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From SIR HORACE CUTLER, O.B.E.
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13 June 1980.

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

Dear Margaret,

It was good to see you in such great form at the National Executive dinner on Wednesday evening and I am glad to take advantage of the offer you made by writing to you about homesteading and home loans.

First I ought to explain that, although by coincidence I have written separately to you recently on another matter, I try to avoid adding to your very heavy load and in this particular instance I had been assured by your colleagues that you were aware of the facts.

Our problem with homesteading is not lack of money, although a few million more for the programme would be useful. What we are facing is the possibility that the Housing Bill as it now stands will halt our present homesteading scheme because it will not allow us to waive interest repayments during the crucial first year or two during which the new owner carries our essential work ("sweat equity" as we call it).

I do not think I need bother you with the details. Suffice it to say that there is apparently a Treasury-DoE difference of opinion. Meanwhile the Bill itself has reached Committee in the Lords. We have an amendment ready which we believe will meet the case but what we need is high-level backing for it! It goes without saying that, given the policy direction and philosophy of both the Government and the GLC, the loss of homesteading due to an interdepartmental technical wrangle is going to look very odd indeed.

Where we do have great difficulty due to shortage of funds is with home loans generally. Notwithstanding that we have made and are continuing to make the most swingeing cuts in our new construction programme (reduced by over 90%), the reduction in our HIP allocation has forced us to stop lending.

This means that after having pushed home ownership throughout the last three years we have had to shut down the programme. We are having to disappoint literally thousands of aspiring purchasers who want to live in Inner London nearly all of whom, by definition, have no chance of obtaining a loan elsewhere. Sales of Council dwellings, which are merely book transfers, are unaffected.

P.T.O.

We do understand the need to contain both expenditure and the PSBR; but I have always stressed the difference between spending and investment. In the case of our home loans, there is no requirement for new borrowing as our new loans are more than covered by payments being received.

If there is anything you can do on either matter my colleagues and I will be more than grateful but for the moment the threat to the homesteading scheme is the more immediate and therefore the more dangerous.

With best wishes

Yours ever

Harold.