



Prime Minister ①

Following Lord Young's explanation on the difficulty of uniting financial accountability, you have approved his proposals in principle.

To note RIA's advice and agree his recommendations.

AT 18/2

Ref. A085/524

PRIME MINISTER

MISC 104: Detailed Management Proposals

In his minute of 14 February, Lord Young has put to you the detailed proposals for the management of urban policy which have emerged from his small group of Ministers of State. He hopes to announce the changes before his departure for China on 27 February. Given your own movements, an early indication of your views would clearly be helpful.

2. At its third meeting, MISC 104 discussed the question of improving the management structure of urban policy. The Group agreed that greatly improved co-ordination of departmental activity was a pressing requirement; that the creation of a new agency was not without dangers and would take too long to establish; and that a new structure for joint working and planning arrangements for the three Departments principally concerned with expenditure in urban areas should be set up under the leadership, at official level, of the Regional Director of one of the Departments concerned. Emphasis was placed on the need for the right qualities in the lead officials. The Minister without Portfolio was asked to work up proposals with junior Ministers from the Departments concerned.

3. The paper attached to the Minister without Portfolio's minute explains how this form of organisation will work in practice in the Partnership areas and how the setting of targets and the reporting back from the regions to the centre will operate.

4. It seems to me that what has been suggested is a good starting point. As Lord Young himself recognises, the form of organisation which he is suggesting is capable of further development geographically and, if necessary, organisationally.



It covers only the core Departments of the Environment, Employment and Trade and Industry. As the new "city action teams" familiarise themselves with their work, it will be possible to give some attention to the social objectives of urban policy and involve Departments such as the Home Office and Education and Science.

5. The team leaders for the five city action teams will be carefully chosen and it is on their enthusiasm and capacity that the success of the change will ultimately depend. What is required is a willingness to move away from normal bureaucratic channels and to cross departmental boundaries. It will be made clear to the team leaders that they will have support from the top for this kind of initiative. It will then be up to them to set their targets, monitor them and build on their success.
6. Lord Young's group will clearly be important in the continued operation and monitoring of urban policy, and I suggest that it should be given more formal recognition by being made a MISC Group. The membership would initially be restricted to the three main Departments (Environment, Trade and Industry, Employment (MSC)), but could easily be expanded as necessary to bring in others. I would suggest that it stays at Minister of State level, with Lord Young in the chair.
7. On the timing of an announcement, the proposal is for an arranged PQ in the House of Commons on 25 February. This would be accompanied by a press notice and would enable further references to the new arrangement in the Budget debates, if this was felt to be appropriate. Further launches would then take place in April in each of the five areas.
8. I am sure that it is right to place emphasis on local launches. If the new arrangements are to be totally successful, teams must win the confidence of all sorts of local interests. The more they can give the impression that power is being devolved from Whitehall, the easier this will be for them. It is I think important that Ministers take part in these regional



launches. My only doubt is whether the time between the central announcement and the local launches is too long and that some of the impetus will be dissipated. I know that there are problems here, because of Lord Young's visit to China and Mr Baker's involvement in the Committee Stage of the Local Government Bill. Nonetheless I think that, if at all possible, the two announcements should be brought closer together.

9. The proposals mark a significant step in the Government's handling of urban policy and one which will give a much fairer picture of the resources that are devoted to urban areas. It is something of an experiment in terms of organisation; success here will provide a blueprint for possible future extensions. I suggest that you give your agreement to what is proposed, subject to any comments by other members of MISC 104, that you endorse Lord Young's proposal to chair a co-ordinating group of junior Ministers (as a MISC Group), and that you ask for a report on how the city action teams are bedding down and how they might be developed, in about 12 months' time.

ROBERT ARMSTRONG

18 February 1985



10 DOWNING STREET

Prime Minister

Agree Lord Young's proposals
subject to financial
accountability which you
can discuss at the meeting?

Para 6 of the paper sets
out why he and his colleagues
came to view that each
Department had to be responsible
for its own expenditure in each
city.

AT

15/2

PRIME MINISTER

15 February 1985

URBAN PROGRAMME

We agree with David Young's recommendations for managing the Urban Programme, except in one important respect: the proposals for increasing accountability are anaemic.

Unless each Urban Policy team leader is directly and personally responsible for his team's resources, he will rapidly turn into a mere figurehead. And no-one will know whom to blame if things go wrong.

David Young argues that, because several Departments are involved, giving team leaders financial responsibility will cause difficulties for vote accounting. But these problems could surely be overcome with a little ingenuity. Many private employers already receive money from several different Departments (eg MSC, DTI, DoE). If such employers can be held responsible for the joint funding, why can't an official team leader?

