

LOCAL AUTHORITY CAPITAL SPENDING

In theory, double-counting occurs because for each £1 raised by a council from asset sales, the council itself is allowed to spend £1 gradually over the years, and other councils are allowed to spend another X pence.

Treasury and DoE want to solve the problem by keeping the redistribution and reducing the council's own spending permanently, so that the permissions to spend add up to £1 for each £1 raised through sales. They are arguing about:

- the starting-point for the new system (whether it should cover 1985/6 receipts); and
- the speed with which a council is allowed to use up its permissions.

You commented that it would be better to end the redistribution and to let each council spend, gradually, a whole £1 for each £1 it raises.

In the past, this idea had been rejected because it was believed that it would cause terrible problems for the Shire Counties, which are not housing authorities with council houses to sell and therefore have few receipts of their own.

But officials reveal that the amount of redistribution is now likely to be very small in any case (only some £150 million) because the Treasury insist that this is the only way of keeping within the cash limits. Moreover, the new figures produced show that the Shire counties would actually gain from the ending of redistribution, because it is the other authorities' housing budgets that would be worst hit.

The upshot is that you could get rid of redistribution without causing any disasters in 1986/7.

In later years, the build-up of accumulated receipts may start to cause severe problems, because councils will have been keeping more of their 'own money' than either Treasury or DoE are proposing. With luck, this problem should disappear with a new, far more sensible system of local finance that sets net borrowing controls and leaves the rest to the councils. But, in the meantime, it is important to change the law so that Patrick Jenkin is allowed to set different 'prescribed proportions' for in-year receipts and accumulated receipts: this will enable him, if necessary, to trim down the speed of use of the accumulated receipts without giving councils a massive disincentive to sell new assets.

If you can keep the discussion on Wednesday strictly on these structural questions and off any discussion of the total amounts of spending, there is a reasonable chance of reaching agreement.

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