S
807

PREM 19/793

Housing Policy

Housing Bill

525

PART 2.

HOUSING

Part 1 : May 1979

Part 2 : August 1980

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
23.9.81							
— ends —							

PREM 19/793

PART 2 ends:-

23.9.87

PART 3 begins:-

27.10.81

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
CC(80) 36th Conclusions, Minute 1	23.10.80
H(81) 33	29.4.81
H(81) 36	14.5.81
H(81) 17th Meeting, Minutes	18.5.81
MISC 14(81) 3	23.6.81
H(81) 48	25.6.81
H(81) 49	25.6.81
H(81) 21st Meeting, Minute 2	29.6.81
H(81) 55	8.7.81
H(81) 52	9.7.81
H(81) 23rd Meeting, Minutes	13.7.81
H(81) 56	23.7.81
C(81) 42	27.7.81
H(81) 25th Meeting, Minutes	28.7.81
CC(81) 30th Conclusions, Minute 4	30.7.81
H(81) 57	10.9.81
H(81) 58	10.9.81
H(81) 59	14.9.81
H(81) 26th Meeting, Minutes	23.9.81

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate **CAB** (CABINET OFFICE) CLASSES

Signed C Wayland Date 6 September 2012

PREM Records Team

Housing 4

DEPARTMENT OF THE ENVIRONMENT
2 MARSHAM STREET
LONDON SW1P 3EB
01-212 7601

Prime Minister

MINISTER FOR HOUSING AND CONSTRUCTION

17 September 1981

18

TL 18/9

Dear Colleague

I am enclosing 6 copies of the Department's latest Housing Booklet "Wanting to Move?" which is being made available today.

I believe that those who are not home-owners already, and who are wanting to move to other parts of the country, would be greatly helped by a booklet explaining how they can get information about the housing opportunities in the area to which they want to move. This booklet seeks to do this. It also provides information about the National Mobility Scheme and about how tenants in the public sector may be able to arrange exchanges with tenants in other authorities.

If you would like additional copies please could you ring (01) 212 4499. This booklet will be available from local authority housing departments, new town development corporations, Rent Officers and Manpower Service Commission Job Centres throughout England and Wales. Citizens advice bureaux will also have copies.

Yours sincerely

John Stanley

JOHN STANLEY

2

10 DOWNING STREET

PRIME MINISTER

In the House on 9 June, Richard Needham put to you a Question about building society practice in requiring mortgaged houses to be insured by one of a very limited number of companies. The attached letter from Sally Oppenheim's office shows that the Building Societies Association have acknowledged that there may be a restrictive practice here, and are therefore amending their model rules.

MAP

19 August 1981

DEPARTMENT OF TRADE
1 VICTORIA STREET
LONDON SW1H OET
TELEPHONE DIRECT LINE 01 215 5662
SWITCHBOARD 01 215 7877

From the
Minister of State
for Consumer Affairs
The Rt Hon Sally Oppenheim MP

MT

Mike Pattison Esq
Private Secretary
Prime Minister's Office
10 Downing Street
London SW1

13 August 1981

Dear Mike,

Please refer to Peter McCarthy's previous letter of 22 June about building society practice on house insurance.

The meeting between the Director General of Fair Trading and the Building Societies Association (BSA), took place on 16 July. As a result of the meeting the BSA has agreed to amend its model rule 21 which required that the mortgagor insured the property through a building society agency. The amended rule no longer stipulates that the mortgagor's property insurance be through the society's agency.

The previous rule has already been amended and is now on the Restrictive Practices Register. It is also registered with the Chief Registrar of Friendly Societies.

A press notice is being prepared and is due for release shortly.

Yours sincerely

Trevor Goodings

T J GOODINGS
Private Secretary

PRESS NOTICE: COMMONS ENVIRONMENT COMMITTEE HOUSING UPDATE ENQUIRY REPORT

COMMONS COMMITTEE CRITICISES GOVERNMENT'S FAILURE TO ASSESS HOUSING REQUIREMENTS AND OUTPUT PROPERLY

The Environment Select Committee strongly criticises the failure of the Government properly to assess housing requirements and output in its Third Report published today with the support of both Conservative and Labour Members.

It is hard to believe, states the Report, that any other major Department can - as the Department of the Environment would appear to do - put forward the arguments for its programme (in Cabinet negotiations) without an estimate of its requirements and of the consequences which would follow from different expenditure options.

The Committee considers that this failure may well have resulted in housing expenditure being treated as a "residual" item of public expenditure which receives what is left after other expenditure programmes have been met.

The Committee also notes that the denial by the Government of this background information on its housing policy precludes properly informed public debate and inhibits the progress of work with which Parliament has charged the Committee.

The Committee concludes that any projections which sought to reconcile present levels of housing output with an updated assessment of requirements would have to accept higher levels of overcrowding, or substandard housing and of young people being prevented from forming new households.

The Committee re-affirms the projections made in its First Report about probable public and private sector output, and is not persuaded by the Government's argument that increased local authority discretion removes Government responsibility for the numbers of houses built and renovated.

The Committee, by contrast, concludes that the effects of such limited local authority discretion are far outweighed by the Government's overall housing cuts which remain the over-riding constraint on the housing output achievable in the public sector.

The Committee then calls upon the Secretary of State to initiate immediately, as part of his housing responsibilities, an enquiry into the probable supply of new and improved housing relative to an updated assessment of requirements.

The Report also analyses the various initiatives to which the Government devoted over one-third of its Reply to the Committee's First Report and which, it claimed, would make "any assumptions underlying figures of demand and need...even more questionable than in the past..." and would "...affect significantly the opportunities which people have to move between the different housing sectors."

The Committee concludes that the contribution of these measures will have to increase dramatically if they are to meet the Government's expectations.

So far, states the Report, their contribution has been small even in the context of the present exceptionally low level of the housing programme.

In accepting that some of these schemes were affected by the Housing Act 1980 and therefore full judgment on their success should be made at a later date, the Committee considers that, in view of the prime position of - and high expectations from - these measures in the Government's housing policy, a further appraisal should be made in one year's time.

The Report also picks up the reference made frequently in oral evidence by the Secretary of State to the "crude housing surplus" and his implication that this made it more difficult to argue for maintaining housing expenditure and that the Government was therefore justified in cutting resources allocated to housing.

The Committee concludes that such an oversimplified and unreliable measure should not weigh heavily in the formation of housing policy. The Committee points out that against a "crude housing surplus" of 400,000 in England in December 1977 should be considered 729,000 vacant and second homes, 1,445,000 homes without at least one basic amenity, around 1 million further homes either unfit or requiring extensive repairs and around 250,000 "concealed households" excluded from the figures.

The Committee also cites the many mismatches between the housing stock and household requirements, as well as the rapidly changing household profile, as further reasons for believing that the "crude housing surplus" does not undermine the case for a higher level of housing output.

Turning from housing investment to housing assistance, the Report observes that the costs of mortgage tax relief at outturn prices rose from £1,450m in 1979/80 to £1,960m in 1980/81 in the United Kingdom, whilst general subsidies to council tenants are planned to fall in real terms by 40 per cent in 1981/82 in England.

The Committee notes the Secretary of State's point that mortgage tax relief costs were inflated by higher interest rates and that council tenants also receive rent rebates.

The Committee noted, however, that rent rebates are a means tested benefit analogous to social security and that when this income-related measure is excluded and allowances are made for the reduced mortgage rate in 1981/82, the total mortgage tax relief cost in England is estimated to exceed the general subsidy cost by almost 30 per cent or £300m, at 1980 Survey Prices.

Ref: A05345

Housing

CONFIDENTIAL

PRIME MINISTER

Proposals for Housing Legislation:
Rent Deregulation
(C(81) 42)

The 1965 Rent Act contains a power enabling the Secretary of State to lift fair rent regulations; but the Secretaries of State for the Environment and for Wales consider it unusable in practice because it requires the Secretary of State to be satisfied that supply and demand are in balance in every part of the area selected for deregulation. The use of the power would be wide open to challenge in the courts. They therefore propose a new power to disapply the fair rent regime for new lettings in areas of England and Wales specified by order. In such areas rents would initially be agreed between landlord and tenant, though either could subsequently apply to the rent officer for a market rent to be fixed. The tenant would have full security of tenure but could pass the tenancy to one successor only. The proposed legislation would allow the deregulation power to be used in respect of new lettings for all dwellings in a prescribed area or for a particular class of dwelling (e.g. above a certain rateable value) in a prescribed area. The intention would be to use the powers initially only in non-metropolitan areas.

2. The Chancellor of the Exchequer and the Secretary of State for Industry support the paper. They argue that there is a need to reverse the long term decline of the private rented sector. This need is strengthened by the reductions in public expenditure on housing. The number of new adult households will increase during the 1980s. A revival of the private rented sector would assist labour mobility. About a third of movers who change jobs go initially into private rented accommodation, as do about a quarter of those moving with their employment. The Ministers supporting C(81) 42 recognise the danger of a political scare campaign, but consider that a robust defence can be mounted on the lines set out in paragraph 5 of the paper. The Government would make it clear that as a matter of policy the power would not be used in London or other metropolitan areas. It would be possible for the legislation not to apply to London.

3. The matter has come to Cabinet following disagreement at a series of meetings of H Committee, which considered the proposal in the context of next Session's Housing Bill. H Committee accepted the case for a change in the law but several senior Ministers argued on political grounds that there should be no legislation during this Parliament. (H Committee did agree in principle to deregulation of rents where resident landlords wish to let part of their houses.)

HANDLING

4. The Chancellor of the Exchequer should be invited to introduce the paper. The Secretary of State for Wales and the Secretary of State for Industry (both strong supporters of a change in the law) might add any general comments, and the Minister for Housing and Construction deal with the precise nature of the proposals.

5. The Cabinet will want to look at the likely effect of the proposals on the housing market and at the political arguments. The Secretaries of State suggest that market rents outside London might be some 50 per cent higher than fair rents. How far is this increase likely to attract landlords back into letting, particularly against the threat of a Labour Government repealing the legislation. What is the relative importance for the prospective landlord of the possible financial return and the fear of not being able to evict an unsatisfactory tenant? The Secretaries of State propose no change in the law on this latter point. How great a contribution would selective deregulation of rents make to labour mobility? The power would not be used in London or the metropolitan areas, where much of the demand lies, but it could be beneficial in some growth areas, particularly in the south. The Home Secretary and the Lord Chancellor will have views on the political considerations. The Chancellor of the Duchy and the Lord President may want to comment on the implications of adding this proposal to next Session's Housing Bill. You will want, however, to postpone discussion of the general legislative arguments to the next item on the Cabinet's agenda.

6. If the Cabinet is minded to support legislation next Session, the Secretary of State for Scotland can indicate whether he remains of the view that the power should not be taken in Scotland. The Cabinet would also need to consider whether the statutory exclusion of London from any new power would make it substantially easier to counter a political scare campaign.

CONCLUSION

7. Previous discussion and correspondence suggests that it is unlikely that the arguments in C(81) 42 will have convinced those members of the Cabinet who think that the possible housing gains do not outweigh the political disadvantages. If so, and subject to the course of discussion, you might guide the Cabinet to agree that fair rent deregulation is desirable in principle but that any legislation would best be deferred until the first Session of a new Parliament.

RWA

Robert Armstrong

28th July, 1981

CONFIDENTIAL

SUBJECT

CF

Housing

10 DOWNING STREET

From the Private Secretary

18 June, 1981

At the meeting which the Prime Minister had with the Chancellor yesterday evening, they had a brief word about rent deregulation. The Prime Minister said that she understood that Mr Heseltine was keen to include a rent deregulation measure in the Housing Bill, and that he had the Chancellor's support. She, for her part, did not believe that this would be politically wise; nor did she believe it would have much effect in freeing up the housing market and assisting the Government's economic objectives. The Chancellor said that, in his view, there were substantial benefits to be derived from rent deregulation. He would like, in consultation with Mr Heseltine, to bring forward a paper setting out the case.

The Prime Minister said that she would need some convincing, but she would have no objection to the Chancellor bringing forward a paper if he so wished.

I am sending a copy of this letter to David Edmonds (Department of the Environment) and David Wright (Cabinet Office).

T. L. LANKESTER

A J Wiggins, Esq
HM Treasury

CONFIDENTIAL

Hansy

PRIME MINISTER

Rent Deregulation

You told the Home Secretary early last month that you did not favour Mr. Heseltine's proposal to include rent deregulation in the housing legislation for the next session. You suggested to the Home Secretary that he should sort this out.

However, I understand that Mr. Heseltine is still intent on including this measure, and that he has been canvassing support from the Chancellor.

Assuming you still think that the inclusion of this measure would be unwise, it would be helpful if you would indicate to the Chancellor your doubts. He may then be less inclined to argue Mr. Heseltine's case with the Home Secretary.

N

17 June 1981

M Hyde

CONFIDENTIAL

QUEEN ANNE'S GATE LONDON SW1H 9AT

15 June 1981

Mr Lankester,
I have suggested to the Chancellor's Office that this paper should be taken by H. MH 22/6

Dear Michael

HOUSING BILL: DEREGULATION OF RENTS

Thank you for your letter of 2 June about the inclusion in the Housing Bill of provisions for the deregulation of rents by area. As you know, the Chancellor of the Exchequer wrote to me on 8 June supporting the proposals.

I have read with interest your suggestions for ways in which we might seek to neutralise the political scare campaign against such proposals, and I note also that you and the Secretary of State for Wales remain of the view that any change in the law should take the form suggested in H(81)33. I need not remind you that at the previous discussion at H Committee the predominant view was that it would be wrong to proceed with these proposals at this time and also that we were told at Cabinet last week that the Bill will have to obtain Royal Assent by April or May 1982. If, therefore, colleagues are to look at the matter again - and I do not in any way want to discourage them from doing so - I think it should be in the context of the Bill as a whole so that we can judge the relative case for including these provisions against other candidates for inclusion in the Bill. We have agreed to resume our discussion of the Bill later this month and I understand the Secretariat have been in touch with your office about possible dates.

I am sending copies of this letter to the Chancellor of the Exchequer, to other members of H Committee and to Sir Robert Armstrong. I am also sending copies of the correspondence to the Prime Minister.

Yours
Willie

The Rt Hon Michael Heseltine MP

CONFIDENTIAL

CONFIDENTIAL

QUEEN ANNE'S GATE LONDON SW1H 9AT

16 June 1981

Mr Patrick. To note.

WR 17/6

Dear Michael

Thank you for your letter of 3 June about compulsory registration of shorthold rents. I have also seen the Lord President's letter of 9 June.

In the absence of any contrary views from our colleagues you may take it that you have agreement to lifting compulsory registration in England and Wales, with the exception of Greater London. The timing of the Orders will however need further consideration in the light of the Lord President's reservations which are, I understand, shared by the Commons business managers. It looks as though the introduction of the Orders will have to wait until the beginning of next Session.

I am sending copies of this letter to the other members of H Committee and to Sir Robert Armstrong.

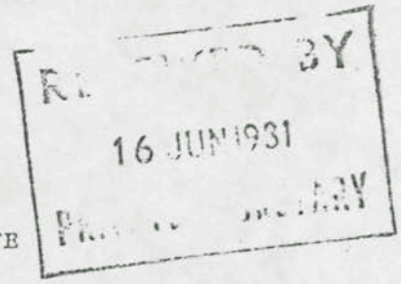
Yours

Willie

The Rt Hon Michael Heseltine MP

CONFIDENTIAL

CONFIDENTIAL



SECRETARY OF STATE
FOR
NORTHERN IRELAND

NORTHERN IRELAND OFFICE
GREAT GEORGE STREET,
LONDON SW1P 3AJ

Rt Hon Michael Heseltine MP
Secretary of State for Environment
2 Marsham Street
LONDON
SW1P 3EB

15 June 1981

Dear Secretary of State,

SHORTHOLD : COMPULSORY RENT REGISTRATION

Thank you for sending me a copy of your letter of 3 June to Willie Whitelaw.

In Northern Ireland the law in this area is different. Following a recent review of private sector rented housing I am considering including in a forthcoming Housing Order provisions corresponding to Sections 51-55 of the Housing Act 1980. At present we have no statutory provisions about shorthold.

The issues which you raise about the justification for compulsory registration - as related to Greater London compared with elsewhere - will arise for me in the Belfast context.

I do not think however that the course which you are proposing will inhibit me in coming to a decision on the merits in Northern Ireland against a background where the housing law differs in a number of respects already. I have to take into account not only the position in Great Britain but the political and other factors in Northern Ireland.

I am copying this to recipients of yours.

Yours sincerely,

Neil Connell

for HUMPHREY ATKINS

Approved by the
Secretary of State and
signed in his absence

lf

CONFIDENTIAL

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon William Whitelaw CH MC MP
Secretary of State
Home Office
50 Queen Anne's Gate
London SW1H 9AT

10 June 1981

Dear William,

SHORTHOLD: COMPULSORY RENT REGISTRATION

In his letter of 3 June, Michael Heseltine sought H Committee's agreement to amending the conditions of shorthold schemes so that rent registration would no longer be compulsory outside London.

As it could be helpful in generating greater interest in shorthold, and hence improve the supply of rented housing, I welcome the proposal.

I am sending a copy of this letter to other members of H Committee and to Sir Robert Armstrong.

Yours
Leon

LEON BRITTAN

FROM THE LEADER OF THE HOUSE

HOUSE OF LORDS

9 June 1981

Dear Michael, ! D10/6

I have seen a copy of Michael Heseltine's letter to you of 3 June on lifting compulsory rent registration for shorthold lettings.

I must say straight away that I cannot see how we can find time in the Lords before the Summer Recess for what I have no doubt will be a protracted debate on an Affirmative Order. The shorthold provisions in last session's Housing Bill took up a good deal of time in the Lords - relatively more than some other controversial aspects. I need hardly say that once again we are now into an exceptionally busy period in the Lords and our time is so full that we have already had to seek agreement from colleagues that at least 3 substantial Bills will be left for completion in the spillover. The Nationality Bill has just arrived but there are still 3 main programme Bills which must complete their passage through the Commons, namely Employment and Training, Education (Scotland) and Education. In addition, we have yet to complete a string of Commons Bills, notably British Telecommunications and Transport.

I really must question whether the appropriate Order needs to be approved before the Recess. I would very much prefer a debate to be deferred to the new session, although depending on progress on the Nationality Bill, I would not at this moment rule out a debate in the spillover in October. I can, of course, see the disadvantage of putting off controversial business to the new session, particularly because it seems likely to be busy from the start. But this Order could not come at a worse time for the Lords and with less than 2 months to go before the recess I simply do not see how we could fit it in.

I am copying this letter to the recipients of Michael Heseltine's letter of 3 June.

Yours ever

Christopher

SOAMES

The Rt Hon William Whitelaw CH MC MP
Secretary of State for the Home Department.

Housing

MR PATTISON

DEREGULATION OF RENTS

We had a brief word about the attached letters.

Our feeling is that a further discussion at H will not be useful - at least at present - and that it might be helpful if the Prime Minister and the Chancellor of the Exchequer - and possibly the Home Secretary - were to have a word about the matter.

WNH

W N HYDE

9 June 1981

CONFIDENTIAL

c Mr Hyde

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

8 June 1981

The Rt. Hon. William Whitelaw CH MC MP
Secretary of State for the
Home Department

Dear Willie

DEREGULATION OF RENTS

I have seen Michael Heseltine's letter of 2 June to you asking that H Committee look again at his proposals for deregulation of rents. I strongly support his request.

As our discussions in MISC 14 have highlighted, if in the interest of strengthening the economy we are to reduce the barriers to labour mobility, the availability of housing is one of the constraints we must tackle. I believe the private rented sector is potentially capable of making a significant contribution, especially for younger workers who would not yet be looking to become owner-occupiers, and might not rank high among the priorities of public sector housing authorities. Generating confidence among landlords is critical to improving the supply of private lettings. With the 1980 Housing Act we began this process, and the measures now envisaged would sustain the momentum.

I appreciate the Committee's concern that the political disadvantages could outweigh the benefits. However, Michael Heseltine has made clear that we would have a good case to deploy in public. As he says, whatever we do, the Labour Party will try to misrepresent our proposals, but I do not think we should let this deflect us from introducing sensible amendments to the law which are in the interest of those needing accommodation.

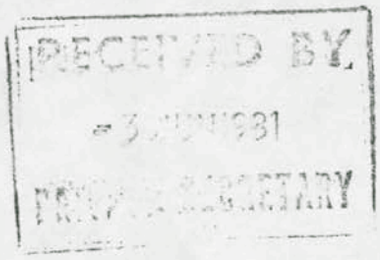
I am copying this letter to the other members of H Committee and Sir Robert Armstrong.

Yours

Geoffrey

GEOFFREY HOWE

CONFIDENTIAL



c Mr Hyde

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

2 June 1981

Dear Robin

Following the discussion at H Committee on 18 May the Secretary of State for Wales and I have considered further our proposal for deregulation of rents by area. We should like to ask colleagues to look at our proposal again in the light of the following points.

The 2 main issues which quite properly caused concern among colleagues were:

a. the extent to which our limited proposal could be misrepresented by an Opposition scare campaign; and

b. whether the additional rented accommodation that would result from our proposal, taking account of a well-nigh certain Labour commitment to restoring rent regulation, would justify the political controversy that it would engender.

I should like to take these 2 issues separately. On the scare campaign we are in no doubt that the Labour Party would seek totally to misrepresent our proposals, as indeed they tried - unsuccessfully - to do in London over our shorthold scheme. But we believe that the Government would have a reasonable prospect of neutralising a scare campaign by repreatedly making the following points:

i. no existing tenant's security of tenure is in any way affected;

ii. no existing tenant's rent is in any way affected;

iii. all new tenants in deregulated areas would have these important protections:

a. total security of tenure for one generation(including a widow or widower);

b. all the other safeguards for tenants under the Rent Act (apart from rent regulation), including protection from eviction and harassment;

c. on rent, the tenant would have the right to apply to the rent officer at any time to ensure that the rent he was paying was no higher than the open market rent independently assessed by the rent officer.

d. the justification for deregulation is to help make

more rented accommodation available for which there is a clear need - particularly from the young and the mobile.

On the second main point, it is impossible to quantify how many additional lettings would be generated by deregulation and hence to weigh up the tangible housing benefit against the possible political disadvantages. It has to be a matter of judgement. The basic housing policy case for deregulation is that there is no way we shall re-establish the private rented sector in this country without giving landlords greater confidence, and this means demonstrating that letting at market rents can take place voluntarily on terms mutually acceptable to landlord and tenant.

Only if we are prepared to make a move of the sort we are proposing here, is there any possibility of even slowing down the decline in the private rented sector. Private lettings now only represent about 11% of households, and if the present rate of decline is allowed to continue, the sector will be virtually extinct within a decade, and confined to company or holiday lets and the residual fair rent tenancies.

For these reasons we should like to ask colleagues to reconsider our deregulation proposals, as set out in H(81)33 and 36, for inclusion in next Session's Housing Bill.

I am copying this letter to our colleagues on H Committee, and Sir Robert Armstrong.

Yours ever

MICHAEL HESELTINE

Rt Hon William Whitelaw MP

2F

CONFIDENTIAL

Mr Langford
WR
176

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

8 June 1981

The Rt. Hon. William Whitelaw CH MC MP
Secretary of State for the
Home Department

Dear Willie

DEREGULATION OF RENTS

I have seen Michael Heseltine's letter of 2 June to you asking that H Committee look again at his proposals for deregulation of rents. I strongly support his request.

As our discussions in MISC 14 have highlighted, if in the interest of strengthening the economy we are to reduce the barriers to labour mobility, the availability of housing is one of the constraints we must tackle. I believe the private rented sector is potentially capable of making a significant contribution, especially for younger workers who would not yet be looking to become owner-occupiers, and might not rank high among the priorities of public sector housing authorities. Generating confidence among landlords is critical to improving the supply of private lettings. With the 1980 Housing Act we began this process, and the measures now envisaged would sustain the momentum.

I appreciate the Committee's concern that the political disadvantages could outweigh the benefits. However, Michael Heseltine has made clear that we would have a good case to deploy in public. As he says, whatever we do, the Labour Party will try to misrepresent our proposals, but I do not think we should let this deflect us from introducing sensible amendments to the law which are in the interest of those needing accommodation.

I am copying this letter to the other members of H Committee and Sir Robert Armstrong.

Yours ever
Geoffrey

GEOFFREY HOWE

CONFIDENTIAL

2 MARSHAM STREET
LONDON SW1P 3EB

SCPS

2 items

My ref:

Your ref:

3 June 1981

Dear Home Secretary

SHORTHOLD: COMPULSORY RENT REGISTRATION

You will be aware that one of the features of our shorthold scheme introduced in the Housing Act 1980 is that a fair rent must be registered with the rent officer for a letting to be a shorthold. This was introduced partly as a safeguard for tenants, and partly in an unsuccessful attempt to obtain the Opposition's acceptance of the shorthold concept. However, we did include in section 52(4) of the Housing Act a provision that enables me to lift compulsory rent registration, either generally or in particular areas. This power requires an affirmative order in both Houses of Parliament.

The shorthold provisions have now been in operation for just six months. Our monitoring through the rent registration statistics has identified 1230 lettings as shortholds in England and Wales by Easter. Although this monitoring does not identify all shortholds, and therefore somewhat underestimates the total number of shorthold lettings, it is clear that the number of shortholds has been disappointingly low. The major part of the responsibility for this must, of course, rest with the Labour Party, and their threat of retrospectively repealing shorthold and granting full security to sitting shorthold tenants. But correspondence from landlords makes clear that the requirement for compulsory rent registration is a significant disincentive to landlords, and is playing a part in restricting the extent to which landlords are making use of the new provisions.

The Secretary of State for Wales and I therefore consider that the time has come to use the power to lift compulsory rent registration for shorthold. We are therefore seeking the agreement of H Committee colleagues to lifting the requirement for compulsory rent registration for shorthold for new lettings in all areas in England and Wales except Greater London. Once compulsory rent registration was lifted, the effect would be to revert to the normal Rent Act position where either the landlord or the tenant may apply at any time for a fair rent to be registered. Where a fair rent was already registered, this would remain the maximum the landlord could charge.

I think that it is essential to retain compulsory rent registration in London because of the political difficulties in removing this safeguard for tenants in London, where the heavy demand for rented accommodation makes the risk of tenants being charged very high rents much greater. Other than this, it seems important that the areas where compulsory rent registration does and does not apply should be clearly and simply defined, because of the heavy penalties for landlords if they fail to fulfil the shorthold

requirements. On this basis, we think it is advantageous that the same regime should apply in the whole of England and Wales except for London. Otherwise there would be substantial difficulties in giving adequate publicity and providing appropriate guidance to landlords about this important change to the shorthold provisions. This is why we propose that compulsory rent registration should be lifted in all areas of England and Wales except Greater London.

This proposal will undoubtedly be strongly attacked by the Opposition, but equally it will be welcomed on our side of the House. In view of the importance on both general housing and labour mobility grounds of generating the maximum use of the private sector for the provision of short-term rented accommodation I hope that colleagues will feel able to agree this proposal. If the affirmative orders are to be debated before the summer recess, an early decision is required. I should be grateful if colleagues would let me know by 12 June whether they are content with this proposal (or whether they wish a discussion in H Committee).

I am copying this letter to H Committee colleagues, and to Sir Robert Armstrong.

Yours sincerely

D Jenkins

p.p. MICHAEL HESELTINE

Approved by the Secretary of State and signed in his absence

Rt Hon William Whitelaw MP

PRIME MINISTER

Parliamentary Affairs

There are one or two points of difficulty on current legislation, but none seems likely to need an airing at Cabinet this morning.

