

Ref. A085/3304

PRIME MINISTER

Further Consideration of Government Policy Towards the Inner
Cities

Flag A - (MISC 104(85) 1)

I attach a note which summarises the background to this subject and the previous history, since the report of the Urban Policy and Programme Review (UPPR).

MAIN ISSUES

2. This brief assumes that the basic structure of present urban policy is not in question, that the four objectives agreed last year are still operative, and that the present exercise should be aimed at a package of improvements that could be announced quickly - and certainly before next summer.

Flag B 3. The Policy Unit's note touches on the possibilities of developing a somewhat different and more ambitious kind of "social engineering" approach over a much longer timescale, and raises some very large and problematic questions. It could hardly be given the status of a firm and published commitment of Government without a good deal more study and work, for which special arrangements will need to be set up if Ministers decide to pursue it.

4. The immediate issues may conveniently be tackled under the following headings.

i. "Inner city youth" and the racial dimension

5. The Home Secretary's original suggestion was in the general direction of finding ways to strengthen the social fabric for deprived young people in the inner cities. He particularly had young blacks in mind because it is they who contribute disproportionately to the public order problem.

6. The essential immediate response to the riots has been delivered in the backing you have given the police and, as it happens, in the introduction of the Public Order Bill. The argument for a complementary initiative is partly defensive: how can we best prevent further riots, and how defensible will the position be if there are more riots next year and we are not seen to have explored this dimension? There is also a strong case on inherent merits: the Home Secretary's vision of progressively alienated generations of young blacks is genuinely alarming, and the papers that are now on the table are mainly concerned with structural questions that are a long way from the Home Secretary's prime concerns.

7. If the Home Secretary's approach is politically right, however, it needs to be developed very quickly if it is to take its place in public order strategy. We believe that the Home Secretary does have specific suggestions in mind, but so far he has not revealed them. He is clearly the lead Minister for questions of public order and race relations, and until he outlines his thinking the subject is in baulk.

8. It is far easier to talk about alienation and the social fabric than to develop credible new policy initiatives about them, but you know from my minute of 13 December that I believe there could well be scope for an effective move into the encouragement of more enterprise at community level. This would in part, no doubt, be on lines that are already familiar in the urban programme from the "trad" projects that now form a

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declining part of the total. But it would need to be sold much more visibly: a Minister would probably need to be specifically identified with the initiative. And there would need to be a good deal of outside involvement by people whom we selected. You yourself mentioned churchmen and black American leaders, and this is the kind of idea that needs to be pushed ahead, and on which we need to hear from the responsible Departments.

ii. New agencies and financing arrangements

9. There is a fundamental issue here that needs to be resolved before the present exercise develops much further. It is whether the aim should be to work alongside local authorities or in competition with them. This is not a new theme. It emerged in last year's UPPR work and it was a particular point of interest at your meeting on 14 November. I doubt whether the factual data on 10 areas themselves disclose anything very new, but the Policy Unit paper and Mr Baker's minute conveniently display two models at different points on the spectrum of possibilities:

- Flag C
- a. The Policy Unit makes radical proposals, which would be very controversial, both as regards the functions that new agencies might discharge, and as regards the way in which they could be financed. On functions, the Policy Unit's proposed development agencies would duplicate and supplant local authorities across a wide range of duties. It is one thing to do that in respect of new towns or derelict docklands; it would be another in respect of normal residential communities.

On financing, the proposed agencies would derive their funds from the diversion of all identifiable present Government expenditure that is targeted on the areas selected for the experiment. This would raise some problems of identifications of relevant money and breaking loose from forward commitments. More fundamentally, however, it would

have to face the fact that the specific grant money that would be taken away from local authorities is not the worst targeted spending, but the best. John Redwood's article in the Spectator actually stresses that it is targeted money that gets the best results. If the UPPR had found evidence of waste or misdirection of urban programme money the case might be different. As it is, the sponsoring Ministers would surely defend their specific grant programmes strongly and the prospect of early legislation to divert that money to set up agencies to compete with local authorities is hardly realistic. (I am not clear whether it is proposed that the writ of the MSC and the Housing Corporation would cease to run in the selected areas, but there would be manifest problems there, too.)

In the longer term, anything done in this field should be fully compatible with the proposals being developed on local government finance. But the Green Paper to be published in January will argue for the greatest possible simplicity, transparency and automaticity in local government funding, and those considerations also seem to point away from the invention of new diversionary mechanisms.

- b. Mr Baker's proposal for a new statutory power is much less radical. What he wants is a power to enable the Government to give grant aid to private sector consortia for substantial urban development schemes, smaller than Urban Development Commission areas but more sizable than the kind of single project that qualifies for Urban Development Grant.

Such projects would not be managed or financed through local authorities, but their active involvement and support would be enlisted, and the idea would not in any sense be presented as an anti-local authority measure.

The effect of this proposal on overall financing patterns would be in the hands of the Government: it is not an essential part of this idea that money would be seen to be diverted. If, as Mr Baker suggests, however, the development were contained within urban programme/UDC resources - and seen to be so contained - then local authorities would no doubt claim that money that would have gone to them by way of 75 per cent grant was being diverted to the private sector.

