



*the MS  
CBE*

10 DOWNING STREET

THE PRIME MINISTER

23 November 1982

*Dear Councillor Smart*

Thank you for your letter of 5 November about local authority capital expenditure.

I note what you say about the capital control system. So long as resources for public expenditure are constrained local authorities like other public sector bodies, will face difficult decisions. But I believe that within the constraints of Michael Heseltine's current expenditure targets there is still much that authorities can do to promote extra capital investment this year, without creating problems for later years. Michael Heseltine's offer of extra allocations produced an encouraging response from many authorities.

I am grateful to you for drawing the contents of my earlier letter to the attention of your member authorities. I do not share your pessimism about the outcome.

*Yours sincerely  
Margaret Thatcher*

Councillor Sir Jack Smart, CBE, JP.

*B*





**AMA**

Association of Metropolitan Authorities  
36 Old Queen Street Westminster London SW1H 9JE Telephone 01-930 9861

*PCRM*

From the Chairman

Sir Jack Smart CBE JP

24 November 1982

The Rt Hon Margaret Thatcher  
The Prime Minister  
10 Downing Street  
London SW1

Prime Minister (2)

*I suggest we allow*

*ms*

*this correspondence to rest.*

*Dear Prime Minister*

*MS 25/11*

Thank you for your letter of 23 November 1982.

I am heartened by your "noting" our points about the system of capital controls. I know that the building industry has a great deal of sympathy with our views. John Stanley seems also to have noted our points and promised local authorities some indication of 1984-85 spending levels when he makes the announcement for 1983-84 housing capital programmes and I hope that this approach can be extended by your colleagues to other departments' programmes.

*Yours sincerely*

*Jack Smart*



Local Govt, Relations Pt 14

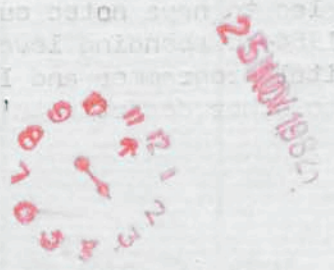
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10/10/99 10:11:11 AM

*Handwritten signature*

I am pleased to have your letter of 10/10/99. I know that the public library has a real deal on systems with our views. Can't say I agree for I have not seen the system but I will give you a chance to see it. I hope that this approach can be taken.



*Handwritten signature*

*Handwritten signature*

From: Illyd Harrington, J.P.  
Deputy Leader of the Council  
Greater London Council

MEMBERS' LOBBY  
THE COUNTY HALL  
LONDON SE1 7PB

The Rt. Hon Margaret Thatcher  
The Prime Minister  
10, Downing Street  
London  
S.W.1.

PM  
Prime Minister

I suggest we allow this  
correspondence, too, to rest.

25/11 November 1982 MCS 26/11

mt  
D. M. Thuleto ✓

Thank you for your letter of 23 November.

I can only repeat that we shall make additional capital investments as the constraints placed upon us allow and which are practical.

Regretfully but firmly, I have to reject your expression of 'pessimism' of what can be achieved. It is not a question of either lack of will or competence on our part. It is simply a question of realism; a realism which is underlined by the fact that we still await agreement as to a level of capital expenditure which the Secretary of State for the Environment will support for 1983/4.

R26  
Yours sincerely  
Illyd Harrington





CF  
2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434

My ref: H/PSO/17751/82

Your ref:

19 November 1982

Dear Michael

Thank you for your letters of 8 and 10 November covering four replies from the leaders of the local authority associations to the prime Minister's letter of 2 November about capital under-spending this year.

The letters all make much the same points about difficulties facing authorities trying to plan capital investment. As you will have seen from the briefing we provided for Prime Minister's Question Time last week, these points can be answered. But if the Prime Minister were to deal with each letter point by point, this could lead to a prolonged and unfruitful correspondence. We have therefore provided fairly brief responses, trying in each case to respond to the tone of the leader concerned (including Councillor Horrell, pace the suggestion in your letter of 8 November).

Your ever  
D.A.E.

D A EDMONDS  
Private Secretary



PM: Grp. of Eight

8/82



UNIVERSITY OF MICHIGAN  
LIBRARY  
ANN ARBOR, MICHIGAN  
48106-1000

COMMUNICATIONS



Councillor I Harrington JP  
Deputy Leader  
Greater London Council  
Members Lobby  
The County Hall  
LONDON  
SE1 7PB

GK  
Pl type all these letters  
for PM  
MUS 22/11

Thank you for your letter of 9 November about local authority capital expenditure.

I am glad to know that your Council is making efforts to achieve worthwhile capital investment, but sorry that you see so little scope for an accelerated programme this year. I recognise some of the difficulties to which you refer, and we shall be announcing allocations for next year as soon as possible. But I believe that within the constraints of Michael Heseltine's expenditure targets there is still much which authorities can do to promote extra capital investment this year, without creating problems for later years. The encouraging response from many authorities following Michael Heseltine's offer of extra allocations is evidence of this, and I do not share your pessimism about what can be achieved.



Councillor J R Horrell CBE TD DL  
Chairman  
Association of County Councils  
Eaton House  
66a Eaton Square  
London  
SW1W 9BH

Thank you for your letter of 4 November about local authority capital expenditure.

I am grateful to you for taking prompt action to notify your member authorities of the availability of extra allocations. I recognise that there may be some difficulties of the kind which you mention, but I nevertheless believe - as you clearly do - that there is much valuable additional investment which can be achieved, even in the short term.

I am glad that you expect your members to do their best to respond. The initial reaction to Michael Heseltine's offer has been encouraging.



