

cc B/OP

PRIME MINISTER

18 July 1986

URBAN DEVELOPMENT CORPORATIONS

As an application to spend between £100m and £200m of taxpayers' money to set up 7 UDCs DoE fail to make their case. Their argument is little more than a guess based on partial evidence. They do not:

- evaluate the successes and problems of the existing 2 UDCs;
- offer any comparison with other development agencies such as Scotland and Wales;
- produce any detailed plans for any one of the 7 projected UDCs;
- evaluate any other options which may achieve their objectives.

A. The main question marks beside UDCs which must be addressed before any other UDCs are considered are:

- (1) UDCs are for large tracts of derelict urban land. Although no minimum is specified in the Act, 800 acres of Merseyside is thought to be too small. Is there not a case for the next urban initiative to be flexible in order to assist either small or large areas? A good

example of an area too small to be a UDC but in great need of some of the UDC powers, is an area of 50 acres we have inspected in the middle of Bradford.

- (2) Secondly, we agree with John MacGregor that new UDCs could well be expensive. The Treasury figures for the true gearing of funds in Merseyside, including land reclamation is £1 of private money to every £15 public sector funding. By contrast, London Docks have a much better gearing; for £400m public funds, £1b of private funds has been invested. But London Docks is probably unrepeatable: special factors include, few residents and proximity to the City and the financial market.

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MDC
2000000
re job

B Instead cheaper and greatly needed would be:

Development agencies with legal power for speedy site assembly and disposal of land.

(1) The Worst Problem

The appalling problems of site assembly are, for example, evident in Sheffield and Bradford. Developer after developer is lured into the derelict tangle of property in these places only to be forced to retreat when faced with the insuperable problem of forming a consortium to put together the jigsaw of property whose owners often disagree or are intractable.

(2) The Solution

Choose a development agency on whom to grant vesting powers (hopefully over private as well as public sector land).

The candidates from among existing development agencies who could handle this are:

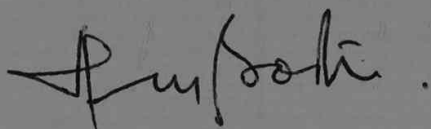
- DoE upon recommendation by Phoenix a private initiative group supervised by a good man, Chris Ledger of Shell UK. A DoE Minister sits on the board of Phoenix. (We prefer this one.)
- Phoenix itself. This option was vetoed by Nicholas Ridley, following the strong advice of DoE officials.
- Local Authority. This is a bad option - to be avoided because local authorities have a poor record on land disposal.

The vesting powers would operate to allow an authority to take ownership and control over property speedily and sort out compensation later. This is much better than compulsory purchase which is delayed by interminable wrangles over compensation.

C. Conclusion

We recommend that DoE's application for approval of the repeal of Section 134 (2) of the Local Government Planning and Land Act 1980 be deferred until they provide a proper evaluation of existing UDCs and comparison with the worthwhile Scottish and Welsh Development Agencies. We suggest DoE take powers to solve the problem rather than go down the expensive UDC route.

These powers should enable DoE or a Development Agency to crash the barriers to land assembly by the use of vesting orders.



HARTLEY BOOTH



For E(A)
meeting folder
(Monday meeting).

CCBS
ccBSt

MINISTER OF STATE, PRIVY COUNCIL OFFICE

PRIME MINISTER

18 July 1986

URBAN DEVELOPMENT CORPORATIONS: NDPB POLICY

I wrote to Nicholas Ridley on 9 July expressing concern about squaring his proposal to set up a number of new UDCs with our declared policy on non-departmental public bodies (NDPBs or quangos).

2. Since then I have seen the papers submitted to E(A) by the Secretary of State for the Environment and by the Chief Secretary and have been invited to attend E(A) on Monday. Because I have no locus in the general issue of urban regeneration I shall not attend E(A), but I think it is important for us to consider explicitly what importance we attach to our declared policy on NDPBs in cases like this.

3. In the past you have told the House of Commons that "there are always pressures for the creation of new bodies. We shall be robust in resisting them. But we shall approve proposals for new bodies if we can be convinced that the function is essential and that a non-departmental public body is the most appropriate way of doing the job" (3 December 1980 and, in very similar terms, 19 November 1984). Our policy has therefore been to ensure that a new NDPB is only set up if it is demonstrably the most cost-effective option.