Mr Pym may possibly want to raise the issue of Mr Heseltine's transfer of GLC Housing Order. I attach the speaking and background notes offered by Mr Heseltine for Mr Pym's use during the Business Statement tomorrow. Mr Pym is reportedly very uneasy about this. But the Government has little option other than to press ahead on these lines, effectively challenging the Opposition to attempt some form of censure. The alternative of withdrawing the Order no longer seems a realistic option. If the Opposition were to table the traditional form of censure motion on an individual Minister, moving a reduction in his salary, it would be taken in their own time - perhaps on the Supply Day tentatively planned for next Thursday. But Mr Foot did speak of the honour and integrity of a Minister, which might lead them to tackle it in a different way.

MAP

3 June, 1981

TRANSFER OF GLC HOUSING
SPEAKING NOTE

I have considered this matter again since the Rt Hon Gentleman (the leader of the Opposition) raised it a fortnight ago. The Government will not withdraw the Order. The Order was made after wide-ranging and intensive consultation in which the arguments about the principle and the terms were fully aired, and the transfers are now Government policy.

In this House on 31 March, my Rt Hon Friend the Secretary of State for the Environment was answering a specific allegation from the Hon Member for Hackney South and Shoreditch, that Sir Horace Cutler had asked my Rt Hon Friend not to transfer the properties. That was an untrue allegation, as Sir Horace has since confirmed. At no stage did Sir Horace ask for the order to be withdrawn. That is the context in which the answer given by my Rt Hon Friend to the Hon Member for Hackney South has to be seen.

The Government would have been prepared to find time to debate the issues raised by compulsory transfer; but the Rt Hon Gentleman the leader of the Opposition has now withdrawn his prayer. It is time for the authorities concerned to accept that the Government has now given effect to a policy recommended by the Royal Commission on Local Government in London 20 years ago, and to concentrate on achieving a smooth and efficient transfer 10 months hence.

TRANSFER OF GLC HOUSING
BACKGROUND NOTE

The Order in question (SI 1981/536) compulsorily transfers about 54,000 houses from the GLC to 8 Labour-controlled London Boroughs on 1 April 1982. It was made at the request of the GLC (received in May 1980), after they had reached agreement with all the other Boroughs (including 6 Labour) on the transfer of almost all their other c 150,000 houses. As required by statute, the Department consulted the 8 Boroughs over a period of 9 months; the Order was made on 2 April 1981. The Boroughs were unsuccessful in 2 High Court actions, challenging the validity of the GLC's request and the adequacy of the Department's consultation.

The Opposition are now seeking to argue that the Secretary of State for the Environment is committed to withdrawing the Order as a result of remarks made in the House in the question and answer period following his announcement of intention to make the Order on 31 March 1981 (Hansard, 31 March,Col 157). However the Opposition's case is based entirely on a quotation taken out of context. Ronald Brown MP made a specific allegation: "since Sir Horace has found out those costs he has asked the Secretary of State not to transfer the properties. The Secretary of State had that letter in February. He knows that is the case. He is misleading the House."
The Secretary of State's response was directed entirely to this statement: it was not the case that Sir Horace had asked for the Order to be withdrawn; and the letter in February - which was sent at official level - did not ask for withdrawal, but for various amendments. The furthest the letter went was to say "unless the 2 amendments requested are included, the Order as at present drafted does not place the Council in a financial position to accept the terms."

As Sir Horace Cutler has since confirmed (his letter of 22 May) this letter was part of the negotiating process; and the Order as presented was amended to meet partially the GLC's comments.

There is thus no question of any commitment by the Secretary of

State to withdraw the Order. The Opposition are making political capital, but on very thin grounds. The 8 Boroughs are currently supporting the GLC in its opposition to transfer, as are the London Labour MPs. However, whereas the GLC's opposition (from a wish to provide a base for reviving a major housing development programme) is likely to continue, the Boroughs can see the benefits of local management and are aware that the imposed terms are fair. But they cannot say this publicly!

The prayer against the Order has now been withdrawn, and the 40-day period expires on 7 June. However, during questions on the Business Statement on 21 May, Mr Foot threatened to take further steps (unspecified). It now seems, therefore, that they may have given up the fight on the substantive issue of the transfers themselves.

DOE
3 June 1981

Housing WR 21/5 2

PRIME MINISTER

You will see from the attached minutes that H Committee have still not completely settled the question of deregulation of rents. The Home Secretary reported your suggestion that the Committee should consider deregulating rents on new properties. But it appears that the Government has already taken powers to modify rent control on new properties. The Home Secretary summed up the discussion by saying that the political damage that deregulation would cause the Government outweighed the benefits. I understand, however, that Mr. Brittan, Mr. Edwards and Sir Keith Joseph all felt strongly that some form of deregulation should be included in the Housing Bill, and they were invited to bring revised proposals back to the Committee if they so wished. If such proposals are made, the Home Secretary may well wish to consult you to discover the strength of your feeling about the political damage that proposals for deregulation may cause the Government.

WPBR

MT

20 May 1981

Telephone
01-212

DEPARTMENT OF THE
ENVIRONMENT
2 MARSHAM STREET
SW1P 3EB

With the Compliments of the

Secretary of State for the Environment

2 MARSHAM STREET
LONDON SW1P 3EB

My ref: H/PSU/14030/81

Your ref:

15 May 1981

Dear Geoffrey

Thank you for your further letter of 29 April about your proposal for a study of the private rented sector.

I appreciate that the Revenue are carrying out a separate review of capital allowances, and I am glad that this will enable us to consider the principle of extending capital allowances to dwellings for private renting later this year. I agree that an early start should be made on the subsidy proposal. Robin Ibbs and Keith Joseph have suggested that CPRS and David Young should also be involved, and I would welcome this. I hope that an immediate start can now be made on this important work.

I am copying this letter to the recipients of yours.

Yours ever

MICHAEL HESELTINE

Rt Hon Sir Geoffrey Howe MP

SUBJECT

CONFIDENTIAL

JS

Housing & Co

CR

10 DOWNING STREET

From the Principal Private Secretary

7 May 1981

HOUSING LEGISLATION: DEREGULATION OF RENTS

When the Home Secretary called upon the Prime Minister this afternoon, they discussed briefly his minute of 5 May 1981 reporting the conclusions of H on the proposals of the Secretaries of State for the Environment and Wales for housing legislation next Session.

The Prime Minister said that her primary concern was to increase the amount of private accommodation in cities and big towns which was available to rent. She was doubtful whether the proposal for the deregulation of rents set out in H(81)33 was worth pursuing: if the power to disapply the fair rents system from lettings to new tenants was not to be used in metropolitan areas, the amount of additional accommodation that would become available for renting would be unlikely to be big enough to offset the inevitable political controversy. We should find other ways to encourage new private sector building for renting. One possibility was to exempt new property built for renting from rent control.

The Home Secretary said that he would arrange for the Prime Minister's suggestion to be explored as part of the further work which was being done in preparation for H Committee's resumed discussion in a fortnight's time.

I am sending a copy of this letter only to David Wright (Cabinet Office).

G. A. WHITMORE

John Halliday, Esq.,
Home Office.

CONFIDENTIAL

Rtb

No need to circulate to rest of Cabinet? MT.

10 DOWNING STREET

Prime Minister.

I do not normally bother you with records of your own meetings, but Mr Whitelaw's minute to you about the deregulation of rents was copied to the rest of the Cabinet and I shall therefore have to copy similarly my letter to his Private Secretary summarising your discussion with him this afternoon.

I am not sure that you realised that Mr Whitelaw's request for guidance from you on rent deregulation had been such a wide circulation and I should be glad to know that I have represented your views accurately in the attached letter before it goes to your colleagues.

Mr Whitelaw's minute is also attached in case you wish to refer to it again.

AC 7.10.87.

Top Copy

Housing

Parliament Pt 7

Legislation

PRIME MINISTER

Legislative Programme

I attach the Home Secretary's report on the H Committee discussion together with the H paper on the proposed Housing Bill (Flag A), the paper for next week's Cabinet summarising the position on the legislative programme (Flag B) and the fuller summary of proposals for the same Cabinet discussion (Flag C).

On Parliament Legislation

The Home Secretary wants to take your mind on the political significance of some of the unresolved issues over next year's legislation. I believe that he will have in mind in particular possible Bills on local government finance and trade union law. As paragraph 7 of Flag B shows, QL was seriously divided on these.

He may also want to raise two other Bills where programme management issues arise. The first is Mr. Howell's proposed Gas Bill. QL has not recommended this for inclusion in the programme. In theory, there is a strong case for having it. In practice the Department have not performed too well in preparing legislation; they forecast that the Bill will only be ready for introduction in February, which on past form suggests that it will not in fact be available until Easter; and therefore the business managers have no enthusiasm for it. Similarly, QL has not recommended the inclusion of Mr. Heseltine's Bill on Public Bodies (Management). DOE legislation has caused plenty of problems already; the business managers accept the need for a housing bill, but see no reason for a second complex piece of DOE legislation, which would - on past form - fail to meet its introduction timetable.

MAP

6 May 1981

Prime Minister

Here is the Home Secretary's report of H discussion on Housing legislation. He will want to cover this when he discusses the legislative programme with you tomorrow. See X in particular

MAP 6/v

PRIME MINISTER

HOUSING LEGISLATION: DEREGULATION OF RENTS

You will have seen the paper circulated to the Home and Social Affairs Committee by the Secretaries of State for the Environment and Wales (H(81) 33) outlining their proposals for housing legislation next session. The purpose of this minute is to report how matters stand on the Bill, and in particular to invite your consideration, and that of other Cabinet colleagues, of the proposals in paragraphs 9 and 10 of the paper for some deregulation of rents.

We had a lengthy, but inevitably incomplete, discussion of the Secretaries of State's proposals at yesterday's meeting of H Committee. We all recognised the economic and political case for taking further steps, beyond those in the 1980 Housing Act, to extend the possibilities for home ownership and to revitalise the private rented sector. We recognised also that the Housing Bill - which QL Committee have recommended should have a place in next session's programme - is going to be a major and highly controversial piece of legislation. In addition to the series of measures discussed in H(81) 33 the Bill must include provisions for unified housing benefit. These are essential to achieve our targets of reducing civil service manpower, but may well be opposed by the local authorities, including some of our own supporters. Not all the proposals in H(81) 33 can find a place in the Bill, if only because instructions have to be available to Parliamentary Counsel in July if there is to be any prospect of introducing the Bill, as the Secretaries of State wish, early next session, and it became clear that some proposals raise difficult policy and legal issues which have little chance of being resolved in time.

Against that background, H Committee endorsed some of the proposals in H(81) 33 and asked for further work to be done on others. We agreed to resume discussion in a fortnight's time on the proposals about rent control. Here the arguments are essentially political. There are strong arguments, not least to encourage greater mobility of labour, for relaxing the stranglehold of rent control over private lettings. Given the political controversy surrounding the subject, especially in London, the Secretaries of State proposed that any change in the law should be applied initially only outside the metropolitan areas. New tenants would retain security of tenure, but their rents could be increased from the statutory "fair rent" to a rent assessed on an open market basis. Some members of the Committee strongly supported this proposal as a modest but realistic first step towards a new and better system. Others felt that the relatively small housing gains likely to result from such a change in the law, operating in areas where housing problems were least acute, did not outweigh the political disadvantages of opening up the whole subject to debate.

The Committee were agreed on the need to remove the barriers to resident landlords letting their own property, and endorsed in principle the proposals to that end in paragraph 11 of H(81) 33.

As indicated in paragraph 3, I have it in mind, subject to your views, that H Committee should resume their discussion of the proposals on a partial relaxation of rent control in a fortnight's time.

I am sending copies of this minute to all our Cabinet colleagues, to the Attorney General, and the Solicitor General, the Chief Whip, Sir Robert Armstrong and Sir Henry Rowe.

5 May 1981

[Weekend]

Hearing

1.

10 DOWNING STREET

PRIME MINISTER

H Committee are to look at proposals for the Housing Bill next session.

Some of the attached proposals tidy up gaps in the Right to Buy legislation. But the suggestions on deregulation of rents will be controversial. There may be some resistance to inclusion of this in the Housing Bill, given that it will make its passage much more difficult. It seems likely that H will fail to reach agreement about what Mr. Heseltine should include in the Bill. They may have two goes at it, but the issue will probably not get finally resolved until Cabinet looks at the legislative programme.

Do you have any comments on the proposals outlined in the attached paper?

Spoke C.O. re MAP 5/5

MAP

30 April 1981

They will find deregln difficult because of rents in London. Intention not to use it in metropolitan areas will not prevent a fear campaign. It would be carried by PAIRT were not such a burden.

Housing

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

29 April 1981

The Rt. Hon. Michael Heseltine, MP.,
Secretary of State for the Environment

PRIVATE RENTED SECTOR

Thank you for your letter of 10 April concerning my proposal for a study of the private rented sector.

I appreciate your reasons for pressing ahead with your proposals for changes in landlord and tenant law; and in view of the situation I am quite content that officials should separately study the questions of tax relief and subsidies.

Because of developments in the corporation tax review, it would avoid duplication if the work were to be handled a little differently from the way you envisage. It is now proposed that the Inland Revenue will begin their study of capital allowances as soon as Finance Bill commitments have been met. The aim is to publish a Green Paper over the winter. This timetable should allow us to form a view on the principle of extending capital allowances to dwellings for private renting later this year. Inland Revenue officials will contact yours when the work gets under way.

The remaining item for consideration is a subsidy for private landlords. I understand that your officials have already sent details of your proposals to mine. Although decisions will inevitably be linked to those in the tax field, there would be advantage in officials considering the idea together as soon as possible. This should not require more than a meeting or two. The Treasury will be following up your Department's approach shortly.

I am sending copies of this letter to the Prime Minister, members of MISC 14, the Secretary of State for Employment, the Lord Chancellor, Sir Robert Armstrong and Robin Ibbs (CPRS).

GEOFFREY HOWE

Housing

DEPARTMENT OF THE ENVIRONMENT
2 MARSHAM STREET
LONDON SW1P 3EB
01-212 7601

MINISTER FOR HOUSING AND CONSTRUCTION

14 April 1981

Nick Huxtable Esq
PS/Chancellor of Duchy of Lancaster
68 Whitehall
London

c/c Press Office
Mr Pattison
MS

PA
MS

Dear Nick,

PROPOSED ORAL STATEMENT ON THE RIGHT TO BUY

You of course, saw a copy of the draft statement enclosed with David Edmonds' letter of 9 April. And as you know that statement which was to have been made yesterday by Mr Heseltine is now to be made tomorrow by Mr Stanley.

I attach a copy of the latest draft of the statement.

I am copying this to Mike Pattison (Number 10), John Craig (Welsh Office), Godfrey Robson (Scottish Office) and to the Chief Press Secretary at Number 10.

Yours sincerely,

Robin Young

R U YOUNG
Private Secretary

C O N F I D E N T I A L

DRAFT

Right to Buy

1. With permission, Mr Speaker, I wish to make a statement concerning intervention under the right to buy provisions of the Housing Act 1980.

2. On 21 February last year during the Standing Committee proceedings on the Housing Bill I gave an assurance that the Government would take the necessary administrative steps to indicate to a local authority when we were contemplating serving a notice of intervention under what is now Section 23 of the Act. That Section gives the Secretary of State power to intervene where it appears to him that tenants have or may have difficulty in exercising the right to buy effectively and expeditiously.

3. The right to buy provisions of the Housing Act commenced on 3 October last year. They have therefore now been in force for more than 6 months. That is an appreciable period in which progress in implementing the right to buy can be demonstrated, or not.

4. It is quite evident that in certain authorities there has been very little progress. On 4 March and 1 April I named in the House, 27 authorities with which we had taken up formally their progress in implementing the right to buy. We have since obtained further information from them all.

We are not satisfied with many of the replies we have received, and further evidence of progress is being sought from these and other authorities. However in the case of 7 authorities, it appears already that the rate of progress is so unsatisfactory that intervention under Section 23 would be justified.

6. In accordance with the assurance I gave during the passage of the Bill, letters are therefore being sent today to the 7 authorities concerned stating that the Secretary of State is contemplating serving a notice of intervention on them.

7. The letters ask the authorities to provide by Wednesday 13 May further information on their current and estimated future progress with implementing the right to buy.

8. If at that point, it appears that the tenants of any of these authorities have or may have difficulty in exercising the right to buy effectively and expeditiously a notice of intervention will be served under Section 23 of the Act.

9. The authorities concerned are as follows: Barking and Dagenham; Camden; Greenwich; Newham; Sheffield; Stoke on Trent; and Wolverhampton.

10. The rights of council tenants to buy their homes are legal rights granted by Parliament. The Government will take what steps are necessary to see that those legal rights are upheld.

Housing

PRIVY COUNCIL OFFICE
WHITEHALL LONDON SW1A 2AT

Chancellor of the Duchy of Lancaster

14 April 1981

VMS

Dear Robin

will request if required

Thank you for your letter of 13 April to David Heyhoe, giving notice of an arranged Written Statement which your Minister intends to make tomorrow.

The Chancellor of the Duchy has seen your letter and has no objection to Mr Stanley proceeding as proposed.

I am copying this letter to the recipients of yours.

Yours sincerely

N P M HUXTABLE
Private Secretary

R U Young, Esq
Private Secretary to the
Minister for Housing and Construction
2 Marsham Street
LONDON

Right to buy

Copy to D. Heyhoe.

Council Housing.

2.

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Prime Minister

MAP 10/4

The Rt Hon Michael Heseltine MP
Department of the Environment
2 Marsham Street
London
SW1P 3EB

10 April 1981

Thank you for copying to me your letter of 31 March to Michael Havers about action to secure the implementation of the right to buy.

Although your proposals relate to a different mechanism for enforcement from that which underpins the Tenants' Rights Act in Scotland, the firm line which you propose to take is consistent with that which I am adopting towards Scottish local authorities. You will be aware that the only authority in Scotland overtly resisting implementation, Dundee District Council, has now given way, following default proceedings, and I am turning my attention to authorities which are adopting delaying tactics. I am currently considering whether to use my default powers against one authority which stands out as being particularly blatant in causing deliberate delay, Stirling District Council. If I decide to do so I would be announcing the first step, the holding of a public inquiry, in the next week or two and the inquiry would take place in the latter half of May.

This letter is copied to recipients of yours.

GEORGE YOUNGER

Housing.

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

1. Nots

2. Prime Minister
Here is a preliminary draft of Mr Heseltine's 'Right to buy' statement which is now set for Monday. 9/4

9 April 1981

Dear Mike

PROPOSED ORAL STATEMENT ON THE RIGHT TO BUY

As you know, my Secretary of State has been considering an oral statement on the action to be taken with respect to those authorities which are deliberately not implementing the right to buy provisions of the Housing Act.

He has discussed timing with the Chancellor of the Duchy with a view to making the statement before the Easter Recess. We are now proposing that the statement should be made on Monday, 13 April. I attach a copy of the latest draft: it will be shortened.

I am copying this to Nick Huxtable (Chancellor of the Duchy's office), John Craig (Welsh office), Godfray Robson (Scottish office) and the Chief Press Secretary at No 10.

Yours ever

Dave Edmonds

D A EDMONDS
Private Secretary

Mike Pattison Esq - No 10

CONFIDENTIAL

RIGHT TO BUY INTERVENTION

DRAFT ORAL STATEMENT

1. With permission, Mr Speaker, I shall make a statement on the progress of certain local authorities with implementing the right for public sector tenants to buy their homes.

2. The Bill which became the Housing Act 1980 was published on [ ] 1979. It received the Royal Assent [ ] months later on 8 August 1980. The provisions on the right for public sector tenants to buy their homes commenced some two months after that on 3 October last year. Their general outline and much of the detail remained as they had been when the Bill was introduced. Local authorities had therefore had ample time to study the proposals and to make the necessary preparations to implement them.

3. The right to buy has now been in force for more than six months. Local authorities have therefore had an appreciable period in which to demonstrate whether their tenants have or may have difficulty in exercising the right to buy effectively and expeditiously.

4. [Good progress is being made in many authorities but] it is becoming increasingly clear that in certain authorities tenants are seeing very little progress with their applications - even with the early stages of issuing the form RTB2 and the making of valuations. On 4 March and 1 April, my hon Friend, the Minister of State for Housing and Construction, named 27 authorities which we had approached formally about their apparent lack of progress in implementing the right to buy. Since then, we have sought further, up-to-date information on the position from these authorities. I have also been taking a close interest in progress in a number of other places.

5. From that information, and from representations made to me by tenants or on their behalf, it appears to me that tenants in a number of authorities have or may have difficulty in exercising the right to buy effectively and expeditiously. The authorities are the following: [

]

6. The other authorities included among the 27 named earlier should not interpret their omission from the list I have just given as implying necessarily that I am satisfied with the progress which they are making. The same may be true of other authorities not so far included among the 27. But I believe that I would be failing in my responsibilities under the Act if I did not now act in respect of the [no.] authorities which I have just named.

7. During the passage of the Bill, we undertook to give administrative warning to authorities where we were considering intervening under Section 23. Letters are today being sent to [rename authorities] to give them this warning. The letters ask the authorities to provide by [Wednesday, 13 May] further information on progress with implementing the right to buy. I shall consider carefully what the authorities say to me in reply. But if it then still appears to me that their tenants have or may have difficulty in exercising the right to buy effectively and expeditiously (bearing in mind the time which will have elapsed since they claimed the right to buy), I shall serve notices of intervention under S.23 of the Act, and forthwith take over the task of completing the sales [and dealing with new applications.]

8. If it does become necessary to use my intervention powers under Section 23 of the Act I shall do so with regret. The responsibility to sell council houses to tenants who have submitted a valid notice clearly rests with the local authority and I look to authorities to comply with that responsibility as, indeed, most of them are. But I have to consider, too, the legal rights given by this House to the individual. We should not allow the rights of the individual to be frustrated or realised only after long delay. That will be my paramount consideration.

WYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switsfwrdd)
01-233 6106 (Llinell Union)
Oddi wrth Ysgrifennydd Gwladol Cymru

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switchboard)
01-233 6106 (Direct Line)
From The Secretary of State for Wales

Housing Pt 2

The Rt Hon Nicholas Edwards MP

CONFIDENTIAL

7 April 1981

NJS MS
To see X

Dear Michael

T-PM MAP

Thank you for copying to me your letter of 31 March to Michael Havers about the Right to Buy provisions in the Housing Act 1980.

So far as Wales is concerned, we are closely watching three local authorities: Newport - a special case - where the Council have resolved not to sell 'prefabs' and ground floor flats but are otherwise selling well; and Cardiff and Wrexham Maelor who appear to be processing sales less than expeditiously but are not overtly refusing to obey the law. Officials have written to all three authorities in the last days of March, and in our circumstances I would not wish to give final public warnings before the authorities concerned have had a reasonable time to react to our letters.

X There may well be pressure in the House for some announcement of the position in Wales. At the moment I am inclined to think that I should answer a written PQ on the same day as you make your statement, in which I would make it clear that I do not intend to issue final warnings at this stage. If you are asked about the position in Wales you could then refer to my answer. I would ask, however, that you make arrangements to keep closely in touch with us about the timing and what you intend to say.

/ I am copying this letter to the Prime Minister, Michael Havers and the other recipients of yours.

Yours ever

Nicholas

The Rt Hon Michael Heseltine MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
LONDON

CONFIDENTIAL

ROYAL COURTS OF JUSTICE
LONDON, WC2A 2LL

2 April 1981

01-405 7641 Extn

The Rt. Hon. Michael Heseltine, MP
Department of the Environment,
2 Marsham Street, SW1P 3EB

Dear Secretary of State

HOUSING ACT 1980 - RIGHT TO BUY

Thank you for your letter of 31 March. I am most grateful to you (and to John Stanley who wrote to me earlier) for keeping me in touch with developments.

It seems clear from what you say, that the circumstances which would justify your intervention under section 23 are present in the case of the ten local authorities you mention in your letter. I am sure that the course you suggest for dealing with them is a wise one and that firm steps will have to be taken in the near future.

I note that, before taking action under section 23, you will need further legal advice. Since you are concerned with the detailed aspects of intervention, no doubt as regards particular authorities, I think it will be best if you go direct to Treasury Counsel who has already considered the use of section 23 in this context. Naturally I shall be ready to help if he or your lawyers ask for it, but I think this can be left to their judgement.

I should be interested to know which firms of solicitors would undertake the conveyancing, and how they would propose to calculate their fees in these exceptionally novel circumstances. I shall be grateful if you will arrange for your Department to let me have some information on this. While, as you know, costs are recoverable from the authorities under sections 23(9) and (10), the initial expenditure of HMG could be substantial and recovery may prove difficult in some cases.

This letter is copied to the recipients of yours.

Yours sincerely

John R Mallinson

(Approved by the Attorney General and signed in his absence)

Housing

2 MARSHAM STREET
LONDON SW1P 3EB

My ref: PA

Your ref: MS

31 March 1981

Dear Nick

I attach a copy of the final version of my Secretary of State's statement to be made this afternoon on the transfer of GLC housing. I am sending a copy of this to Nick Sanders, No 10, the Chief Press Secretary, No 10, and 6 copies to Murdo MacClean, Chief Whip's Office.

Yours ever

Dick

D A EDMONDS
Private Secretary

Nick Huxtable Esq
PS/Leader of the House of Commons

STATEMENT - 31 MARCH 1981

TRANSFER OF GLC HOUSING

Mr Michael Heseltine

With permission, Mr Speaker, I shall make a statement about the transfer of GLC housing to certain London Boroughs.

In May 1980 the Greater London Council requested me to make an Order under Section 23(3) of the London Government Act 1963 transferring the Council's housing stock in the London Boroughs of Brent, Camden, Hackney, Haringey, Hounslow, Lambeth, Lewisham and Waltham Forest to the Borough Councils. These Boroughs were unwilling to accept the transfer of the stock. In these circumstances the Act required me to consult the Boroughs before reaching a decision.

There have been intensive consultations. I am now satisfied that it is right for the housing to be managed at Borough level. I also believe that terms can be determined which will not only enable the stock to be assimilated smoothly but will also lead to more effective housing management in London. My Department is today conveying this decision to the Borough Councils.

I shall be making an Order transferring the stock to the Borough Councils on 1 April 1982, and intend to lay it before Parliament in the near future. A copy of the decision letter has been placed in the Library together with a draft of the proposed Order. The Order will take into account the Boroughs' views on the GLC's proposals, and in particular will impose an obligation on the GLC to bring the property up to an acceptable standard over 10 years.

The needs for housing mobility in London have changed considerably. The GLC's own mobility scheme for the transferred stock, together with the Inter-Borough Nomination Scheme, which is now to be part of the National Mobility Scheme, provides an adequate framework for meeting these needs, without the necessity to retain the GLC as a housing management authority. These transfers, together with those taking place by agreement, will largely fulfil the recommendations of the Herbert Commission in 1960 that, to the fullest possible extent, Council housing in London should be owned and managed locally by the Borough Councils.

cc Housing Policy

10 DOWNING STREET

PRIME MINISTER

In the attached letter, Mr. Heseltine consults the Attorney about the next steps under the Right to Buy provisions of the Housing Act in relation to obstructive authorities.

Mr. Heseltine expects to send warning letters to certain authorities the week after next. He therefore proposes to make an oral statement that week. He warns that the legal procedure for enabling tenants to exercise their Right to Buy over the heads of reluctant authorities are formidable. But he argues that the Government must, if necessary, set it in motion.

