

From **SIR HORACE CUTLER, O.B.E.**
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13 February 1980.

Rt. Hon. Mrs. Margaret Thatcher, M.P.,
Prime Minister,
10 Downing Street,
London, S.W.1.

New Margaret.

I wrote to you on 31 January acknowledging your letter of 29 January about the Local Government, Planning and Land (No. 2) Bill. As I said then, I do not wish to trouble you with detail, but, looking again at your letter and reading what Michael said on Second Reading, I do feel that I must come back to you in my protest against the Government's block grant proposal as it stands. You appear to have been advised that I and colleagues like me are opposed to measures designed to curb the expenditure of extravagant local authorities. This is not so.

I am fully in favour of a strict limitation on grant to individual local authorities and in no way should an authority be allowed to earn more grant by spending more. I am in favour of making it locally difficult and close to impossible for an individual authority to sustain a challenge against the Government's public expenditure policy. What I am opposed to is the Government's committing itself to state what the level of expenditure and rates should be each year for each local authority.

At the very best, this will achieve no more than my colleagues in local government propose. But more significantly, such a specific commitment gives a totally unnecessary hostage to the future.

The last accusation which could be levelled at our administration here is that we are 'soft' on public expenditure. We have consistently adopted the hardest possible line - and yet we have sustained and improved our industrial relations even to the point of instituting a disputes procedure. Our record over the period is probably unique.

We must be regarded as having some experience and expertise in these matters and therefore I find it sad that our main point - which is so clear - should be misunderstood. I still fear that we are heading for unnecessary and avoidable trouble on this issue.

Yours sincerely
Horace.