

PREM 19/1270

Confidential ing

Policy on the Sale of Council houses.

533

533.

HOUSING

May 1979

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
11.5.79		3.12.81					
30.11.79		10.2.82					
10.9.80		2.3.82					
12.9.80		18.3.82					
31.3.81		13.10.82					
13.5.81		22.12.82					
5.6.81		23.12.82					
8.6.81		11.1.83					
22.6.81		7.2.83					
15.10.81		26.4.83					
14.11.81		29.6.83					
27.11.81		5.7.83					
		6.7.83					
		25.1.84					
		9.3.84					

PREM 19/1270

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
H(84) 10	08/03/1984
L(83) 13 th Meeting, item 2	06/07/1983
H(83) 15 th Meeting, only item	05/07/1983
H(83) 27	28/06/1983

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 J. Gray

Date 20/9/2013

PREM Records Team

Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

House of Commons – Second Report from the Environment Committee, Session 1980-81, HC 366 – Council House Sales, Volume I, published by HMSO 16 June 1981. ISBN 0 10 299781 0

Department of the Environment: Council House Sales – The Government's reply to the second report from the Environment Committee – HC366. Presented to Parliament October 1981. Published by HMSO. ISBN 0 11

Signed J. Gray Date 20/9/2013

PREM Records Team

CF: I have conveyed the PM's ⁽²⁾ views to the appropriate members of H Committee, ad to the secretariat. Please p.a.

PRIME MINISTER

Right to Buy : The Five Year Rule

DAB
12/3

At their meeting next week H Committee will consider the attached paper from the Chief Secretary. He proposes a reduction in the period during which a tenant who exercises his right to buy must repay part of the discount if he sells, from 5 to 3 years. He asks for inclusion of this change in the Housing and Building Control Bill, currently before the Lords.

The Secretaries of State for Scotland and Wales are not convinced about the merits of such a reduction, since they are concerned about criticism of people making a quick profit. The Minister for Housing is likely to argue against any tactical reasons: it is very late in the passage of the Bill to include such a major and controversial change.

But how did
such a paper get on
the agenda unless
it had been virtually
agreed by Ian Gow
Nick Edwards & Geoff
Younger?
I share their view
not

AT

P. D. BARCLAY

9 March 1984

SUBJECT



file

MT

cc to Master

10 DOWNING STREET

From the Private Secretary

25 January 1984

Dear Paul,

Latent Damage and Defective Housing

The Prime Minister held a meeting yesterday with Mr. Gow and the Solicitor General to discuss the legal position on liability for latent damage and the problem of defective housing.

The Prime Minister said the problem had first come to light in dealing with the case of a constituent of hers, Mr. Godfrey Phillips, whose son was the owner of a Unity type house built using pre-fabricated reinforced concrete (PRC). The Prime Minister was disturbed by the position that where such a house had its origin in the public sector Government was offering assistance with the cost of repairs and in the last resort would buy back the property at 95 per cent of its defect free value. By contrast, those like Mr. Phillips son, who owned a house which had always been in the private sector, would receive no such assistance; indeed such people could find themselves contributing through their taxes to assist their neighbours. This position was difficult to defend as the loss of the matrimonial home was a major financial blow. Since this correspondence, the Prime Minister had noted that the Law Review Commission were looking at the law as it stood following the *Pirelli v. Faber* case. She asked what the Government could do and what would be the wider ramifications of taking action in such cases. The Solicitor General said the law currently provided remedies but it was unlikely that they would be of help in this case. First, with houses built in the 1940s and 1950s there might well be no-one to sue. Secondly, the House of Lords had ruled that the six year limitation period ran from the date the damage occurred rather than when it might reasonably have been discovered. Since this could be deemed to be the time corrosion started, it would be difficult to bring an action in cases of this kind. Finally, it would be very difficult to establish negligence when the houses were built using techniques that were fully endorsed within the industry at the time. Indeed, the Burke Committee had given official blessing to the use of PRC.

/The Minister

ls

The Minister for Housing and Construction recognised the hardship that could arise in cases of this kind but he was worried about extending the responsibility of the state. Dangerous precedents could be set both in housing and more widely.

The Solicitor General said the law was seeking to strike a balance between two objectives - providing adequate redress for negligence and providing certainty for the supplier that there would be a time beyond which he no longer had a contingent liability. It was noted, however, that in personal injury cases the period of limitation had been substantially extended. But to make the period of limitation correspond to the life of the asset might still fail to provide adequate remedy as there was a high probability that the original builder would no longer be in business. There was also the difficulty of establishing negligence referred to above.

An alternative approach would be to seek an improvement in the terms of standard insurance contracts for houses. Though this might help in the longer term it would not provide any remedy for the existing cases.

The Prime Minister asked whether the assistance provided to the owners of ex-public sector houses could be extended to those owning houses originating in the private sector. The Minister for Housing and Construction said the number of such houses was probably no more than 3,000 and so the costs of doing this would not be prohibitive. The difficulties lay in the precedent created and the degree to which it would make the Government vulnerable to pressure to step in should a similar case occur in the future on a larger scale. The Solicitor General warned that it was important to avoid any implication that the Government was endorsing no fault liability. This could be achieved if the offer of assistance were presented as a limited extension to the existing policy.

Summing up the discussion, the Prime Minister asked the Minister for Housing and Construction, in conjunction with the Solicitor General, to consider whether, without damage to the Government's wider policy concerns, owners of PRC houses originating in the private sector could be brought within the existing scheme. The implications, both in the field of housing and for the law more generally should be carefully considered. Finally, there should be an examination of the contribution which improved house insurance could make to this kind of problem.

I am copying this letter to Henry Steel (Law Officers' Department).

*Yours sincerely
Andrew Turnbull*

Andrew Turnbull

Paul Britton Esq
Department of the Environment.



File

be Jay.

10 DOWNING STREET

From the Private Secretary

24 January 1984

Thank you for your letter of 23 January with which you enclosed a draft statement by your Secretary of State listing the local authorities with which he is in contact about the right to buy. The Prime Minister accepts that Barnet must be included in the list if this accurately reflects the facts.

MR. D. BARCLAY

A.H. Davis, Esq.,
Department of the Environment.

R



Prime Minister⁽¹⁾

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

Context with attached answer,
which includes Barnet among the
authorities with which DOE is in
formal contact about the "right
to buy".?

My ref:

Your ref:

23 January 1984

Dear David

DBS
23/1

If it is
a number (which I
think) the name
must
go in
MS

Following a supplementary answer given to him before Christmas David Knox MP has tabled a question for written answer (by 25 January) which specifically asks for the names of those authorities with which the Department is in contact on their right to buy performance. As we have published such a list before Ministers here see no alternative but to give the list in full although a large number of the authorities on it are under Conservative control. My Secretary of State believes that the list of authorities in the form of the draft answer attached should be drawn to the Prime Minister's attention before it appears in Hansard.

The Prime Minister will recall that when the Minister for Housing and Construction spoke at Blackpool he made clear the Government's determination that every tenant who wished to exercise the right to buy should be able to do so speedily and freely. To this end the Department has been pursuing current progress on the right to buy with a large number of local authorities across the country. In some cases, especially in the South East, this is the first time that their performance in implementing the Government's objective in delivering the right to buy has been questioned.

The majority of authorities concerned have responded positively and greatly improved results are already beginning to show through. In a few instances, however, members and officers have reacted to the Department's pressure with resentment and hostility. The publication of a list of monitored authorities might therefore prompt some adverse comment from Conservative circles in local government. On the other hand it would demonstrate our resolve to honour our commitment to deliver the right to buy throughout the country.

The Prime Minister should note in particular that Barnet is included on the list. The Department has been in frequent correspondence with the Council in the past about tenants' complaints of delays in dealing with their right to buy applications and about particular problems on the Grahame Park Estate. More recently the Council has been pressed to improve its general progress in dealing with the right to

buy. Councillor Perry spoke to officials here in September to express his concern as Chairman of the Housing Committee that Barnet should be included on the list of monitored authorities. Positive action is now being taken by the Council, as a result of the Department's correspondence to speed up right to buy sales and there has been a marked decline in the number of complaints made by right to buy purchasers in recent months about delays by the Council. However there is still some way to go particularly on cases awaiting completion.

I would be grateful to know if the Prime Minister is content to our giving a Parliamentary Answer which includes the list of monitored authorities as shown on the attachment to this letter.

Yours ever
Alan

A H DAVIS
Private Secretary



Mr David Knox (Staffordshire, Moorlands): To ask the Secretary of State for the Environment, whether pursuant to his Answer to the honourable Member for Staffordshire, Moorlands on 21 December, Official Report, column 428, he will list the local authorities with which his Department is in contact about aspects of their performance in implementing the right to buy council houses; and whether he will indicate the aspects of the performance of those councils which is giving cause for concern.

- A. Those authorities with which my Department is in formal contact about right to buy progress are as follows:

(Please see attached list A1)

The following authorities have also been requested to provide information on current right to buy progress.

(Please see attached list A2)

My Department is now in contact with a total of 156 councils on their performance on the right to buy. This figure reflects progress since the answer which I gave to my hon Friend on 21 December. Those aspects of right to buy performance which have been taken up by my Department concern mainly the ability of tenants to complete the purchase of their homes expeditiously and on reasonable terms. My rt hon Friend is determined that the right to buy should be delivered freely and speedily to every secure tenant wishing to buy his home. He has informed all local authorities that he expects sales to be completed normally within 3-4 months of admission of the right to buy when the tenant proceeds expeditiously.

Ashford
Ashfield
Barking and Dagenham
Barnet
Barnsley
Barrow
Basildon
Birmingham
Blackpool
Bolsover
Breckland
Brent
Brentwood
Bridgnorth
Camden
Cherwell
Chesterfield
Chester-Le-Street
Chichester
Chiltern
Copeland
Crawley
Dacorum
Durham
Ellesmere Port and Neston
Enfield
Epping Forest
Forest of Dean
Fylde
Gateshead
Greater London Council
Greenwich
Hackney
Hammersmith and Fulham
Haringey
Harlow
High Peak
Hillingdon
Hounslow
Ipswich
Islington
Kensington and Chelsea
Kingston Upon Hull
Kirklees
Lambeth
Leeds
Leicester
Leominster
Lewisham
Lichfield
Liverpool
Luton
Maldon
Manchester
Mid-Bedfordshire
Mid-Devon
Mid-Suffolk
Mole-Valley
Newbury
Newham
North Dorset
North Devon
North Hertfordshire
North West Leicestershire
Norwich
Oldham
Oxford
Preston
Poole
Reading
Richmondshire
Richmond-upon-Thames
Rochdale
Rother
Sedgemoor
Scarborough
Surrey Heath
Slough
St Albans
St Helens
Sandwell
Scunthorpe
Sheffield
Southampton
South Bedfordshire
South Derbyshire
South Northamptonshire
South Tyneside
Southwark
Stafford
Stroud
Sunderland
Sutton
Three Rivers
Thurrock
Torridge
Tower Hamlets
Trafford
Wakefield
Wansbeck
Wandsworth
Watford
West Dorset
Westminster
Woking
Wolverhampton
Worcester
Wychavon
Wyre Forest

Aylesbury Vale
Basingstoke and Deane
Bath
Broadland
Bromsgrove
Broxbourne
Boston
Bournemouth
Canterbury
Caradon
Craven
Dartford
Eastbourne
East Devon
Elmbridge
Gillingham
Guildford
Hart
Hastings
Havant
Hereford
Hertsmere
Maidstone
Melton
Mid Sussex
Newark
North Kesteven
Redditch
Restormel
Rushcliffe
Salisbury
Solihull
South Oxfordshire
Swale
Tendring
Test Valley
Vale of White Horse
Warwick
Waverley
West Oxfordshire
Wimborne
Winchester
Windsor and Maidenhead
Wokingham
Worthing
Wycombe

unemployed, as he implied on the Jimmy Young show this morning, when he contrasted the position of such people with business men who allegedly do not have a vote?

Mr. Gow: The allegation against my right hon. Friend is absurd and wholly without foundation.

Mr. Straw: Is the Minister aware that, as part of the Secretary of State's campaign grossly to distort and exaggerate the impact of rates upon businesses, he has briefed his Cabinet colleagues to the effect that business rates form half of industry's trading profits, although the Minister has just informed me that they form one quarter of that figure—that is, one eighth? When the Minister meets the local authority associations will he say whether the CBI or the Minister is correct?

Will the Minister also take the opportunity to explain to the local authority associations that what the Secretary of State has told the House today about businesses paying a larger amount of rates, and the implications of what he said on the Jimmy Young show, suggest that he is seeking to re-impose a property qualification upon the right to vote, which was fought for on behalf of all working people for over a century?

Mr. Gow: Any information and any papers circulated by my right hon. Friend to his Cabinet colleagues—*[Interruption.]* Will the hon. Member for Blackburn (Mr. Straw) let me answer? He asked me a question and I am answering it. Any information and any papers circulated by my right hon. Friend to his Cabinet colleagues or others will have contained accurate information. In so far as there may have been any discrepancy between the figures to which the hon. Gentleman referred it is because one set of figures was adjusted for inflation and the other was not.

Unused Public Land

15. **Mr. Martin Stevens** asked the Secretary of State for the Environment how many of the 24,000 acres of unused public land owned by nationalised industries and statutory undertakers at 1 July 1982 has been sold since then.

Mr. Macfarlane: Between 1 July 1982 and 1 July 1983, the last date for which figures are available, 1,100 acres of land owned by the nationalised industries and statutory undertakings have been removed from the land registers following disposal, and a further 138 acres have been removed because the land has been brought into use.

Mr. Stevens: I thank my hon. Friend for that welcome news. What steps are he and his departmental colleagues taking to speed up the process still further?

Mr. Macfarlane: Neither I nor my right hon. Friend are satisfied with the rate of disposal of land from the registers. I would not pick out the nationalised industries and the statutory undertakings for special criticism. It is dangerous to generalise, but we are stepping up the pressure on owners—local authorities as well as nationalised industries—to explain what they are doing with such developable sites. I am anxious that we should proceed with this urgently throughout 1984.

Mr. Eastham: Can the Minister assure us that, despite the Government's anxious pursuit of their intention to get their hands on this land, they will use every endeavour to make sure that the land is not sold off to cowboys who will not do a proper reclamation job when they have got control of it?

Mr. Macfarlane: I take note of what the hon. Gentleman has said.

Mr. Steen: Bearing in mind that there are still 104,000 acres on the land registers, will my hon. Friend consider persuading the nationalised industries to get rid of 10 per cent. of all their vacant land every year by putting it up for auction, without reserve, on the open market? Would not that be a quicker way of getting rid of the vacant land?

Mr. Macfarlane: I take note of my hon. Friend's proposal and will consider it. We must certainly race on with our programme and keep up the pressures on all who own vacant land.

Mr. Campbell-Savours: As there is little unused public land available for housing development within the national parks, and now that the Government have reviewed the position with regard to section 52 agreements, preventing the Lake District planning board from introducing them, what measures will the Government introduce to ensure that there is no further spread of second homes within the national park?

Mr. Macfarlane: The hon. Gentleman should table a question on that subject, because that question does not relate to the one I have just answered.

Council House Sales

16. **Mr. Knox** asked the Secretary of State for the Environment if he will make a statement on progress made with the sale of council houses to sitting tenants.

Sir George Young: Approximately 630,000 houses and flats were sold between April 1979 and September 1983 by local authorities and new towns in Great Britain, some 400,000 of them under the right to buy. The vast majority were to sitting tenants. In addition, housing associations sold about 40,000 dwellings of which 28,000 were to sitting tenants. Continuing progress is therefore being made. My Department keeps under review the performance of local authorities in implementing the right to buy, and we continue to take appropriate measures to ensure that the rights of tenants are secured.

Mr. David Knox: How many local authorities are still dragging their feet over the sale of council houses, and how many of those authorities are Labour-controlled?

Sir George Young: My Department is in contact with about 200 local authorities, most of which are Labour-controlled, about aspects of their performance in implementing the right to buy. Problems are taken up by my hon. Friend and myself, and we shall do all that we can to ensure that tenants get the rights conferred on them by Parliament.

Mr. Pavitt: In deciding policy on these matters, and in acting on them, will the Minister give consideration to areas such as Brent, which adjoins his own constituency, where there is a housing emergency? There is a waiting list of 15,000 and we pay £35,000 a week for bed and breakfast for the homeless. Any reduction of housing stocks has disastrous effects upon the rehousing of those in urgent need.

Sir George Young: Selling one's council house does not reduce the nation's housing stock. In addition, the right-to-buy policy has generated some £2 billion, which

has enabled the local authorities to make faster progress in tackling the problems to which the hon. Gentleman has rightly drawn our attention.

Mr. Hill: Will my hon. Friend re-examine the protection given to some large estate managers, such as Grosvenor and Cadogan, and consider whether the scheme for the sale of houses to tenants could be enlarged in a Housing Bill that he might introduce in the not too distant future?

Sir George Young: The Government have no plans to extend the right to buy to the private sector.

Mr. John Fraser: Will the Minister acknowledge that for the 1.5 million families who are homeless or in desperate need of housing but are still on waiting lists there

is, in traditional terms, no room at the inn this Christmas? Will he also acknowledge that about one half of all housing capital expenditure is now being financed by the sale of council houses and that those sales are falling off? Where will the money for any form of capital housing building programme come from when the boom of house sales, or rather the initial flush, has ended?

Sir George Young: There are 130,000 applications in the pipeline at the moment and the Bill that the House will discuss shortly gives the right to buy to a further range of tenants. I do not accept that there will be a diminution in the volume of receipts to the extent that the hon. Gentleman suggests. For the future, we shall continue to do all that we can to maintain the HIP allocations at an appropriate level.

23 JAN 1984



PRIME MINISTER

Attached is an H paper from Mr. Jenkin covering proposed amendments to the Housing and Building Control Bill which has its Second Reading next Tuesday. The amendments will be made in Committee and would:

- (i) reduce the three-year qualification period for a right to buy to two;
- (ii) extend the discount scale to a maximum of 70 per cent for tenants of 40 years' standing;
- (iii) extend the applicability of tenants' entitlement to other public sector accommodation;
- (iv) introduce a right to buy for tenants of charitable housing associations amended following the House of Lords vote in the last Parliament.

