

SECRET AND PERSONAL CC DN



16

Treasury Chambers, Parliament Street, SW1P 3AG

CHIEF WHIP

The Chief Secretary asked me to send you a copy of the attached note on a strictly personal basis.

A handwritten signature in black ink, appearing to be 'H. G. G.' with a large flourish above the name.

5 November 1985

1. The Government has carried out a detailed review of its priorities in the housing programme. It has decided that total public expenditure provision should be increased by some [£150 million] in both 1986-87 and 1987-88 compared with the plans set out in the last public expenditure white paper.

2. Part of that increase reflects extra current spending via additional rate fund contributions to local authorities housing revenue accounts.

3. But gross capital spending is also increased from the earlier plans by [some £100 million] a year. Within that increased total, the Government believes there should be a substantial shift of spending patterns by local authorities. The key priority now is for increased spending on renovation of the existing public sector housing stock. But this has to be matched by lower priority being given to improvement grants to the private sector and public sector provision of new houses.

4. Spending on improvement grants has been running at a very high level in recent years, totalling some £2½ b. since 1982-83, much of it discretionary spending. This has enabled substantial improvements to be made in the private sector housing stock. For the next few years, the priority in this area should be limited to mandatory grants and to discretionary improvement grants for the disabled.

5. We believe the great majority of provision of new houses should be carried out by the private sector. By comparison with most other countries, the UK has a very high proportion of the existing housing stock within the public sector. And, as our policies have proved, most people do want to buy their own homes. So the provision of new houses in the public sector does not need to be as great as in the past. We are now providing for an annual public sector new building programme of some 30,000 homes. This is more than sufficient to meet priority needs and will enable a small reallocation of existing resources to renovation of the public sector stock.

6. Estimates of the required spending on renovation are necessarily imprecise. The existing plans already provide for an increase over expected spending in the current year to some £1200 million a year.

7. But we have now decided this should be substantially increased, by some [£200 million] in 1986-87 and, as the programme gathers pace, by some [£300 million] in the later years. So total spending will be raised to some £1½ billion a year, one of the largest public sector investment programmes. The Government consider this will be sufficient to tackle the problems which have been identified, providing for total spending of £15 billion over the next 10 years.

Allocations

1. In 1986-87 allocations will be set at a level which enable local authorities fully to carry out the priorities and programmes set out in the Government's plans.

2. Allocations are that part of local authorities borrowing and spending power distributed by central government. On top, local authorities' have other spending power, because they can also spend part of their capital receipts.

3. Allocations for 1986-87 do not need to be as high as 1985-86. This is because;

(i) authorities have access to larger receipts - itself a reflection of the success of the Government's Right to Buy policies;

(ii) the 1985-86 allocations led to overspending on the Government's plans - in particular £150 million on improvement grants.