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TO IMMEDIATE PEKING

TELEGRAM NO 1596 OF 18 DECEMBER

FOLLOWING PERSONAL FOR PRIVATE SECRETARY (PRIME MINISTER'S PARTY) FROM TIM FLESHER, NO 10

1. THE ENVIRONMENT SECRETARY'S STATEMENT ON LOCAL AUTHORITY CAPITAL SPENDING WENT VERY BADLY TODAY. IN ADDITION TO THE EXPECTED OPPOSITION UPROAR, THERE WAS A CONSISTENTLY HOSTILE REACTION FROM GOVERNMENT BACKBENCHERS. THE TONE WAS SET BY MR PYM AND MR RIPPON AND CONTINUED BY MR TAPSELL, MR BEAUMONT-DARK AND MR SILVESTER. OTHER LESS OBVIOUS BACKBENCHERS ALSO FOLLOWED SUIT. AS A RESULT THE SPEAKER GRANTED STANDING ORDER NO 10 APPLICATION FOR A DEBATE TOMORROW (19 DECEMBER).

2. A MEETING CHAIRED BY THE LORD PRESIDENT IMMEDIATELY AFTER THIS DECISION REACHED THE CONCLUSION THAT THE GOVERNMENT MUST STAND FIRM AND EXERCISE MAXIMUM PRESSURE TO SECURE THE BEST POSSIBLE VOTE. A THREE LINE WHIP IS BEING ISSUED AND MEMBERS ARE BEING BROUGHT BACK TO THE HOUSE. THE CONSEQUENCES OF A DEFEAT FOR THE GOVERNMENT'S ECONOMIC STRATEGY AND FOR THE INTERNATIONAL IMAGE OF THE GOVERNMENT ARE BEING STRONGLY EMPHASISED. A FIRM PRESS LINE IS ALSO BEING TAKEN. THE ASSESSMENT OF THE WHIPS IS THAT THE VOTE AT THE END OF THE DEBATE SHOULD BE CARRIED COMFORTABLY BY THE GOVERNMENT, BUT THAT THERE WILL BE A SUBSTANTIAL NUMBER OF GOVERNMENT VOTES AGAINST. THE MAJORITY SHOULD, HOWEVER, BE STRENGTHENED BY OPPOSITION ABSENTEES. MR JENKIN WILL OPEN FOR THE GOVERNMENT AND, SINCE THE DEBATE COVERS WALES AS WELL, MR EDWARDS WILL BE WINDING UP.

Please keep

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3. A FURTHER AND SEPARATE COMPLICATION IS THAT THE SITTINGS MOTION ON THE CIVIL AVIATION BILL WAS DEFEATED YET AGAIN TODAY BY JACK THOMPSON MP JOINING WITH THE PREVIOUS REBELS (JOHN WILKINSON AND ANTHONY STEEN) TO VOTE AGAINST THE GOVERNMENT. THE TRANSPORT SECRETARY IS MAKING A STATEMENT TOMORROW OR THURSDAY ON THE FUTURE OF THE BILL. HE IS UNDER STRONG PRESSURE TO WITHDRAW IT FROM THE OPPOSITION AND FROM THE ANTI-STANSTED LOBBY.

4. THERE IS NO DOUBT THAT THE MEDIA WILL PLAY UP THE SIGNIFICANCE OF FURTHER BACKBENCH UNREST IMMEDIATELY AFTER THE PRIME MINISTER'S DEPARTURE FOR PEKING AND SO SOON AFTER HER SPEECH TO THE 1922 COMMITTEE. THIS IS A FURTHER REASON WHY THE LORD PRESIDENT CONSIDERS IT ESSENTIAL, AND HAS GIVEN CLEAR INSTRUCTIONS, THAT THE GOVERNMENT MUST SEEM TO BE STANDING TOTALLY FIRM.