4. Over the last year I have seen evidence of this policy being increasingly neglected. Colleagues are all familiar with my letters reminding them of quango policy and the need to consider explicitly the cost-effectiveness of any proposed new body. Nicholas's paper for E(A) suggests announcing the decision, in principle, to set up eight new UDCs and then to analyse the costs. This would, of course, cut right across declared NDPB policy.

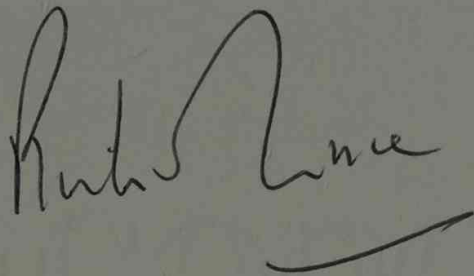
5. I am sure that you will want to consider carefully the costs and likely effectiveness of the proposed UDCs. This tends to support the Chief Secretary's arguments that the effectiveness of both the existing UDCs should be carefully appraised and that the success of other urban policies should be evaluated before committing ourselves to setting up further UDCs.

6. A similar issue arose on NDPBs likely to be created by water privatisation. I wrote to Nicholas Ridley on this matter on 15 July inviting his views and those of colleagues on whether "privatisation quangos" should be considered differently from other quangos. But we need to take stock of our overall position on quangos. Since 1979 we have been able to report a net reduction in quango numbers each year. Figures for 1986 are not yet available but I am not confident that this downward trend has continued over the last year. Any increase in quango numbers

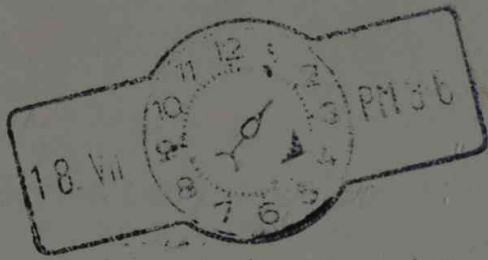
could attract considerable criticism - particularly on the grounds that it represented a backstairs growth of the public sector and evidence of increasing Government intervention.

7. Repetition of the point becomes tiresome, but I am sure you would agree that if we are to relax our resistance to setting up new NDPBs, this decision needs to be taken with our eyes open. We will also need to develop an agreed view on how any increase in NDPB numbers will be justified.

8. I am copying this to members of E(A)

A handwritten signature in cursive script, appearing to read "Richard Luce", with a long horizontal flourish extending from the end of the name.

RICHARD LUCE



CONFIDENTIAL

cc: JG

FROM: CHIEF SECRETARY
DATE: 14 July 1986

NBRN.

PRIME MINISTER

URBAN DEVELOPMENT CORPORATIONS

I have seen Nicholas Ridley's minute to you of 9 July in which he seeks policy approval to legislate to remove the bar on designating Urban Development Corporations (UDCs) in non-metropolitan counties in England. ^{WITH ON?}

2 I will not take up the argument whether the bar on non-metropolitan UDCs is a sensible one. That is not the main issue. The question now is whether we can afford to set up further UDCs at all, and whether they would represent a cost-effective addition to urban policy. Nicholas Ridley has circulated a paper to E(A) arguing his case for an extension of UDCs.

3 I will be setting out my detailed objections to his proposals in a separate E(A) paper to be circulated shortly. I do not think it would be right to pre-empt that discussion by taking a decision now to amend the Housing and Planning Bill.

4 I am sending copies of this minute to other members of E(A), members of H, and Sir Robert Armstrong.

JOHN MacGREGOR

CONFIDENTIAL



PRIME MINISTER

URBAN DEVELOPMENT CORPORATIONS

Mr. Ridley's minute to you below seeks policy approval now from E(A) for the repeal of Section 134(2) of the Local Government Planning and Land Act 1980.

The purpose of the amendment is to remove the present metropolitan/inner London restriction on the designation of areas as urban development areas. The point of the timing is to be able to trail the amendment (which has already been drafted) in the Lords Second Reading of the Housing and Planning Bill on 30 July.

The Lord President would like this to be squashed. E(A) are scheduled to discuss Mr. Ridley's new proposal for setting up a number of UDCs on 21 July. His proposals will be contested in a separate paper by the Chief Secretary, and I understand the Welsh Secretary also proposed to circulate a paper. It would be wrong to anticipate the outcome of that meeting by giving the policy approval to Mr. Ridley now.

