

CONFIDENTIAL

cc BGI



pa

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon George Younger TD MP  
Secretary of State for Scotland  
Scottish Office  
Dover House  
Whitehall  
London  
SW1A 2AU

Ponnie Quinlan 2

This is right\*. But  
it will cause angst.  
I suggest you should not  
intervene.

m.

DRS

20 November 1985 20/11.

\* and is more evidence of  
a tougher approach by the  
Treasury.

at flap

Dear George,

**HOUSING SUPPORT GRANT INCREASE:  
OFFSETTING SAVINGS**

As you will be aware from my minute of 31 October to the Prime Minister we are facing the prospect that claims on this year's Reserve will go beyond the amount available. The Prime Minister, sharing my concern, subsequently asked that colleagues take every possible measure to keep within the resources available to them and to avoid bids against the Reserve.

I approved a Winter Supplementary Estimate from your Department for Housing Support Grant. Approval was unavoidable in the circumstances of this programme, but the Supplementary Estimate involved a claim on the Reserve of £15.686 million. The increase in provision of £15.941 million for Housing Support Grant is offset by a net reduction in other public expenditure elements of the Vote of £255,000. The reduction of £3 million in provision sought for Housing Association Grant is directly offset by an increase of the same amount in expenditure funded by the NLF.

The increased expenditure on Housing Support Grant is a result of changed economic assumptions and under the so-called "Concordat" would normally be accepted as a charge on the Reserve. However, in the correspondence establishing how the Concordat would operate when the Reserve was first operated in its present form, in April 1984, the Treasury reserved the right, if the Reserve as a whole appeared to be under threat, to seek offsetting savings (in full or in part) from within the Scottish block or, failing that, from other expenditure within your control. Regrettably, that condition is, at present, satisfied.

CONFIDENTIAL

CONFIDENTIAL

I should therefore be grateful if you could let me know your proposals for generating savings of £15.686 million to offset this claim on the Reserve. These might include reductions in cash limits where these are not expected to be fully spent during the course of the year. This is similar to what was done earlier this year when part of the cost of the special relief to Scottish ratepayers was met from underspending in 1984-85 that would otherwise have been carried forward to 1985-86.

I am sending a copy of this letter to the Prime Minister.

*Yours,*  
*JH*

JOHN MacGREGOR

