

CONFIDENTIAL



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Lee Sav

10 DOWNING STREET

From the Private Secretary

25 November 1980

Dear Terry,

Council House Subsidies and Rents : Rate Support Grant

The Prime Minister has considered the question of whether Mr. Heseltine should announce today in his speech that, if the housing investment cash limit is underspent this year, the amount of the underspend will be added to next year's cash limit. Before taking a final view on this, she has read the Chief Secretary's minute which you sent over this morning.

The Prime Minister has decided that Mr. Heseltine should make the announcement as he proposes. It is her clear impression that Mr. Heseltine proposed to E Committee last week not only that individual local authorities would have their allocations for next year increased if they underspent this year, but also that the cash limit would be increased if it was underspent this year; and she does not recall Treasury Ministers dissenting from this. However, in agreeing this, the Prime Minister accepts that it will only apply 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.

I am sending a copy of this letter to David Edmonds (Department of the Environment) and also to Sir Robert Armstrong (Cabinet Office).

[Handwritten flourish]

Tim Laker

Terry Mathews, Esq.,
HM Treasury.

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