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PRIME MINISTER 28 June 1984

THE URBAN PROGRAMME - POLICY REVIEW

1. The Study itself shows that:

   i. policies should never be put beyond economic analysis because they are called social;
   ii. a scrutiny performed by a small but expert team to a tight timetable is commendable practice (compare this with the three year agony of the Regional Policy Review.

2. Key Facts from the Study

We are dealing here with six loosely related expenditure headings and an assortment of characteristics, not a single programme with precise objectives. (Para 3, page 8).

The Urban Group of programmes will cost around £350 million in the current year - around 1% of total local authority expenditure, and about the same as expenditure on Regional Development Grants. Urban Group expenditure has grown faster than public expenditure as a whole, having doubled in cash terms between 1979/80 and 1983/84. Nearly all of it is spent through Local Authorities and it is a net addition to their block grants. (Table 1, page 19).
Some 40% of the money goes to the old Lancashire/Yorkshire industrial belt running from Liverpool eastwards across to Leeds and Sheffield. London receives 25%, and the West Midlands and the North East between 15% and 20% each.

There are three spending tiers (Table 6, page 82):

   i. Seven Partnership Authorities, receiving more than a third of the expenditure, tackle areas of greatest apparent need: Islington, Hackney and Lambeth; Liverpool, Manchester/Salford, Birmingham and Newcastle/Gateshead.
   ii. 23 Programme Authorities cover smaller cities or large towns, including some outer London boroughs and (for instance) Coventry and Nottingham.
   iii. Other Designated Districts cover a further 16 arears of lower perceived need.

All this apart there is roughly £50 million available through the 'traditional' Urban Programme to 143 other Local Authorities in England who come up with worthwhile schemes.

The Review Team draws a rough and ready distinction between three categories of expenditure - social (nearly half the expenditure), economic (one third) and environmental (one fifth). The number of new projects started each year runs into the hundreds.

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(Table 3, page 39 and para 46, page 29).

Taken as a whole, Urban Group expenditure is a thin spread of jam.

3. What does the Review reveal?

We perceive five key points
among the many which the Review Team make.

i. City populations will go on declining as market forces shift employment elsewhere. We should spend wisely on the social consequences of economic adjustment, not weaken the recovery by squandering huge sums on frustrating markets. (Paras 10-11. pp 13-14).

ii. Social Projects - especially those involving voluntary organisations - give the best value for money because they act quickly and directly. Economic projects - especially those which give capital grants to industry - are often questionable. (Para 54 p 31).

iii. Clear objectives are indispensible. To some extent, the search for political goodwill has been at odds with value for money. Project appraisal is for the most part poor - not surprisingly if the ultimate objective is obscure. (Paras 57-58, p 33).

iv. Finite resources should be aimed at the worst problems. Precise objectives can and should be set for:
   - the relief of "housing stress"
   - eliminating derelict land
   - creating employment opportunities
   - "strengthening the social fabric of the inner cities." (Para 40, p 25).

v. Structural arrangements are not as good as they should be. Aside from central/local government tensions, central government itself could act more coherently. DoE's relationships with MSC and DTI need improvement. (Paras 147 and 140, pp 69 and 71).

4. Policy Unit Views

We strongly agree that:

i. Urban Policy needs precise objectives, which must be agreed before administrative structures are debated. (Your meeting on 2 July must not become just a machinery of government discussion.)

ii. The Policy should work with, not against, the grain of market forces.

iii. Areas of worst deprivation should continue to command most of the available funding. A few drastic improvements will have exemplary effects which a little bit of leavening, however widely spread, does not.

We accept the evidence that social projects, especially those which involve the voluntary sector, offer the best value for money.

This Review confirms convictions we developed in our April "Jobs Paper", that land assembly and housing development are vital to the revival of inner cities. Bad housing and derelict land will always spread because neither individuals nor businesses like to be adjacent to it. Furthermore, building or improving homes is not distortionary in the sense that paying inducements to companies to locate jobs in one place rather than another is. And the simple truth is that, for many who have neither, a decent home is more important than a job.

The London Docklands project tells us that imaginative programmes of land and housing improvement do not merely help the least well off, but draw in middle and higher income families too - people who can turn their skills in leading and organising to community benefit. In this way run-down areas have a better chance of stepping off the downward spiral of depopulation, dereliction and dependence and of clambering aboard a virtuous circle of improvement, investment, owner-occupation and repopulation.

To do this apace on a larger scale is a politically charged objective. Not every local authority will cooperate. So for central government it becomes tempting - especially if speed of action is of overriding importance - to create one or more separate agencies, unfettered by local authority regulation, along the lines of the London and Merseyside Development Corporations. Robin Ibbs is for this approach but Patrick Jenkin and Peter Rees prefer to modify existing arrangements - Option C, "Building on the Partnership Approach".

We judge that DoE and Treasury are right to want to try to build on Partnerships, but we add the important provisos that:

i. precise targets for housing and derelict land improvements must be set.

ii. Patrick Jenkin should create separate agencies if he judges that Partnerships are not delivering. He has powers to do so under the Local Government Planning and Land Act 1980.

As to funding levels, we see no clear-cut case for a change from the levels set out in the Public Expenditure White Paper - £348 million in 1984/5, £366 million and £371 million for the next two years. Shifting the emphasis of the programme and getting the

Partnerships to perform wil be contentious enough without altering the expenditure. Patrick Jenkin wishes to commit to these levels: we think should.

Patrick also wishes to publish an edited version of the Study. The existence of the Review was made public and aroused interest, so we agree.

5. <u>Summary of Recommendations</u>

5.1 Keep an Urban Programme, but confine it to, and set clear objectives for, housing, the elimination of derelict land, and the support of voluntary social projects in the worst areas.

5.2 Attempt to build on the Partnership Authorities, but create separate agencies if the Partnerships do not perform.

5.3 Leave the overall funding level at Public Expenditure White Paper levels.

5.4 Publish an edited version of the Study.

RJ

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