

Press Notice

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STANDSTILL ON LOCAL AUTHORITY NEW HOUSING PROJECTS IN ENGLAND TO CONTINUE FOR TIME BEING

Michael Heseltine, Secretary of State for the Environment, said today that he had received the figures of committed housing capital expenditure from English local authorities. They showed that the cash limit had already been fully taken up. He had no option but to continue the standstill on new commitments for the time being but will be reviewing the position very shortly.

Speaking during the Debate on the Address, Mr Heseltine said:-

"There are no cuts in the cash limit but I must strive to remain within it.

"Therefore on 22 October I issued a circular to local authorities because there was a serious risk that the housing capital expenditure of local authorities in England would exceed the cash limit by £180 million or 8%. In that circular I asked local authorities to provide estimates of the expenditure to which they were already committed in October for the year as a whole. Meanwhile I asked them not to undertake any new commitments except to meet their statutory obligations.

"The replies of local authorities showed that authorities as a whole were already committed to expenditure right up to the level of the cash limit.

"105 authorities considered that they were committed to expenditure in excess of their permitted level to the tune of £76 million. A further £55 million overall must be counted against the cash limit for spending which has been carried forward from 1979/80 under the tolerance arrangements operating at the time. So the maximum theoretical overspend could be £131 million. On the other side of the picture 262 authorities considered that their commitments were below their permitted levels of expenditure, in total by £124 million.

"It would seem from those figures that the cash limit had already been fully taken up and that the need for the action I took has been proved up to the hilt.

"I am well aware that it is exceedingly difficult for authorities to judge the likely out-turn of their annual expenditure even in the autumn.

"A great deal must depend on the weather, the speed with which buildings are completed and bills submitted for payment.

"But the Government, like the local authorities, has to make the best judgment it can.

"It is clear that if the Government were now to lift the moratorium on those authorities who are currently underspending - which is what we would like to do - then there would be a substantial risk of exceeding the cash limit.

"We are not prepared to take that risk.

"There is no option, therefore, but to continue the standstill on new commitments for the time being.

"I shall, however, be inviting the local authorities associations to join with me in keeping the closest watch on the situation and certainly we shall look at the position again very shortly.

"As soon as I am reasonably satisfied that the cash limit will not be breached I shall lift the moratorium on those who seem likely to underspend.

"I am determined that those who are underspending this year will not lose out at the expense of those that end up with an overspend.

"Therefore, whatever the results of our further assessment next month I can say this: those who overspend this year will have their overspending deducted from their allocation for next year.

"Those who underspend this year because of the moratorium will receive additional allocations next year.

"The balance between authorities will be restored.

"If despite all the steps I have taken there is an overspend on this year's cash limit it will be deducted from next year's.

"Conversely if as a result of those steps the cash limit this year is underspent then the amount of the underspend will be added to next year's cash limit."

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