Final decisions will not be taken until the Attorney has advised. You will see a draft oral statement nearer the time.

Content in principle for Mr. Heseltine to proceed as proposed?

Yes MT MT

31 March 1981

cc: Mr. Sanders

pa MT

CONFIDENTIAL

Housing

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

31 March 1981

Dear Mike

I have been watching closely how local authorities are responding to applications from their tenants to buy their houses under the Right to Buy provisions of the Housing Act 1980. We have been collecting some information centrally and also had some supplied to us spontaneously. It is crystal clear that council tenants who wish to buy, as well as our supporters on Councils and in constituency associations, are increasingly becoming very concerned and angry about the lack of progress being made by a limited, though still appreciable, number of authorities. I have concluded that the time has now come when I must consider further and more serious steps to ensure that tenants in those authorities are able to exercise their rights.

As you know, section 23 of the Act provides that where it appears to me that a tenant or tenants of a particular landlord have or may have difficulty in exercising the right to buy effectively and expeditiously, I may intervene and do what is necessary or expedient to enable those tenants to exercise their right to buy. The statutory procedure entails giving notice under section 23(1) that I am intervening and that notice is deemed to have been given 72 hours after it has been sent. When the Bill was being debated, however, we gave undertakings to both Houses that we would give warning by administrative means to authorities of our intention to issue such a notice.

From my analysis of the present situation, I conclude that it will be necessary to send such warning letters to a small number of authorities and intend to do so in the week beginning 13 April. On sending these letters, I propose that I should make an oral statement to the House and I shall be consulting Francis Pym separately about the detailed arrangements for such a statement. It would name the local authorities to whom warning letters were being sent and say that I was contemplating issuing a formal notice under section 23(1) in the near future unless they demonstrated to me that the tenants in the authorities concerned would obtain the ownership of their homes, in the wording of the Act, "effectively and expeditiously." I would not specify what I had in mind by the near future but I consider that I ought to be prepared to act if I were not satisfied with the position at the end of 4 weeks.

I would, of course be very happy if warning letters resulted in very much better progress. But, if they do not, formal intervention becomes inevitable. We cannot for practical reasons proceed on too broad a front initially. I am seeking up-to-date information on which to make a final choice of the authorities which would be sent such letters: it is possible that some of those which now seem the most likely candidates may have improved their performance

significantly by the week beginning 6 April. I envisage, however, that I would refer to 2 groups. The first would include those authorities where, nearly 6 months after the right to buy was introduced, only a handful of notices admitting the right to buy have been issued even though the Act prescribes a statutory period of 4 or 8 weeks within which this simple step must be undertaken. This group are bound to be the most likely places where we may need to intervene in the first instance. On present evidence the 3 front runners in this group are Camden, Greenwich and Lambeth. There would, however, be a second group where, though notices admitting the right to buy have been issued within the timetable laid down, little or no progress is being made within valuations prior to the issuing of a notice as required by section 10 of the Act. That notice gives the tenant information on the purchase prices and the right to a mortgage. The likely candidates for the receipt of an administrative warning because of lack of progress in moving towards this stage are Barking, Newham, Manchester, Sheffield, Wolverhampton, Stoke and Bristol.

If I intervene under the Act it is essential that my action should be secure from challenge in the courts. Before making the statement which I have in mind, we need to satisfy ourselves on a number of detailed legal aspects of intervention and officials will be putting these matters to you or to Treasury Counsel as appropriate in the next few days.

If I do decide that intervention is necessary, I propose that the detailed work to complete purchases by tenants shall be undertaken to the greatest extent possible by firms of private solicitors in the areas concerned. We must therefore be satisfied that the necessary resources have been marshalled to undertake intervention in an effective manner. Officials have already had discussions with firms of solicitors in London and though a number of details are still to be settled, the required capacity seems likely to be available to deal with the most serious haggards. By the end of next week we hope to have made satisfactory arrangements too in the provincial cities where it might be necessary to intervene.

I must make it clear to colleagues that the task of transferring satisfactory title to tenants under the statutory terms laid down in the Housing Act when faced with perhaps total non-co-operation by the authorities concerned is extremely formidable. Our consultations with leading solicitors indicate that at least in the great majority of cases, it can be done with difficulty and with the necessary time. I believe however it is imperative that the Government does, if necessary get firmly down this difficult road, and does not break faith with the thousands of tenants who voted for the right to buy and expect us to deliver it.

I am sending copies of this letter to the Prime Minister, Francis Pym, Michael Jopling, George Younger, and Nicholas Edwards.

Yours ever

MICHAEL HESELTINE

Rt Hon Sir Michael Havers QC MP
Attorney General

RESTRICTED

cc Press
Mr Howe
Mr Gow

Housing

1.

2 MARSHAM STREET
LONDON SW1P 3EB

✓MS

Prime Minister
More controversial business on Housing. Content for Mr Heseltine to make the attached oral statement, probably on Wednesday?
Yes MT
27/3

My ref:

Your ref:

27th March 1981

Dear Chancellor of the Duchy of Lancaster,

TRANSFER OF GLC HOUSING

I am sorry to come to you at short notice about the possibility of an oral statement. The reasons for, and background to, a statement are set out below; the reason for the short notice is that we have been engaged in a difficult and controversial negotiation which has only come to fruition in the last day or so.

As you know, it is this Government's policy, and that of the present Greater London Council, effectively to remove the GLC's function as a housing authority. Our aim has been to achieve this objective within the lifetime of the present Council: ie before the GLC elections on 7 May. Considerable progress has been made. Orders have already been made or agreed (under Section 23 of the London Government Act 1963) transferring some 163,000 dwellings - about three-quarters of the GLC's former stock - from the GLC to 49 London Boroughs and District Councils. There have been two transfers by agreement since the election. No special announcements were made to the House of Commons.

Most of the rump of the stock consists of some 54,000 dwellings in 8 Labour-controlled Boroughs (Brent, Camden, Hackney, Haringey, Hounslow, Lambeth, Lewisham, and Waltham Forest) which have been resisting transfers. At the request of the GLC, I have been considering whether to transfer the property compulsorily to these Boroughs by negative resolution order under the 1963 Act. This is the first time that there will have been a compulsory transfer.

However, as a result of the negotiations - officials here have discussed in detail with the Boroughs, I have discussed with Horace Cutler, and Geoffrey Finsberg has discussed with George Tremlett - we are reasonably confident that the terms contained in the order I would lay are sufficiently generous to persuade the Boroughs to acquiesce without litigation - which is an option open to them. The order would be made now - ie before the GLC election - and would be effective on 1 April 1982.

Nevertheless we still need a compulsory order. There is no prospect of an agreed order. The order needs to be made on or about 2 April, and laid before Parliament on or about 9 April. If there was then a prayer against the order, and if you were able to find time, there could therefore be a debate before the Easter Recess.

It is my judgement that the order will be contentious, although the subject is of interest only to part of London, in that the Opposition will seek to make political capital; and although the Boroughs may be satisfied with the terms, they will not make our path easier. It is for this reason that I believe I should make an oral statement not later than Wednesday, 1 April, when I next have First Order Questions. Otherwise we could face another contrived Opposition row over procedure.

I hope that you can live with an oral statement on this timetable.

I am copying this to the Prime Minister, and to Michael Jopling.

Yours sincerely

DH Hills

for MICHAEL HESELTINE
(approved by the Secretary of State and signed in his absence)

STATEMENT

Proposed Transfer of GLC Housing

Following the intensive consultation which has taken place on the draft Order which was circulated by my Department on 9 February, I am satisfied that terms have now been achieved which will not only enable the stock to be assimilated smoothly but also lead to more effective housing management in London. I shall therefore shortly be making an Order transferring the stock to the Borough Councils on 1 April 1982, and intend to lay it before Parliament in the near future. My Department has conveyed this decision to the Councils. The Order takes into account their views on the Greater London Council's proposals, and in particular will impose an obligation on the GLC to bring the property up to an acceptable standard over 10 years.

The needs for housing mobility in London have changed considerably since Professor Cullingworth reported in 1970, and the GLC's own mobility scheme for the transferred stock together with the Inter-Borough Nomination Scheme now provides an adqeuate framework for meeting these needs, without the necessity to retain the GLC as a housing management authority. These transfers, together with those taking place by agreement, will largely fulfil the recommendations of the Herbert Commission in 1960 that, to the fullest possible extent, council housing in London should be owned and managed locally by the Borough Councils.

DEPARTMENT OF THE ENVIRONMENT
2 MARSHAM STREET
LONDON SW1P 3EB
01-212 7601

MINISTER FOR HOUSING AND CONSTRUCTION

PA (CF)

12 March 1981

MS

Questions are aware

N Sanders Esq
Private Secretary
Prime Minister
No 10
Downing Street
London

Dear Nick,

In case it comes up at Questions today Mr Stanley has asked me to draw your attention to the attached Guardian article alleging that shorthold is a flop.

I also attach the Answer which was the basis for Mr Kaufman's remarks.

If this is raised Mr Stanley would suggest that the 2 key points for the Prime Minister to make in reply would be:

1. The figures do not represent the number of shorthold lettings taking place (for the reasons set out in Column 230).

2. The number of shortholds would be significantly higher were it not for the Labour Party's deliberate attempt to sabotage shorthold by threatening to repeal it (a threat repeated again by Mr Kaufman, according to the Guardian article).

Yours sincerely,

Robin Young.

R U YOUNG
Private Secretary

11 MAR 1981
GUARDIAN

Labour claims that Heseltine shorthold scheme has flopped

By John Carvel,
Planning Correspondent

8

The Government has been able to identify only 320 cases in England where landlords have taken advantage of the new shorthold arrangements to let property with a guaranteed right of repossession.

Figures revealed in a parliamentary answer by the Environment Secretary, Mr Michael Heseltine, show only 19 of these new tenancies in Greater London, five in Greater Manchester, and one in Merseyside. The county with the highest number was Kent, which has 25.

Mr Gerald Kaufman, the Shadow Environment Secretary, said yesterday: "The Government has been compelled to confess that its new shorthold tenancies are a tremendous flop." Ministers believe, however, that it is too early to make a fair assessment and say that the figures understate the response.

Mr Kaufman said in Southampton: "These new private landlord tenancies in which the tenant has no security of tenure and can be evicted at three months' notice after only nine months of tenure were launched with a vainglorious fanfare at the end of November 1980.

"This new form of tenure is an abject failure, but its continued existence on the statute book remains a threat to potential tenants. I therefore repeat, so that there can be no doubt, that the next Labour government will repeal shorthold tenancies and give full Rent Act protection to shorthold tenants and shorthold successor tenants."

Shorthold gives landlords the right to let for between one and five years with a guaranteed right of repossession, subject to certain safeguards. This form of tenure was created by the Housing Act 1980 and has been available for lettings since November 28. It was designed to revive the private rented sector where landlords were thought to be discouraged from letting property with full tenant security.

In his Commons statement Mr Heseltine said that figures for the new shorthold tenancies will tend to understate the true position. Rent officers are asking applicants for rent registration a voluntary question about whether the letting is to be shorthold. They do not learn about shorthold lettings where a fair rent has already been registered and may not need to be re-registered for up to three years. Fair rent applications also do not need to be made for 28 days after the tenancy starts. That said, the figures are low.

The figures show that from November 28 to February 13 there were no shorthold lettings in 19 of the 33 London boroughs, including the City of London, Camden, Hammersmith, Islington, and Kensington and Chelsea. Among the metropolitan counties there were 11 shorthold lettings in South Yorkshire, five in Tyne and Wear, 13 in West Yorkshire, and eight in the West Midlands.

However, assistance will not generally be made available where the former croft house has been detached from the croft so that it might be sold, where the crofter is already adequately housed within 16 kilometres of the croft, or where a crofter has acquired the ownership of a croft and as landlord has arranged to let part of the croft (exclusive of the croft house) to a member of his family on crofting tenure.

TRANSPORT

Vehicle Excise Duty

Mr. Arthur Lewis asked the Secretary of State for Transport whether, in order to reduce evasion of the road fund tax, he will consider the use of wheel clamps on vehicles parked without a current road fund licence and the release of such vehicles only on payment of the licence and any arrears.

Mr. Kenneth Clarke: Ministers are considering proposals put forward by the Metropolitan Police for the use of immobilisation devices. This is being put to us primarily as a possible means of dealing with parking offences rather than other offences such as failure to display an excise licence.

ENVIRONMENT

Palace of Westminster

Mr. Greville Janner asked the Secretary of State for the Environment what potentially dangerous coping stones and string courses were removed from the Palace of Westminster during the last summer recess; and at what cost.

Mr. Geoffrey Finsberg: Sections of potentially dangerous stonework were removed from Speaker's Court, Commons Inner Court, Peers' Inner Court and Peers' Court. The final cost is likely to be about £10,000.

Mr. Greville Janner asked the Secretary of State for the Environment how much he estimates that it would now cost to clean, renovate and render safe the fabric of the Palace of Westminster; and how much he estimates that it would be likely to cost to carry out the same work in three, five and 10 years time, respectively.

Mr. Geoffrey Finsberg: The current estimated cost of a major stone-cleaning and restoration programme is approximately £5½ million. The future cost would depend on changes in price levels over the periods of time selected.

National Trust Properties

Mr. Faulds asked the Secretary of State for the Environment whether he will propose an amendment to the National Trust Act to allow some flexibility in the treatment of inalienable estates to enable more economic and efficient management of some National Trust properties.

Mr. Monro: The National Trust Acts are private legislation promoted by the Trust. Any proposal for change should come, in the first instance, from the Trust.

Disabled Persons

Mr. Alfred Morris asked the Secretary of State for the Environment what recent representations his Department has received about improving access for disabled people to the built environment; what action he is taking; and if he will make a statement.

Mr. Heseltine: A number of private individuals and organisations representing the interests of disabled people have written to me stressing the importance of adequate access to buildings. I am examining the effectiveness of the access provisions of the Chronically Sick and Disabled Persons Act 1970. Meanwhile, I commend the British Standard code of practice for access for the disabled to buildings (BS 5810: 1979) to developers and designers of buildings.

Prison Construction (Woolwich)

Mr. Cartwright asked the Secretary of State for the Environment when he expects work to start of the feasibility study to be carried out by the Property Services Agency on the possible construction of a new prison at Woolwich Arsenal; and when he anticipates receiving the results of the study.

Mr. Finsberg: An initial study has started; I would expect to receive preliminary results later this year. If the site proves suitable, a full feasibility study is unlikely to be completed before mid-1982 at the earliest.

Mr. Cartwright asked the Secretary of State for the Environment what he would accept as a reasonable cost for construction of a new prison at Woolwich Arsenal.

Mt. Finsberg: It is too early to say; the requirements and the siting have yet to be clearly identified.

Shorthold

Mr. Kaufman asked the Secretary of State for the Environment how many rents for each rent officer area in England have so far been registered for shorthold tenancies.

Mr. Heseltine: In order to get some indication of the geographical incidence of shortholds, rent officers are asking applicants for rent registration a voluntary question as to whether their letting is a shorthold. Up to 13 February, the number of rent registrations where applicants had indicated that their letting was a shorthold is set out in the table below.

Number of Fair Rents registered for Shorthold Tenancies

London	
Barking	—
Barnet	3
Bexley	1
Brent	—
Bromley	—
City of London	—
Camden	—
Croydon	1
Ealing	2
Enfield	—
Greenwich	—
Hackney	—
Hammersmith	—
Haringey	2
Harrow	1
Havering	—
Hillingdon	—
Hounslow	2

Islington	—
Kensington and Chelsea	—
Kingston upon Thames	—
Lambeth	—
Lewishan	—
Merton	1
Newham	1
Redbridge	1
Richmond upon Thames	1
Southwark	—
Sutton	—
Tower Hamlets	—
Waltham Forest	1
Wandsworth	1
Westminster	1
London subtotal	19
Rest of England	
Avon	7
Bedfordshire	—
Berkshire	4
Buckinghamshire	4
Cambridgeshire	6
Cheshire	2
Cleveland	3
Cornwall	16
Cumbria	10
Derbyshire	9
Devon	24
Dorset	8
Durham	2
East Sussex	10
Essex	16
Gloucestershire	7
Greater Manchester	5
Hampshire	8
Hereford and Worcester	3
Hertfordshire	1
Humberside	4
Isle of Wight	3
Kent	25
Lancashire	9
Leicestershire	1
Lincolnshire	1
Merseyside	1
Norfolk	17
Northumberland	5
Northamptonshire	1
North Yorkshire	16
Nottinghamshire	2
Oxfordshire	4
Shropshire	4
Somerset	12
South Yorkshire	11
Staffordshire	—
Suffolk	3
Surrey	3
Tyne and Wear	5
Warwickshire	2
West Midlands	8
West Sussex	2
West Yorkshire	13
Wiltshire	3
Rest of England subtotal	301
England total	320

It should be emphasised, however, that the figures do not represent the number of shorthold lettings taking place for the following reasons: first, because this is a voluntary question; second, because shorthold lettings where a fair rent has already been registered cannot be indentified until the rent is re-registered which may not be for up to three years; and third, because an application for a fair rent need not be made until 28 days after the start of the tenancy in cases where no fair rent is registered, and some applications already made by 13 February would still be being processed.

It is the Government's view that the number would be significantly higher were it not for the Labour Party's deliberate attempt to sabotage shorthold, thus denying housing to people in need.

Local Authority Manpower

Mr. Ralph Howell asked the Secretary of State for the Environment if he will publish a table showing how many people were made redundant, excluding education and health employees, by the local authorities in England in 1979 and 1980, the total cost of redundancy payments and the minimum, maximum and average payments made in each case.

Mr. King: This information is not collected centrally.

Mary Rose Trust

Mr. Cormack asked the Secretary of State for the Environment whether he will make arrangements for an exhibition depicting the work of the Mary Rose Trust to be held in the Upper Waiting Hall.

Mr. Geoffrey Finsberg: Arrangements have been made with the authorities of the House for an exhibition to be held in the Upper Waiting Hall from Monday 9 March to Friday 20 March.

Housing

2 MARSHAM STREET
LONDON SW1P 3EB

My ref: H/PSO/11280/81

Your ref:

- 3 MAR 81

Dear Geoffrey

In your letter to Keith Joseph of 10 February about private housebuilding you touched on the question of releasing public sector land, remarking that the procedure seemed to be "subject to a number of bureaucratic stages".

I think you may have misunderstood the reference in my letter of 27 January to land registers. So far as I am aware there are no bureaucratic procedures holding up the disposal of a public body's land once it has decided to put it on the market. (My letter mentioned that we had stopped the practice of offering surplus Crown and nationalised industry land to local authorities: this did indeed cause delay.) Land registers on the other hand are an accounting instrument for inducing reluctant local authorities, nationalised industries and statutory undertakers to dispose of underused land which they show no sign of releasing voluntarily, and I have power to direct the disposal of land on the registers by auction, tender or other means. The provisions are as simple and flexible as they could be, given the element of coercion. I do not see how the Government could proceed less formally while seeking to bring about the sale of land which it does not own.

For the disposal of surplus Crown land the only remaining source of delay is the procedure for offering compulsorily acquired agricultural land back to the former owner before putting it on the open market. This is a question of equity, not of bureaucracy. In extending the established Crichel Down rules to cover non-agricultural land we propose to simplify the procedure to cut out the long delays which can arise from efforts to trace the former owner.

I very much welcome and endorse what you say about the significance of the housebuilding industry to the economy as a whole and the need to give continuous consideration to it. As I said to you in my letter of yesterday our 'share ownership of the shelf' scheme to which I was referring on page 3 provides a means of 'gearing' a given amount of public expenditure with an amount of private finance that will be 3 or 4 times greater. I hope that further consideration can be given to making increasing use of this scheme.

I am sending copies of this letter to the Prime Minister and Keith Joseph.

Yours ever

MICHAEL HESELTINE

The Rt Hon Sir Geoffrey Howe QC MP

T/L. to see Howard

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

10 February 1981

The Rt Hon Sir Keith Joseph Bt MP
Secretary of State for Industry
Ashdown House
123 Victoria Street
LONDON SW1E 6RB

Dear Keith

You wrote to me on 31 December enclosing a paper by David Young, which suggested some ways in which the Government could help any recovery in the private housebuilding industry. I have also seen Michael Heseltine's comments in his letter to ~~you~~ me of 27 January.

I appreciate the important role the housebuilding industry has to play. Not only can it open up additional markets for supplying industries, but it also provides one of the means for achieving the growth of owner-occupation to which we as a Government are committed.

David Young emphasises the role building societies have to play, as the main providers of mortgage finance, in encouraging owner-occupation. He also correctly points out that building societies will be under pressure in the coming months, both from the increase in the composite rate of tax due to be implemented in April and from the increased role National Savings is expected to play in the Government's financing plans. I had to accept with reluctance that the depressing effect on building society inflows was part of the price to be paid for the National Savings initiative. But I judged that this was more than outweighed by the benefit which industry (including the housebuilding industry) would receive from a substantial reduction in the public sector's need to raise finance in the markets for longer-term funds. So far, at any rate, inflows to the societies have held up surprisingly well, and inflows to national savings have been more at the expense of the banks.

David Young concludes that the Government should not put pressure on building societies to reduce mortgage rates before the societies themselves choose to do so. The Financial Secretary made it clear in his speech to the BSA

/that we would

that we would not normally want to intervene in societies' commercial decisions, with the important proviso that if societies' position in the financial system changed (for example, if they were to compete more aggressively for deposits than they have in the past) we would have to reconsider our position. I believe that there are anyway many internal pressures which will prevent societies from changing their behaviour quickly. The conflict of interests between existing mortgagors, investors, and those seeking a mortgage will still force the societies to reach difficult compromises on their interest rates. The Government did not intervene in any way in the BSA's decision on their recommended rates following the November reduction in MLR, but these factors were enough to persuade them to bring their rates down. I would hope that in future we could continue to rely on societies' taking their own decisions in this way, in the interests of all their members.

I have noted what David Young says about Development Land Tax, and will bear his comments in mind, along with those made by Michael Heseltine in later correspondence.

More generally, I am sure we need to give continuous consideration to the needs of the housebuilding industry. For my part, I am anxious that building societies should, consistently with their mutual status, continue their services to borrowers and investors alike.

I cannot keep wondering whether there may not be further scope for speeding up Michael Heseltine's programme for the release of public sector land, described in his letter of 27 January. The procedure seems to be subject to a number of separate bureaucratic stages. The rather depressing scene on the ground was well described by Anthony Steen in his speech in last Thursday's debate on economic and industrial policy.

I am sending copies of this letter to the Prime Minister and to Michael Heseltine.

GEOFFREY HOWE

R H

Housing

BF 12/2/81

MR INGHAM

John Stanley, the Minister for Housing is coming to No.10 on Friday, 13 February at 1700 hrs to show the Prime Minister the DOE film on housing. We will need to show this on your video. Can somebody in your office please be available to work it.

CAROLINE STEPHENS

6 February, 1981

Jan Hickel

Caroline

FEB 13 | FRI

1

Tomorrow,
N
MAP

10 DOWNING STREET

PRIME MINISTER

You asked to see the new DOE film about housing.

There is a cassette available, and we can borrow this for you. But John Stanley is very keen to come over to show it to you personally. Would you like him to do so, perhaps in the early evening some time in the next couple of weeks?

Yes please.

MAP

4 February 1981

BF 12/2 for meeting with Mr Stanley.

A SUMMARY OF HOUSING MEASURES SINCE MAY 1979

(Updated to January 1981)

This brief is designed to provide a summary of the key provisions of the Housing Act 1980 together with the main measures the Government has taken in the Housing field since May 1979.

THE GOVERNMENT'S LOW-COST HOME OWNERSHIP PROGRAMME

The 7 elements in this programme are:-

1. The sale of council houses and flats

Council tenants, new town tenants and the tenants of non-charitable housing associations have been given the right to buy their houses or flats, and the right to a local authority or Housing Corporation mortgage. If tenants are not able to buy outright, they will, on payment of £100, have the right to a two year option to buy at the original price.

If they are still unable to buy at the end of the two-year option period, local authorities, new towns and non-charitable housing associations will be able to sell them their house or flat on a shared-ownership (part-owning and part-renting) basis - again at the original price.

Local authorities have also been given a new general consent widening their powers to sell their houses and flats at their own discretion and with discounts.

Since the Government was elected 96,000 tenants in Great Britain had brought their homes up to 30 September 1980. In the 12 months up to that date the number of tenants who had bought their homes was the highest ever recorded in any one year period.

2. The sale of land for starter homes

Local authorities are being encouraged to release land for starter homes schemes, and thereby, via receipts from land sales, increase their 1981/82 Housing Investment Programme (HIP) allocations. In the Government's first year, 661 acres of housing land was sold to private housebuilders in England and Wales by the New Towns, and a further 43 acres by the Housing Corporation.

3. Building for sale

Partnership schemes between local authorities and private housebuilders are being encouraged to stimulate building for sale on local authorities' own land. 93 authorities in England have such schemes in hand.

4. Improvement for Sale

Under the 1980 Housing Act a Government grant is available to local authorities and housing associations who improve run-down dwellings for sale. The grant is paid on any difference of up to £5,000 per dwelling between the cost of providing the improved dwelling and its sale value after improvement.

5. Sale of unimproved homes (Homesteading)

The Secretary of State can now give an authority consent to waive the interest payments on the mortgages it grants for homesteading for up to 5 years.

6. Shared-ownership (part-owning and part-renting)

Local authorities, new towns and housing associations have been empowered to offer shared-ownership in addition to outright

ownership in all the circumstances where they may be selling a dwelling. A Shared Ownership Model Scheme has been issued.

7. Guarantees for Building Society mortgages

To help make Building Society mortgages widely available for low-cost dwellings, the 1980 Housing Act empowered local authorities and the Housing Corporation to guarantee Building Society mortgages. A model scheme will be introduced shortly.

OTHER MEASURES TO ASSIST HOME-OWNERSHIP

8. The threshold for stamp duty has been raised from £15,000 to £20,000, and the ceiling for local authority mortgage advances has been raised to £25,000.

9. Payments under the Homeloan scheme are now being made. Prospective purchasers, who have saved under the scheme for at least two years and who buy a house within the regional price limits set by the Government, qualify for a loan of £600, free of repayments of interest and capital for up to five years, and a tax free cash bonus of up to £110.

10. The Housing Act has made it easier for housebuyers to switch between option mortgages and tax relief mortgages.

THE TENANTS' CHARTER

11. The Housing Act introduced the first statutory Charter of rights for tenants of local authorities, New Towns and housing associations covering the right to buy; security of tenure; the right of a widow, widower, or a resident member of the family to succeed to the tenancy; the right to take in lodgers and sublet;

the right to improve; the right to information about tenants' rights and obligations; and the right to be consulted about matters affecting the tenancy.

SHORTHOLD

12. Shorthold gives landlords the right to let for between 1-5 years with a guaranteed right of repossession, subject to certain safeguards for tenants, including fair rents during the period of the tenancy.

OTHER RENT ACT CHANGES

13. In the Housing Act the Government has:-

a. ended the system of controlled tenancies under which rents were pegged at 1956 levels;

b. cut the period between reviews of fair rents to 2 years;

c. accelerated rent registration procedures;

d. extended the rights of temporarily absent owner occupiers, servicemen and the owners of retirement homes to regain possession of their homes;

e. created "assured tenancies" under which landlords approved by the Secretary of State can build for rent at freely negotiated (ie market) rents;

f. made it easier for owner occupiers who sublet part of their homes to regain possession.