I gather that Ian Gow spoke to you about the proposals set out in the paper. May I take it that you are content with them?

Yes ml

RF

29 June 1983

COUNCIL HOUSE SALES

ENGLAND

April 1979 - March 1982

257,000 SOLD

250,000 approx. applications in pipeline

SCOTLAND

May 1979 - 31 March 1982

(55,800 applications in total)

20,180 SOLD

- 11,958

Local Authority

4,163

Scottish Special Housing Association

4,059

New Towns

7,329 applications in pipeline

28,291 applications withdrawn, refused or awaiting acceptance
for processing

hon. Lady still content to allow cruise missiles to be deployed in Britain, especially when there is no effective British veto on their use? Will she recognise that the smokescreen of smears put out by the Secretary of State for Defence will not conceal a bankruptcy of argument?

The Prime Minister: I would have said that the hon. Gentleman's supplementary question was a smear on President Reagan. He has, after all, made proposals substantially to reduce the number of intercontinental ballistic missiles. He is the only Head of Government who, supported by the rest of us, has put forward a zero option for INF. The President has put forward those two bold measures of disarmament, but the weakness is that the Soviet Union has taken up neither.

Q4. **Mr. Hannam** asked the Prime Minister if she will list her official engagements for Tuesday 26 April.

The Prime Minister: I refer my hon. Friend to the reply that I gave some moments ago.

ANSAR
6/4/83

Mr. Hannan: Has my right hon. Friend seen the commitment in the Labour party's policy document to abolish the right of council tenants to buy their own homes? Does she agree that the number of council tenants who have purchased their own homes since 1979, and of those in the process of buying their own homes, show that most council tenants would prefer to own their own homes rather than be tenants?

The Prime Minister: Yes. About 500,000 tenants have purchased their houses either from councils or other parts of the public sector, such as new towns. Those 500,000 would never have had the opportunity to do so under a Labour Government. It seems that the Labour party does not want them to have the dignity of owning their own homes by purchasing from local authorities. Another 200,000 applications are in the pipeline. I hope that in our next period of Government there will be many more.

Mr. Foot: If the right hon. Lady would like to comment accurately upon the policy document, I shall send her a copy and she can study it. Has the right hon. Lady had the opportunity to read the answer given recently to my hon. Friend the Member for Lewisham, West (Mr. Price), which shows that capital spending on housing in England has sunk to no more than one sixth of the level achieved under the Labour Government? How many fewer houses has that meant, and how many building workers has that policy thrown out of a job?

The Prime Minister: Is the right hon. Gentleman denying that the Labour party manifesto states that a Labour Government will terminate the right to buy—
[HON. MEMBERS: "Answer".]

Mr. Heffer: What about the right to work?

The Prime Minister: The Leader of the Opposition will be delighted to know that the construction of new housing is considerably up on a year ago, and that improvement grants are running nearly as high as they were in 1973.

Mr. Foot: Obviously I should like to give the right hon. Lady the opportunity to read the entire document instead of only parts of it. When she talks about restoring the rate of building as an excuse for having cut it to one sixth of the level that was achieved under the Labour

Government, does she agree that even with the higher figures to which she referred, and the much-vaunted improvement of the past two months, construction is at half the level that prevailed under a Labour Government? Will she also consider what she has done to council house tenants? Why has she more than doubled their rents over the past four years?

The Prime Minister: The right hon. Gentleman knows that there was a period when the Labour Government were in office when council house rents were about 40 per cent. of council house costs. That could not continue. The difference had to be borne by the ratepayer. Of course, rates are at their worst under local authorities. The Labour Government never reached the levels of home improvement grants that we have reached and which were reached under previous Conservative Governments.

Mr. Foot: The right hon. Lady is really saying that we tried to keep council house rents down and that she has succeeded in pushing them up.

The Prime Minister: No. The right hon. Gentleman was always prepared to put the burden of council house rents on the ratepayer.

Q5. **Mr. Robert Atkins** asked the Prime Minister if she will list her official engagements for 26 April.

The Prime Minister: I refer my hon. Friend to the reply that I gave some moments ago.



FILE

B1CJ.V.

257

10 DOWNING STREET

From the Private Secretary

7 February, 1983

RIGHT TO BUY

Thank you for your letter of 4 February to Willie Rickett about the proposal to have delivered a leaflet by direct mail drop to all local authority tenants in England informing them of their statutory rights to buy.

The Prime Minister discussed this with your Secretary of State this afternoon. They decided that, in view of the imminence of the local elections, and on general grounds of expenditure and propriety, not to go ahead with the mail drop.

I am sending a copy of this letter to John Halliday (Home Office), David Heyhoe (Lord President's Office), Alex Galloway (Chancellor of the Duchy of Lancaster's Office), John Gieve (Chief Secretary's Office), Muir Russell (Scottish Office), Adam Peat (Welsh Office) and Richard Hatfield (Cabinet Office).

M. C. SCHOLAR

D.A. Edmonds, Esq.,
Department of the Environment

CONFIDENTIAL

257



2 ✓c JV
a BI

May we have a word
I was always doubtful
about the proposal
would be better not
to print out
Prime Minister
To be aware
that the leaflet
for the mail drop
is going to be printed.

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:
Your ref:
4 February 1983

RIGHT TO BUY

W/R 4/2

In December, Mr Heseltine sought the Prime Minister's agreement to further publicity about the right to buy, in the form of a leaflet to be delivered by direct mail drop to all local authority tenants in England informing them of their statutory rights. You may recall that you signified the Prime Minister's agreement to this proposal in your letter of 14 January to Helen Ghosh.

Plans for the printing and distribution of this leaflet are now well advanced. I enclose a proof copy of the leaflet for the Prime Minister's information. We are working to a very tight programme to deliver the leaflets at the beginning of March and so avoid any question of becoming involved in the run-up to the local elections in May. The Secretary of State for Wales has agreed that the leaflets should also be delivered in Wales.

Notwithstanding the Prime Minister's earlier clearance, my Secretary of State felt that she would wish to be aware that we have now reached the stage of going to print, in view of the recent MOD controversy. Our campaign, of course, does not involve heavy media advertising: it is a direct approach to individual tenants.

Having considered the issues, my Secretary of State believes that the campaign as planned should go ahead.

My Secretary of State has asked me to add that there is a reference in the leaflet to the importance of tenant purchasers having their homes surveyed before deciding to buy, particularly where the house is of non-traditional construction. There is to be a discussion in H Committee on Monday about newly discovered problems relating to large numbers of non-traditional constructed houses. Mr Stanley hopes to make an oral statement on Wednesday 9 February in the light of the outcome of the H discussion.

eg
Airey
Houses

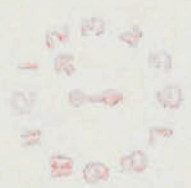
I am copying this, without enclosure, to the Private Secretaries to the Home Secretary, the Lord President, the Chancellor of the Duchy of Lancaster, the Secretaries of State of state for Scotland and Wales, and to Sir Robert Armstrong.

D A Edmonds
D A EDMONDS
Private Secretary

Hoising : King on sale of
Council horses



4 JAN 1987



COMMUNICATIONS

Want to know more?

If you want to know more about your right to buy, ask your local authority for a copy of the booklet *The Right to Buy* or fill in and return the coupon below.

This leaflet is being distributed to local authority and new town tenants, but the right to buy extends to some housing association tenants as well. If you rent from a housing association, you can fill in the coupon too.

Rights as a tenant

For as long as you remain a tenant you will also have the benefit of important new legal rights that the Government has given council, new town and housing association tenants. These rights are set out in the booklet *The Tenants Charter*.



Department of the Environment, PO Box 702, London SW20 8SZ

Please send me:

The Right to Buy booklet and right to buy claim form

The Tenants Charter booklet

Name

Address

.....

.....

Issued by the Department of the Environment and the Welsh Office.

Prepared by the Department of the Environment, the Welsh Office and the Central Office of Information, 1983.

Printed in England for Her Majesty's Stationery Office by

DD 8333543 Pro 19316

The right to buy your home



Most tenants of local councils, new towns and some housing associations now have the legal *right* to buy their homes – whether houses or flats.



Tenants who have the right to buy can get a discount of between a third and a half off the market value of their homes.



Tenants who have the right to buy also have the *right* to a mortgage, and the right to an option to buy at the same price within two years if they can't buy immediately.

This leaflet is to help tenants who are interested in buying their homes. (There is no need to read further if you have bought yours already.)

Who qualifies?

You must have been a secure tenant of a local authority, new town corporation, housing association or the Development Board for Rural Wales for at least three years. You don't have to have spent the three years all in the same place.

What will it cost to buy?

Your house will be valued by your landlord at its market value, but you will be entitled to a discount. The amount of discount depends on how long you have been a tenant.

The discount starts at 33% if you have been a tenant for three years. It goes up by 1% for each additional year as a tenant to a maximum of 50% if you have been a tenant for 20 years or more. The discount may be reduced if your home is new or has recently been improved.

What about a mortgage?

A building society, bank or other lender may be willing to provide you with a mortgage. You may want to ask them first. Their interest rates can be lower than the council's. But you have the legal *right* to a mortgage from your landlord if you wish.

If your income is large enough, the mortgage from your landlord can be up to 100% of the purchase price after discount.

Your husband or wife can buy jointly with you, and so can up to three other members of your family as long as they have been living with you for at least a year before you apply to buy. Their incomes will be taken into account in calculating how large a mortgage you are entitled to.

x/

you can't afford to buy immediately, you also have the legal *right* to take out a two-year option for a payment of £100. That means the price of your house will stay fixed for up to two years from when you apply to buy whilst you save up to buy it.

How does buying compare with renting?

This varies depending on house prices and rents in each area, but some tenants will find there is little difference between the weekly cost of buying and of renting. But as a home owner, of course, you would also be responsible for the full costs of maintaining and repairing your home.

You will need to do the comparison between renting and buying your own particular house or flat for yourself, but the figures below may be helpful. They are based on the current average purchase price *after* discount of a council house in England and Wales, which at June 1982 was approximately £10,000.

spelt out

Typical market value before discount	£17,000			
Discount entitlement	50% (20 yrs tenancy or more)	45% (15 yrs)	40% (10 yrs)	33% (3 yrs)
Purchase price <i>after</i> discount	£8,500	£9,350	£10,200	£11,390
Weekly payments after tax relief (assuming you get a 100% mortgage at an interest rate of 10%*)	£13.10	£14.40	£15.70	£17.55

*The building societies' interest rate was 10% in January 1983 but is of course subject to variation. The new system of mortgage tax relief beginning in April 1983 may slightly alter the weekly payments shown above.

You are recommended to get your home surveyed before you buy. This is a precaution which all tenants should take, but it is particularly important if your house is of non-traditional construction.

Mooney

FILE

da



10 DOWNING STREET

From the Private Secretary

14 January 1983

Council House Sales: The Right to Buy

Thank you for your letter of 11 January to Michael Scholar. The Prime Minister considers that the precedents you quote are just sufficient defence to enable her to agree to the proposal for a new publicity campaign on the Right to Buy.

I am copying this letter to the Private Secretaries to the Home Secretary, the Lord President, the Secretaries of State for Defence, Scotland, Wales, the Chancellor of the Duchy of Lancaster and Sir Robert Armstrong.

W. F. S. RICKETT

Mrs. Helen Ghosh,
Department of the Environment.

R



Prime Minister

Do you consider these
to be sufficient
precedents to agree the
proposal at Play A?

2 MARSHAM STREET
LONDON SW1P 3EB

My ref: H/PSO/18988/82

Your ref:

I understand.

MS

WH
11/1

11 January 1983

Dear Michael,

Thank you for your letter of 22 ✓ December to David Edmonds.

The precedents he quoted in his letter of 21 December included two national distributions of literature commissioned by a Labour Government. One of these occurred during the run up to the 1975 referendum on membership of the Common Market when leaflets were delivered to 20 million homes in the UK and to 3 million business premises.

In February 1976 the same administration arranged for literature to be mailed to 500,000 retail establishments in the UK giving advice on how to counter inflation by means of price restraint.

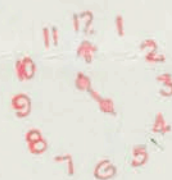
yours sincerely,
Helen Ghosh

MRS H F GHOSH
Private Secretary

Housing: Policy on Sale of Council
houses.

May 79

11 JAN 1983



CONFIDENTIAL

Prime Minister (2)

23 December 1982

Ms 23/12

Housing

M

PRIME MINISTER

LOW-START MORTGAGES

In the original Family Policy Group paper, I suggested to you that one way of pushing on with the sale of council houses was to introduce rent-based mortgages, on the lines of Christopher Monckton's paper.

Since then we have made considerable progress. The Department of the Environment can now see no objection of principle to the scheme.

Geoffrey Howe shares the general objective of the proposals, although he wonders whether the building societies have refrained from introducing such schemes hitherto for fear of the implications for their cash flow and margins. He has asked the Treasury to pursue the scheme and to hold a meeting of all interested parties in the New Year.

In fact, the building societies are mostly very interested by the idea and appear to have few worries about its financial viability.

The principal obstacle seems to be legal. It is not entirely clear whether the issuing of index-linked loans is definitely within the power of building societies. The Nationwide Building Society is now seeking a declaratory judgment for its own somewhat similar scheme.

But a more general declaration - and perhaps a small change in the law - may be necessary if low-start mortgages are to become widely available.

You will have seen the leak in The Times, which we much regret although it was none of our doing (our suspicions hover in the direction of the DoE, although we have no evidence). But the upshot was a spurt of favourable publicity for the sale of council houses. I detected a feeling that "swap your rent-book for a mortgage" might be a very useful slogan.

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This is only a progress report. At a later stage, we may need to plead for your help in overcoming three unresolved but minor and soluble issues if the scheme is to become really popular.

1. The legal obstacles, if any.
2. The tax position on that part of the mortgage interest which relates to the increase in money debt outstanding in the early years of a low-start mortgage.
3. Repayments during periods of sickness and unemployment (the Exchequer pays the council rents of tenants on supplementary benefit, so why should it not pay the full mortgage repayment, since this would be slightly lower than the rent?).

The Treasury's initial reaction on points 2 and 3 was unfavourable, but the cost is so small that they may be won round.

I do feel that it is urgent that we push on with this, in order to show people - well before the Election - that it is entirely possible for even very badly-off council tenants to become home-owners at little or no extra cost.

fm
FERDINAND MOUNT

CONFIDENTIAL

Douglas

file

da



10 DOWNING STREET

From the Private Secretary

22 December 1982

Council House Sales: 'The Right to Buy

Many thanks for your letter of 21 December. The Prime Minister has asked if we can supply any precedents for a direct mail drop from the time of the Labour Government.

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

mc8

David Edmonds, Esq.,
Department of the Environment.

Edmonds



cc J.V

①

Prime Minister

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

Here are the precedents for a direct mail drop.

My ref: H/PSO/18782/82
Your ref: 21 December 1982

Agree the proposal or pay A?

Dear Michael

MS 21/12

COUNCIL HOUSE SALES: THE RIGHT TO BUY

John Gieve (Chief Secretary's Office) has asked me to reply to your letter of 15 December.

The Central Office of Information has undertaken a number of national door-to-door distributions of Government literature. These have ranged from mass drops of booklets and leaflets on uncontroversial subjects such as Crime Prevention and Fire (under this administration) to more sensitive political issues like Counter-Inflation and the Referendum on membership of the Common Market (under previous administrations).

Within the last 3 months there has been a closely defined circulation to local authorities and secondary schools in England on the Government's views of nuclear defence and disarmament.

However, the closest comparison to the RTB mail drop in terms of audience definition and coverage has been the door-to-door distribution of the Department's Tenants Exchange Scheme leaflet. This went to council homes and new town tenants in England last June.

I am copying this to John Gieve.

Gieve
D A Edmonds

D A EDMONDS
Private Secretary

I want a precedent - from the time of the Tenant's Exchange Scheme

1 MARKHAM STREET
LONDON SW1P 1ST



21 DEC 1962



CONFIDENTIAL

SECRET

Housing

CONFIDENTIAL file

BPC



10 DOWNING STREET

From the Private Secretary

15 December 1982

Karl
212-4249

COUNCIL HOUSE SALES:
THE RIGHT TO BUY

The Prime Minister has seen the Chief Secretary's minute of 14 December about the proposal by the Secretary of State for the Environment, in his minute of 10 December, for a new publicity campaign on the Right to Buy.

BK

The Prime Minister has enquired what precedents there are for a direct mail drop to all local authority and new town tenants.

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

M. C. SCHOLAR

John Gieve, Esq.,
Chief Secretary's Office
HM Treasury

CONFIDENTIAL

A

SV
DI

FROM: CHIEF SECRETARY
DATE: 14 December 1982



*It is the booklet by
David [unclear] [unclear]
that [unclear] [unclear]*

PRIME MINISTER

*to ask about
precedents for
such a
decision
not*

Prime Minister

①

*You were hesitating
about Mr Heseltine's proposal.
Agree now that he can
go ahead?*

MS 14/12

COUNCIL HOUSE SALES: THE RIGHT TO BUY

Michael Heseltine's proposal, in his minute of 10 December, for a new publicity campaign on the Right to Buy seems to me to be timely.

2. I see no reason to object on grounds of propriety and, although Michael will no doubt take advice on the methods to be used, a leaflet campaign would be a good way of encouraging tenants to look again at the advantages of buying. The advantages are now much greater than in 1980: mortgage repayments will in many cases be lower than rents following the introduction of MIRAS.

3. Maintaining the flow of council house sales is also important for our public expenditure plans. Receipts from sales are an essential part of provision for new housing investment and will be worth over £3 billion this year.

4. Copies of this minute go to Willie Whitelaw, John Biffen, George Younger, Nicholas Edwards, Cecil Parkinson and Michael Heseltine and to Sir Robert Armstrong.

L.B.

