

PRIME MINISTER

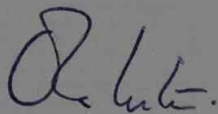
12 December 1985

INNER CITIES

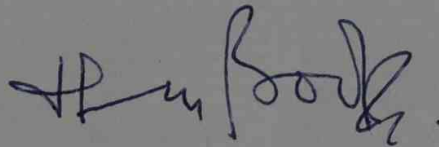
Lord Whitelaw's Group will be reporting to you on the ten areas that they have selected for special attention and on their characteristics.

The question now is: what should be done in these areas? Since nobody appears to be preparing a minute on this for your meeting of 19 December, we attach a draft Policy Unit paper. If you approve, this could be circulated in advance of the meeting, and Ministers could use it as a basis for discussion of objectives and means.

You may also want to see the attached article by John Redwood, who has helped in this work.



OLIVER LETWIN



HARTLEY BOOTH

## INNER CITIES

### 1. Political Imperatives

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### 2. Problems

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- to ensure that the solutions add as little as possible to public spending, and attract maximum amounts of private investment;
- to ensure that the Government gets the credit for the efforts made.

#### 4. Deficiencies of Current Measures

The Government's present activities in the inner cities do not fully meet these objectives:

1. Despite the urban programme, large areas of physical dereliction persist; large amounts of surplus land remain unsold; discrepancies between pre- and post-development land prices indicate that the market is still significantly distorted by use constraints, impediments to development, and refusal to sell land.
2. Government programmes have not succeeded in attracting high levels of private sector investment, and have done little - if anything - to stimulate the growth of small business. Businesses and people are still emigrating rather than immigrating.
3. Employment and training measures have made only a slight impact on unemployment figures; the white economy labour market is still exceedingly rigid, with little sign of mobility even between the impoverished parts of the inner cities and the richer areas; and little skill training has been provided for those above the age of 25.
4. There is little evidence that community policing and other recent Home Office measures are having a



significant impact on crime. Rates of crime have been rising, particularly in council estates.

5. There are, at present, no policies specifically aimed at raising educational standards in the inner cities.
6. Although rate-capping has stemmed the tide of domestic rate increases in some inner cities, central government grants, business rates and domestic rate rebates have encouraged, rather than discouraged, the takeover of city councils by far-left groups whose activities make the situation worse.
8. Public spending has been high, but most of the credit for improvements have gone to local authorities.

5. A New Package of Policies

No one mechanism will enable the Government to tackle all the problems identified. But the Government could do much more to change the culture of the inner cities if Ministers were willing to adopt something like the following:

- a. Short-Term Package
- i. select areas for special immediate attention and identify all Exchequer spending specifically directed towards these areas;
  - ii. put all the money identified in (i) into a new 'inner city development fund';
  - iii. announce that the Government is open to bids from the ten areas for a share of this money on condition that

the relevant local authority agrees to:

- a. designation of the area as a Simplified Planning Zone - to make development and investment more attractive;
- b. use by the DoE of its present powers to auction all surplus public land currently on the register in the area within two years;
- c. use of central Government compulsory purchase powers to release private sector company surplus land for development;
- d. establishment in the area of a new development agency:
  - staffed by people from the private sector;
  - funded out of the new 'inner city development fund' (ie out of the money removed from current central Government programmes);
  - provided with powers: to manage all training and employment measures; to purchase and clean up land for beautification, development or resale to private investors; to make use of building societies and others to improve public and private sector housing; to act as the local enterprise agency; to make grants to entrepreneurs (which could replicate the effects of the EAS or the BES); to set up low-overhead workshops or other schemes to encourage the growth of small business; and to engage in any other legal activities designed to promote economic activity within their budgets;



- given explicit targets for acres of land developed, for training and employment measures, for publicity, and for crime prevention.
- given a duty to consult with local people about their wishes in respect of housing, shopping, leisure facilities etc.

b. Long-Term Measures

- i. Press ahead with the reform of Local Government finance, explaining to the media and the public that the changes now envisaged could, over the next decade, decisively reduce the present financial incentive to vote for the kind of council that is likely to deter people and investors from moving back into the cities.
- ii. Press ahead with the creation of grant-aided schools in the inner cities, with an emphasis on basic skills and responsiveness to customers ensured by a system of per capita funding.
- iii. Press ahead with better training for crime prevention officers, a new crime prevention drive, better police-school liaison, a new drugs campaign, and provision of effective wardens for council estates.
- iv. Press ahead with sale of council houses and flats, refurbishment of public sector dwellings, deregulation of future private sector letting, and the search for a middle way between renting and buying.

- v. Review funding for voluntary agencies throughout government, to identify any money at present directed towards counter-productive agencies.

## 6. Presenting the Package

To make such a package attractive, Ministers might need:

- i. a preliminary seminar with leading companies and professionals to explain the opportunity for cost reduction offered by inner city investment;
- ii. individual seminars for small businesses in the hinterland of each selected area;
- iii. extensive briefing of the media, to explain the government's analysis;
- iv. high-profile launch of the government's package after the preliminary groundwork has been done;
- v. a system for regular central press-releases and press briefing about successes achieved by the development agencies.



