



PRIME MINISTER

PM

h

COUNCIL HOUSE SUBSIDIES AND RENTS: MR HESELTINE'S SPEECH

I understand that you are inclined to agree that the Secretary of State for the Environment may include in his statement this afternoon the sentence to the effect that if the cash limit on housing this year is underspent then the amount of the underspend will be added to next year's cash limit.

2. As you know the question whether to allow some carry-forward of underspending within capital programmes, from one year's cash limit to the next was considered earlier under the heading "end-year flexibility" (my minute of 8 July). We decided not to provide for this next year, because it would cost an estimated £300 million which would have to be included in the contingency reserve for this purpose.

3. Hence I should much prefer not to prejudice this issue by allowing carry-forward of shortfall in the housing programme to add to next year's cash limit. This issue has become confused with the treatment of underspending by individual housing authorities this year, as a result of the moratorium - but as the Treasury paragraph in E(80)130 made clear, some carry-forward for individual authorities could be allowed for while keeping within the overall cash limit. This could be done by under-allocating the total at the beginning of the year until the size of this potential extra claim was known, and then allocating any remaining balance later

4. I hope that this issue can be held over to be settled later, rather than included in Michael's statement this afternoon. But

PM-
yes
13

if you confirm your decision that the sentence should be included, then it must be absolutely clear that this would apply only in the special circumstances of this year's moratorium and cannot be treated as a precedent for later years or for any other capital programme (unless and until we find room for "end-year flexibility generally).

5. I am sending a copy of this minute to Michael Heseltine.

W. J. B.

JOHN BIFFEN
25 November 1980

We are quite clear on the decision
we took which was to allow
understanding authorities to carry forward
then understanding to next year. Many times
were advised to show that this would not be
likely to prejudice the Treasury. I do not remember
any objection from the Treasury then and we can't
go back on the decision done with individual authorities now.