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Qa 05663

4 September 1981

To: MR LANKESTER

From: J R IBBS

Merseyside

1. The Secretary of State for the Environment's report contains a large number of proposals affecting a wide range of policy areas, differing in time scale, in their significance and in their implications for expenditure. The Prime Minister may find it helpful for her meeting on Monday to have the attached summary. Its primary purpose is to distinguish between issues which could be decided immediately and those (the great majority) on which further work is required. It also gives some indication of those for which substantial additional resources are likely to be needed. Although this list is formidable, it is unlikely to be exhaustive; other Ministers may have further suggestions to offer.

2. While the problems discussed by Mr Heseltine are complex, I think that in Merseyside the problem of economic decline of the area overshadows them all. Male unemployment is already over 20 per cent in the County as a whole, and around 50 per cent in some of the inner areas. The consultants commissioned by Mr Heseltine estimated that perhaps 50,000 - 100,000 more jobs will disappear in Merseyside in the next five years, with only a few thousand being created. They pointed out that only 7 per cent of the public sector budget is aimed at economic development, and much of that indirectly. In my view, a primary aim of any increase in, or redistribution of, resources allocated to Merseyside, must be to regenerate the area's economy. Without this, other resource inputs are likely to be lost in the continuing decline. At present there is insufficient evidence to arrive at a systematic figure for any additional resources for Merseyside - although further work may help. However this need not prevent Ministers from forming a view of an upper limit that might be afforded. The unpalatable truth may be that the decline is unlikely to be halted; if so the harsh implications need to be analysed and faced up to.

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3. The Secretary of State is quite clear about the need to seek to regenerate the Merseyside economy. Two of his proposals are immediate steps in this direction: the role he envisages for himself vis-a-vis Merseyside for a further year, and the creating of a single regional office for the area. Some additional mechanism is needed which brings together all the various parties to minimise duplication and conflict and to ensure effective focussing of efforts. It should be an objective of the Secretary of State's proposed review of the inner city partnership arrangement, to see whether it could be developed into such a mechanism.

4. In order to secure maximum value for money, these changes should be accompanied by a greater degree of flexibility in, and between, programmes at the regional level along the lines suggested by the Secretary of State. Because this would cut across Departmental responsibilities and pose problems for public expenditure control, such flexibility could not be immediately introduced. This need not delay the institutional changes described in paragraph 3 above.

5. In addition to the Government's own role, it is of course vital to harness the resources of the private sector to maximum effect. The specific initiatives announced by the Secretary of State are a start. But the role of the third party involved - local Government - is still unclear. I think it is important to clarify the economic development functions of local government, and to eliminate duplication both between the two tiers, and between local and central government.

Other areas

6. But all these problems are not unique to Merseyside; several other older conurbations are facing a similar decline. The underlying issue is what part Government policies can play in the economic regeneration of these areas, when natural economic forces are leading to a continued local decline. Regional policy as currently defined does something to counteract the forces of decline but the problem - and the instruments for addressing it - go wider. The CPRS is examining these matters on

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the basis of a remit from MISC 14.

7. The Secretary of State envisages that his main proposals for Merseyside - including a special Ministerial role - would also be applied to the other conurbations. My own feeling is that this needs further thought. Concentrations of deprived people are not confined to the conurbations; not all conurbations have an economy in chronic relative decline; in some areas the problems of ethnic minorities loom larger than they do in Merseyside. Moreover the problems of deprived people need not all be tackled on an area basis; there may be room for national initiatives targetted to particular groups.

Conclusions

8. Briefly my conclusions are that:
- i. the proposals for a special Ministerial role for Merseyside, and for a single regional office there should be supported; the items dependent on local cooperation (listed at Aii in the Annex) should also be encouraged;
 - ii. an aim of the proposed review of the inner city partnership should be to promote an effective mechanism for concerting economic development efforts in Merseyside;
 - iii. a high priority in Merseyside should be given to proposals which would lead to the regeneration of the local economy; if further work indicates that within the various constraints the economic decline is unlikely to be halted, the implications must be analysed and faced;
 - iv. there should be further inter-departmental work on the wider policy proposals of the Secretary of State i.e. those under B in the Annex to this note plus any further suggestions;
 - v. further thought is required to decide which (if any) other geographical areas merit special attention, and what approach should be adopted for them.
9. I am sending a copy of this Minute and Annex to Sir Robert Armstrong only.