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PRIME MINISTER

Merseyside and Related Matters

At your meeting of Ministers on 7 September 1981 to discuss the report by the Secretary of State for the Environment following his visit to Merseyside, I was invited to arrange for the preparation of a memorandum making specific proposals for establishing a central Government presence on Merseyside and for carrying forward consideration of the various matters identified at that meeting, as a basis for discussion and decision by the Ministers concerned. This memorandum, prepared in consultation with the Departments concerned, --- is now attached.

2. I am sending copies of this minute and the memorandum to the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Education and Science, Environment, Scotland, Industry, Transport, Social Services and Employment, and to Sir Ian Bancroft and Mr Ibbs.

REA

ROBERT ARMSTRONG

18 September 1981



## MEMORANDUM

## MERSEYSIDE AND RELATED MATTERS

At the meeting of Ministers of 7 September 1981 a provisional conclusion was reached that the Secretary of State for the Environment should continue, probably for a year, to be the Cabinet Minister with special responsibility for Merseyside. Further thought was to be given to the following matters -

- a. what arrangements, if any, should be made for the designation of other Ministers as having special responsibilities for other conurbations;
- b. how to co-ordinate and strengthen the Central Government presence on Merseyside;
- c. whether, and, if so, to what extent, additional resources should be made available for dealing with the problems of Merseyside and other conurbations;
- d. how best to carry forward work on the following specific matters, with particular reference to Merseyside. -
  - i. more assistance for the development of service industries and small businesses;
  - ii. the clearance of derelict sites, which might also provide extra jobs for the unemployed;
  - iii. the provision of skills through education and training;
  - iv. the improvement of the labour market.

The Secretary of the Cabinet was invited to arrange for the preparation of a memorandum making specific proposals for carrying forward consideration of these matters.



Ministerial responsibilities

2. The Secretary of State for the Environment proposed (pages 7 and 8 of his Report) that in addition to an extension of his special responsibility for Merseyside, other senior Ministers should be given similar responsibilities for other conurbations. The role of such Ministers would be to co-ordinate Government action, to act as "troubleshooters", to secure maximum value for money from present programmes, to take new initiatives where appropriate, to secure improved performance in local government, and to seek greater commitment from the private sector.

3. The main arguments for designating other senior Ministers with special responsibility for other conurbations are -

a. Other conurbations suffer from similar levels of deprivation. If Merseyside alone had the special attention of a senior Minister, there could be resentment elsewhere. The Government's response might be thought to be simply a reaction to the riots rather than to common underlying problems.

b. Ministers have said (for example at the Prime Minister's meeting with the TUC on 1st September) that the Government would not concentrate on Merseyside to the exclusion of other urban areas with major problems.

c. There could be strong political pressures for similar Government assistance to other conurbations. If these pressures were thought likely to be irresistible, it might be better for the Government to be seen to retain the initiative by making these appointments at the outset rather than subsequently as an apparently grudging response to pressure.

d. There is already a precedent for Ministerial involvement in the conurbations; DoE Ministers work with the partnership authorities in five conurbations.



- e. The appointment of Ministers with special "territorial" responsibilities for the conurbations would bring, and would be seen as bringing, central government in general and Ministers in particular in closer and more continuous contact with the problems of the conurbations, with consequent benefits for collective Ministerial discussion and the work of the departments concerned.
- f. In other conurbations, as in Merseyside, the presence of a senior Minister should improve the co-ordination and flexibility of central government and local government and stimulate action in the private sector.
4. The arguments against the proposal are -
- a. Some of the problems of Merseyside, notably the shortcomings of local government, may be peculiar to that area. The designation of a senior Minister might be less appropriate and less welcome in other conurbations. The Merseyside arrangements need not lead to pressure for similar arrangements in other areas, if they are seen as temporary and experimental.
- b. If senior Ministers were to be designated for other conurbations, this would multiply the pressures on the Government to make available extra resources.
- c. It would be difficult to decide where to draw the line. A case could be made out for treating Tyneside, Greater Manchester and the West Midlands on the same basis as Merseyside, but the omission of South and West Yorkshire and Greater London could be difficult to justify. On the other hand the designation of as many as seven senior Ministers might not be feasible and there could be special difficulties about Greater London.



d. While it may be practicable and appropriate for the Secretary of State for the Environment to exercise special responsibilities of this kind, since he has many relevant functions and has close dealings with local authorities, this would not be true of other functional Ministers to the same extent.

