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MR NORCROVE

PUBLIC EXPENDITURE: HOUSING

Subject to clearance with Sir Keith Joseph and Mr Ridley of certain consequentials for their programmes, the Chief Secretary has reached agreement with Mr Baker on housing. The Lord President is content with the agreement, and will report orally at Cabinet tomorrow (the Cabinet paper, which we have now had to circulate, leaves the position on housing open).

2. The essence of the agreement is as follows. In 1986-87 gross capital expenditure on housing will be set at £3250 million (compared with the 1985-86 provision of £3051 million and estimated outturn of £3284 million). This is consistent with allocations of £1500 million (compared with £1600 million in 1985-86) on the assumption that local authorities use 83% of the spending power available to them (compared with the 85% previously assumed and the likely take up this year of 81%). Mr Baker has also offered additional receipts of £70 million.

3. The overall effect of this in 1986-87 is an addition above baseline for housing of £197 million. This is £77 million more than the Star Chamber's previous offer.\*

Renovation Programme

4. In addition to the extra amounts offered by MISC 120, Mr Baker can boost the provision for renovation by savings on new build and elsewhere. This should enable him to increase expenditure on renovation in the first year by some £250 million, and some £325 million in each of the later two years. This would permit an overall renovation programme (in response to the housing survey report) of some £15 billion in under 10 years.

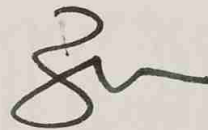
\*In the two later years the MISC 120 offer will also be increased by £77m, giving additions to baseline of £177 million and £157 million.

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5. On the assumption (which Mr Baker has assured the Star Chamber he will seek to secure) that local authorities do in practice devote to renovation the sums now available to them, the total spend on renovation would reach some £1440 million in 1986-87, £1541 million in 1987-88, and £1530 million in 1988-89.

Overall Effects

6. The effect of this agreement will be to take the net excesses over the planning totals to some £140 million in 1986-87, £200 million in 1987-88, and less than £50 million in 1988-89 (the precise figures are still being calculated).



J B UNWIN

Cabinet Office  
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