



10 DOWNING STREET

THE PRIME MINISTER

23 November 1982

P.M.
JK MJ
DOE

Dear Councillor McCullum

Thank you for your letter of 8 November about local authority capital expenditure.

I am grateful for your promise to help promote additional capital investment this year. I recognise some of the difficulties to which you refer. They are not all capable of easy solutions, but Michael Heseltine will be looking further at the points which you raise. I believe that there is much valuable additional investment which can be achieved, even in the short term.

I am glad that you expect your members to do their best to respond. The initial reaction to Michael Heseltine's offer has been encouraging.

Yours sincerely

Michael Heseltine

Councillor I.S. McCullum

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2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref: H/PSO/17751/82

Your ref:

19 November 1982

Dear Michael

Thank you for your letters of 8 and 10 November covering four replies from the leaders of the local authority associations to the prime Minister's letter of 2 November about capital under-spending this year.

The letters all make much the same points about difficulties facing authorities trying to plan capital investment. As you will have seen from the briefing we provided for Prime Minister's Question Time last week, these points can be answered. But if the Prime Minister were to deal with each letter point by point, this could lead to a prolonged and unfruitful correspondence. We have therefore provided fairly brief responses, trying in each case to respond to the tone of the leader concerned (including Councillor Horrell, pace the suggestion in your letter of 8 November).

Your ever
D.A.E.

D A EDMONDS
Private Secretary

PM: Grp. of Eight

8/82



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Councillor I Harrington JP
Deputy Leader
Greater London Council
Members Lobby
The County Hall
LONDON
SE1 7PB

GK
Pl type all these letters
for PM
MUS 22/11

Thank you for your letter of 9 November about local authority capital expenditure.

I am glad to know that your Council is making efforts to achieve worthwhile capital investment, but sorry that you see so little scope for an accelerated programme this year. I recognise some of the difficulties to which you refer, and we shall be announcing allocations for next year as soon as possible. But I believe that within the constraints of Michael Heseltine's expenditure targets there is still much which authorities can do to promote extra capital investment this year, without creating problems for later years. The encouraging response from many authorities following Michael Heseltine's offer of extra allocations is evidence of this, and I do not share your pessimism about what can be achieved.

Councillor J R Horrell CBE TD DL
Chairman
Association of County Councils
Eaton House
66a Eaton Square
London
SW1W 9BH

Thank you for your letter of 4 November about local authority capital expenditure.

I am grateful to you for taking prompt action to notify your member authorities of the availability of extra allocations. I recognise that there may be some difficulties of the kind which you mention, but I nevertheless believe - as you clearly do - that there is much valuable additional investment which can be achieved, even in the short term.

I am glad that you expect your members to do their best to respond. The initial reaction to Michael Heseltine's offer has been encouraging.

Councillor Sir Jack Smart CBE
Chairman
Association of Metropolitan Authorities
36 Old Queen Street
LONDON
SW1H 9JE

Thank you for your letter of 5 November about local authority capital expenditure.

I note what you say about the capital control system. So long as resources for public expenditure are constrained local authorities like other public sector bodies, will face difficult decisions. But I believe that within the constraints of Michael Heseltine's current expenditure targets there is still much that authorities can do to promote extra capital investment this year, without creating problems for later years. Michael Heseltine's offer of extra allocations ^{produced} ~~proceed~~ an encouraging response from many authorities.

I am grateful to you for drawing the contents of my earlier letter to the attention of your member authorities. I do not share your pessimism about the outcome.

Councillor I S McCallum
Chairman
Association of District Councils,
9 Buckingham Gate,
London
SW1E 6LE

Thank you for your letter of 8 November about local authority capital expenditure.

I am grateful for your promise to help promote additional capital investment this year. I recognise some of the difficulties to which you refer. They are not all capable of easy solutions, but Michael Heseltine will be looking further at the points which you raise. I believe that there is much valuable additional investment which can be achieved, even in the short term.

