



cc Mr Ingham
MAP.

Prime Minister

Mcs (2)

This is the outcome of
2 MARSHAM STREET
LONDON SW1P 3EB
discussion

My ref: between DoE & Treasury

Your ref:
18 December 1981 Mcs 18/12

mt

Mr Terry

HOUSING PESC

Following the meeting yesterday evening, I now attach a revised version of the statement my Secretary of State proposes to make on Monday morning. It is to be made by way of a written PQ answered at 11.30 am

The passage on capital receipts is on the lines of the corresponding passage in the draft of the HIP allocation letter, which officials have been discussing. The Secretary of State is prepared to agree the wording of the paragraph on the strict understanding that housing investment will continue to be treated, as indeed it must be by statute, as part of the single local government capital block in 1982/83.

I am copying this to the Private Secretaries to the Prime Minister, the Lord President, and the Chief Whip.

*Yours
D A Edmonds*

D A EDMONDS
Private Secretary

Terry Mathews Esq
PS/Chief Secretary

DRAFT STATEMENT BY SECRETARY OF STATE

Following discussions with the local authority associations in the Housing Consultative Council, I am now able to announce a number of decisions on housing public expenditure in 1982/83.

I am glad to say that, despite the reduction in overall housing expenditure in 1982/83, envisaged in last year's Public Expenditure White Paper, it will be possible to hold capital expenditure next year at approximately the same level as this - as foreshadowed in the statement by my right hon Friend the Chancellor of the Exchequer on 2 December.

This has been made possible largely by the growing volume of sales^{of} local authority dwellings and land which we expect to see continue throughout next year as a result of the Government's policies on low-cost home ownership, particularly the right to buy, and from the encouragement given to authorities to dispose of surplus land.

But my decisions on the level of housing current expenditure also have a bearing on the amount I have been able to make available for capital.

I discussed with the Housing Consultative Council on 17 December the level of housing income and of management and maintenance expenditure to be taken into account for subsidy and rate support grant. I have considered carefully the views which its members put to me, and I have also noted the points raised when the House debated rents on 16 December. I have decided that I should give effect to my subsidy proposal by determining an increase in the local contribution of £2.50 per dwelling per week, for 1982/83. It is for individual authorities to decide how to finance such a contribution from local sources. On average, however, I assume that authorities will choose to meet their increase in local contribution from rental income so, that next year, average rents would rise by £2.50 per dwelling per week.

On management and maintenance, I would propose to increase the expenditure counting towards the subsidy calculation to 7% above its 1981/82 level.

After allowing for other items of revenue expenditure, I have been able to provide £1983 million net for capital expenditure. Housing capital receipts are forecast at £1124 million. Gross provision will therefore be £3107 million. This sum will be divided as follows.

Home loan and other net lending	£	8 million
New towns	£	73 million
Housing corporation	£	556 million
Local authorities	£	2470 million.

The new towns allocations reflects the fact that the publicly rented programme in the new towns has virtually finished, with remaining investment concentrated on opening up new sites for private development, on shared ownership, and on repair and improvement of dwellings prior to transfer for local authorities. The gross provision for the Housing Corporation at £556 million is being maintained in real terms for the second year running, and comprises an allocation of £530 million plus an estimated £26 million of capital receipts.

The gross provision of £2470 million for local authorities will permit an increase of some 3% over their 1981/82 level of activity. Within that figure, some £30 million has been set aside for the homes insulation scheme, though authorities are free to transfer a greater sum to home insulation from elsewhere within their single capital block if they wish.

The amount of the housing investment programme allocations to local authorities has however to take account of the fact that, under the system of capital expenditure control, local authorities can

undertake expenditure over and above their allocations on account of their capital receipts, or a prescribed proportion of these. I estimate that in 1982/83 they will be able to undertake at least an additional £593 million of expenditure in this way. £3 million must also be allowed for the administrative costs of the homes insulation scheme. Allowing for rounding, the amount distributed as HIP allocations will therefore be £¹⁸⁷⁵ million. I also wish to make it clear that local authorities can plan their capital expenditure for 1982/83, on the firm assumption that, at the national level, housing capital receipts will reach the figure forecast by the Government.

Provided authorities' aggregate level of gross spending does not appear to be exceeding the level planned nationally, no question will arise, of authorities' allocations being reduced in the event of their housing capital receipts in 1982/83, falling short of the Government's forecast.

I have discussed the method of distributing HIPs with the local authority associations and I will be informing local authorities of their individual allocations for 1982/83 on Wednesday 23 December. Copies of the letter to authorities and of the schedule of allocation will be placed in the Library.