Agree that I should write along the lines of the above?

DN

Yes not

David Norgrove

10 July 1986



PRIME MINISTER

When E(A) discussed shipbuilding on 3 July the possibility of setting up an Urban Development Corporation (UDC) on Teesside was one of the ideas that we considered.

I am today putting proposals for new UDCs, including one on Teesside or in County Durham, to E(A). But Teesside and Durham, unlike the existing UDC areas in London Docklands and Merseyside, lie in non-metropolitan county areas and the legislation does not permit the setting up of a UDC in such an area.

By subsection 134(2) of the Local Government Planning and Land Act 1980, an area of land in England may only be designated as an urban development area if it is in a metropolitan district or in an inner London borough or partly in an inner London borough and partly in an outer London borough which adjoins the inner London borough. This subsection was added to the 1980 Act because of concern expressed by our supporters that the Act might otherwise be used by a future administration to establish UDCs in inappropriate places (for instance the City of London). The precise form of the subsection reflected the envisaged boundaries of the London Docklands and Merseyside UDC areas.

The existing UDCs have been successful and I believe that UDCs are now seen, not least by our supporters, as an effective means of stimulating private sector investment and activity. I see no reason for perpetuating the metropolitan/inner London restriction in England. Such a restriction to conurbations was never thought necessary in Scotland or in Wales.

The Housing and Planning Bill, which has been passed by the Commons and is due for Lords Second Reading on 30 July, provides the only immediate legislative opportunity to amend the 1980 Act. The necessary amendment has already been drafted.



Since it would be appropriate to trail any proposed amendment to the Bill on Second Reading, I am now seeking policy approval from E(A) for the repeal of s.134(2) of the Local Government Planning and Land Act 1980.

I am sending copies of this minute to the other members of E(A), to the members of H, and to Sir Robert Armstrong.

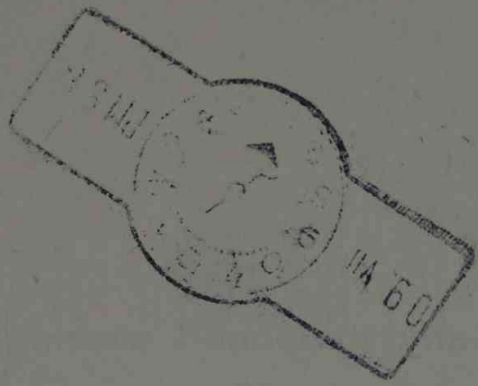
BH Leonard Private Secretary

PP.

N R

9 July 1986

(Approved by the Secretary of State and signed in his absence)



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10 DOWNING STREET

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 BQ

From the Private Secretary

11 July 1986

~~AS~~
14/7/86

URBAN DEVELOPMENT CORPORATIONS

The Prime Minister has seen the Secretary of State for the Environment's minute of 9 July which sought policy approval for the repeal of Section 134(2) of the Local Government Planning and Land Act 1980.

The Prime Minister appreciates Mr. Ridley's concern that this should be carried forward quickly and is sympathetic towards the idea of an Urban Development Corporation for Teesside or County Durham. However, she understands that E(A) is to discuss on 21 July Mr. Ridley's general proposals for new urban development corporations. She further understands that a discussion then of the specific proposal for repeal of the Section mentioned above would still allow the amendment to be trailed during the Lords' second reading of the Housing and Planning Bill on 30 July. She has therefore asked that this proposal be placed on the agenda for E(A) on 21 July.

I am copying this letter to the Private Secretaries to the members of E(A), the members of H and to Michael Stark (Cabinet Office).

DAVID NORGRIVE

R.U. Young, Esq.,
Department of the Environment.

dg

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CCB 39



2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

The Rt Hon Richard Luce MP
Office of Arts and Libraries
Room 62/2
Great George Street
LONDON
SW1

My ref:

Your ref:

17 July 1986

NBP n

FIG ON B/UP

Dear Minister,

Thank you for your letter of 9 July asking for a sight of previous papers on the proposal that a number of new Urban Development Corporations should be set up.

You will be glad to know that the bibliography is fairly short. Such discussions as there have been have related to drafts of the paper which is now before E(A), namely

- (i) E(A)(86)36: further Urban Development Corporations/ Memorandum by the Secretary of State for the Environment.

