

PRIME MINISTER

27 November 1987

INNER CITIES MEETING: 30 NOVEMBER

We are in danger of losing sight of our basic philosophy - that local leadership is the key source of initiative, while Government's role is primarily to create the climate to release enterprise (not to 'solve' inner city problems through top down intervention).

In our view

1. We should not replay the 60's by trying to select areas based on a top down judgement of economic potential;
 2. Instead we should announce our intention to back areas which demonstrate a commitment to succeed - through local leadership and a co-operative local authority (although we may choose to use a UDC approach in a few selected areas elsewhere).
 3. Government should give priority to deregulation rather than intervention.
 4. We should also pursue the menu of ideas developed over the summer for encouraging enterprise, attacking the dependency culture, etc.
- 1 Avoid top down selection of areas
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The key issue raised in the Cabinet Office paper is whether and how to select areas of potential on which to focus Government support.

The idea of focussing Government efforts to achieve greater effect has obvious appeal. However, we believe the top down approach is both practically and politically wrong:

- (i) the criteria used to measure potential - rate of fall in unemployment, rate of new firm formation, etc - are simply indicators of each area's current economic strength. If we select the 10 best areas on these criteria and the list became public - as it inevitably would - we would stand accused of simply 'copping out' of tackling the real problem areas. How could you stand at the Despatch Box and defend giving less help to Sunderland, Rotherham or Southwark on the grounds that they are less economically successful than Bristol and Nottingham?
- (ii) The selection criteria take no account of local business leadership or the co-operativeness of the local authority. Yet these factors will crucially determine the future potential of the area, and the cost effectiveness of Government pump priming support. Private/public leverage will inevitably be dismally low in an area where the local authority is hostile and the business community disinterested; conversely a small amount of Government money may achieve tremendous leverage in an environment of confidence created by committed business leadership and a responsive local authority. Ignoring this local dimension in favour of a top down approach sends exactly the wrong message - that central government alone is responsible for (and capable of) solving the problems.
- (iii) Furthermore, if we select priority areas without considering the strength of local leadership, we are quite likely to fail in some of our chosen areas.

(iv) Targeting Government programmes gives us nothing new to say; we have been talking about CATs and Task Forces for some time. By contrast, backing local initiative is an exciting new message.

2 Backing Local Leadership - the Alternative Approach

Our preferred approach would be to allow target areas for Government support to be - largely - self-selecting, pledging Government support to those areas that can demonstrate energetic local leadership and a genuine partnership between the local authorities and the local business community.

(i) The starting point would be for the Government to declare in its forthcoming policy statement that it regards the commitment of the business community and a cooperative partnership between private and public sector to be crucial components of successful urban regeneration. We could illustrate this by reference to the success of the 'Glasgow Action Team' and the wide-range of initiatives sponsored by BIC and others.

(ii) Consequently we would announce that evidence of an effective partnership and strong commitment from the local business community would be regarded as important criteria in the allocation of future grants and the location of new Government initiatives. By contrast, the Government would be less willing to put money into areas where the local authority was hostile to enterprise.

If you ask Mr Sorensen to draw up a provisional list based on these criteria, as a guide to allocating future Government resources, the essential difference would be:

- it would be publicly defensible as a response to local initiative, not a top down determination;
- we would send the right signal by rewarding the behaviour we want to encourage. More and more local authorities would come round to seeking partnership and the business community would be galvanised to take up their crucial leadership role.

... but also use the UDC option

In practice, whilst sticking to this general approach, we will also want to add one or two politically visible areas where a 'UDC approach' may be able to partially substitute for the absence of a strong local leadership. We will thus demonstrate that we are not ignoring areas of "need" entirely, although UDC's necessarily have fairly limited objectives. Middlesbrough is probably the prime example of where the preferred approach of local leadership seems unlikely to succeed - primarily through local apathy rather than outright hostility (see accompanying note on a recent visit).

3 Deregulation still a priority

This approach acknowledges the central role of the business community in wealth creation - it is not a question of 'involving the private sector' as a bolt on extra in the way suggested by the Cabinet Office paper. We must then emphasise the crucial role of the public sector in deregulating and simplifying bureaucracy in inner cities to create a climate where enterprise can flourish. For example:

- reducing the time taken to get ownership of currently derelict land;

- reducing the time taken to get approval for UDC grants (most businesses will say that tax relief would be a far simpler, more predictable and consequently more effective use of public funds);
- reducing the time taken to get planning approval (even approval of simplified planning zones seems likely to take far too long);
- deregulation also in the housing market, with our provisions for tenants to opt out of local authority control providing an important stimulus to community pride, independence and self confidence.

The local authority's attitude towards deregulation will of course be an important part of the effectiveness of their partnership with the local business community.

4 The menu of new ideas

The menu of possible new policy initiatives developed during the summer also needs to be considered quickly if good ideas are not to be lost. For example:

- land and planning
 - * citizen's right to demand an auction of derelict local authority land
 - * requiring revaluation of unused city sites, currently locked in balance sheets at unrealistic valuations;
- encouraging local enterprise
 - * privately sponsored managed workshops (as proposed by Lord Young)
 - * more Youth Enterprise Centres;

- better education
 - * local education compacts
 - * encouraging greater involvement by parents;

- attacking the dependency culture
 - * promoting local team sports
 - * bringing employment/training measures into the heart of council estates.

5 White Paper and presentation

We need an effective White Paper - stressing the themes of business leadership, local partnership, community self-help, etc - by the end of January/early February at the latest. This needs to be backed up by an effective roadshow to promote the proposals in local communities and seek the support of the business community. The whole communication process needs to be well thought through and planned.

To keep up momentum you need to review an outline White Paper and a preliminary communication strategy before Christmas.

NRB.

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