

PRIME MINISTER

The Leader of Wandsworth Council is clearly worried about how they will do out of the new system of local authority capital and housing finance. Under the present system they have been able to spend a large part of the substantial capital receipts they have generated and at the same time to use the Exchequer subsidy intended for housing to hold down the rates. It will not be straightforward, therefore, if the Government's objectives of fairness and accountability is met to ensure that Wandsworth benefit under the new systems. Mr. Ridley is looking at the points Councillor Beresford has made to see if he can offer any help on this without undermining the fundamental objectives of the Government's reforms.

Are you content to send the attached short reply to Councillor Beresford?



DOMINIC MORRIS

15 March 1989

PA existing file
(WANDSWORTH
Council)



File PMBALD

cc DOE

+ chert Sec.
HMT

10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

16 March, 1989.

Dear Councillor Beresford,

Thank you for your letter of 22 February about our proposals for local authority capital and housing finance.

I have studied your letter carefully and fully appreciate your concerns.

I have therefore passed your letter on to Nicholas Ridley and have asked him to get in touch with you direct in due course when he has looked at the detailed points you make and is in a position to discuss these with you.

Kind regards,

Yours sincerely

Magaret Thatcher

Councillor Paul Beresford

Jolman



R14/3

2 MARSHAM STREET
LONDON SW1P 3EB
01-276 3000

My ref:

Your ref:

P A Bearpark Esq
Private Secretary to
The Prime Minister
10 Downing Street
LONDON
SW1A 2AA

14 March 1989

(DM)

Dear Andy,

CORRESPONDENCE WITH COUNCILLOR PAUL BERESFORD

Following Roger Bright's letter of 3 March to Dominic Morris and your reply of 8 March you have been in further contact with Roger about a response to Councillor Beresford.

I attach a revised draft letter for the Prime Minister to send to Councillor Beresford which is slightly more forthcoming. I hope this meets your requirements.

Yours,

Deborah.

DEBORAH LAMB
Private Secretary

DRAFT LETTER FROM THE PRIME MINISTER TO SEND COUNCILLOR BERESFORD

Thank you for your letter of 22 February about our proposals for local authority capital and housing finance.

I have studied your letter carefully and fully appreciate your concerns.

I have therefore passed your letter onto Nicholas Ridley and have asked him to get in touch with you direct in due course ^{so that} when he ~~is~~ ^{has} ~~ready~~ ^{is} to discuss your ~~worries~~ ^{concerns}.

Looked at the detailed points you make & is in a position to discuss them with you.

PMBARD

Cllr. P. BERESFORD

15/3



Vno

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

8 March 1989

Your letter of 3 March to Dominic Morris concerning the correspondence from Councillor Beresford about the Local Government's Housing Bill refers. I can readily see that it may be a little time before a detailed reply can be sent, but is there any particular reason why you would prefer the Prime Minister not to sign it? My instinctive feeling is that she would like to write to him. I await your further advice.

P. A. BEARPARK

Roger Bright, Esq.,
Department of the Environment.

[Handwritten signature]

23/3



2 MARSHAM STREET
LONDON SW1P 3EB
01-276 3000

My ref:

Your ref:

Dominic Morris Esq
Private Secretary to
The Prime Minister
10 Downing Street
LONDON
SW1A 2AA

3 March 1989

Dear Dominic

Thank you for your letter of 23 February covering a letter from Councillor Beresford, Leader of Wandsworth Council, to the Prime Minister.

Councillor Beresford expresses concern about the proposals in the Local Government and Housing Bill for new systems of local authority capital and housing finance. He discussed some of these concerns with my Secretary of State and Mr Trippier last year.

The difficulty is that Wandsworth have done rather well under both the present capital and housing systems. They have been able to spend a large part of the substantial capital receipts they have generated. They have also been able to use Exchequer subsidy intended for housing to hold down the rates.

It will not be easy, therefore, if the Government's objectives of fairness and accountability are to be met, to ensure that Wandsworth benefit to the same extent under the new systems. Nevertheless my Secretary of State is looking at the detailed points Councillor Beresford has now made to see if he can offer any help on these without undermining the fundamental objectives of the Government's reforms. A draft interim reply to Councillor Beresford, promising a response from my Secretary of State, is attached.

*Yours sincerely
Roger*

R BRIGHT
Private Secretary

DRAFT LETTER FROM THE PRIME MINSITER TO COUNCILLOR BERESFORD

Thank you for your letter of 22 February about our proposals for local authority capital and housing finance.

I have passed your letter on to Nicholas Ridley who will be in touch with you shortly.

Cllr. P. BERESFORD

9/3



pm

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

am/

23 February 1989

I enclose a copy of a letter which the Prime Minister has received from Councillor Paul Beresford, Leader of Wandsworth Council.

I should be grateful if you would provide a draft reply which the Prime Minister might send to Councillor Beresford by Thursday, 9 March.

(D. C. B. MORRIS)

Alan Ring, Esq.,
Department of the Environment.

ca

MR GRAY

I attach a letter I have received from Paul Beresford, leader of Wandsworth Council, covering a copy of a letter he has sent to the Prime Minister. Obviously you will wish to get advice on this but I think Mr Beresford merits a personal ^Prely rather than a Private Secretary's letter. In my inexperienced view, he seems to have a point.

