necessary be prepared to institute proceedings against an authority in breach.

We must be clear that the consequences of such action could be serious. Your officials are advising that if we issue a decision and Liverpool breach it, the PWLB could no longer lend. This might precipitate the collapse of the authority. Nevertheless, I think it is right to go ahead. But it would be prudent, particularly in view of the guarded language used by the City Treasurer in his more recent report, to write to the authority in advance of such a direction, telling them what I am minded to do and giving them the opportunity to comment.

# CONFIDENTIAL

On the question of timing, I am advised that the direction cannot take effect before 1 April. We want to act soon enough to register concern at Liverpool's excessive commitments. I would like to send the warning letter on the occasion of my next visit to Liverpool - 7/8 February. It is going to be difficult if I am not able to say something during the visit. I propose to give the authority fourteen days to make representations.

If we issue a direction, it will mean taking a tough line over consents. With the authority seemingly already heavily over-committed, the general policy would have to be against giving consent. However, each application for consent must be considered on its merits and there might well have to be exceptions, for example for bona fide contracts entered into before the council became financially irresponsible and for emergency work. But it is likely to mean that we shall have to turn down schemes which in other circumstances we would be keen for the authority to proceed with. The existence of the direction must not turn to Liverpool's advantage by giving them scope for getting even further over-committed in a way which would not be open to a normally prudent authority living within the law.

I appreciate that there may be obligations upon the council to incur new capital expenditure. My officials and Keith Joseph's have been unable to agree whether a section 78 direction would override such a statutory duty. The legal advice I have is that it would. The only way of overriding such a conflict is by issuing a consent under the direction. However our general policy would once again have to be the avoidance of as many new capital commitments as possible. I hope we can agree that our aim must be to avoid imposing any fresh requirements on Liverpool which absolutely require expenditure in 1985/6 to which they are not already committed.

The position of contractors under the direction will depend on the circumstances. Contracts are not void simply because they contravene a direction, and contractors are not obliged to inquire into whether a direction has been given or complied with. But I would intend to give considerable publicity to any direction, and to the proposed warning letter, and to draw them to the attention of representative contractors' organisations. The theme of the publicity would be that the City Council is likely to spend in excess of its capital limits; action is needed to stop it spending money it is not entitled to spend. Where a company is or should have been aware of the position before entering into a contract, I doubt whether it could sue Liverpool successfully for resiling from such a contract.

// I attach a draft direction and a draft of the warning letter which, if colleagues agree, my officials will send.

I would be grateful for urgent comments.

I am copying this letter to the Prime Minister and members of MISC 109, Patrick Mayhew and Sir Robert Armstrong.

*Your sincerely*

*Patrick Jenkin*

for PATRICK JENKIN

*Approved by the Secretary of State & signed in his absence*

D

CONFIDENTIAL

DRAFT WARNING LETTER

The Chief Executive  
Liverpool City Council

The Secretary of State has seen the report by the City Treasurer to the meeting on 5 December 1984 of the Performance Review and Financial Control Sub-Committee, in which the Treasurer stated his view that in 1985/86 the City Council would be unable to support by its prescribed expenditure block allocations, and by the use of available capital receipts, the level of prescribed expenditure arising in that year from commitments into which it has already entered, if those allocations were to be at the same level as in 1984/85.

The Secretary of State has also seen the further report by the City Treasurer to the 16 January 1985 meeting of the Sub-Committee, in which the Treasurer notes the level of allocation thus far received and the proposed prescribed proportions of capital receipts to be applicable for 1985/86 and refers to an examination of the way in which schemes with the City Council's capital programme may be financed.

Having considered these reports, the Secretary of State believes that there may be a case for the issue of a direction under section 78 of the Local Government, Planning and Land Act 1980 to the City Council in respect of prescribed expenditure and the letting of contracts for the year beginning 1 April 1985. Before taking a decision, he wishes to give the City Council the opportunity to comment and in particular to make representations if it so wishes that a direction would be unnecessary because the City Council is able to comply with section 72 of the Act and intends to do so, or that a direction would be otherwise inappropriate.

/.....

I invite you to let me have the views of the City Council  
in writing not later than/14 days from date of letter 7

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DRAFT DIRECTION

The Chief Executive  
Liverpool City Council

I am instructed to inform your authority that the Secretary of State, having considered the factors outlined in my letter to you of 1985 /\_ and your reply of 1985\_/, is of the opinion that the authority is likely to fail to fulfil the requirements of section 72 of the Local Governmnet, Planning and Land Act 1980 in respect of the year beginning 1 April 1985.

Accordingly the Secretary of State for the Environment in exercise of the powers conferred on him by section 78 of that Act hereby directs that after 1 April 1985 the Liverpool City Council shall not without his consent:

- (a) make any payment in respect of prescribed expenditure if the amount of that payment, together with the amount of other payments of prescribed expenditure made in the year beginning on 1 April 1985, exceeds in aggregate the amounts which apply for that year under section 72(3)(a), (c) and (d) of that Act as regards that authority;
- (b) enter into any contract for the carrying out of works of new construction, as defined in section 78(3) of that Act, or undertake any such works the cost of which exceeds /\_£15,000\_/; and
- (c) enter into any contract under which they would incur liability to pay a sum which exceeds, or sum which /\_together\_/ exceed, /\_£15,000\_/.



