



10 DOWNING STREET

From the Private Secretary

4 March 1982

Dear Anthony

As you know, the Prime Minister had a meeting today with Dr. David Clark, M.P., following the announcement of the closure of two factories owned by Mary Harris Limited. Mr. MacGregor was present.

Last year, Dr. Clark had seen the Prime Minister to discuss the closure of Ferrograph Limited. On that occasion, Mr. Tebbit was at the meeting, and the discussion centred on the possibilities of tackling urban dereliction in the constituency, and the problems of stimulating new industrial investment. This time, Dr. Clark had come equipped to raise with the Prime Minister some specific possibilities for generating new economic activity in the area. The Prime Minister welcomed this approach and will want to follow up the four specific points raised by Dr. Clark, which I set out below. The first of these is for your Department, but the remaining three are perhaps primarily for the Department of the Environment.

1. Dr. Clark said that the area had submitted two schemes as candidates for European Community assistance. The applications had been made eighteen months ago. The Commission reported that action was being held up in the Department of Industry. Mr. MacGregor said that the problem lay with the Commission, because a Community decision on the final parameters of the scheme was still awaited. He would nevertheless check the exact status of the applications.
2. Dr. Clark reported that he had privately been in touch with senior management at the Bradford and Bingley Building Society. He had established that the Society would be prepared to join others in financing a scheme worth, say, £3m. for the provision of about 300 homes. The homes would be designed to cater for applicants on the local authority housing list, and the investment would generate local employment, given that there were around 700 people from the construction industry registered as unemployed. There

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would be a preference for local firms in the tendering. The Society had, however, asked that the scheme should be underwritten by the Government, suggesting that there were parallels with the option mortgage scheme.

The Prime Minister was not immediately attracted by such an arrangement, because she did not believe that the Society ought to require a Government guarantee. She nevertheless undertook to investigate the potential for such a scheme. Dr. Clark handed over some relevant correspondence. I attach copies, which need to be treated as private.

3. Dr. Clark said that the local authority had also been looking at initiatives which might help to provide work in the construction field. His own building society scheme had not been developed with the local authority at this stage, but the authority had its own proposals for additional sheltered housing. The Prime Minister suggested that the local authority might have funds underspent within its capital allocation for the present year. Dr. Clark said that they claimed not to be in that position, but that he would appreciate clarification.
4. Dr. Clark said that there ought to be some scope for developing leisure activities in the area. There were possibilities in the coastline, which benefited from the absence of the less attractive forms of seafront development found in other northern resorts. One idea which he had heard discussed was to consider the reconstruction of some part of Hadrian's Wall. One of the forts, rebuilt to simulate the original working structure, could well have considerable attraction as a theme park. He knew that the leader of the Northumberland County Council was enthusiastic about this kind of possibility. There was a fort right in South Shields.

The Prime Minister said that this kind of approach would be well worth investigation. It would be necessary to engage the interest of a company with experience of large scale projects. There might conceivably be some scope for involving the National Heritage Memorial Fund. She would make enquiries.

The Prime Minister will now wish to write to Dr. Clark having made further enquiries about the prospects for progress - with or without any form of Government support - in these various directions. I should be grateful if the Department of the Environment could co-ordinate a suitable draft. I hope that we can have something by 24 March. The Prime Minister will wish to give as much encouragement as possible.

I am sending copies of this letter to Helen Ghosh (Department of the Environment), Marie Fahey (Department of Employment) and Jill Rutter (HM Treasury).

Yours ever

Mike Paterson

*enclosure as at X above
sent to Ind, Gov + HMT
(not Emp).*

Anthony Willis Esq
Department of Industry



BRADFORD & BINGLEY BUILDING SOCIETY

From: R T Gardner, FCBSI
Chief Executive

BINGLEY
WEST YORKSHIRE
Telephone Bradford 568111

19th February 1982

PRIVATE & CONFIDENTIAL

Dear David,

Housing Development in South Shields

Further to our enjoyable dinner on Wednesday the 10th February in the House and our discussion regarding the above, I have now been able to give the matter further consideration.