There is also:-

- (ii) E(A)(86)38: further Urban Development Corporations/ Memorandum by the Chief Secretary, Treasury.

I understand that the Welsh Office will also be circulating an E(A) paper proposing a UDC in Cardiff.

My proposal was trailed briefly in discussion at E(A)(86)15th on 8 May and E(A)(86)18th on 2 July.

I will certainly bear in mind your interest in all NDPB matters, and the points which you make in your letter.

I am copying this letter, as yours, to E(A) colleagues.

Yours sincerely

BH Conaull

Private Secretary

pp.

NICHOLAS RIDLEY

(Approved by the Secretary of State and signed in his absence)

18. VII
1986
PM 86

CCBG



OFFICE OF ARTS AND LIBRARIES
Great George Street
London SW1P 3AL
Telephone 01-233 8610

From the Minister for the Arts

Rt Hon Nicholas Ridley MP
Secretary of State for the Environment
2 Marsham Street
LONDON SW1P 3EB

9 July 1986

Dear Nicholas,

NBRN

URBAN DEVELOPMENT CORPORATIONS

I have learned with interest of your suggestion that a number of new urban development corporations (UDCs) should be set up.

The existing UDCs (the London Docklands Development Corporation and the Merseyside Development Corporation) are non-departmental public bodies and, if set up in the same way, any further UDCs would also be NDPBs. I am therefore concerned to assure that, in considering this proposal, our policy on NDPBs is fully taken into account. Essentially this means clearly defining the objectives to be achieved and then assessing the cost-effectiveness of different ways of achieving these objectives. Setting up a new NDPB should only be considered if this is the most cost-effective option.

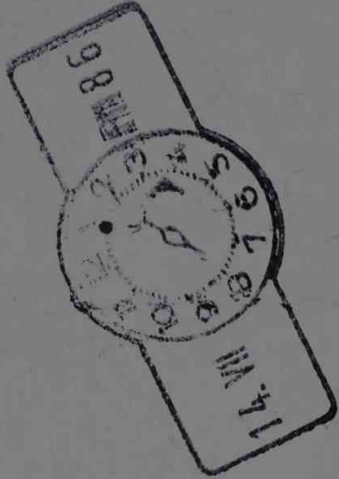
I should be grateful if you could send me, urgently, copies of any previous papers on this.

Copies of this go to members of E(A).

Richard Luce

RICHARD LUCE

REGIONAL POLICY: Inner cities: Pt 8



010

CEBG

CONFIDENTIAL

P 02164

From: J B UNWIN
10 July 1986

MR NORRGROVE - No 10

cc Mr Stark
Miss Mac Naughton

URBAN DEVELOPMENT CORPORATIONS

No Ridley's
The Environment Secretary's minute to the Prime Minister of yesterday seeks policy approval now from EA for the repeal of Section 134(2) of the Local Government Planning and Land Act 1980 *as you below*

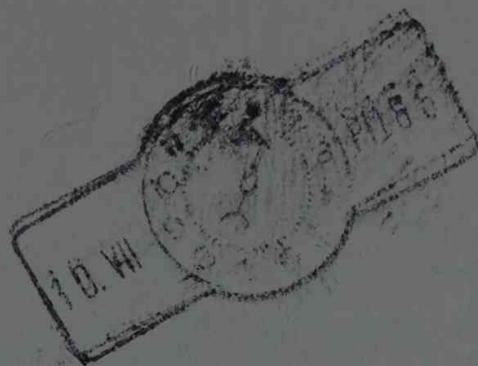
24 The purpose of the amendment is to remove the present metropolitan/inner London restriction on the designation of areas as urban development areas. The point of the timing is to be able to trail the amendment (which has already been drafted) in the Lords Second Reading of the Housing and Planning Bill on 30 July.

32 I see no need to settle this now. E(A) are scheduled to discuss Mr Ridley's new proposal for setting up a number of UDCs ~~(E(A)86)36~~ on 21 or 22 July. ~~(we have brought this forward from the earlier planned date of 28 July).~~ His proposals will be contested in a separate paper by the Chief Secretary, and I understand the Welsh Secretary also proposed to circulate a paper. It would ~~therefore~~ be wrong to anticipate the outcome of that meeting by giving the policy approval ~~requested by the Transport Secretary now.~~ *to be requested by the Transport Secretary now.* *The Lord President also wants this squashed, would like*

4 ~~If the Prime Minister agrees, I suggest you respond briefly on the above basis.~~

Agree that I should write along the lines of the above?