SERVICE CHARGES

14. In the Housing Act the Government has given tenants and long leaseholders of flats who pay service charges improved rights including rights to obtain summaries of costs; to inspect the landlord's accounts; and to be consulted on major works, with a financial sanction against a landlord who fails to consult.

LEASEHOLD REFORM

15. The Government has amended the Leasehold Reform Act 1967 to help long leaseholders of houses by creating local leasehold valuation tribunals to settle valuation disputes quickly and inexpensively; and by reducing the residence requirement from 5 years to 3.

IMPROVEMENT AND REPAIR

16. The main changes in the home improvement grant system are as follows:-

- repair grants are now available for pre-1919 properties generally;
- a grant no longer has to be repaid if an owner-occupier moves within 5 years, provided the sale is to another owner-occupier; and
- to help the less well-off, people can now improve in stages if they wish;
- grants of up to 75% are now available in Housing Action Areas and for substandard houses elsewhere;
- grants in General Improvement Areas are now up to 65%;
- grant rates can be increased by 15% when the applicant is in hardship;

HOME INSULATION

17. A new 90% rate of grant under the Homes Insulation Scheme applies to elderly people on low incomes up to a maximum grant of £90. For other claimants, the maximum grant was increased to £65.

RENT REBATES AND RENT ALLOWANCES

18. The Housing Act has extended rent rebates and allowances to many groups previously ineligible including tenants of co-operative housing associations and hostel dwellers.

19. The Government has raised substantially the ceiling for the weekly rent rebate or rent allowance payment from £10 (£13 in Greater London) to the present £23 (£25 in Greater London).

HOUSING ASSOCIATIONS

20. The allocation of public funds to the Housing Corporation for distribution to housing associations for 1981/82 is £491 m; which maintains the level of the present year's allocation in real terms.

21. Housing associations are now able to make a major contribution to low-cost home-ownership by carrying out improvement for sale schemes or building for shared ownership.

HOSTELS

22. The Housing Act 1980 contains the first extensive reform of hostels legislation for many years, and includes provision for a special grant of up to £6,750 (£9,000 in Greater London) for fire escapes for hostels; a grant of up to £2,500 (£3,500 in Greater London) for associated repairs; and strengthens the ability of local authorities to deal with overcrowding.

In addition, a special allocation of £12 m has been made to the Housing Corporation for providing hostels in 1981/82.

THE ELDERLY

23. The elderly will benefit especially from the more flexible system of home improvement grants, and will be helped by the increase in maximum rent rebates and allowances, and the new grant rate of 90% for the cost of loft insulation for elderly people on low incomes. In addition the option mortgage subsidy has been extended to provide additional income to elderly non-taxpaying owner occupiers who take out a loan on the security of their home to buy a life annuity.

THE DISABLED

24. The provisions to help the elderly will also benefit the disabled, but in addition local authorities now have a power to waive rateable value limits for improvement grants given to make a dwelling suitable for the disabled.

MOBILITY

25. The Housing Act will aid mobility by giving public sector tenants the right to buy their homes and helping first-time buyers; by the introduction of shorthold tenancies, and other steps to increase the amount of privately rented accommodation. In addition, special encouragement has been given to local authorities to let properties for up to one year to people moving into their area to take a job while they look for permanent accommodation; and they have been empowered to sell empty dwellings at discounts to job movers. Finally the local authority associations in concert with the Government have developed the first ever national mobility scheme, open to council tenants (and those high on waiting lists), and to tenants of new towns and housing

associations, who need to move for work or family reasons. It will come into operation on 1 April 1981. The Government will meet the costs of a new National Mobility Office through a grant for at least the first year.

REFORM OF LOCAL AUTHORITY HOUSING FINANCE AND HOUSING PROJECT CONTROL

26. The Government is introducing from 1 April 1981 major changes in local authority housing finance and in the Governments control of housing projects. Each authority will have a single ceiling for all its capital investment, and can use whatever proportion of its total allocation for housing purposes that it wishes. It will be able to use its capital receipts, whether housing or non-housing receipts, to add to its capital expenditure on housing. Mandatory minimum standards and cost ceilings for new housebuilding will be abolished. The new housing subsidy system will enable subsidy to be distributed more selectively in relation to housing need.

1980 HOUSING ACT BOOKLETS

27. A comprehensive set of booklets explaining the 1980 Housing Act is available from the Department of the Environment, local council offices, rent officers and housing aid centres.

HOME OWNERSHIP FILM

28. The Department has just released a film entitled "A First Home" showing a wide range of low-cost home-ownership schemes that have already been carried out. It is being made available to local authorities, the housebuilding industry and other interested organisations throughout the country. Copies of the detailed booklet accompanying the film, are available from the Department.

Leader of the House of Commons and Paymaster General
Press Office
68 Whitehall LONDON SW1

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

Housing
PRS
R4

2 February 1981.

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

Dear Margaret,

HOME LOANS AND HOMESTEADING

Thank you for your very full letter of 23 January.

George Tremlett tells me that in point of fact we can get by with our present allocations, including the supplements and adjustments given recently.

I like the suggestion of an early re-start of the home-loans scheme and will see what can be arranged.

Ever yours
Horace.

Housing Policy

File

Housing Policy
Part 2.

28 January 1981

Thank you for your letter of 27 January about the film "A First Home".

Unfortunately the Prime Minister would not be free to attend the showing of the film on 4 February. Perhaps you could let us have the cassette at some moment when it is convenient to leave it with us for a few days.

M. A. PATTISON

Robin Young, Esq.,
Department of the Environment.

18

2

DEPARTMENT OF THE ENVIRONMENT
2 MARSHAM STREET
LONDON SW1P 3EB
01-212 7601

MINISTER FOR HOUSING AND CONSTRUCTION

Prime Minister

You are seeing the Chancellor at 18.00 on Feb 4, so we will get the video version for you. MAP 27/1

27 January 1981

Dear Mike,

Thank you for your letter of 21 January.

Mr Stanley was of course very pleased to hear that the Prime Minister would like to see "A First Home". We have in fact got a video cassette of it, which we could let you have.

Alternatively if the Prime Minister would like to see the film in full size we would be delighted to arrange a special showing for her either here at the Department's cinema, or at Number 10, at any time to suit her convenience. Another possibility is that Mr Stanley is showing the film to the Conservative Backbench Environment Committee on 4 February at 6.00 pm which the Prime Minister could perhaps attend if that were convenient for her. The film's running time is 18 minutes.

As far as TV showings of the film are concerned, we have offered it to the BBC and ITV both nationally and regionally, in whole or in part. But television channels are very reluctant to use other people's films. So we feel that the best prospect of publicising low-cost home ownership, is to stimulate the maximum possible interest of the local media and to encourage them to publicise local examples of successful low-cost home ownership initiatives. Mr Stanley has therefore written personally to all the regional TV stations and to the editors of the main provincial newspapers inviting them to regional showings of the film which are being set up by our Regional Offices. He has also asked the Department's Regional Controllers to provide all their local media - TV, Radio and Press - with details of all the low-cost home ownership schemes under way in each local authority's area.

Yours sincerely,

Robin.

ROBIN YOUNG
Private Secretary

Mike Pattison Esq

TL Cases
NBPM
MAP 28/1.

2 MARSHAM STREET
LONDON SW1P 3EB

My ref: H/PSO/10049/81

Your ref:

27 JAN 81

Dear Geoffrey

PRIVATE HOUSEBUILDING

I was interested to see Keith Joseph's letter to you of 31 December enclosing David Young's paper.

As you know, I was asked at MISC 14 (MISC 14(8)6th meeting) to consider the place of private housebuilding in the wider economy and I am preparing a detailed paper which will be available to colleagues shortly. I will take account of the points Keith makes.

I very much agree with him on the important contribution that private housebuilding might make in helping us out of the recession. I also take the point that our primary concern should be to ensure that building societies have an adequate supply of funds. I am however also aware that interest rates are still at a level that prevents many first time purchasers from buying. While renouncing heavy-handed intervention in decision-making by the building societies, therefore, our aim should be to achieve a sensible balance between the need to maintain adequate funds and to widen access to home-ownership.

On the release of land for housebuilding, we have as you know taken a number of steps already: the repeal of the Community Land Act; the reduction and stabilisation of the rate of Development Land Tax; the extra provision of housebuilding land in structure plans and the speeding up of both the development plan and development control systems. I have asked local authorities to co-operate with builders to ensure that land earmarked for housing really is available for development and to ensure a 5 year supply of such land consistent with structure and local plan policies. I am encouraged to see the progress of joint studies by builders and authorities of the availability of land in areas of high demand. On publicly owned land, we have abolished the requirement that surplus Crown land and land owned by nationalised industries be offered first to local authorities. Under the Local Government Planning and Land Act registers of unused and underused land in public ownership have been designated in 21, shortly to be 33 districts and London Boroughs. This should ensure that such land is identified

and, if it is not released for development following negotiation, I have powers to direct its sale. I am, therefore, very conscious of the importance of releasing land to help the builders, and am about to hold further discussions with them on whether more needs to be done.

I should certainly be happy for us to look further at the detailed working of Development Land Tax. Perhaps we might learn something in due course from the extent to which house-builders take advantage of the exemption from DLT in Enterprise Zones. We can explore these and other issues further when we come to discuss the subject at MISC 14.

I am copying this letter to the Prime Minister and Keith Joseph.

Yours ever

MICHAEL HESELTINE

The Rt Hon Sir Geoffrey Howe MP

cc. PSO
HMT
DOE
(Housing)

10 DOWNING STREET

THE PRIME MINISTER

23 January, 1981.

Dear Horace,

In your letter to me of 7 August, you explained that you had been obliged to reduce the GLC budget for mortgage lending by some 60 per cent this year and asked that you might use your substantial capital receipts to increase your lending. We then met on 20 October. I am sorry that it has taken some time to reply, but we have been giving a good deal of thought to the problem and to the related question of maintaining the momentum of your homesteading scheme on which there has been parallel correspondence between John Stanley and George Tremlett.

We have not however been able to find a way of agreeing that the GLC and similarly placed authorities may use their housing capital receipts to increase their capital expenditure this year. The fundamental difficulty is that an estimate of these receipts was taken into account nationally in fixing the sum available for Housing Investment Programmes(HIPs) - if we had not done so, the amount for distribution as HIPs would have had to have been correspondingly reduced. The indications are that the national total of receipts this year will be about the figure estimated in our public expenditure planning. If therefore authorities were to be allowed to increase their spending by using their capital receipts, we should at the national level in effect be taking credit for them twice over and in addition we should be making a breach of the HIP cash limit still more likely. I think you will understand why the Government cannot contemplate that, when local authorities are already estimating that their existing commitments this year will be in excess of the HIP cash limit which of course is why we have had to continue the general moratorium on HIP expenditure.

/ I am of course

I am of course anxious that you should, despite the moratorium, be able to maintain the momentum of your mortgage lending and homesteading programmes, at least by getting into a position to make payments from the very beginning of the new financial year. Michael Heseltine in his statement on 15 December said that, though the moratorium must remain in force for the time being, authorities were free to make new commitments before the end of this year so long as there would be no additional expenditure until after 1 April. I hope therefore that you will be able immediately to restart the processing of homesteading and mortgage applications - and perhaps be able through publicity to stimulate further applications - with a view to expenditure from 1 April.

In addition, it will be possible to give a limited amount of help before 1 April. On 3 December, Michael Heseltine announced that a special allocation of £3 million was being made available to encourage pilot improvement for sale schemes. We have now decided that these resources may also be used for homesteading schemes. I cannot yet say exactly how much can be allocated to the GLC as John Stanley is still settling the final details, but this will make it possible for you to deal with at least some of your outstanding homesteading applications very soon.

Yours ever,

(SGD) MT

Sir Horace Cutler, O.B.E.

10 DOWNING STREET

Prime Minister

DoE and Treasury have at last agreed to give GLC a little leeway on homesteading.

You can now write to Horace Cutler.

MT
22/1

DEPARTMENT OF THE ENVIRONMENT
2 MARSHAM STREET
LONDON SW1P 3EB
01-212 7601

MINISTER FOR HOUSING AND CONSTRUCTION

22 January 1981

Mike Pattison Esq
Private Secretary
10 Downing Street
London SW1

Type for PM, please

MAP 22/1

Dear Mike,

We spoke yesterday about the outstanding correspondence with Sir Horace Cutler which I wrote to you about on 12 January.

Our discussions with the Treasury have now been satisfactorily completed which means that there is a small piece of good news for the GLC. I attach a draft letter, which has been agreed with the Treasury, with the new concession described at the end.

I am copying this to Terry Matthews in the Chief Secretary's Office.

Yours sincerely,

Robin Young

R U YOUNG
Private Secretary

DRAFT LETTER FOR THE PRIME MINISTER TO SEND TO SIR HORACE CUTLER

In your letter to me of 7 August, you explained that you had been obliged to reduce the GLC budget for mortgage lending by some 60% this year and asked that you might use your substantial capital receipts to increase your lending. We then met on 20 October. I am sorry that it has taken some time to reply, but we have been giving a good deal of thought to the problem and to the related question of maintaining the momentum of your homesteading scheme on which there has been parallel correspondence between John Stanley and George Tremlett.

We have not however been able to find a way of agreeing that the GLC and similarly placed authorities may use their housing capital receipts to increase their capital expenditure this year. The fundamental difficulty is that an estimate of these receipts was taken into account nationally in fixing the sum available for Housing Investment Programmes (HIPs) - if we had not done so, the amount for distribution as HIPs would have had to have been correspondingly reduced. The indications are that the national total of receipts this year will be about the figure estimated in our public expenditure planning. If therefore authorities were to be allowed to increase their spending by using their capital receipts, we should at the national level in effect be taking credit for them twice over and in addition we should be making a breach of the HIP cash limit still more likely. I think you will understand why the Government cannot contemplate that, when local authorities are already estimating that their existing commitments this year will be in excess of the HIP cash limit which of course is why we have had to continue the general moratorium on HIP expenditure.

I am of course anxious that you should, despite the moratorium, be able to maintain the momentum of your mortgage lending and homesteading programmes, at least by getting into a position to make payments from the very beginning of the new financial year. Michael Heseltine in his statement on 15 December said that, though the moratorium must remain in force for the time being, authorities were free to make new commitments before the end of this year so long as there would be no additional expenditure until after 1 April. I hope therefore that you will be able immediately to restart the processing of homesteading and mortgage applications - and perhaps be able through publicity to stimulate further applications - with a view to expenditure from 1 April.

In addition, it will be possible to give a limited amount of help before 1 April. On 3 December, Michael Heseltine announced that a special allocation of £3M was being made available to encourage pilot improvement for sale schemes. We have now decided that these resources may also be used for homesteading schemes. I cannot yet say exactly how much can be allocated to the GLC as John Stanley is still settling the final details, but this will make it possible for you to deal with at least some of your outstanding homesteading applications very soon.

File

DBS

Housing

BF 4/2/81

21 January 1981

Thank you for your letter of 12 January about the Department's new film "A First Home".

The Prime Minister was interested to learn of this. She would like to see the film if there were a suitable opportunity. This could most conveniently be done if it were available in video cassette form, but I understand that this is not the case. We would not wish you to have one specially prepared.

Perhaps you could let me have a note of some forthcoming showings, so that we can see whether the Prime Minister would be free to attend one.

The Prime Minister has also enquired whether there is any prospect of BBC or ITV using part or all of the film.

M. A. PATTISON

KRB

Robin Young, Esq.,
Department of the Environment.

Housing Policy

2.

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

The Rt Hon William Whitelaw CH MC MP
Secretary of State for the Home Department
Home Office
50 Queen Anne's Gate
LONDON
SW1H 9AT

Prime Minister

16 January 1981

MT 16/1

TENANTS' RIGHTS ETC (SCOTLAND) ACT 1980: RIGHT TO BUY

Following Michael Heseltine's letter to you of 5 December, reporting progress in implementing the right to buy in England and Wales, I think that it is appropriate that I should report to colleagues on the situation in Scotland.

In general, the picture is similar to that in England and Wales. There has been a very good response from tenants, and delaying tactics by Labour authorities and industrial disputes involving NALGO are of greater significance than outright recalcitrance. However, one authority, Dundee, has taken a well-publicised stance on its refusal to implement the relevant provisions of the Tenants' Rights Etc (Scotland) Act 1980 and I intend to proceed towards default action against them. I hope that by taking the necessary preliminary steps I will influence Dundee to abandon their position but, I am reasonably confident, having had the benefit of the Lord Advocate's views, that if action is necessary they can be brought into line without too much delay.

I am copying this letter to the Prime Minister, to members of H Committee, the Lord Advocate, the Attorney General and to Sir Robert Armstrong.

GEORGE YOUNGER

16 JAN 1981

Weekend

DEPARTMENT OF THE ENVIRONMENT
2 MARSHAM STREET
LONDON SW1P 3EB
01-212 7601

MINISTER FOR HOUSING AND CONSTRUCTION

12 January 1981

Mike Pattison Esq
Private Secretary
No 10 Downing Street
London SW1

Prime Minister
You may be interested to learn of this campaign. Do you want us to arrange a viewing sometime?
MAP 13/1

Yes please.

Dear Mike,

Mr Stanley thought that the Prime Minister would wish to know that the Department's new film 'A First Home' is being launched today.

It portrays the 6 ways in which councils can now meet the demand for low-cost home-ownership and is accompanied by the attached booklet describing the schemes shown in the film.

The Department will be showing the film to councils throughout the country in the next few months, and the Minister is arranging a showing for MPs. We should of course be very glad to arrange a showing for the Prime Minister if she wished.

I am copying this to Robin Birch in the Leader of the House's Office.

Yours sincerely,

Robin Young

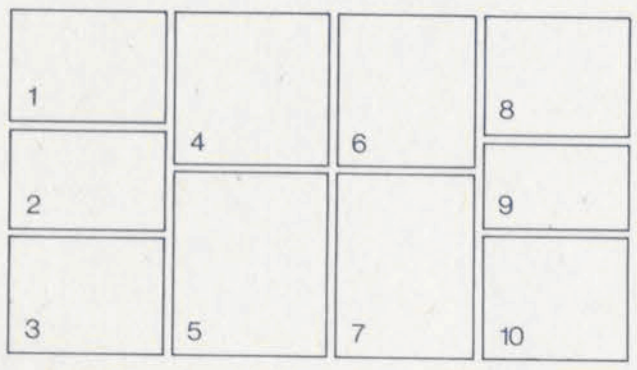
R U YOUNG
Private Secretary

Any hope of BBC or ITV showing it?
MT.

A FIRST HOME

Prepared by the Department of the Environment
to accompany their film 'A First Home'.
Printed by the Michael Stephen Press.

Key



1 North Larkfield, Kent.
Tonbridge and Malling District Council.

2 Stepney, London.
Greater London Council.

3 Aston, Birmingham.
Birmingham City Council.

4 Ribble Valley, Clitheroe, Lancashire.
Ribble Valley Borough Council.

5 Ribble Valley, Clitheroe, Lancashire.
Ribble Valley Borough Council.

6 Trinity Court, Hull.
Hull City Council.

7 Aston, Birmingham.
Birmingham City Council.

8 Telford, Shropshire.
District of the Wrekin Council.

9 Telford, Shropshire.
District of the Wrekin Council.

10 North Larkfield, Kent.
Tonbridge and Malling District Council.

In recent years an increasing number of local authorities and new towns have been providing low-cost homes to buy as well as to rent.

There have always been good social reasons for doing so. It can help to meet the needs of first-time buyers while simultaneously reducing the pressure on rented accommodation. But there are now good financial reasons as well. The changes that have been made in the way expenditure on home-ownership schemes scores for HIP purposes mean that authorities will be able to promote home-ownership with only a small, or in some cases a nil, call on their HIP allocations. These schemes invariably produce excellent housing value for limited HIP expenditure.

The film 'A First Home' and this folder accompanying it are designed first and foremost to be of direct practical use to those in Local Government who have the responsibility for deciding how capital allocations are actually spent. I hope that you will find it of interest and of value. If you have any suggestions as to how the low-cost home ownership schemes described here could be improved or made more effective, I should be glad to hear from you.

JOHN STANLEY January 1981

The film 'A First Home' describes 6 ways in which a local authority can promote low-cost home ownership in its area. They are:

1. selling local authority owned land to private builders for starter homes – or selling building plots to individuals or self build groups.
2. building starter homes in partnership with private builders on local authority land which is retained by the authority until the houses are sold.
3. improving homes for sale.
4. selling unimproved properties for improvement by the purchaser.
5. offering shared ownership (part owning/part renting) to bring home ownership within reach of those on low incomes.
6. using the new local authority mortgage guarantee powers to facilitate down-market lending by building societies.

Each of these is described in more detail in this booklet with the particulars of schemes that have already been carried out.

The new capital receipt rules that apply from 1 April 1981 are of central importance in making these schemes financially attractive to authorities. These rules are set out in the Administrative Memorandum entitled 'Local Authority' Capital Expenditure Control' circulated by the Department on 12 December 1980.

1 Selling local authority owned land to private builders for starter homes

One effective way in which an authority can help increase the supply of low-cost housing for sale in its area is for it to sell land which it owns, to a private developer on condition that it is developed for starter homes. Alternatively it can sell land on a plot by plot basis to individuals for self-build schemes. This can be done at no cost to the local authority's HIP; indeed receipts from the sale can be applied to increase the HIP allocation. If it wishes the authority can also arrange for a developer to give priority to particular categories of purchasers, for example, local authority tenants, or those on the waiting list. Several authorities have already successfully sold land in this way, for example:

(i) As part of its programme of regeneration in the inner city, in early 1979 the **City of Kingston-Upon-Hull** sold a small (1.2 acre) site in the inner city to **Barratt Developments (Hull) Ltd** to be developed for small houses and flats. The site which had been acquired previously by the authority under its powers of compulsory purchase, and which contained buildings which had fallen into disuse and disrepair, was sold on a 99 year leasehold basis. A courtyard development of one and two bedroom houses and flats is now being built and will be completed in mid-1981. The properties are selling well (currently at £15,000 for a one-bedroom flat, £19,500 for a two bedroom property). Building society mortgages are arranged by the developer.

CONTACTS:

(a) Donald Chester
Public Relations Officer
Hull City Council
0482 222608

(b) Mike Burt
Managing Director
Barratts Developments (Hull) Ltd
0482 28645

(ii) Similarly in 1979 the **City of Birmingham** sold **Wimpey Homes Ltd** a 99 year lease on a 10.6 acre site at St John's Park, Ladywood – again in the inner city – to be developed with family houses. This site, adjacent to a school and attractive reservoir, had been cleared by the council at an earlier date and had been held for another function before being released for private housing. Construction of a mixed development of 137 units ranging from two-bedroomed semi-detached houses and bungalows up to three and four-bedroom detached houses started in July 1979. Again the properties are selling well (currently £19,495 for a two bedroom semi-detached bungalow and £20,495 for a two-bedroom semi-detached house) and building society mortgages are generally arranged by the developer.

CONTACTS:

(a) Eric Davies
Housing Department
City of Birmingham
021-235 3905

(b) Peter Stonehouse
Manager
Wimpey Homes Holdings Ltd
021-747 4800

(iii) Also in 1979, **Essex County Council** sold a 3.5 acre site in South Woodham Ferrers which had been acquired under Circular 102/72 to **Reason Homes** on condition that the area adjacent to public open space be developed with high density housing aimed at first time buyers. The site was sold freehold but with convenants to ensure that development be completed in accordance with the approved plans by a specific date. The local authority were closely involved in the design of the scheme – the sale of the land was not finalised until the scheme had been approved – and arranged that first refusal should go to any purchaser nominated by the council. A courtyard development of 24 small three-bedroom terraced houses with small gardens has now been built and the properties have sold well at a price of £21,950. Building society mortgages have been arranged through the developer.

CONTACTS:

(a) Clifford Neale
Assistant Valuer
Essex County Council
Chelmsford (0245) 320168

(b) Terry Green
Head of Planning Department
Reason Homes Ltd
Sudbury (0787) 76241

(iv) When **Bassetlaw District Council** sold a 12 acre site in Worksop to **Tarmac Homes (South Yorkshire) Ltd** in May 1980 they imposed detailed conditions on the development. The Council required that the development should include small starter homes and single person units, and also imposed conditions about the type of materials to be used. Two phases of this development

are now under construction, with about 30 units completed so far. Prices range from £12,950 for a one-bedroom cottage with garage, and £15,450 for a two bedroom version.

CONTACTS:

(a) Glyn Roberts
Director of Development
Bassetlaw District Council
Worksop (0909) 475531

(b) Kenneth Milburn
Sales Administrator
Tarmac Homes (South Yorkshire) Ltd
Rotherham (0709) 559227

2 Building starter homes for sale on local authority land in partnership with private builders

Rather than selling land to a developer, a local authority can arrange for a private developer to build starter homes on local authority owned land. The freehold of the land can be transferred later to the purchasers of the individual dwellings. This arrangement allows the authority considerable discretion as to whom the properties are sold and their price, and provided the local authority covers its costs, it can offer a discount of up to 30% from market value if the purchaser is in one of the priority groups listed in the general consent. If mortgages are provided by building societies, there will be no net charge to the HIP (unless the authority buys in any of the dwellings) and the authority's capital receipts will be credited 100% to the HIP. A very large number of authorities have already built for sale in this way.

(i) **The District of the Wrekin Council** came to such an arrangement with **Watkin, Starbuck and Jones Ltd** in the development of starter homes in three sites at Telford. Recognising a demand for low-cost housing for owner-occupation the council decided to balance its programme of housing for rent with a programme of small homes for sale. For each site the builder was selected on the basis of a two-stage tender process, and was given a one year fixed price contract. Priority was given to council house tenants and people on the waiting list who were informed of the schemes in their regular newsletters. The builder financed the construction, but the local authority guaranteed that each property would be paid for on the day of its completion. Properties have sold very well, many being sold before construction began. The Council carried out all of its own marketing and sales within existing resources and thus reduced costs. Two-bedroom semi-detached houses on the most recent scheme are selling for £11,950. The local authority arranged building society mortgages through the support lending scheme.

CONTACTS:

(a) David Morgan
Assistant Director, Housing and Estates
District of the Wrekin Council
Telford (0952) 505051 Ext 350

(b) Peter Starbuck
Watkin, Starbuck and Jones Ltd
Oswestry (0691) 5201/5

(ii) **Central Lancashire Development Corporation** similarly came to an agreement with **Barratts (Preston) Ltd** to build starter homes on land which they owned at Clayton Brook, Preston. To date 8 one-bedroom units in blocks of four have been completed and 8 are under construction in the large 6.8 acre mixed development. The land is licensed to the builder during the development period and the freehold is transferred directly to the individual purchasers on completion. The developer is responsible for marketing the properties and arranging building society mortgages. The developer is also offering a mortgage subsidy to purchasers for the first year. The houses completed have sold well, mainly to young single people for an average price of £13,000. The developer markets these homes as 'the £22 a week house'.

CONTACTS:

(a) William McNab
Commercial Director
Central Lancashire Development Corporation
Preston (0772) 38211

(b) Alan Muir
Sales Director
Barratts (Preston) Ltd
Preston (0772) 58085/6

(iii) **The Royal Borough of Kensington and Chelsea** arranged for **Roger Malcolm Ltd** to build starter homes under licence on a 12 acre site which they owned in Northolt, Middlesex. 247 homes (ranging from one and two bedroom flats through to four bedroom family houses) are now being built on the site which had been acquired in the 1930's. Priority is being given to council tenants and people on the waiting list. The properties are selling well, with over two-thirds sold at a discount to priority purchasers. An estate agent is responsible for their marketing and building society mortgages are being arranged by the developer.