e. Any widespread assumption of English territorial responsibilities by functional Ministers, even of a temporary and informal kind, could raise difficult issues of central government organisation, might be thought to undermine local government; and could have profound constitutional implications, if it led on to the creation of a comprehensive central government presence in the regions or to greater regionalisation of central government on a permanent basis.

f. The proliferation of Ministers with territorial responsibilities could cause confusion in Parliament and outside about the respective accountability of the territorial and functional Ministers.

g. Although differences of view among functional and territorial Ministers could be sorted out by a group of Ministers with the Prime Minister in the chair, this could be a formidable task; and there would be a particular problem of co-ordination with statutory bodies such as the Manpower Services Commission. There would probably also need to be new co-ordinating machinery locally of the kind discussed with special reference to Merseyside in paras 7 to 10 below.



5. The Home Secretary has given further consideration to the handling of police matters, in the context both of an extension of the special Ministerial remit for Merseyside and the possible introduction of similar arrangements in other conurbations. Although a Home Office junior Minister participated in the visit by the Secretary of State for the Environment to Merseyside, the Home Secretary does not consider that this arrangement should be maintained on a more continuing basis in Merseyside or adopted elsewhere. The handling of difficult police issues at Ministerial level is inevitably a matter for the Home Secretary himself; and the presence of a Home Office Minister on a continuing basis might suggest, however erroneously, that the operational independence of the local Chief Constable was being eroded, and could upset the delicate balance of the relationship between the Home Secretary, local police authorities and Chief Constables. So far as community relations are concerned this is mainly a matter of the attitudes of the various agencies and organisations in the area, and it is not thought that the involvement of a Home Office Minister on a continuing basis would be helpful. But it would be important in any public announcement to make it clear that the Home Secretary would be continuing to give particular attention to the police and the community elections aspects of the problems facing the conurbations.

6. The two main options before Ministers are therefore as follows -

Option A to designate senior Ministers for all (or nearly all) of the seven English conurbations, with such action in respect of Clydeside as the Secretary of State for Scotland's more comprehensive responsibilities make appropriate;

Option B to confine the designation of a senior Minister to Merseyside only on a temporary and experimental basis.



There are also two intermediate options -

Option C to designate a senior Minister for one area or possibly two areas in addition to Merseyside, again on a temporary and experimental basis, to remove the impression that Merseyside is receiving special treatment because of the Toxteth riots;

Option D to designate DOE junior Ministers as having special responsibilities for some or all of the English conurbations, as an extension of the present arrangements for DOE Ministerial involvement in the "partnerships".

Central Government presence on Merseyside

7. The Secretary of State for the Environment proposed in his Report (pages 7 and 8) a single Regional Office for Merseyside and probably related parts of Lancashire and Cheshire comprising the DOE DTpt, DoI and DEm/MSD and having links also with the DES and DHSS.

8. There are two main options -

Option A a new regional organisation in Merseyside and adjoining areas, carved out of the existing North West region, and serving a population of about  $2\frac{1}{4}$  million; this would involve the relocation of a substantial number of officials, many at present based in Manchester;

Option B a task force or project team in Liverpool to support the Secretary of State for the Environment in his special co-ordinating role, drawn mainly from Departmental officials already working in the North West.

9. Although there are some arguments on merits for Option A, it has two major disadvantages - of cost and timing. The timing argument is crucial since the extension of the Secretary of State's appointment is probably for one year only



and it would be difficult to complete a major regional reorganisation within that timescale. There is also the danger that a separate Regional Office might be burdened by routine casework unrelated to inner city initiatives. A separate Regional Office would certainly cost more than a task force of the kind suggested as Option B. Option B is therefore recommended to Ministers, although Option A need not be ruled out for reconsideration at a later stage.

