

of Local Government
Relations: Pt 14



10 DOWNING STREET

THE PRIME MINISTER

2 November 1982

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cc CS, HM
DOE
PMS

Dear Councillor Sewel,

I recently met the Group of Eight, the body which represents all sides and parts of the construction industry. They expressed concern about the way in which local authority expenditure is falling below the Government's public expenditure provision. I told the Group that I would write to local authority associations, setting out the Government's views.

I fully understand that, with the strong emphasis we have placed on reducing current expenditure, some authorities may tend to be particularly cautious in planning their capital spending because of its current expenditure implications. Stringent control of current expenditure is of course essential; nevertheless, as you will appreciate, we have made every effort at a time of great difficulty to allocate as much as possible for capital programmes. It is therefore a great pity if so much of this goes unspent because of undershooting of targets; in 1981-82 there was a substantial underspend on the capital allocations made to local authorities in Scotland. The construction industry is obviously hit hard by this at a time when it is very short of work. I am therefore writing to express the hope that Scottish local authorities will do all they can to avoid underspending in 1982-83 and in later years.

I do understand that local authorities try hard to spend their annual allocations but can often be held back by circumstances beyond their control like last winter's severe weather. I am writing to reassure you however that we in Government will do what we can to help Scottish local authorities to utilise efficiently

/ all the

all the resources available to them. I know that the Secretary of State has in mind to issue whatever supplementary allocations may be available as early as possible and for next year to arrange for authorities to receive early intimation of their final allocations.

I very much hope that I may count on the assistance of the Convention in encouraging authorities to make full use of the resources made available to them.

Yours sincerely
Margaret Thatcher

Councillor John Sewel



2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:
1 November 1982

Dear Michael

I enclose a revised version of the draft letter for the Prime Minister to send to Councillor Sir Jack Smart and others. This has been revised to take into account the announcement made by my Secretary of State last week.

I am copying this to John Gieve (Chief Secretary's Office).

John Gieve
D A Edmonds

D A EDMONDS
Private Secretary

Michael Scholar Esq
No 10

DRAFT LETTER FROM THE PRIME MINISTER TO CLLR SIR JACK SMART CBE

I am concerned to learn that after underspending on capital substantially in 1981/2 local authorities show every sign of doing the same in 1982/3 because they are making little use of their capital receipts. As local authorities have some £1½ billion of capital receipts, the scope for additional investment is very considerable indeed.

I recently met the Group of Eight, the body which represents all sides and parts of the construction industry, and they drew particular attention to the way in which local authority (and nationalised industry) capital investment is falling below the Government's public expenditure provision.

The Government maintains its firm policy of restraint of public expenditure as a whole. Within that, there is scope for some shift from current to capital spending. In the Government's view this is highly desirable. That is why local authorities have been enabled, and indeed encouraged, to increase their capital expenditure by using capital receipts to supplement their capital allocations.

I recognise that authorities are still developing their expertise in operating the capital allocation system and that there are difficulties in planning forward programmes when it is not possible for us to give firm indications of future levels of provision. Long lead times and the need to provide for the revenue consequences of higher capital spending are also significant factors. The fact remains, however, that some authorities made full use of both their allocations and their receipts last year and there is clearly no insuperable difficulty to others doing likewise. I feel sure you will agree that much investment is needed to plan for future economic recovery, and that the present time, when the construction industry has spare capacity is the moment to be making provision for those future needs.

Michael Heseltine has just announced that in view of this year's under-spend extra allocations will be available to authorities which can achieve local additional investment before the end of the year. We believe that there is much which can be done if local authorities, the construction industry and central government work together to minimise delays.

I would ask you, therefore, to urge your members to do all they can to respond to the Government's offer and increase worthwhile investment in the present financial year.



Treasury Chambers, Parliament Street, SW1P 3AG

Michael Scholar Esq
10 Downing Street
London SW1A 2AL

25 October 1982

Dear Michael

PRIME MINISTER'S MEETING WITH THE GROUP OF EIGHT

Your letter of 15 October to David Edmonds asked for a draft letter for the Prime Minister to send to nationalised industry chairmen following her meeting with the Group of Eight. In our view the most suitable way to do this would be to write to Norman Payne, the present Chairman of the Nationalised Industries' Chairmen's Group. I attach a draft which has been cleared with sponsor departments.

I have seen a copy of David Edmonds' letter to you of 20 October attaching a draft for the PM to send to the local authority associations. We are generally content with the draft, however we would suggest the following slight amendment to the second paragraph:-

(A) "The Government maintains its firm policy of restraint of public expenditure as a whole. Within that, there is scope for some shift from current to capital spending. In the Government's view this ~~would be~~ ^{is highly} desirable. For that reason local authorities have been enabled, and indeed encouraged, to increase their capital expenditure by using capital receipts to supplement their capital allocations."

