



DEPUTY PRIME MINISTER

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29 October 2004

To: all Council Leaders

You may recently have seen a letter sent by Austin Mitchell MP to Local Authority Housing Directors, stating that the Government is reviewing its Decent Homes policy with a view to creating a 'fourth option' that will provide additional resources through an "investment allowance". In order to avoid any confusion, I am writing to you to assure you that this is not the case.

I am not involved in any discussions about a 'fourth option', and there will not be a 'fourth option' for providing direct additional funds to local authorities to meet the Decent Homes standard. We continue to believe the strategy we have in place remains the right one for delivering Decent Homes, providing all local authorities with a level playing field and the opportunity to improve their stock and the lives of their tenants. The Government is not increasing public expenditure beyond the significant resources already available.

Since 1997 there has been 13% real terms increase in expenditure on council housing, giving a total spend of £13 billion. This is before the extra money we made available for ALMOs and PFI, which after the recent spending review comes to over £6bn. In addition, we cannot underestimate the importance of attracting private finance, as stock transfer has shown by leveraging in £5.3bn so far. The existing three options of ALMO, PFI and transfer that deliver additional resources are proving highly successful and there is no need to create alternative options.

Local authorities must complete their options appraisals by July 2005 and within the present housing finance system, which this year is seeing greater freedoms introduced by prudential borrowing and increased M&M allowances above inflation. We have also created gap funding scheme for negative value transfers with £180m available 2005-08.

Local authorities have a big part to play in providing good quality homes for millions of people, and are doing an excellent job. The emphasis on delivery is paying dividends, with this year seeing a 1 million reduction in the number of non-decent

homes. I hope that we will continue to see such excellent progress towards the 2010 target.

A handwritten signature in black ink, appearing to read "John Prescott". The signature is written in a cursive, flowing style with a large initial "J".

JOHN PRESCOTT