JHW

JOHN WHITTINGDALE

22.2.89

cc MR MILLS



From the Leader of the Council

Leader's Room
The Town Hall, Wandsworth High Street,
London SW18 2PU

J. Whittingdale, Esq.,
Political Secretary,
Prime Minister's Office,
10 Downing Street,
London, SW1A 2AA.

22nd February 1989

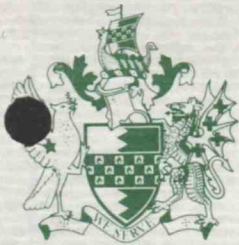
Attached is a copy of a letter sent to Mrs. Thatcher.

The fact that I have written to her personally is an indication of the importance I place on this matter and that I seem to be blocked in my normal avenues.

Therefore, I would be extremely grateful if you would ensure the Prime Minister is able to see the letter rather than it being lost in the system.

Regards.

Paul.



Wandsworth

From the Leader of the Council

R22/c

Leader's Room
The Town Hall, Wandsworth High Street,
London SW18 2PU

The Rt. Hon. Margaret Thatcher, M.P.,
Prime Minister,
10 Downing Street,
London, SW1A 2AA.

22nd February 1989

Dear Mrs Thatcher,

There is evidence that Government action is forcing change in inner city authorities. The Right to Buy, financial restrictions, compulsory competitive tendering and so on are directly and indirectly changing the attitudes of even left wing authorities.

However, I am very concerned that the proposals from the Department of the Environment on the re-use of capital receipts and on the revenue benefits of capital receipts are going to generally damage our progress, both politically and on the ground.

The change of tenure on Wandsworth Council estates, coupled with major capital reinvestment, has had a dramatic effect. The inner city decay downward spiral has been reversed. Both private and public housing has been vastly improved, as have roads, pavements, parks, and leisure facilities. Wandsworth's rates are the lowest in London, and unemployment the lowest in inner London. Crime rates, particularly on council estates, have tumbled, especially relative to neighbours with similar problems. The reinvestment on estates has encouraged sales. The consequential change of tenure has altered social and voting attitudes. Most tower blocks in Wandsworth are now between twenty-five and fifty percent owner-occupied, and this is increasing.

Labour inner city boroughs have resisted sales but always aimed for high capital investment from borrowing. The example of Wandsworth's success, coupled with the restricted borrowing allowance, is slowly forcing these authorities to look again at sales, both of housing and of council land. With this avenue open, attempts to blame the Government for the state of their own stock, have a distinctly hollow ring. Unfortunately, all these successes and hopeful trends are now at risk.

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The Rt. Hon. Margaret Thatcher, MP

22nd February 1989

Ministers' announced intentions in regard to the Housing and Local Government Bill are that the re-use of capital receipts from housing sales is to be limited to 25% and receipts from other sources generally to 50%. There are also severe sales disincentives from the point of view of revenue which are noted in the attached paper. While having complete sympathy for the concern of the Treasury and the Department of the Environment for a more sensible distribution of spending power, I feel its across-the-board restrictions will be damaging to the Conservative cause. In the Inner Cities, some modification of this approach is necessary, to allow much higher proportions of receipts to be reinvested.

In contrast to the Shire Counties and Districts, the aggregate of capital receipts held by inner city boroughs is relatively small in relation to their evident needs, so the net effect on direct Government control of expenditure would be insignificant. Maintenance of worthwhile revenue benefits from housing sales may appear to represent a loss to the Exchequer, but this is likely to be offset by the higher volume of sales thereby generated.

Inner London has a special problem with the transfer of education from the ILEA to the boroughs. The ILEA's lack of investment in buildings, and stock, has left an enormous burden for the inner London boroughs. All these authorities of all political complexions accept that, in time, they will be able, through better management, to gain capital receipts from surplus sites - only then to be restricted to fifty percent usage.

I have put these points to Mr. Ridley directly on the revenue aspect, and indirectly, through Mr. Trippier, on capital.

I spoke particularly to Mr. Trippier as I feel the political answer is through the Conservative inner city campaign. The inner city boroughs, with the needs, should be encouraged to seek sales and reinvest the capital receipts. Obviously, this will ultimately have a beneficial effect to the Conservatives, especially as failure to boost sales would be for these local authorities to fail their residents, and to invite direct Government action, such as UDCs, HATs, etc. At the same time, special treatment of capital receipts for designated inner urban authorities could be presented as Conservative concern to help the inner city areas of need.

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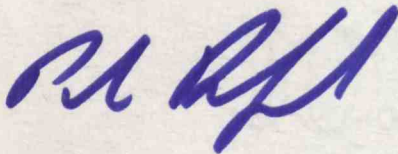
The Rt. Hon. Margaret Thatcher, MP

22nd February 1989

The oral reply I received from one of Mr. Trippier's officials that "inner city areas in need would be compensated by increased credit approval taking into account capital receipts available" smacks of a Socialist approach and leaves the Government entirely vulnerable to local authority blame for lack of investment. Following the visit to you on July 8th 1986, changes were introduced into the then proposals on capital receipts, allowing increased expenditure within boroughs such as Wandsworth in the inner cities. Conservatives in inner city authorities, particularly Bradford and Wandsworth, would wish that similar concern for their difficulties, should be shown again.

