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CC BGS



BF Monday.  
Comments HB?

PRIME MINISTER

I have received a copy of the Paymaster General's minute to you of 27 March about the action taken to establish pilot schemes in 8 inner city areas.

George Young has kept me in touch with the good progress made in setting up the teams, and establishing Ministerial contact in each area. I can confirm the Paymaster General's first impression that the areas have different problems which need to be tackled in different ways, and his view that the local authorities vary in their competence and cooperativeness.

Where the local authority is unresponsive, I fully support the proposal to develop alternative agencies for the delivery of programmes. This also applies where direct action with the private sector stands the best chance of success. This is the thrust of the new powers we are taking to pay Urban Regeneration Grant direct to the private sector. I am, as you know, considering how we can learn from and reproduce the success of the London Docklands Development Corporation. This has now generated over £1 billion of private investment in an area which would probably have remained disused and derelict without the coordination and drive which the LDDC has provided.

On the use of local labour, the urban programme is no different from other Government programmes supporting capital schemes. Value for money is secured by letting contracts on the basis of competitive tender with minimum constraints. This benefits the taxpayer and promotes efficiency and competitiveness in the private sector. However, I recognise the difficulties and tensions this causes in areas like Handsworth. I was however glad that George Young was able to contribute a constructive set of pilot proposals to increase the use of local labour without entering the minefield of unacceptable contract terms.

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Providing that our opposition to the abuse of procedures is not compromised, I am prepared to support constructive initiatives to increase the use of local labour. I shall use my influence with key employers in the construction industry to help here.

On training, I understand that black youths from the inner cities are under-represented on good MSC schemes. I am glad that the Paymaster General is looking into this as part of our general efforts to improve targeting.

You are already aware of the major initiative to improve the management and targeting of the urban programme in a way which is fully consistent with the precepts of the Financial Management Initiative. Both the setting of local objectives and the approval of individual projects will remain under strict Ministerial control. I do not agree that the programme is too much directed by the local authorities. For example in Southwark we turned down 10 of this year's 13 bids for urban programme support. In Lambeth, 142 of the 195 submitted bids have not been approved.

The training and recruitment issues being raised by the Paymaster General's Group are important. In the longer term the level of employment and the social cohesion of these areas will also depend on action to clear dereliction, to encourage the private sector to reinvest, and to find a new focus for enterprise, economic growth, and the generation of real and permanent jobs.

I am copying this minute to members of MISC 104 and the Paymaster General's Group, and to Sir Robert Armstrong.

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K B

4 April 1986

