

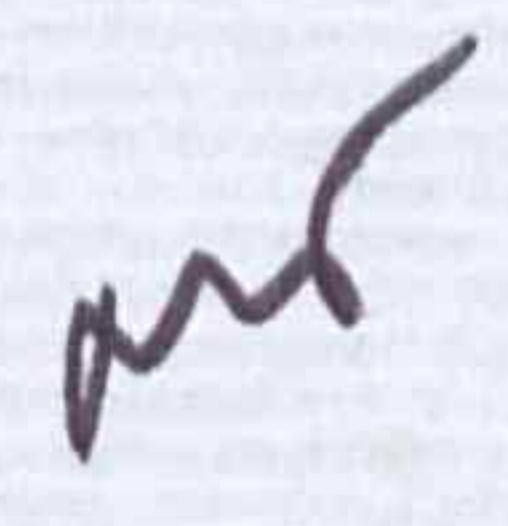
PRIME MINISTER

Housing Association Schemes

Derek Howe mentioned to you the Moratorium on new housing association approvals.

There is a political problem here. The measures which have been necessary will interrupt the pipeline of housing association schemes, with a significant impact on new starts next year. As a voluntary movement, housing associations are particularly vulnerable to this kind of interruption, which may cause some to lose heart.

DOE Ministers have little alternative. Their calculations are derived from the monthly cash flow from the Housing Corporation to individual associations. The spending profile shows that the £420 million allocation for the financial year is very likely to be overspent, even with the latest measures. Some high priority schemes will still get approval, but no further rehabilitation schemes are likely to be authorised before February. I attach some background information provided by DOE.

Duty clerk
pp MAP 

5 December 1980

*(another copy with rm)*2 MARSHAM STREET
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My ref:

Your ref:

3 December 1980

SPENDING ON HOUSING ASSOCIATION SCHEMES

I thought I should let you know that we have agreed with the Housing Corporation further measures to limit their spending this year on housing association development schemes. They are about to issue a circular explaining the position to housing associations and this may well give rise to comment in the House and elsewhere.

In February I announced a cash allocation to the Housing Corporation of £420m for this year. I referred to it again in the debate on housing last week when I said that I had asked the Corporation to regulate the flow of schemes so that the allocation was not exceeded.

This allocation is not, however, a formal cash limit. At present the Corporation are governed only by a cash limit on the value of schemes they approve, and that limit is in no danger of being breached. From next year onwards, however, there is to be a cash limit on expenditure and to encourage financial discipline we have, wherever practicable, been treating this year's cash allocation as if it were a formal cash limit.

Earlier in the year it became apparent that the allocation was likely to be overspent unless corrective action were taken. In September John Stanley announced that there would have to be a reduction in the rate of new approvals by the Corporation. This provoked a strong reaction from those connected with the housing association movement even though there has been no cut in the £420 million cash allocation for associations this year as we made clear repeatedly. The Corporation's spending has however continued at too high a rate since September, very largely as a result of contractual commitments from earlier years. Because of this we have now agreed with the Corporation that they should approve new schemes in the rest of the financial year only if they have highest priority, and on the understanding that actual expenditure would not be incurred until next year, save in exceptional circumstances.

These new restrictions are consistent with what I told the House last week. I see no need for any further Parliamentary announcement but I thought colleagues should be aware of them in view of the public interest that may be generated.

A brief for Conservative members on the housing association cash situation has been placed in the Government's Whip Office and the attention of members was drawn to it on the Whip issued last

Thursday.

I am copying this letter to the Paymaster General, colleagues on H Committee and Sir Robert Armstrong.

you are
M H

MICHAEL HESELTINE

Rt Hon Norman St John Stevas MP