

Ref. A086/311

PRIME MINISTER

Inner Cities: Outline of an Initiative in Eight Localities  
(MISC 104(86) 1)

## BACKGROUND

Urban policy was reviewed in MISC 104 in 1984. As a result, four objectives for urban policy were agreed; spending on the Urban Programme was slightly reduced; and the programme's targeting and management improved. (The DOE component of the Urban Programme is at £241 million in 1985-86, reducing to £226 million in 1986-87, and then moving to £237 million in 1988-89.)

2. The present round of consideration was initiated by the Home Secretary's minute of 23 October, in the light of last year's riots. He wanted the Government soon to be seen to be doing something to stabilise the most volatile groups of young people, mostly black, and to give them more of a stake in what happened to them. Following your meeting of 14 November, the Lord President supervised the selection of eight localities as the possible sites for some new initiative. The Lord President's meeting was keen to put together a balanced package of localities, in which the ethnic dimension was not dominant and which would not lead to accusations that riot was being rewarded.

3. At the last meeting of MISC 104, on 19 December, it was agreed that the Secretary of State for the Environment might take a new legislative power to grant-aid private sector involvement in urban regeneration projects, and I was asked to consider arrangements for enhancing the management and targeting of Government activity in the eight selected localities. The

meeting had before it a paper by the Policy Unit suggesting, among other things, that an experimental approach might be to identify all Government spending targeted on selected problem areas, and to put it under a new form of central control, but the Group did not take any decisions on that.

4. The Secretary of State for the Environment's new grant-aid power was included in the Housing and Planning Bill introduced in the House of Commons last week. The purpose of the present meeting is to consider my report on a possible way of setting up an initiative in the eight selected localities under Department of Employment auspices. Because it was not possible for me to discuss this with the Employment Ministers until very late in the day, neither the policy nor the administrative machinery of my proposals has been discussed in any detail with other interested Departments.

#### MAIN ISSUES

##### (a) The need for an initiative, and the objectives

5. The first main issue is, perhaps, whether to pause to consider if we need an initiative of this kind at all. Quite apart from any problems in sorting out the administrative arrangements, the proposals are high-risk ones that involve considerable exposure of Ministers in areas where it will be quite exceptionally difficult to produce results. I believe that the concentration on small localities and the active involvement of Ministers are what the Group wants, and I think that a scheme that embodies these ideas will end up looking like the one I suggest. But the exercise has taken shape in a rush, and this is the first opportunity - and perhaps also the last - to stand back and appraise it, and consider whether to change direction.



6. If it is decided that the right thing is to press on with this, it will be necessary to be clear about the objectives. I suspect that there have been two different lines of thought here. On the one hand, there could be experiments in urban policy as such, focused on novel approaches to the familiar co-ordination problems, taking risks with relations with local authorities and being prepared (notably as regards education) to operate on a very long timescale. The Policy Unit paper exemplified that approach. On the other hand, some of your colleagues have been more concerned to show quick pragmatic results on the ground: as noted above, the Home Secretary has been specially keen to see something that responded quickly to the ethnic and public order dimensions.

7. The objectives suggested at paragraphs 2 and 3 of my paper take something from both these lines of thought, but they are designed strongly to emphasise the immediate and the pragmatic. In particular, they focus on the employment aspect. The emphasis on employment is, I think, justified by the flexibility of Department of Employment/MSD powers, the experience they have in operating on the ground, and the fact that youth unemployment is one of the few factors about which virtually every commentator on the urban scene would agree. But the proposals also envisage entirely novel arrangements for co-ordination on the ground between Departments and with local authorities.

8. The idea of securing local involvement through special task forces gives a vivid and exciting aspect to the Employment Ministers' outline scheme. But if the Group should draw back from anything quite as exposed as this, it would doubtless be possible to construct an expansion of the community programme that did not give quite so many hostages to fortune.



(b) The proposed structure

9. There is unlikely to be much argument in principle against the idea of providing the Minister in charge of this exercise with a small central unit (though whether Departments will find it easy to second staff is another matter).

10. The establishment of teams led by civil servants in very difficult localities is likely to be more problematic. The task force leaders will have to be people of quite exceptional talent, energy and flexibility, and I would agree that we have never before put it to the test whether Departments have such officials in such numbers that they can spare them for special duties of this kind. But if the priority is to establish activity on the ground in eight areas simultaneously, and to do that within a matter of months, I think that the proposed way of proceeding provides the best prospect of achieving it.

11. A good deal would remain to be done about the administrative infrastructure, including the question whether the Paymaster General's central unit would be associated in some way with the MISC 116 machinery. But the detail of these points does not have to be settled yet.