PRIME MINISTER

URBAN POLICY AND PROGRAMME REVIEW

At the first meeting of MISC 104 colleagues agreed to return to the question of publication of the Urban Policy and Programme Review in due course. It would be helpful to reach an early decision on this, not least because I have to answer a Parliamentary Question about the Review from Simon Hughes on 6 February. I do not think this would cut across the work David Young is doing on carrying forward the Review's proposals.

In the light of the subsequent progress of MISC 104, and developments in other areas touched on by the report such as rate-capping I have decided that on balance publication would not be the right course.

This will cause some disappointment among local authorities. There is also an outstanding request from the House of Commons Environment Committee to see the Report although this is not a topic they are currently investigating. We would justify withholding the report on the grounds that it is subject to the normal confidentiality of officials' advice to Ministers. It is outside the normal run of scrutinies in the range and sensitivity of its coverage of policy issues.

/ I attach a copy of my proposed reply to the PQ.

I am copying this to the other members of MISC 104, Sir Robert Armstrong and Sir Robin Ibbs.

A.H. Davis  
for  
P J

4 February 1985

Approved by the SAS and  
signed in his absence

① AT

Prime Minister ② TF

MS TR

4/2.

CEB.I.

PARLIAMENTARY QUESTION

HOUSE OF COMMONS

For answer on WEDNESDAY 6 FEBRUARY 1985 PQ No 1074 /84/85

Draft reply required by WEDNESDAY 30 JANUARY 1985

Draft Approved by	Signature or Initials	Contact Telephone No	This paper <u>must</u> be kept on top of the right hand side of this file
N Sanders		212 4706	
K E C Sorensen	<i>KES</i>	212 3621	
Parly Secretary			
Minister of State			
Minister			
Secretary of State			

Type of Question:- First Order Oral (No .42....); Priority Written  
 Supplementary Questions are not required.

Please type Member's name, party, constituency and Question here

Mr Simon Hughes (Lib - Southwark and Bermondsey): To ask the Secretary of State for the Environment, what are the conclusions of the review of the Inner Cities Directorate of his Department; when the review will be published; and if he will make a statement.

DRAFT ANSWER

Kenneth Baker

Officials have carried out a review of urban policy and the Urban Programme. It is not proposed to publish this internal review but the conclusions will be reflected in the proposals now being prepared to improve the delivery of urban policy and the management of the Urban Programme. These proposals will be announced shortly.

URBAN Policy  
Inner Cities.



PART 5 ends:-

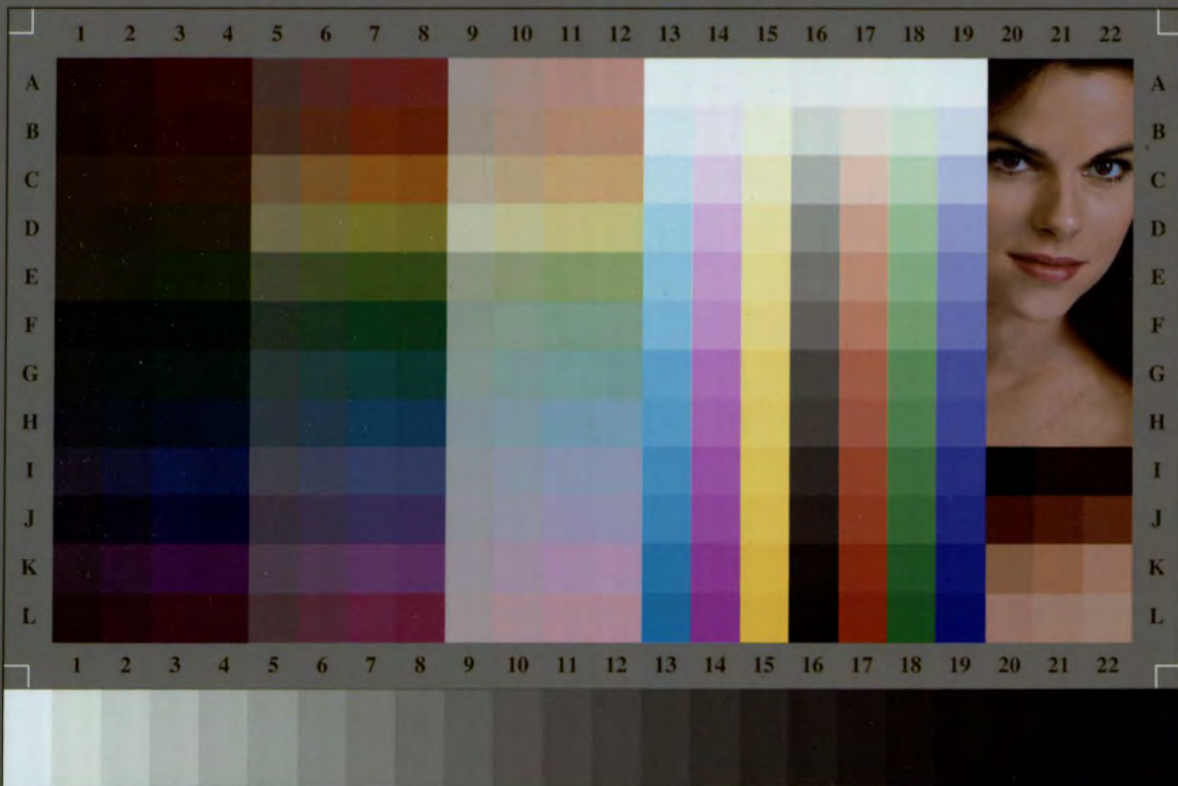
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PART 6 begins:-

s/s Emp. to AM 4-2.85

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