10. The main features of Option B as recommended to Ministers are as follows -

- a. the remit of the task force should be to assist the "territorial" Minister in co-ordinating and stimulating the efforts of central government, local government and the private sector and generating new initiatives; it should not take over or duplicate existing executive functions; the Department of the Environment considers, however, that to be effective the task force would need to be responsible for certain key functions, for example the urban programme, housing investment programme, and possibly selective financial assistance;
- b. the task force's first priority should be to support the "territorial" Minister in promoting the best use of resources within the existing policies and delegated financial responsibilities of Departments;
- c. it would be open to the task force subject to the general discretion of the "territorial" Minister, to make proposals for modifying policies, or switching resources between programmes; these issues would need to be resolved by Departments centrally; in some cases this might be possible bilaterally (subject to Treasury approval where adjustments between Departmental programmes were required) but in other cases collective discussion might be necessary;



- d. the task force should also examine, as a matter of high priority, and as a basis for Ministerial decisions, whether and in what direction and in what amounts additional resources could usefully be deployed for the reduction of unemployment and the regeneration of the economic and social life of the conurbation over the next two or three years;
- e. the task force should also have the urgent and continuing duty of assessing the future for the conurbation and the scope for lasting regeneration of it as a viable economic and social entity;
- f. the task force would take account throughout of the need to reduce and to avoid any special disadvantage among ethnic minority groups;
- g. the Departments providing members for the task force would be the DOE DTpt, DoI and the MSC, although the special statutory position of the tripartite Commission would need to be borne in mind; the DHSS would propose representation by the Regional Health Authority or by the Department itself or possibly both, depending on how the work developed; the DES participation would be by visits from relevant HQ officials; there would be no direct Home Office representation, but liaison would be maintained with the relevant Inspector of Constabulary (at present the Chief Inspector) and ethnic minority matters could be covered by visits from London-based officials if necessary;
- h. the total strength of the task force might be up to about 30 staff; it would be up to the contributing Departments to decide whom to put on it, but these should be on a presumption in favour of drawing upon existing staff in regional offices with available experience and knowledge of the problems; there would however need to be at least one new post, probably at Under-Secretary level, heading the task force and



reporting direct to the Secretary of State for the Environment; the incumbent of this post would need to have considerable personal qualities, since he would have to provide leadership and impetus in the Secretary of State's absence and establish good relations with local bodies.



Ministerial and departmental co-ordination

11. If the arrangements for a "territorial" Minister and a central government task force were generalised over other conurbations - and perhaps even if the arrangements were confined to Merseyside - it would be necessary to have standing arrangements for co-ordination among the Ministers and departments concerned in London. Ministers will wish to consider, in the light of their earlier decisions, whether a Sub-Committee of the Ministerial Committee on Economic Strategy should be established, under the Prime Minister's chairmanship, whose members should include the Ministers with functional responsibilities in the field of local government (including the Home Secretary, and the Secretaries of State for Scotland and Wales), the "territorial" Minister (or Ministers), the Chancellor of the Exchequer, the Chief Secretary and the Chancellor of the Duchy of Lancaster. This Sub-Committee would have the task of deciding major issues of policy towards the conurbations, and of resolving differences of view about resource allocation and expenditure which could not be resolved bilaterally.

12. If this Ministerial Sub-Committee were established, it would need to be supported by an Official Committee, which could be under Cabinet Office chairmanship, on which the departments whose Ministers were on the Ministerial Sub-Committee would be represented. The leader of the Merseyside task force (and leaders of any other conurbation task forces which it was decided to set up) would be invited to attend meetings of the Official Committee.

Resources

13. The Secretary of State for the Environment proposed in his report (pages 19 and 20) that extra resources should be made available next year and the year after on Merseyside and in the other conurbations "in alleviating conditions and getting people off the unemployment register in ways which secure



long term benefits"; he suggested that it might be necessary to spend on Merseyside a net £100 million a year, after allowing for savings in unemployment benefits, to reduce the number of unemployment by 20,000 people, though he acknowledged that his figure was not based on any analysis in detail of how the money would be spent to achieve that result.

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14. The main argument in favour of this proposal is that unemployment is unlikely to be reduced significantly in Merseyside, and probably other conurbations, over the next two years unless money is spent on public sector projects which will both create new jobs directly and generate activity in the private sector. Although there may be some scope for making better use of resources within existing programmes, and for switching resources between programmes, it is likely to be limited and therefore unlikely to have a major impact. It is also argued that the extension of the Secretary of State's special responsibility for Merseyside would lack credibility unless extra resources were available for necessary public works and to provide leverage to stimulate private sector activity.

15. The main argument against the proposal is that it cannot be shown at this stage that a given amount of extra resources will provide commensurate benefits either in Merseyside or in other conurbations. Although some work has been done on Merseyside to define the nature of the problem, to work out a strategy, and to identify deserving projects, more work needs to be done before extra resources are committed there. In any event, a substantial allocation of additional resources for Merseyside alone would stimulate pressure for similar treatment elsewhere, not just in other English conurbations but also on Clydeside which is generally recognised to have problems and levels of deprivation similar to those on Merseyside. Substantial extra resources for several conurbations would present major difficulties for the control of public expenditure.