CONTACTS:

(a) Ian Doolan
Valuer to the Council
Royal Borough of Kensington and Chelsea
01-937 5464 Ext 560

(b) John Dubber
Development Director
Roger Malcolm Ltd
01-902 1101/8

(iv) **Trafford Metropolitan Borough** have entered into a joint venture with **John Maunders Construction Ltd** to develop a vacant 15 acre site at Firsway, Sale which they had owned for some time but which had never been

developed. A mixture of 204 two and three bedroom dwellings are now being built. The developer is responsible for financing construction, undertaking sales administration and arranging building society mortgages. The council nominate the purchasers however, and reimburse the developer when they sell individual houses. The properties are selling very well to priority buyers at prices (with discounts) from £15,035 (in April 1980), the building element in the prices being linked to a building cost index.

CONTACTS:

(a) Alan Bancroft
Town Clerk
Trafford Metropolitan Borough
061-872 2101 Ext 228

(b) John Maunders
John Maunders Construction Ltd
061-748 3266

(v) **The City of Liverpool** has been involved in many such partnerships, including the present arrangement with **G Wimpey and Co Ltd** to build low-cost housing on local authority owned land at Walton Triangle. 468 one, two and three bedroom homes are now being built on the 42 acre site. The council has granted the developer a license to build on the land, and transfers ownership of each plot to individual purchasers on a 999 year leasehold. The developer is responsible for all the marketing arrangements (including arranging building society mortgages) but the authority has laid down strict priorities as to the people to whom the homes must be offered, and checks the eligibility of each applicant. 148 dwellings have already been sold, the majority to priority categories, at prices starting at £17,975 for a two bedroom semi-detached house.

CONTACTS:

(a) Mrs Carol Thorpe
Housing Programme Division
Liverpool City Council
051-227 3911 Ext 593

(b) Don Willis
Regional Sales Manager
G Wimpey and Co Ltd
051-525 6341

(vi) A different approach was adopted by **Oxford City Council** when they agreed to make a 6 acre site available to **F Rendell and Sons Ltd** in 1977, and an adjacent 4 acre site in 1978. The land was to be sold freehold but with conditions attached relating to the type of development and the people to whom priority was to be given (eg council tenants and people who had been on the waiting list for at least one year). The land sale price was agreed with the developer and incorporated into the contract which gave him licence to build on the site but land sale completion was deferred to be effected by individual plot sale transactions of completed units to house purchasers. Two phases of this development have now been completed, with 165 two and three bedroom semi-detached and terraced houses. The properties have sold very well mainly to council tenants at prices, including land, held firm by the developer throughout the building periods – £10,000/£12,500 for the 1977 scheme and £12,500/£16,000 for the 1978 scheme. Building society mortgages are arranged by the developer.

CONTACTS:

(a) Reginald Luck
Deputy Director of Housing and Estates
Oxford City Council
Oxford (0865) 49811 Ext 308

(b) Edward Wakeham
Director, F Rendell and Sons Ltd
Devizes (0380) 2151

3 Improving homes for sale

Another equally important way of providing low-cost homes for sale is by improving existing houses which may have fallen into disrepair, are unfit or lack basic amenities. When improved they can provide ideal homes for first-time buyers.

DOE Circular 20/80 (Welsh Office 41/80) sets up a scheme made under powers in the new Housing Act which permits an Exchequer contribution of up to £3,250 per dwelling towards any loss incurred when a local authority improves such houses for sale.

Where the purchaser gets a mortgage from a private sector lender, the only eventual charge against an authority's HIP allocation is the amount of loss they incur, since 100% of the sale receipts will be allowed to count towards the allocation. Similar arrangements to encourage improvement for sale have been made for Housing Associations and New Town Corporations.

A small number of authorities have been operating improvement for sale schemes in the past, without of course the benefit of an Exchequer contribution, while others have carried out pilot schemes in anticipation of the new Act. For example:

(i) The **City of Birmingham** is one of the authorities which has been operating a scheme of improvement for sale for some years. Properties throughout the city are improved in the same way whether they are to be sold or rented. Those properties which are to be sold are advertised in a local paper at current market value. The local authority provides considerable assistance and encouragement to potential purchasers, most of whom are either council tenants or on the waiting list, helping with legal matters and arranging mortgages.

CONTACT:

(a) Nick Morton
Housing Department
Birmingham City Council
021-235 3904

(ii) The **Borough of Calderdale** has also begun a small programme of improving properties for sale, in this case concentrating on back-to-back properties. Eight back-to-back properties which the authority had acquired in Dean Street, West Vale are currently being improved and converted into four through-properties, the work being carried out by outside contractors who were chosen by tender. These first properties should be completed later this year, and will be sold on the open market. Further schemes are planned.

CONTACT:

(a) Robert Fairclough
Director of Housing
Calderdale Metropolitan Borough
Halifax (0422) 58521

4 Selling unimproved homes for improvement by the purchaser

As an alternative to improving properties for sale, an authority can sell properties unimproved on condition that they are improved by the purchaser within a certain period. Local authorities can make available discounts of up to 30% on current market value for those priority groups set out in the prevailing Departmental general consent for the sale of council houses. This includes first-time purchasers and people moving to the area to take up a firm offer of regular employment. For the individual who is prepared to put the time and effort into improving a property, this is often the lowest cost route to home-ownership. Local authorities can support such efforts by making home improvement grants available, offering improvement loans and granting mortgages, if necessary. Particularly relevant in this context is the provision in Section 110 of the Housing Act enabling a local authority, with the Secretary of State's consent, to waive interest payments for up to five years. A copy of the Greater London Council's scheme, as approved by the Secretary of State, is attached as Annex C to DOE Circular 20/80.

(i) The **Greater London Council's** homesteading scheme is a well known example of such an approach. Under this Scheme the Council sells houses in need of repair and improvement to first time buyers who have lived or worked in London for 12 of the previous 18 months. In return for a 100% loan for the purchase of the property on which interest is waived and capital repayments are deferred for up to three years, the homesteader is required to undertake all the work of repair and improvement to the property. The length of the period allowed for carrying out the work and for deferment of mortgage repayments depends on the amount of work required. S.43 loans are available for repairs and improvements, repayments start as soon as the money is advanced. Homesteaders apply to the London Borough in whose area the property is located for House Improvement Grants. The Scheme was introduced as a means of renovating vacant dilapidated or unmodernised property owned by the Council but proved so popular it was extended to include the acquisition of suitable property – often for resale to a specific applicant. Sitting tenants of the Council may apply to buy the property they occupy through the Scheme and qualify for discounts in addition to homesteading terms. Applications are also considered from sitting tenants of private landlords. One block of Council owned flats has been sold through the Scheme and a few large houses suitable for conversion have also been included. Nearly 1000 properties have been sold under this Scheme to date.

CONTACT:

(a) Mrs Brenda M Stewart
Directorate for Home Ownership
Greater London Council
01-633 3262

(ii) The **City of Portsmouth** offers for sale properties which it has acquired over the years but which are now in too poor condition to be offered for rent. Most of the properties are pre-1910 terraced houses requiring several thousand pounds work. The properties are advertised in the local press and then sold on a first-come first-served basis to people on the waiting list, council tenants and first-time buyers. The local authority provide home improvement grants, and mortgages if required. No special concessions are given over the repayment of the mortgage while the improvements are being carried out. The purchasers, who are mainly young couples, have to pay a deposit of £50, and undertake to complete the bulk of the work within 12 months (although in practice the authority are reasonably flexible about this so long as progress is being made). Inevitably prices of the unimproved properties vary considerably but with a discount, tend to be about £6,000-£8,000. The Scheme has been very successful to date with about 100 run-down properties being sold in the last year.

CONTACT:

Doug Pettett
Group Valuer
Portsmouth City Council
Portsmouth (0705) 834263

(iii) **Skelmersdale Development Corporation** recently offered for sale houses which had been severely vandalised and become difficult to let. The houses were advertised in the regional press and on radio and sold on a first-come first-served basis at a one day sale in February 1980, at prices ranging from £2,250 to £4,450. 100% mortgages were offered. The 72 houses were sold immediately and another 400 people registered interest or asked to be informed of future sales. A subsequent sale, advertised and organised on the same basis was held in September 1980 when again all 50 houses on offer were sold in a single day. These sales and the attendant publicity have stimulated the market in other vacant houses and in the case of the first sale, has resulted in a marked environmental improvement in the area in which the sale was held.

CONTACT:

Alan Jolley
Commercial Department Estates Officer
Skelmersdale Development Corporation
0695 24242 Ext 225

(iv) The **City of Newcastle-Upon-Tyne** sell selected vacant properties in Housing Action Areas for improvement by the purchaser. In the Harrison Place HAA near the city centre for example, 12 houses have recently been sold in this way, for an average price of £1,000-£2,000. Priority is given to purchasers who are in housing need, but who are also able to afford to improve the properties. In addition to the home improvement grants which are available, most purchasers spend about £4,000-£5,000 modernising the properties if they use outside contractors, considerably less if they do at least some of the work themselves. Most tend to be bought by young first-time buyers. The local authority promises to provide mortgages and home improvement grants, and makes it a condition of sale that the agreed work is completed within 2 years. Progress is checked regularly, and technical advice provided if required.

CONTACT:

John Cornhill
Assistant Director of Housing
Newcastle-upon-Tyne City Council
Newcastle (0632) 28520

(v) The **City of Peterborough** has recently begun a scheme of selling properties which it owns but which are in too poor condition to let, to people on the waiting list willing to improve them. A publicity campaign has been launched and a public meeting held to describe the scheme to potential purchasers and already 14 properties in GIAs and HAAs have been sold to young couples. The Council guarantees to provide home improvement grants, give a loan for the cost of improvements and provide 100% mortgages, repayment of which may be delayed for 2 years.

CONTACT:

Ian Wilson
Estates Manager and Valuer
City of Peterborough Council
Peterborough (0733) 63141 Ext 344

5 Offering shared ownership as an alternative to outright sale

For some people the cost of even relatively inexpensive homes, whether newly-built or improved, may still be more than they can afford. In this situation shared ownership, where people part-own and part-rent a property with the option to buy into full home-ownership later on when their income has increased, can be invaluable. Shared ownership is already firmly established and some 2,000 homes have been bought under various local authority and housing association schemes throughout the country. However there is scope for shared ownership to be offered as an alternative to outright ownership – on both new and older properties – on a far greater scale than hitherto.

Authorities can offer shared ownership in any circumstances where they might otherwise be prepared to sell outright; specifically in the types of sale set out below:

(i) dwellings built for sale;

(ii) dwellings improved for sale;

(iii) sale of existing vacant dwellings;

Authorities were issued with detailed guidance on operating shared ownership schemes in the Shared Ownership Model Scheme circular letter dated 15 October 1980 to which was attached a proposed new variant of shared ownership called 'shared ownership at minimum cost'. To assist the availability of Building Society mortgages for shared ownership schemes, with consequent HIP benefit to local authorities, the Department is issuing specimen model lease clauses which have been agreed with the Building Societies Association.

Some examples of local authority schemes are:

(i) **Ribble Valley Borough Council**, aware that because of high prices many young people who wanted to buy a house had to move out of the area, arranged for 84 two and three bedroom homes to be built on an attractive site by the river in Clitheroe which they then offered for sale on a shared ownership basis giving priority to council tenants and people on the waiting list. The houses were sold, undecorated internally, in 1979 on a 999 year lease. Outright purchase prices ranged from £9,850 to £15,670, but the majority of purchasers took advantage of the shared ownership option, buying between 50% and 80% of the equity.

CONTACT:

Peter Nock
Deputy Planning Officer
Ribble Valley Borough Council
Clitheroe (0200) 25111

(ii) Similarly in 1978 **Tonbridge and Malling District Council** came to an arrangement with a builder to take over one phase of a large new development at North Larkfield, and subsequently sold the family houses on it to council tenants and people on the waiting list on a shared ownership basis. The price of houses completed in the first phase in mid-1979 was £15,700-£17,000. Most purchasers took advantage of the shared ownership scheme, buying 50% or 75% of the equity.

CONTACT:

Trevor Reynolds or Graham Collin
Administration Department
Tonbridge and Malling District Council
West Malling (0732) 844522 Ext 222 and 228

(iii) **Bolton Metropolitan Borough** recently built 30 two bedroom houses at St Williams Avenue, near the city centre, which they offered for sale at a fixed selling price of £10,650 or on a 50/50 shared ownership basis with an option to buy the freehold at current market value at a later date. Priority was given to people displaced by clearance, council tenants, waiting list applicants and first-time buyers. Over 100 people applied for the 30 houses.

CONTACT:

John MacGregor
Chief Legal Officer
Bolton Metropolitan Borough
Bolton (0204) 22311 Ext 231

(iv) The **London Borough of Hammersmith and Fulham** offer shared ownership on virtually all the properties they sell in the borough, including older properties which have been improved, the only exception being properties which are in very poor condition and require major improvements or conversion. People can buy as little as 50% of the equity (and occasionally even less) and, if they wish, buy up to full equity in stages as their income increases. Priority is given to council tenants, people on the waiting list, key workers and then long standing local residents. In a recent scheme at Dorset Wharf on the riverside in Fulham, 26 new flats and

maisonettes were sold on a Community Leasehold basis in conjunction with the Notting Hill Housing Trust. This was a special form of equity sharing administered by the Housing Association. Purchasers at this development were mainly Council tenants using mortgages provided by a number of building societies.

CONTACT:

Peter Marten
Principal Home Loans and Sales Officer
London Borough of Hammersmith and Fulham
01-748 3020 Ext 5136

(v) The **City of Plymouth** are in the process of building two and three bedroom houses in Staddiscombe which they are offering on a 50/50 shared ownership basis to council tenants and first-time buyers. The two bedroom houses are selling for £14,710-£15,200. Mortgages are being provided by the city council.

CONTACT:

Rodney Brooks
Assistant City Housing Officer
City of Plymouth
Plymouth (0752) 68000 Ext 4813

6 The new local authority mortgage guarantee powers and down-market lending by building societies

Building society lending on older properties has steadily increased over the last few years – in 1979 24% of all building society mortgages went on pre-1919 properties. While local authorities are likely to continue to have an important role in helping with the provision of mortgages for those who cannot obtain a loan elsewhere, the provision in the new Housing Act enabling local authorities to guarantee building society loans means that building societies should be able to lend more on down-market properties – to people who previously might not have qualified for a large enough mortgage. The benefit to local authorities is that they do not have to draw on their HIP resources unless the guarantees are called upon. The Department will shortly be issuing a circular containing the necessary approval under section 111, and model forms of agreement.

Many building societies, working closely with local authorities, already have definite policies to finance down-market lending, for example:

(i) **The Nationwide Building Society** provide funds on a monthly basis to support urban regeneration in Housing Action Areas and General Improvement Areas in the **London Borough of Brent.** Under their scheme, Nationwide will refinance existing high interest loans and provide additional funds for improvement; approve mortgages on the value of properties in their future improved state; and lend on conversions of large properties into smaller units.

CONTACTS:

(a) Andrew Larkin
Housing Aid Manager
London Borough of Brent
01-451 0911 Ext 39

(b) Tim Melville-Ross
Assistant General Manager
Nationwide Building Society
01-242 8822

(ii) **The Abbey National Building Society** has similarly allocated funds to help home-buyers and home-owners in over 90 Housing Action Areas throughout the country under its inner cities area scheme. In all these areas, every resident is sent a personal letter informing them of the availability of the funds. In the Garnet St HAA in the **Borough of Middlesbrough** however, a local representative (who happens to be a retired manager) has been appointed by the Abbey National to publicise the scheme generally and to help explain to residents exactly what grants and mortgages are available and how to apply for them. Generally mortgages are available to owner-occupiers to cover the difference between the costs of improvements and the grants available. If an owner-occupier already has a mortgage with another company, the Abbey National will consider taking over that mortgage and increasing it to cover the costs of improvements. Mortgages calculated on the improved value of the property can also be offered to people wishing to purchase in the area for the first time. The scheme in Middlesbrough has been in operation for less than a year, but is felt to be successful both by the local authority and the building society.

CONTACTS:

(a) Cliff Shepherd
Inner Area Co-ordinator
Middlesbrough Borough Council
Middlesbrough (0642) 245432

(b) Brian Feltham
Manager Mortgage Development Department
Abbey National Building Society
01-486 5555

Housing

DEPARTMENT OF THE ENVIRONMENT
2 MARSHAM STREET
LONDON SW1P 3EB
01-212 7601

MINISTER FOR HOUSING AND CONSTRUCTION

12 January 1981

Mike Pattison Esq
Private Secretary
No 10
Downing Street
London
SW1 OAA

I spoke to Mr Young
leave until 19/1
MAP

Dear Mike,

You will recall the correspondence following the Prime Minister's meeting with Sir Horace Cutler on 20 October. You last wrote to me on 10 December asking me for a draft letter to Sir Horace.

Your people have justifiably been pressing us for that and I am writing to let you know the state of play. We have got a draft which has been agreed with the Chief Secretary, but which would give Sir Horace very little comfort indeed. We have, however, just put a further proposal to the Treasury which if agreed would result in the GLC's being able to spend a small amount more on homesteading in 1980-81. This would obviously be welcome to Sir Horace and could be included in the Prime Minister's letter to him. Unless, therefore, you would prefer to have the agreed draft now anyway, Mr Stanley would like to await Treasury's response to this latest suggestion, and if it is favourable to forward you an improved draft reply to Sir Horace. We have asked the Treasury for a quick reply, and so I ought to be in a position to send you something next Monday, 19 January.

I hope this is acceptable to you. I am copying this to Terry Matthews inthe Chief Secretary's office.

Yours sincerely,

Robin Young.

R U YOUNG
Private Secretary

Housing 2

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

Secretary of State for Industry

31 December 1980

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury Chambers
HM Treasury
London SW1

Dear Chancellor

In view of your discussion with David Young, you will be interested in this.

Dear Geoffrey

As I told you, my Special Adviser, David Young, who has experience of housing as well as of banking and property has been telling me for some months that a private house building revival is likely in due course. He has written a paper which is attached and which you may wish to consider.

2 The paper draws attention to the current depressed state of new housebuilding, but suggests that a revival in demand can be expected at some stage. If this revival of demand is translated into new housebuilding it could provide a welcome increase in activity in the related industries. Indeed housebuilding has on occasion in the past led industry out of recession.

3 But to ensure that this happens it will be necessary for the Building Societies to be able to attract sufficient funds. The Societies now face extra competition from Granny Bonds and are to pay a higher composite tax rate. They may therefore, be unable to lower mortgage rates in line with general interest rates in the coming months, if they are to attract adequate funds. I think we should all recognise this and not emulate previous Governments by trying to put pressure on the Societies to lower mortgage rates before they themselves choose to do so.

4 Some builders have expressed their concern to David Young about the availability of building land to meet the potential future demand. Michael Heseltine can perhaps advise about the general validity of this, but if there is something of substance here then we should give consideration to measures to increase the supply of building land. The paper puts forward a couple of suggestions but there may be others.

5 I would like to emphasise that the tax measures suggested in the paper have not been subject to detailed examination and that they are being submitted for wider consideration and not necessarily for implementation in the forthcoming budget.

/6 ...

6 I am at this stage sending the paper only to you with copies to the Prime Minister and Michael Heseltine.

Yours,

Ken.

HOUSEBUILDING: THE ROAD AHEAD

BACKGROUND

1. It is sometimes argued that an increase in the rate of new housebuilding has particularly beneficial spin-off effects for the economy at large. The share of imports in new housebuilding, while not insignificant, is for instance somewhat lower than it is with many other forms of activity. It is indeed arguable that the sustained boom in housebuilding during the 1930s helped to insulate the Midlands and the South from the worst effects of the depression. Moreover, building is particularly helpful in providing employment for the less skilled.

2. Housebuilding is well known as a cyclical industry and it exhibits larger divergences between peaks and troughs than most other industries do. Notwithstanding this, total housebuilding during the 1970s was generally at a significantly lower level than during the previous two decades and the secular decline also appears to have continued during the decade - see figures in Appendix. Within the total, private sector housing was more stable, with the rate of completions being surprisingly steady at close to 150,000 over the period 1974-78. Since then, housebuilding for both private and public sectors has declined, and the 1980 figures are expected to show a significant decline.

FUTURE PROSPECTS

3. New housebuilding is currently rather depressed. This is perhaps not surprising in view of the high interest rates and the uncertain economic outlook now prevailing, which have led to a general lack of confidence in both builders and potential house buyers. Of these factors, soundings made of the building trade suggest lack of confidence is more important than high interest rates in depressing sales. At some stage, therefore, assuming a revival in general economic confidence, a cyclical recovery can be

expected. This seems likely because the current rate of housebuilding is perhaps rather low both in relation to real incomes and to demographic factors. Moreover the existence of inflation, both generally and in house prices, also encourages people to trade-up and to buy houses in the first place, even though the rate of inflation may be falling. Although a revival in activity can be expected at some stage, we do not expect the total rate of housebuilding to increase significantly above the levels achieved over 1974-78. There may, nevertheless, be rather more private sector and rather less local authority building than in the recent past, and this will be relevant to requirements for finance - see next section.

ROLE OF BUILDING SOCIETIES

4. The Building Societies have always played a central role in providing funds for private housing and it is generally accepted that the supply of Building Society Funds is an important element in translating "underlying" demand for housing into actual demand. In the past there have been periodic, well-published mortgage famines when the demand for housing has been constrained by lack of funds. The most recent shortage of funds, from about mid 1978 to mid 1980, probably started even before the major recent surge in house prices. If there is to be a cyclical revival in the demand for private housing, it is therefore of some importance that Building Society funds are available to finance demand. Indeed, availability of finance is probably of greater importance than the cost.

5. The flow of funds to Building Societies is very sensitive to the relativity between the Societies' deposit rates and other competing interest rates. Indeed, the mortgage shortages in the past have sometimes arisen because of political pressures to keep the mortgage rate, and hence the deposit rate, down. In the immediate future the Building Societies face extra competition from new issues of Granny Bonds and potentially from BNOC bonds. The Societies are also likely to have to pay higher composite tax rates both this year

and next - recent surveys suggest the average tax rate of investors is higher than had previously been thought. A higher composite tax rate means there will need to be a wider gap between the interest rate Societies pay and the mortgage interest rate.

6. These new developments could have implications for the ability of the Building Societies to finance any revival in demand for private housing. The increasing lending by banks for house purchase may not yet be on a significant scale to ease the pressure on the Societies. If the Building Societies are to generate sufficient funds, then it may be necessary for them not to reduce their deposit rates as general interest rates come down, or at least not to the same extent. The Government may therefore need to desist from putting pressure on Building Societies to lower their rates before the Societies themselves would choose to do so. As mentioned such Governmental pressure in the past has on occasions led to mortgage shortages. If the Building Societies are left to compete freely for funds, this should lessen the likelihood of there being an overall shortage of funds for housing. Emphasis is placed on this as builders believe the availability of mortgage funds is more important than the mortgage rate in affecting new house sales.

7. There can be little doubt that a revival in National Savings and in other public issues aimed at the personal sector, eg BNOC bonds, could have implications for the flow and cost of funds to Building Societies. On the other hand for any given PSBR, if one funding means is discouraged another has to be found. The likely alternative to increased National Savings is to sell more gilts, largely to institutions, and this could affect the cost and flow of finance to industry and to builders. Financing the public debt is clearly a complex matter, and all we would urge is that the decisions taken recognise the various ramifications involved.

SUPPLY OF LAND

8. Some builders have expressed concern to us about the availability of building land to meet demand. Various policy approaches to this problem may be justified. First, both local authorities and nationalised industries could be encouraged to sell off surplus land. This has the potential advantage of not only making more land available, but provided any incentives are not too costly and there are appropriate adjustments to EFLs, it could also be helpful from the point of view of the short term PSBR problem. Secondly, though perhaps more costly, changes could be made to the Development Land Tax (DLT). If DLT were to be removed completely on residential land (at a cost of perhaps £10-15m), or if the annual exemption was substantially increased, it could help to increase the supply and reduce the cost of building land to some extent, especially in areas with inadequate available land. More study is clearly required, however, about the need for such a measure and how effective it is likely to be.

CONCLUSION

9. If a welcome cyclical revival in housebuilding is to be forthcoming at some stage, then the Government should

a) not put pressure on Building Societies to reduce mortgage rates before the Societies themselves choose to do so;

b) consider measures to increase the supply of building land, perhaps by giving local authorities and nationalised industries encouragement to sell off their surplus land or by removing DLT from residential land.

This would be ideal for first time buyers since the resale value of houses ~~of bought~~ ~~for~~ would reflect inflation in building costs only & not land value.

ICA/1
19 December 1980

Hansard extracts — Housing statement.

stopped, because it could be positively dangerous to the health of these children?

Mr. Whitelaw: The hon. Gentleman's remarks indicate the wisdom of my determination not to be drawn into detailed medical analysis. As a doctor, he understands these matters whereas, manifestly, I do not. It is important for me not to be drawn. We should consider all these matters extremely carefully and maintain our sensible medical arrangements. We should not be panicked by anything that is said. We should continue as before, but consider carefully the various recommendations.

Mr. Ivor Stanbrook (Orpington): Will my right hon. Friend make it clear that the exemption from medical examinations will apply only to spouses and young children—that is, those who have a right to enter this country—and not, contrary to what the right hon. Member for Birmingham, Sparkbrook (Mr. Hattersley) said, to other dependent relatives?

Mr. Whitelaw: I have made it abundantly clear in what I said in the statement. I shall repeat plainly what I said. We do not propose, as a result of the report, to make the entry into this country of spouses and dependent children of those settled here dependent on the passing of a medical examination. I stand by that position.

Mr Alfred Dubs (Battersea, South): Does the Home Secretary's statement refer only to persons coming to this country for settlement or does it have any bearing on the position of visitors? I am particularly concerned about elderly dependent visitors coming to see their children who might have difficulty getting in.

Mr. Whitelaw: What I have said about entry is entirely connected with people coming here for settlement.

Mr. Hattersley: May I press the Home Secretary on the interpretation of the second major paragraph in his statement, which is open to a little doubt as a result of supplementary questions? It refers to the spouses and dependent children of those settled here. May we be assured that the right hon. Gentleman does not mean those already settled here and that if the few people who are allowed here as primary immigrants in future do settle, the same rules—that is, the right of their spouses and children to enter this country—will be observed as it is for people settled here today?

Mr. Whitelaw: When I use the words "settled here" I mean exactly what I say, namely, "settled here".

HOUSING

The Secretary of State for the Environment (Mr. Michael Heseltine): With permission, Mr. Speaker, I wish to make a statement.

I wish to inform the House of a number of housing decisions. My right hon. Friend the Secretary of State for Wales will be making a statement tomorrow. Some of the issues that I shall refer to are relevant to the recent report of the Select Committee, a response to which the Government are publishing today.

Local authorities need to know now where they stand on housing subsidies, on capital allocations for next year and on the future of the moratorium affecting this year's housing capital expenditure.

As regards public expenditure in 1981-82 my right hon. and learned Friend the Chancellor of the Exchequer referred in his statement on 24 November to a reduction of £158 million in the Department of the Environment's programmes. I intend to provide £69 million of this from housing. I wish to see current expenditure reduced rather than capital, because I recognise the desirability of investment and the need where possible to help the construction industry. Therefore, £64 million of the housing savings will fall on current expenditure and only £5 million will come from capital.