HOWE

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STATEMENT BY SECRETARY OF STATE ON LOCAL AUTHORITY CAPITAL EXPENDITURE
18 DECEMBER 1984

1. WITH PERMISSION MR SPEAKER, I WILL MAKE A STATEMENT ABOUT LOCAL AUTHORITY CAPITAL EXPENDITURE IN ENGLAND IN THE COMING FINANCIAL YEAR. MY RT HON FRIEND THE SECRETARY OF STATE FOR WALES WILL BE MAKING A STATEMENT LATER.
2. SINCE MAY 1979 LOCAL AUTHORITIES IN ENGLAND HAVE SOLD OVER 600,000 HOMES TO THEIR TENANTS. THE SUCCESS OF THIS POLICY COUPLED WITH SALES OF OTHER ASSETS HAS GENERATED VERY SUBSTANTIAL CAPITAL RECEIPTS WHICH LOCAL AUTHORITIES HAVE BEEN ABLE TO SPEND OVER A PERIOD OF TIME. THIS STATEMENT IS ABOUT THE CONSEQUENCES FOR NEXT YEAR'S CAPITAL SPENDING PROGRAMME.
3. ON THE 18TH OF JULY I EXPLAINED TO THE HOUSE THAT IN 1983/84 THERE HAD BEEN AN OVERSPEND OF £368 MILLION ON THE MAIN LOCAL AUTHORITY CASH LIMIT FOR CAPITAL EXPENDITURE. I WARNED THAT WE COULD BE HEADING FOR A MUCH LARGER OVERSPEND THIS YEAR. THAT WAS WHY I HAD TO ASK LOCAL AUTHORITIES TO EXERCISE RESTRAINT.
4. MOST AUTHORITIES HAVE COMPLIED WITH MY REQUEST AND I AM GRATEFUL TO THEM BUT SOME HAVE CHOSEN TO IGNORE IT. SO ALTHOUGH THE AMOUNT OF THE OVERSPEND THIS YEAR HAS CERTAINLY BEEN REDUCED, IT IS STILL LIKELY TO BE HIGHER THAN IN 1983/84 AND I MUST THEREFORE MAINTAIN MY APPEAL FOR RESTRAINT FOR THE REST OF THE FINANCIAL YEAR.

5. CONSEQUENT UPON THE GOVERNMENT'S DECISIONS PUBLISHED BY MY RT HON FRIEND THE CHANCELLOR IN HIS AUTUMN STATEMENT, I HAVE TO ANNOUNCE THAT PLANS FOR LOCAL AUTHORITY CAPITAL SPENDING IN ENGLAND FOR NEXT YEAR WILL BE JUST OVER £4BN. RECEIPTS ARE EXPECTED TO BE ABOUT £2.1BN, AND THE CASH LIMIT ON NET EXPENDITURE IS THEREFORE BEING SET AT £1.95BN. THIS NET FIGURE FORMS PART OF THE GOVERNMENT'S PUBLIC EXPENDITURE PLANNING TOTAL FOR NEXT YEAR. ANY EXCESS WOULD BE A POTENTIAL CHARGE ON THE CONTINGENCY RESERVE.

6. UNLESS CORRECTIVE ACTION IS TAKEN LOCAL AUTHORITIES COULD WELL BREACH THE CASH LIMIT NEXT YEAR AS HAPPENED IN 1983/84 AND IS HAPPENING THIS YEAR. THE PROBLEM ARISES BECAUSE THE ACCUMULATED RESERVES OF CAPITAL RECEIPTS ARE NOW ESTIMATED AT SOME £5BN.

7. THESE RESERVES BELONG TO THE LOCAL AUTHORITIES. WHAT IS AT ISSUE IS THE PACE AT WHICH THEY MAY BE SPENT. TO REDUCE THE RISK OF OVERSPENDING NEXT YEAR WE HAVE TO REDUCE THE PROPORTION OF RECEIPTS WHICH AN AUTHORITY MAY SPEND IN ANY ONE YEAR. FOR HOUSING RECEIPTS, THE PRESCRIBED PROPORTION WILL BE REDUCED FROM 40% TO 20% FROM NEXT APRIL. FOR OTHER RECEIPTS, FOR EXAMPLE FROM THE SALE OF LAND, THE PROPORTION WILL BE 30%. LOCAL AUTHORITIES WILL CONTINUE TO HAVE THE RIGHT TO USE THE BALANCE OF THEIR RECEIPTS BUT SPREAD OVER A LONGER PERIOD. WITHOUT THESE CHANGES THERE IS LITTLE DOUBT THERE WOULD HAVE BEEN SUBSTANTIAL OVERSPENDING NEXT YEAR. THIS IN TURN WOULD BE BOUND TO LEAD TO DISRUPTIVE MID-YEAR CORRECTIVE ACTION. IT IS CLEARLY IN THE INTERESTS OF LOCAL AUTHORITIES TO REDUCE THIS RISK.

