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PRIME MINISTER

URBAN POLICY MACHINERY

(MISC 104(84)10)

BACKGROUND

1. At its first meeting, the Group instructed the Secretary of the Cabinet to bring forward proposals for a management structure which would enable the Government to get better value for its spending in the inner cities (MISC 104(84)1st Meeting). This requirement originated in the Urban Policy and Programme Review (UPPR) which suggested that the management of urban policy could be improved and put forward two main options for doing so (see Appendix 1 to this brief).
2. In discussion with the relevant Departments, the Secretary of the Cabinet has produced three basic options for improvements in the local management structure. They are explained in greater detail in the Memorandum by the Cabinet Office (Management and Personnel Office) attached to his note. They are:

Option 1 - A new purpose built Executive Agency. This is equivalent to option D of the UPPR. In form it might be modelled on the MSC and would be accountable to and funded by DoE. It would take over the relevant MSC, DTI and DoE programmes in selected inner city areas and run a new programme of inner city spending on the basis of a pooled budget with objectives and targets set by Ministers. It could begin its operations by having the same relationships with the local authorities as the existing urban programme, but would be capable of development into new delivery routes.

Otion 2- single management of DoE, DTI and MSC spending.
This would bring relevant MSC, DTI and DoE programmes in



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selected inner city areas under a single executive management. It would, however, leave Departmental responsibilities and Ministerial accountability unchanged. Each area would have a programme manager leading a taskforce ~~by~~ ^{the} MSC, DTI and DoE. The taskforce would be responsible for ~~the~~ delivery of urban policy targets in that area and would liaise closely with the local authority. On urban policy, the programme manager would report to Ministers collectively through the new central arrangements. He would however report and answer to the individual Departments - DoE, DTI and MSC - as if he were an ordinary line manager in the Department concerned.

Option 3 - coordinated management of DoE, DTI and MSC Spending.

This is essentially the translation into a formal structure of existing informal consultation and joint working arrangements at regional level. At its most basic level, it would require the regional directors of DoE, DTI and MSC to consult each other, exchange information on matters relevant to urban policy and submit joint reports to Ministers collectively. The concept could be developed so that the teams developed a more positive approach with a formal identity and title. The intention would be however always to maintain the line management of individual Departmental programmes. Whilst, therefore, the team would become the focus of attention for contacts with local Government and others requiring assistance in the inner urban areas, they would not, unlike the teams in Option 2, become collectively responsible for the management of the projects. The Annex to the memorandum indicates how an expanded Option 3 could operate in a particular local authority area.

Central arrangements

3. Whichever Option for delivery of the Government's programmes in inner city areas is chosen, some strengthening of the central machinery is also necessary. The Secretary of the Cabinet



CONFIDENTIAL

recommends that the Minister for Local Government should be invited to take special responsibility for preparing proposals for urban policy targets, monitoring performance and reporting back to the Group each year. He could be supported by a small unit located within the DoE and assisted on employment aspects by the Minister without Portfolio. These arrangements would be capable of fitting in with any of the local options.

MAIN ISSUES

4. The main issues are

- (i) The priority to be given to urban policy objectives
- (ii) If it is a high priority do the Group prefer organisational option 1 or 2?
- (iii) If it is a lower priority do the Group prefer options 2 or 3?
- (iv) The arrangements for central co-ordination
- (v) What should be the geographical coverage?

Where there is a conflict of objectives, do the Group consider that urban policy objectives should predominate?

5. The Secretary of the Cabinet has identified this point as the major determinant in the choice of local delivery options. There is a balance to be struck, within a given budget for any inner urban area, between taking decisions which most help that area, regardless of other criteria, and maintaining a balance of expenditure within each programme between that area and other parts of the country. Under Option 1, for example, it would be possible to approve MSC type projects in an inner city which created employment at a much higher cost than that prevalent in the remainder of the country. For the same amount of money, therefore, more jobs could have been created outside the urban area than inside it. Option 3 avoids this problem by keeping Departmental budgets separate and maintaining existing decision rules. Spending

CONFIDENTIAL

in the inner urban areas could therefore only take place if the projects would have been suitable in any part of the country. Option 2 provides for some possibility of urban policy objectives overriding other objectives, although not necessarily so. The tenor of the Group's discussions so far has been that urban policy objectives are important but not more important than those of other programmes.

