



Ref. A088/1552

MR WICKS

Inner Cities: Co-ordination

At the end of last year, it was agreed that we would review the role of the Cabinet Office Unit on the Inner Cities in the light of experience after about six months. Mr Wilson has been carrying out this review. I attach a minute setting out the options and his conclusions on them. I agree with what he says.

2. I have spoken to Sir Brian Hayes and Sir Terence Heiser and believe that the conclusions for the most part are not contentious. The Cabinet Office Unit should remain in the Cabinet Office; it should remain within its present size; and the policy aim should be to produce a string of success stories in inner cities over the next two or three years which the Government can point to as the result of its inner cities campaign.

3. There is, however, one area where the Chancellor of the Duchy of Lancaster is likely to disagree with what we propose: namely, the extent to which the Unit should develop an executive role in relation to private sector companies, and the allied question whether there should be an inward secondee from the private sector in the Unit to handle such contacts.

Mr Clarke has told me that he would like to see the Unit develop a close relationship with large companies and to co-ordinate the different interests of departments with them. He does not want companies to be contacted on the same issue by different departments and he would like to see a larger, executive team in the Cabinet Office to take this on. He would also like to have



a private sector secondee located in the Cabinet Office to facilitate its contact with major companies.

4. Relations with private sector companies are clearly an important element in inner cities policy. But my view is that this sort of executive role should be handled by departments. The purpose of the Cabinet Office Unit is to support the Prime Minister and, under her, the Chancellor of the Duchy of Lancaster in co-ordinating departmental effort on the inner cities within the Government. This was the intention behind the announcement which the Prime Minister made on 18 December which made it clear that departmental responsibilities remained unaffected by Mr Clarke's appointment. He was designated as the initial point of contact for private sector companies wanting to offer support to Government inner city policies, and he has a large Inner Cities Unit in the DTI, containing 38 people to help him do it. It would be wrong to develop the Cabinet Office Unit into an executive operation, responsible for taking the initiative with the private sector and negotiating with them on behalf of all departments. You will remember that a similar issue arose over whether the Cabinet Office should man the 'freephone' answering system and the Prime Minister resisted Mr Clarke's pressure. Once the Cabinet Office Unit took on such a role, we would be taking on an executive function outside the Cabinet Office's duties and the Prime Minister herself would increasingly become vulnerable to questions about the activities of the unit, in Parliament and elsewhere.

5. For the same reason I believe any secondee from the private sector should be located in the DTI's Inner Cities Unit, with direct responsibility for stimulating contacts from the private sector, rather than in the Cabinet Office which is primarily concerned with co-ordination of initiatives within Government.



6. If the Prime Minister agrees, you may wish to reply to Mr Clarke's minute of 31 March in the terms of the draft below.

R.R.B.

ROBIN BUTLER

19 May 1988

CONFIDENTIAL

DRAFT LETTER FROM PRIME MINISTER'S PRIVATE SECRETARY TO MR
CLARKE'S PRIVATE SECRETARY

ACTION FOR CITIES

The Prime Minister has seen the Chancellor of the Duchy of Lancaster's minute of 31 March and subsequent Ministerial correspondence from the Home Secretary, Secretary of State for Employment, the Secretary of State for Environment and the Home Secretary.

She agrees that it is important to maintain the momentum on inner cities and is generally content with the action which the Chancellor of the Duchy is proposing to take. She also welcomes the contribution which other Ministers are making.

On the question of targeting, she agrees that it would be wrong to try to draw up a fixed short list of areas for favourable treatment but believes that it is nonetheless important to look for opportunities to co-ordinate Departmental initiatives so as to increase their effect, particularly in the areas where they seem likely to achieve results. The aim should be to produce a string of success stories in inner cities over the next two or three years which the Government can point to as the results of its policies.

The Prime Minister notes your proposal that the Cabinet Office Unit on Inner Cities should add a private sector secondee to its strength but wonders whether it might not be better for such an individual to be located in a Department. She believes that the Unit should confine itself to co-ordination, without taking on an executive role, and that it should not expand beyond its present size.

I am copying this letter to the private secretaries of other members of E(UP) and to Sir Robin Butler.

SRWBLJ

Garden Rooms.
PC type letter at
end for my signature
N.

PRIME MINISTER

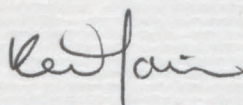
INNER CITIES COORDINATION

You agreed at your meeting with Robin Butler this morning with the conclusions in his minute of 19 May - namely that the Cabinet Office inner cities unit should not develop more of an executive role; nor have a private sector secondee.

It now transpires that, simultaneously with that meeting, Kenneth Clarke was sending you his further minute of 20 May, in which he continues to advocate that the Cabinet Office unit should become more high profile.

Can I take it you are not persuaded by Kenneth Clarke's arguments and that you still want me to minute out on the basis recommended by Robin Butler?