8. WE SHALL BE NOTIFYING INDIVIDUAL AUTHORITIES OF THEIR ALLOCATIONS SHORTLY. I AM HONOURING THE ASSURANCE I GAVE LAST YEAR THAT HOUSING ALLOCATIONS WOULD BE AT LEAST 80% OF THOSE FOR THE PRESENT YEAR.

9. AUTHORITIES THAT HAVE COMPLIED IN FULL WITH MY REQUEST FOR RESTRAINT THIS YEAR WILL RECEIVE AN EXTRA ALLOCATION NEXT YEAR AMOUNTING TO AN EXTRA 5% ACROSS ALL SERVICE BLOCKS. I ESTIMATE THAT THIS MAY ADD ABOUT £100M TO THE TOTAL OF ALLOCATIONS.

10. TO HELP LOCAL AUTHORITIES TO PLAN THEIR CAPITAL PROGRAMME WE ARE INCREASING FROM 2% TO 5% THE RIGHT TO CARRY FORWARD AN UNDERSPEND OF THE NATIONAL CASH LIMIT FROM ONE YEAR TO THE NEXT. THERE WILL ALSO BE A MARGIN OF 5% ABOVE THE CASH LIMIT UP TO WHICH NO CORRECTIVE ACTION WITHIN THE YEAR WILL BE SOUGHT.

11. MR SPEAKER, SUBJECT TO THE SAME SORT OF PROVISOS AS LAST YEAR, I CAN REPEAT LAST YEAR'S ASSURANCE THAT FOR THE HOUSING AND OTHER SERVICES BLOCKS, ALLOCATIONS WILL BE AT LEAST 70% OF THOSE FOR THE CURRENT YEAR. FOR 1987/88, AUTHORITIES CAN COUNT ON RECEIVING AT LEAST 80% OF 1985/86 ALLOCATIONS.

12. APART FROM THESE ASSURANCES, THE DECISIONS I HAVE ANNOUNCED TODAY RELATE ONLY TO 1985/86. I AM CONSULTING THE LOCAL AUTHORITY ASSOCIATIONS ABOUT POSSIBLE CHANGES TO THE SYSTEM FOR THE LONGER TERM.



DWB
18/12

FLM/3/D7

PARLIAMENTARY STATEMENT - 18 DECEMBER 1984

LOCAL AUTHORITY CAPITAL EXPENDITURE: WALES

Mr Speaker, with permission I wish to make a statement about the future arrangements for controlling local authority capital spending in Wales, and the level and distribution of capital resources in 1985/86.

The decisions I am announcing this afternoon have to be seen against the background that since 1979/80 Welsh local authorities have invested, at 1984/85 prices, £2.2 billion in a wide range of projects which have significantly extended and improved the social and economic infrastructure in Wales. The Government's expenditure plans to be published in the forthcoming Public Expenditure White Paper, envisage that over the next three years they should invest a further £1 billion, again at 1984/85 prices. The largest service element within this total of £3.2 billion is some £1.4 billion in respect of housing.

In the course of the review of the control system which was announced in July I have considered carefully the views of both the Welsh Counties Committee and the Committee of Welsh District Councils. They have emphasised the need for greater flexibility. They attached particular importance to being given a better view of the future trend in resources, and argued strongly for continued access to their reserve of accumulated receipts. Discussions on the way in which the system could be developed will continue in the New Year.

Having taken full account of the associations' representations the Government has decided to make a significant change to the rules governing the operation of the national cash limit. The present facility for carrying forward to the following year an underspend of up to 2 per cent against the aggregate planning total will be increased to 5 per cent. In addition, corrective action will not be taken to restrain spending if the cash limit is on course to be exceeded by less than 5 per cent. Any



overspending will be taken into account when determining provision for a subsequent year. These changes should greatly reduce the possibility that we have to take corrective action part way through the year, and ensure that resources are not lost if there is only a moderate degree of underspending.

A principal reason for the capital overspending experienced in Wales in the last 2 years is that the allocation mechanism has not so far taken account of the inherent spending power provided by accumulated receipts. These are expected to amount to over £300m next year, all but £10m being in the district tier.

