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From **SIR HORACE CUTLER, O.B.E.**
LEADER OF THE GREATER LONDON COUNCIL
THE COUNTY HALL, SE1 7PB
Telephone 01-633 3304/2184

TPMD from ILEA file.

7 August 1980.

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

Dear Margaret.

See Housing — May 79

1. HOME LOANS - RE-CYCLED ASSETS

2. ILEA - FUTURE

I undertook to let you have a note of these two matters.

1. Our original home loans budget this year was £52 million, but we were obliged to cut it to £20 million to meet HIP. However, our income from repayment of principal is some £45 million, and this means that we could double our reduced budget and not have to borrow to fund it. PSBR would be unaffected.

   What is more we have made a surplus approaching £50 million from housing sales. The benefit of this income by law must go to the Housing Revenue Account by reducing outstanding debt.

   In terms of the simple equation, though, we are receiving far more than we could possibly lend, no matter how we are obliged to apply the receipts. In addition we will raise well over £100 million this year from re-cycling non-housing assets.

   The social and political benefits of re-opening our home loans scheme are very considerable. In the circumstances, and given that even the technical financial/economic arguments are on our side, I really feel that we are entitled to greater consideration.

2. I have frequently made the point that if nothing was decided by mid-summer the issue would go by default. When I saw Janet Young at Banbury she said that her committee's findings would be ready before Recess and that she would meet me before releasing them. They aren't (apparently) and she hasn't!

   There are two points which concern me. The first is that we have been so comprehensively outmanoeuvred by the Socialists and the pressure groups and the D.E.S. that even some of our people have swallowed the preservation case. The other is that, whatever our policy is and whatever we would like to do we now have very little chance of success.

P.T.O.

Prime Minister 1.

1. I think Sir H Cutler's comments on ILEA are an accurate reading of the ~~likely outcome~~. Would you like Lady Young to suggest a reply?

2. Would you like John Stanley's comments on the Home loans point?

Yes please MF

MF 7/8

Yes - but I think it will need to go to Treasury as well. It is ridiculous to stop CCC lending money they already have.

At best, unless the Government is prepared to dig in and go for straight abolition, we might expect a change in ILEA's democratic accountability. Unfortunately Membership by appointment does not fit the bill; and direct election would be as anomalous as the existing arrangments.

The only logical change would be to turn each borough into an L.E.A., leaving them the opportunity to combine if they wanted to. If the Government feels that this isn't on I will understand, but I am very disappointed that we have not been more positive in approach and punctual in delivery.

Ever yours

Horace.