

K0963

PRIME MINISTER

URBAN PROGRAMME RESOURCES  
(MISC 104(84)5)

## BACKGROUND

1. The Urban Programme (UP) is at present the main direct instrument of the Government's urban policy. It operates through local authorities. Expenditure on the Urban Programme for 1984/85 will be £348m. The PES baseline for 1985/86 is £366m - no real increase. The Urban Policy and Programme Review (UPPR) makes no clear recommendation on the future size of the UP. It recommends that the first aim should be better value for money. The urban policy objectives supplemented by the Urban Programme Management Initiative which the Group will have discussed under the previous agenda item should help to secure this. The UPPR saw no scientific way of determining optimum future expenditure. Their Report illustrates how a 10% increase and 10% and 33% cuts might be distributed. These, together with the current position and the Chief Secretary's proposals, are tabulated in the Annex to this brief.

*Doubled in real terms*

2. In the joint memorandum the Chief Secretary is asking for cuts of £50m (14 per cent) in 1985/86 and £100m (27 per cent) in 1986/87. He argues that the programme has doubled in cost terms between 1978/79 and 1985/86. He proposes that cuts should be concentrated on the Traditional Urban Programme (Trad UP), which is largely social in character, and on Urban Development Grants (UDG) which were introduced by this Government to encourage private sector projects. He also proposes eliminating the "other designated district" status (the third tier). The cuts would fall less heavily on the Programme Authorities (the second tier), where there would be some downgrading and upgrading to refine priorities further.

3. The Secretary of State for the Environment argues that the baseline should be maintained. He considers that the level of cuts sought by the Chief Secretary would seriously diminish the programme's effectiveness in priority areas. It would reduce funds for new projects by nearly 60 per cent in 1986/87. It is quite possible that the problems of the inner cities will have worsened by then. A reduction of this magnitude in those circumstances would signal a major



change in the Government's attitude to the inner cities.

4. More specifically, the Secretary of State for the Environment does not agree with the Chief Secretary's proposed distribution of cuts. He believes that the £100m saving in 1986/87 could only be achieved either by breaking commitments or by cutting the allocation to Partnership areas (the most hard pressed inner city areas). Termination of Programme status for about 8 authorities would also be implied, with no new Trad UP designations. The UPG scheme would be severely curtailed, although it was highly rated in the recent Treasury-led review of expenditure programmes relevant to employment creation. UDG is particularly effective in producing private investment.

#### MAIN ISSUES

5. The memorandum asks the Group to "comment on the appropriate level of resources". You will wish to make it clear to the Group that they are not being asked to make a decision on the precise level of resources. That is a matter for MISC 106 and, if necessary, Cabinet as part of the normal course of the PES round. What would be useful would be a view on:

a. The general level of resources to be allocated to the Urban Programme in the light of the discussion about aims and objectives which has just taken place. By implication this means taking a view about the role and significance of the Urban Programme in urban policy.

b. More particularly does the Group's general view imply that the Urban Programme should remain much as it is, that more than marginal cuts (say up to 10%) can be accepted, or that substantial reductions would be acceptable.

#### How important is the Urban Programme

6. The Urban Programme (UP) is operated through local authorities since they are the local agencies that have the range of statutory powers and resources needed to tackle inner city problems. This has inevitably dangers and imperfections. The safeguard is that UP resources can only be used with specific Ministerial approval. Additionally, the UP has the merit of giving Government some leverage with local authorities in dealing with problems which would not otherwise reflect Government priorities. This may be particularly valuable over the next year or two as local authorities restructure their



programmes in response to rate capping and the abolition of the GLC and the Metropolitan County Councils.

7. Apart from the Urban Programme, the main channels by which central government can implement its urban policies are by exhortation and persuasion of local authorities, plus the mechanisms for control of local government expenditure and distribution of RSG, and by programmes which do not depend on local government for their implementation eg. regional industrial assistance and MSC programmes. Unless new programmes are developed or existing programmes given a more pronounced urban policy emphasis, the Urban Programme will have to continue to be the main direct instrument available to central government in this field.