We recommend that you should in general accept the proposals but press for proper financial accountability.

Oliver Letwin

OLIVER LETWIN



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MR BARCLAY

cc Mr Redwood
Mr Lingard

MISC 104: DETAILED MANAGEMENT PROPOSALS

Sir Robin Ibbs is in New Zealand at present, so I am not able to show him Lord Young's minute of 14 February.

But I know that he would ask, seeing it, what difference these proposals are going to make.

At the MISC 104 meetings in October he advocated setting up a new, purpose-built agency to pull together urban policy and ensure that the money was spent to better effect. The Committee did not favour that, but decided instead to set up Task Forces in the main urban centres.

But now it seems that the 'city action team' leaders are to have no more authority, no more control over resources, than those same officials have under the existing arrangements. I suggest that the Prime Minister should ask:

- (1) how will the new arrangements differ from the present position?
- (2) what assurance can there be that the efforts of various Departments will be better coordinated?
- (3) should not the position of the task force leaders be strengthened so that they can be held accountable for the government's total effort in the area?

I am sure that Sir Robin would advise that, unless the proposals are firmed up in this way:

- any announcement of a Government initiative will look transparently inadequate; and
- in practice the arrangements simply will not measure up to the needs of the situation.

13

IAN B BEESLEY
15 February 1985

For Meeting with Lord Young, Mon: 18 Feb.

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MR BARCLAY

cc Mr Redwood
Mr Lingard

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IAN B BEESLEY
15 February 1985

PRIME MINISTER

MISC 104 : DETAILED MANAGEMENT PROPOSALS

At the 3rd Meeting of MISC 104 on ^{Attached} 27 November, you asked me to work out detailed proposals for the management of urban policy along the lines agreed by the Group. I have carried this forward in a small sub-group comprising Kenneth Baker, Peter Morrison and Norman Lamont, whose Departments will be the ones mainly concerned. I am pleased to say that we have been able to reach agreement on all the main issues and my report of conclusions is attached.

2 I believe the arrangements on which we have agreed, while only a limited reform in organisational terms, will have three important benefits for our urban policy -

- a by encouraging Departments to set targets and forecasts for the output of their expenditure and to give an account of their subsequent achievements we should obtain better value for money from existing individual programmes.
- b by forming interdepartmental teams, with an identified leader, we should greatly improve the coordination - and hence the overall effectiveness - of the various spending programmes and schemes through which we assist the inner cities.
- c by bringing together the expenditure of DoE, DTI and DE/MSD, under a single publicity heading and logo, we

will be taking credit for a far higher level of support for the inner cities than was identified through DoE's urban programme alone.

3 MISC 104 agreed that the new arrangements should be launched this month, and you will see that our intention would be make an initial announcement before I go to China on 27 February. That of course is subject to your approval, and that of colleagues, to what is proposed and it would obviously be helpful to know as soon as possible whether you are in fact content.

4 I am copying this letter to the other members of MISC 104 and to Sir Robert Armstrong and Sir Robin Ibbs.

A handwritten signature in black ink, consisting of a stylized 'R' followed by a horizontal line and a diagonal stroke.

D.I.Y.

14 February 1985

DRAFT REPLY TO WRITTEN PQ

1 The Government are making a very substantial contribution to help improve economic and social conditions in deprived urban areas. They are determined to improve both the cost effectiveness of the various Departmental spending programmes and the co-ordination of Departments' efforts. Therefore the Government are setting up 5 teams to be called City Action Teams which will comprise the Regional Directors of the Departments of Environment and Trade and Industry, and the Manpower Services Commission. One team will serve the 3 London inner city partnership areas (Hackney, Islington and Lambeth) and there will be separate teams for the Partnership areas of Birmingham, Liverpool, Manchester/Salford, and Newcastle/Gateshead.

2 The 3 Departments will share the leadership of the teams to reflect the joint commitment of Departments to improve the delivery of urban policy. The Department of the Environment will lead two of the teams, the Department of Trade and Industry two and MSC one. The leadership of each team will rotate from time to time between Departments. The extension of the teams' work to other urban areas will be considered as experience develops. Further details of the teams and their leadership will be announced shortly.

