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10 DOWNING STREET

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THE PRIME MINISTER

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10 December 1982

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*Dear Mr. Fordy,*

Thank you for your letter of 18 November about our recent initiative to increase the level of capital expenditure this year.

I very much welcome the positive approach which your Federation has adopted. You will be glad to know that since local authorities were invited on 29 October to apply for additional capital allocations for 1982-83, extra allocations totalling some £190 million, including £110 million for housing, have been approved. In addition, authorities have been told that they may increase their expenditure on improvement grants this year without limit, and without the need to submit prior bids. The response to our initiative to reduce the prospective under-spend is therefore encouraging.

I am grateful too for the proposals in the paper enclosed with your letter, which I read with interest. I am of course keen to ensure that we do all we can to remove any unnecessary obstacles preventing authorities making full use of the capital resources at their disposal. I have asked Michael Heseltine to reply to you direct on the detailed proposals you make.

*Yours sincerely  
Margaret Thatcher*

G. M. Fordy, Esq.

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FOUNDED 23rd JANUARY 1878

*The National Federation of  
Building Trades Employers*

FROM THE PRESIDENT

82 NEW CAVENDISH STREET  
LONDON W1M 8AD

01-580 5588

GMF/JRS/MAJ/748

15th December, 1982

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

*Dear Prime Minister,*

We are holding our Annual Conference in London next year and I am writing to invite you to respond to the Toast to Her Majesty's Government at the Conference Dinner on the evening of Monday, 28th February, 1983. The Dinner will take place in the Mansion House and will also be attended by the Lord Mayor.

Since we met in October during your discussion with the 'Group of Eight' construction representatives, you have given a welcome boost to the Government's policy towards our industry. You recognise, I am sure, just how important a good year for construction investment would be for the domestic economy and employment in 1983.

The building industry must also take its own initiatives. In this spirit I have decided to devote our Conference, under the title "The Challenges of Change - Construction's Contribution", entirely to the potential of new markets and technological developments. The Conference always attracts many top builders who have the power to innovate and to implement new ideas. This positive approach will provide a responsive audience for your own message.

Sir Winston Churchill addressed our Federation in 1955. At that time we faced the challenge of post-war reconstruction. His recognition of the industry's role is still appreciated today, when we face the different challenge of overcoming a tough, prolonged recession. Your involvement in our Conference would provide an immense boost to morale throughout the industry. I do very much hope that you will be able to accept the invitation.

*Yours sincerely,  
Richard Fordy*

G.M. Fordy

HL

Prime Minister

16 December 1982

The Prime Minister has asked me to thank you for your letter of 15 December and it is very kind of you once again to invite the Prime Minister to attend your annual dinner.

I very much regret that the Prime Minister will not be able to accept as she has a long-standing political engagement that evening. Could you kindly pass on this reluctant refusal to all your members.

With best wishes for Christmas and the New Year.

CAROLINE STEPHENS

G.M. Fordy, Esq.

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FOUNDED 23rd JANUARY 1878

*The National Federation of  
Building Trades Employers*

FROM THE PRESIDENT

GMF/LP/593

82 NEW CAVENDISH STREET  
LONDON W1M 8AD

01-580 5588

18 November 1982

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Rt. Hon. Margaret Thatcher MP  
10 Downing Street  
London SW1

*Jan Paine Minister,*

My Federation has responded positively to your most welcome recent initiatives on capital underspend. We have put forward a four-point package that could contribute an extra £1 billion investment in this financial year.

The local authority associations have accepted that our package highlights some potential areas for encouraging extra construction activity. They have also pointed to several obstacles which stem largely from controls imposed by central Government and which, in their view, are likely to prevent a substantial proportion of the underspend actually being spent.

The NFBTE clearly does not have the necessary experience or direct involvement in public sector finance to examine these points critically and in detail. I am sure however, that you would wish to satisfy yourself, and the construction industry, that there are currently no unnecessary controls exercised by Treasury or DOE which are preventing the maximum possible take-up of underspend by local authorities. Even if you are unable to commit yourself now to permanent changes in the system, we believe that at the very minimum, special relaxations are required and justified to enable the capital underspend to be used sensibly and in full.

For this reason I am enclosing a short paper which sets out the main obstacles, and proposals for solving them, which we have discussed with the local authorities.

I hope that you can assure me of your determination to deal with these points, so that my members' commitment to making the Secretary of State's initiatives work will not be in vain.

I have deliberately taken pains to go into the details of this issue. For as a responsible Federation, we must look constructively into every opportunity for improving our industry's workload. The capital underspend issue is not, however, my prime concern but rather the most immediately available means towards achieving my principal objective, which is to help our industry to contribute more fully to a sustained, non-inflationary recovery of output, jobs and investment in the economy. I am concerned

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above all with relieving the still desperately low state of work, recruitment, training and employment in construction, whatever may have been the causes of that situation.

I am not myself releasing the contents of this letter, but I shall be sending a copy of it to the Chancellor of the Exchequer, since the Treasury has over-riding responsibility for most of the points discussed above, as well as to our sponsoring minister, the Secretary of State for the Environment, and to the two local authority associations with whom we have held detailed discussions, namely the Association of Metropolitan Authorities and the Association of District Councils.

*Tom Sneyd*  
*Andrew Lewis*

G M Fordy

## LOCAL AUTHORITY INVESTMENT & CENTRAL GOVERNMENT CONTROLS

### Summary Note of Points on Which Central Government Assurance is Urgently Required

1. The local authorities have highlighted the following two areas where obstacles stemming largely from controls imposed by Central Government are likely to prevent a substantial proportion of this year's underspend actually being spent:-
  - (i) the project controls procedure exercised by DOE, although recently improved, can still delay the commencement of works considerably;
  - (ii) the prolonged time-scale of many building works, even in the repair and maintenance sector, means that projects started now will almost certainly not be completed during the current financial year. Under current Treasury rules, local authorities will accordingly have to finance the completion of these projects out of next year's HIP allocation, which is as yet unknown. Uncertainty over future financial resources will preclude local authorities from starting major capital projects which might in the long-term offer better value for money than short-term projects.
  
2. In addition, the authorities draw attention to the longer-term question of seeking to avoid the recurrence of such underspending in future years. The very short-term nature of information given to local authorities about their future capital allocations discourages them from developing long-term capital programmes which include full use of capital receipts.
  
3. The local authority associations are dealing separately with their own proposals for alleviating the underspend problem. Whilst some of these will undoubtedly relate to areas which are of no direct concern to NFBTE, we would strongly support the following proposals for minimising the specific problems outlined above:-
  - (i) a relaxation and speeding-up of project control procedures for the remainder of 1982/83. Where projects do require DOE confirmation, this should be available over the telephone within two working days;
  - (ii) the Government should be prepared to underwrite any capital expenditure incurred by local authorities in future years on projects which obtain project approval and which are started before the end of March 1983, for the purpose of taking up this financial year's underspend, without prejudice to future capital allocations.

.../

(iii) the Government should provide longer-term information on future overall capital programmes and individual local authorities should have an assurance that capital allocations would not be cut by more than 20% between consecutive financial years.

We remain committed to encouraging the maximum possible take-up of capital underspend during the present financial year and welcome the endorsement given by the Secretary of State for the Environment to the shared purchase element in our own proposals. We have strongly encouraged our members to enter into urgent discussions with local authorities to this end. Yet we would be much more confident of achieving the Secretary of State's objectives if some of the above apparent obstacles to progress were firmly and rapidly solved.

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