LEON BRITTAN

Housing : Pullin a Sale d Commit Plans

May 79

4 DEC 1982

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Precedents?

Prime Minister

KJV



mt

Agree?

MUS 10/12

10 December 1982

Prime Minister

COUNCIL HOUSE SALES: THE RIGHT TO BUY

By the end of September some 425,000 council tenants in Great Britain had bought their homes in the present Parliament, more than half of them under the right to buy. that is an excellent response and an unprecedented level of sales, but it is still a relatively modest proportion - less than 10% - of all local authority and new town tenants. I believe that, even allowing for those on income support, many more tenants could afford to buy, given the discounts available under the 1980 Act and the recent fall in mortgage interest rates.

I therefore think we should be justified in taking further steps to inform tenants of their rights under the Act, and of the attractiveness of the purchase terms available to them. To this end I intend to have a leaflet delivered by direct mail drop to all local authority and new town tenants in England, informing them of their statutory rights. This direct mailing could, of course, be extended to Wales and Scotland if Nicholas Edwards and George Younger wish.

The cost of producing and delivering such a leaflet is estimated to be around £150,000 to £160,000, which would be borne by my Department from funds already voted for publicity for the current financial year. I propose, if you agree, that the mailing should take place not later than March 1983, and if possible a little earlier, bearing in mind the need to keep well clear of the local elections.

Copies of this minute go to Wille Whitelaw, Leon Brittan, John Biffen, George Younger, Nicholas Edwards, Cecil Parkinson and to Sir Robert Armstrong.

LONDON

WWS

MH



10 DEC 1982

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COMMUNICATIONS

LONDON

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Mousing
Prime Minister (2)
ms 13/10

10 DOWNING STREET

13 October 1982

The Rt Hon Michael Heseltine MP
Secretary of State
Department of the Environment
2 Marsham Street
LONDON SW1

Dear Michael,

COUNCIL HOUSE SALES

At the last meeting of the Family Policy Group, there was general agreement that we should press on with the sale of council houses as fast as possible. Since the Norwich case, we have made great progress with putting pressure on obstructive sellers. Might this be the time to investigate further ways of encouraging hesitant buyers? The numbers of applicants are rising fast. Even so, on present form it looks unlikely that we shall have liberated much more than 10% of council tenants by the time of the Election.

One proposal that originally caught the imagination some years ago was, I think, Peter Walker's: that any tenant who had lived in the same council dwelling for 20 or 25 years should, ipso facto, become its owner. This was financially dubious, since in many cases the tenant's rent over the past period - being artificially depressed by rent control - would not have paid for the house on any reasonable computation.

But if instead we think about projecting a similar scheme into the future, we can surely construct a financially sound plan to "swap your rent book for a mortgage" and so offer a release from serfdom to virtually every council house tenant.

In his speech to Conference, John Stanley pointed out some remarkable facts which are, I suspect, still known only to a minority of council tenants:

"On the latest figures we have, the average building society mortgage needed by council tenants buying their homes was just £7,950 - that is all. Thanks to the Government's success in lowering interest rates, the cost of that mortgage after tax relief is now just £13.97 a week. But the average council rent is now £13.54 a week. So the difference between the average mortgage and the average rent for council tenants is just 43p a week. For some tenants it may even cost less per week to buy than to rent."

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One way forward is to make sure that every council tenant does know how easy it can be to take out a mortgage, as Cecil Parkinson's letter explains.

But that message may be rejected as party political propaganda by some tenants. And there is surely a case for building into the system a rent-book-into-mortgage scheme.

I attach some further work done by Christopher Monckton, now of the No.10 Policy Unit. Building on the various low-start schemes now available, he suggests a nationwide promotion of a rent-based mortgage scheme at minimal cost to public funds.

We do not, of course, claim to put forward a finalised proposal. But there does seem to be enough scope here for some work to be done urgently, with a view perhaps to a Manifesto commitment.

Would you be agreeable to Christopher Monckton meeting your experts - possibly together with Treasury representatives and outside professionals as well - to see if we can progress any further?

I am copying this letter to the Prime Minister and Geoffrey Howe.

*Yours ever
Ferd*

FERDINAND MOUNT

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HOW TO SELL MORE COUNCIL HOUSES

The paper prepared by the Secretary of State for the Environment for the Family Policy Group shows how much progress has been made in selling council houses to their tenants under the Government's Right to Buy scheme. The success of the scheme is one of the outstanding achievements of the present Administration.

Yet it is at first sight surprising that the number of tenants wishing to take advantage of the very generous discounts now on offer is not very much larger than it is.

A. WHY TENANTS DO NOT BUY

The reasons for tenants' resistance to purchase are likely to include the following:

1. Even though the average discount on the sale of a council house is as high as 44%, giving an average discounted price of only £9,700, the initial loan repayments under a standard repayment mortgage are rather higher than what the tenant was previously paying in rent. Many tenants simply cannot afford the extra weekly outgoings. Mr John Stanley pointed out in his speech to the Conservative Party Conference that the average mortgage on a council house sale is now only £7,950; but that implies that the average purchaser is having to find a deposit of £1,750, which is not an easy sum for most working families to raise.

EXAMPLE: The average council rent is £13.54 a week. A tenant borrowing £10,000 (the average sale price plus £300 for legal fees and other initial costs) would have to pay the monthly equivalent of £17.50 a week in mortgage repayments, with a further £2-£3 a week for insurances and maintenance. Thus his total weekly outgoings rise from £13.54 to around £20. Even if the tenant has managed to find the large deposit and has borrowed the average amount of £7,950, the weekly equivalent of his monthly repayments is £13.97 a week, with £2-£3 on top for insurances and maintenance. So he is having to find about £17.50 a week for outgoings on housing, or around £4 a week more than formerly.

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2 Council tenants are accustomed to handling simple rent-book transactions but are often terrified at the prospect of having to deal with lawyers, mortgage brokers and banks.

EXAMPLE: A tenant was recently offered the chance to buy her flat for only £5,000. After she had worried about what to do for several weeks, her friends advised her not to go ahead, even though it was in her financial interest to do so, because they knew she could not handle the complications of the purchase.

3. Labour-controlled local authorities have found a number of ways of delaying and obstructing tenants' right to buy. Although Section 86 of the Housing Act 1980 gives power to the County Court to determine any matter under the Right to Buy legislation (with the exception of valuation, which comes under the District Valuer) most council tenants are unaccustomed to fighting in the Courts and would not normally be willing to do so.

EXAMPLE: A tenant recently applied to buy his house from Lewisham Council. The Council told him that he would have to wait because they were short of valuers. He is still waiting. Other tactics include:

- (a) deliberate over-valuing, since there is no obligation on councils to value realistically under existing legislation;
- (b) service charges for flats set at unreasonably high levels;
- (c) incorrectly classifying houses as flats;
- (d) refusing to sell garages and gardens with houses;
- (e) requiring tenants to remain connected to expensive district heating systems;
- (f) imposing far-ranging restrictive covenants on sales with the intention of making resale difficult and therefore discouraging purchase.

4. Many council houses are in bad condition and their tenants are understandably reluctant to buy them and face large repair bills.

5. Although the Government has taken some steps to publicise the right to buy, an astonishing number of council tenants are not aware that they have that right. Even more of them do not realise that, even under existing mortgage arrangements, buying rather than

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renting might be within their means. Mr Stanley has recently drafted a letter for widespread distribution to council tenants, but it might be more advantageous to produce a very clear, simple leaflet, professionally designed, setting out the advantages of the Right to Buy scheme.

For these reasons, of which the first is arguably the most significant, council sales are nothing like as numerous as they should be. Furthermore, some evidence suggests that the number of applications for purchase which fail exceeds the number of applications which result in a sale.

B. HOW TO OVERCOME OBSTACLES TO PURCHASE

The following ways of overcoming the obstacles to council-house purchase are recommended.

1. Many council tenants either cannot afford the repayments on a 100% mortgage (if they can get one) or cannot find the large lump-sum deposit that is usually required.

SOLUTION: What is needed is a generally available, "low-start" mortgage scheme which removes the "front-loading" of the real repayment costs on a standard mortgage and spreads the real cost more evenly throughout the loan.

Among the low-start schemes now available are the following.

(a) Lazards/Index Linked Mortgage & Investment Co Ltd (ILMI)

This scheme is run by Lazards in conjunction with the Index Linked Mortgage and Investment Co Ltd. It is a low-start, flexible repayment mortgage allowing borrowers to obtain loans up to 3.5 times annual earnings rather than the usual 2.5 times.

The borrower may vary his repayments above a fixed minimum. At the minimum level, repayments are increased each year in line with the rate of general inflation.

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Interest is charged at a true rate of 6.2% above inflation, compared with the building societies' current true rate of 4.7% above inflation. This allows the company to pay its investors an attractive rate of interest, rather above that which building societies can offer.

In the early years of the loan the initial repayments are not enough to meet the interest due. The shortfall each month is added to the principal outstanding, so that in money terms the principal rises during the first half of the loan period. But in real terms the value of the principal outstanding falls throughout the loan period.

The scheme is not at present marketed to council tenants. It is directed at the upper end of the house-price range. There has been very heavy demand for it from potential house-buyers, but institutional investors are only slowly realising that low-start mortgages are a safe and profitable investment.

(b) Halifax Building Society

The Halifax scheme is more limited in scope than the Lazards scheme, and works in an altogether different way. It is available only to borrowers under 35.

The borrower is required to pay to the Society a deposit of 5-10% of the purchase price of the house. The Society invests this sum and uses it to subsidise the first 36 months' repayments. Free life cover is provided.

Again, the scheme has proved to be very popular with house-buyers.

(c) The Building Trust

Under the Building Trust scheme, the borrower pays only two-thirds of the prevailing mortgage interest rate charged by the building societies. For example, the current declared rate is 12% and the Building Trust charges 8%.

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The Trust takes a share in the equity of the house, so that if the borrower sells before he has paid off the loan, he pays a substantial sum to the Trust to compensate for his former low repayments.

The scheme has the advantage that the repayments are very close to council rents. When it was launched earlier this year, with some press publicity, the offices of the Building Trust were besieged by callers asking for details. The Trust estimates that it received at least 10,000 enquiries in the first week alone.

Again, its difficulty was in raising finance for loans of this type. The pension funds, who are the only institutions permitted to lend to the Trust for legal reasons, have so far only lent the Trust enough money to provide 18 mortgages.

2. Promoting Low-Start Mortgages

The exceptionally heavy demand for low-start mortgages reported by the lending institutions now in the field supports the contention that very many more council tenants would opt to buy their homes if such mortgages were available to them.

However, the pension funds and other sources of finance have been reluctant to move into this field because they fear that, in the event of default by the mortgagor, their equity in his property might not be worth enough to match his debt to them, although in practice there is no real danger that this would happen. If the Government were prepared to guarantee certain kinds of low-start mortgage against default, there would be no shortage of investors.

Table A of the Appendix shows that, although the borrower's indebtedness rises during the first half of an index-linked loan on the Lazards/ILMI model, in real terms his indebtedness falls steadily.

Council tenants typically buy their homes at a discount of 44%, so there would be very little risk that a lender's equity would be lost in the event of default. The Government may therefore care to consider guaranteeing against default certain approved low-start schemes for council houses whose tenants were able to obtain a

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discount on the market value at or above a specified minimum level - say 30%.

This move would encourage the lending institutions to obtain from the pension funds and from private investors the necessary cash to fund the vary large number of mortgages that might be demanded.

From the point of view of council tenants, the proposed "rent-based mortgage" overcomes many of the disadvantages of the schemes now available and has certain additional advantages, both to the lender and to the borrower. The Department of the Environment has raised some objections to the proposal - objections which would also apply to the Lazards/ILMI scheme, which is similar to the rent-based mortgage proposal. These objections are answered in the Appendix.

3. Making Purchase Easy for Tenants

To overcome the fear of many tenants at having to deal with lawyers, mortgage brokers and bankers, the Government could set up a simple "package deal" under the slogan "Swap your Rent-Book for a Mortgage". The deal would be worked out in collaboration with the building societies, and particularly with those who offered low-start mortgages.

The tenant would be able to borrow not only 100% of the discounted purchase price of his house, but also enough to pay the legal fees and other initial costs.

The tenant would choose a solicitor from the local list and all the work would then be arranged on his behalf by the solicitor working with solicitors acting on behalf of the local authority.

The tenant's paperwork would be kept to the minimum, so that all he would have to do was to trade in his rent-book for a mortgage account with the building society.

The Government would promote the package vigorously, with leaflets spelling out the advantages and showing the cost of buying rather than renting.

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Obstructive Local Authorities

Despite the Government's efforts to ensure that tenants have the right to buy their homes even from local authorities hostile to council house sales, some councils are still proving obstructive. And even some Conservative councils are not doing all they should to promote sales of council houses.

SOLUTION: One way to prevent Labour-controlled councils from using delaying tactics would be to publish a central telephone number which tenants having undue difficulties with house purchase could ring. In this way, the activities of councils like Lewisham would be detected quickly and action could be taken to prevent further delays. Mr Stanley has already publicly suggested that tenants having difficulties with house purchase should write to him, but many council tenants would be nervous of drafting a letter to the Minister and would find a telephone call to a special office rather easier to handle.

SOLUTION: If further legislation is possible, the following provisions might be considered:

- (a) Realistic valuations, with a simple appeal system, should be mandatory on councils.
- (b) The position of leasehold properties needs clarification.
- (c) Reasonable limits should be set on service charges for flats.
- (d) Tenants should have the right to buy all the property they occupy, including garages and gardens.
- (e) There should be some limitation on the imposition of restrictive covenants by councils.
- (f) A simple system of appeal, preferably using the courts only as a last resort, should be considered.
- (g) The workings of the cost-floor provisions need to be re-examined. They are not always equitable. It would be best to give any tenant the right to "top up" his total number of years as a tenant, regardless of which properties he has occupied or which local authorities have been his landlords. It might also be worth examining the possibility of making the cost floor provisions even more generous than they already are, particularly for those who are not at present entitled to large discounts.

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Council Properties in Bad Repair

A frequent complaint of council tenants is that their homes are in bad repair and that they cannot get maintenance carried out because councils plead lack of money.

The construction industry has been particularly hard-hit by the recession and the Government has been looking at ways of stimulating it. Construction was one of the industries which led the way out of the recession and high unemployment of the 1930s.

However, the housing statistics now show that there are more units of housing than households in all parts of the country. So the demand for new housing is not what it was.

The demand for repairs to the existing housing stock is considerable, particularly in the public sector. If the Government were to give priority to repairs on council houses which the tenants had decided to buy, and were able to make funds available for this purpose, a notable stimulus would be given both to the construction industry and to demand for council house purchase.

The Government, as part of the "Swap your Rent-Book for a Mortgage" package, could announce to tenants that their homes would be repaired at public expense, if any major defects were found, before the sale. It might also be possible to give tenants a guarantee against the emergence of major structural defects during the life of their mortgage.

Such Government guarantees against structural defects would be expensive. But it is not right that council tenants should be condemned to live in bad conditions. And it is usually, though not always, cheaper to repair and restore existing houses and flats rather than to demolish them and build new ones in their place.

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APPENDIX

The schemes for low-start mortgages operated by Lazards, the Halifax Building Society and the Building Trust all have drawbacks not shared by the rent-based mortgage proposal.

For example, the Lazards scheme, which is in many respects similar to the rent-based mortgage proposal, has initial repayments at a higher level than the rent-based scheme. The Halifax scheme requires the borrower to find a deposit of up to 10% of the purchase price. Under the Building Trust's scheme, the lender takes what amounts to a share in the householder's equity in his property. In this respect, the scheme is not unlike the Government's shared appreciation scheme.

ADVANTAGES OF THE RENT-BASED MORTGAGE

The advantages of the rent-based mortgage are:

1. Lower initial repayments than under any other scheme.
2. Extreme simplicity from the tenant's point of view.
3. Ease of administration from the lender's point of view.
4. Grossed-up tax relief in the early years of the mortgage.
5. No extra cost to the Government.
6. Comparative insensitivity to interest-rate fluctuations.
7. Nothing to pay in deposit at the beginning of the loan.
8. Nothing to pay at the end of the loan.
9. The lender takes no equity in the property.
10. No primary legislation needed.
11. Repayments are so small that the risk of default is minimal.
12. Even a man on basic social security could afford to buy his home.

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APPENDIX (cont.)

OBJECTIONS TO THE RENT-BASED MORTGAGE

The original objections to the scheme, on the ground that there would be no significant demand for low-start mortgages of any kind, have now been amply demonstrated to have been ill-founded. All the companies offering such mortgages report heavy demand.

The present objection is that "if borrowers' initial payments are set well below rent levels, then the debt is likely to grow considerably and the time needed to pay off the loan will lengthen" (paper by Secretary of State for the Environment, prepared for Family Policy group).

Unfortunately the Department of the Environment may not have fully understood the method of calculating rent-based mortgages as set out in the original paper outlining the idea. Its own calculations are accordingly incorrect. (See note below).

There is no need for the initial repayments to be set far below rent levels. All that is needed is to set them at or somewhat below the rent level. Ideally, the starting figure should be £2-£3 a week below the rent level, to allow the borrower to meet the costs of insurance and maintenance.

A PRESENT-DAY EXAMPLE

The rate of inflation is now at 8 per cent. and the building societies' declared rate of interest is 12 per cent., which represents an A.P.R. of 12.7 per cent. So the real mortgage interest rate is 4.7 per cent. above inflation. Let us assume that this unusually high real rate of interest were to persist throughout the 25-year loan period.

The average council rent is now £13.54 net of rates and the average discounted sale price of a council house is £9,700. The tenant opts to buy and borrows £10,000, enough to pay the sale price

CONFIDENTIAL

APPENDIX (cont.)

and the legal fees. Even if inflation were to stay at 8 per cent. and mortgage interest at 12.7 per cent., the weekly equivalent of the monthly repayment at the outset of a rent-based mortgage would work out at £9.56, about £4 less than the borrower's former rent. At the end of 25 years, the borrower would have paid off the full capital and interest on his loan, assuming that his weekly repayments, like the rent payments of the tenant next door, were raised once a year in line with inflation.

