

CONFIDENTIAL

PRIME MINISTER

Further Urban Development Corporations

E(A) (86) 50 - Page A.

DECISIONS

1. The Secretary of State for the Environment seeks agreement to announce at the Party Conference that the Government intend:

- i. To designate a UDC for Greater Manchester;
- ii. To commission studies of the scope for designating UDCs in seven other northern conurbations;
- iii. To commission a study to evaluate the scope for a UDC or an alternative for East Birmingham.

BACKGROUND

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2. The Committee considered papers from the Environment Secretary and Chief Secretary in July on the possibility of designating further UDCs (E(A) (86) 19th Meeting, Item 1). They saw attractions in the Environment Secretary's proposals, provided that proper criteria for policy evaluation could be devised and provided they could be implemented by a diversion of funds from local authority capital allocations rather than from additional public expenditure. The Environment Secretary was invited to bring his proposals back once decisions had been taken on the local authority capital control regime.

3. The Committee also agree in principle that, subject to discussion with the Lord President, the Environment Secretary should take powers to designate UDCs in non-metropolitan, districts by removing a constraint in the present legislation. He was also asked to consider the desirability of reinstating East Birmingham within the planned ambit of the proposed UDCs.

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4. In July the Committee also noted that the Welsh Secretary might wish to seek approval for a UDC in South Cardiff. He will bring forward proposals during October: that case is different, and need not be considered in conjunction with the Environment Secretary's paper.

MAIN ISSUES

5. At the previous discussion, the Chief Secretary opposed the designation of further UDCs on the grounds that they were likely to have only limited and expensive success (like the Merseyside Development Corporation which had only attracted some £5 million of private sector investment), and that they would add to the plethora of urban policy initiatives. However, these general objections were in effect rejected by the Committee's welcome in principle to the Environment Secretary's proposals provided financial provision and the criteria for policy evaluation could satisfactorily be settled.

Finance

6. Annex C sets out the estimated annual gross and net public expenditure costs if all the UDCs are designated. Average annual net expenditure over the 12 year programme would be £83 million, with a peak of £145 million in year 3 (1989-90).

7. It has now, however, been decided that there should be no comprehensive reform of the capital control system during the present Parliament. This means that there is no prospect of finding the resources to finance the UDCs either from eliminating the likely overspend on capital or by moving resources from the shires to the metropolitan areas, at least before 1989/90 and possibly later. Although the bulk of the expenditure on the UDCs will fall after this date, the Environment Secretary has

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put in a bid for additional provision of £15 million in 1987-88, £30 million 1988-89, and £45 million in 1989-90, and he has no other proposals for offsetting savings. This has been discussed in the current bilaterals but so far the Chief Secretary has not agreed with Mr Ridley how to accommodate it. Unless agreement can be reached in the context of the DOE's Other Environmental Services programme within the next week, the issue may have to be referred to the Star Chamber.

8. You will want to seek the Chief Secretary's views on the financing (which is likely to be the Treasury's principal concern, although he may wish to repeat some of his earlier criticisms of lack of evaluation criteria and of coordination). If the issue cannot be resolved before the Star Chamber, it would clearly not be prudent for Mr Ridley to make an earlier announcement. The delay might also mean losing the opportunity to take power to designate UDCs in non-metropolitan areas in the Bill now before Parliament (see paragraphs 10-11 below).

Evaluation Criteria

9. The Environment Secretary sets out in Annexes A and B the criteria he will use to justify the choice of the conurbations for the UDCs in terms of unemployment and dereliction, and the framework for policy evaluation. The latter is still very broad brush. He proposes aggregate performance targets for the amount of land to be brought back into use, the area of floor-space to be built or refurbished for private sector use, the amount of temporary employment to be created, and the amount of private sector investment to be attracted. He has not, however, related these to the amount of public sector resources to be committed, so that it is still not possible to compare this approach with other job creation instruments. The Chief Secretary may therefore feel that the case for adopting the UDC approach has not yet been made on value for money grounds.

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Amendment of the 1980 Local Government, Planning and Land Act

10. The Environment Secretary would like to use the Housing and Planning Bill currently before Parliament to remove the restriction preventing UDCs being designated in non-metropolitan areas. This is necessary if Teeside/Durham is to be included. But introducing the amendment will signal clearly the Government's intentions, and can only realistically be done once the policy has been decided and announced. The Lords' Committee stage will be on 7, 9 and 13 October, and the Whips Office advise that any amendment should be tabled by 3 October.

11. The Lord President has not ruled out the possibility of using this Bill, but is concerned about pressure on business in the Lords in October. The fallback would be to include a clause in next Session's Local Government Bill, although that would widen its scope. The issue will have to be referred back to the Lord President in the light of the discussion.

HANDLING

12. You will wish to ask the Environment Secretary to introduce his proposal. The Chief Secretary, Treasury will wish to respond. The Paymaster General and other members of the Committee will wish to contribute.



J B UNWIN





mt

10 DOWNING STREET

Prime Minister

Mr Ridley is in effect asking E(A) to rule in favour of one of his PES bids, but outside the Survey context and in the face of continued opposition from the Chief Secretary.

I do not think it would be advisable to overrule the Chief Secretary on this, so soon after the Dartford decision.

DWS  
23/9.

cc B/UP

PRIME MINISTER

23 September 1986

URBAN DEVELOPMENT CORPORATIONS

A. Resumé of Initiatives

Enterprise Zones - basic rating relief zones - expensive and will be criticised in forthcoming Sainsbury Group.

Simplified Planning Zones - still unproven - still allow local authorities too much say.

City Action Teams - limited success, bow to local authority dictat.

8 Inner City Initiatives - little success, still struggling to show results. Seen as shoe string operation.

Urban Development Corporations - only London Docks a success, and that was a special case, but the only initiative to bypass local authorities.

B. Scope for Effective Future Initiative

We need to satisfy two overriding policy requirements:

- (a) More direct control over recalcitrant and anti-enterprise local authorities.

- (b) A major incentive or requirement for owners of derelict or unused inner city land or property to use or dispose.

C. Future Option

If you rightly reject the Ridley proposal for more UDCs, then you could ask him to work up proposals to design a new less expensive form of UDC in which:

- Rating or even penal rating on owners of derelict and certain unused inner city property could be imposed.  
(This is despite our abolition of general penal rates in 1980 and our abolition of general empty industrial rates in 1984.)
- Local authorities would be required to sell unused land -  
(our land register has sadly substantially failed).
- Automatic planning permission in various categories would be permitted.
- Direct control of central Government would be imposed.



HARTLEY BOOTH