Yes
no



(PAUL GRAY)

20 May 1988

PP

CONFIDENTIAL

From: R T J Wilson
26 April 1988

P 03089

SIR ROBIN BUTLER

cc Mr Wicks

INNER CITIES

1. You asked me to review the future of the Urban Policy Co-ordinating Unit in the Cabinet Office. What follows reflects discussion with a number of people most closely concerned, including the Chancellor of the Duchy of Lancaster and the Secretary of State for the Environment.

OPTIONS

2. My main conclusion is that the Unit should remain in the Cabinet Office but that there must be clear understandings about its size and role. Before spelling out what this means, it may be helpful to run through the other options.

Transfer to DTI

3. The main alternative would be to transfer the Unit to the DTI. Mr Clarke would account to Parliament for all its activities and Sir Brian Hayes would be its Accounting Officer. The Cabinet Office would continue to provide the secretariat for E(UP). There might if necessary be a Ministerial MISC chaired by Mr Clarke to provide formal machinery for co-ordination. This approach would be consistent with what has been done in other areas where a particular Minister has co-ordinating responsibilities (eg Lord Young and deregulation). If the task of co-ordination later moved to a Minister in another Department the Unit could move too.

4. The main objection to this approach is that it would not be acceptable to the Secretary of State for the Environment. The tensions which were evident before Christmas are still not far from the surface and would almost certainly re-emerge if we were to propose transferring the Unit to DTI. I doubt whether either Mr Clarke or the Unit would be able to do their jobs as effectively as at present if we forced such a change through, and there might be more adverse publicity which would spoil what we have recently achieved. So I do not recommend it.

Abolition

5. Abolishing the Unit is a possibility for the longer term. But for the time being a Unit is essential to support Mr Clarke in his new role. It would look very odd to disband the Unit so soon after the Prime Minister's press conference. And there needs to be some machinery for keeping an eye on how things are going.

iii. the more the Unit became an executive outfit, the less it would be trusted by the Department of the Environment.

There need to be clear understandings therefore about the size and role of the Unit.

Role of the Unit

10. The role of the Unit should continue to be to support the Prime Minister and, under her, the Chancellor of the Duchy of Lancaster, in the matters set out in the announcement of 18 December 1987 (attached at A): that is, co-ordinating Government action towards the inner cities and providing a focus for the presentation of policies. Departmental programmes should continue to be the responsibility of the Secretaries of State concerned but Mr Clarke should be available as the initial point of contact for private sector companies wanting to offer support.

11. This has the advantage of sticking to a formula which has already been agreed. It is not always easy to draw the line between co-ordination and executive action, but the acid test should be whether or not an activity is something which would more appropriately be carried out on behalf of the Prime Minister, rather than be situated in a Department. Seen in that light, the Freephone proposal was clearly appropriate for DTI, not the Cabinet Office. On the other hand the co-ordinating activities described in your note of 8 February to Permanent Secretaries are all things which properly flow from the Prime Minister's lead position on inner cities.

12. There are two particular points on which friction may arise, which we need to watch.

Initial Point of Contact with Business

13. One is Mr Clarke's position as the initial point of contact for private sector companies. There is some concern that this may lead to commitments being made to companies without the responsible Department having had a proper chance to consider its position. Mr Clarke himself has mentioned that he would like to see the Unit play a positive role in encouraging private sector companies to become involved in specific projects. I think we should approach this role very warily. I do not rule out this role for the Unit; but to some extent it must also make sure that it hands over responsibility to the relevant Department once the initial contact has been developed. We should make sure that any cases of difficulty are drawn to the attention of the Prime Minister's group.

Targeting a Small Number of Areas

14. Second, there is a difference of philosophy about 'targeting' initiatives. Mr Clarke in his minute of 31 March said that new initiatives needed to be targeted on a relatively small number of areas where the Government could expect to see an improvement; Mr

Creation of a new "Office of the Chancellor of the Duchy of Lancaster"

6. Sir Terence Heiser floated this possibility a little while ago. I am still not sure what he had in mind but there are three interpretations, none of them promising.

i. Attachment to the existing Duchy Office in the Strand. This is a non-starter. The Office administers the Duchy Estates, is part of the Royal Household and its staff are not civil servants.

ii. A subordinate department within the Cabinet Office, like the OMCS or the Royal Mint. The new office would have its own Accounting Officer (like the OMCS) but ultimate Ministerial responsibility would still rest with the Prime Minister.

iii. A new small Department on the model of the Office of Arts and Libraries. This would be independent of other Departments. It would have its own Accounting Officer and Mr Clarke would be wholly answerable for its work.

7. To adopt the alternatives at (ii) and (iii) for a unit which at present comprises only 6 staff and has no budget apart from its running costs would seem to me a wholly disproportionate response to the present problem. I also think that it would be wrong as a matter of principle to give the Unit a title which mentioned the Chancellor because the prime responsibility rests with the Prime Minister, not the Chancellor, and the Unit supports her as well.