As Table A shows, the paper money value of the borrower's indebtedness rises during the first half of the loan, but its real value falls steadily throughout.

If the building societies found it necessary to charge a 6.2 per cent. A.P.R. for rent-based mortgages, as Lazard's/I.L.M.I. do for their index-linked loans, the borrower's initial weekly repayment figure would rise to £10.83, which is still £2.70 below what he was formerly paying in rent.

To illustrate the adaptability of the scheme to continuous, high real rates of interest, Table B shows the repayment periods for a variety of interest and inflation rates, assuming that the tenant paid an initial weekly repayment figure equivalent to a sum ranging from £3 below his former rent to £2 above it.

The Chelsea Building Society, whose Financial Controller and Chief Executive both examined the original paper on rent-based mortgages, have said that they would participate in a rent-based mortgage scheme. If the Government were to introduce a scheme along the lines described above, other building societies would be likely to follow suit.

The resulting sales figures for council houses would almost certainly be very large indeed. If the Government were to accept the scheme, it could be introduced within months and might have some effect on the outcome of the next General Election.

Taking Mr Stanley's figure of £7,950 as the average amount actually borrowed by council tenants buying their homes, the weekly repayments under the rent-based mortgage proposal would be only £7.61 on a 25-year loan at current rates of interest and inflation, compared with an average rent of £13.54 and a standard mortgage repayment of £13.97. It is obvious that very many more tenants would opt to buy if they were able to get their repayments down to the very low levels which the rent-based mortgage would make possible.

YR.	PROPOSED "RENT-BASED" MORTGAGE				STANDARD "REPAYMENT" MORTGAGE			
	A	B	C	D	A	B	C	D
0	10000.00	10000.00	56.7	7636.36	10000.00	10000.00	56.7	7636.36
1	10469.58	9694.06	55.0	7942.30	9938.45	9202.27	52.2	8434.09
2	10989.04	9421.33	53.4	8215.03	9863.16	3456.07	47.9	9180.29
3	11509.71	9136.78	51.8	8499.58	9778.31	7762.34	44.0	9874.02
4	12026.58	8839.90	50.1	8796.46	9682.71	7117.08	40.4	10519.28
5	12533.57	8530.14	48.4	9106.22	9574.98	6516.57	36.9	11119.79
6	13023.40	8206.95	46.5	9429.41	9453.59	5957.37	33.8	11678.99
7	13487.37	7869.75	44.6	9766.61	9316.81	5436.27	30.8	12200.09
8	13915.16	7517.93	42.6	10118.43	9162.67	4950.31	28.1	12686.05
9	14294.59	7150.86	40.5	10485.50	8988.99	4496.73	25.5	13139.63
10	14611.31	6767.86	38.4	10868.50	8793.29	4073.00	23.1	13563.36
11	14848.51	6368.27	36.1	11268.09	8572.76	3676.71	20.8	13959.65
12	14986.52	5951.36	33.7	11685.00	8324.26	3305.68	18.7	14330.68
13	15002.42	5516.36	31.3	12120.00	8044.25	2957.85	16.8	14678.51
14	14910.94	5076.60	28.8	12559.76	7728.72	2631.33	14.9	15005.03
15	14699.24	4633.81	26.3	13002.55	7373.18	2324.33	13.2	15312.03
16	14374.92	4188.02	23.7	13448.34	6972.54	2035.22	11.5	15601.14
17	13835.18	3739.22	21.2	13897.14	6571.10	1762.45	10.0	15873.91
18	13136.43	3287.37	18.6	14348.99	6012.40	1504.60	8.5	16131.76
19	12224.13	2832.48	16.1	14803.88	5439.19	1260.33	7.1	16376.03
20	11067.44	2374.50	13.5	15261.86	4793.27	1028.39	5.8	16607.97
21	9631.85	1913.42	10.8	15722.94	4065.44	807.62	4.6	16828.74
22	7878.75	1449.22	8.2	16187.14	3245.30	596.94	3.4	17039.42
23	5765.07	981.88	5.6	16654.48	2321.15	395.33	2.2	17241.03
24	3242.72	511.38	2.9	17124.98	1279.80	201.82	1.1	17434.54
25	0.00	0.00	0.0	17636.36	0.00	0.00	0.0	17636.36

TABLE A shows the position at the end of each year of a 25-year loan of £10,000, assuming that the borrower buys his council house worth £17,636.36 at a 45% discount (ie he pays £9,700) and that he borrows £300 in addition for legal fees. The borrower on the "rent-based" mortgage pays the equivalent of £9.56 each week, raised every 12 months in line with inflation.

The inflation rate is assumed to be 8% per year and the mortgage interest rate is assumed to be 12% per year throughout the loan. It is unlikely that mortgage interest rates would remain this far above the rate of inflation throughout, but these figures show that the rent-based mortgage scheme would work even if they did so.

Column A is the principal outstanding at the end of each year. Column B is the real spending-power of the figure in Column A, at today's prices. Column C shows the percentage of the total value of the house represented by the principal outstanding, assuming that house prices keep pace with inflation. Column D shows how much the house-owner would get, after paying off the principal outstanding, if he sold his house (figures at today's prices).

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TABLE B : LOAN PERIODS FOR RENT-BASED MORTGAGES

This table shows the loan periods for a rent-based mortgage of £10,000 at various weekly repayment figures, assuming different rates of inflation and of mortgage interest.

In this table, the mortgage interest rate is always assumed to be higher than that of inflation. For instance, the column marked "MR= 5" indicates that the mortgage interest rate, as declared by the building societies, is 5 per cent. above inflation. The loan periods would, of course, be shorter still if there were a zero or negative real rate of mortgage interest, as there has been during most of the past 15 years.

In practice, real mortgage interest rates are expected to be 2.5 to 3 per cent. above inflation during the next 25 years.

All figures are in years and months. No loan period greater than 30 years has been included.

IR = the annual inflation rate.

MR = the real rate of mortgage interest, i.e. the excess of the building societies' declared rate of interest over the rate of annual inflation.

REPAYMENT = £10.54, £3 less than the average net council rent.

IR:	MR= 1	MR= 2	MR= 3	MR= 4	MR= 5	MR= 6	MR= 7	MR= 8	MR= 9	MR=10
0:	19y 6	21y 0	23y 0	25y 6	29y 0					
5:	17y 7	18y 9	20y 1	21y11	24y 7	29y 1				
8:	16y11	18y 1	19y 7	21y 8	24y10					
10:	16y 9	18y 1	19y 9	22y 0	25y 6					
15:	17y 3	18y10	20y11	24y 0	29y 2					
20:	18y 5	20y 6	23y 5	28y 1						
25:	20y 6	23y 5	28y 2							
30:	24y 1	29y 3								

Remainder of table on next page:-

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TABLE B (cont.)

REPAYMENT = £11.54, £2 less than the average net council rent.

IR:	MR= 1	MR= 2	MR= 3	MR= 4	MR= 5	MR= 6	MR= 7	MR= 8	MR= 9	MR=10
0:	17y 8	18y11	20y 6	22y 5	24y11	28y 7				
5:	16y 2	17y 1	18y 3	19y 7	21y 5	24y 3	29y 3			
8:	15y 6	16y 5	17y 8	19y 2	21y 4	24y 8				
10:	15y 4	16y 5	17y 8	19y 4	21y 9	25y 6				
15:	15y 8	16y11	18y 6	20y 8	23y11	29y10				
20:	16y 7	18y 2	20y 3	23y 4	28y 8					
25:	18y 2	20y 4	23y 5	28y11						
30:	20y 9	24y 2								
35:	25y 7									

REPAYMENT = £12.54, £1 less than the average net council rent.

IR:	MR= 1	MR= 2	MR= 3	MR= 4	MR= 5	MR= 6	MR= 7	MR= 8	MR= 9	MR=10
0:	16y 3	17y 3	18y 6	20y 0	21y11	24y 6	28y 4			
5:	14y11	15y 9	16y 8	17y 9	19y 2	21y 1	24y 1	29y10		
8:	14y 5	15y 2	16y 1	17y 3	18y10	21y 2	24y 9			
10:	14y 2	15y 0	16y 1	17y 4	19y 1	21y 7	25y 9			
15:	14y 4	15y 4	16y 7	18y 3	20y 6	24y 1				
20:	15y 1	16y 4	17y11	20y 1	23y 6	29y10				
25:	16y 4	18y 0	20y 3	23y 8						
30:	18y 4	20y 9	24y 6							
35:	21y 9	26y 2								
40:	29y 3									

REPAYMENT = £13.54, the average council rent net of rates.

IR:	MR= 1	MR= 2	MR= 3	MR= 4	MR= 5	MR= 6	MR= 7	MR= 8	MR= 9	MR=10
0:	14y11	15y11	16y10	18y 1	19y 7	21y 7	24y 3	28y 2		
5:	13y11	14y 7	15y 5	16y 4	17y 5	18y10	20y10	24y 2		
8:	13y 5	14y 1	14y10	15y 9	17y 0	18y 7	21y 0	25y 0		
10:	13y 3	13y11	14y 9	15y 9	17y 1	18y11	21y 7	26y 3		
15:	13y 3	14y 1	15y 1	16y 4	18y 1	20y 5	24y 5			
20:	13y10	14y10	16y 1	17y 9	20y 1	23y10				
25:	14y11	16y 2	17y10	20y 3	24y 1					
30:	16y 6	18y 3	20y10	25y 1						
35:	19y 1	22y 0	27y 3							

REPAYMENT = £14.54, £1 more than the average council rent.

IR:	MR= 1	MR= 2	MR= 3	MR= 4	MR= 5	MR= 6	MR= 7	MR= 8	MR= 9	MR=10
0:	13y10	14y 7	15y 6	16y 6	17y 9	19y 3	21y 3	24y 0	28y 3	
5:	13y 0	13y 7	14y 3	15y 1	16y 0	17y 1	18y 7	20y 9	24y 4	
8:	12y 7	13y 2	13y 9	14y 6	15y 6	16y 9	18y 5	21y 0	25y 6	
10:	12y 4	12y11	13y 7	14y 5	15y 6	16y10	18y 9	21y 8	27y 2	
15:	12y 4	13y 1	13y10	14y11	16y 2	17y11	20y 6	25y 1		
20:	12y10	13y 8	14y 8	16y 0	17y 8	20y 2	24y 5			
25:	13y 8	14y 8	16y 1	17y10	20y 5	24y 9				
30:	15y 0	16y 4	18y 3	21y 1	26y 1					
35:	17y 0	19y 2	22y 5	28y11						
40:	20y 6	24y 8								
45:	28y11									

Continued overleaf:

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TABLE B (cont.)

REPAYMENT = £15.54, £2 more than the average net council rent.

IR:	MR= 1	MR= 2	MR= 3	MR= 4	MR= 5	MR= 6	MR= 7	MR= 8	MR= 9	MR=10
0:	12y11	13y 7	14y 4	15y 2	16y 2	17y 5	19y 0	21y 0	23y11	28y 7
5:	12y 2	12y 8	13y 4	14y 0	14y 9	15y 8	16y10	18y 4	20y 8	24y 9
8:	11y10	12y 4	12y10	13y 6	14y 3	15y 3	16y 7	18y 4	21y 1	26y 6
10:	11y 8	12y 2	12y 8	13y 5	14y 3	15y 4	16y 9	18y 9	21y11	28y10
15:	11y 7	12y 2	12y10	13y 8	14y 8	16y 1	17y11	20y 9	26y 2	
20:	11y11	12y 8	13y 6	14y 6	15y10	17y 8	20y 5	25y 5		
25:	12y 8	13y 6	14y 7	16y 0	17y10	20y 8	25y11			
30:	13y 9	14y10	16y 4	18y 4	21y 6	27y 9				
35:	15y 4	17y 0	19y 4	23y 1						
40:	18y 1	20y10	26y 0							
45:	23y 4									

NOTE:

The Department of the Environment has calculated that, on a loan of £9,000 assuming weekly repayments of £6 at the outset, inflation at 10 per cent. and the true rate of interest at 13 per cent. (equivalent to a building societies' declared rate of 12.28421%), the mortgage would have to run for 37 years and the outstanding debt would reach a peak of £36,000.

The correct figures are 33 years 3 months and £28,714 respectively.

At first sight the figure of £28,714 seems alarmingly high. However, two points should be borne in mind:

1. At today's prices, £6 a week is an unrealistically low repayment, representing only half the council rent that the borrower would pay as a tenant. As the above table suggests, one advantage of the rent-based mortgage is that it is comparatively insensitive to changes in the rates of inflation and interest. For instance, if the borrower were to pay £7.38 rather than £6 a week at the outset, his mortgage would be paid off in 25 years exactly, on the assumption that he borrowed £9,000 at a mortgage interest of 13 per cent. true, with inflation at a constant 10 per cent. The outstanding debt would reach a peak of £16.100 at the end of year 14.

2. The peak money indebtedness is, of course, insignificant in real terms. Taking the £6 example, the peak money indebtedness of £28,714 is reached at the end of year 22. The real value, after 22 years of compound inflation at 10 per cent., is only £3,527.50 - or, if house prices have remained constant in real terms, only 22 per cent. of the value of the borrower's house.

Taking the £7.38 example, the peak money indebtedness is reached at the end of year 14 and its real value is £4,239.50, or about 26 per cent. of the value of the house. NB: the value of the house is assumed to be £16,070, which yields a sale price of £9,000 after a 44 per cent. discount.

For the Department's convenience, a listing of a computer program to calculate rent-based mortgages is given overleaf

PROGRAM IN MICROSOFT BASIC COMPUTER LANGUAGE
FOR CALCULATING MONTHLY PRINTOUTS OF RENT-BASED MORTGAGES

```
10 INPUT "PRINCIPAL (£)";PRINCPAL
20 INPUT "WEEKLY REPAYMENT (£)";WEEKREPT
30 INPUT "RATE OF TAX RELIEF (%)";TAXRATE
40 INPUT "INFLATION RATE (%)";INFLRATE
50 INPUT "BUILDING SOCIETIES' INTEREST RATE (%)";MGGRATE
60 PRINT:PRINT
70 MTHREPT=WEEKREPT*365.25/84
80 INFLMULT=INFLRATE/100+1
90 MGGMULT=MGGRATE/1200
100 ACTLTAX=TAXRATE/100
110 GROSSTAX=TAXRATE/(100-TAXRATE)+1
120 A=PRINCPAL
130 C1=GROSSTAX*MTHREPT
140 B=A*MGGMULT
150 Y=1
160 IF C1>B THEN 330
170 PRINT "YEAR";Y,"REPAYMENT";MTHREPT
180 PRINT "A","B","C1","D1":PRINT
190 FOR X=1 TO 12
200 B=A*MGGMULT
210 D1=B-C1
220 PRINT A,B,C1,D1
230 A=A+D1
240 NEXT X
250 PRINT:PRINT
260 INPUT "CONTINUE";Z
270 C1=C1*INFLMULT
280 MTHREPT=MTHREPT*INFLMULT
290 Y=Y+1
300 B=A*MGGMULT
310 IF C1>B THEN 330
320 GOTO 170
330 PRINT "YEAR";Y,"REPAYMENT";MTHREPT
340 PRINT "A","B","T","C2","D2":PRINT
350 FOR X=1 TO 12
360 B=A*MGGMULT
370 T=B*ACTLTAX
380 C2=MTHREPT+T
390 D2=C2-B
400 PRINT A,B,T,C2,D2
410 A=A-D2
420 IF A<=0 THEN 490
430 NEXT X
440 PRINT:PRINT
450 INPUT "CONTINUE";Z
460 MTHREPT=MTHREPT*INFLMULT
470 Y=Y+1
480 GOTO 330
490 PRINT:PRINT:"MORTGAGE PAID OFF"
500 PRINT "IN MONTH";X;"OF YEAR";Y:PRINT:PRINT
```

CONFIDENTIAL



ROYAL COURTS OF JUSTICE
LONDON, WC2A 2LL

01-405 7641 Extn 3407

18 March 1982

Rt Hon Michael Jopling MP
Government Chief Whip
12 Downing Street SW1

Prime Minister
MP 19/3
get the Gov

Dear Michael,

DM

I have seen a copy of Michael Heseltine's letter to you of 15 March about the Housing Bill. I am happy to confirm the fourth point he makes - as I wrote in my letter of 18 November there is a need to legislate to make provision covering existing breaches of trust by charitable housing associations as a result of their letting practices not conforming with the law of charities. You will no doubt have in mind that a Bill covering the points referred to in his letter will only be a short Bill (in the region of 6 clauses and 2 schedules).

I am copying this letter to Michael Heseltine and to the recipients of his letter (and I attach a copy of my letter of 18 November for ease of reference).

Yours ever,
Jan.

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01-405 7641 Extn

ROYAL COURTS OF JUSTICE
LONDON, WC2A 2LL

18 November, 1981

The Rt. Hon. Francis Pym, MC MP,
Lord President of the Council,
Privy Council Office,
Whitehall,
London SW1.

Dear Francis,

LEGISLATIVE PROGRAMME 1981-82: EXTENSION OF TENANTS' RIGHT TO BUY

I have seen a copy of Michael Heseltine's letter to you of 16 November.

I have agreed to the proposals for the extension of the right to buy to certain charitable property; (M.H.'s letter sub para ii), upon the understanding that the Bill will contain a clause regularising the position of existing tenants of charitable housing associations who in law are not regarded as being in necessitous circumstances. This clause has the two-fold purpose of preventing the extension of the right to buy being defeated by claims for possession against tenants who seek to exercise the right and of making a start in clearing up the widespread breaches of trust which have been disclosed by our investigations into this extension of the right to buy.

The Attorney General and I have a special interest in that last purpose because unless such a provision is included the Attorney General will be faced with very difficult questions as to how to enforce compliance by the trustees with their charitable trusts.

I understand that Michael Heseltine's proposals outlined in his letter to you include the provisions which he and I have agreed for achieving that purpose and on that basis have to say that such a Bill would be of much assistance to us in dealing with the difficult situation which has emerged, and accordingly I would respectfully urge that a place be found for it in the legislative programme for this Session.