Reductions in the Urban Programme

8. The reductions the Chief Secretary is seeking (14% in 1985/86 and 27% in 1986/87) are significant. For comparison the UPPR suggests that a 33% cut in 1985/86 would enable only existing commitments to be honoured and no new ones to be undertaken. The Secretary of State for the Environment appears to be seeking no change. He spells out the implications of the Chief Secretary's proposals in paragraph 10 of the memorandum. The Group should not get into detail but will help discussion in MISC 106 etc. if it at least indicates whether there is any (contemplated) level of reduction which it would not regard as consistent with its views on urban policy objectives and the priority to be attached to urban policy. Any guidance would have to be conditional on the Cabinet taking a different view when it sees the picture for public expenditure as a whole in due course.

HANDLING

9. You may wish to ask the Chief Secretary to speak first to explain the case for the reductions he seeks. The Secretary of State for the Environment will wish to reply. Most members of the Group will have views.

10. It may be suggested that reductions in the Urban Programme might be avoided by additional transfers from other Departments. At present DES, DHSS and DTP make PES contributions. Other Departments do not do so even though their policies (for law and order, employment, etc) benefit from Urban Programme activity. The Home Secretary and the Secretaries of State for Education and Science, Social Services, Employment, Transport and Trade and Industry may have views on this.

50 = 100 / 100 =

245 ↓

1578

95

348

366

316

373

273 3

316



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CONCLUSION

11. You will wish the Group to reach a view on:

a. The appropriate broad level of resources to be devoted to the Urban Programme in the light of the problems in the inner cities, the alternative ways of meeting them and the competing demands of other expenditure programmes.

b. If there is to be a reduction from the current baseline, should it be relatively moderate, say less than 10 per cent, or more swingeing (eg the Chief Secretary's ~~proposals~~).



C J S BREARLEY

12 October 1984



## URBAN PROGRAMME EXPENDITURE: OPTIONS

£m

	1984/5	1985/86 Baseline	1985/86 UPPR+10%	1985/86 $\phi$ UPPR-10% MK I	1985/86 * UPPR-10% MK II	1985/86 Chief Secy's proposals - 14%	1986/87 Chief Secy's proposals - 27%	1985/86 UPPR Standstill - 33%	
Partnership Areas (inc. Docklands)	129	226	238	267	205	221	218	201	167
Programme Authorities	97								
Other Designated Districts	8	8	8	6	6	2	0	2	
Traditional Urban Programme	44	47	47	47	41	38	20	31	
Urban Development Grants	48	50	55	50	40	35	22	25	
Merseyside Task Force	17	18	20	16	16	18	18	15	
Other	5	5	5	5	5	5	5	5	
TOTAL	348	366	402	329	329	316	266	245	
SAVINGS ON BASELINE				37	37	50	100	121	
INCREASE ON BASELINE			36						

$\phi$  This option illustrates the protection of UDG, Traditional UP and existing commitments

\* This option illustrates the run down of the Traditional UP and UDG, a concentration in deprived areas and the honouring of commitments



K0962

PRIME MINISTER

OBJECTIVES OF URBAN POLICY AND MANAGEMENT OF THE URBAN PROGRAMME (MISC 104(84)4)  
(Also relevant: MISC 104(84) 3, 6 and 7)

## BACKGROUND

1. An Urban Policy and Programme Review (UPPR) was commissioned early this year and reported in the summer on the objectives and effectiveness of urban policy and the Urban Programme. At their first meeting on 16 July (MISC 104(84) 1st) the Group considered a first paper by the Secretary of State for the Environment on objectives for Urban policy and the Urban Programme in the light of the reviews conclusions. At the end of the meeting, the Group asked him to further review the objectives with a view to making them more precise and capable of quantification and evaluation wherever possible. MISC 104(84)4 attempts this and raises some other issues. (Memoranda on progress in three English towns (MISC 104(84)3) and Inner City Regeneration in Wales (MISC 104(84)6 have also been circulated, and a further memorandum on Glasgow (MISC 104(84)7) may be circulated before the meeting. They respond to a request from the Group for more information on successful initiatives, particularly in Swansea and Glasgow, and might be treated as background information. They will also be relevant when the Group comes to discuss organisation at its next meeting.)

## MAIN ISSUES

2. The main issues for discussion are
- (i) the broad objectives of urban policy;
  - (ii) the role of Departments' main programmes in urban policy; and
  - (iii) a new initiative for the management of the urban programme.

The Secretary of State for the Environment also proposes to put more effort into publicising the impact of Government policies on the inner cities. His paper also raises implicitly the question as to whether the Urban Programme should continue to be the main direct instrument of Government policy in this field (operating, as now, through local authorities). I suggest, however, that this issue would be better discussed in the context of MISC 104(84)5 under the second item on the agenda.