Regarding housing subsidies for 1981-82, the Housing Act 1980 leaves local authorities with the responsibility for determining their own rents, but it introduces a new subsidy system from 1 April 1981 which requires me to determine the annual amount to be taken into account as the local contribution in calculating subsidy entitlement.

Following my consultation with the local authority associations, I have now decided to set the increase in the local contribution at £2·95 per dwelling per week for 1981-82. In addition, local authorities have to meet housing costs which

P.T.O.

[Mr. Heseltine.]

fall outside the subsidy system and on average these may require rent income of a further 30p per dwelling. Since local authority rents currently average no more than 6·5 per cent. of adult male earnings, I do not think that the rises that I have indicated are unreasonable. Moreover, 45 per cent. of council tenants are protected from the full impact of rent increases through supplementary benefits or rent rebates. Indeed, an estimated well over 1 million tenants effectively will face no increase in rent at all. It is also estimated that nearly a quarter of households living in council houses have household incomes in excess of £8,000 a year.

On capital account I have been able to provide £2,810 million at estimated 1981-82 outturn prices for gross capital expenditure on housing. I shall give the House the breakdown of this figure. The new towns will receive £118 million. The Housing Corporation will receive £491 million at outturn prices for distribution to housing associations ; this is the same in real terms as this year.

I am providing £2,201 million at outturn prices for gross capital expenditure on housing by local authorities, including an allocation of £27 million for the homes insulation scheme. This is a reduction of 15·1 per cent. on this year's provision.

From 1 April, under the new system of capital expenditure control, local authorities can undertake additional spend on the basis of their capital receipts. I estimate that in 1981-82 they will be able to undertake £413 million of spending in addition to their allocations. Two million pounds must be allowed for the administrative costs of the homes insulation scheme. The amount distributed as HIPs allocations will therefore be £1,786 million.

I have discussed the method of distributing HIPs with the local authority associations and today I am informing local authorities of their individual allocations for 1981-82. Copies of the letter to authorities and of the schedule of allocations excluding their use of capital receipts are being placed in the Library.

A number of adjustments will be necessary in the light of any overspending or underspending by authorities this year. As I informed the House on 25 November, those authorities which underspend because of the moratorium will receive additional allocations and those who overspend will have their overspending deducted. A net total of £55 million of tolerance was outside the cash limit for 1980-81 and will therefore have to be excluded from these adjustments. My Department will advise local authorities shortly how these adjustments will be made.

I should now like to deal with the moratorium itself. Following my statement to the House on 25 November, I invited local authorities to give me their latest estimates of their commitments for this year. Their figures are about the same as when I last reported to the House and show that, on their forecasts, the cash limit is likely to be taken up. The Government have therefore no option but to continue the moratorium generally, but, having regard to the size of the local authority programme, it is, in my view, possible now to permit some small relaxation without jeopardising the cash limit. I have therefore decided to allow just the underspending authorities to approve discretionary grants and loans for home improvement. Every improvement grant approved will attract an additional sum of private finance which will be of further help to the construction industry.

I am also proposing to lift the ban on the letting of new contracts before the end of the financial year where no additional expenditure will take place until after 1 April 1981. I shall keep the situation under review to see whether further relaxations of the moratorium are possible.

~~**Mr. Gerald Kaufman** (Manchester,~~ Ardwick): This is one of the most disgraceful and contemptible statements about housing ever made to the House—contemptible in its dishonesty, and disgraceful in its content.

Is the right hon. Gentleman aware that the moratorium on new house building and council improvement schemes is to continue indefinitely despite his own admission in the debate on 25 November that his investigations reveal that at worst there may be a net overspend of £7 million? Is he aware that the building employers told me last week of the devastating effect that his moratorium is having ~~on the industry where the right hon.~~

010

Housing

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

15 December 1980

Dear Nick

STATEMENT BY THE SECRETARY OF STATE FOR THE ENVIRONMENT ON HOUSING - TODAY

I enclose a copy of the latest draft* of the proposed statement on a range of housing issues to be made by my Secretary of State today.

I am copying this to Terry Mathews (Chief Secretary's Office), Robin Birch (Chancellor of the Duchy's Office), Richard Prescott (Paymaster General's office), Bernard Ingham, David Wright (Cabinet Office), John Craig (Wales), Godfrey Robson (Scotland), and Murdo McClean (Chief Whip's Office).

Yours ever

D A EDMONDS
Private Secretary

* now, almost final but subject to minor drafting points

Nick Sanders Esq
No 10

PA
MS

ORAL STATEMENT: HOUSING

I wish to inform the House of a number of housing decisions. My Rt Hon Friend, the Secretary of State for Wales will be making a statement tomorrow.
Some of the issues I shall refer to were raised in the recent report of the Select Committee, a response to which the Government is publishing today.

Local authorities need to know now where they stand on housing subsidies, on capital allocations for next year and on the future of the moratorium affecting this year's housing capital expenditure.

As regards public expenditure in 1981/82 my Rt Hon Friend the Chancellor of the Exchequer referred in his statement on 24 November to a reduction of £158 million in the Department of the Environment's programmes.
I intend to provide £69 million of this from housing.
I wish to see current expenditure reduced rather than capital because I recognise the desirability of investment and the need where possible to help the construction industry.

£64 million of the housing savings will, therefore, fall on current expenditure and only £5 million will come from capital.

Regarding housing subsidies for 1981/82,

the Housing Act 1980 leaves local authorities with the responsibility for determining their own rents, but it introduces a new subsidy system from 1 April 1981 which requires me to determine the annual amount to be taken into account as the local contribution in calculating subsidy entitlement.

Following my consultation with the local authority associations,

I have now decided to set the increase in the local contribution at £2.95 pence per dwelling per week for 1981/82.
In addition, local authorities have to meet housing costs which fall outside the subsidy system and on average these may require rent income of a further 30 pence per dwelling.
Since local authority rents currently average no more than 6.5% of adult male earnings, I do not think that the rises I have indicated are unreasonable.
Moreover, 45% of council tenants are protected from the full impact of rent increased through Supplementary Benefits or Rent Rebates.
Indeed an estimated well over 1 million tenants effectively will face no increase in rent at all.
It is also estimated that nearly a quarter of households living in council houses have household incomes in excess of £8,000 a year.

On capital account I have been able to provide £2,810 million at estimated 1981/82 out-turn prices for gross capital expenditure on housing.

I will give the House the break down of this figure.
The new towns will receive £118 million.
The Housing Corporation will receive £491 million at out-turn prices for distribution to housing associations.
This is the same in real terms as this year.

I am providing £2,201 million at out-turn prices for gross capital expenditure on housing by local authorities, including an allocation of £27 million for the homes insulation scheme. This is a reduction of 15.1% on this year's provision.

From 1 April under the new system of capital expenditure control, local authorities can undertake additional spend on the basis of their capital receipts.
I estimate that in 1981/82 they will be able to undertake £ 413 million of spending in addition to their allocations.
£2 million must be allowed for the administrative costs of the homes insulation scheme
The amount distributed as HIPs allocations will therefore be £1,786 million.

I have discussed the method of distributing HIPs with the local authority associations and today I am informing local

authorities of their individual allocations for 1981/82. Copies of the letter to authorities and of the schedule of allocations excluding their use of capital receipts are being placed in the library.

A number of adjustments will be necessary in the light of any overspending or underspending by authorities this year. As I informed the House on 25 November those authorities which underspend because of the moratorium will receive additional allocations and those who overspend will have their overspending deducted.

A net total of £55 million of tolerance was outside the cash limit for 1980/81 and will therefore have to be excluded from these adjustments.

My Department will advise local authorities shortly how these adjustments will be made.

I would now like to deal with the moratorium itself.

Following my statement to the House on 25 November I invited local authorities to give me their latest estimates of their commitments for this year.

Their figures are about the same as when I last reported to the House and show that on their forecasts the cash limit is likely to be taken up.

The Government have therefore no option but to continue the moratorium generally.

But having regard to the size of the local authority programme, it is, in my view, possible now to permit some small relaxation without jeopardising the cash limit. I have therefore decided to allow just the underspending authorities to approve discretionary grants and loans for home improvement.

Every improvement grant approved will attract an additional sum of private finance which will be of further help to the construction industry.
I am also proposing to lift the ban on the letting of new contracts before the end of the year where no additional expenditure will take place until after 1 April 1981.
I shall keep the situation under review to see whether further relaxations of the moratorium are possible.

1

cc Mr Lankester
Mr Sanders

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

PA

PRIME MINISTER MS

Here is the - still pretty raw - draft of Mr Heseltine's housing statement. There is one policy issue unresolved: whether he can announce the relaxation of the moratorium described in his minute at the red flag. The Treasury have objected, and Mr Heseltine and the Chancellor will be speaking to each other over the weekend. Are you content to wait for the next draft, or have you any comments on this one?

MS

12/12

12 December 1980

Dear Nick

STATEMENT BY THE SECRETARY OF STATE FOR THE ENVIRONMENT ON HOUSING
MONDAY 15 DECEMBER 1980

I enclose a copy of the latest draft of the proposed statement on a range of housing issues to be made by my Secretary of State on Monday. This is clearly subject to amendment by Ministers here over the weekend, but the broad format should not alter much.

I am copying this to Terry Mathews (Chief Secretary's Office), Robin Birch (Chancellor of the Duchy's Office), Richard Prescott (Paymaster General's Office), Bernard Ingham and to David Wright (Cabinet Office), John Craig (Wales), Godfray Robson (Scotland).

Yours ever,

Dick Edmonds

D A EDMONDS
Private Secretary

The case for relaxation in respect of improvements seems to be a good one - especially as every great effort is now made to keep prices down. MT.

I think the next section should include some reference to the housing market - the same figure for av. to the viewer listening next of little increases. MT.

Nick Sanders Esq
No 10

make a statement on

I wish to make the House aware of a number of decisions concerning the administration of housing policy.
Significant changes have tkane place in the factors concerning housing policy following the expenditure of considerable revenues in this field since the war.
Many of these issues were raised in the recent report of the Select Committee, a response to which I am today publishing.

The present climate of public expenditure and the introduction of the Housing Act and Local Government Act require considerable adjustments to past expenditure practices.
Authorities need to know now where they stand on housing subsidies, and on capital allocations, and the government's decision about public expenditure.
Out of the £170 million saving I have to find, being % of the DOE spending, I intend to provide £7 million from housing.
I wish to see current expenditure reduced rather than capital, both to recognise the desirability of investment and to help the construction industry.

£64 million of the further savings will fall on current expenditure.
Only a further £15 million will come from capital.
I turn now to the question of subsidy and council house rents.

The Housing Act 1980 whilst leaving responsibility with local authorities to determine their own rents introduced a new subsidy system as from 1 April 1981 which requires me to determine the annual amount to be taken into account as the local contribution in calculating subsidy entitlement.

The Act requires consultation with the local authority associations and following that consultation I have considered carefully the views then put to me.

I have now decided to set theincrease in the local contribution at £2.95 per dwelling per week for 1981/82, plus a further 30p per dwelling to meet additional housing costs which fell outside the subsidy system.

Possibly protested by rebates?
Part now ½% of our earnings!? On same similar way of publicity response

On capital account I have been able to provide £ m at estimated 1981/82 outturn prices for gross capital expenditure on housing.

This breaks down as £ million to the new towns, and £ million gross capital expenditure on housing by local authorities, including an allocation of £ million for the Homes Insultation Scheme.

These figures represent a total reduction of % of this year's programme.

The HIPs allocation issued to individual authorities will reflect our assumptions about capital receipts this year in the past.

I have discussed the method of distributing HIPs with LAs and today I am informing local authorities of their individual Housing Investment Programme allocations for 1981/82. Copies of the letter to authorities and of the schedule of allocations have been placed in the Library.

I turn now to the moratorium on local authority housing capital expenditure this year.
Following my statement to the House on 25 November and consultations with the local authority associations, I invited local authorities to let me know their latest estimate of their commitments for 1980/81.
My latest returns reveal a position broadly in line with that I have already reported to the House.
Local authorities still consider that their commitments already exceed the cash limit by £7 million, on the assumption of no further expenditure authorisation this financial year.
Further estimates that they have provided show that if the moratorium were lifted from the underspending authorities they would be likely to spend a further £57 million this year or an additional £27 million if new commitments were

restricted to rehabilitation and improvement grants.

The Government have therefore no option but to continue the moratorium.

But we intend to permit a small relaxation to enable underspending authorities to approve discretionary grants and loans for housing improvement.

Our best estimate is that this should not cost more than £7 million in the rest of this year.

Every improvement grant approved will attract an additional sum of private finance which will be of further help to the construction industry.

I shall keep the situation under review to see whether further relaxations of the moratorium are possible.

The House will know that the allocations to housing authorities this year was £2186 million.

That is the cash-limited figure.

Authorities may spend a tolerance of £55 million brought forward from last year,

if it does not breach their cash limit.

In view of the tightness of the present cash limit system and the introduction of a new capital system of control in 1981 there is no purpose in carrying forward this tolerance figure which has never represented potential expenditure above the published cash limit.

cc Mr Ingham
Mr Sanders

CONFIDENTIAL

11 December 1980

PRIME MINISTER

LOCAL AUTHORITY HOUSING: CAPITAL OVERSPEND 1980-81

On 18 November E Committee agreed that the moratorium on new contracts for capital expenditure on housing by local authorities in England in 1980-81 should continue for the time being. The Committee invited me, however, to circulate a further assessment of the situation in time for discussion in the week beginning 15 December.

Accordingly I have been seeking the latest figures from the local authorities.

As you know it has now been agreed that I should make an oral statement on housing on Monday, 15 December when I will be expected to give some further indication of the Government's intentions about the moratorium. I am writing to you and my colleagues, therefore, to see whether we can reach agreement urgently on our future course of action.

On the basis of returns from more than 90% of local authorities, total housing authority commitments are thought to be £7 million above the cash limit of £2,186 million, ie the same as the November estimate. We shall not make a final estimate, however, until we receive the missing returns.

If we decide to continue the moratorium unabated that will undoubtedly provoke a hostile reaction from the local authorities, particularly those who are underspending, and from the construction industry. There has been much feeling about our refusal to permit local authorities to spend, in addition to the cash limit, the "tolerance" of £55 million for the carrying forward of underspent allocations from 1979-80. The estimates of committed expenditure are themselves liable to error depending on weather conditions this winter, and I very much doubt whether an overspend of £7 million would materialise. I believe therefore that it would be right to make at least a small relaxation from a continuing moratorium to enable the underspending authorities to resume the approval of discretionary improvement grants in the private sector. Their cessation has attracted the

greatest criticism from the public and has been causing more concern in the Parliamentary party than any other aspect of the moratorium. I estimate that additional expenditure this year on this account would be unlikely to amount to more than £7 million at most.

A cessation on these lines would help to relieve the pressure on the many local authorities who have managed their affairs responsibly within their allocations; and it would in effect do no more than bring forward expenditure which those authorities will be able to undertake in the second quarter of next year through the additions to their allocations which we have agreed to make.

I hope, therefore, that you and my colleagues will agree that when I announce the continuation of the moratorium on Monday that I should also announce underspending authorities should be free to approve discretionary grants and loans for improvement for private sector dwellings.

You will appreciate that not only does this enable private sector work to proceed but that every improvement grant approved attracts an additional sum of privately contributed finance which is of further help to the construction industry.

I am copying this letter to member of E Committee, to the Secretaries of State for Scotland and for Wales, to the Chancellor of the Duchy of Lancaster, the Paymaster General and the Chief Whip, and to Sir Robert Armstrong. It would clearly help with my problems in drafting the statement if I could have a reply by close of play tomorrow, 12 December, from colleagues so that you may consider over the weekend.

MH

Re VB
Housing

10 DOWNING STREET

From the Private Secretary

10 December 1980

PT 22.12.80

The Prime Minister has seen Mr Stanley's letter of 8 December, about GLC home loans.

She owes Sir Horace Cutler a letter, and would be grateful if Mr. Stanley could suggest a draft, in consultation with the Chief Secretary.

I am sending a copy of this letter to Terry Mathews (Chief Secretary's Office).

M. A. PATTISON

R.U. Young, Esq.,
Department of the Environment.

RH

1.

DEPARTMENT OF THE ENVIRONMENT
2 MARSHAM STREET
LONDON SW1P 3EB
01-212 7601

My Ref: ST/PSO/45600/80

MINISTER FOR HOUSING AND CONSTRUCTION

8 December 1980

The Rt Hon Margaret Thatcher MP
Prime Minister
10 Downing Street
London SW1

Prime Minister
Do you now want Mr Stanley to give you a draft letter to send to Horace ~~Cuttlo~~ Cutler?
MP 9/XII

Yes please

Dear Prime Minister.

GLC HOME LOANS

When John Biffen and I saw you on 20 October we agreed to consider what might be done, without incurring any expenditure until the start of the 1981/82 financial year, to help the GLC to continue to process applications for homesteading during the current year. Shortly after that meeting we had as you know, in order to prevent a breach of the cash limit, to require all local authorities not to undertake any new housing commitments, except to meet statutory requirements.

We shall be circulating to local authorities very shortly the details of the new capital receipts rules that apply from 1 April 1981, and we are intending to make housing capital allocations to local authorities on 15 December. The GLC will then know what housing and other capital expenditure they can undertake and how it can be augmented by capital receipts from 1 April. They should then be able to complete all necessary preliminaries in the processing of homesteading applications - and perhaps stimulate further applications by means of publicity - with a view to expenditure being undertaken as from 1 April 1981.

I am copying this letter to John Biffen with whom it has been agreed.

Yours ever
John

JOHN STANLEY

Housing
✓NAP

COUNCIL HOUSE SUBSIDIES AND RENTS

OBJECTIVE

The Secretaries of State for the Environment and Wales today issued two consultation papers to the local authority associations on council house subsidies. One of these suggests a range (£2.50 to £3.00 per dwelling per week) for the additional financial contribution which authorities will have to raise locally in 1981/82 towards their housing costs. The finally agreed figure will be announced, after consultations, at the same time as the RSG settlement in early December. From today, it will be said that Government is trying to force up council house rents by some £3.00 per week. This note sets out factual background, and points that can be made in response.

BROAD TACTICS

On the one hand, the Government have not announced a view on council house rent increases. These remain the responsibility of local authorities, who must decide whether to raise their additional local contribution next year from rents or rates. On the other hand, the Secretary of State for the Environment has made it clear that rents should increase "in real terms", and it can be expected that the increase in the local contribution will in practice come overwhelmingly from rents. Most housing costs are taken into account in calculating housing subsidy - but not all. These also have to be met locally in addition to the local contribution. We need, therefore to create a climate in which average rent increases of something over £3.00 per week are seen to be reasonable.

FACTUAL BACKGROUND

The average council house rent this year is £8.10 per week. A further £3.00 would be an increase of some 37%.

POINTS THAT CAN BE MADE IF NECESSARY

Rent Assistance

a. Almost 2.3m (45%) of council house tenants in England and Wales will not have to meet all the increase. 1.3m (over 25%) on supplementary benefit will have it met in full. 1m (almost 20%) will have at least 60% met by rent rebate - more in some high rent areas.

b. We raised the maximum rent rebate this year to £25 per week in London, £23 elsewhere. It had previously stood at £13 and £10.

Better-off Tenants

c. Many tenants can well afford to pay much higher rents. 1.25m tenants (25%) have household incomes of £8,000 per year or more; 1.7m (33%) have household income of £7,000 or more. Average industrial earnings are now £125 a week, compared with the average council rent next year of, say, something over £11 a week.

Rents and Earnings

d. Under the last Labour Government, rents declined sharply as a proportion of earnings. Despite their professed policy of keeping rents in line with earnings, rents were 8% of earnings in 1974/75 and had fallen to only 6.4% of earnings by 1979/80.

Council Tenants and First Time Buyers

e. On buying, the average first time buyer has a more difficult time than his council house tenant counterpart. He spends almost 20% of his income on housing - the average council house tenant spends less than 7%.

Investment versus Subsidies

f. Excessive subsidies for council house rents eat into resources which might be used for capital investment. Under the last Labour Government, housing capital spending was halved in real terms, whilst spending on rent subsidies increased by a fifth in real terms.

Positive measures to give tenants greater housing choice

g. The Government has taken a series of steps to give those renting, or waiting to rent, the opportunity of low-cost home ownership instead - by introducing

1. the right to buy for sitting tenants
2. wide powers for local authorities to sell empty houses and flats at a discount
3. the improvement for sale scheme
4. a mortgage interest waiver for authorities that carry out homesteading
5. shared ownership (part-ownership and part-renting) whenever authorities sell a dwelling
6. a power for local authorities to guarantee building society mortgages on older and cheaper dwellings.

Paymaster General's Office
Privy Council Office
68 Whitehall
LONDON SW1

13 November 1980

Homip 2

PRIME MINISTER

MS 30/10

Briefing Note

No. 39

30.10.80

HOUSING ACT COMES INTO FORCE

The Housing Act 1980 received its Royal Assent on 8th August 1980. Many provisions including the Right to Buy and Tenants Charter for public sector tenants and a new housing subsidy system came into force on 3rd October 1980. The Government hopes to bring most of the provisions into effect by the end of November 1980.

On 3rd October 1980 nearly six million tenants were given the right to buy their own homes at discounts from market value of between 33 and 50 per cent. Mr. John Stanley, Minister of Housing, described this as "as significant and worthwhile a social reform as any that has been achieved in this century, and it has become the law of the land through the efforts of no other party but our own." (Party Conference, Brighton 10th October 1980).

Enthusiasm for Right to Buy

Mr. Stanley announced that "the number of council tenants who have bought their homes in the last year is 75,000 and that is the highest figure ever recorded in one year" (Brighton,10th October 1980). Enthusiasm continues to grow. In Sheffield, the Conservative Association office had over 3,000 callers or visitors in the first week. At Doncaster there was a queue of 70 people at the Conservative office wishing to fill in application forms on the first night and the council office handed over 1,500 forms in the first two days. By 16th October, Barnsley council had run out of Right to Buy forms and were ordering new supplies. Conservatives all over the country are setting up advice centres for council tenants. A number of Conservative associations have organised teach-ins,set up a telephone advice bureau and a mobile advice centre and are holding evening surgeries to help tenants to fill in the forms.

Labour's attitude

Both at Parliamentary level and local level the Labour Party's attitude has been one of opposition and obstruction. During the second reading debate on the Housing Bill, Mr. Roy Hattersley,Labour's spokesman on the Environment confirmed that a Labour Government would withdraw the right to buy. At the Labour Party Conference in Blackpool, against the advice of the National Executive Committee, a motion was passed committing a future Labour government "to introduce Legislation giving local authorities the right where houses have been sold against their wishes to have the first option to buy back those houses when they are subsequently offered for resale - at a price which in real terms involves no financial loss to the authority." i.e. at below market price. One Labour MP, Mr. John Golding, commented that this "isn't on and it isn't fair ... It would provide many people with an incentive to vote Tory." (Daily Star, 25 October 1980) John Stanley's words "Vote Labour and we will rob you of the price of your council house. (Brighton 10th October 1980).

At a local level the law is being fought by many Labour councils with obstruction or downright defiance. Measures to obstruct sales to be put to the Sheffield council in November included:

- giving priority for council (improvement) grants to buyers in the private market (i.e. over those trying to buy their own council homes).
- asking tenants who apply for modernisation and improvement grants and those on waiting and transfer lists if they will try and buy their own council houses - implying a threat of discrimination.
- warning buyers they will face eviction if they fall behind with

mortgage payments and banning buyers from the housing department's old age pensioner bungalows waiting list if they wish to sell their houses to provide capital for their retirement years.

In the meantime Sheffield are issuing Right to Buy forms with a letter pointing out to council tenants why they should not buy council houses!

In Labour controlled N.E. Derbyshire (which includes Clay Cross) the council has announced that any of their 12,000 tenants who want to buy their own homes will not have them repaired in the meantime. A letter sent to council tenants demanded that unless a tenant surrendered his right to buy, he would be refused repairs, central heating and transfers to other council houses. But on 28th October, the Prime Minister reassured tenants "people cannot sign away their statutory right to purchase their council house." (Hansard, 28 October, col. 198) and Mr. Heseltine said "tenants can take their landlord to court if he does not carry out his obligations". At the party conference Mr. Stanley had this to say "If a Labour council deliberatel tries to deny tenants the legal right to buy, we have powers to intervene, and if it becomes necessary to use those powers, use them we shall."(10 Oct.8

Other provisions of the Housing Act.

Other provisions of the Act include:

1) A Tenants Charter for council tenants. Apart from the right to buy, tenants now have the right to security of tenure for the tenant and a successor, the right to take in lodgers and sublet, the right to improve the internal and external parts of the dwelling, the right to information about tenancy rights and the allocation, transfer and exchange rules of the council. Landlords have a duty to consult their tenants on matters affecting their tenancies.

2) Measures to revive the privately rented sector. The Act introduces shorthold tenancies - short fixed term lettings at fair rents, and other measures including easing of the law relating to lettings by resident landlords. Mr. Stanley stated at the Party conference, "We will continue to look for ways of stimulating private renting further."

Mr. Heseltine's announcement on capital expenditure

On 23rd October 1980, Mr. Heseltine announced action to correct a threatened overspend on local authorities housing investment programmes (HIP) 1980/81. Latest returns from local authorities show that they could overspend their HIP allocations by up to £180 m. For that reason Mr. Heseltine asked local authorities not to enter into any further contracts for capital expenditure on housing until further notice. He also asked local authorities to provide by Friday 31st October an up to date assessment of their cash outturns 1980/81 upon which to base further decisions. Speaking in answer to a private notice question on 27th October 1980 Mr. Heseltine explained that his action was "to prevent an overspend on an announced budget. It is not a reduction in the existing programme." (Hansard, 27 October 1980, col28) He reminded Mr. Kaufman, Labour's spokesman on housing that "the former Chancellor of the Exchequer (Mr. Healey) found it necessary in 1976 to take similar action." (Hansard, 27 October 1980, col.31). In fact not only was the action taken by the Labour Government on 22nd July 1976 similar, it was accompanied by a reduction in the housing capital budget for 1977-78 of £146 million.

Correction Briefing Note no.38 (23.10.80) In the second last line above the footnote the word 'public' should read 'private'.

Conservative Research Department
32. Smith Square, London, S.W. 1. KM/JLS

file BK

21 October 1980

Thank you for your letter of 15 October with information on a new form of shared ownership scheme, and on the "Mayfair" home.

The Prime Minister has noted these developments with interest.

M A PATTISON

Robin Young, Esq.,
Office of the Minister for Housing
and Construction,
Department of the Environment

RH.

CONFIDENTIAL

File

cc Min. Housing

10 DOWNING STREET

From the Private Secretary

20 October 1980

BF 29.10.80

As arranged earlier in the month, the Prime Minister today had a further discussion with the Chief Secretary, the Minister for Housing and Construction and Sir Horace Cutler, about the use of the GLC's accumulated capital resources. In the course of the discussion, the Prime Minister recognised that it was imperative to avoid any additional charge on the contingency reserve in the current financial year. Any arrangement which might enable the GLC to spend its accumulated funds would have to meet this criterion. It would, however, be possible to contemplate a scheme under which applications for homestead loans, to be financed from the resources in question, might be submitted early in 1981, although no expenditure would be incurred until the start of the 1981/82 year.

After further discussion, the Prime Minister asked your Minister and Mr. Stanley to consider urgently what might be done along these lines. It seemed possible that the necessary rule could be made under the homesteading clause in the Housing Bill, thus ensuring that the relaxation applied only to authorities currently operating homesteading schemes. In practice, this would mean only the GLC at present.