The terms of the Bill would permit the modifications of approach which I am urging. What is lacking is explicit recognition at Ministerial level of the need to maintain and encourage local authority sales programmes in inner cities. Meanwhile, the encouraging trends are losing impetus, and could disappear altogether.

Yours sincerely,



Paul Beresford
Leader of the Council.

Encls.

PROBLEMS WITH DEPARTMENT OF THE ENVIRONMENT PROPOSALS
FOR HOUSING AND OTHER SALES PROCEEDS

Threat to Inner City improvement

PROBLEM

DoE proposes to restrict use of sale proceeds to finance capital expenditure (25% housing, 50% other) and to have regard to the proceeds available when deciding the amount of credit approval.

EFFECTS

Wandsworth's programme of housing refurbishment is likely to be cut by 50%. The lower incentives to sell will slow the progress towards a leavening proportion of owner-occupation on Inner City estates. The combination of low owner-occupation and delayed refurbishment will maintain, if not exacerbate, present levels of vandalism and crime. Inner London will also inherit the consequences of ILEA's failure to reduce its surplus school capacity and to use the proceeds to refurbish the buildings needed for the future; but the boroughs will be hampered by the proposed restrictions, at the very time that Government and the public expect these inherited problems to be tackled with fresh vigour.

REMEDY

Inner City authorities (designated under the Inner Urban Areas Act) should be allowed to use substantially higher proportions of capital receipts, particularly housing receipts, because of their demonstrably greater needs in relation to their sale proceeds. At least for these authorities, the weighting attached to sale proceeds available should be kept to the minimum, when deciding the amount of credit approval.

Penalty for 1989/90 housing sales

PROBLEM

DoE proposes to change the housing subsidy arrangements for 1989/90 so that the loss of rent from dwellings sold will be ignored, while the reduction in net borrowing and in management and maintenance costs will continue to be reflected in reduced subsidy.

EFFECTS

Wandsworth stands to lose about £1 million in subsidy, compared with the previous arrangements. Moreover, each dwelling sold in 1989/90 will cause a net annual loss of £200 per annum, compared with a modest gain of £700 per annum formerly. Sales which actually increase rates and future community charges will be difficult to defend.

REMEDY

Subsidy arrangements should continue the present logical and reasonable practice of recognising the rent loss as well as the gross gains from sales.

No revenue benefit from housing sales from April 1990?

PROBLEM

Although Ministers have not yet announced proposals for the treatment of interest derived from housing sales, there appears to be no commitment to providing any revenue incentive for authorities to maintain or develop vigorous sales programmes. The concept of the ring-fenced Housing Revenue Account appears to be leading the DoE to view virtually all of the net benefit as due to the Exchequer.

EFFECTS

The lack of sales incentives in revenue terms would leave authorities like Wandsworth, actively selling empty flats and promoting the right to buy, very exposed to criticism. While the merits of diversifying tenure may be recognised, the drawbacks for the housing waiting-list and homeless families will attract more attention.

REMEDY

There should be a clear Ministerial commitment to maintain a worthwhile incentive in revenue terms for housing sales.

Penalty for all pre-April 1990 housing sales

PROBLEM

DoE proposes to reduce housing subsidy from April 1990 by a sum based on recent surpluses on the Housing Revenue Account, and to stop the transfer of any part of such surpluses to the authority's General Fund until subsidy entitlements are extinguished.

EFFECTS

The annual revenue benefit which Wandsworth has built up, by its active sales programmes in recent years, is the major part of the current surplus on the Housing Revenue Account. The proposal would therefore deprive the Council's General Fund of this benefit, for which ratepayers have borne the costs of staffing, publicity and legal fees in past years. Moreover, if it is accepted that there will be some benefit to the General Fund from future Housing sales (see previous point), then Wandsworth will be left at a severe disadvantage, from having led the way and therefore having comparatively far less future sales potential than all other housing authorities.

REMEDY

The proposed reduction in housing subsidy should be modified by an allowance for the effect of past sales, which should be a prescribed transfer from the Housing Revenue Account to the General Fund.

H J S HEYWOOD
Director of Finance and
Deputy Chief Executive
Wandsworth

1/HJSH/bma
20.2.89

PAUL GRAY

22 February 1989

cc: John Whittingdale

LOCAL GOVERNMENT AND HOUSING BILL: WANDSWORTH

I understand that the Prime Minister is about to receive a difficult letter on this subject from Paul Beresford, the Leader of Wandsworth Borough Council, on the political implications for Government policy on council house sales and the inner cities of the new regime for local authority capital receipts in the Bill. This is just to register the Policy Unit's interest in this subject and I would be grateful if you would pass us a copy of the letter when received. The same goes please for the advice you commission from Departments, before it is put to the Prime Minister.



JOHN MILLS