

Prime Minister

This is the exchange referred to in
the Cabinet brief
on public expenditure.WELSH OFFICE
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ST 9/11

From The Secretary of State for Wales

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Oddi wrth Ysgrifennydd Gwladol Cymru

THE RT HON NICHOLAS EDWARDS MP

8 November 1983

Dear Chief Secretary,

PUBLIC EXPENDITURE SURVEY

On Thursday, we are to discuss the Public Expenditure Survey in Cabinet; and I understand that it is hoped that we will settle the major outstanding issues, though as in previous years there may be some matters that remain for resolution and I am writing to put on record those that very much concern me.

In accordance with normal practice, I have agreed to accept the formula based consequentials for my block of the changes you have agreed with our Ministerial colleagues in respect of programmes of comparable expenditure in England though I cannot at this stage know what the results will be as they are dependent on allocations by colleagues within their programmes, the details of which have not yet been made available. The consequence of the formula system is that I make my full contribution to the savings you are seeking. However, there are especial difficulties applying only to my situation which threaten to knock a hole in my provision for next year.

First of all, as I told you in my letter of 19 October, in proportionate terms there has been a much greater response to the 90 per cent housing improvement grant scheme in Wales than in England, no doubt reflecting our higher proportion of pre-1919 and unfit houses. There is therefore a disproportionately large overhang of Housing Improvement Grants which will have been approved by the end of this financial year when the Budget measures expire, but will fall for payment in 1984/85. We do not yet know how much this overhang will be, but it could be in the range £84m to £140m. This compares with my local authority

/Housing

The Rt Hon Peter Rees QC MP
Chief Secretary to the Treasury



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Housing baseline (after taking the consequential to the cut agreed for England) of about £44.5m; we estimate that about another £50m may be available from Housing sales receipts, making a total of about £95m for allocation. Besides the grants overhang this has to accommodate other Housing commitments entered into by local authorities this year as well, quite apart from anything new in 1984/85 itself.

The position is made even worse because we look like having an overspend on the local authority capital cash limit this year. I wrote to you about this on 4 October and our officials have discussed the figures since then. It looks as though the overspend may be as large as £60m. There is thus no possibility of using the carry-forward facility you have agreed for local authority capital underspends to boost my local authority capital provision for next year. We therefore have no cushion for the grants overhang. Not only that, but if this year's overspend turns out to be as large as we fear and the whole of it is deducted from my 1984/85 local authority capital provision, I shall not be able to honour even the 80 per cent forward commitment for planning purposes which I gave to local authorities (as did the Secretary of State for the Environment in England) with your predecessor's consent. We suspect that local authorities may have already entered into legally binding commitments up to that level.

There is also no possibility of diverting resources from other services within my block on the scale necessary to counter these adverse factors. My 1983/84 provision for roads looks like being overspent by something approaching £20m, largely because of contractors taking advantage of the fine summer to press ahead with road construction (my officials have been in touch with yours about this and I shall be writing to you shortly). If anything like this sum has to be deducted from my 1984/85 provision I shall be in an extremely difficult position on the block as a whole before taking account of the local authority problems I have described above.

I shall want to discuss these matters with you before my 1984/85 provision is finalised, and I take it (in the absence of replies to my letters of 4 October and 19 October) that you accept that Cabinet's broad decisions on Thursday will not be taken to rule out whatever solution we can devise between us.

I am copying this letter to the Prime Minister, all other members of Cabinet, and to Sir Robert Armstrong.

Yours sincerely
JH Roberts

Approved by the
Secretary of State and
signed in his absence

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Treasury Chambers, Parliament Street, SW1P 3AG

Miss Judy Roberts
Secretary of State's Office
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9 November 1983

Dear Judy

PUBLIC EXPENDITURE SURVEY

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We spoke this morning about your Secretary of State's letter of yesterday. The Chief Secretary certainly accepts that he needs to respond to the letters of 5 October and 19 October and that discussion of the issues on their merits cannot be ruled out on the grounds of what Cabinet decides tomorrow. However, as you will recognise, his position on the merits is entirely reserved and he cannot lightly contemplate an addition to the Welsh block for 1984-85 (or an increase in cash limits this year).

Simply

I am sending copies of this letter to the Private Secretaries of the Prime Minister, other members of Cabinet, and Sir Robert Armstrong.

Very secret

J. Gieve

JOHN GIEVE
Private Secretary

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