# URBAN IMPIETIES

*John Redwood on a better  
way than the churchmen's  
for reviving inner cities*

LESS than one in 100 of the people living in inner cities goes to an Anglican church on Sundays. Only £2 million out of the Church's huge income from its estates, investments and voluntary donations is channelled into specific inner city projects. So much the latest clerical report on the inner city frankly confesses. Many of its facts and points illustrate a problem we can see all too readily as we travel round the country.

Much of the rest of the report reads as a tolling of the bell for alms and more alms. It reads fatalistically, as if the inner cities have to be full of the poor, the unemployed and no one else. As if enterprise should take place elsewhere, but having passed by on the other side then offers a levy, genuflecting to the inequalities of the world, to salve its conscience.

Curiously, the report recommends abolition of the mortgage interest subsidy, that motor of owner occupation, when the inner cities cry out for more affordable housing for purchase to create some balance and mix in those communities. More strangely, it recommends even more public sector housing be built to rent, when the inner cities abound with empty council properties that no one wants. It fails to ask why the £1,000 million a year of government monies channelled to Merseyside, for example, buys so little happiness. It fails to grasp that you cannot build a successful community on one type of housing and a guilty conscience. You need something more.

In the centre of Southwark lie some streets of pleasant brick Victorian terrace houses. They were the lucky ones. The urban bulldozers did not remove them before the money and passion for building concrete tower blocks ran out in the early 1970s. But some of these streets are lined with empty tinned-up properties staring blindly out over tracts of rubbish-strewn wasteland. In Greater London alone more than 30,000 public sector dwellings stand empty.

On the south bank of the Thames, even closer to one of the richest areas of real estate in the world, there are still boarded-up warehouses and disused industrial buildings. In Tower Hamlets, Hackney, Lambeth, Brent, in the centres of Birming-

ham, Manchester, Salford and Newcastle there are acres and acres of idle land. Some is fenced, some is open to the gangs of local youths who may kick the empty cans about or tip their rubbish on it. Our inner cities have gradually become a landscape of dereliction. Business has slowly sloped away. Those few active people who held on have often themselves subsequently disappeared to the suburbs or the shires.

To civil servants, the clergy and others this is the 'inner city problem'. With any luck it can be ring-fenced, like those derelict acres. If it is in the news, then there will be a recommendation or two, the usual reflex reaction of an official machine under pressure. Maybe a few papers will be written and it will all end with a Cabinet debate over 'more money'.

Yet the inner cities have been killed by public monies and taxation almost as surely as by anything else. It took oodles of taxpayers' cash to bulldoze those streets of artisans' brick houses and put up the tower blocks. It is taking still more to support the actions of local councils through the rate support grant, which is paid most heavily to the cities. The Urban Programme, the Youth Training Scheme, the welfare programmes are all heavily biased towards urban areas.

Enterprise has come under pressure, which forces the cities into ever more reliance on subsidy and tax. The old trades of central London — printing, clock-making, light industry based on the life of a large port — have been in retreat. New businesses have found the prospect of gazing out over derelict land and facing an ever-rising rates bill unappealing. In the city centres there has been an absence of decent housing for sale, inattention to transport needs and often a pervading feeling of decline. So the businessman's prophecy has come true: more dereliction; fewer ratepayers; higher rates; fewer businesses; more dereliction.

So then, the housebuilders and planners argue, why put up new houses for sale? The locals could not afford them. Why build speculative office blocks or light industrial units, for people are moving out, not in? Who would want to buy anything there? So the decline of enterprise becomes set in the architectural landscape. The

tower blocks stay surrounded by vacant land or by each other.

As the community becomes more and more lopsided so its politics move leftwards. Skilled working men leave. Aspiring families leave. Managers and executives travel through these areas on their way to work, glancing out of railway carriages or BMWs at this alien world. Those who remain are often too poor to move, too sick, too old. Or they may be unskilled, demotivated, down on their luck. Some are young, black and angry.

Labour's response — for these are Labour's heartlands — has been to choose spokesmen from the loony or the militant Left. They have chosen whole councils of people who see the problem as one for government to resolve. And resolution means only one thing — more of somebody else's money. The cities become the testing ground for left-wing theories, the platform for their causes, the central front in the battle against government and even at times against an ordered democratic state.

It is this political change which reinforces the others and makes any solution more difficult. Sometimes the old communities turn out to have more commonsense and self-respect than Labour reckoned on. Ted Knight has lost the odd election even in a safe Labour seat in a decent year. Peter Tatchell lost one of Labour's best parliamentary seats in a by-election — and, far more significantly, Labour failed to recapture Bermondsey in the subsequent general election. Even in Liverpool there is now a strong popular movement against Derek Hatton and his more extreme views.

