



10 DOWNING STREET

29 December, 1982

THE PRIME MINISTER

Dear Councillor Bowness,

Thank you for your letter of 18 November about local authority capital expenditure.

I am grateful for your support in what we are trying to do to achieve better use of the resources available this year. I take the points you make about the factors which lead to under-spending. I doubt, however, whether it would be right to make the sort of exemption you are suggesting for revenue consequences. The reduction of total expenditure by local authorities is of such overriding concern that it is difficult to start making exceptions on that side. We would hope that authorities would be able to find the necessary headroom for financing worthwhile capital expenditure within the total expenditure targets we have set by making every possible effort to root out wasteful current spending. I do of course appreciate the efforts which many authorities have made and are continuing to make in this direction.

Yours sincerely  
Margaret Thatcher

Councillor P.S. Bowness, C.B.E., D.L.

RM



2 MARSHAM STREET  
LONDON SW1P 3EB

My ref: H/PSO/18129/82

Your ref:

20 December 1982

*Dear Sir*

Thank you for your letter of 22 November enclosing two others about local authority capital expenditure to which you sought draft replies.

/ I attach a draft reply to the London Boroughs Association. Unlike those acknowledging the responses of the other associations, this reply really has to deal substantively with Councillor Bowness' request for an exemption for the revenue consequences of capital expenditure. My Secretary of State does not think that such an exemption should be considered because it would weaken the policy of pressing authorities for savings in wasteful current expenditure and make it that much more difficult to achieve the reductions in total local authority spending which the Government is seeking.

✓ I will write separately about the NFBTE letter.

*Yours*

*D A Edmonds*

D A EDMONDS  
Private Secretary

Michael Scholar Esq

*please type for PM* *ms 24/12*  
DRAFT REPLY FOR THE PRIME MINISTER TO SEND TO  
COUNCILLOR P S BOWNESS CBE DL, CHAIRMAN, LONDON BOROUGHS ASSOCIATION,  
WESTMINSTER CITY HALL, VICTORIA STREET, LONDON SW1E 6QW

Thank you for your letter of 18 November about local authority capital expenditure.

I am grateful for your support in what we are trying to do to achieve better use of the resources available this year. I take the points you make about the factors which lead to underspending. I doubt, however, whether it would be right to make the sort of exemption you are suggesting for revenue consequences. The reduction of total expenditure by local authorities is of such overriding concern that it is difficult to start making exceptions on that side. We would hope that authorities would be able to find the necessary headroom for financing worthwhile capital expenditure within the total expenditure targets we have set by making every possible effort to root out wasteful current spending. I do of course appreciate the efforts which many authorities have made and are continuing to make in this direction.



10 DOWNING STREET

*From the Private Secretary*

22 November 1982

BF 6-12-82

CAPITAL EXPENDITURE

I enclose copies of two letters which the Prime Minister has received about capital underspending: one from Councillor Bowness of the London Boroughs Association and the other from Mr. Fordy, the President of the National Federation of Building Trades Employers.

I should be grateful for draft replies for the Prime Minister's signature by Monday 6 December, if at all possible.

SCOLAR

D.A. Edmonds, Esq.,  
Department of the Environment.

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10 DOWNING STREET

*From the Private Secretary*

22 November 1982

I am writing on behalf of the Prime Minister to thank you for your letter of 18 November, which I shall place before her at once.

M. C. SCHOLAR

G.M. Fordy, Esq.



10 DOWNING STREET

*From the Private Secretary*

22 November 1982

I am writing on behalf of the Prime Minister to thank you for your letter of 18 November, which I shall place before her at once.

M. G. SCHOLAR

Councillor P.S. Bowness, CBE, DL.

London Boroughs Association

pk sv

Honorary Secretary: David Witty MA  
(Chief Executive of Westminster)

Westminster City Hall, Victoria Street  
London SW1E 6QW  
Telephone 01-828 8070

From:  
Councillor P. S. Bowness, CBE, DL,  
The Chairman of the Association

Your reference

LBA reference

18th November, 1982.

Dear Annie Munster,

122

CAPITAL EXPENDITURE

Thank you for your letter of 2nd November. I entirely share your desire to see a shift from current to capital expenditure by local authorities, and very much hope that the London Boroughs will be able to play their part in responding to the initiative the government has taken in seeking to reduce the capital underspend in the remainder of the present year. Clearly, earlier indications of future levels of permissible expenditure will alleviate the problem in future years.

The one thing which particularly concerns me is the revenue consequence of capital expenditure. Authorities which have not so far reduced their current expenditure should have plenty of room to do so in order to make room for the revenue consequences of new capital spending. However, many authorities have achieved modest rate increases through sound and prudent financial management. Such authorities have effected considerable reductions in order to comply with government revenue expenditure targets or to come as close to them as they can. I am very concerned that such authorities, having abided by government revenue targets, should now be able to respond to your wish for increased capital spending without incurring penalties such as presently obtain under the R.S.G. procedure. Perhaps the excess revenue consequences of additional capital expenditure could be excluded from the revenue expenditure totals for R.S.G. target purposes? This would be a great help and avoid the dilemma which otherwise would be created for those authorities which consistently seek to meet government policies.

I am sure you will want to give favourable consideration to this suggestion.

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

Yours sincerely  
P. S. Bowness

Relations: FT 14  
Original  
Prime Minister: M. J. Smith  
Group of Eight: 8/82



file  
CSDOE  
CS, TMT  
PRESS

10 DOWNING STREET

THE PRIME MINISTER

2 November 1982

Dear Councillor Bowdler,

I am concerned to learn that after underspending on capital substantially in 1981/82 local authorities show every sign of doing the same in 1982/83 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



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 underspend 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.

Yours sincerely  
Raymond Stedman

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Councillor P.S. Bowness, C.B.E.