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

John Peel

8 MAR 1982





CONFIDENTIAL

2 MARSHAM STREET
LONDON SW1P 3EB

ms

2

Rt. Hon. Michael Jopling MP
Government Chief Whip
12 Downing Street
London SW1

My ref:

Your ref:

Prime Minister

15 March 1982

My intention continues to press for legislation this Session on leasehold tenants right to buy.

As you know, the business managers are already resisting inclusion in next year's programme. MJP 16/3

A l l l

Thank you for your letter about our proposed Bill to extend the right to buy to tenants living in leasehold dwellings and to tenants of charitable housing associations whose dwellings have been publicly funded. There are a number of points on which I must disagree with your analysis and your conclusions.

First, I think your constituency analysis somewhat understates the impact of the Bill's provisions. The figure of 6.4% is perfectly correctly the number of right to buy applications as at 30 September expressed as a percentage of the total number of council dwellings in Britain. However, it ignores the fact that the number of applications is going up all the time - it was 480,000 by 31 December; that there is an average of $2\frac{1}{2}$ electors per council dwelling; and that where there has been no previous eligibility to buy, as will be the case on both leasehold and charitable housing association dwellings, the percentage who apply to buy is often higher than the average. Taking the English New Towns for instance, applications to buy have come in in respect of 14% of all tenancies as at June 1979.

Second, the Prime Minister has made it very clear in her Answer to Robert Dunn on 11 February that the Government feels it has a clear commitment to those individual tenants in leasehold dwellings who voted for us at the last Election firmly believing that we would give them the right to buy their homes. On the question of further legislation to cover the leasehold cases the Prime Minister said "Our last legislation did not cover that case. It should be covered. It is our intention to cover it. We have a high priority to do so. I cannot promise my Hon Friend that there will be legislation during this Session of Parliament. However, if not, we shall try in the next Session."

Third, the Bill will provide us with an opportunity further to strengthen its provisions on, for example, service charges, where certain Labour Councils are now trying to deter tenants from buying by threatening them with enormous charges. This could be of great importance in London in particular.

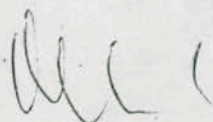
Fourth, the Solicitor-General made it very clear in his letter of 18 November that the Law Officers attach much importance to getting the charitable housing associations 'amnesty' provisions on the statute book, without which I understand the Law Officers and the

Government could find themselves in an invidious position legally vis a vis charitable housing associations. The Solicitor General is writing to you further on this point.

In view of the above I hope very much that we can introduce this Bill this Session, now that the Canada Bill is through. Only in this way do we have a prospect of effectively honouring our commitments to people who could then expect to have bought their homes before the election.

I am copying this letter to the Prime Minister and all Members of QL and to Sir Robert Armstrong.

Yours ever



MICHAEL HESELTINE

16 MAR 1962



1

12 DOWNING STREET,
S.W.1.

16.3.82.

With

The Private Secretary's

Compliments



Government Chief Whip
12 Downing Street, London SW1

2 March 1982

PRIVATE AND CONFIDENTIAL

You have made it very clear, over a number of months, that you feel your Bill to extend the right-to-buy for Council House tenants, is a matter of great political urgency.

I have not been aware of this urgency, except from yourself. Therefore I have undertaken an enquiry into it.

I. THE EXTENSION OF THE RIGHT TO BUY TO THE 40,000 - 50,000 TENANTS WHOSE LANDLORD DOES NOT OWN THE FREEHOLD

Your Department have been very helpful, as John Stanley's office has given me three lists, detailing the urgency as follows:

- i) Concentrations of Leasehold Property in Local Authority Ownership
- ii) Conservative MPs who have written about RTB Leasehold
- iii) Other letters (other than from individuals)

I have attempted to analyse them, as follows.

i) Concentrations of Leasehold Property in Local Authority Ownership

First, I have taken the figures of houses where this problem is most concentrated, according to your Department, and made a rough assessment of how many tenants are likely to be interested in buying, on average in each of the constituencies concerned; using the figure of 6.4% of the total eligible. This figure (6.4%) was also supplied by your Department. It is a reflection of the 440,000 who have applied to buy, under existing legislation, as a percentage of those who have the right.

Next, I have considered how many marginal seats there are in each area of

concentration. I have used Labour seats with under 5,000 majorities and Conservative ones with under 7,500. Of course, I cannot question Labour Members, but I have spoken to all the 7 Conservative Members. You will see that not one of them sees any urgency about this legislation. See Annex A.

ii) Conservative MPs who have written about RTB Leasehold

Your Department supplied a list of 17 of our colleagues who have written to your Department. Only 7 of them have majorities of under 7,500. Of these, only David Bevan has a constituency in your own defined concentration areas. His lack of concern is expressed in Annex A. I have spoken to 4 of the remaining 6 Members and attach their comments in Annex B. I think you will agree that they do not reflect a demand for urgent legislation.

iii) Other letters (other than from individuals)

All of the letters received from the North West are from Labour held constituencies. But only Accrington, Heywood & Royton, Middleton, Bury and Bolton have majorities under 5,000. Only Bolton appears on your own list of concentrated areas.

In the London area, most of the seats are Labour controlled. Only 4, (Dulwich, Lewisham East, Lewisham West and Holborn & St Pancras South) have Labour majorities under 5,000. There are 2 Conservative seats in this group with majorities under 7,500. Geoffrey Finsberg's comments appear in Annex B; Peter Bottomley says "Pretty slim urgency; only 1 case known". I think that the attitude of our Conservative colleagues could be described as lukewarm.

2. THE EXTENSION OF THE RIGHT TO BUY TO 70,000 - 80,000 TENANTS OF CHARITABLE HOUSING ASSOCIATIONS

John Stanley's Private Secretary told Felicity Yonge on February 17 that it was not possible to provide figures on the geographic spread of charitable housing associations. I gather that there are 70,000 to 80,000 of these properties. If only 6.4% of tenants of these apply to buy, that amounts to only about 7-8 tenants on average in each constituency.

SUMMARY

If the attitude of our colleagues is any yardstick, there does not seem to be a large political harvest in this legislation. There is little enthusiasm for legislation on council tenants in leasehold property. I am sure you will also agree that this legislation will be fought tooth and nail by the Opposition; also legislation on leasehold and housing associations could give rise to added concern elsewhere.

Therefore, whilst I accept that this legislation would have an important effect in Dulwich and Bolton, there is little evidence of its wider importance as a significant election winner. Indeed, the comments of our colleagues are not remotely enthusiastic. It is rare to find constituencies which are likely to have more than a handful of tenants likely to be interested.

Whilst it is now clear that the legislation cannot go into this year's programme, I do wonder whether we are putting too much importance on it, and whether it is worth pursuing at all. Coming in the run-up to the next election the legislation may well have to be guillotined in the same way as your earlier housing Bill.

Would you consider this evidence and let me know whether you think we could not alter our attitude.

I am copying this letter to the Prime Minister and all members of QL and to Sir Robert Armstrong.

James Eames
Michael

The Rt Hon Michael Heseltine MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
London SW1 3EB

ANALYSIS OF DOE LIST OF "CONCENTRATIONS OF LEASEHOLD PROPERTY IN LOCAL AUTHORITY OWNERSHIP"

ANNEX A

	No of Houses Concerned	No of Constituencies (Con.held in brackets)	Average per Constituency	Tenants likely to be interested on 6.4% takeup average per constituency	Labour Majorities under 5000	Conservative Majorities under 7,500
London						
1. Lambeth	1500-3000	4 (1)	375-750	12-22	1. Norwood Fraser 1940 2. Vauxhall Holland 4700	1. Streatham Shelton 5500 "No pressure of any kind".
2. Southwark	1850	3 (-)	616	39	1. Dulwich S Silkin 122	-
3. Westminster	1000	3 (3)	333	21	-	1. Paddington Wheeler 106 "One or two letters, no pressure, entirely relaxed".
4. Hammersmith	1600	2 (2)	800	51	1. North Soley 3506	1. Fulham Stevens 7499 "One letter in 10 years".
Wales						
Merthyr Tydfil	3000	1 (-)	3000	192	-	-
Pontypridd	1000	1 (-)	1000	64	-	-
Abergavenny	Several Hundred	1 (1)	?	?	-	-

ANALYSIS OF DOE LIST OF "CONCENTRATIONS OF LEASEHOLD PROPERTY IN LOCAL AUTHORITY OWNERSHIP"

ANNEX A

Area	No of Houses Concerned	No of Constituencies (Con.held in brackets)	Average per Constituency	Tenants likely to be interested on 6.4% takeup average per constituency	Labour Majorities under 5000	Conservative Majorities under 7,500
Newcastle upon Tyne	4,000	4 (1)	1,000	64	-	1.North Sir W Elliott 1711 "Not aware of this problem"
Bolton	10,000	2 (-)	5,000	320	1.East.Young 1852 2.West.Taylor 600	-
Birmingham	4,000	12 (5)	333	21	1.Erdington Silverman 680 2.Handsworth Wright 3209 3.Perry Bar Rooker 491 4.Stetchford Davis 1649	1.Northfield Cadbury 204 "Haven't had a letter on this. Not a major problem" 2.Selly Oak B.Dark 4775 "Not a grave problem.I should have thought we had better things to do" 3.Yardley Bevan 1164 "Would not make much difference here".

CONSERVATIVE MPs WHO HAVE WRITTEN ABOUT RTB LEASEHOLD

Midlands

David Bevan (Birmingham, Yardley) 1,164 "Would not make much difference here".

London & SE

Sir Brandon Rhys Williams (Kensington) 5,463 "I can't remember more than an odd case. There are more important things to do in housing.

Robert Dunn (Dartford) 1,392 "No Dartford problem. Concerned about Dulwich"

Neil Thorne (Ilford S) 1,688 "Not a great problem in my constituency".

Geoffrey Finsberg (Camden) 368 "I am being pressed on this by about 12 constituents".

Bowen Wells (Hertford) 1,296 Not available. Away on Parliamentary delegation.

South West

Michael Colvin (Bristol NW) 4,677 Not available. Away on Parliamentary delegation.

copy

Housing

na
MID
12/2

Prime Minister

HOUSING ACT 1980 - EXCLUSION OF LEASEHOLD PROPERTIES
FROM THE RIGHT TO BUY

1. Bob Dunn, who is absolutely first class, came to see me this morning.
2. He handed to me the enclosed copy letter dated 11th January from the Leader of the Conservative Group on the Southwark Borough Council.
3. In Dulwich, where, at the last Election, Sam Silkin had a majority of 122 only, a very large number of Council Houses are owned, leasehold, by the Council. But tenants of those properties are in despair because they believe that you promised them the right to buy their Council House or Council Flat. Now they find that they cannot, and they think that they have been betrayed.
4. Bob Dunn says, and I agree with him, that in constituencies like Dulwich, the sense of betrayal which these Council tenants feel (about 100,000 throughout the country) could cost us two or three seats at the next Election.

That is, of course, of importance: what is of greater importance is that having made the promise that tenants would have the right to buy, and having it in our power to give that right, we should do so without delay.

.../...

5. May I again ask, please, that the Bill which has been drafted already should be introduced into the House of Commons forthwith, with a commitment that it should receive the Royal Assent at the earliest possible moment.
6. Whatever advice you may receive from other sources, I still believe that a large majority of our colleagues in the House of Commons would prefer to give up a few days holiday than betray a promise which we gave, which we meant to give, which we have broken, and which it is still within our power to honour.
7. If I have your consent, I would like to send copies of this Minute, and of its attachment, to the Leader of the House, and to the Chief Whip.

10th February 1982



IAN GOW

From: Robert J. Dunn M.P.



HOUSE OF COMMONS

LONDON SW1A 0AA

1st February 1982

Ian Gow, Esq. M.P.
10 Downing Street
London S.W.1.

Dear Ian,

I take the liberty of writing to you because I am very worried about the attitude of Ministers in the Department of the Environment with respect to the provisions of the Housing Act 1980. I attach herewith a letter from T.W.H. Eckersley, Leader of the Conservative Group on the London Borough of Southwark, which is self-explanatory.

I would like to see you to discuss Toby Eckersley's letter and a number of points relating to the Environment. Perhaps you would kindly telephone Dartford 20704 to fix an appointment at the earliest opportunity. I promise not to take up too much of your time, and look forward to seeing you.

Yours sincerely,

A handwritten signature in cursive script, appearing to read 'Rob'.

ROBERT J. DUNN M.P.



LONDON
BOROUGH OF
SOUTHWARK

MEMBERS' ROOM
TOWN HALL
PECKHAM ROAD
SE5 8UB E.5

Robert Dunn, Esq., M.P.,
House of Commons,
London, S.W.1.

Please reply to:-
30, Berryfield Road,
London, SE17 3QE

Dear Bob,

11th January 1982

Housing Act 1980, Section 2(3): Exclusion of leasehold properties
from the right to buy

I fear I must trouble you again for advice on what can be done to stir up back-bench opinion into urging early legislation to remove this exclusion. Regrettably my own efforts, (and those of others in local government with whom I am in contact) seem to have met with a set-back recently.

Whereas in June 1981 John Stanley wrote to me that he hoped "to be able to give a clear indication of policy before the end of this year", the Prime Minister, writing to me on 17th November 1981, confined herself to stating that "the Government intends to extend the right to buy to such tenants as soon as space can be found in the Parliamentary timetable".

I led a Deputation of Councillors on 14th December 1981 from Greenwich, Camden, Southwark and Accrington (with support from Lewisham, Cardiff and Burnley) to Sir George Young. He assured us that the legislation was already drafted.

Unless a Bill on this matter is introduced with Government support before April our Party will suffer grave embarrassment in Dulwich, and, if the present strength of the SDP continues, Government inaction on this matter may contribute to the loss of all our Council seats. Furthermore, Dulwich is of course a critical marginal parliamentary constituency.

I am writing in identical terms to John Heddle, who, as Chairman of the Bow Group Standing Committee on Housing and the Environment, had been most helpful at an earlier stage.

Would it be possible for you to concert with him an approach to Government? If you would like me to draft a parliamentary question, please let me know.

Yours sincerely,

T.W.H. Eckersley,
Leader of the Conservative Group.

PRIME MINISTER

Hawkins
ms.
2

Mr. Heseltine's Statement on Right to Buy, Norwich

Mr. Heseltine did well in a thinly attended House. I attach the text of his Statement.

Gerald Kaufman tried to stoke up his anger, but was unconvincing. The action, he argued, was unjustified. Norwich had taken many steps to meet the Secretary of State's requirements. Offer notices were going out at seven times the earlier rate (cries of seven times nothing from Government benches). Mr. Heseltine was making a scape-goat of one of the most responsible and progressive housing authorities, at a time when 53 Tory controlled authorities had sold no houses, and 19 - including Mr. Stanley's - had made no returns under the Act. Norwich would test this decision in the courts.

Mr. Heseltine set the record straight about Tonbridge and Malling which was selling on a voluntary basis. He then drew attention to Labour's threat of retrospective legislation. From the Government side, a succession of speakers congratulated Mr. Heseltine on the decision to use his powers, which some felt was overdue. Support came from Charles Morrison, David Hunt, Brian Mawhinney, Michael Latham, Tony Durant, Christopher Murphy and several others. The last four speakers were all from the Government side, as Labour ran out of people with stomach for the fight, and the Liberal and SDP benches were empty.

Those Opposition Members who spoke seemed to be going through the motions. Mr. Heseltine's action was seen as vindictive/dictatorial/deliberate political vendetta against successful Labour authority. (John Garrett, David Winnick, Bob Cryer). David Ennals tried to defend Norwich's detailed record, and challenged Mr. Heseltine's figures. Mr. Heseltine dealt with him by pointing out that his job was to protect the rights of individuals under the law, and he could only do so on the basis of the figures provided by Norwich.

MA

3 December 1981

Council House Sales (Norwich)

3.57 pm

The Secretary of State for the Environment (Mr. Michael Heseltine): With permission, Mr. Speaker, I wish to make a statement about the right to buy under chapter 1 of part I of the Housing Act 1980, which came into force as long ago as 3 October 1980.

I have today sent a notice to Norwich city council that I intend to use my powers under section 23 of the Act—[HON. MEMBERS: "Disgraceful".]—to intervene to assist secure tenants of the council to exercise their right to buy their homes. I have taken this very serious step with the greatest reluctance, and only after prolonged correspondence and discussions with the council over many months.

Complaints about delays and difficulties from individual Norwich tenants began to reach my Department in February this year. Accordingly, in April the council was formally asked for information on its past and expected future progress in dealing with right to buy cases.

Since May, as well as extensive correspondence, there have been three separate meetings with the council—one at official level, one with my hon. Friend the Minister for Housing and Construction and one with me. During this period complaints have continued to come in from tenants about delays and difficulties in exercising their right to buy. It appears that tenants currently have to wait a very long time, about a year, before they receive a section 10 offer notice, and delays can occur thereafter before completion is achieved.

On 28 July a formal warning was sent to the city council that I was contemplating using my powers of intervention under section 23 of the Act. Following the meeting with me on 5 November, the city council forecast that outstanding valuations, which are required before section 10 notices can be issued, should be completed by June 1982 but with the possible exception of some cases which it identified as difficult. One hundred and one cases were referred to at the November meeting as difficult.

At the end of October, the city council had admitted the right to buy in only 884 cases, a smaller number of cases than in many authorities, but still had 652 offer notices to send out. Notwithstanding adjustments that have been made to the monthly rate of issuing section 10 offer notices and the revision of some of its procedures, the city council's performance to date in issuing section 10 notices is among the worst of all authorities whose progress has been taken up by my Department. Moreover, its projected future performance, on which it has declined to give any assurance of further improvement, appears to me worse than that of any other authority which has been given formal warning that I am contemplating using my powers under section 23.

Having considered matters very carefully it appears to me, whether I have regard to Norwich alone or Norwich in comparison with other authorities, that secure tenants of Norwich city council have or may have difficulty in exercising their right to buy effectively and expeditiously, and I have accordingly sent them a notice of intervention.