I am copying this letter to the Private Secretaries of other members of E(NI).

Yours sincerely

John Gieve

JOHN GIEVE
PRIVATE SECRETARY

DRAFT LETTER FROM THE PRIME MINISTER TO:

MR Norman Payne
Nationalised Industries' Chairmen's Group
Hobart House
Grosvenor Place
LONDON
SW1X 7AE

recently
I (met the Group of Eight, *the body which represents all sides and parts of the construction industry* recently to hear their views on the present state of the UK construction industry. They were expressed particularly concerned about shortfall on nationalised industries' planned capital expenditure, and I suggested they should approach nationalised industries direct to persuade them of the need to spend their capital allocations. *I also told the Group that I would write to nationalised industry Chairmen setting out the Government's views.*

2. As you will know the investment plans put forward by the nationalised industries for 1982-83 and approved were 26 per cent higher in cash terms than the estimated outturn achieved in 1981-82. This large increase has received a great deal of public attention. I recognise that events outside industries' direct control might cause investment plans to be revised downwards during the course of the year but I hope that every step is taken to ensure that this only happens after careful consideration. Where reductions in expenditure are needed to ensure that an industry stays within its External Financing Limit, I would hope that profitable investment is only reduced as a last resort.

3. The importance of maintaining investment programmes wherever possible has been brought to sponsor Ministers' attention. I would be grateful if you would let your fellow Chairmen know my views.



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25 OCT 1992



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Treasury Chambers, Parliament Street, SW1P 3AG

Dr Jonathan Spencer
Principal Private Secretary to the
Secretary of State
Department of Industry
Ashdown House
123 Victoria Asteet
London SW1E 6RB

22 October 1982

Dear Tim. H.

PRIME MINISTER'S MEETING WITH GROUP OF EIGHT

Michael Scholar's letter of 15 October, to David Edmonds asked for a draft letter for the Prime Minister to send to nationalised industry Chairmen following her meeting with the Group of Eight. In our view the most suitable way to do this would be to write to Norman Payne, the present Chairman of the Nationalised Industries' ... Chairmen's Group. I attach a draft which I plan to send to the Prime Minister's office on Monday subject to any comments you or others may have.

I am sending copies to Michael Scholar for information and to the Private Secretaries of other members of E(NI) and David Edmonds.

Yours sincerely

J. Gieve

JOHN GIEVE

Private Secretary

DRAFT LETTER FROM THE PRIME MINISTER TO:

Mr Norman Payne
Nationalised Industries' Chairmen's Group
Hobart House
Grosvenor Place
LONDON
SW1X 7AE

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3. The importance of maintaining investment programmes wherever possible has been brought to sponsor Ministers' attention. I would be grateful if you would let your fellow Chairmen know my views.

2 OCT 1982





SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Michael Scholar Esq
Private Secretary
10 Downing Street
LONDON SW1

22 October 1982

Dear Michael,

PRIME MINISTER'S MEETING WITH THE GROUP OF EIGHT

I refer to your letter of 15 October to David Edmonds. As discussed, I attach the draft of a letter approved by my Secretary of State for the Prime Minister to send to the President of the Convention of Scottish Local Authorities. I understand that it is intended to deal with the Nationalised Industries by means of a single letter to Mr Payne, and I have therefore not provided letters to the Electricity Boards in Scotland.

I am copying this letter only to David Edmonds and John Gieve.

A. Muir

A MUIR RUSSELL
Private Secretary

DRAFT LETTER FOR SIGNATURE BY PRIME MINISTER

Councillor John Sewel
President
Convention of Scottish Local Authorities
16 Moray Place
EDINBURGH
EH3 6BL

I recently met the Group of Eight, the body which represents all sides and parts of the construction industry.

~~It has been drawn to my attention that in 1981-82 there was a substantial underspend on the capital allocations made to local authorities in Scotland.~~ I fully understand that, with the strong emphasis we have placed on reducing current expenditure, some authorities may tend to be particularly cautious in planning their capital spending because of its current expenditure implications. Stringent control of current expenditure is of course essential; nevertheless, as you will appreciate, we have made every effort at a time of great difficulty to allocate as much as possible for capital programmes. It is therefore a great pity if so much of this goes unspent because of undershooting of targets; The construction industry is obviously hit hard by this at a time when it is very short of work. I am therefore writing to express the hope that Scottish local authorities will do all that they can to avoid underspending in 1982-83 and in later years.