I am glad that you expect your members to do their best to respond. The initial reaction to Michael Heseltine's offer has been encouraging.



10 DOWNING STREET

From the Private Secretary

10 November, 1982.

I attach copies of two more letters which the Prime Minister has received in answer to her letters on capital under-spending. These latest are from Councillor Illtyd Harrington and Councillor Ian McCallum.

I should be grateful if you would let me have draft replies for the Prime Minister's signature, to reach me by 17 November please.

I am copying this letter and its enclosures to John Gieve (Chief Secretary's Office, HM Treasury).

M. C. SCHOLAR

David Edmonds, Esq.,
Department of the Environment.

Prime Minister ②



ASSOCIATION OF DISTRICT COUNCILS

I will let
you have a
draft reply.

From the Chairman:
COUNCILLOR IAN S. McCALLUM

8 November 1982

MCS 10/11

Dear Prime Minister,

Thank you for your letter dated 2 November 1982.

I welcome the Government's initiative in encouraging local authorities to step up capital expenditure in the current year and I feel sure that many authorities will make the effort to respond positively. You may rest assured that I will do all I can to encourage our authorities to take up the challenge.

There are, however, one or two areas of difficulty which, if overcome, could help local authorities to make an even better response to your call. I have said publicly that the Government's initiative will provide an opportunity for some authorities to bring forward schemes presently scheduled for commencement in the next financial year. To be realistic, it will be difficult for any local authority to embark on major expenditure involving new construction without some much firmer assurances about the carry-over from this year. Personally, I am convinced that there are many substantial construction schemes which could get underway very quickly if the Government would respond with some help on the carry-over commitment.

A second area of deep concern to local authorities is the Government's proposal to restrict the use of capital receipts to supplement allocations next year to 50% of the total in hand. My soundings amongst district councils indicate that this proposal will have a very serious affect on the plans of many local authorities intending to embark on capital expenditure during the next twelve months, but you will understand that the present capital expenditure controls and the selling of council houses under the Housing Act 1980 provisions have only been in operation for a relatively short period of time. It is now that local authorities are feeling the benefits of the power to accumulate and use capital receipts and I know it is from here on that many councils were planning to finance substantial construction programmes by this means. A 50% limit will jeopardise capital programmes which have been drawn up to span the next two or three financial years. I hope that the Government will look again at this proposal, or at least ensure that local authorities in the position which I have described are awarded compensating additional capital allocations to enable them to proceed.

.../....

The third point I would invite you to consider is the possibility of the Government helping local authorities with commitments in capital expenditure which extend beyond one financial year. There are very few capital projects of any substance which do not span more than one year and most forward looking local authorities plan their capital programmes over a three or five year period. I believe that experience of the new capital expenditure control system highlights the difficulty of planning capital programmes on the basis of annual allocations. I would ask you to invite the Secretary of State for the Environment to look at this particular problem again.

May I say in conclusion that this Association and the local authorities it represents welcome any initiative by the Government to stimulate capital expenditure, but those authorities have to operate within the Government's statutory controls and within the constraints of revenue budgets for which substantial capital expenditure inevitably has implications. If you feel that it would be helpful to discuss the issues involved I shall be happy to respond.

Your sincerely
Jan S. Notallan

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

AA27/2/ISM/PO

PRIME MINISTER

Nationalised Industries' Chairmen's Group

Chairman
Norman J. Payne CBE

Prime Minister (2)

Hobart House
Grosvenor Place
London SW1X 7AE
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MUS 9/11

5th November, 1982

K8 CR
pps

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

cc Nat Ind: Policy 117

Dear Prime Minister

Thank you for your letter of 2nd November about investment spending in nationalised industries.

I have passed this on to my colleagues and I shall reply as soon as I have had a chance to discuss the issue with them at a meeting already arranged for next week.

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Yours sincerely

Norman J. Payne

PM ; PM's meeting with the Group of Eight: AUG 82