



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

The Rt Hon John MacGregor MP
Chief Secretary to the Treasury
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

CHIEF SECRETARY	
REC.	23 OCT 1985
ACTION	Mr Instone
COPIES TO	ex Mr Bailey
	Mr Anson Mr Turnbull
	Mr James Mr Gray
	Mr Pirie Mr Lord

28 October 1985

Dear Chief Secretary

Mr Watson Mr Stredder
Mr Norton

will request if required

PES 1985: HOUSING

There is a point in Kenneth Baker's letter to you of 23 September setting out his proposals on his Housing programme on which I think it is appropriate that I should comment because it touches directly upon the Scottish block.

2. Kenneth offers to withdraw his bid for an additional £50 million per year for capital expenditure by the Housing Corporation if you will agree to proposals for the private financing of loans to housing associations which would generate capital receipts, which I understand it is proposed should also be £50 million and which would increase gross capital expenditure without any increase in the programme total. My interest is, of course, that if Kenneth's bid were to be successful the Scottish block would be increased by just under £6 million through the operation of the formula but that there would be no comparable automatic benefit to my programmes if you were to accept Kenneth's offer. Clearly, this is inequitable and I am simply placing on record that if you accept the offer I must insist on your agreement to the Housing Corporation in Scotland generating capital receipts of just under £6 million by the same means, in order to preserve equity.

Yours sincerely
Andy Rinning

ANDY RINNING
Private Secretary

Approved by the Secretary of State and signed in his absence