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KCBG

for E(A) meeting
for Mr.

Ref. A087/1155

PRIME MINISTER

Low Budget Urban Development Corporations

E(A)(87)21

Decisions

The Committee is asked to endorse a new programme of 'low budget' Urban Development Corporation (UDCs). Although the paper does not say so, the main point at issue is whether there should be an early statement of the Government's intentions.

Background

2. UDCs are bodies appointed by the Secretary of State to promote the redevelopment of inner city areas. Land already in public ownership can be vested in them, and they can also buy private sector land, with a view to development and sale. Within their own areas they can give planning consent and have rights of compulsory purchase.

3. The power to establish UDCs was taken in the Local Government Planning and Land Act of 1980. The purpose at the time was to establish two corporations, for London docklands (the London Docklands Development Corporation - LDDC) and part of Merseyside (the Merseyside Development Corporation - MDC). The LDDC has been relatively successful, although at substantial public sector cost. The MDC has been less successful.

4. Last September E(A) agreed Mr Ridley's proposal to announce a programme of up to four new UDCs on the LDDC and MDC model. That agreement was subject to the proviso that Mr Ridley could find the necessary resources within the provision for the Other Environmental Services (OES) programme. The programme was announced at the Conservative Party Conference. Mr Ridley has since reached agreement with the Chief Secretary on the designation of all four of the proposed UDCs. The Trafford Park UDC has already been



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designated, and Orders for Tyne and Wear, the Black Country and Teesside will all have been laid by Monday.

Mr Ridley's Proposal

5. Mr Ridley now proposes a new programme of 'low budget' UDCs, intended to promote the redevelopment of relatively small areas in the centre of provincial cities like Bristol, Leeds and Nottingham. These are relatively more prosperous cities, and what Mr Ridley has in mind is therefore a potentially major extension of the UDC Scheme. He says his new UDCs will be 'low budget' because in such cities public expenditure on pump priming should be less important. Their function will be more to use their planning and other powers to promote development where local authorities are reluctant to do so.

6. Nevertheless, Mr Ridley has left the effect on public expenditure uncertain. He gives a non-committal estimate of a cost of £10-15 million over the first 2 or 3 years for each of the new UDCs, but does not commit himself as to how many there might be. He refers to the possibility of four this year, with the prospect of more to come. He makes it clear that he will need to bid for more money in PES.

Chief Secretary's reaction

7. Mr Ridley wants to make an early announcement before any of this has been worked out, and that has led to the disagreement with the Treasury. The Chief Secretary's reaction is set out in paragraph 15 of the paper. He seeks agreement before any announcement is made on:

- i. clear limits to the programme;
- ii. detailed figures for the public expenditure implications year-by-year;



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iii. an undertaking that the Environment Secretary will find the costs from within his own PES programmes.

8. These conditions are unlikely to be acceptable to Mr Ridley. The Committee will want to decide whether he should be allowed to make an announcement now and leave the public expenditure implications to be sorted out later (which might at least in part preempt PES decisions) or whether an announcement should be delayed until the details are agreed.

Criteria for designation and value for money

9. The Chief Secretary also seeks firm output criteria for the new UDCs. There is little doubt that, given their powers and sufficient public money, the new UDCs could attract development to their areas. The crucial question is whether the ratio of private investment to public expenditure will be sufficiently attractive to justify the new programme. This will turn in part on the criteria which are used to select the areas to be designated. Mr Ridley's paper has little to say on this issue, and you may want to explore his thinking at the meeting.

Legislation

10. You may like to ask the business managers to comment on Mr Ridley's proposals for new legislation on UDCs. They would involve a substantial extension of what would otherwise be a very short Bill to raise financial limits which apply to UDCs. They might be controversial, since they would significantly reduce the limits on the Environment Secretary's powers to designate UDCs. The local authorities in particular might oppose this. The Chief Secretary may also oppose the suggestion that the financial limits on UDCs should simply be abolished.

Presentation

11. If the Sub-Committee decides on an early announcement, you will want to consider presentation. There is a range of



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possibilities. The announcement could be in general terms, saying only that the Government is considering an extension of UDCs to more prosperous areas. This is no doubt what the Treasury would prefer. Mr Ridley will however want to be more specific, at least listing the areas to be considered for the new UDCs. There will be many intermediate possibilities.

12. We have suggested to Mr Ridley's Office that he might circulate a draft before E(A) meets. This would allow the Committee to consider the terms of the Statement, and would be the best course. Otherwise, you could invite Mr Ridley to prepare a draft taking account of the points made in the discussion and circulate it for clearance preferably in correspondence.

13. The Committee will also want to consider the timing and form of any announcement. We understand that Mr Ridley has a written PQ in mind.

HANDLING

14. You will want to ask the Environment Secretary to introduce his paper. The Chief Secretary, Treasury will wish to speak about the financial implications. The Secretaries of State for Employment, Trade and Industry, Scotland and Wales and other Ministers may also wish to contribute. (One of the current UDCs is proposed for Cardiff. There are no UDCs in Scotland) The business managers may wish to comment on the proposals for legislation.

RA

ROBERT ARMSTRONG

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