The Prime Minister would be grateful if your Minister and Mr. Stanley could report back to her when their further discussions are concluded.

M. A. PATTISON

Mr Stanley: Env.
F/1764

T.F. Matthews, Esq.,
H.M. Treasury.

CST.

CONFIDENTIAL

Week-end Box.

DEPARTMENT OF THE ENVIRONMENT
2 MARSHAM STREET
LONDON SW1P 3EB
01-212 7601

MINISTER FOR HOUSING AND CONSTRUCTION

15 October 1980

Mike Pattison Esq
Private Secretary
No 10 Downing Street
London SW1

Prime Minister
Information from Mr Stanley on developments in his field.
16/X.

Dear Mike,

Mr Stanley has produced a new form of shared ownership scheme called "shared ownership at minimum cost" which he has announced today. He thought the Prime Minister might like to know the outline of this scheme and I am therefore enclosing the relevant extract from his speech.

The Minister thought the Prime Minister might also be interested in the details of the starter home mentioned costing £22 a week (net of tax relief) to buy. It is one up and one down and is called the Mayfair. I enclose a brochure.

Yours sincerely,

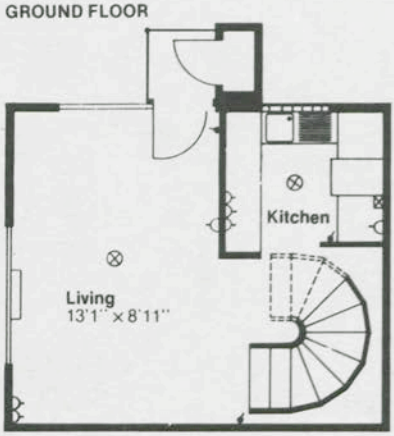
R U YOUNG
Private Secretary

Mayfair

1 bedroom home

[redacted]

GROUND FLOOR



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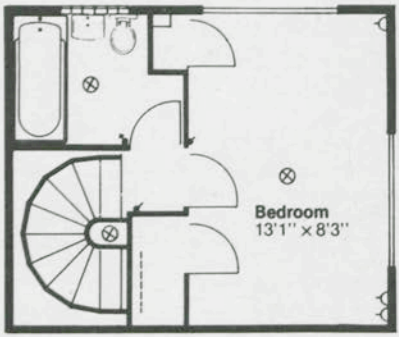


Barratt

Building houses to make homes in

683 Chester Rd., Manchester, M16 0QS. Tel: 061-872 6004.

General Specifications

Brickwork
External walls of cavity construction with facing bricks.

Roof
Concrete tiles. Loft space insulated in Fibreglass or other suitable insulation to Building Regulations.

Ground Floor
Mastic Asphalt on concrete slab.

First Floor
T&G Boarding or sheet chipboard on timber joists.

Doors
Flush internal doors, part glazed external doors.

Windows
Standard timber, glazed in clear glass except bathroom and WC which are obscure glass.

Plastering
Wall dry lined with plasterboard and skim. Ceilings to be plasterboard and skim or Artex decorative finish.

Bathroom
Panelled bath, pedestal wash basin, low level WC.

Kitchen
High quality kitchen units with stainless steel sink top.

Plumbing
Domestic hot water from a cylinder fitted with a 3 KW electric immersion heater PVC gutters and rainwater pipes.

Gas or Electric Fires
Where applicable, a gas or electric fire will be supplied, or an allowance of £20 will be credited on completion.

Gas Points
In lounge and kitchen.

Central Heating
See price list for details.

Electrical
13 amp socket outlets in all rooms except for bathroom, in accordance with NHBC requirements. Cooker control in kitchen, immersion heater, TV point in lounge with cable to loft ready for purchaser's aerial to be fitted. Light points provided to all rooms: two way switch to staircase.

Decorations
Internal walls and ceiling in emulsion paint. Woodwork in white gloss.

General
Front garden only turfed, flagged drive to house front, and flagged path to front and rear doors. Side and rear boundary fence of timber posts and two rails, except where indicated otherwise on site layout plan. Front boundary line of concrete edgings in open plan manner. No fencing or divisions beyond front building line.

Other features as specified on price list.

All work to comply with Building Regulations and Local Authority requirements, and property is built to the standards of the National House Building Council and will carry their ten year protection.

Barratt
Building houses to make homes in
683 Chester Rd. Manchester M16 0QS Tel: 061-872 6004

EXTRACT FROM

SPEECH BY JOHN STANLEY MP

MINISTER FOR HOUSING AND CONSTRUCTION

TO THE

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY

15 OCTOBER 1980

Shared ownership at minimum cost

Finally, I want to put forward today a new form of shared ownership scheme which I believe will be of particular value to local authorities and new towns wanting to achieve the maximum number of shared ownership homes at the minimum public expenditure cost. It is in effect a scheme whereby authorities can obtain low-cost shared ownership homes, off the shelf as it were, from house builders.

Various components of this scheme have been used, and used successfully, before but I am not aware of any authority which has used shared ownership in the way I am now going to suggest. If there is any such authority, may I apologise to it in advance for not giving it the credit for pioneering what I am now going to propose.

The number of shared ownership dwellings sold by local authorities to date is about 2,000; a useful start, but no more than a start.

One of the main reasons that there have not been more schemes is that authorities have tended to carry them out on their own land (which is often scarce), have tended to build to Parker Morris or near Parker Morris standards (which makes the houses relatively expensive to purchase), and have tended to finance the construction themselves and to provide the mortgages (which means that the authority's HIP has to bear the full cost of the scheme).

Shared ownership off the shelf is designed to remove all these impediments whilst at the same time giving the house-builders a sensible commercial and contractual basis for going into partnership with individual authorities on these schemes.

It is designed to avoid the local authority having to provide land, though it can of course do so if it wishes.

It is designed to enable the authority to make the minimum possible call on its HIP for the shortest possible length of time.

It is designed to give the local authority the ability to decide to whom the shared ownership houses or flats should first be offered for purchase.

And it is designed to enable the local authority and the developer to agree how far the specification, and thus the sale price of the dwellings, should be kept down.

Shared ownership off the shelf would work as follows.

The local authority would contract to purchase itself a given number of starter homes from a house-builder undertaking the development on his own land if the houses were not sold either to outright owners or to shared owners within a specified time after they were completed.

The house-builder would therefore have, if need be, a guaranteed sale of the houses to the local authority.

In return he would be required to agree the specification of the homes and their sale price, to finance the development himself and to ensure a line of building society mortgage finance for the purchasers.

The nomination of the purchasers, and the proportion of the homes sold for outright ownership and for shared ownership would be matters for the authority.

Where a house was sold outright it could be conveyed directly by the builder to the purchaser.

Where a house was sold for shared ownership, it would need to be conveyed first from the developer to the authority and then, perhaps simultaneously, from the authority to the shared owner using the normal form of shared ownership lease.

Such a scheme has I am quite sure immense possibilities.

It provides the necessary incentive for builders to commit significant working capital and land resources to starter home shared ownership schemes.

It reduces the authority's call on its HIP to the absolute minimum, namely to just the purchase of the equity shares not acquired by the shared owner, and it delays that call until the point at which the dwelling is sold. The authority should always be able to avoid its contingent obligation to buy in any unsold dwellings both because it can arrange sales whilst the construction work is proceeding or even before it starts and because it can also retain the option of selling the houses outright as well as on a shared ownership basis.

It enables the authority to give preference to whatever groups of first-time buyers it wishes in the light of the housing needs of its area.

And it enables the authority both to count for housing subsidy its expenditure on the equity shares it retains in the homes, and also to count as a capital receipt for HIP purposes the equity shares purchased by the shared owner with a building society mortgage.

How far down the income scale could people take advantage of this form of shared ownership at minimum cost?

Let me simply sat that the lowest cost newly built starter home that I have seen so far in England this year was one in Lancashire. With the aid of an initial mortgage subsidy being provided by the builder, that home could be bought with a 95% mortgage costing the home-owner just under £22 a week net of tax relief.

That of course was for a purchase outright. A purchase of the same starter home on a shared ownership basis would mean the out-goings would be even less - in other words it would be in reach of almost any first-time buyer.

There are frequent calls for the adoption of bi-partisan policies on housing. Shared ownership is I am glad to say a policy that was supported by the last Government as well as this. Share ownership schemes have already been successfully carried out by both Conservative and Labour Councils.

The constraints on shared ownership schemes need no longer be legal or technical. They need not even be financial - particularly if authorities adopt the off the shelf version I have outlined. I feel quite sure in my own mind that if there were at this moment several thousand additional starter homes completed, and available for sale right now by the shared ownership method, there would be no difficulty at all in selling them by Christmas.

For that reason I would ask every local authority, every New Town and the housebuilding industry to bend their skills and enterprise to the kind of combined shared ownership and starter home scheme I have described. It synchronises the needs of the authority, the house-builder and the would-be home-owner alike.

And it will I am in no dobut enable a great many more people to cross the gap between renting and full home ownership for whom otherwise it will simply not be possible.

CONFIDENTIAL

HS

Housing
& Matter

10 DOWNING STREET

From the Private Secretary

3 October 1980

BF 17.10.80

The Prime Minister spoke to the Chief Secretary this afternoon about the suspension of the GLC's loan scheme.

The Prime Minister recognises the problems of public spending accounting which have caused the Chief Secretary to reject ideas along the lines proposed by Mr. Stanley in his letter of 12 September. She acknowledges that any greater spending by the GLC would have to be set against the Department of the Environment's cash limit. She is nevertheless concerned that an authority which apparently has no outstanding debt is unable to put its existing resources into worthwhile capital expenditure. She feels that the GLC's efficient economic management is bringing it no benefit whilst more profligate authorities manage to overspend on the basis of borrowings.

She would like to discuss this further, to see whether there is any way of meeting Sir Horace Cutler's problem. She proposes to invite the Chief Secretary and Mr. Stanley to a meeting with Sir Horace Cutler after the Party Conference. Caroline Stephens will be in touch with you about the timing.

(20.10.80 at 15.00).

M. A. PATTISON

Terry Matthews, Esq.,
Chief Secretary's Office.

CONFIDENTIAL

Housing 1

PRIME MINISTER

Horace Cutler raised with you, in the attached letter, the issue of the suspension of the GLC's Home Loan Scheme.

John Stanley (Flag A) and John Biffen (Flag B) have now looked at this. Both recognise that any exception to the existing ruling will have public expenditure implications this year. The position will of course change next year, but too late to be helpful from Sir Horace's point of view. Mr. Stanley has canvassed the idea of a special concession to the GLC, in effect to allow them to start operating on the new basis in say February or March. Mr. Biffen argues that this would really be incompatible with the tough line central government is now taking on local authority spending generally. He therefore advises you to reject Mr. Stanley's proposal.

If you accept Mr. Biffen's advice, do you want to speak to Sir Horace about this at the next opportunity, in preference to writing?

MAP

Would prefer to see J.B. myself

MT

Arranged for Friday 3rd October at 12.30

cl. 29/9.

24 September 1980

B

2ffs

PRIME MINISTER

SUSPENSION OF GLC HOME LOANS SCHEME

John Stanley sent me a copy of his recent letter to you about the suspension of the GLC's Home Loan Scheme. I have been considering the implications of his proposal that we might allow authorities to set capital receipts against the additional expenditure resulting from increased mortgage lending this year.

2. I can appreciate why it must seem unsatisfactory to the Council that our current controls appear to frustrate them from pursuing policies which they could finance by receipts, rather than fresh borrowing. This must be particularly so when we are to move next year to a different system of control which at first sight would seem to allow them to do what is proposed. However the situation is not as straightforward as this.

3. Under the present system, housing capital allocations to local authorities relate to gross expenditure. But the capital receipts do score against the Public Expenditure Survey programme for housing, and as a consequence the allocations the Department can issue within its PES total are correspondingly higher than they would be in the absence of this netting-off. Thus the receipts referred to by the GLC were effectively taken into account when the allocations to authorities were made originally. It is true that next year allocations will be made net of certain receipts, but of course this will be reflected in correspondingly lower figures than under the present arrangements.

4. It is inescapable that the proposal will increase public expenditure this year. It would also mean a higher PSBR than would otherwise be the case since the alternative use for the receipts is to reduce outstanding debt. It could also have cash limit implications. As John says, the sums involved are unclear but if the change is to have any impact presumably they would be significant. At a time when we are urging local authorities to restrain spending so that our policies for public expenditure are achieved, and more generally when the prospects for the PSBR are not favourable, it would be incongruous for us to be seen to be allowing individual authorities exemptions from the existing controls. With some regret therefore, I must advise you against accepting this proposal.

5. I am sending a copy of this minute to John Stanley.

WJB

JOHN BIFFEN
22 September 1980

A

DEPARTMENT OF THE ENVIRONMENT
2 MARSHAM STREET
LONDON SW1P 3EB
01-212 7601

My Ref: ST/PSO/45600/80

MINISTER FOR HOUSING AND CONSTRUCTION

12 September 1980

PERSONAL AND CONFIDENTIAL

The Rt Hon Margaret Thatcher MP
Prime Minister
10 Downing Street
London SW1

Dear Prime Minister,

In your Private Secretary's letter of 8 August you asked for my comments on the attached extract from some personal correspondence from Horace Cutler.

Michael Heseltine and I saw George Tremlett earlier this year to discuss the suspension of the GLC's Home Loan Scheme. Michael subsequently wrote to George on 20 June as attached. The position remains as set out in Michael's letter, namely that we have not found any means within the existing PESC rules of enabling the GLC to utilize their capital receipts to resume their mortgage lending without an increase in public expenditure having to be made.

If it was felt desirable to make a limited increase in public expenditure in order to help authorities who are in the GLC's position a possible way to do this whilst limiting the impact on public expenditure would be as follows.

Authorities could be told that from say 1 January, they could use any unspent capital receipts for mortgage purposes only, using the same rules on the treatment of capital receipts for PESC purposes that we shall be applying from 1 April anyway. Effectively we should be advancing for a single limited purpose the capital receipt rules that we shall be operating from 1 April. This should certainly enable the GLC to restart their mortgage scheme early in the New Year. It is very difficult to assess the public expenditure effect of any such change. In the first 2 quarters of 1980, local authority mortgage lending to the private sector (i.e. excluding house purchases by council tenants) averaged around £40 million a quarter. Any increase in public expenditure in 1980-81, resulting from this change would arise where authorities had unspent capital receipts at 1 January and actually completed additional mortgage transactions before March 31st 1981. Clearly,

if the concession was announced still later, say 1st February or even 1st March, the likelihood of a material increase in public expenditure this year would be correspondingly reduced. However, the closer one got to the start date for the new capital receipt rules that have already been announced, i.e. 1 April 1981, the more difficult it would be to confine the concession to mortgage lending only as the new rules apply to any form of capital investment.

I have discussed this with John Biffen as you suggested and he may wish to write to you separately on the public expenditure aspects. I have sent him a copy of this letter.

Yours ever

John

JOHN STANLEY

2F

HOME LOANS - RE-CYCLED ASSETS

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.

D

2 MARSHAM STREET
LONDON SW1P 3EB

My ref: PSO/13249

Your ref:

30 June 1980

Dear George

We met on 23 April to discuss your letters of 6 March and 15 April about the GLC's difficulties with its mortgage lending scheme. I said that I would look further into ways in which we might help, but I was not too hopeful of doing anything in the present year.

I am sorry that we have not been able tofind any answer to your problem. The fact is that resumption of mortgage lending inevitably increases public expenditure. The use of your capital receipts on council house sales, as suggested in your letter of 6 March, is not a solution, as receipts have already been taken into account nationally in making up the sums available for allocation through the HIP system. Next year, as you know, we are changing the system. In doing so we will enable those authorities which are vigorous sellers of council houses to gain greater benefits themselves from their capital receipts, while at the same time of course keeping public expenditure on housing under proper control.

Later this year, we will be able to consider requests from local authorities to anticipate their 1981/82 HIP allocations by a sum equivalent to 5% of this year's allocation. If we are able to accede to such requests, this might help you. However, in any event, we very much hope to be able to make the HIP allocations early enough this year to enable those local authorities which have had to curtail their mortgage lending schemes to decide whether to start them up again in preparation for lending in the coming financial year. Given the lead-times which are normal with house purchase, you may then wish to consider whether the scheme covered be re-opened some months ahead of this financial year. I cannot of course yet give you an indication of the size of your HIP allocation for next year, but with the run-down of your development programme you may perhaps have more room for manoeuvre than you had this year.

I would have like to have been able to help this year but with the best will in the world I do not see any way to do so at present. I am very glad, however, that we have been able to help you over homesteading.

Yours ever

Michael

MICHAEL HESELTINE

George Tremlett Esq

Housing

PGM NOTE 65/80

MH

HOUSING IN THE REAL WORLD

The Government's first priority is to create the conditions for a lasting improvement in our economic performance. We cannot avoid or ignore any longer the need to confront our severeand deeply seated economic problems.

This means that major cuts in public spending have been essential in order to put the economy on to a sound base from which real economic growth and wealth creation can be achieved.

Housing has had to make a substantial contribution to these savings. But it has still been possible, by making policy changes, to give both tenants and home-buyers a better deal.

The Government inherited a housing situation where:

Total public expenditure on rent subsidies in England had increased by some 18% in real terms between 1974 and 1979;

Public expenditure provision on housing capital expenditure was greatly in excess of what local authorities were actually spending;

Thousands of tenants who were willing to meet their own housing costs by buying their homes were being denied the opportunity to do so;

Local authority housing schemes were excessively controlled in minute detail by central Goverment;

Nothing was being done to stop the decline of the private rented sector.

In its first 15 months the Government has made radical changes to deal with each of these problems.

The keynotes of our housing policy are:

To meet the still far from satisfied demand for wider home-ownership.

To give greater independence and responsibility to those in the public sector through the introduction of our Tenants Charter.

To help the private rented sector make a greater contribution to meeting the demand for rented accommodation.

To stop so many of our older houses falling into decay and dereliction by stimulating improvement and repair.

To concentrate help on those with special housing needs.

This is how we have set about realising each of these objectives.

Widening Home-Ownership

The Housing Act 1980 provides the statutory basis for a profound and sustained expansion of home-ownership:

6 million council tenants, new town tenants and tenants of non-charitable housing associations have been given the right to buy their houses and flats and the right to a mortgage.

If the mortgage they are entitled to is not sufficient to buy their house or flat these tenants will, on payment of £100, have a two year option to buy at the original price.

If tenants are still unable to buy at the end of the option period, local authorities, new towns and non-charitable Housing Associations will be able to sell them their house or flat on a shared ownership - part-owning and part-renting basis - again at the original price.

Tenants of Charitable Housing Associations will not have the right to buy but these Associations have been given powers to sell to their tenants if they wish.

Co-ownership societies have also been given powers to sell.

To help people move to full home ownership via shared ownership, local authorities,new towns and housing associations will be able to offer shared ownership as an alternative to outright purchase in any of their home purchase schemes - including the right to buy, building for sale, improvement for sale and homesteading schemes.

To help first-time buyers the Government has launched a new /scheme improvement for sale/for both local authorities and housing associations. Under this scheme the Government may provide an exchequer contribution of up to £3,250 per local authority dwelling and up to £5,000 per housing association dwelling towards the cost of improving older homes in poor condition for sale.

To encourage building societies to lend on older, run-down houses, local authorities and the Housing Corporation will have a new and comprehensive power to guarantee building society mortgages on such dwellings.

Authorities are being encouraged to sell vacant and unimproved dwellings for improvement by the purchaser on the lines of the GLC's homesteading scheme, and the Housing Act enables local authorities to waive interest payments on mortgages for homesteading schemes for up to 5 years.

Local authorities will be given the maximum financial use of housing capital receipts so that they benefit directly from the action they take to promote low cost home ownership. (The details are set out in the speech made by John Stanley, Minister for Housing, to the Institute of Housing on 24 April, a copy of which has been sent to every local authority).

The Government has raised the threshold for stamp duty from £15,000 to £20,000.

The Government has raised the ceiling for local authority mortgage advances to £25,000.

First payments under the Home Loan Scheme will be made at the beginning of December this year. Prospective purchasers, who have saved under the scheme for at least 2 years and who buy a house within the price limits which the Government will shortly set, will obtain a loan of up to £600, interest free and repayment free for up to 5 years, and a tax free cash bonus of up to £110.

Low-Cost Home-Ownership

The Government has launched a 7-point programme to help local authorities promote low-cost home-ownership schemes. The 7 points are:

1. Selling council houses.

2. Selling local authority owned land to private builders for starter home schemes.

3. Building starter homes for sale on local authority land in partnership with private builders.

4. Improving houses for sale.

5. Selling unimproved houses for improvement by the purchaser (ie homesteading).

6. Promoting shared ownership schemes.

7. Providing guarantees for building society mortgages on older houses in poor condition

The Tenants Charter

There will be many public sector tenants who will wish to remain tenants or will not be able to afford to buy.

In the Housing Act the Government has introduced the first statutory charter of rights for all tenants of local authorities, new towns and housing associations. The main rights are:-

a. The right to buy.
b. Security of tenure, subject to the right of the landlord to repossess on defined management or conduct grounds.
c. The right for a widow, widower or a resident member of the family to succeed to the tenancy.
d. The right to take in lodgers.
e. The right to sublet.
f. The right to improve.
g. The right to information about tenants' rights and obligations.
h. The right to be consulted about matters affecting their tenancy.

These rights will improve a new measure of independence and responsibility for those in the public sector; will help to get better use of the existing stock and make it easier for tenants to improve their own homes themselves.

The private rented sector

The private rented sector has been in decline for years but it is a decline that has been accelerated and sustained by legislation that gives little or no encouragement to landlords to let. To provide such encouragement the Housing Act has:

a) introduced a new form of shorthold tenancy giving landlords the right to let for between one and 5 years with guaranteed right of repossession. There will be safeguards for tenants. The tenant will have security of tenure during the period of the tenancy plus a further year's tenancy if the landlord does not give notice of repossession before the end of the shorthold period. Fair rents will apply;

b) ended the system of controlled tenancies with rents pegged at 1956 levels; these tenancies will now be brought into the fair rent system;

c) reduced the period between reviews of fair rents from 3 to 2 years, with a corresponding reduction in phasing of rent increases between reviews;

d) changed the rent registration procedure to achieve greater productivity from rent officers and to avoid delays in rent registrations;

e) extended the rights of temporarily absent owner occupiers, the owners of retirement homes and servicemen - and their successors if they die - to regain possession of their home from tenants;

f) enabled landlords approved by the Secretary of State to build for rent at freely negotiated (ie market) rents outside the Rent Act;

g) made it easier for owner occupiers who sublet part of their homes to regain possession.

Improvement and repair

Some of our houses are over 100 years old and one-third are over 60 years old. Many of them are perfectly sound but some still lack basic amenities like inside WCs and baths.

Under the Housing Act the home improvement grant system has been made more flexible so that expenditure can be concentrated on the individuals and on the dwellings most in need of help.

a. repair grants are being extended to pre-1919 properties generally;

b. local authorities will be able to vary the amount of grant they give so as to direct resources to the most needy cases;

c. even if they move within 5 years owner occupiers will no longer have to repay grant, provided they sell to another owner occupier;

d. to help the less well off, people will be able to improve in stages if they wish without necessarily having to undertake comprehensive improvement, and local authorities will have discretion to allow improvement to lower standards;

e. tenants in both the private and public sectors are being made eligible for home improvement grants for the first time.

Special Needs

There will be in future greater concentration on meeting special needs, for example, those of the elderly and disabled; hostel dwellers; and those who need help through rent rebates.

Under the Housing Act the elderly will benefit from the more flexible improvement grant policy. They will be helped by the increase in maximum rent rebates and allowances and by the power in the Local Government Bill for local authorities to defer payment of rates by elderly owner occupiers.

The disabled will similarly benefit from the new improvement grant policy and local authorities will be able to waive rateable value limits for improvement grants for making a dwelling suitable for the disabled.

The Government has raised the maximum weekly rent rebate and allowance from £10 (£13 in London) to £23 (£25 in London).

Under the Housing Act the Government is helping hostel dwellers:-

a. for the first time enabling exchequer grant to be paid for spending of up to £6,750 on fire escapes for hostels and for spending on associated repairs of up to £2,000;

b. obliging local authorities to pay such grants when they insist on fire escapes being provided;

c. improving the ability of local authorities to deal with overcrowding in hostels;

d. increasing certain penalties for bad management of hostels;

e. extending rent rebates and rent allowances to those living in hostels who were not previously eligible for them.

Paymaster General's Office
Privy Council Office
68 Whitehall
LONDON SW1

CONFIDENTIAL

10 DOWNING STREET

From the Private Secretary

13 August 1980

Thank you for your letter of 12 August, providing background information for the Prime Minister's resumed discussion on the calculation of local authority mortgage entitlement for older tenants wishing to purchase council houses.

As you know, the Prime Minister discussed these matters this morning with the Secretary of State for the Environment, Mr. Stanley, Lord Cockfield and Mrs Chalker.

The Prime Minister approved proposals supported by all present that the multiplier should remain at 2½ up to age 60, should be set at 2 from 60 up to 65 and should be reduced to 1 at age 65 and over. Ministers agreed that the qualifying date should be age of the applicant on the day when his application is received by the local authority.

In the discussion, it was accepted that potential default was not a major problem; the issue concerned entitlement to supplementary benefit covering mortgage interest payments for those over 65. It could be argued that a number of purchasers would take up the purchase option late in life, confident that their interest payments would be met from supplementary benefit as soon as they reached 65. Ministers recognised that this could arouse great resentment amongst house purchasers who would not stand to benefit from these arrangements, even though the statistical evidence suggested that this might not be a great problem. It was a Government objective to put as many council houses as possible into private hands, and it was important to make rapid progress on this front at a time when there was little encouragement from economic news. But it was necessary to guard against accusations of the Government handling taxpayers' money in a profligate way.

Mrs Chalker explained that her Department had looked carefully at the possibility of making any supplementary benefit payment covering interest a charge on the house. She had concluded that this could only be done through primary legislation, and that it would be inequitable to limit this to one category, elderly purchasers using local authority mortgages. But if legislation was introduced to make it possible to raise a charge on housing more widely through the supplementary benefit scheme, this would involve changing the basis of the system to a loan arrangement. This did not therefore seem to be the appropriate avenue for tackling the immediate problem.

/ The Prime Minister

The Prime Minister accepted that the regulations to be introduced with effect from October should be on the basis of the multipliers set out above. She also recognised that any question of legislation introducing a charge on houses could not be retrospective. But Environment Ministers should make it absolutely clear that the Government would be prepared to introduce legislation to deal with the problem of interest payments met through supplementary benefit if this became a significant factor.

There was some uneasiness about the treatment of the over 65s. The Prime Minister eventually agreed with the use of a multiplier of 1, given that all supplementary benefit is removed from the income definition for this age group.

I am sending copies of this letter to Paul Bristow (DOE), Robin Young (Mr. Stanley's Office), John Hughes (Mrs Chalker's Office) and David Wright (Cabinet Office).

M. A. PATTISON

M.A. Hall, Esq., MVO,
H.M. Treasury.

Housing

10 DOWNING STREET

PRIME MINISTER

Here are two briefs, from the Department of the Environment and the Treasury, concerning your meeting tomorrow morning on Housing (mortgage entitlement of older tenants).