They expressed concern about the way in which local authority expenditure is falling below the Government's public expenditure position. I told the Group that I would write to local authority associations, setting out the Government's views.

I do understand that local authorities try hard to spend their annual allocations but can often be held back by circumstances beyond their control like last winter's severe weather. I am writing to reassure you however that we in Government will do what we can to help Scottish local authorities to utilise efficiently all the resources available to them. I know that the Secretary of State has in mind to issue whatever supplementary allocations may be available as early as possible and for next year to arrange for authorities to receive early intimation of their final allocations.

I very much hope that I may count on the assistance of the Convention in encouraging authorities to make full use of the resources made available to them.

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GC JV.

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

20 October 1982

Dear Michael

PRIME MINISTER'S MEETING WITH THE GROUP OF EIGHT

- / Thank you for your letter of 15 October. I attach a draft letter which the Prime Minister might like to consider sending to the
- / leaders of the local authority associations. I also attach a list of the names and addresses of the 5 people to whom the letters should be addressed.

I am copying this to John Gieve, Treasury, and to the Private Secretaries to the members of E(NI).

Yours sincerely
D A Edmonds

D A EDMONDS
Private Secretary

Michael Scholar Esq
PS/Prime Minister

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DRAFT LETTER FROM THE PRIME MINISTER TO THE LEADERS OF THE LOCAL
AUTHORITY ASSOCIATIONS

^{recently}
Last week I met the members of the Group of Eight, the body which represents all sides and parts of the construction industry. The Group drew particular attention to the way in which local authority and nationalised industry capital investment is falling below the Government's public expenditure provision. I told the Group that I would write to local authority associations, and to the nationalised industries, setting out the Government's views.

The Government is very concerned to reverse the trend in recent years which has seen local authority capital investment falling steadily. It is not easy for the Government to provide for increased public borrowing for capital investment given the continuing need for public expenditure restraint. However, we have enabled local authorities to increase their overall capital expenditure by allowing them to supplement their capital allocations by the use of capital receipts.

(A)
attached

I have therefore been concerned to learn that after underspending on capital substantially in 1981/2 local authorities show every sign of doing the same in 1982/3 because they are making little use of their capital receipts. As local authorities have some £1½ billion of capital receipts, the scope for additional investment is very considerable indeed.

I recognise that authorities are still developing their expertise in operating the capital allocation system and that there are difficulties in planning forward programmes when it is not possible for us to give firm indications of future levels of provision. Long lead times and the need to provide for the revenue consequences of higher capital spending are also significant factors. The fact remains, however, that some authorities made full use of both their allocations and their receipts last year and there is clearly no insuperable difficulty to others doing likewise. I feel sure you will agree that much investment is needed to plan for future economic recovery, and that the present time, when the construction industry has spare capacity is the moment to be making provision for those future needs. I would ask you, therefore, to urge your members to do all they can to increase worthwhile capital investment in the present financial year.

ADDRESSES OF ASSOCIATION CHAIRMEN

Councillor Sir Jack Smart CBE JP
Association of Metropolitan Authorities
36 Old Queen Street
LONDON SW1

Councillor J R Horrell TD DL
Association of County Councils
Eaton House
66a Eaton Square
LONDON SW1

Councillor I S McCullum
Association of District Councils
9 Buckingham Gate
LONDON SW1

Councillor P S Bowness CBE
London Boroughs Association
Taberner House
Park Lane
CROYDON CR9 3JS

Greater London Council
The County Hall
LONDON SE1

Councillor Illyd Harrington JP



MFJ

cc Min for Housing
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DM
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DOI
SO

10 DOWNING STREET

15 October 1982

From the Private Secretary

BF (x2)

Prime Minister's Meeting with the
Group of Eight

The Prime Minister met the Group of Eight, to hear their views about the condition of the construction industry, this morning. Mr. John Stanley, Minister for Housing and Construction, Department of the Environment, was also present. I attach a copy of Tim Flesher's record of this meeting.

You will see that the Prime Minister undertook to write to the Local Authority Association and to nationalised industries, to underline the need that they should spend within their total expenditure ceilings, the whole of their capital allocations.

1-2 || I would be grateful if you ^① and John ^② Gieve, to whom I am copying this letter, could let me have draft letters for the Prime Minister to send, by Friday 22 October.

I am also copying this letter to the Private Secretaries to other members of E(NI) and to John Henry (Office of the Minister for Housing and Construction, DOE).

M. C. SCHOLAR

David Edmonds Esq
Department of the Environment.