Councillor Sir Jack Smart CBE  
Chairman  
Association of Metropolitan Authorities  
36 Old Queen Street  
LONDON  
SW1H 9JE

Thank you for your letter of 5 November about local authority capital expenditure.

I note what you say about the capital control system. So long as resources for public expenditure are constrained local authorities like other public sector bodies, will face difficult decisions. But I believe that within the constraints of Michael Heseltine's current expenditure targets there is still much that authorities can do to promote extra capital investment this year, without creating problems for later years. Michael Heseltine's offer of extra allocations <sup>produced</sup> ~~proceed~~ an encouraging response from many authorities.

I am grateful to you for drawing the contents of my earlier letter to the attention of your member authorities. I do not share your pessimism about the outcome.



Councillor I S McCallum  
Chairman  
Association of District Councils,  
9 Buckingham Gate,  
London  
SW1E 6LE

Thank you for your letter of 8 November about local authority capital expenditure.

I am grateful for your promise to help promote additional capital investment this year. I recognise some of the difficulties to which you refer. They are not all capable of easy solutions, but Michael Heseltine will be looking further at the points which you raise. I believe that there is much valuable additional investment which can be achieved, even in the short term.

I am glad that you expect your members to do their best to respond. The initial reaction to Michael Heseltine's offer has been encouraging.





10 DOWNING STREET

*From the Private Secretary*

8 November 1982

I enclose copies of replies to the Prime Minister's letters of 2 November about capital spending from Sir Jack Smart and Mr. Horrell. No doubt more will follow in due course.

B/E  
I would be grateful if, in the usual way, you would let me have draft replies to these letters (some - like Mr. Horrell's as I see it - may not require a reply) by Tuesday 16 November. But I would be grateful, too, if you would let us have briefing material for Questions tomorrow on the points raised in Sir Jack Smart's letter.

I am sending a copy of this letter and of the enclosures to John Gieve (HM Treasury).

M. C. SCHOLAR

David Edmonds, Esq.,  
Department of the Environment.





Association of Metropolitan Authorities  
36 Old Queen Street Westminster London SW1H 9JE Telephone 01-222 8100

R8/11 ✓ PPS  
Mee Sean  
Lpp

From the Chairman Sir Jack Smart CBE

5 November 1982

cc Local Authority: Relations  
PT 14

The Rt Hon Margaret Thatcher  
The Prime Minister  
10 Downing Street  
London SW1

Dear Prime Minister

Thank you for your letter of 2 November 1982. I share your concern at the underspending on local authority capital expenditure; the AMA has been saying for some time that we need more public investment.

Your letter appears to begin to appreciate some of the problems faced by local authorities in achieving our common aim but I feel it does not go far enough. First, you say that local 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". This is the nub. The Local Government, Planning and Land Act, 1980 changed the system of controlling capital expenditure. Before the Act our borrowing to finance projects was strictly controlled. Local government accepted this for our borrowing contributes to the PSBR. But when a Government Department gave borrowing approval it related, in most services, to a complete project. That made sense. A local authority could start a project with the reasonable certainty of having the borrowing approval to allow its completion. The present system controls how much local government spends in a year (no matter how it is financed), not a programme of "starts". We have yet to receive any indication of the level of capital allocations for 1983-84. And we were told only two weeks ago of a change in the rules for 1983-84 which could thwart many worthwhile projects. Is it any surprise that local authorities are reluctant to undertake projects, or that they store up capital receipts to iron out expected shortfalls in capital allocations? A good deal of the culpability for present capital underspending rests with the present system of capital controls.

I am also concerned at the implications of our being encouraged to spend only in the remaining five months of the year. It really does the image of government no good at all when local authorities - at the sharp end - attempt to explain to the public that we are trying to stimulate the construction industry, but only until 31 March 1983. Projects can be undertaken between now and then as a worthwhile investment of public funds, but the project must be completed by 31 March 1983 because we cannot guarantee the funds after that date. This is a nonsense.

Thirdly, my colleagues and I on the Consultative Council on Local Government Finance have searched hard for capital investment projects which do not generate increased revenue expenditure. We have asked your Ministers for examples. The truth of the matter is that they are few and far between and tend not to relate to the main areas of local government spending. You cannot expect a major increase in local authority investment if at the same time you penalise and castigate local government for "overspending" on the revenue account.



Finally, Prime Minister, I must put the record straight. In the House of Commons on 3 November 1982 (Column 21) you said that you were urging us to make full use of the sums that you had "allocated" to capital. That is just what local authorities have been doing. What they have not been doing is using their capital receipts to increase these allocations. They are planning to use them in future years but they have not done so yet. Michael Heseltine's plans for the use of capital receipts jeopardise that future use.

I shall, as you have asked, draw your letter to the attention of the Association's member authorities, but unless something is done about the problems I have outlined in this letter the results will be nugatory.

Yours sincerely

*Jack Smeeth*



PRIME MINISTER

# Nationalised Industries' Chairmen's Group

Chairman  
Norman J. Payne CBE

Prime Minister (2)

Hobart House  
Grosvenor Place  
London SW1X 7AE

01-235 2020

MUS 9/11

5th November, 1982

K8 CR  
pps

The Rt. Hon. Margaret Thatcher, MP.,  
The Prime Minister,  
10, Downing Street,  
London, S.W.1.

cc Nat Ind: Policy 117

Dear Prime Minister

Thank you for your letter of 2nd November about investment spending in nationalised industries.

I have passed this on to my colleagues and I shall reply as soon as I have had a chance to discuss the issue with them at a meeting already arranged for next week.

M

Yours sincerely

Norman J. Payne

PM ; PM's meeting with the Group of Eight: AUG 82