D. J. T. Collings

(Duty clerk)

12 August, 1980

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

12 August 1980

M. Pattison
~~T. Lankester~~, Esq.,
Private Secretary,
10, Downing Street

Dear Mike,

HOUSING BILL: MORTGAGE ENTITLEMENT OF OLDER TENANTS UNDER RIGHT TO BUY

Your letter of 11 August invited the Treasury to prepare a factual analysis of the public expenditure consequences of available options for determining the mortgage entitlement of older tenants.

We have examined the following options:

A. Giving every tenant regardless of age an entitlement of 2.5 times current income

B. Giving the following age-related entitlements:

Up to and including 59	2.5
60) 61)	2.0
62) 63)	1.5
64	1.0
65 and over	1.0

C. A variant of B. giving a factor of 1.75 at 61 and 1.25 at 63.

The long-term public expenditure consequences (in net present value terms) of these options in the case of a tenant on average earnings purchasing an average house are shown in the table below. (A separate note will be circulated as soon as possible setting out the assumptions on which these calculations are made.)

Public expenditure / consequences in net present value terms of selling a typical council house to a purchaser aged 60-65

Age	Option A		Option B		Option C	
	Mortgage factor	NPV loss (-) or gain (+) £	Mortgage factor	NPV £	Mortgage factor	NPV £
60	2.5	- 3,600	2.0	- 3,600	2.0	- 3,600
61	2.5	- 4,200	2.0	- 4,200	1.75	- 4,000
62	2.5	- 4,600	1.5	- 3,800	1.5	- 3,800
63	2.5	- 5,100	1.5	- 4,100	1.25	- 3,400
64	2.5	- 5,800	1.0	- 3,000	1.0	- 3,000
65	2.5	- 6,500	1.0	- 1,100	1.0	- 1,100

These figures shows a significant net loss at age 60. The loss rises very considerably by age 65 under the DOE proposal of a 2.5 multiple for all ages (Option A). Option C is the most successful in reducing and stabilising the net loss.

The assumptions on which the calculations are based differ in two important respects from those which DOE published earlier this year for sales in general:

(a) No account is taken of net savings in improvement expenditure, on the grounds that these are less likely to occur in the case of older tenants.

(b) Account is taken of the lost opportunity to obtain vacant possession of the property when the surviving spouse dies. This must be done in order to reflect the true cost of giving supplementary benefit for house purchase, as oppose to giving it to meet rent payments.

The figures for 60 year olds in the table above suggest to us that sales to people in their late 50s may also entail a net loss. However the considerations in paragraph 5(a) become more important for younger people, while 5(b) becomes less important. In the time available it has not been possible to establish whether sales to people in their 50s would have more adverse consequences than sales to younger tenants, and we recommend that the taper (if any) should start at 60.

/We have

We have also considered the short run public expenditure effects. The following points are relevant:

(a) The Treasury's present public expenditure assumptions make no explicit allowance for sales to people of 60 and over. They assume that 30 per cent of sales in aggregate will be financed by deposits or private sector mortgages. They assume subsidy savings in the range £40-90 million a year.

(b) Some sales may be foregone if tenants cannot afford the deposit to bridge the gap between mortgage entitlement and purchase price. The mortgage factor has to drop below 1.8 for a deposit to be needed in the average case.

(c) A sale on a 100 per cent mortgage produces no immediate saving on capital account.

(d) If the mortgage payment is met by supplementary benefit, there is no public expenditure saving on current account.

(e) A mortgage entitlement of less than the purchase price could help public expenditure to the extent that it encouraged tenants to obtain a building society mortgage or a deposit from their own or their family's resources.

(f) Any increased take-up in supplementary benefit will correspondingly increase the revenue of local authorities who make the loan. But as paragraph 5(b) points out, they lose the reversion of the property.

Women Tenants

The above calculations are for male tenants. It seems likely that the pattern for 55-60 year old female tenants is broadly similar to that for 60-65 year old male tenants.

Recovery of supplementary benefit

It was suggested at yesterday's meeting that the problem could be got round by making supplementary benefit payments towards mortgage costs a charge on the dwelling recoverable from the tenant's (or his survivor's) estate. This would certainly improve the balance between gains and losses. We understand that this proposal would require primary legislation. It raises broader issues than that of the right to buy. It does not seem to be a practical option for the present. The Chancellor considers however that the idea merits examination.

I am copying this to David Edmonds and to the Private Secretaries to Mr Stanley and Mrs Chalker.

Yours ever,

MAH

M A HALL

PRIME MINISTER

PUBLIC EXPENDITURE EFFECTS OF A LOWER MORTGAGE/INCOME MULTIPLIER FOR TENANTS AGED 60-64

You asked that an attempt be made to assess the public expenditure implications of tapering the multiplier to be used in determining the mortgage entitlement of those aged 60 or more but less than 65.

No one can forecast the public expenditure effects with any real precision. What can be done is to make a calculation based mainly on (a) assumptions contained in the Department's published Appraisal of the Financial Effects of the Sale of Council Houses, (b) relevant experience of Building Societies and (c) relevant experience in the GLC. On (a), the Appraisal, and particularly the methodology used, has not been seriously challenged. On (b) and (c) these two sources provide as sound a factual basis as we are likely to get.

Two key points have come out of the calculations we have made since our meeting on Monday.

First, the proportion of the elderly likely to default is very small and the resulting additional liability to make Supplementary Benefit payments is insignificant in overall public expenditure terms.

On the basis of 100,000 sales a year (the broad PESC assumption) the number of those who would be buying in the 60-64 age range is likely to be around 6% - ie 6,000 purchasers. The Building Societies Association have given us a figure of 0.4% for the number of their mortgagors more than 5 months in arrears. The GLC have told us that of their 20,000 mortgages on former council houses only 200 or 1%, are in arrears of more than £300, and they have no tapering of their mortgage rules by age. The GLC consider that the incidence of mortgage default tends to decrease, rather than increases, with age. However, even assuming 1% of the 6,000 purchasers in the 60-64 age range default, one is considering what extra public expenditure on Supplementary Benefit might arise in respect of perhaps 60 people a year. Our calculation is that this is unlikely to reach more than £60,000 a year (paras 7-8 of the Annex).

Second, this small additional Supplementary Benefit liability is certainly going to be hugely outweighed by the public expenditure cost of making it impossible for elderly people to get a sufficient mortgage to buy at all.

Some 25% of council tenants have Building Society accounts. It has to be assumed therefore that most of the remainder will require a local authority mortgage in order to exercise their right to buy. If this factor is combined with the Treasury proposal to reduce the multiplier from 2½ to 1½, taking for example a £10,000 mortgage entitlement down to a £6,000 one, it might be assumed that perhaps half of the 6,000 prospective purchasers in the 60-64 age range may be unable to buy at all. Our estimate of the public expenditure cost of these lost sales is in the order of £8-10 million per annum. (The detailed calculation, based on that in the published Financial Appraisal of Council House Sales which was agreed with Treasry, is set out in paras 4-6 of the Annex).

If the 1½ time multiplier were to be applied to those in their 50's as well as to the 60-64 age group, the public expenditure cost of the much greater number of lost sales that would then result (perhaps 20,000 a year) would be of the order of £40-50 million a year.

The conclusions we draw are:

i. Although it has been necessary to make a number of assumptions the likely outcome is that the effect of a taper would be to produce far greater losses to the public purse through a reduction in sales than any likely public expenditure cost arising from mortgage defaults.

ii. The effect of extending a taper to those aged 50-60 (as opposed to those aged 60-64) would be to increase the public expenditure losses very greatly.

iii. Any form of taper based on age would produce considerable complexities and major anomalies that would be very difficult to defend politically. There are widely different practices over retirement ages eg as between men and women, phased retirements, or people working part-time or full time, when past retirement age. No taper based on age could reflect these different personal situations fairly.

iv. If the mortgage regulations result in many of the more elderly tenants being unable to buy, Labour Councils will be only too happy to tell disappointed purchasers that they are merely following the rules that the Government has laid down and that it is the Government's fault that they can't exercise the right to buy after all.

Our overall conclusion in the light of the further intensive work that we have done is that we should adhere to our original proposal for a multiplier of 2½ times income regardless of a person's age.

I am copying this minute to Geoffrey Howe and Lynda Chalker.

Paul Boateng
(Private Secretary)

M H
12 August 1980

(agreed by the Secretary of State and signed in his absence)

ANNEX

A

PUBLIC EXPENDITURE CONSEQUENCES OF A LOWER MORTGAGE/INCOME MULTIPLIER

A. The Number of People Affected and the Effect on the Number of Sales

Number of Purchasers

1. Murie found the following age distribution in his sample of sitting tenant purchasers:

Under 30	1%
30-39	19%
40-49	30%
50-59	37%
60-69	9%
70 and over	4%

(A Murie, Sale of Council Houses, Table 6.2)

Purchasers aged 60-64 are not separately distinguished from 65-69; but 6% would be a reasonable figure to take (out of 9% aged 60-69). If we take the PESC assumption of 100,000 sales a year, then there are assumed to be 6,000 sales a year to tenants aged 60-64.

2. The reduction in sales caused by a taper is taken for present purposes to be one-half. So the number of sales is reduced by 3,000 a year.

B. The Reduction In Savings to Public Expenditure as a Result of the Reduction in the Number of Sales

3. The reduction in the gains to public expenditure as a result of there being fewer sales may be worked out by the method described in the published Appraisal of the Financial Effects of Council House Sales. A particular uncertainty is the amount that the purchaser aged 60-64 with a local authority mortgage would put down in cash. There is no direct evidence to go on, but 30% would be a reasonable assumption; for the average for all first-time purchasers is 20%, but people aged 60-64 have had more opportunity to save.

4. The first year financial flows (at 1980/81 prices, as in the Appraisal) are:

Part of purchase price received in cash	+£2,520
Mortgage interest (at 15%, on £5,880)	+£882
Savings on costs of management and upkeep	+£43 to +£160
Rent foregone	-£416
Tax relief (at 30%)	-£265
Total first year financial flows	+£2,764 to +£2,881 say £2,800

So with 3,000 fewer sales, there would be an adverse effect of about £8 million a year on public expenditure in this way.

5. But sales have continuing effects on the public purse. These effects arise from savings in costs of management and upkeep, rents foregone, and tax relief. What would happen would depend on the course of interest rates, inflation, and rents. The first two are very hard to predict; the third depends on policies. An approximate indication can be got by taking rents to rise at 3% a year in real terms, unchanged interest rates (15%), and 12% inflation. House Prices rise at 12%.

(figures in £ million)

	Year 1 (1980/81)	Year 2 (1981/82)	Year 3 (1982/83)	Year 4 (1983/84)	Year 5 (1984/85)
Cash sums received (3,000 houses a year)	7.6	8.5	9.5	10.6	11.9
Mortgage interest					
Sales in year 1	1.3	2.6	2.5	2.4	2.3
" " " 2	-	1.5	2.9	2.8	2.7
" " " 3	-	-	1.6	3.2	3.1
" " " 4	-	-	-	1.8	3.7
" " " 5	-	-	-	-	2.0
Savings on upkeep and management (*)	0.2	0.8	1.6	2.4	3.5
Total gains	9.1	13.4	18.1	23.2	29.2
Rent income foregone	0.6	2.2	4.1	6.6	9.8
Tax relief	0.4	1.2	2.1	3.1	4.1
Net total (out-turn prices)	8.1	10.0	11.9	13.5	15.3
Net total (revalued to 1980/81 prices)	8.1	8.9	9.5	9.6	9.7

Note: (*) Highest of the three variants in Table 6 of the published Appraisal

6. Even with faster increases in rents in real terms, the adverse effects on the public purse arising from 3,000 fewer sales each year would still run at about £8 million a year (at 1980/81 prices).

C. Supplementary Benefit Payments to Purchasers in Difficulty

7. The Building Societies Association advise that about 0.4% of all mortgages outstanding to building societies are 5 months or more in arrears. GLC advise that 1% of their mortgages on former council houses are £300 or more in arrears, three to six months according to when the house was bought. There are no figures relating to purchasers of any specific age. But if the GLC figure is taken, then 60 out of 6,000 purchasers aged 60-64 would be in serious arrears.

8. The reasons for arrears are not known; but if they were loss of income due to unemployment, illness, or injury, Supplementary Benefit would be payable. Mortgage interest counts as "rent" for SB purposes. Since in the circumstances the householder would normally have been entitled to Supplementary Benefit if he had remained a tenant, the extra expenditure on Supplementary Benefit arising because the householder is buying on mortgage is the difference between the amount of mortgage interest, net of tax relief, together with the SB allowance to owner-occupiers for maintenance, and the rent the householder would have been paying had he remained a tenant. From the figures in paragraph 4 the difference between net interest and rent in the year following purchase can be seen to be about £250 a year. Including the allowance for maintenance brings the figure up to about £300. So for 60 householders (paragraph 7 above) the amount is £18,000. With successive annual batches of purchasers, the number at risk would grow; but the rise in rents in money terms would narrow and then close the gap between mortgage interest and rent.

The total amount of extra SB (ie compared with what would be payable to the householders in question if they had remained tenants) as a result of interruption to income might reach £60,000 a year, but hardly more.

CONFIDENTIAL

File

VB

cc Master

10 DOWNING STREET

From the Private Secretary

11 August 1980

Dear Martin

The Chancellor of the Exchequer and the Secretary of State for the Environment this morning discussed with the Prime Minister the basis on which local authority mortgages should be made available to older tenants. The Minister for Housing and Construction and the Parliamentary Under Secretary of State at DHSS (Mrs Chalker) were also present.

Mr. Heseltine explained that the private sector tended to stick to the 2½ times multiplier in considering mortgages right up to retiring age, but private sector lenders did of course retain the discretion to consider individual cases. In the public sector, it was essential to have a rule of thumb which could be embodied in the regulations under the Housing Act. In order to implement these regulations from 3 October, a very early decision was necessary in view of the timetable for printing and distribution of the relevant material. The Chancellor had proposed that the multiplier should taper from age 50. This would mean that some prospective purchasers would fall below the 100% mortgage entitlement which was a manifesto commitment. 50% of the tenants who might be prospective purchasers were in the 50 and above age group, about 13% of these were over 60.

The Chancellor acknowledged that the Government's objective was to put as many council houses into private hands as possible. The original aim had been to use private sector mortgages to the maximum extent possible. In discussions over some months, Mr. Heseltine's department had not been ready to consider any tapering of the mortgage entitlement. The Treasury had always considered that some form of tapering would be necessary. Officials would now have to look urgently at the public expenditure implications of various options.

Mrs Chalker explained that the lack of discretion was a real problem in the public sector and under present regulations supplementary benefit was payable to those over 65 who were in difficulties in order to enable them to meet their interest payments. This would require a change in supplementary benefit regulations. It was not possible to handle it in the forthcoming housing regulations.

After further discussion, the Prime Minister said that a decision could only be reached on the basis of a factual analysis prepared by the Treasury of the public expenditure implications of available options. It would be necessary to deal with the question of supplementary benefit entitlement. Her own instinct was that there

/ should be

CONFIDENTIAL

should be a reduced multiplier from age 60, and the Chancellor considered that this should be on a 1½ times basis. She was not inclined to favour a reduced multiplier for the 50-60 age group but if the absence of this had significant public expenditure implications, a different decision might be required.

The Prime Minister said that she was prepared to consider this matter further before she departs for her holiday later in the week. I understand that you have now put in hand work on this. I hope that you will be able to report further to the Prime Minister by close of play tomorrow.

I am sending a copy of this letter to Paul Bristow (DOE) and to O.C.L. Thorpe (Mrs Chalker's Office). I am also sending a copy to David Wright (Cabinet Office).

Yours ever

Mike Pattison

M.A. Hall, Esq., M.V.O.,
H.M. Treasury.

PRIME MINISTER

The Chancellor and Mr. Heseltine are still unable to resolve one aspect of the regulations to be introduced under the terms of the Housing Bill. This concerns the provision for mortgages to people buying local authority houses. Mr. Heseltine believes that the 2½ times multiplier should be applied to all applicants for mortgages. The Chancellor is not happy that applicants in later life should have their mortgages assessed on this basis.

Mr. Heseltine has asked if he and Mr. Stanley could come to see you with the Chancellor on Monday about this. The Chancellor is not keen to have the matter referred to you, but he and the others would be free at 1230 on Monday. The Chancellor would wish a Health Minister to be present if the meeting takes place. We could get Mrs Chalker for this.

I know that you hoped to avoid being drawn into this. Do you want us to tell the Ministers concerned that they must resolve it without reference to you or are you prepared to accede to Mr. Heseltine's request for a meeting?

It would be helpful if you could tell the Garden Room Girl of your decision so that we can warn the Ministers concerned if they are required on Monday.

If they fail, resolve it
- they can come and see me.
I incline towards changing the supplementary benefit rules. MT

Some background papers are attached should you decide upon a meeting

8 August 1980

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

8 August 1980

M. Pattison, Esq.,
Private Secretary,
10, Downing Street

Dear Mike,

HOUSING BILL: MORTGAGE ENTITLEMENT

We understood until late this afternoon that it was unlikely that the Prime Minister would be holding a meeting on Monday to discuss this matter with the Chancellor, Mr. Heseltine, and a DHSS Minister. We have not therefore had time to prepare, as we would normally have done, a minute for the Chancellor to send to the Prime Minister. The Chancellor has however asked me to send you the enclosed brief, which was prepared for him in advance of this afternoon's meeting with Mr. Heseltine. You may also find it helpful to have Miss Mackay's brief of 6 August, which I also enclose.

Yours ever,

MH

M.A. HALL

CHANCELLOR

cc PS/CST
PS/FST
Sir A Rawlinson
Mr Bailey
Mr Kemp
Mrs Gilmore
Miss Mackay
Mr Cardona
LGCS

HOUSING BILL : MORTGAGE ENTITLEMENT

I understand that a meeting has now been arranged with the Environment Secretary for 3.30 this afternoon.

Probable DOE line

2. Mr Heseltine is likely to say that it is of vital political importance to give every council tenant the right to a 25 year mortgage equal to 2½ times his present income. To give less to people nearing retirement would be unfair discrimination, which would be especially damaging now that the Lords amendment has denied many elderly tenants the right to buy.

3. He may say that building societies do not discriminate against older people in this way and that they regard the value of the property as giving adequate security; and that they do not rule out the terms which he proposes.

4. On the public expenditure implications, he may say that this should be looked at in the round: overall, the sale of council houses will reduce the burden of housing subsidies. As regards older tenants, he may point out that in the years before retirement the state will benefit from the fact that the tenant is paying more to his authority than he would have paid in rent (thereby reducing the burden of subsidies). By the time they retire and (perhaps) become dependent in supplementary benefit, the mortgage interest payments will have diminished in real terms (because of inflation and the pattern of annuity payments) and may be less than the rent payments which the state would have had to cover if he had remained a tenant.

Mr Heseltine may further argue that if the Treasury believes it is wrong in principle for supplementary benefit to meet old people's mortgage interest payments, then they should change the supplementary benefit rules, not erode the right to buy. Building societies - and local authorities - are already able to grant mortgages on the basis which DOE now propose.

Suggested response

6. It is not unfair discrimination, when assessing someone's ability to repay a 25 year mortgage, to consider the length of time he has to go to retirement, and the nature of his pension rights.

6. As to building societies, it is hard to believe that they would give the terms proposed by DOE to a 64 year old with only a state pension to look forward to. But in any case, what building societies do is rather beside the point. The Government must have regard to the public expenditure implications, in which the building societies do not have a locus.

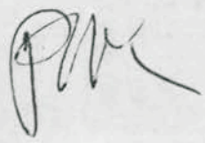
7. The public expenditure effects are not simple to establish. They defend on a number of things, including the length of time to retirement and the rate of inflation. For people within a year or so of retirement it seems self-evident that the DOE proposal will be disadvantageous to public expenditure. Whether this would also be for people within 10 or 15 years of retirement cannot be established without further work.

8. In the discussions between officials earlier this week, it was suggested that the mortgage entitlement should be tapered after the age of 50. If further work showed that the DOE proposals could be affected beyond that age without adverse consequences for public expenditure, well and good.

9. As to the supplementary benefit rules, there may well be a case for a change (although DHSS would dislike changes so soon after the recent review). But what DOE propose would make it more difficult to change the supplementary benefit rules; people could claim that they had exercised their statutory right to a mortgage on the assumption that supplementary benefit would be available to help meet the cost.

Summary

10. I recommend that you seek to persuade Mr Heseltine that (a) there is no prospect of your agreeing to his present proposal, (b) officials should work out arrangements which on reasonable assumptions would not be disadvantageous to the public purse.



P J KITCATT
8 August 1980

1. MR KITCATT

2. CHIEF SECRETARY

cc Chancellor
FST
Sir A Rawlinson
Mr Bailey
Mr F E R Butler
Mr Kemp
Mr Cardona
LGCS

CABINET 7 AUGUST : HOUSING BILL

This minute alerts you to an issue affecting public expenditure which the Environment Secretary might seek to raise at Cabinet tomorrow under Parliamentary affairs.

2. The issue concerns the mortgage entitlement of tenants exercising the right to buy. DOE want every tenant to have a right to a 25 year mortgage equal to 2½ times his current income, even if he is on the brink of retirement and has no occupational pension rights.

3. This appears to fly in the face of common sense. Moreover it has serious public expenditure implications because tenants who became dependent on supplementary benefit after retirement would be entitled to have their mortgage interest payments met by the State.

4. The Financial Secretary has authorised us to oppose the DOE proposal and to ask for rules which limit the risk to public expenditure by relating the mortgage entitlement to the imminence of retirement.

5. We have discussed this with DOE officials. We are satisfied that it is practicable to modify the mortgage entitlement according to age. No one would be denied the right to buy. The rules would not require the exercise of discretion by local authorities. The arrangement could be presented as a fair and prudent way of avoiding an unnecessary additional claim on public expenditure.

6. We have told DOE officials that if their Ministers are not prepared to modify their proposals they should take the matter up with the Financial Secretary and with the Social Services Secretary. (The public expenditure implications arise on the DHSS programme).

7. The issue has to be resolved very soon, because the rules have to be made by statutory instrument in good time for the implementation of the right to buy 8 weeks after enactment.

8. There is therefore a danger that the Environment Secretary will seek to bypass a bilateral discussion by raising the matter in Cabinet. If he does, we advise you to hold firm to the Treasury position set out in paragraph 4 above.

Eileen Mackay

MISS E A MACKAY
6 August 1980

PMx 6/8

PERSONAL AND CONFIDENTIAL

NCB

10 DOWNING STREET

From the Private Secretary

8 August 1980

BF 29.8.80

I enclose an extract from a letter to the Prime Minister from Sir Horace Cutler.

The Prime Minister would be grateful for Mr. Stanley's comments on the points raised. He may need to consult the Chief Secretary on these points, and I am sending a copy of this letter and enclosure to Alistair Pirie in the Treasury.

I should be most grateful if you could ensure that the text of Sir Horace's letter is not circulated too widely. This is from some personal correspondence, and Sir Horace has in the past been most concerned to learn from officials that they have seen his letters to the Prime Minister.

M. A. PATTISON

R.U. Young, Esq.,
Department of the Environment.

X1764.

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

Prime Minister

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

Yes please MT

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

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

MTP 7/8

7 August 1980.

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

Top Copy
filed Education
Future of ILEA Pt 2

Dear Margaret,

1. HOME LOANS - RE-CYCLED ASSETS

2. ILEA - FUTURE

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

See Education ILEA: Pt 2

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.

MAP

2.

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

Prime Minister
MAP
5/8

RS/8

1 August, 1980

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

Dear Margaret,
HOMESTEADING

I understand that action has now been taken in the Lords to safeguard our scheme and we are all very grateful indeed for your help in this matter.

I look forward to seeing you on 6 August.

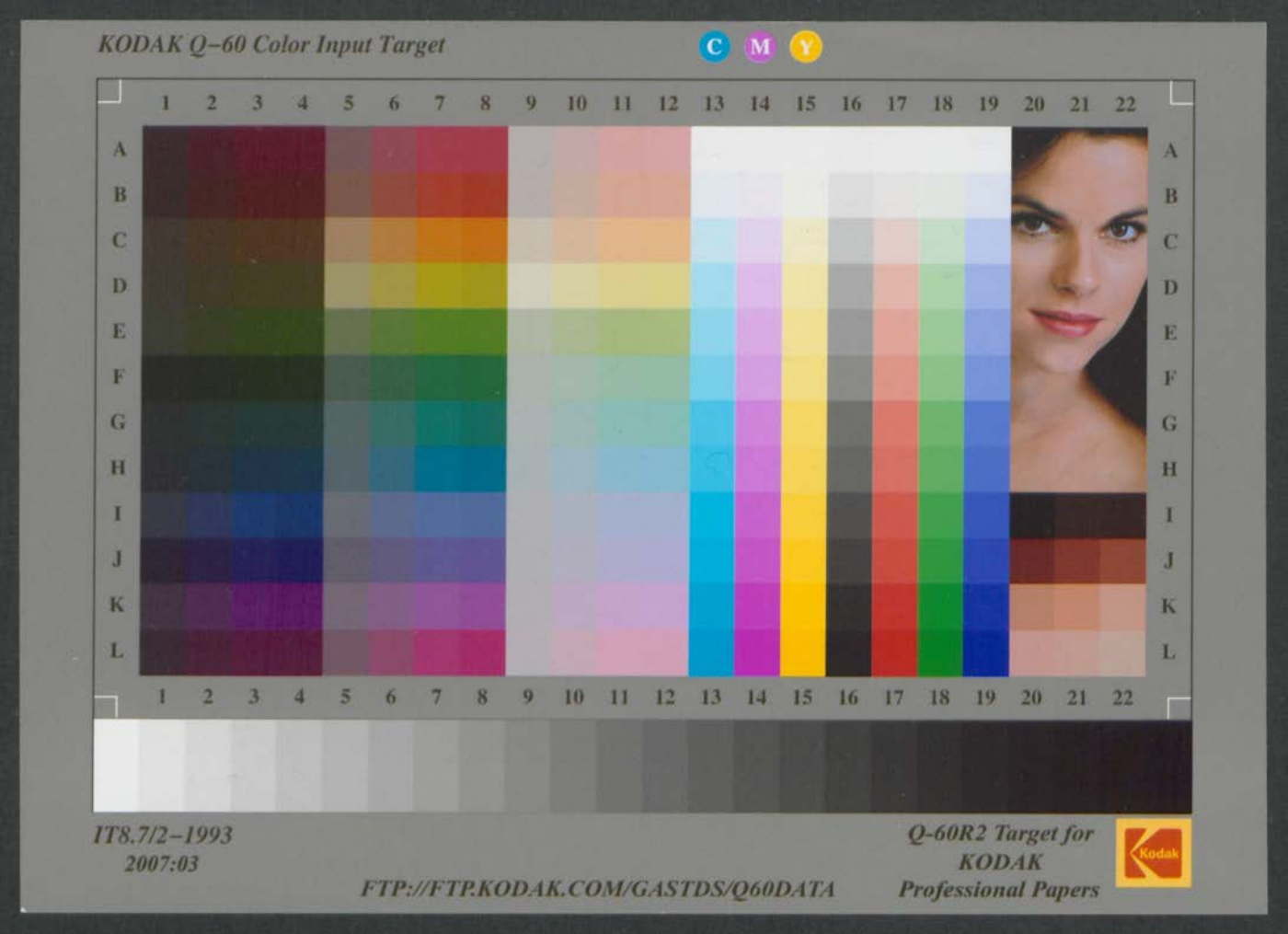
Yours ever
Horace.

PART 1 ends:-

CC (80) 31st mtg Item 1 extract
31.7.80

PART 2 begins:-

Sir H Cutler to PM 1.8.80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