RECOMMENDED APPROACH

8. None of these options is attractive. The best course therefore seems to be to keep the Unit in the Cabinet Office. We may need to review the situation again if there is a Ministerial reshuffle or the workload changes. But until that happens I would suggest giving the Unit a period of stability.

9. It is important however to ensure that the Unit does not stray into direct executive responsibilities which should be undertaken by Departments. There are three particular risks which we need to guard against:

i. it would be highly undesirable for the Prime Minister to become directly answerable to Parliament for day-to-day executive action on the inner cities as opposed to its overall co-ordination;

ii. we do not want Accounting Officer responsibilities to become tangled. It would be very easy to get into a position where the Unit was effectively spending Departments' money without proper lines of financial control;

Ridley in his reply of 15 April demurred, questioning the defensibility of earmarking particular areas to receive greater attention than the rest.

15. My own feeling is that the aim of Government policy should be to have a string of success stories in inner cities in two or three years' time which it can point to as the result of its inner cities campaign. It would be wrong to try to draw up now a list of a dozen inner cities selected for special treatment. Equally, it is important to improve on the previous practice where each Department beavered away with its own inner cities initiatives regardless of other Departments' plans. One of the main tasks of Mr Clarke and the Unit should be to keep closely in touch with events in Departments and in the inner cities; and present regular reports to the Prime Minister and her colleagues so that they can see the overall picture and consider where more can be done to intensify Government action in promising areas. This may well mean that in practice we end up with, say, a dozen or so areas where a special effort is being made to produce results: but we should not try to spot them straightaway.

Size of the Unit

16. On size, the Unit at present has 6 staff:

- 1 Grade 3
- 3 Grade 7s drawn from the Departments of Environment, Employment and DTI (one of them a PIO)
- 1 Senior Personal Secretary
- 1 Administrative Officer.

Mr Ridley sees no real need to have more than one or two people in the Unit although he doesn't press the point. Mr Clarke, on the other hand, would like there to be some modest expansion, with the addition of an HEO to assist with correspondence and an inward secondee from industry.

17. My own feeling is that imposing a firm ceiling on the number of staff in the Unit would be one of the best ways of preventing it slipping into an executive role. I propose therefore that the present strength should be regarded as a maximum, and that it should be made clear that it is not going to be allowed to grow (although we may wish to change the grading of one or two posts). Indeed, the workload may gradually diminish as the main lines of action become established, in which case we shall need to consider shedding posts. But for the time being, the important thing is to draw the line at the Unit's present size.

18. As to the private sector secondee proposed by Mr Clarke, I have reservations. I am not clear that we have a full-time job for such an individual and I am concerned that it could lead the Unit into the sort of executive role which more properly belongs to Departments. I understand that NatWest have already offered to arrange such a secondment and it may well be right that there

should be such an individual in Government to help with Action for Cities. But I would have thought that the right place would be the DTI or DOE.

Name of the Unit

19. I fear that the title of Urban Policy Co-ordinating Unit has not stuck. No one is using it. The Unit is most often referred to as the Cabinet Office Unit or the Urban Policy Unit. I know that Mr Wicks is not happy with the latter title in case it is confused with the Number 10 Policy Unit. DTI have already pre-empted Inner Cities Unit. I suggest we settle for the Cabinet Office Unit on Inner Cities and leave it at that.

CONCLUSION

20. You may wish to consider discussing these points with Sir Terence Heiser and Sir Brian Hayes, although I am not sure that it is necessary. Subject to that, if you are content, I suggest that all that is needed is for the No. 10 Private Office to reply to Mr Clarke's minute of 31 March and other Ministerial correspondence on the lines of the attached draft. We could then follow this up with a meeting of the Ministerial Group - or E(UP) - towards the end of May at which the various Ministers could report on what progress was being made with their initiatives. The Unit could be asked to prepare a paper which drew the threads together and provided a bird's eye view. And we would hope to repeat this pattern every few months, so that the Prime Minister can keep in touch with what is emerging from Action for Cities without being bothered too much with the detail.

R.T.J.

R T J WILSON

INNER CITIES

The Chancellor of the Duchy of Lancaster, the Rt Hon Kenneth Clarke QC, MP will in addition to his duties in respect of the Duchy of Lancaster and at the Department of Trade and Industry, take responsibility, under the Prime Minister, for the co-ordination of Government action on inner cities and for its presentation.

Notes for Editors

1. Mr. Clarke will assist the Prime Minister in the co-ordination of Government action towards the inner cities; and provide a focus, under the Prime Minister, for the presentation of those policies.
2. There is no change in the Departmental responsibilities of Ministers with programmes which are involved in inner city regeneration. These programmes will continue to be the responsibility of the Secretaries of State concerned and administered by their Departments. Mr. Clarke will be available as the initial point of contact for private sector companies wanting to offer support for Government inner city policies.

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