Mr. Gerald Kaufman (Manchester, Ardwick): Is the Secretary of State aware that this high-handed action is completely unjustified following the months of negotiations that have wasted the valuable time of his officials and

those of Norwich city council? The council has taken many steps to speed up its action under the Act, including several actions demanded by the right hon. Gentleman himself. Is the right hon. Gentleman further aware that offer notices are now going out at seven times the rate that was being achieved earlier in the year? Is it not a fact that the difference in time between the right hon. Gentleman's demands on offer notices and the ability of the council to comply now boils down to a mere four months? How does that justify his intervention as housing commissar? Why has he decided to pick as a scapegoat one of the most responsible and progressive of housing authorities when the latest figures, which he presented to the House three weeks ago, show that 53 Conservative-controlled local authorities had sold no houses and that 19 Conservative-controlled authorities had either made no return or nil returns under the Act, including the authority within the constituency of the Minister for Housing and Construction, the hon. Member for Tonbridge and Malling (Mr. Stanley)?

Is the right hon. Gentleman aware that his statement is not the last word on this matter as the Norwich council intends to test his action in the courts? Does he accept that in two and a half years he has forced up council rents by 117 per cent., that mortgage rates are at a historic record high level, that unemployment in the building industry is higher than ever before and that the housing programme is at its lowest ebb since before the First World War? Why is he wasting time on this petty distraction when he should have been devoting all his energies to putting right the housing shambles that he has created? Why is he so worried about a pebble in his shoe in the middle of an avalanche that he has created?

Mr. Heseltine: I think that the House will appreciate that, far from being high handed, I have gone to considerable lengths at meetings, which in the end I have held myself, to avoid the need to intervene. The right hon. Member for Manchester, Ardwick (Mr. Kaufman) said that the rate of issuing section 10 notices is now seven times greater than it was earlier in the year. The House may ask legitimately what the rate was earlier in the year.

The right hon. Gentleman said that the difference between my demands on offer notices and the council's ability to comply is only four months. He has failed to take into account that that refers to straightforward cases only and that no timetable has been given for those cases which are not. As for a possible challenge in the courts, that is entirely a matter for the city authority. It must make up its mind.

The right hon. Gentleman always refers to the constituency that is represented by my hon. Friend the Member for Tonbridge and Malling (Mr. Stanley), the Minister for Housing and Construction. The authority within that constituency is not selling under the right to buy because it is proceeding on a voluntary basis under the original arrangements that applied before the right-to-buy scheme. However, it may help the House to know the figures within my hon. Friend's authority. I understand that 385 applications have been received and that 28 have been withdrawn, leaving a net 357, which are still extant. Offers have been made in respect of 306, which is 86 per cent. of all inquiries.

The right hon. Gentleman pursues his characteristic denunciation of the approach that we have made. I must draw the attention of the House to the fact that he regards

Mr. Roger Moate (Faversham): Does not my right hon. Friend accept that we have already had years of consultation about heavier lorries? Is he not aware that there is a great deal to be said for the House of Commons reaching a decision on the matter at the earliest possible opportunity? Does he not also accept that it is a question that cannot be, nor should be, settled on party lines? Therefore, will he do what he can to encourage a free vote on the matter when it is debated next week?

Mr. Pym: The last point is, of course, a matter for my right hon. Friend the Patronage Secretary. The proposal of my right hon. Friend the Secretary of State for Transport—that there should be two or three months for the White Paper to be considered—is reasonable. At the end of that time we shall come to a conclusion. I do not believe that that is a very long time for my hon. Friend to have to wait.

Mr. Christopher Price (Lewisham, West): Will the Leader of the House have less than a closed mind on the subject of Special Standing Committees? Is he aware, for instance, that last year the procedure radically changed the nature of the "sus" Bill after pressure from both sides of the Committee? It made it a very much better Bill. Will the right hon. Gentleman consider whether the forthcoming Criminal Law Bill is suitable for consideration in a Special Standing Committee? What are his criteria for the suitability of Bills?

Mr. Pym: The hon. Gentleman is fair about that, and the Bill to which he referred was a successful part of the experiment. However, as I said earlier, I do not envisage any particularly suitable Bill at present. I have an open mind, and there is no point in putting down the motion that I have been requested to put down unless there is a good prospect of using the procedure. If minds change and an opportunity of which we wish to take advantage arises, I shall be prepared to reconsider the matter.

Mr. Michael Latham (Melton): Is my right hon. Friend aware of the utter dismay felt by Her Majesty's loyal subjects in Gibraltar at the Government's decision—in answer to a highly unplanted question by me—to close the dockyard and to restrict the use of air space? I understood from Gibraltar this morning that the Chief Minister is coming here next week to see Ministers about it. Will my right hon. Friend ensure that the House is properly advised on the matter and kept informed about what alternative provisions will be made for the people of Gibraltar?

Mr. Pym: I shall convey my hon. Friend's representation to both my right hon. Friend the Secretary of State for Defence and my right hon. Friend the Secretary of State for Foreign and Commonwealth Affairs.

Mr. Frank Haynes (Ashfield): Will the Leader of the House seriously consider asking the Secretary of State for Social Services to make a statement to the House about the hours that junior doctors are working, bearing in mind that there is an urgent need for a statement because patients are being put at risk?

Mr. Pym: I shall convey the hon. Gentleman's representations to my right hon. Friend.

Mr. Anthony Steen (Liverpool, Wavertree): May I direct the attention of my right hon. Friend the Leader of the House to early-day motion 1 in my name and the names of my hon. Friends?

[That this House believes that the pressing problems facing our cities can best be tackled by implementing some of the proposals contained in a recently published study 'New Life For Old Cities' endorsed by 62 Conservative honourable Members and Members of the European Parliament representing urban constituencies which offers new hope for the regeneration of our cities, by turning to people rather than Government and relying more on private enterprise than public bureaucracy; and notes that included amongst the recommendations are: (a) the rapid release by auction on the open market of hoarded public land surplus to requirement, (b) promoting city renewal through self-financing private enterprise agencies which would contract out to existing local businesses and professional firms the job of marketing the city's assets, (c) making urban renewal attractive to private investment by offering cheaper loans through issuing tax-exempt revenue bonds, (d) offering rate holidays not just in enterprise zones but to single-plant family firms elsewhere and inner city retailers who ultimately will pay full commercial rates but only if their businesses prosper, (e) encouraging private business to build new factories, offices and homes in the inner city thus reducing the 60,000 acres of agricultural land and green field sites lost each year to urban sprawl, (f) halting demolition and instead encouraging local authorities to sell off decaying property for £1.00 for those (homesteaders) willing to repair and live in them, and making similar arrangements for shopsteads to enable run-down shops scheduled for demolition to be saved, (g) encouraging building societies to lend on older houses and discontinue 'red-lining' (that is refusing loans for house ownership in run-down areas), (h) enabling sitting tenants of flats and maisonettes in outer council housing estates to purchase their freeholds for a nominal sum in return for a share in the block's management and upkeep thus saving local authority expenditure and (i) contracting out to private enterprise those local authority services which can be done better and cheaper by private enterprise; and calls on Her Majesty's Government to assume a catalytic role so as to enable public and private enterprise in partnership to realise their full potential, to reduce those checks and controls which militate against new development and to involve more fully those people living and working in cities in the total revitalisation process.]

It offers new life for old cities, not only the inner cities but the middle and outer cities, too, where the majority of the population now live. Will my right hon. Friend consider arranging a debate on paragraph (f) of the motion which suggests a policy of homesteading, shopsteading and flatsteading to replace compulsory purchase and demolition by local authorities?

Mr. Pym: That is obviously an important subject, but I cannot provide Government time to hold such a debate in the House. As my hon. Friend knows, my right hon. Friend the Secretary of State for the Environment has spent a great deal of time in the inner cities. The matter is high in his priorities and it is being fully and carefully considered. If my hon. Friend wishes to mount such a debate, he must enter the ballot—I know that he does anyway—and hope that he is lucky in the draw.

the right to buy as of such significance that he has now persuaded the Labour Party to promise to remove from all council tenants the right to buy. I understand that he has gone as far as to say that the Labour Party, if ever re-elected, will interfere with the existing contractual arrangements.

Mr. Charles Morrison (Devizes): I congratulate my right hon. Friend on his excellent statement. Far from being high handed, is he aware that many of us have thought that it was high time that he made use of his powers of intervention? Does he understand that he will be given every encouragement from his right hon. and hon. Friends should he feel it necessary to intervene in respect of other local authorities?

Mr. Heseltine: I much appreciate my hon. Friend's kind remarks. He will know of my reluctance to use powers that are available, but I have to remember that in the end it is my duty to uphold the law and to ensure that tenants receive their legitimate entitlements.

Mr. David Ennals (Norwich, North): Is the right hon. Gentleman aware that Norwich city council is implementing the right-to-buy provisions both efficiently and expeditiously? Does he know that some of the statistics contained in his statement are incorrect concerning the number of evaluations that have been carried out? Does he appreciate that last month the council completed 90 evaluations and that there have been 90 offers for tenants? Is he further aware that there are several Tory controlled local authorities whose records are substantially worse than that of Norwich city council? Does he remember that he told me that since 1 September there have been only five criticisms or complaints received by city council tenants? Why has he picked on Norwich? Is this not deliberate party political discrimination?

Mr. Heseltine: The right hon. Gentleman will be aware that the statistics upon which I have to operate are those provided by the Norwich city council. He will be aware also that I have had to act in respect of Norwich because, when its performance is compared with that of other authorities, I consider it to be among the worst in delivering the right-to-buy scheme to council tenants. That is a fact that has been reinforced by the number of complaints that I have received from tenants.

Mr. John Major (Huntingdonshire): Is my right hon. Friend aware that I spoke at a public meeting in Norwich earlier this year to several hundred tenants who were bitterly angry about the way in which their applications to buy had been treated? Is he further aware that those tenants will welcome his statement? Would it not be for the general good if the right hon. Member for Manchester, Ardwick (Mr. Kaufman) were to say unequivocally and willingly from the Dispatch Box that he would request Labour councils throughout the country to comply with the present law?

Mr. Heseltine: I am sure that the right hon. Member for Ardwick would want all authorities in every political party to comply with the law. I am much more concerned that he should come to the Dispatch Box to remove some of the barriers to a better housing policy that his party is imposing on the housing scene. I am grateful to my hon. Friend for the efforts that he has made to draw the attention of council tenants to the rights that are now theirs by

statute. He has given us a manifestation of the concern in one area that those tenants should be able to get their rights.

Mr. John Garrett (Norwich, South): Does the right hon. Gentleman agree that this is nothing more than a vindictive action against a Labour authority with an incomparable housing record compared with the records of other authorities of its size? Is he aware that the rate of making offers has substantially improved, which shows the willingness of the council to co-operate with his Department? Why has he not picked on Tory authorities that have a slower rate of making offers than the Norwich city council? Will he accept that Norwich has been picked on for an authoritarian attack on political grounds, that that is part of his conscious destruction of the powers of local government and that, it is fundamentally undemocratic?

Mr. Heseltine: I cannot accept that it is fundamentally undemocratic when a Secretary of State intervenes to uphold the legal rights of individual citizens. I do not believe that it can be argued seriously that I am being vindictive. I have taken such care and such time to try to persuade the authority to try to improve on the performance which has been a subject of concern to me. This is not a matter of party politics. I should be prepared to move whatever the political complexion of the authority if the results of its sales efforts seemed to justify it.

Dr. Brian Mawhinney (Peterborough): Does my right hon. Friend accept that his decision will be noted and welcomed in Norwich and by council tenants within other authorities who are facing difficulty in buying? They may follow his suggestion, including my own constituents, and make their complaints known to him in the hope that he will take further action.

Mr. Heseltine: My hon. Friend will be glad to know that I am in contact with a number of authorities. I have had to issue warnings to a number of them in the hope that they will seek to remedy the matters of concern without its being necessary for me to intervene. I understand that my actions today will be seen as a step in the direction of the implementation of the right to buy on a wider basis than simply that of Norwich. However, I repeat what I have said and hope that it will not be necessary for me to widen the intervention that I have announced today.

Mr. David Winnick (Walsall, North): Is the Secretary of State aware that his disgraceful dictatorial action will be bitterly resented by local authorities throughout the country as an affront to local democracy? Would it not be more appropriate if the right hon. Gentleman worried a little about the hundreds of thousands of people on the waiting lists who are desperately waiting to be rehoused and who will have to wait much longer as a result of the Government's action which has meant that local authorities cannot provide the accommodation needed?

Mr. Heseltine: Before the hon. Member gets carried away with words such as dictatorial suppression, will he understand that as the Secretary of State I have to take into account the individual rights of citizens in the United Kingdom?

Mr. Michael Latham (Melton): Is my right hon. Friend aware that the determination to ensure that the law is enforced will be warmly welcomed on the Government Benches? Is he further aware that the Social Democratic

[Mr. Michael Latham]

and Liberal Parties are so interested in the rights of tenants to buy their homes that there is not one of their members in the Chamber?

Mr. Heseltine: I have heard my hon. Friend's comments but he would not expect me to consider party political matters in this situation.

Mr. Kaufman: As the Secretary of State has asked me about my attitude to the law, is he aware that throughout the passage of the legislation I have made it clear that the Labour Party is opposed to a breach of a law on this matter? Is he further aware that no local authority has broken the law and that there is no proof that Norwich has broken the law? The legal action taken by Norwich may prove that he has broken the law. The only person proved to have done that so far is the right hon. Gentleman, who was found in a recent High Court action, to have broken the law and he is doing nothing to rectify the position.

Mr. Heseltine: The right hon. Member is so anxious to defend himself that he misunderstands the situation. I am complying with the recent legal finding in a way that I believe will be totally within the law, as he would expect. I am delighted that he is keen on the maintenance of the law. He must understand that the law gives me certain rights on behalf of citizens, just as it gives rights to certain local authorities.

Mr. Tony Durant (Reading, North): Will the Secretary of State accept it from me that Conservative Members welcome this move with great enthusiasm? Will he remind the House that what we are discussing, despite the comments from the Opposition, is the desire of ordinary people to buy their homes? An Act to make that possible has been passed by Parliament and we should support it and implement it as soon as possible.

Mr. Heseltine: I am grateful to my hon. Friend. I am aware that my position means considering the rights of individual citizens. That is the purpose that the law envisaged when it gave me powers of intervention.

Mr. Bob Cryer (Keighley): Will the Secretary of State accept that his smarmy appearance at the Dispatch Box fools nobody? His proposal is an example of a deliberate political vendetta against a successful Labour-controlled local authority. He has repeatedly expressed concern for the rights of the individual citizen. Therefore, will he tell us what manpower in his Department is engaged in furthering the rights of those citizens who want the tenancy of a council house but are kept waiting by the inefficiency of his policies? We now have the lowest public sector house building starts since the war. What is he doing for the rights of individual citizens who are on the dole, who have building skills and who want to be put to work on building houses in the public sector? His rotten Government's rotten policies are preventing them from being put to work.

Mr. Heseltine: I shall answer the hon. Gentleman in the calmest voice that I can muster. The persecution complex which now riddles the Labour Party will do it no good; nor will it help to heap personal abuse on me. Before the hon. Gentleman gets carried away with rewriting history about the cuts in capital programmes of the sort he

describes, will he say why he supported the Labour Government who halved the capital expenditure of local government?

Mr. Christopher Murphy (Welwyn and Hatfield): Will my right hon. Friend consider action in the case of my Socialist-controlled district council, which appears disinclined to fulfil the spirit of the law, to the obvious frustration of the tenants who wish to exercise their legal rights as early as possible?

Mr. Heseltine: I know that my hon. Friend is concerned for his constituents and, under the law, I must consider representations on behalf of any tenants who cannot fulfil their legal entitlement. I should be prepared to do that whenever I felt that the law was not being fully implemented.

Mr. D. N. Campbell-Savours (Workington): When the Secretary of State puts the commissioner into Norwich, will he also instruct him to take evidence from the Norwich people who are on the waiting list for a house? There must be evidence about the hardship under which they live. Why does not the right hon. Gentleman understand that such people cannot wait? They desperately need housing and it is the right hon. Gentleman's policies which are obstructing their desires.

Mr. Heseltine: I should be prepared to consider all the representations made to me provided that they were relevant to the discharge of my duties. However, I should have to make the point to anyone who said what the hon. Member just did that the revenue from the sale of council houses puts hundreds of millions of pounds for housing purposes in local authorities' hands.

Several Hon. Members rose—

Mr. Speaker: Order. I propose to call the four hon. Members who have been standing in their places.

Sir Anthony Meyer (Flint, West): Is my right hon. Friend the Secretary of State aware that his demonstration of his readiness to use the reserve powers firmly will be noted with great pleasure by my constituents? He will be aware that the Secretary of State for Wales enjoys similar powers in relation to councils which appear to be experiencing extraordinary difficulties, at the very least, in implementing the Act.

Mr. Heseltine: I know that my right hon. Friend the Secretary of State for Wales is here, and will share my admiration for the way that my hon. Friend advances the case for his constituents. I have no doubt that the Secretary of State for Wales is as determined as I am to carry out in full the duties that the law puts on us.

Mr. Peter Bottomley (Woolwich, West): Has Norwich council been divorcing the garages beside the houses from the houses themselves and saying that tenants who want to buy cannot buy the houses? Will Norwich council do the same as Greenwich council in forcibly moving elderly people who applied with their more elderly parents to buy their homes—the council's grounds being only that the elderly parent died during the time that the council was not fulfilling the law? Will he consider intervening in Greenwich, as in Norwich, because the delays there are unacceptable to the tenants who want to exercise their right to buy their homes?

Mr. Heseltine: My hon. Friend's constituents will be grateful to him for putting their case today in the way that

he has done before. I am not satisfied with the position in Greenwich, and that is one of the authorities with which I have had discussions about the rate of progress. However, I have no further statement to make today.