As I understand it, the objectives include :

1. A potential development of up to 300 houses with appropriate environmental attractions.
2. Provision of employment for local labour.
3. To satisfy in whole or in part the Local Authority Housing list.
4. Preference to be given to a local/regional firm of builders who must be members of the NHBC for reasons well known to yourself.

I would add that in addition to the above my own personal preference would be for a local builder who is a member of the Federation of Master Builders as well as being a member of the NHBC. The reason I make this point is that the Federation of Master Builders have recently been operating a scheme which could be ideal for your project. It would also be acceptable to the Government since subsidies are not involved.

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The scheme is known as "Licence to Build", an outline of which is as follows :

- a. The Local Authority provides a licence for the builders to build homes to an agreed price and standard.
- b. The builder does not actually purchase the land and it is part of the agreement that upon reaching the footings stage he must offer the property to persons on the Local Authority Housing list. If, within 12 weeks of such an offer there are no buyers from the Local Authority Housing list, the agreement provides for the property to be put on the open market. It is understood that this has never actually happened in practice.
- c. The house purchaser then buys the land direct from the Local Authority and the property from the builder.

I am obtaining a copy of the draft contract in respect of "Licence to Build" and will send it to you as soon as possible.

You will note that through this scheme the Local Authority retains control of the development while the builder need only provide minimal finance (up to footings stage), the rest of the finance being supplied by Building Societies.

There is nothing new in what I have said, it being simply a form of progress mortgage which Building Societies have been doing for years. Incidentally, the builders prefer this type of progress mortgage since they themselves are not involved in interest charges !

It would not be too difficult to get several Societies to become involved in this development. Certainly Bradford & Bingley would be willing, though obviously no one Society, for obvious reasons, would want a total commitment to an Estate of 300 properties whether it be in South Shields or elsewhere. Apart from Bradford & Bingley, I am sure the local Society, the Sunderland and Shields would be interested, while the major Societies, particularly the Halifax, Abbey National and Nationwide would also wish to be involved. I am quite certain there would be no difficulty in ensuring that the necessary finance was there.

Incidentally, Bill Hilton, who is the National Director of the Federation of Master Builders is well known to me. In fact I had a detailed discussion with him about this project earlier this week. He was most interested. He assured me that in those cases where "Licence to Build" had already been involved there was no problem in selling the houses

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to those people on the Local Authority waiting list. He went further and stated that they had not yet come across a case where it was necessary to put the house on the open market - as indeed was mentioned in the earlier part of this letter.

Naturally Building Societies require some form of protection in case of default - to ensure that investors' interests, such as your own, are fully protected ! There are two methods of approaching this problem :

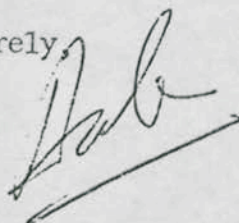
- a. The Building Society can arrange a single premium insurance guarantee policy - the premium being paid by the borrower. The premium involved can be reduced if the Government (e.g. Option Mortgage Scheme) are prepared to share part of any losses involved.
- b. The Local Authority can provide a guarantee under the 1980 Housing Act whereby in the event of a Building Society suffering a loss, a claim can be made on the Local Authority.

In the past, Building Societies have preferred (a) because of the speed of operation, some Local Authorities being rather long winded in making a decision about a guarantee. Having said that, (b) can be done at no cost to the applicant. If the Local Authority will give speedy decisions then I am quite sure the Building Societies would opt for (b) particularly as the Housing Act does give power to give a global guarantee.

I am enclosing a copy of this letter as you may wish to pass it to a "colleague".

Best Wishes,

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'D. Clark', written over a horizontal line.

Dr. David Clark, M.P.,
House of Commons,
LONDON SW1A 0AA.