(c) Funding

12. This is a crucially important point, and it is one where the two lines of thought mentioned above come into some conflict. In his minute of 29 October, the Chief Secretary said "there must be a clear presumption against additional funding" and at its last meeting the Group's entire discussion was on the assumption that additional resources would not be required, and that what was at issue was the better targeting of what was currently available. The pragmatic question of what can quickly be done on the ground points diametrically in the other direction. The Employment Ministers are quite clear that their emissaries would not be

listened to if they met all requests for money by demands for switching priorities within existing programmes. This is especially true of the Urban Programme, which is running under reduced levels and is committed to local authorities for the year ahead.

13. The Treasury's position is, quite simply, that there can be no question of a call on the contingency reserve for extra money here, and that if there is a need for money to oil the wheels then it must come from the existing programmes of the Departments concerned.

14. I suspect that the Employment Ministers are right about the realities of operating on the ground, and the need to be seen to have a little extra money available, not just diverting money from other programmes. But the Treasury has a strong position on the contingency reserve. Presentationally, it will be important that this exercise is not seen to suck away money from other urban policy spending.

15. One possibility of meeting these requirements might be to suggest that a sum of the order proposed is very small within the overall spending of the relevant Departments, and that they should be invited to try to find it from within their spending programmes outside the urban policy area.\*

(d) Selection of sites

16. There is little to add on this point to paragraph 4 of my paper. The sites were selected with many considerations in mind, and the Employment Ministers may want to suggest an adjustment before they become totally committed to them. I know that Lord Young considers the omission of Merseyside to be difficult to defend, despite the obvious difficulties of operating there.



(e) Timing

17. One point that you will wish to bear in mind in considering timing is the fact that the General Synod is debating "Faith in the City" from 4 to 6 February. As you know, Lord Young is keen to get started as soon as possible and would like an announcement within a matter of days.

18. The risk of a very early announcement is that the arrangements being suggested are quite novel; we might have difficulty in laying our hands on the right staff; and we would not want to name our detailed list of areas without immediate capacity to follow through with them. If you decided that these arguments were persuasive, and that the matter should come back to MISC 104 before decisions were announced, you would get into a period when financial aspects might be wrapped up in the Budget rather more easily than they can be settled at present. The choice is between a rapid announcement in principle now, with all the detailed work to follow, and a rather more considered approach leading to an announcement around Budget time.

(f) Next steps

19. Whether an announcement is made soon or late, the next administrative steps must be for the arrangements between Departments to be clarified; for the core staff to be identified; and for arrangements to be set up for controlling whatever funds are made available. The choice here is for this to be done through Cabinet Office machinery or for the Employment Ministers to take the lead. I believe that, now that the Employment Ministers have been charged with responsibility for this, we shall make better progress if they are asked, in the first instance, to develop a set of proposals and agree them with colleagues.

## HANDLING

20. You may wish to open the meeting by explaining that the proposals in my paper are based on the twin assumptions that Ministers should be personally involved in this initiative and that there should be highly visible Government activity on the ground in a few selected areas. The Group might be asked to endorse those propositions at the outset. You may also wish to acknowledge that circumstances have not allowed for normal interdepartmental consultation in working up these ideas.

21. You may then wish to ask the Secretary of State for Employment to explain how he sees this scheme working and you might then ask for general comments from the Secretary of State for the Environment, the Home Secretary and the Secretary of State for Trade and Industry. The Lord President will have views on general presentational aspects.

22. You will wish to ask the four Ministers in the lead both for their general views on the proposed task forces, and whether they will be able to contribute staff in the way proposed.

23. You may then wish to ask the Chief Secretary for his views on funding, and the Secretary of State for Employment to explain more precisely what influence he sees the new central unit and task forces having on other Departments' spending programmes, and why he sees extra money as essential.

24. In the light of the general discussion you will wish to settle the question of timing, and to decide whether the list of sites should be open to any further adjustment at the request of the Secretary of State for Employment.



CONCLUSIONS

25. You will wish to ensure that the meeting reaches decisions on:

- (i) whether a youth employment initiative, focused on eight areas, should proceed under the Employment Ministers' leadership;
- (ii) whether the structure of a central unit and local task forces is right;
- (iii) whether, and how, additional funding should be found for this;
- (iv) whether the list of proposed sites is acceptable;
- (v) when an announcement should be made;
- (vi) what presentation programme might accompany the announcement.

You will also wish to ensure that responsibility for working up these proposals is clearly allocated.

RTA

ROBERT ARMSTRONG

29 January 1986