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23 November 1984

PRIME MINISTER

URBAN PROGRAMME

We are making slow progress.

Targets and output

I have had several meetings with David Young and his colleagues to explain the background to why we wanted to see output measures, targets and timetables set for urban programme achievements. You may remember we have been writing to you on this subject for almost a year.

David's papers take us much further than we have gone before in breaking down the expenditure into intelligible headings, and giving some indications of what we are getting for our money. But his task has been hampered by the imprecision of the figures and statistics kept by departments, and by the lack of taut management over the programme as a whole which has been uncovered by this exercise.

For the future, we need to take David's figures further. We don't only need to know how many houses have been renovated, but we need to be reminded how many houses are thought to be in need of such renovation, how many were renovated in

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recent years, and the unit costs of doing so. Where the policies are said to bring jobs, we need an assessment of their cost-effectiveness and comparisons between the different ways of doing it. This still cannot be deduced from the current figures.

← On targets, we still do not have any. They should relate to the three main objectives of the programme. We need to reinstate firmly as a clear, visible and important part of the policy for rehabilitating urban areas, a tough target for selling urban land and getting development and activity going on it. It is and should be a prime objective worth doing in itself.

Why not set a target of doubling the amount of land sold next year compared to this, of reducing the stock of empty houses by 10 per cent next year, and increasing the number of houses renovated by 10 per cent for no extra increase in cash? And on jobs, why not ask the steering group to cut out all those programmes that are delivering very expensive jobs, and concentrate their fire power on those schemes giving best value for money?

Setting "arbitrary" targets now will be opposed on the grounds that "we do not know if they are realistic" and "we do not know if there is enough cash to do it". Yet only by setting tough targets, especially for disposals, will you

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get this ball rolling at all. And it is up to MISC 104 to set the targets.

Machinery of government

Robert Armstrong has produced yet another paper restating the obvious. He and his colleagues are against creating the executive agency, separate from Government, which Robin Ibbs is keen to see. Whilst I have sympathy for Robin, too much time has now passed, and too many people in departments will fight back to prevent such an agency coming into being quickly or easily. I therefore suggest you concede on this, and make all due speed to try and improve the existing Civil Service arrangements.

Of these, the best is a cross between the other two: have a team of Ministers able to recommend between different departmental programmes on the basis of achievement and value for money. This may be unpopular, as some departmental Ministers will be briefed to defend their own departmental autonomy.

MISC 104 could meet once a year to set the targets and review achievements; and a sub group - under the chairmanship of David Young, bringing in Ministers of State from all the relevant operational departments - could be charged with the task of monitoring outturn against targets during the year, and making an annual report to MISC 104 and

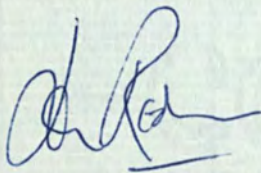
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Cabinet on the best and worst value-for-money schemes put up by the different departments within the urban programme ambit.

Conclusion

The meeting will be most successful if the Armstrong paper is dealt with summarily, if a small working group is set up under David's chairmanship, and if David is given encouragement to go away and use his powers as a Cabinet Member to see that targets are carried out.



JOHN REDWOOD

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REGIONAL POLICY STATEMENT

With permission, Mr Speaker, I should like to make a statement on the Government's review of Regional Policy. I have made four Orders to bring into force the new regional development grant scheme and the new map of assisted areas. The orders, including that specifying the new Assisted Areas, are available in the Vote Office.

Our decisions have been taken after very full consultation, including consideration of almost five hundred submissions. I have placed in the Library a list and a summary of the submissions received.

The submissions received show considerable support for the Government's proposals as outlined in the White Paper. Whilst the majority support the continuation of regional policy, many were critical of the waste inherent in the present system and consider it possible to make the policy more cost effective.

To achieve greater cost-effectiveness we have concluded that the new map should have two tiers instead of three, and that the inner tier, which will qualify for automatic grants as



well as regional selective assistance, will be restricted to 15% of the working population. This compares with 22% for the present development and special development areas. The outer tier of the map, which will qualify for regional selective assistance, will cover a further 20% of the working population. We have included in the new map several areas, most notably parts of the West Midlands, that have previously been denied regional assistance. Both tiers will be eligible for support from the European Regional Development Fund.

In redrawing the map, we considered the present and future employment patterns of each area, along with other factors, including the risk of distortions where non-assisted areas are adjacent to assisted areas. Some such effects are inevitable in any regional policy.

For the new RDG scheme we have set the rate of capital grant at 15%. In our view the new rate is high enough to ensure that grants are an effective incentive to investment.

For too long regional policy has unduly discriminated against service industries even when such industries offer the prospect of increased employment. We have therefore



decided to make some service activities eligible for regional development grant. These are listed in the relevant order.

Since unemployment is such an important concern today, it is also right that any policy as expensive as regional policy should be tied more closely to jobs.

We have already announced our intention to make two changes to give effect to that aim. Firstly, capital grant will be subject to a cost per job limit. Too much money has been spent in support of capital intensive projects that create few jobs and do little for the economies of the regions. The cost per job limit will be £10,000. However we wish to minimise the burdens placed on small firms and this limit will not normally be applied to firms employing less than 200.

Secondly we also announced that in future firms should be able to receive a job grant as an alternative to capital grant. The job grant will be set at a level of £3,000 for each new job created. Firms will not have to choose between job grant and capital grant: they will automatically receive whichever is greater.



The Government also intend to continue to give selective assistance to projects that protect existing employment but which otherwise would not go ahead. With the increase in the outer tier of the map, this will mean an increase in selective assistance. Overall the balance between automatic grants and selective assistance will shift considerably towards the latter.

After the working through of the transitional provisions, we expect the new regional policy to cost nearly £300 million per year less than if present policy were to be continued. This will be a considerable lightening of the public expenditure burden of the policy. Even so we will still be spending nearly £400 million on regional policy in 1987/8 to improve job prospects in the worst hit areas.

The most important feature of our policy is that that money will now spent in the areas with the worst problems and that, in terms of new jobs per pound of expenditure, the new policy will be far more effective than the old.



10 DOWNING STREET

Prime Minister

Dand Young favours
the enhanced version of
Option 3 (see third para of
page 5 of Annex) but sees
no reason for wanting for
a pilot version. —

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