



Treasury Chambers, Parliament Street, SW1P 3AG
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PRIME MINISTER ^②

AS 13/6

A handwritten signature in black ink, appearing to be 'M' or similar, located to the right of the 'AS 13/6' note.

LAMBETH

As Patrick Jenkin mentioned at this morning's Cabinet, the Public Works Commissioners yesterday approved a £7 million loan application from Lambeth. This was despite the fact that the District Auditor had the previous day written to each of the Lambeth councillors warning them that he intended to surcharge them if they failed to set a legal rate forthwith.

2. I understand that the Commissioners received legal advice that, notwithstanding the District Auditor's letter, it could not yet be said with any certainty that Lambeth were in breach of the law, and that accordingly they were entitled to go on lending. The longer the councillors delayed setting a rate, the more likely it was that they were incurring losses at the ratepayer's expense; but it was not clear that that point had yet been reached. The Commissioners considered deferring a decision pending further information from Lambeth and a possible approach to Counsel, but in the end decided to approve the loan. They are, however, telling Lambeth that no further application will be considered without a clear statement from Lambeth's solicitor that Lambeth is acting within the law. A further application may be received in about 4 weeks, and the Commissioners will no doubt wish to take further legal advice then.

3. Patrick suggested this morning that, from the standpoint of putting pressure on Lambeth, it might have been better if the Commissioners had deferred a decision. But they are an



independent body under statute; it was their decision to take, and it is not strictly their role to take into account our wider objectives. If and when the PWLB cease to lend to this or any other local authority we may have reason to be thankful for their independent status.

4. I do not think, therefore, that we should be openly critical. The Public Works Loan Board does not announce individual loans, and therefore it may not become public. But if it does, and you are asked about it, I suggest that you could confirm that the loan has been approved but say that it is entirely a matter for the Public Works Commissioners.

5. I am sending a copy of this minute to Patrick Jenkin.

Rachel Lawson

N.L.

13 June 1985

*(approved by the Chancellor
and signed in his absence)*