Objectives of Urban Policy

3. The need for urban policy arises from the decline of the traditional economies and infrastructure of the inner cities, which has resulted in increased dereliction, housing stress, unemployment and unbalanced communities. Apart from these direct effects a further result is "social stress", with communities having too little ability to deal with their own problems. As a result they become a fertile breeding ground for extremist politics of both left and right. The Government needs a response to the situation which is often not met specifically by the operation of main Government expenditure programmes in the inner-city areas. The Urban Programme has been the major specific instrument brought into play.

4. The UPPR report suggests (para 40) that the key objectives of urban policy might be:

- a. to reduce the number of people in acute housing stress;
- b. to reduce the number of derelict sites and void buildings;
- c. to increase the job opportunities in certain areas and the employability of certain groups;
- d. to strengthen the social fabric of the inner city and reduce individuals' dependence on the public services.

The Secretary of State for the Environment proposes that these objectives should be adopted though the emphasis given to each will need to vary from one urban area to another.

5. These objectives do meet the Group's wish to see objectives that are more precise than they were offered before, and that can largely be quantified and evaluated. The first three objectives are particularly susceptible to quantitative targets and the subsequent assessment of results. Objective d. is more difficult to quantify (and is to some extent a consequence of a. to c.). All of these objectives seem to address themselves to the perceived problems of inner cities.

Departmental Main Programmes

6. The Secretary of State for the Environment's memorandum (para 11) illustrates how the Urban Programme (UP) helps to adapt national programmes, eg. for regional industrial assistance, MSC programmes, for education and law and order, to the particular problems of inner city areas. There are potential



conflicts between urban policy and main programme objectives and organisational improvements will be the subject of a separate paper the Secretary of the Cabinet is preparing for the next meeting of the Group. That apart, the Secretary of State for the Environment suggests that colleagues might re-examine the objectives of their own main programmes so that the Group can consider subsequently whether there is scope to make them more supportive of urban policy. Precisely what he has in mind is not very clear. Possible examples are policies on school closures or the allocation of health service resources which may exacerbate urban problems disproportionately. However, once urban policy objectives have been agreed, it seems reasonable that colleagues should consider how their functional policies and expenditure measure up to them and whether any changes in those policies would be appropriate. However, review here is very unlikely to throw up anything useful unless colleagues participate willingly. Otherwise the Secretary of State for the Environment might be asked to discuss any particular possibilities for change that he can see with the ministers concerned.

#### Urban Programme: Management Initiative

7. Annex B of the memorandum sets out proposals for a new management initiative for the Urban Programme. In effect this means clearer management from the centre for each of the 32 Partnership and Programme authorities, with targets for each project being set as far as possible in quantitative or specific terms on an easily comparable basis. This will ensure better management of the Urban Programme, as well as a better system for evaluating its impact. The Secretary of State for the Environment intends to launch this initiative in good time for the preparation of programmes for 1986/87.

#### Publicity Arrangements

8. The Secretary of State for the Environment does not consider that current publicity arrangements are sufficiently effective. He considers that more effort should be put into publicising the impact of policies on the inner cities. Publicity should presumably cover Government activity as a whole and not simply Urban Programme activity.

#### HANDLING

9. You will wish to ask the Secretary of State for the Environment to introduce his memorandum. The Minister of State, Welsh Office and Parliamentary Under Secretary of State, Scottish Office (representing the other Departments with direct urban policy responsibilities) might be asked to comment first.

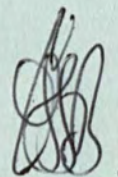


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Departmental Ministers, the Chief Secretary, Treasury, and the Minister without Portfolio are all likely to wish to contribute.

CONCLUSION

10. You will wish the Group to reach conclusions on:
- a. The objectives of urban policy; does the Group endorse the objectives set out in paragraphs 6 - 7 of MISC 104(84)4?
  - b. Other Departmental programmes; does the Group wish to commission further work on bringing other programmes to bear more effectively on the problems of the inner cities, or should the Secretary of State for the Environment pursue any issues directly with the Ministers concerned?
  - c. Management of the Urban Programme; are the Group content with the proposals at Annex B of MISC 104(84)4?
  - d. Publicity; should this cover only the Urban Programme or all Government activities in the inner cities?



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12 October 1984