But despite the earthy realism of the old dock community of Bermondsey, the success of the Left in capturing council after council and parliamentary nomination after nomination has been remarkable. Paul Boateng, Bob Cryer, Bernie Grant, Ken Livingstone (now a right-wing figure by comparison) are all parliamentary candidates in old Labour heartlands. Russell Profitt, Ted Knight and even Derek Hatton will doubtless follow.

The final important change in cities has been the growing impulsion to crime and violence. The older local people are often scared to go out after dark or to go out alone at all. The locksmiths and chain-makers have worked overtime to bolt and bar the doors of flats and houses. There has been an ever more dramatic rise in tension and apprehension about possible crime. There are sporadic outbreaks of widespread looting and rioting, culminating in the use of firearms, the burning of cars and the hurling of petrol bombs.

None of this is a good start or a good advertisement for any programme of restoration and rebuilding. What is being done and can be done to reverse the tide?

If you walk eastwards from the Tower of London you may begin to pick up some ideas. For you are treading the land of the London Docklands Development Corporation. At the Tower itself tourist



monies have brought some business and life. Next door at St Katharine's dock there are a boating basin, pleasantly renovated brick warehouses and a fairly new hotel. As you travel eastwards you will see rehabilitated houses, new brick terraces, hi-tech factories, new roads.

It all began by concentrating on land use. The land was lying idle because it was unattractive, unserviced and unavailable. The LDCC cut through the resistance of local authorities, to grant planning permission for private housing and commercial development. It bought the land from the public sector bodies that had been hoarding it. It used limited government monies to tidy the land up. It encouraged other capital to come in. It built service roads and helped railway and airport projects.

The elements of success can be applied elsewhere. It will not always be possible to transmute the entire LDCC concept. What made that possible in docklands was the absence of many residents. In more thickly populated areas the powers of an unelected authority would be more bitterly resented by the duly elected councils and their supporters. But you can learn from the mechanisms.

The central government already has powers to require public bodies to sell land. Much of the wasteland is owned by local councils, the Government itself, and the large nationalised industries. It has powers to buy the land compulsorily if it is not sold. If planning application after

planning application is turned down by the local authority the Government can grant applications on appeal.

The monies going into the city areas can be better marshalled and spent. The evidence suggests that money targeted on particular objectives gets better results than blanket subsidy. Yet by far the greatest sums are spent through rate support grant, a mechanism for transferring tax revenues from the rich South-East to the North and the cities. This subsidy is often spent on current account services and on political campaigning to the detriment of capital programmes that could open up the decaying areas.

Some of the best-used money is spent through the derelict land grant scheme to refurbish land before onward sale and reuse, and through housing repair programmes. More of the money needs to be spent on service roads, on improving the built environment and on other transport facilities. The programmes can be expanded through disposals proceeds and the attraction of private capital. Those tinned-up houses in Southwark could be sold to new owners who would rehabilitate them themselves. The warehouses along the Thames can become offices for companies finding north of the river too dear. Blocks of flats can be sold to developers for wholesale rehabilitation, or turned into tenants' co-operatives or refurbished by a developer free — by giving him some empty flats to sell. Many businesses will

invest in the Midlands or London if they feel the worst areas are on the turn.

As you begin to restore balance to the housing situation — by selling council stock, renovating dilapidated homes and building new housing for sale — so the communities will start to change as well. New owners with higher incomes will bring new spending and new demand. More small businesses can grow to service them. Building workers will be needed. Every new office block needs clerks and cleaners, messengers and secretaries as well as managers and graduate technicians. More jobs will come and the communities will come to a greater stability. Neighbourhood watch will become a reality. More streets of decent houses, shops and commercial buildings will begin to counterbalance the tower blocks. Eventually more rate revenue may permit the destruction of the worst concrete estates and their replacement by low-rise housing. The crime prevention programme monies can be used in the better construction of the buildings of those areas.

It all takes time and patience. Given the political balance in our cities it will require formidable political skills. Docklands shows it can be done, and more quickly than many thought. It now needs considerable political will to apply the lessons more widely and more rapidly.

*John Redwood was until recently head of the Prime Minister's Policy Unit.*

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Yours faithfully  
  
Trusthouse Forte



Regional Pol. inner cities





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10 DOWNING STREET

Prime Minister

Agree to circulate on the  
basis that you found this  
note by the Policy Unit  
thought provoking, and  
felt it might help  
discussion at the meeting  
next week?

*DS*  
12/12

Agree also to circulate  
John Redwood's article?

*Yes no*

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

13 December 1985

Dear Joan,

INNER CITIES

I enclose a note by the Policy Unit, together with an article by John Redwood which appeared in the Spectator. The Prime Minister found these interesting, and thought that colleagues might find it helpful to see them in advance of the meeting on Inner Cities which is to take place after Cabinet next Thursday.

I am copying this letter and enclosures to the Private Secretaries to the members of MISC 104 and to Michael Stark (Cabinet Office).

Yours ever,  
David.

DAVID NORRGROVE

Miss Joan MacNaughton,  
Lord President's Office.

CONFIDENTIAL

File  
LOZARD

17A



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