J B UNWIN





NBRN

CCBS

PRIME MINISTER

I have seen Nicholas Ridley's letter of 9 July to you seeking approval to amend legislation so that Urban Development Corporations (UDCs) could be set up in non-Metropolitan County areas. This would enable us to set up a UDC in Teesside where the problems are acute. We already have an Inner Cities Initiative task force operating in North Central Middlesbrough, but an initiative on a larger scale is badly needed.

It would be desirable to have the wider scope which Nicholas Ridley proposes in considering which areas might benefit from UDC status. I support his proposal.

I am sending copies of this minute to the other members of E(A), to the members of H, and to Sir Robert Armstrong.

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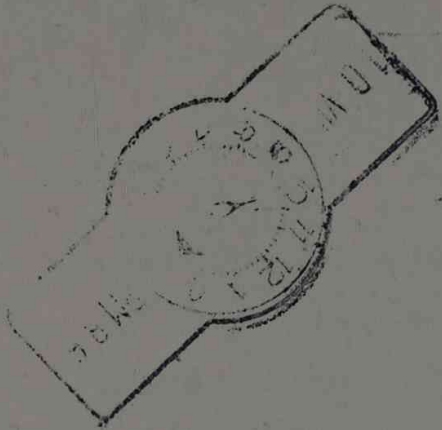
KC

10 July 1986

REGIONAL POLICY

INNER CITIES

P.T.B.





SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

CONFIDENTIAL

The Rt Hon Nicholas Ridley MP
Secretary of State for the Environment
2 Marsham Street
LONDON
SW1P 3EB

BF || BIF. Answer with
the other 4 pp for
E(A)

17 July 1986

Dear Nick

~~ATTACHED~~

You circulated to E(A) proposals for the creation of further Urban Development Corporations (UDCs) in England.

I wholly endorse what you say in your memorandum about the need to tackle urban decay and dereliction in an integrated manner; and to concentrate resources geographically in such a way as to provide a focus for private sector-led development in major urban areas outside south east England. I agree with you that we need to view this as a priority objective and it is of course equally applicable to Scotland.

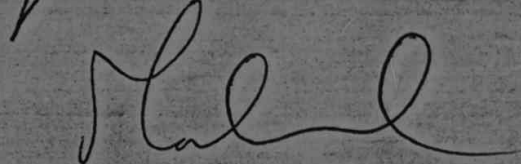
As I am sure you are aware, the merits of the integrated approach which you propose are supported by experience here in Scotland with a series of area initiatives in which the Scottish Development Agency has been a key catalyst. There are differences of course between the Scottish experience and the UDC approach: notably, we have not vested surplus land in the SDA nor given it the same kind of planning regime as is available to UDCs. The Scottish approach has thus been to operate under the normal local authority planning regime and through voluntary agreements amongst the Agency, local authorities, other public bodies and the private sector. Were the Agency's powers to prove less than effective in future as a focus for tackling large scale urban regeneration, then I would not want to rule out entirely the option of creating one or more UDCs in future but I see no immediate need for this.

As you may know, we have currently under way an NDPB review of the SDA and I would not want at this juncture to make any statement about possible UDCs in Scotland which would all too readily be seized on by our opponents as implying some reduction in our commitment to the SDA as a major instrument of urban regeneration in Scotland. Indeed, if colleagues approve your proposals, I shall need to give careful consideration to the presentation in Scotland. This would be the third and most substantial of a recent series of urban policy initiatives for England which had no direct counterpart in Scotland. I shall want to present this positively by stating that the changes in England amount to a considerable vote of confidence in the approach which we are already adopting to urban regeneration in Scotland; to affirm a high priority which we give to the objective of economic and environmental

regeneration; and to repeat our commitment to a strong Scottish Development Agency with substantial resources as a major vehicle for economic and environmental regeneration in Scotland's urban areas.

I confirm that I have no objection to your proposed minor amendments to the 1980 Act.

Copies to other members of E(A) and to Sir Robert Armstrong.

Yours ever,


MALCOLM RIFKIND