Mr. Harry Greenway (Ealing, North): Will my right hon. Friend care to compare the record in the sale of council houses of the Conservative-controlled London borough of Ealing, which has now sold about 2,000 houses with a smaller staff, with that of Norwich? Will he comment on the fact that some of my constituents who live in Northolt, but in council houses belonging to the London borough of Brent, cannot buy them because that council has reversed the decisions which it previously made?

Mr. Heseltine: I am always glad to hear the achievements of authorities which are enthusiastically applying the right to buy. I am aware, as the House will be, that there have been about 400,000 applications under the right-to-buy provisions, which shows the wide benefits that council tenants see in the policy. I am therefore grateful to my hon. Friend for drawing my attention to the problem. I shall keep that point under surveillance, as I do with all the other responsibilities that I have under the Act.

Mr. Geoffrey Dickens (Huddersfield, West): Despite the comments by hon. Members on both sides, does my right hon. Friend agree that what is happening in a major way at Norwich is certainly happening in nearly all constituencies under Labour-controlled councils? We applaud your actions and are relieved that at long last you are doing something about it.

Mr. Heseltine: I am not sure that you have taken action of the sort to which my hon. Friend referred, Mr. Speaker. If you had, I should of course have appreciated it. Following my hon. Friend's comments, and drawing the attention of the House to the fact that the right hon. Member for Ardwick said that all authorities should stay within the law, I hope that that message will be widely heard.

2 pm shift and then had to return for the 10 pm to 6 am shift. In winter time, when the weather and road conditions were difficult, the journey would sometimes take even longer than an hour.

Because of Mr. Green's wife's fear of the dog, and the fact that no arrangements had been made for him to come off dog handling, the dog had to sleep in Mr. Green's van outside the house. He fed it, he cared for it and he exercised it properly, until such time as the strain became too much and he began to worry about the effects on the dog and, of course, on himself. Accordingly, he made arrangements for the dog to be looked after at Risley by the other dog handlers who were resident there.

Mr. Green tells me that he assured himself regularly and continuously that the dog Major was fit and well. He also tells me that any of the dog handlers who were at Risley at the time would bear witness to that fact. Indeed, Mr. Green tells me that he received several compliments from his colleagues and others at Risley on the way in which he was coping with his domestic and his job difficulties at this time of remarriage, and with the move and the difficulties with the dog.

In the meantime, Mr. Green had heard from a recently trained dog-handler at Risley, who had been on a subsequent course at Preston, that this dog-handler had met another trainee from the Isle of Wight who stated that he was taking over Mr. Green's dog, Major, in due course. Not unnaturally, my constituent made contact with that prison officer and offered, at his own expense to take the dog direct to the Isle of Wight. The distance from Preston to the Isle of Wight is, of course, considerable. The offer was refused by the prison service.

Incidentally, following Mr. Green's eventual transfer from the dog-handling section he has maintained contact with the Isle of Wight dog handler, and has on many occasions seen the dog Major since he left the section. The dog has been brought to Mr. Green when the dog-handler from the Isle of Wight has had cause to travel north. Mr. Green has kept in contact with the dog on a regular basis.



2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

2 December 1981

Dear Willie

PROPOSED STATEMENT ON RIGHT TO BUY, NORWICH
THURSDAY 3 DECEMBER

I now attach a revised copy of the statement on right to buy which I circulated on 1 December. This version takes into account the points made by the Attorney General.

I am copying this to the Private Secretaries to the Secretaries of State for Scotland and Wales, the Lord President, the Leader of the House of Lords, the Paymaster General, the Chief Whip, and to the Chief Press Secretary at No 10.

D A Edmonds

D A EDMONDS
Private Secretary

Willie Ricketts Esq - No 10

RIGHT TO BUY: NORWICH

STATEMENT BY THE SECRETARY OF STATE FOR THE ENVIRONMENT
THURSDAY 3 DECEMBER 1981

With permission, Mr. Speaker, I wish to make a statement about the right to buy under Chapter 1 of Part 1 of the Housing Act 1980, which came into force as long ago as 3 October 1980.

I have today sent a notice to Norwich City Council that I intend to use my powers under section 23 of the Act to intervene to assist secure tenants of the Council to exercise their right to buy their homes. I have taken this very serious step with the greatest reluctance and only after prolonged correspondence and discussions with the Council over many months.

Complaints about delays and difficulties from individual Norwich tenants began to reach my Department in February of this year. Accordingly in April the Council was formally asked for information on their past and expected future progress in dealing with right to buy cases.

Since May, as well as extensive correspondence, there have been three separate meetings with the Council - one at official level, one with my hon Friend the Minister for Housing and Construction and one with myself. During this period complaints have continued to come in from tenants about delays and difficulties in exercising their right to buy. It appears that tenants currently have to wait a very long time, of the order of a year, before they receive a section 10 offer notice and delays can occur thereafter before completion is achieved. On 28 July a formal warning was sent to the City Council that I was contemplating using my powers of intervention under section 23 of the Act. Following the meeting with me on 5 November the City Council forecast that outstanding valuations (which are required before section 10

notices can be issued) should be completed by June 1982 but with the possible exception of some cases which they identified as difficult. 101 cases were referred to at the November meeting as difficult.

At the end of October the City Council had admitted the right to buy in only 884 cases, a smaller number of cases than in many authorities, but still had 652 offer notices to send out. Notwithstanding adjustments which have been made to the monthly rate of issuing section 10 "offer" notices and the revision of some of their procedures, the City Council's performance to date in issuing section 10 notices is among the worst of all authorities whose progress has been taken up by my Department. Moreover, their projected future performance on which they have declined to give any assurance of further improvement appears to me worse than that of any other authority who have been given formal warning that I am contemplating using my powers under section 23.

Having considered matters very carefully it appears to me, whether I have regard to Norwich alone or Norwich in comparison with other authorities, that secure tenants of Norwich City Council have or may have difficulty in exercising their right to buy effectively and expeditiously and I have accordingly sent them a notice of intervention.

1 Mr Patten
2 Prime Minister

012



Content
with Mr
Heseltine's
draft
Statement on
the Right to Buy
in Norwich?

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

(December 1981

Dear Willie

wm 1/12

mt

PROPOSED STATEMENT - THURSDAY 3 DECEMBER

I attach a copy of the statement which my Secretary of State proposes to make on Thursday, 4 December. I should be grateful for comments from you, and those to whom this is copied, by midday tomorrow, Wednesday, 2 December.

I am copying this to the Private Secretaries to the Secretaries of State for Scotland and Wales, the Lord President, the Leader of the House of Lords, the Paymaster General, the Chief Whip, and to the Chief Press Secretary at No 10.

overtaken

wm 3/12

D A EDMONDS
Private Secretary

Willie Ricketts Esq - No 10

CONFIDENTIAL

RIGHT TO BUY: NORWICH

DRAFT ORAL STATEMENT BY THE SECRETARY OF STATE

With permission, Mr Speaker, I wish to make a statement about the right to buy under Chapter 1 of Part 1 of the Housing Act 1980.

I have today sent a notice to Norwich City Council that I intend to use my powers under Section 23 of the Act to intervene to assist secure tenants of the Council to exercise their right to buy their homes. I have taken this very serious step with the greatest reluctance and only after prolonged correspondence and discussions with the Council, and exhaustive attempts to try to persuade the Council to make an expeditious rate of progress.

Correspondence with the Council goes back over 7 months to last April.

There have been 3 separate meetings with the Council - one at official level, one with my Hon Friend the Minister for Housing and Construction, and one with myself.

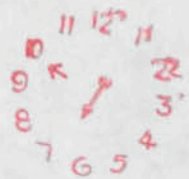
Despite the fact that by the end of October Norwich have admitted the right to buy in only 8847 cases, a smaller number of cases than in many authorities, the best date they can offer for completing the issue of most of their Section 10 Notices is June, which will be 21 months after commencement of the right to buy. Even this timetable is qualified by the Council declining to give a timetable that covers all the cases which they regard as difficult and for which no complete timetable has been given. Furthermore, the issue of the s.10 offer notice does not of course complete the right to buy process; a further period will elapse between the tenants receipt of the offer notice and legal completion.

CONFIDENTIAL

On 28 July a formal warning was sent to the City Council that I was contemplating using my powers of intervention under section 23 of the Housing Act 1980.

Having considered very carefully all the representations that have been made to me both by the Council, and by and on behalf of tenants, it does appear to me that secure tenants of Norwich City Council have or may have difficulty in exercising their right to buy effectively and expeditiously and I have accordingly sent the Council notice of intervention today.

-1° DEC 1981





ed
Housing-

10 DOWNING STREET

From the Private Secretary

27 November, 1981.

Housing Act 1980: Right to Buy (Norwich
City Council)

The Prime Minister has seen your Secretary of State's minute of 20 November. She is content for him to use his powers of intervention under Section 23 of the Housing Act 1980 in respect of Norwich. She also agrees that he should announce this by way of a Statement in the House next week which I now understand is scheduled for Thursday.

I am sending copies of this letter to John Halliday (Home Office), Jim Nursaw (Law Officers' Department), David Heyhoe (Lord President's Office), John Craig (Welsh Office), Muir Russell (Scottish Office), and Murdo Maclean (Chief Whip's Office).

W. F. S. RICKETT

David Edmonds, Esq.,
Department of the Environment.

ed

PRIME MINISTER

B/F for any comment from
defunct

cc: Mr Ingham
Mr Pattison

In the attached minute, Mr Heseltine says that he should use his powers of intervention under Section 23 of the Housing Act 1980 to speed up the sale of council houses in Norwich. If you agree, he proposes to make a statement in the House on Wednesday or Thursday of next week.

The background is that at the end of October, Mr Heseltine held a meeting with the Norwich City Council. He told them that he was not satisfied with their timetable for selling council houses. He followed this up with a letter setting out the sort of timetable that he would find acceptable. The Leader of the Council replied on 11 November saying that the Council would not revise their timetable, and that they would challenge the Secretary of State in the courts if he used his powers of intervention under Section 23 of the 1980 Act. This exchange of letters has naturally become public. It is, therefore, public knowledge that the Norwich City Council are in confrontation with Mr Heseltine, and a decision on whether or not he should intervene is clearly needed.

Mr Heseltine's judgement that he should intervene is based partly on the Attorney-General's advice at Flag B, which is that, if we are challenged in the courts by the Norwich Council, the Government is "more likely than not to succeed" and that "our chances of success are certainly better than evens". Mr Heseltine also takes the view that failure to intervene will slow down significantly the implementation of the right to buy, since many other Labour authorities will take their lead from Norwich.

This is clearly a high risk decision, and you will particularly want to read the Attorney-General's letter, which sets out in full his view of the likelihood of success in the courts, and the consequences of defeat.

The colleagues to whom Mr Heseltine has copied his minute will almost certainly have comments to make, and you may wish to await these before taking a final decision. But have you any initial views which you would like me to put to colleagues at this stage, and before

/you

you get tied up with the European Council?

WBR

No - I hope Dr. H. will
go ahead. me

24 November, 1981

cc 1148
S. Lyman
29 November 1981

Prime Minister

We have now come to the point where I have to decide whether or not to use my powers of intervention under S.23 of the Housing Act 1980 in respect of Norwich. I am writing to you in view of the significant bearing of this decision on progress with the right to buy in the country generally.

Norwich's performance to date is amongst the worst in the country of those authorities whose progress has been taken up by the Department. But more significant still is the fact that, despite only having just under 900 right to buy applications, the Council is insisting on taking until June 1982 (21 months after the start of the right to buy) just to complete the issue of S.10 offer notices for these applications, and even that timetable is qualified by the absence of any commitment to issue offer notices for approximately 100 'difficult cases' (principally flats) by a specific date.

If we fail to intervene in Norwich who have widely publicised their refusal to accelerate their timetable any further, we shall give grounds for all the many Labour authorities who have given very materially better timetables than Norwich to slow down to Norwich's unacceptable pace. I must make it clear that the complexity of carrying sales through to completion after intervention, in the face of likely non-co-operation by the local authority, means that it will be administratively impossible for the Department to start intervening across the board if the right to buy is slowed down in dozens of Labour authorities. It is therefore imperative at least to maintain the present rate of progress in authorities generally if the right to buy is to be successfully delivered in this Parliament.

If we intervene in Norwich, and Norwich's challenge in the Courts, which they have already said they will make, is unsuccessful, all is well. Indeed, successful intervention in a relatively straightforward authority like Norwich with a fairly small number of applications is likely materially to improve progress generally and to reduce the likelihood of having to intervene elsewhere.

If on the other hand, we intervene in Norwich and are unsuccessful in Court, our position will be seriously weakened. Intervention will be represented as an empty threat and an increasing number of Labour authorities could be expected to seek to defy the Government on the right to buy or at least to slow down their progress significantly.

The key judgement therefore is whether we will win in Court. I have of course been working very closely with the Attorney General whose advice in his letter of 19 November I attach. As you will see, regarding our chances of success in litigation, Michael Havers states:

"I believe that you are more likely than not to succeed, your chances of success are certainly better than evens."

We clearly have a difficult judgement to make. If we do not intervene the implementation of the right to buy is likely to slow down significantly. If we do intervene and then lose in the Courts implementation will again be slowed down significantly. on the other

hand, if we do intervene and successfully withstand a challenge, the right to buy will be strengthened nationally.

Subject to the views of yourself and colleagues, my judgement in the light of Michael's assessment of the probability of our being successful is that we should intervene. I would propose therefore to announce this, after consultation with Francis Pym, by way of a Statement in the House next week.

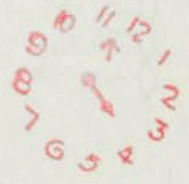
I am copying this letter to the Home Secretary, the Attorney General, to the Lord President, the Secretaries of State for Wales and Scotland, and to the Chief Whip.

MH

MH

Faint, illegible text, possibly bleed-through from the reverse side of the page.

COMMISSIONER



12 4 NOV 1901

CONFIDENTIAL

Urgent advice pt B
On Sharp



01-405 7641 Extn 3201

RECEIVED IN
20 NOV 1981
PRIVATE OFFICE

ROYAL COURTS OF JUSTICE
LONDON, WC2A 2LL

19 November 1981

The Rt Hon Michael Heseltine MP
Secretary of State for Environment
Department of Environment
2 Marsham Street
LONDON S W 1

cc PS/Mr Stanley
PS/Sir George Young
Mr H. Indor
Mr Graham

Dear Michael.

HOUSING ACT 1980 : RIGHT TO BUY (NORWICH CITY COUNCIL)

John Stanley came to see me yesterday to discuss the current position of tenants in Norwich. Now that the issue has come to a head with the letter of 11 November from the Leader of the Council, you have to reach a decision as to whether to intervene, using the powers given by s.23 of the 1980 Act. In my view, this decision should not be delayed.

In order for you to be able to intervene, it must appear to you that the tenants of Norwich City Council are having or may have difficulty in exercising the right to buy effectively and expeditiously. If you intervene, it looks almost certain that Norwich will challenge you in the High Court (alleging upon whatever basis that no reasonable Secretary of State could have formed that view if he had taken into account the relevant considerations). However, I believe that you do have sufficient evidence to enable you to reach that view and I consider that you have a reasonable chance of successfully resisting such a challenge. There are risks in any litigation, none more so than in this area. However, I believe that you are more likely than not to succeed, your chances of success are certainly better than evens.

I reach this assessment in the light of:

/(i)

CONFIDENTIAL

P.T.O.



01-405 7641 Extn

ROYAL COURTS OF JUSTICE
LONDON, WC2A 2LL

- (i) the evidence which I am told is either available or will be forthcoming of complaints against the Council and of the blocking tactics which are being used in the valuation of property and the imposition of unreasonable conditions upon the sale of the freeholds; and
- (ii) the prima facie inferences to be drawn from the comparison of past and projected performance by Norwich with that of the other local authorities which have come to the Department's attention.

I think that before intervening you should obtain confirmation from Mills and Reeve that (assuming the Council cooperates fully) they would expect to offer to sell faster than the Council.

The Council's stand is based upon their determination that they will not deploy more internal resources nor use the services of the district valuer's office to speed up the service of notices on tenants under s.10 of the Act. It is important that it be regarded by the Courts as lawful for a local authority to use the DV's services for individual valuations in the manner you have already suggested. In the light of the correspondence, this point is bound to be argued in this case. I should point out that if we are wrong, it would have important repercussions in that any adverse remarks by the Judges on this point would:

- (i) weaken the case against Norwich,
- (ii) negate comparisons with other authorities where the DV's services are in fact being used, and

/(iii)

CONFIDENTIAL



01-405 7641 Extn

ROYAL COURTS OF JUSTICE
LONDON, WC2A 2LL

(iii) put a stop to the practice, slowing the process down throughout the country.

Such remarks could also throw into doubt the validity of the work already done through the use of those services.

However, I consider that sections 10 and 11 taken together will, on balance, be accepted by the Courts as enabling local authorities to do as you have suggested and as the majority are now in fact doing. I say this so long as the district valuer himself can discharge his functions under s.11 without having previously considered the individual valuation himself.

I should add that once the case comes to Court the key point will be to produce to the Court evidence that the reality is that Norwich is being obstructive to the tenants' right to buy wherever possible and are certainly out of line with the general level of performance of other authorities. We must be able to point out the falsity of the suggestion contained in page 3 of the Norwich letter of 11 November that the Council is making a "reasonable fist" at complying with their statutory duty under the Act.

See letter

Your m.

Michael

CONFIDENTIAL



Housing
2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

15 October 1981

*I am now cleared direct
to John Stanley's office.*

Dear Mike

re MAF 6/x.

You asked me this morning about the response by this Department to the Second Report of the Environment Committee. As I explained, this was sent by my Secretary of State to all members of H Committee on 3 September and, subject to one minor drafting amendment, has been agreed by Committee members in correspondence.

I am sorry that because we treated this question by correspondence and not by means of a paper that a copy of the response was not sent to No 10. I therefore enclose a copy of the response, which, subject to your clearance, it is proposed to publish on 8 October.

*Yours ever
D A Edmonds*

D A EDMONDS
Private Secretary

F-1 OCT 1981





Text of the draft is coming from environment.