3 The task of each team will be to secure improved co-operation between Departments in developing and implementing

their policies and programmes reflecting the local circumstances in the Partnership areas. They will work closely with the local authorities and the private and voluntary sectors and will build on and strengthen the existing working arrangements, for example between the Department of the Environment and other Departments and the local authorities through the present Partnership arrangements, and between the MSC and Area Manpower Boards. Within the framework of Departmental policies the teams will develop local priorities relevant to the needs of each area; they will establish joint arrangements for co-ordinating Departmental programmes; output from local programmes and projects will be systematically monitored; they will develop opportunities for joint funding between Departmental programmes.

4 The scale of existing financial resources being provided for the Partnership areas through many Government programmes is substantial. In 1984/85 the Partnership areas are expected to receive over £130 million through the Urban Programme; the MSC expect to spend of the order of £100 million on employment and training measures; and DTI expect to spend some £40 million on assistance to industry. The review of the regional policy map last November brought two more Partnership areas within the scope of regional assistance to industry. The prime objective is to obtain better value for this money.

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5 These decisions follow an internal Government review of urban policy which confirmed the need for closer liaison between Government programmes as they are applied in inner city areas. The need for better co-ordination has also been raised many times by local authority leaders.

6 The problems facing inner city areas are long-standing and the structural, economic and social changes affecting these areas cannot simply be reversed. There is however ample scope to ease the process of adjustment and to ensure maximum opportunity for all concerned to release the skills, energy and physical resources in our cities.

7 The arrangements announced today are one important step to improve the Government's contribution to fulfilling this aim.

14 FEB 1985



URBAN POLICY MANAGEMENT

1 The issues which MISC 104 specifically invited us to consider were: management structure; accountability; targets; extension of the new arrangements beyond Partnership Areas; central co-ordination; and presentation and publicity. I will deal with each issue in turn.

Management Structure

2 MISC 104 concluded that the pressing requirement was for greatly improved co-ordination of Departmental activity, but that a new agency had drawbacks and would take too long to set up. We have therefore developed proposals for inter-departmental teams covering the seven Partnership areas; only five teams will be necessary since one of them will be capable of covering all three London Partnerships. As the teams will not at this stage be concerned with the fourth (social) objective of urban policy, they will be drawn in the first instance from the relevant regional offices of three Departments: DoE, DE and DTI. We propose that the teams should be known as 'city action teams' and should be led by the Regional Director of one of the Departments concerned, who would be responsible for submitting quarterly progress reports to Ministers. In the first instance, DoE would lead in Liverpool and London, DTI in Manchester and Birmingham and DE in Newcastle. It would be desirable for leadership of the

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teams to rotate at intervals, and I suggest the position is subject to review.

3 We suggest that the teams should have the following broad terms of reference:-

- i establishing agreed targets for the various relevant programmes for which constituent Departments are responsible and in relation to the objectives agreed by Ministers.
- ii monitoring expenditure and output with a view to achieving the targets referred to in (i);
- iii exchanging information on programmes relevant to urban policy objectives and setting priorities in relation to the needs of their area;
- iv planning and promoting joint schemes (ie, schemes funded by more than one Department).
- v providing a point of contact for local authorities and other agencies on the major sources of external finance for urban initiatives.

4 It will be the responsibility of each team leader to bring together his colleagues from the regional offices of the other two Departments concerned to carry through these tasks. It will be necessary for Departments to work closely at all levels in order to identify ways in which their programmes can join to make an effective contribution to the particular needs of their Partnership areas. We would also

look at them to identify opportunities for joint funding and to ensure a smooth path for agreed projects. We intend to stress these points when we meet all the Regional Directors involved next month to brief them on the new arrangements.

5 The formation of the action teams will require a few extra staff (from within existing Departmental allocations) and some of the people involved may need to devote more time than at present to the needs of the Partnership areas and the impact of spending programmes upon them. The general picture, however, is that we are making better use of existing Departmental resources.

Accountability

6 In your summing up of the last meeting of MISC 104, you said that it would be highly desirable that the lead official in each area should have authority over and accountability for relevant expenditure. We can see the advantages of such an approach, which was of course at the heart of the option MISC 104 also considered, but rejected, for single management of the urban policy. However, having looked at the practical difficulties for such things as Vote accounting, we have concluded that the key improvements in coordination and effectiveness should be achievable through the system of team leadership and collective agreement described above, without any change in formal accounting arrangements. Individual Departments will therefore remain responsible for the management of their programmes with no new facility for

transferring funds between the programmes of different Departments.

