

P 02184

PRIME MINISTER

Further Urban Development Corporations

[E(A)(86) 36, E(A)(86) 38, and Minutes of 9 July from the Secretary of State for the Environment and 16 July from the Secretary of State for Wales]

MAIN ISSUES AND DECISIONS

1. The main issue is whether the possible designation of further Urban Development Corporations (UDC) for England and Wales should be announced. Subject to discussion, decisions are needed on:

1. whether the Secretary of State for the Environment should announce now the Government's intention to designate UDCs in the seven conurbations listed in Annex B to E(A)(86) 36;

2. whether a UDC should be contemplated for South Cardiff (as proposed by the Welsh Secretary);

3. whether to refer consideration of the financial consequences to the PES discussions;

4. whether to repeal section 134(2) of the Local Government Planning and Land Act 1980 in the current Housing and Planning Bill which restricts UDCs to metropolitan districts.

BACKGROUND

2. UDCs are statutory corporations established and appointed by Ministers. Their main functions are to acquire land (by compulsion where necessary) and prepare it for development and eventual disposal to the private sector. They are empowered to provide basic services (water, gas etc) and to carry out building and other operations. The Secretary of State may transfer to a UDC

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the planning and building control powers normally vested in the local authority. They can therefore tackle the problems of dereliction in a unified way.

3. The case for further UDCs put forward by the Environment Secretary is that they are the best instrument to tackle the dereliction and economic decay in the Northern conurbations, and establish an environment in which new enterprise can flourish. The existing local authorities are thought to be either incapable or unwilling to do an effective job themselves (although they do not behave like Liverpool).

MAIN ISSUES

4. The Sub-Committee will need to consider:-

(i) whether of the various instruments of urban policy UDCs are best fitted to take on this role;

(ii) whether UDCs are likely to be cost effective;

(iii) if the proposal is agreed, how to finance it.

Urban Policy Instruments

5. These include enterprise zones, programme and partnership authorities, task forces, and urban programme and derelict land grants. There are also UDCs in London and Liverpool. There is thus a risk that establishing more UDCs will further dissipate effort and cut across existing work. But alone of the instruments UDCs provide a mechanism for breaking through the particular problem of areas where the land is held by a variety of public sector bodies, and an agency is needed with power to acquire and rationalise holdings, to manage an area in a comprehensive way, to provide the necessary infrastructure, and to circumvent the local authorities. So if the seven areas identified by the Secretary of State are in need of a comprehensive approach on these lines, UDCs could be the right mechanism.

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6. Establishing a UDC does, however, represent a major reduction in the powers of the local elected authorities. The existing UDCs were established in areas in which relatively few people lived. Opposition to further UDCs can therefore be expected. Some authorities may argue that if they had the same resources and powers as UDCs they could do as good a job. Many authorities, however, do not have a single-minded approach to developing new enterprise, and the Committee may feel it is justified to transfer powers from them.

Cost effectiveness

7. UDCs will be expensive. Preparation of land will require perhaps £10 million per UDC per year in the initial stages, although there should be receipts later as the land is transferred to the private sector. If the UDC is successful, the initial public sector investment will attract private sector investors, possibly on a much larger scale. Only the London Dockland Development Corporation has so far been successful in attracting private sector investment on a substantial scale, and this has the special advantage of proximity to the City of London. The Merseyside Corporation has not generated any comparable momentum. The Chief Secretary argues that the objectives of the UDC initiative are too ill-defined and the prospects for its success too uncertain at present to justify committing resources on this scale. He asks for a detailed assessment of the desired end result, evidence that a significant and quantifiable improvement in the current position is achievable, and criteria for evaluating success. The Environment Secretary's intention is to commission from consultants studies to estimate the cost of implementing UDCs. He will no doubt argue that it is impossible to provide the sort of cast iron case sought by the Treasury without these studies, which in turn requires an initial announcement. It will therefore be important to establish the extent to which an announcement now will commit the Government to any particular scale of development. It will certainly create a strong presumption that some UDCs in the area identified will go ahead.

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Financial Implications

8. DOE do not have provision to cover the cost of new UDCs; the Chief Secretary argues that there should be no addition to public expenditure and that resources should be found from within existing programmes. This will need to be considered in the public expenditure round. There may therefore be a case for delaying any announcement until the public expenditure issues have been resolved. It would hardly be consistent with yesterday's Cabinet decision on public expenditure to announce so soon new proposals that will clearly require extra funds.

Cardiff

9. The Welsh Secretary in his letter of 16 July registers the possibility of establishing a UDC in south Cardiff to undertake a £100 million development, partly funded by the public sector. Discussions are in hand with the various interested parties (including the local authorities), and it is not yet clear whether UDC powers will be necessary or appropriate. A major element of the development will be a £50 million barrage across the Taff estuary, which, the Welsh Secretary asserts, would have the effect of raising property values. It would be premature to reach a firm decision on whether a UDC is necessary until the outcome of discussions with the interested parties is clear, and in particular until all the financial aspects have been evaluated. The Committee might therefore at this state simply encourage the Welsh Secretary to continue with talks without commitment (keeping the Treasury informed) and to report back in the autumn.

Section 134 (2) of the Local Government Planning and Land Act 1980

10. This section restricts the power to designate UDCs in England to Metropolitan districts. One of the potential sites identified by the Environment Secretary - Teeside/County Durham - is in a non metropolitan district, and if it is to proceed the section will have to be repealed. The Housing and Planning Bill currently before Parliament provides an possible vehicle, and the Environment Secretary would like to introduce the necessary amendment.


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11. If the Committee approve the possible designation of further UDCs, there can be no objection to this. If, however, a decision is postponed the Environment Secretary will be in difficulty: tabling the amendment will clearly invite questions as to what the Government have in mind. But if the chance is not taken, Teeside and County Durham could not be in the first tranche of new designations (although preparatory work, could, of course, proceed). If the Environment Secretary presses, and the Committee are generally favourable to this preparatory step, you may wish to invite him to agree with the Chief Secretary a presentation of the amendment that would minimise the extent of future commitment.

HANDLING

12. You will wish to invite the Environment Secretary to introduce his paper, and the Chief Secretary, Treasury to respond. The Paymaster General will have views on the relationship with his inner city initiatives, and the Minister of State, Privy Council Office will speak on policy on Quangoes. The Trade and Industry Secretary will also have views. The Welsh Secretary will also wish to introduce his proposal.



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Cabinet Office
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