16. It is difficult to take decisions on whether to make additional resources available until more work has been done on whether and in what directions they could be committed so as to make a contribution to the reduction of unemployment and the regeneration of the region. It would be one of the major remits of the new task force to develop a strategy for dealing with the problems of Merseyside and to formulate precise and properly assessed proposals. The possibility of extra expenditure should help to promote co-operation locally, but too great an emphasis on the possibility of extra resources for Merseyside would create pressures for similar treatment elsewhere.

17. The Government is already confronted with the prospect of the Metropolitan Counties, or at least some of them including Merseyside and the GLC, seeking to increase their expenditure substantially and immediately in consequence of their new cheap fare policies. Some of the Metropolitan authorities are also considering substantial additional expenditure on creating new jobs. These and similar proposals will involve Ministers collectively in special consideration of public expenditure on Merseyside and the conurbations in any case. Although of less direct relevance, it should also be remembered that Ministers will shortly be considering future policy towards the Mersey Docks and Harbour Company and the extent to which further funds should be provided to secure the continued survival of the Port.

18. Subject to the need for proper formulation of proposals in due course, the main options before Ministers are:

Option A to agree to provide substantial extra resources for Merseyside alone, possibly amounting to additional expenditure (net of social security savings) of £100 million a year for two years;



Option B to agree to provide substantial extra resources for Merseyside and other conurbations (this would involve additional public expenditure, net of social security savings, of £500 million - £1 billion);

Option C to provide no additional resources for Merseyside or elsewhere.

There are also two intermediate options:

Option D to make no firm commitment of additional resources for Merseyside at this stage, but to leave open the possibility that some additional resources might be made available for that area, depending on the work of the task force;

Option E as Option D but to leave open the possibility that some additional resources might be made available not just in Merseyside but also in other conurbations, depending on further work done on their likely contribution to the reduction of unemployment and regeneration of the areas (the arrangement for handling this work locally in areas other than Merseyside, and centrally, would need further consideration).

#### Specific matters

19. On the specific matters action is already in hand or could be put in hand, as follows:

a) Service industries and small businesses

The Secretary of State for Industry is already looking into the scope for putting more emphasis on incentives for employment in the service industries, and his Parliamentary Under-Secretary of State (Mr MacGregor) has special responsibility for co-ordination of help for small businesses. The Secretary of State for Industry might be invited to consider the scope for increasing help for service industries and small businesses in Merseyside in particular, in consultation with the Secretary of State for the Environment.



b) Dereliction

- (i) There is much derelict and underused land on Merseyside which might be brought into economic use. Land Registers and the Merseyside Development Corporation provide two important ways in which this can be done. The Secretary of State for the Environment is considering - in consultation as necessary with colleagues who sponsor nationalised industries - how obstacles to faster progress can be overcome.
- (ii) An area of special concern is the redundant land owned by the Mersey Docks and Harbour Company (MDHC). Under the financial arrangements agreed when the company was reconstituted in 1974, any proceeds from the sale of the MDHC's assets go to its bondholders. It would be for the Secretary of State for Transport to examine in consultation with the Secretary of State for the Environment, whether there are ways, short of legislation, in which the redundant dock areas could be released for development.
- (iii) Much work is needed to clear up dereliction generally on Merseyside and this could provide jobs for the unemployed. The new task force should be asked to look into this.

c) Training

The Secretary of State for Employment could be invited to consider, in consultation with the Secretary of State for Education and Science, the scope for developing more training in skills on Merseyside.



d) The Labour Market

The Chancellor of the Exchequer has undertaken, in consultation with the Central Policy Review Staff, to consider how to improve the working of the labour market so as to absorb into it more of those at present unemployed.

Summary

20. Ministers are invited to consider:

- a) which of the Options A, B, C or D in paragraph 6 above relating to Ministerial responsibilities should be adopted;
- b) whether they approve the proposed Option B for a new Central Government presence on Merseyside, as outlined in paragraph 10 above;
- c) whether they agree with the proposals for Ministerial and departmental co-ordination in paragraphs 11 and 12;
- d) which of the Options A, B, C, D or E in paragraph 18 above relating to resources should be adopted;
- e) whether they are content with the work on specific matters, either in hand or proposed, which is outlined in paragraph 19 above.