If the Group considers that urban policy objectives should have priority, do they prefer Option 1 or Option 2?

Thought he favoured an expanded Option 3.

6. Option 1 would be a high profile approach which would perhaps fit in best with the Minister without Portfolio's recommendations on publicity. It would enable managers to operate within a clear and simple framework. It would, however, require legislation and a series of transfers from other public expenditure survey programmes to the new agency. It would probably be regarded with great suspicion by the local authorities. It would be likely to offer the best approach to value for money in terms of effectiveness, but would run a high risk of pressure for more resources, since the total amounts being spent in inner urban areas would be clearly defined. A form of Option 2 which enabled projects to be run under rules specially adapted to the particular circumstances of inner cities and the use of a pool and budget to switch money between programmes would be an alternative way of achieving the same objectives. This would however place a tremendous strain on the team leaders, who would be required to operate as line managers in three separate Departments. Ministers might also find themselves in difficulty when defending decisions taken under one set of rules in an inner urban area as compared to decisions under the national rules in other areas.

If the Group does not want to give primacy to urban policy objectives, do they prefer Option 2 to Option 3?

7. In these circumstances Option 1 seems too high profile. Option 2 is probably also needlessly complicated (and would be more



CONFIDENTIAL

expensive in civil service manpower). Option 3, with clear ministerial backing, could probably achieve as good results with cleaner management lines.

Arrangements at the centre

8. The Minister for Local Government is already responsible for the operation of DoE's urban programme; the proposition is therefore that this responsibility should be widened to cover urban policy as a whole, particularly target-setting, monitoring, and coordination with other Ministers with relevant policies. He would be supported by a unit in DoE (possibly with secondments from other Departments and the private sector). Should the Minister without Portfolio support him in employment matters; should the Efficiency Unit and the Enterprise Unit remain involved on a regular basis, as suggested by the Minister without Portfolio in MISC 104(84)9?

If the Group decides to set up a local delivery mechanism on the lines of one of the options, what geographical areas should it cover?

9. At present there are effectively 3 tiers of urban area for policy purposes: Those with the severest problems (Partnerships (7)) a larger group at the next degree of severity (Programme Authorities (23)) and a third group of 16 other designated districts (see Appendix 2). There is no need to make hard and fast decisions but the preferred option should probably be applied to at least the first, and possibly the second, group.

HANDLING

10. You will wish to ask the Secretary of the Cabinet to introduce his paper and you may wish to ask the Minister for Local Government to comment generally.



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11. Discussion might then be divided into four:
- a. the choice of one of the three options for local delivery;
 - b. discussion of central machinery;
 - c. geographical coverage
 - d. further action required.

The Employment and DTI Ministers, the Minister without Portfolio and Sir Robin Ibbs may in particular wish to express views.

CONCLUSION

12. You will wish the Group to reach conclusions:
- a. the Option to be chosen for local delivery mechanism, and the geographical coverage;
 - b. the arrangements at the centre, including future involvement of the Enterprise and Efficiency Units;
 - c. who should take the lead in setting in train and coordinating work on targets for 1985/86, discussed under the previous item (the Minister for Local Government would be most appropriate if he is to be the lead minister at the centre in future).
 - d. Other next steps to set the new arrangements in train - this might best be DoE or the Secretary of the Cabinet, depending on the option chosen.

26 November 1984


C J S BREARLEY



CONFIDENTIAL

Appendix 1

URBAN POLICY AND PROGRAMME REVIEW: ORGANISATIONAL OPTIONS

Option C. Building on the Partnership Approach. This was an evolutionary approach based on DoE regional offices. Secondees from DTI and MSC would be attached to run their Department's programme under the line management of DoE, but as the agents of their parent Departments. If successful, the amount of discretion given to these teams by their parent Departments could be effectively coordinated with the urban programme.