Districts argue that they should have complete freedom to spend their accumulated receipts; but not only would this have serious consequences for public expenditure control generally, and the level of PSBR, but it would enable them to spend a major part of their receipts twice. This is because while housing allocations issued since 1981/82 have been calculated so as to include a large proportion of receipts forecast to accrue in each year, at the same time districts have been able to **borrow** to finance the bulk of their housing spending **without** needing to use the receipts built in to the allocation: and for this reason, they have been able to accumulate large reserves. It is reasonable to place a measure of constraint on their ability to use these receipts for a **second time**.

I have, therefore, decided to phase the use of these receipts by reducing, but not eliminating, the proportion which can be used to enhance the spending power of allocations in any one year. In the case of housing the proportion will be reduced by 10 percentage points from 25 per cent to 15 per cent. For non-housing receipts the prescribed proportion will be 50 per cent. These changes should significantly reduce the pressure on the all-Wales cash limit.

Last year I gave authorities forward indications of capital allocations based on 80% and 70% for the 2 later years. This year I intend giving forward indications again, but linked to 80 per cent for each year to provide a firmer basis for planning.

I turn now to the resources available for 1985/86.



Gross expenditure provision underlying the cash limit for the coming year will be £349m, marginally higher than the level of provision for the present year. When the law and order services are added the total is £354 million.

Within this figure gross provision for local authority housing is £146.5m. Each authority will receive sufficient to cover the forward indications given them in July 1984. In addition, bids for an allocation to meet expenditure needs on privately and publicly owned PRC (prefabricated reinforced concrete) dwellings will be met in full. Bids for expenditure on enveloping schemes not covered by previous allocations will also be met in full. I am making provision to enable the two existing Welsh Priority Estates Projects to continue and for a new scheme to commence.

The Housing Corporation's net capital provision will be £39m. I expect receipts and private sector finance to enhance that total by another £3m to £4m.

Total resources for roads and transport, taking into account new receipts, amount to £64m. Within this sum I have accepted just over £53m for TSG purposes. This will enable the 3 new major highway projects announced in the Welsh Grand Committee last Wednesday to start in 1985.

Gross capital provision for other service blocks in 1985/86 is over £10 million higher than the projected level of spending in the current year: about £125m to £135 m.

The Enterprise Zones have been given additional resources amounting to £2.3m to further their development. In recognition of its regional status, the Polytechnic for Wales has also been given an individual allocation of £1/2m per annum over the next few years to promote its technological development. Other allocations have been made for major coast protection works at Prestatyn, urgent refuse disposal schemes in Swansea, Rhondda and Ynys Mon, flood alleviation works in Denbigh, repairs to the Brecon and Monmouth Canal, and towards the cost of replacing the headquarters of Powys County Council, which have become structurally unsound.



The cash limit provision for 1985/86, which is gross spending less forecast receipts, is £249m excluding law and order services. To calculate the total available for allocation the cash limit has added to it a proportion of housing receipts, and deducted from it estimates of expenditure not counting against allocations, such as leased vehicles and derelict land clearance. The total calculated in this way is £263m. Of this sum about £14m is being withheld from those district authorities which resolved to spend in excess of the voluntary restraint level for the present year. If the authorities concerned are able to realise sufficient additional receipts, all or part of the allocations withheld will be restored to them as soon as possible after the end of the present financial year. Details of allocations have been placed in the Library of the House, together with an explanatory note on the new arrangements.

I believe the new framework for managing local authority capital spending in Wales represents a fair and reasonable compromise between the objectives of local and central government. Coupled with the level of resources I have announced it is clear proof of the Government's desire to provide a firm foundation for a wide and effective programme of worthwhile capital schemes.



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C Marshall Esq
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W. H. M.

18 December 1984

Dear Charles,

I understand that oral statements are likely to be made today on local authority capital spending in England and in Wales. For the reasons indicated in the attached note there is no need for any parallel statement by my Secretary of State but in view of recent events the Lord Privy Seal might find it useful to have this note in case anyone asks why the Secretary of State for Scotland is not also appearing.

We are however planning to announce two minor technical changes in answer to a written PQ, the text of which I also attach.

I am copying this letter to Robin Butler (No 10), John Ballard (DOE), Richard Broadbent (Treasury) and Paul Skellon (Welsh Office).

*Yours sincerely,
John Graham*

J S GRAHAM
Private Secretary

WRITTEN

HOUSE OF COMMONS

MR / / To ask the Secretary of State for Scotland, what changes he proposes in the system for the control of local authority capital expenditure.

