

SUBJECT  
cc Maher

NOTE OF A MEETING HELD AT 10 DOWNING STREET ON MONDAY 7 SEPTEMBER 1981  
AT 0915 TO DISCUSS A REPORT BY THE SECRETARY OF STATE FOR THE  
ENVIRONMENT FOLLOWING HIS VISIT TO MERSEYSIDE

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Present:           The Prime Minister  
                  Home Secretary  
                  Chancellor of the Exchequer  
                  Secretary of State for Industry  
                  Secretary of State for the  
                  Environment  
                  Mr. J.R. Ibbs  
                  Mr. N. Strauss  
                  Sir Robert Armstrong  
                  Mr. P.L. Gregson

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The Secretary of State for the Environment said that his visit to Merseyside had given him an overwhelming impression of a community in decline and, in his report dated 13 August, he had made suggestions to check that decline. But there were other areas with similar problems. These problems could not be tackled without significant extra resources. While he envisaged working within existing departmental statutory and accounting arrangements, it would be important that any new resources should not simply be added to existing programmes. The Prime Minister should designate a Cabinet Minister with special responsibility for each of the conurbations, and he should have a significant degree of discretion on the deployment of existing and additional resources within the conurbation for which he had responsibility. Differences of view could then be sorted out by a group of the Ministers concerned, chaired by the Prime Minister. Only in this way could the efforts of central Government, the local authorities and the private sector be stimulated and coordinated constructively and effectively.

In discussion, the following main points were made:

- (a) The first priority was to concentrate on Merseyside, because of the expectations aroused by the Secretary of

/ State's

State's visit. Ministers could not, however, neglect other areas. It was clear that there would be Parliamentary criticism if Merseyside was given extra money because it had had a riot. Ministers were not, however, yet in a position to formulate a strategy for dealing with the other areas.

- (b) The provision of extra resources could not be relied on to make things better. In Merseyside, for example, it appeared that the effect of regional industrial incentives over the years had been to weaken rather than strengthen the local economy, because new industries attracted by the incentives had taken labour from existing industries rather than from the pool of unemployed. Many of the area's problems were self-inflicted (e.g. higher labour costs especially in the construction industry and bad labour relations, despite some examples to the contrary). There were some special difficulties over law and order in Merseyside which would not be solved by more Government expenditure. On the other hand extra resources would probably be essential as a lubricant in promoting co-operation locally. Although there was substantial Government expenditure on Merseyside, very little of it was discretionary. It was doubtful whether the special Ministerial remit to Merseyside could be credibly extended without some extra resources, but there was insufficient analysis of how this money could usefully be spent.
- (c) The case for extending the special Ministerial remit for Merseyside for up to a year was generally accepted. There were however serious objections to extending the experiment to other conurbations. The main argument for it was to widen the horizons of Ministers beyond their functional responsibilities, but Ministers were keenly aware of the problems of the inner cities. It would be preferable to try and improve the working of central

Government on the existing functional basis. While the presence of a Minister might be welcomed on Merseyside, it could be resented, and be seen as interference, in other areas.

- (d) If there were to be innovations in Ministerial responsibility for the conurbations, careful consideration needed to be given to the handling of police matters. The participation of Mr. Raison in the visit to Merseyside by the Secretary of State for the Environment had worked well. If the Merseyside Ministerial remit was extended, the Home Secretary would need to consider further how the involvement of a Home Office junior Minister might best be arranged.
- (e) It was accepted that departments in the regions had not so far been able to secure maximum value from existing programmes. Part of the explanation was that some national policies (e.g. on new towns) were now seen to have damaged the inner cities. There was, however, a case for better co-ordination at least in Merseyside and for setting up a new office there. It was not clear whether something similar needed to be done elsewhere and regard should be paid to the work done by Sir Derek Rayner on regional organisation.
- (f) More thought needed to be given to the strategy in Merseyside and elsewhere. It was arguable that the right policy was to concentrate on growth points rather than to try and create employment (as opposed to merely improving the environment) in the inner city areas.
- (g) The most important general lesson to emerge from Merseyside was the need to improve the working of the labour market. More jobs could be created (e.g. in getting rid of dereliction) if the price of labour was not kept artificially high. There might be scope for some experiments on Merseyside.

/ The Chancellor

The Chancellor of the Exchequer said that some work had already been done on the labour market, and he would be preparing a paper in consultation with the head of the CPRS.

- (h) There was concern both in Merseyside and more generally that the resources devoted by Government to education and industrial training were not equipping people with the skills they needed.
- (i) The proposals in the report for local government reform were very sensitive politically, and Minister would need to discuss them further before any action was initiated.
- (j) It was accepted that it would be helpful on Merseyside, and possibly elsewhere also, to put more emphasis on incentives for employment in the service industries. The Secretary of State for Industry said that he would look into this.
- (k) The Government's efforts to stimulate small businesses both in Merseyside and elsewhere needed to be better co-ordinated. It was not clear whether the recently agreed arrangements for co-ordination by Mr. MacGregor in the Department of Industry were adequate, and this should be examined.
- (l) Following the visit to Merseyside of representatives of the financial institutions, thirty young managers had been seconded by the institutions to examine what contribution the institutions might be able to make. The main objective was to get them immersed in urban problems so as to change their attitudes and those of their parent institutions. It was not, however, clear what would happen when their fact finding, both in the UK and abroad, was completed.

- (m) The Policy Unit had drawn attention to work done by the Manchester Business School on inner city problems and had suggested that a report should be prepared. It was, however, important to avoid duplication of existing reports and this proposal needed to be clarified further.

The Prime Minister, summing up the discussion, said that this was not a meeting at which decisions were to be taken. The discussion had suggested certain tentative conclusions, which could form the basis for further work. There was general agreement that the Secretary of State for the Environment should continue, probably for a year, to be the Cabinet Minister with special responsibility for Merseyside. There was not a consensus on the suggestion that other Ministers should be designated as having special responsibilities for other conurbations. It would be neither possible nor right for the Secretary of State for the Environment to become involved in the police situation on Merseyside: that fell within the Home Secretary's responsibilities. The Home Secretary would consider whether to designate a Home Office Minister to keep closely in touch with the police and community relations aspects of the problems of Merseyside. Further thought would need to be given to the way in which the Central Government presence on Merseyside should be strengthened and co-ordinated. It might be appropriate to find means of providing more Central Government assistance for the development of service industries and of small businesses on Merseyside. One of the urgent problems was to deal with the dereliction on Merseyside: it was for consideration whether means could be found of putting to work on the clearance of derelict sites some of those who would otherwise be unemployed. Further consideration would need to be given to whether there was sufficient training in skills available on Merseyside: there might be a case for developing more training in skills, possibly at the expense of the higher education facilities at present available in Liverpool. It would be necessary to consider whether there should be some redeployment of central and local government

capital programmes in the Merseyside area. More generally, and with reference not just to Merseyside, the Government should consider how to introduce a greater measure of freedom in the labour market so as to encourage the absorption into the labour market of a higher number of those who were at present unemployed.

The meeting -

Invited the Secretary of the Cabinet to arrange for the preparation of a memorandum making specific proposals for establishing a Central Government presence on Merseyside and for carrying forward consideration of the various matters identified in discussion and in the Prime Minister's summing up, as a basis for further consideration and decisions by the Ministers concerned.

9 September 1981