Much of the political judgment on this approach depends on the kind of area to which it could apply. Mr Baker suggests that the scope might be limited to a few places of widespread physical dereliction rather than of problems that are immediately social. It will be necessary to get a better understanding of this aspect from Mr Baker, and to explore the financial implications with the Treasury. But it could be that an initiative on these lines would have something to offer and could be announced quickly.

10. Mr Baker will be keen to take the power in his Housing and Planning Bill to be introduced after Christmas, and it may be that he will be able to give sufficient detail of his ideas for policy approval in principle to be given at your meeting tomorrow.

iii. Other aspects of urban renewal

11. Apart from the issue of new powers and agencies, there is a range of questions on the best use of existing powers. Mr Baker's minute rehearses the range of activities on which he is engaged: the Policy Unit suggest a more aggressive use of existing weaponry. These points are too detailed to pursue far at your meeting. If Ministers wish to take them further, they could be taken away and processed by officials for consideration at a further meeting in the New Year.

iv. Resources

12. You may not wish to say anything about resources at this stage. There is, however, a real question whether it would be possible to mount a sufficiently positive political campaign, if that was your wish, on the basis of a programme of targeted expenditure that is actually set to decline in line with last year's decisions.

HANDLING

The Autumn Statement said ~~the government~~
 "the government is reviewing the
 level and effectiveness of provision for
 the inner cities."

13. You could open the meeting by saying that the information about the 10 areas provides much valuable background material and that the sites themselves may prove to be suitable places for experiments in due course, if that is what is decided. It does not appear, however, that any common theme emerges from the data that have been assembled, and you do not propose to discuss the data in detail.

14. You could say that the Policy Unit's radical proposals would need much further work and are related to the longer term. You could invite second reading comments, and ascertain whether Ministers wish further work to be done on them.

15. Even if there is to be a fuller study of these long-term proposals, you could suggest that Ministers also need to consider short-term measures that could be announced quickly. You may then wish to say that you propose to divide the meeting into three parts - "inner city youth" and race; the question of agencies; and urban renewal.

16. On "inner city youth" you will wish to ask the Home Secretary if he is able to put forward any firm proposals to follow up his original intervention that began this round of meetings. The Secretary of State for the Environment (who refers to young blacks in his minute) and the Secretary of State for

Employment will have comments about the feasibility of new initiatives, and the Lord President and the Chancellor of the Duchy will have views on the general balance of policies towards public order and race.

17. On agencies you could say that you realise that thought was given to this last year, but that the Policy Unit paper casts a new light on the question. First, you may want the views of the Secretaries of State for Scotland and for the Environment on the Policy Unit suggestion, especially as regards the stance that should be taken towards local authorities in developing new urban policy, and what bearing the Local Government Finance Studies have on the question. Second, you could turn to the Secretary of State for the Environment's minute, to question him about the distinguishing features of the power he is seeking, the places where it might be relevant and the legislative vehicle he has in mind. You will also wish to have the Chief Secretary's comments on the deeper implications and, in the light of that, you will wish to decide whether Mr Baker can have policy approval in principle.

18. On other current approaches to urban renewal, you may wish to ask the Secretary of State for the Environment to comment on the Policy Unit's suggestions of a more aggressive drive on surplus land, in particular.

19. The next steps will depend on your judgment of the proposals outlined during the meeting. If you decide that they should be worked up into a fairly early policy announcement, and that you do not want to remit that work to a Minister to co-ordinate on your behalf, the best machinery would probably be to give the task to the official group that has been established, with a remit to report back in, say, early February. The Policy Unit should be invited to involve themselves fully.

CONCLUSIONS

20. You will wish to ensure that the meeting reaches conclusions on:

- i. the need for, and feasibility of, an early initiative on "inner city youth" on the lines advocated by the Home Secretary;
- ii. whether, on agencies and financing arrangements,
 - a. the Policy Unit's suggestion should be further studied;
 - b. the Secretary of State for the Environment's proposal should be explored further or approved in principle;
- iii. whether an early announcement should also touch on other urban renewal questions, especially the more forceful use of existing powers on surplus land.

21. You will also wish to ensure that the task of working up the next steps is clearly remitted to an appropriate group - probably the official group - with a target date by which to report back to MISC 104.

RTA

ROBERT ARMSTRONG

18 December 1985



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From the Secretary of the Cabinet and Head of the Home Civil Service

Sir Robert Armstrong GCB CVO

Ref. A085/2987

19 November 1985

Dear Caroline,

Inner Cities

I am writing to confirm that the next Prime Minister's meeting on Inner Cities will take place after Cabinet (~~at~~ about 11.30 am) on Thursday 19 December. Cabinet will probably begin at 10.00 am to accommodate this.

2. I am sending copies of this ~~minute~~ to the Private Secretaries to the Lord President of the Council, the Secretaries of State for Trade and Industry, the Home Department, Education and Science, Scotland, Social Services, Employment and Environment, the Chancellor of the Duchy of Lancaster, the Paymaster General, the Chief Secretary, Treasury and the Minister for Housing, Urban Affairs and Construction (Mr Patten).

*Yours
Ros*

(Rosalind Mulligan)
Assistant Private Secretary

Mrs C M Ryder