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2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

25 October 1985

Dear Lord President,

Thank you for your letter of 24 October.

HOUSING

On housing I reproach myself that I must have failed to convey to you and your colleagues the nature and extent of the Housing problems facing our country, and the inadequacy of the present public expenditure provision to deal with them. The plain fact is that much of the present stock is crumbling. The conditions in which we expect many of our people to live are, in my view, quite unacceptable. This is due to decades of unsatisfactory municipal building which we now have to put right. We cannot successfully privatise until it is in reasonable shape.

We fought the last election on the goal of "making Britain the best housed nation in Europe". At present that is no longer a credible claim. The state of the stock is getting worse. The issue before us is how as a Government we should respond to this. I simply do not believe that your offer is an adequate response to the growing crisis.

The attached Table shows the effect of your offer. There is no way in which I could present a steady year on year cash reduction in the gross housing capital programme, and a 25% reduction in allocations to local authorities next year, as a realistic response to the grave deterioration of our housing stock.

I hope colleagues have not ruled out private finance for the Housing Corporation. It seems to me to be an ideal way of introducing much-needed private sector resources into housing, and my offer to reduce my bid by £50 million stands.

PROGRAMME 8

In my meetings with John on Programme 8 I have moved very substantially from my original bid of some £150m above baseline, and I am now prepared to move further, to a cut of £10m below baseline in each year. But I cannot accommodate a reduction of £25m. I have inescapable obligations. As you proposed at our first meeting, the Urban Programme is left on one side, and should remain at baseline for the time being.

WATER

On Water, in view of our discussions, I am reviewing the possible combination of prices, investment levels, and returns on investment and I will come back to you.

I am sending a copy of this letter to those who received yours.

Yours sincerely,
Kenneth Baker

The Rt Hon the Viscount Whitelaw CH MC

KENNETH BAKER

(Approved by the Secretary of State)

SECRET

25.10.85.

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HOUSING PROGRAMME: OUTURN AND STAR CHAMBER PROPOSALS [fm]

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	1984-85 OUTTURN	1985-86 OUTTURN	1986-87 PROPOSAL	1987-88 PROPOSAL	1988-89 PROPOSAL
GROSS CAPITAL	3893	3284	3102	3083	2975
CAPITAL RECEIPTS	-1784	-1651	-1531	-1431	-1285
NET CAPITAL	2109	1633	1571	1652	1690
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CURRENT	962	1084	971	975	975

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NET PROGRAMME TOTAL

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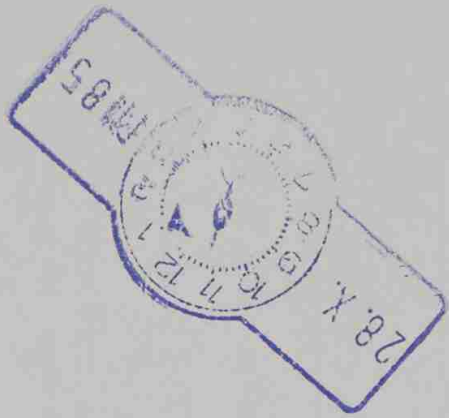
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ALLOCATIONS

[Based on HMT calculation method]

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