Targets and Reports

7 MISC 104 agreed that targets should be established in relation to Government expenditure on urban policy objectives for 1985/86 in the 7 Partnership areas on the lines I had proposed to the Group. Lead officials and their teams will be expected to confer closely on the deployment of resources and the setting of targets, and to seek an agreed view on significant expenditure decisions. In order to have some targets in place as soon as possible, Departments are now working on their production individually (but in consultation) pending the introduction of the new arrangements. Team leaders will be expected to be able to discuss in their quarterly reports (see paragraph 10, below) how each Department's expenditure relates to targets and the reasons for any divergence.

8 Setting targets will not always be easy. For the demand-led programmes in particular the targets that are produced will be closer to forecasts, since Departments when considering applications from the Partnership areas would find difficulty in seeking to meet pre-set targets if this involved departing from criteria intended to apply nationally. The role of local authorities in certain programmes - for example, housing, derelict land, Urban Programme - is crucial, and where co-operation with local

authorities is poor (the worst case being Liverpool) central Government officials will have less influence over the achievement of targets. It will be up to officials to bring out this kind of issue in their quarterly reports.

9 Notwithstanding these difficulties, I conclude that we must require the teams, year-by-year, to engage in a target-setting exercise for all programmes which contribute to the relevant urban policy objectives. In practice the targets set for 1985/6 will have to be treated with a degree of flexibility. The teams, however, will be expected to build up their assessment of the needs and priorities of their areas, to establish more reliable data about the output from the relevant expenditure programmes, and to use this data to set more soundly-based targets for 1986/7. If, as a result of their assessment of needs, teams come to the conclusion that individual departments should re-examine the rules and priorities of their own programmes, or the allocation of resources to urban areas, team members should be ready to pursue these issues with the headquarters of their department.

10 We are proposing that the teams should make a quarterly progress report, in addition to the annual production of targets, and that the reports should be sent to me and to the relevant Ministers in the other Departments concerned.

Extension of the new arrangements beyond Partnership areas

11 MISC 104 concluded that the possibility of extending the new arrangements to other areas could be considered later, and you invited me to consider the possibility of pilot schemes. I think that in the early stages, the action teams will certainly have sufficient work arising from the Partnership areas to occupy them fully. I would, however, see no difficulty in extending the methods of working developed for the Partnerships to other urban areas. Rather than having pilot schemes, I would suggest that each of the teams, as it settles in, should consider and make recommendations on the extension of their work to neighbouring areas of urban deprivation. We could then review the way forward both for the regions which have Partnership areas and for those (eg Yorkshire and Humberside) which do not.

Central co-ordination

12 At MISC 104, you invited me to chair a Group of Ministers of State from the Departments most directly concerned to co-ordinate arrangements at the centre. In effect that group already exists; it is the one which has helped me to produce the proposals set out in this note. Ministers from other Departments could join the group as and when additional objectives (in particular the social objectives, currently excluded) were brought within the ambit of the action teams. The main activities of the group would be to consider the targets proposed annually by teams, and

the team leaders' quarterly progress reports. It might also need to discuss issues of resource allocation and Departmental priorities raised by team members as proposed in paragraph 9 above.

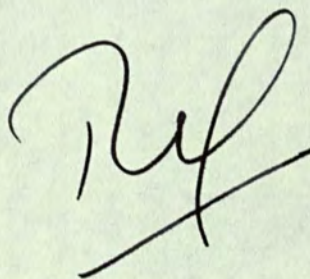
Presentation and Publicity

13 Reports of our proposals have already appeared in some newspapers and have stimulated considerable interest and speculation. Local authorities are partly supportive, but also suspicious, and I do not think it would be desirable to allow this speculation to continue for longer than necessary. I therefore propose that an initial announcement of our plans should be made as soon as possible, preferably before I go to China. This could be in the form of an arranged PQ, accompanied by a press notice; a draft Parliamentary Answer is attached. Kenneth Baker has proposed that it would be a Commons Question, probably to be answered on 25 February. An early announcement would have the further advantage of enabling something positive to be said about urban policy in the follow-up to the Budget.

14 This initial, central announcement would be followed up in April by separate launches in each of the five areas. We would highlight the new emphasis on close inter-departmental working by involving in the launches Ministers from all three Departments concerned as well as myself. The Departments will join together to produce publicity material, probably in the form of a brochure or booklet, for distribution at the

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launches and subsequently. This would draw attention to the beneficial effects of the substantial Government expenditure in Partnership areas under the relevant programmes, and would provide information for potential applicants on how to exploit the schemes funded under these programmes. We would also use the regional launches to unveil the new urban policy logo, and we would propose to circulate more details of this, and other aspects of the launches, in due course.

A handwritten signature in black ink, appearing to be 'D.I.Y.', written in a cursive style.

D.I.Y.

14 February 1985