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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Kenneth Baker MP
 Secretary of State for the Environment
 Department of the Environment
 2 Marsham Street
 London
 SW1P 3EB

6 November 1985

Dear Kenneth,

PUBLIC EXPENDITURE SURVEY: HOUSING

I am writing to record the basis on which we have agreed a settlement of provision and allocations for Housing.

The main elements in the proposal were as follows:

- (i) Net provision for the housing programme to be increased by +197, + 177, + 157 compared to the Survey baseline;
- (ii) Gross capital expenditure to be increased by + 163, + 104, + 195 compared to the Survey baseline;
- (iii) Capital receipts to be increased by + 70, + 50, + 50;
- (iv) Current expenditure to be increased by + 104, + 123, + 12, as in the MISC 120 offer;
- (v) Capital allocations in 1986-87 to be determined on the assumption that local authorities will use 83 per cent of available spending power;
- (vi) On the assumption that Housing Corporation gross capital provision is reduced by £30 million this would allow you to issue allocations to local authorities in 1986-87 totalling £1500 million;

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(vii) However I am prepared for you to distribute provision between local authorities and the Housing Corporation as you wish provided allocations are agreed between us and derived from provision on the basis of the 83 per cent use assumption;

(viii) Capital allocations in 1987-88 to be determined on the assumption that local authorities will use at least 85 per cent of available spending power.

... The attached table sets out the implications of this agreement for the major housing lines. As I explained, the Autumn Statement will not give an outturn figure for local authority gross capital expenditure in 1985-86. Such a figure will appear in the 1986 Public Expenditure White Paper but will, no doubt, be revised to reflect the latest forecast of outturn.

Yours ever,



JOHN MacGREGOR

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	1985-86		1986-87	1987-88	1988-89
	PROVISION	OUTTURN			
Renovation	1070	1130	1441 (+247)	1541 (+327)	1529 (+327)
Gross Capital	3056	3284	3250 (+163)	3208 (+104)	3105 (+195)
Net Capital	1323	1633	1649 (+ 93)	1726 (+ 54)	1770 (+145)
Net Total	2290	2717	2741 (+197)	2825 (+177)	2869 (+157)