Option D. A new Agency. A more radical approach would be to hive off the management of the urban programme to a small new executive agency. The new executive would provide leadership for taskforce teams which would comprise secondees from DoE, DTI and the MSC and also from the local authority and the private sector. The executive would have a budget to cover urban programme grants, MSC type schemes, DTI type small firms services and the Home Office's section 11 grants. The taskforce could allocate these resources as it chose, in accordance with the objectives prescribed for the executive by Ministers.

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Appendix 2

Partnership Authorities

Birmingham
Hackney
Islington
Lambeth
Liverpool
Manchester/Salford
Newcastle/Gateshead

Programme Authorities

Blackburn
Bolton
Bradford
Brent
Coventry
Hammersmith
Hull
Knowsley
Leeds
Leicester
Middlesbrough
Nottingham
Oldham
Rochdale
Sandwell
Sheffield
Sunderland
Tower Hamlets
North Tyneside
South Tyneside
Wandsworth
Wirral
Wolverhampton

Other Designated Districts

Barnsley
Burnley
Doncaster
Ealing
Greenwich
Haringay
Hartlepool
Langbaugh
Lewisham

Newham
Rotherham
St Helens
Sefton
Southwark
Walsall
Wigan



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K01013

PRIME MINISTER

URBAN POLICY: TARGETS FOR 1985/86

MISC 104(84)9

BACKGROUND

1. This memorandum is the Minister without Portfolio's response to the second part of the remit given to him at the last meeting of the Group.

MAIN ISSUES

2. The Minister without Portfolio suggests the following points:


a. Publicity and Presentation.

More effort should be made to ensure that the Government takes full credit for all its achievements in urban policy. One element in meeting this target would be a new name and logo for Government funded projects in the inner cities. He plans to circulate some informal proposals put to him by Mr Tim Bell of Sachi and Sachi.

b. Operational targets.

The memorandum does not attempt to set targets for 1985/86, but suggests that quantifiable targets must be set on the basis of suggestions from those most closely concerned with day to day operations (in line with the FMI approach). The Minister without Portfolio suggests that the Efficiency Unit and the Enterprise Unit might participate in this work.

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c. Objectives

i. Housing. The memorandum suggests that DoE might wish to compare the costs of providing or upgrading dwellings in the Partnership areas through the main housing programme with the same achievements through the urban programme. The implication is that they may be able to achieve the same targets at lower cost at low (Annex A of MISC 104(84)8 showed significant differences in cost per unit of output of the housing programme and the urban policy programme expenditure on housing). DoE are likely to respond that the units of output employed are not strictly comparable; very little urban programme funding is used to build houses from scratch.

ii. Derelict Land. The memorandum sees this objective as subsidiary to other objectives. It therefore suggests that targets for derelict land clearance should be set primarily in conjunction with targets for other objectives. This could best be done by channeling derelict land grant in England through English Estates rather than local authorities. It is not clear whether this would apply only to derelict land grant paid for the purpose of building industrial premises (English Estates' present concern) or whether it would apply also to land to be cleared for other purposes eg. housing, or simple environmental improvement.

iii. Employment. This is the most difficult area to coordinate because it involves most Departments and about 20 separate programmes or schemes. Targets will therefore be all the more important in this area. The difficulties of setting targets will be eased if they are divided into categories ie assistance to individuals, assistance to companies and provision of industrial infrastructure or premises.

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These points will all help to clarify targets. Who should set work in hand etc. might best be left until after the next discussion on Organisation.

HANDLING

3. Before asking the Minister without Portfolio to introduce his memorandum, you may like to suggest that the organisational aspects of target setting would best be discussed under the final item on the agenda.

4. On publicity the Minister for Local Government will wish to express views on the proposals, since most of the identifiable projects falling into this category are likely to be the responsibility of the Department of the Environment. The Secretary of State for Employment and the Parliamentary Under Secretary of State, Department of Trade and Industry may also have views.

5. On the setting of operational targets do the Group agree that targets for 1985/86 come up from those concerned with day to day operations? Should the targets relate only to the (7) Partnership areas or should (the next 23) Programme authorities also be involved? To what extent should English Estates be used as a channel for derelict land grant?

CONCLUSION

6. You will wish the Group to reach conclusions on:

a. the approach to publicity;

b. the setting of targets for 1985/86, in particular the methodology to be applied (the bottom-up approach, Lord Young's suggestions on housing, derelict land and jobs) and the geographical scope of the operation (Partnership areas only or Partnership + Programme authorities).