MR MICHAEL ANCRAM:

My rt hon Friend is broadly satisfied with the operation of the local authority capital control system in Scotland, but he proposes two modest changes which will lead to more flexible management of his local authority capital cash blocks SO/LA1 and SO/LA2. At present my Department can carry forward to the following year an underspend on either cash block up to a maximum of 2% of the appropriate cash limit; in future the maximum will be 5%. Furthermore if in any future year it appears that an overspend is likely on either block my rt hon Friend will refrain from taking any mid-year corrective action unless the probable outturn looks like exceeding 105% of the appropriate cash limit.

SCOTTISH OFFICE

CONFIDENTIAL TILL STATEMENTS MADE

LOCAL AUTHORITY CAPITAL EXPENDITURE
BRIEF FOR LEADER OF THE HOUSE

Line to Take

1. The difficulties caused by local authorities' overspending on capital projects in England and Wales do not apply North of the Border where my right hon Friend, the Secretary of State for Scotland, already successfully operates a different system. ~~There is no intention to change~~ *Only small changes are proposed to* that system so there is no need for my rt hon Friend to make a statement ~~on this matter.~~

A Question for answer today sets out the minor technical changes in prospect.

Background Note

2. The Secretary of State for the Environment and the Secretary of State for Wales are both intending to make statements on 18 December about local authority capital spending in England and in Wales. The tighter controls which are to be imposed in those countries to prevent overspending are not necessary in Scotland, where a strict system of controls on local authorities' capital expenditure is already in force. Thus if there should be a demand for a parallel statement by the Secretary of State for Scotland, it should be refused as being unnecessary.



2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

17 December 1984

Dear David

LOCAL AUTHORITY CAPITAL EXPENDITURE

/ I enclose a revised draft of the statement that my Secretary of State expects to make tomorrow, on Local Authority Capital Expenditure. My Secretary of State would be grateful for any comments by 10.30 tomorrow morning.

A copy of this letter goes to the Private Secretaries of members of the Cabinet, the Paymaster General and to Richard Hatfield (Sir Robert Armstrong's office).

Yours sincerely
John Ballard
JOHN BALLARD
Private Secretary

David Peretz Esq

REDRAFT OF DRAFT STATEMENT

1. With permission Mr Speaker, I will make a statement about local authority capital expenditure in England in the coming financial year. My rt hon Friend the Secretary of State for Wales will be making a statement later.

2. On the 18th of July I explained to the House that in 1983/84 there had been an overspend of the main local authority cash limit for capital expenditure. I warned that we could be heading for an even larger overspend this year. That was why I asked local authorities to exercise restraint.

3. Although some authorities have chosen to ignore my request, most have complied with it and I am very grateful to them. Although the amount of the overspend this year has certainly been reduced, it is still likely to be higher than in 1983/84 and I must therefore maintain my appeal for restraint for the rest of the financial year.

4. Following the decisions announced by my Rt Hon Friend the Chancellor in his autumn statement, I have to announce that ^{plan} for local authority capital spending in England for next year will be just over £4bn. Receipts are expected to be about £2.1bn, and the cash limit on net expenditure is therefore being set at £1.95bn. This expenditure forms part of total public spending for next year. [Any excess would therefore have to be set against the contingency reserve.]

5. There is a danger that local authorities may overspend in 1985/86 as they have done in the last two years. They would be able to do so because they have accumulated a large reserve of capital receipts in the year of ~~£5.6bn~~ ^{some £5b - £6 billion}

6. There is no question of taking the cash away from local authorities or even of removing the right to spend accumulated capital receipts. What is at issue is the pace at which they may be spent. To bring spending into line with the Chancellor's plans, we will have to reduce the proportion of receipts which an authority may spend in any one year. For housing receipts, I propose a figure of 20% from next April. For other receipts, for example from the sale of land, I propose 30%. I want to emphasise that local authorities will shift their right to use the balance of their receipts spread over later years.

7. Following on from this statement, we shall be notifying individual authorities of their allocations shortly. The totals for my own blocks - housing and Other Services - will be £1600m and £320m respectively. Within this total I am able to maintain the undertaking given last year that allocations to these blocks will be at least 80% of those for the present year.

8. In addition authorities that have complied in full with my request for restraint this year will receive a supplement to their allocations next year amounting to an extra 5% across all service blocks, we estimate that this may add about £100m to the total of allocations.