C J S BREARLEY

26 November 1984



CONFIDENTIAL

K01012

PRIME MINISTER

PARTNERSHIP AREAS: EXPENDITURE AND OUTPUT

MISC 104(84)8

BACKGROUND

1. At their meeting on 16 October (MISC 104(84)2nd meeting) the Group invited the Minister without Portfolio to coordinate information on Departmental expenditure towards urban policy objectives in the seven Partnership areas in 1984/85, and the likely output of that expenditure, with a view to establishing targets for that expenditure in 1985/86. The information to meet the first part of the remit has been collected for the first three objectives of urban policy (the fourth objective being regarded more as an aim) and is presented in Annex A (housing) B (derelict land) and C (employment). The second part of the remit (targets) is covered in MISC 104(84)9.

2. Although there are a number of qualifications about the nature of the figures, the Minister without Portfolio concludes that, in 1984/85, expenditure in pursuit of the three urban policy objectives is expected to exceed £650 million (as compared with £348 million allocated to the urban programme). The identified target output is:-

over 100,000 dwellings built, renovated or given an improved environment

over 200 derelict sites reclaimed and over 700 improvement schemes carried through

over 30,000 training places provided

over 1,400 firms provided with premises on improved infrastructure

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at least 5,500 permanent jobs created or retained
and over 12,000 man years of employment provided.

MAIN ISSUES

3. The information provided is only a starting point. The Minister without Portfolio has identified three points for further attention.

a. Publicity for achievements. The scale of the Government's total existing commitment to the inner cities needs to be publicised so that the Government can take credit for it.

b. Targets for the future. The Minister without Portfolio wishes to press ahead with the concept of urban policy targets for the future.

Both these aspects are dealt with in MISC 104(84)9, which is the next paper for discussion at the meeting, and I suggest they should be left for that discussion.

c. Information base. The exercise has demonstrated that there are difficulties in providing the expenditure and output information necessary for consideration of the Government's effort as a whole. These arise mainly but not entirely because the geographical unit of data collection is not necessarily the inner area. Some redesign of systems is needed. The Minister without Portfolio concludes that it is necessary to move as rapidly as possible to having a comprehensive computerised information base between Departments which provides the information required. It is for consideration whether, in the meantime, Departments should adapt their existing systems to provide more certain information related to inner city areas. The present exercise was limited to the seven Partnership areas (ie. Islington, Hackney, Lambeth, Birmingham, Manchester/Salford, Liverpool, Newcastle/Gateshead). Should it be extended to the next



CONFIDENTIAL

tier of (23) so-called Programme Authorities?

Although the Minister without Portfolio does not raise it, the Group might also wish to consider:

d. Value for money. The point of identifying the output must in the end be to help decide whether the input is worthwhile. Could the output have been achieved more efficiently? Would the input have been better directed to a different objective or through a different programme, or used for some different purpose altogether? The relative value of training and jobs, for example, is notoriously difficult to pin down, especially in a context like the inner cities. So is the relative value of different delivery systems (though the tables show that, eg. £3 million of Urban Programme and UDG money are expected to provide 450 new homes (Annex A, Item B) while £175 million of main programme housing money is expected to provide 6,500 new or converted dwellings (Annex A, Item A)). But the Group might like to be assured that such analysis is undertaken, with all its limitations, and the lessons put to use.

HANDLING

4. You will wish to begin by asking the Minister without Portfolio to introduce his memorandum. You will wish to suggest that, since his conclusions on publicity and forward targets are also dealt with in his second memorandum, this part of the discussion should concentrate on other issues. On the provision of an information base and on value for money work the Secretary of State for Employment, the Minister for Local Government, and the Minister for Industry will in particular wish to comment.

CONFIDENTIAL



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CONCLUSION

5. You will wish the Group to reach a conclusion on
- a. whether an improved information base should be established and whether this should cover the Partnership areas only, or the other main inner city areas as well, and
 - b. whether the information should be used to analyse value for money and the lessons learnt put to use.

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26 November 1984

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