9. Local authorities justifiably want greater certainty in planning their capital programmes. To this end we are increasing the end year flexibility on underspending of the cash limit from 2% to 5%. *There will also be a margin of 5% above the cash limit up to which no corrective action within the year will be imposed.*

10. In addition, subject to the same sort of provisos as last year, I confirm last year's assurance that for the Housing and Other Services blocks, allocations for 1986/87 will be at least 70% of those for the current year. For 1987/88, authorities can count on receiving at least 80% of 1985/86 allocations.

11. The decisions I have announced relate only to 1985/86. We are consulting the local authority associations about possible changes to the system for the longer term.

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FROM THE PRIVATE SECRETARY
TO THE SECRETARY OF STATE
FOR WALES

17 December 1984

Dear Andrew

... I enclose a copy of a draft statement which my Secretary of State expects to make on the capital control system and capital allocations in Wales on Tuesday, 18 December 1984. If you have any comments I would be grateful if they could be with me by 7.00 pm on Monday, 17 December 1984.

/ I am sending a copy of this letter to David Hayhoe (Leader of the House of Commons), Lord Privy Seal, the Prime Minister's Chief press secretary, Murdo MacLean (Government Chief Whip's Office), Richard Hatfield (Cabinet Office), David Beamish (Government Whip's Office, Lords) Mr Durant (Welsh Whip), Janet Lewis Jones (Lord President's Office), John Graham (Scottish Office), Richard Broadbent (Chief Secretary's Office), Viscount Long (Welsh spokesman, Lords), Alex Galloway (Paymaster General's Office), Iain Jack (Lord Advocate's Department), John Ballard (Department of the Environment) and Dinah Nichols (Department of Transport).

Yours ever,

C L Jones

C L JONES

Andrew Turnbull Esq
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London
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FLM/3/D7

DRAFT PARLIAMENTARY STATEMENT - 18 DECEMBER 1984

LOCAL AUTHORITY CAPITAL EXPENDITURE: WALES

Mr Speaker, with permission I wish to make a statement about the future arrangements for controlling local authority capital spending in Wales, and the level and distribution of capital resources in 1985/86.

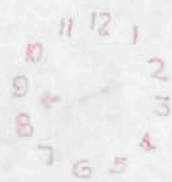
The decisions I am announcing this afternoon have to be seen against the background that since 1979/80 Welsh local authorities have invested, at 1984/85 prices, £2.2 billion in a wide range of projects which have significantly extended and improved the social and economic infrastructure in Wales. The Government's expenditure plans to be published in the forthcoming Public Expenditure White Paper, envisage that over the next three years they should invest a further £1 billion, again at 1984/85 prices. The largest service element within this total of £3.2 billion is some £1.4 billion in respect of housing.

In the course of the review of the control system which was announced in July I have considered carefully the views of both the Welsh Counties Committee and the Committee of Welsh District Councils. They have emphasised the need for greater flexibility. They attached particular importance to being given a better view of the future trend in resources, and argued strongly for continued access to their reserve of accumulated receipts.

Having taking full account of these representations the Government has decided to make a significant change to the rules governing the operation of the national cash limit. The present facility for carrying forward to the following year a shortfall of up to 2 per cent against the aggregate planning total will be increased to 5 per cent. In addition, corrective action will not be taken to restrain spending if the cash limit is on course to be exceeded by less than 5 per cent. Any overspending will be taken into account when determining provision for a subsequent year. These

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18 DEC 1984



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[I am also glad that my rt hon Friend the Secretary of State for Transport has been able to make a special allocation to cover the cost of extending the runway at Cardiff (Wales) Airport to allow for DC10 scale aircraft to use the facility, fully laden, for trans-atlantic flights. The extension will mark a significant and welcome improvement in the communications infrastructure of South Wales.]

The cash limit provision for 1985/86, which is gross spending less forecast receipts, is £248m. The total available for allocation linked with this is £263m. Of this sum about £14m is being withheld from those district authorities which resolved to spend in excess of the voluntary restraint level for the present year. If the authorities concerned are able to realise sufficient additional receipts, all or part of the allocations withheld will be restored to them as soon as possible after the end of the present financial year. Details of allocations have been placed in the Library to the House, together with an explanatory note on the new arrangements.

I believe the new framework for managing local authority capital spending in Wales represents a fair and reasonable compromise between the objectives of local and central government. Coupled with ^{THE} level of resources I have announced it is clear proof of the Government's desire to provide a firm foundation for a wide and effective programme of worthwhile capital schemes.

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