2 MARSHAM STREET
LONDON SW1P 3EB

MP 3/1 x

My ref:

Your ref:

29 September 1981

Dear David

PUBLICATION OF THE GOVERNMENT'S REPLY TO THE SECOND REPORT OF THE SELECT COMMITTEE ON THE ENVIRONMENT

The Environment Committee published its second report, on council house sales, in mid-July. The report, which received considerable publicity, was critical of some aspects of the Department's handling of policy on council house sales, and has not helped us in our efforts to get unwilling local authorities to implement the right to buy. My Secretary of State therefore considers it important to publish a prompt and a robust reply to the Committee.

not attached ?

Subject to the views of Mr Pym and other copy recipients, Mr Heseltine proposes that the Government's reply should be published as a White Paper on Thursday 8 October. A copy of the proof version is attached. The Clerk of the Select Committee has been notified of our intention to publish in early October, and advance copies will be sent to the Committee in the usual way.

I am copying this letter to the Private Secretaries to the Prime Minister and all members of the Cabinet, to the Paymaster General, Sir Robert Armstrong, and to the Chief Press Secretary at No 10.

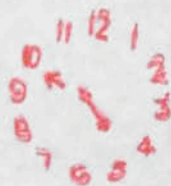
Will request if not already received

Yours very truly
D A Edmonds

D A EDMONDS
Private Secretary

David Heyhoe Esq
PS/Lord President of the Council

11 OCT 1981



SECRET



DEPARTMENT OF THE ENVIRONMENT

2 MARSHAM STREET

LONDON SW1P 3EB

01-212 7601

MINISTER FOR HOUSING AND CONSTRUCTION

Harvey

22 June 1981

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

Prime Minister

for information

WV

4

*WV
24/6*

Dear Mike

/ The Minister thought that the Prime Minister might like to see the attached press notice on progress with expanding home-ownership during the Government's first two years.

*Yours sincerely
A. Ridwell*

mt

ALAN RIDDELL
Private Secretary

Press Notice 234

NOT FOR USE BEFORE 14.30 hrs

19 June 1981

OVER A QUARTER OF A MILLION RIGHT TO BUY APPLICATIONS

Opening the London Borough of Bexley's first shared-ownership housing scheme today, John Stanley, Minister for Housing and Construction, said:-

"One of the present Government's central commitments was to bring home-ownership within the reach of many for whom it has been an impossibility up to now.

"That commitment is being fulfilled. There are approximately 450,000 more home-owners in Britain today than there were two years ago. Last year the number of council tenants who bought their own homes was an all-time record. Altogether, in the Government's first two years, the number of council and new town dwellings in Britain where the sale had been successfully completed by 1 April this year was some 140,000.

"In addition, there has already been a very substantial response to the right to buy. At 1 April, the number of right to buy applications in Britain stood at over a quarter of a million.

"Shared ownership (part-owning and part-renting) is another means whereby the Government is bringing home-ownership within the reach of still more families. Local authorities, new towns and housing associations can now offer shared ownership to those unable to afford to buy outright immediately on all occasions when they have a house or flat available for sale.

"We have now solved the technical problems involved in enabling Building Societies to provide mortgages for those buying on a shared ownership basis. Shared ownership, along with the other

elements of our low cost home ownership programme - the right to buy; building starter homes for sale; improvement for sale; and homesteading - has already given thousands of families the satisfaction of owning their own homes for the first time. Many more will reach that goal during the next two or three years.

"Last year the proportion of dwellings in Britain that were owner-occupied passed the 55 per cent mark for the first time. In England, as opposed to Great Britain, the proportion is now 57 per cent and it will, I am sure, be materially higher by the end of this Parliament".

NOTE TO EDITORS

37 local authorities in England have so far operated shared ownership schemes, and have disposed of an estimated 2,900 dwellings in this way.

Bexley's Osborne Road development consists of 56 three-bedroomed houses. The Council's scheme allows purchasers to buy an initial equity share between 30 per cent and 70 per cent. Rent is payable on the share not purchased. Shared owners can increase their share in stages up to full 100 per cent ownership by purchasing further equity shares.

Shared owners have normally had to buy further equity shares at the market value then prevailing, less any discount. Bexley, however, are allowing shared owners who buy a further share within two years of the initial purchase to do so on the basis of the original valuation. This has been made possible by a provision in the new general consent for council house sales issued to local authorities on 2 June 1981 (see DOE press notice 212/81).

PRESS INQUIRIES: 01-212 4680/4681/7132/7114/5113
Night calls (6.30 pm - 8.00 am)
Weekends and holidays: 01-212 7071

PUBLIC INQUIRIES: 01-212 3434 and ask for the
Public Inquiry Unit



Chancellor of the Duchy of Lancaster

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AA

WR

8 June 1981

Dear Dave

✓
MAP

RIGHT TO BUY

^{JPM}
The Chancellor of the Duchy of Lancaster has now seen your letter of 4 June to David Heyhoe and Peter Moore's letter of 5 June conveying the view of the Chief Whip.

The Chancellor of the Duchy agrees with your Secretary of State that the announcement of the decision to intervene should be made by way of an oral statement. I understand that the Prime Minister is also content with this proposal.

Copies of this letter go to Mike Pattison in No 10 and Peter Moore in the Chief Whip's office.

Yours ever

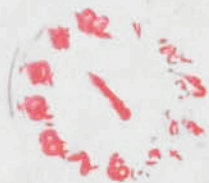
Nick Huxtable

N P M HUXTABLE
Private Secretary

D A Edmonds Esq
Private Secretary to the
Secretary of State for
the Environment



1987





Government Chief Whip

12 Downing Street, London SW1

5 June 1981

*Deletated to
Joyce to be
attached to
Env. to Hayhoe
on Right to Buy
CS 5/6*

RIGHT TO BUY

TPM

Hansing

You wrote to David Hayhoe on 4 June about the probability that your Secretary of State will be announcing soon a firm decision to intervene in one or more Local Authorities by taking over the sale of council houses.

In the Chief Whip's view this is best handled by way of an oral statement.

I am copying this to David Hayhoe and Mike Pattison.

(P. J. MOORE)

D A Edmonds Esq
P/S Secretary of State for the Environment
Department of the Environment
2 Marsham Street
SW1





2 MARSHAM STREET
LONDON SW1P 3EB

1.

*Oral
mt*

u Press

My ref:

Your ref:

4 June 1981

Prime Minister

Dr Dale

RIGHT TO BUY

*I think an oral statement
is necessary for the first
intervention. Agree?*

Could I seek your advice on the right ^{yes also Chief Whips} procedure to be followed with regard to ^{values below M/P} further announcements to Parliament on the right to buy and intervention? As you know, the first announcement about intervention was given orally; the second announcement was made by way of written answer.

4/VI

There is now a very high probability that my Secretary of State will be announcing, in the middle of next week, a firm decision to intervene in one or more local authorities by taking over the sale of council houses. The options seem to be an oral statement; bringing forward to the end of our First Order Questions on Wednesday, Question No 27; or a written answer. My Secretary of State takes the view that at least for the first announcement to intervene the statement should be oral, through he would be perfectly happy to do this at Questions. Thereafter, written answers could well suffice.

He would appreciate the views of the Chancellor of the Duchy. I am copying this for information to Mike Pattison at No 10 and to Murdo MacClean, Chief Whips Office.

In en Dale

David Hayhoe Esq
PS/Leader of the House

DAVID A EDMONDS
Private Secretary

- 4 JUN 1981



Letter from Chief Whip's Private Secretary to
Secretary of State for the Environment's
Private Secretary

Right to Buy

You wrote to David Heyhoe on 4 June about the probability that your Secretary of State will be announcing soon a firm decision to intervene in one or more local authorities by taking over the sale of council houses.

In the Chief Whip's view this is best handled by way of an Oral Statement.

I am copying this to David Heyhoe and Mike Pattison.

5 June 1981

Alan Thanks Kay, 19/5

Prime Minister

4

DEPARTMENT OF THE ENVIRONMENT

~~Kay~~
We will refer
in CF Albany
18/5



AL4/5

Housing
WH
19/5

Seen
by PM

MINISTER FOR HOUSING AND
CONSTRUCTION

May 13 1981.

Dear Prime Minister.

I attach details of
the progress with the
right to buy in London
which you said you would
like to see.

Since this table was
compiled landlords has
undertaken to get all its
offer notices out by
September 30, and we are

in the process of
cracking the other
recalcitrant boroughs
that stand out in
his list.

Yours we
are

RIGHT TO BUY PROGRESS : GREATER LONDON

London Borough	Political Control	Date of Figures	RTB's Received (RIGHT TO BUY APPLICATIONS)	RTB's Issued		Valuations Completed	Offer Notices Issued	Completions	Col 2 & 3 as % of Col 1	Col 4 as % of Col 2	Col 5 as % of Col 2	"League Position" in Respect of Performance as at:-		
				Admit (Admitting right to buy)	Deny (Denying right to buy)							Col 7	Col 8	Col 9
Barking & Dagenham	Lab	1.4.81	4766	24	33 ¹	0	0	0	51%	0%	0%	5	= 1	= 1
Barnet	Con	1.5.81	1561	1142	12	381	138	0	74%	33%	12%	18	19	=22
Bexley	Con	30.4.81	543	422	3	332	321	133	78%	78%	76%	21	28	32
Brent	Lab	1.5.81	1213	1022	54	202	55	0	89%	20%	5%	=28	15	16
Bromley	Con	30.4.81	491	471	7	491 ²	491	183	97%	100%	100%	31	=30	33
Camden	Lab	2.4.81	807	20	38	20 ³	0	0	7%	-	0%	1	-	= 1
Croydon	Con	30.4.81	1213	1113	19	919	432	0 ⁴	93%	83%	0%	30	29	= 1
Ealing	Con	5.5.81	959	546	37	295	295	4	61%	54%	54%	11	26	3
Enfield	Con	1.5.81	1043	576	26	164	106	0	58%	28%	18%	= 9	16	25
GLC	Con	24.4.81	4730	2728	316	431	215	0	64%	16%	8%	13	13	19
Greenwich	Lab	6.4.81	2214	332	29	0	0	0	16%	0%	0%	2	= 1	= 1
Hackney	Lab	7.4.81	803	450	N/A	390 ³	0	0	56%	-	0%	8	-	= 1
Hammersmith & Fulham	Noc	30.4.81	326	228	28	102	102	0	79%	45%	45%	22	23	29
Haringey	Lab	31.3.81	1283	938	53	331	0	0	77%	35%	0%	=19	=20	= 1
Harrow	Con	30.4.81	663	349	18	173	173	6	55%	50%	50%	= 6	24	30
Havering	Con	30.4.81	732	622	13	88	77	0	87%	14%	12%	26	12	=22
Hillingdon	Con	24.4.81	993	556	19	51	51	0	58%	9%	9%	= 9	8	20
Hounslow	Lab	1.5.81	2073	1467	49	178	149	0 ⁵	73%	12%	10%	17	9	21
Islington	Lab	24.4.81	814	497	33	65	32	0	65%	13%	6%	*14	=10	17
Kensington & Chelsea	Con	30.4.81	256	236	17	70	30	0	99%	30%	13%	32	17	24
Kingston	Con	30.4.81	471	395	22	159	75	0	89%	40%	19%	=28	22	26
Lambeth	Lab	2.4.81	662	308	22	25	0	0	50%	8%	0%	4	7	= 1
Lewisham	Lab	9.4.81	1847	1086	80	374	10	0	63%	35%	1%	12	=20	11
Merton	Con	1.5.81	622	557	5	330	305	0	90%	59%	55%	29	27	31
Newham	Lab	31.3.81	1930	1548	44	0	0	0	82%	0%	0%	23	= 1	= 1
Redbridge	Con	30.4.81	5 ⁶	2	0	5	0	0	40%	100%	0%	3	=30	= 1
Richmond	Con	1.5.81	604	592	12	316	229	0	100%	53%	39%	33	25	28
Southwark	Lab	10.4.81	1522	878	104	58	58	0	65%	7%	7%	=14	6	18
Sutton	Con	3.4.81	543	470	9	145	145	3	88%	31%	31%	27	18	27
Tower Hamlets	Lab	5.5.81	682	478	11	31	11	0	72%	6%	2%	16	5	=12
Waltham Forest	Lab	10.4.81	1567	1321	N/A	174	31 ⁷	0	84%	13%	2%	24	=10	=12
Wandsworth	Con	6.4.81	1488	788	26	36 ⁸	25	0	55%	5%	3%	= 6	4	=14
Westminster	Con	24.4.81	996	790	64	790 ⁹	25	0	86%	-	3%	25	-	=14
City of London	Non-Party	24.4.81 ¹⁰	1124	598	262	116	0	0	77%	19%	0%	=19	14	= 1

41546 25716* 1852* 7242 3581 329

↑ Low No = Worst. ↑ Low No = Worst. ↑ Low = Worst.

* assumes 10% denials for Barking, Havering & Waltham Forest

NOTES RELATING TO APPENDIX B2

1. No split available
2. Figure relates to applications passed to valuers. Properties valued as soon as RTB1 received
3. Figure relates to applications passed to valuers
4. 101 nearing completion
5. 51 nearing completion
6. Council prefer to use their own voluntary sales scheme even now. They use $3x$ and $2\frac{3}{4}x$ income as multiplier. Tenants favour this to RTB. However, in 79/80 they sold 426 houses and in 80/81 231. Since 3.10.80 they had completed valuations on 135 voluntary sale cases.
7. Figure as at 30.4.81
8. Preliminary valuation inspection carried out on an additional 150.
9. Preliminary valuation only 253, currently having detailed valuation.
10. Figures include sales for the Barbican. Separate figures are available if needed.

DEPARTMENT OF THE ENVIRONMENT

Monday 4.



MINISTER FOR HOUSING AND
CONSTRUCTION

September 12

Dear Margaret,

You may like to
see our Right to Buy
booklet just coming
off the press.

There will be 2 million!

Hope you had
a reasonable break.

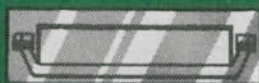
Yours ever

T. H.



The Right to Buy.

A guide for council,
new town and housing
association tenants. ©



Important note: This booklet does not provide an authoritative interpretation of the law; only the courts can do that. If you are in doubt about your rights or are considering taking legal action you would be well advised to seek information from a Citizens' Advice Bureau or consult a solicitor. Help with all or part of the cost of legal advice may be available under the Legal Aid Scheme.

Do you pay rent for your house or flat to the local council, to the Commission for the New Towns, a New Town Development Corporation, the Development Board for Rural Wales, or a housing association?

Would you like to buy the home you now rent?

If the answer to both these questions is "yes", then you are advised to read this booklet. You may now have the right to buy your home as a result of the Government's Housing Act 1980. This booklet gives an outline of the right to buy scheme, but it is only a summary. If you decide to go further you will find that the Right to Buy Claim form (see Q3) and guidance notes with it will give you a more detailed explanation. Also, your landlord will be able to answer your questions.

Summary of main rights

The right to buy gives you

- the right to buy the home you live in;
- the right to buy jointly with other members of your family who live with you;
- the right to have a discount off the open market value of your home of between 33% and 50%, depending on the number of years you have been a tenant;
- the right to a mortgage from your landlord, or, if you are a housing association tenant, from the Housing Corporation;
- the option to buy your home at a fixed price within two years if you don't qualify for a big enough mortgage to enable you to buy outright immediately.

All these rights are set out in more detail below.

Q1. Who qualifies to buy?

A. You have the right to buy if for a total of three years you have been what is now called a "secure tenant" of a local council, a New Town Development Corporation, the Commission for the New Towns, the Development Board for Rural Wales or some housing associations. (A note on page 12 explains which housing association tenants have the right to buy.) Throughout this booklet these bodies are referred to as your "landlord". If you have spent less than three years in your present house or flat, the time spent as a secure tenant in another house or flat, even with another of these landlords, will count towards the three years.

Q2. Am I a secure tenant?

A. Most of the tenants of the landlords mentioned above will be secure tenants; the exceptions are listed at the end of this booklet. For a tenancy to be

secure, the house or flat must be a separate dwelling (not just a bedroom in a hostel, for example) and the tenant must occupy it as his only or principal home. If you are not a secure tenant your landlord may allow you to buy if he chooses, but you don't have the right to buy.

Q3. How do I go about buying?

A. Use the Right to Buy Claim form which you can get from your landlord. If you have any difficulty in getting hold of a Claim form write to the Department of the Environment or the Welsh Office. Fill in the form and send it to your landlord. As your Claim form is an important legal document you are advised to use recorded delivery or to deliver it by hand and obtain a receipt. This starts you off. If you are a council or new town tenant see the note on procedure on page 11, or see the separate note on page 12 if you are a housing association tenant.

Q4. When can I apply?

A. When you have been what is now called a secure tenant (see Q2) for three years or more. If your husband, wife or parents have died, time they spent as tenants may in certain circumstances count towards your three years and towards your discount (see Q8). This is explained more fully in the guidance notes with the Right to Buy Claim form.

Q5. What am I entitled to buy?

A. You have the right to buy the home you rent. If you live in a house you buy the freehold. If you live in a flat you buy a lease, usually for 125 years.

Q6. Are there any houses or flats where secure tenants are excluded from the Right to Buy?

A. Some. The main exclusions are:

- "Sheltered" dwellings for people of pensionable age.
- Dwellings designed or specially adapted for people of pensionable age which it is the practice of the landlord to let only to such people (subject to the Secretary of State agreeing the dwelling comes into this category).
- Dwellings that are specially designed or adapted for disabled people (not just with a few minor adaptations).

If you live in one of these excluded dwellings, your landlord may allow you to buy if he chooses, but you don't have the right to buy.

Dwellings where the landlord does not own the freehold are also excluded.

Q7. Can other members of my family buy jointly with me?

A. Yes, you have the right to require that up to three other members of your family who are living with you and have been doing so for at least 12 months before you apply shall be able to buy jointly with you.

Q8. How will my home be valued and what discount do I get?

A. Your house or flat will be valued at its open market value with vacant possession, less the value of improvements that you have paid for yourself. You then have a right to a discount, the amount of which depends on how long you or your wife or

husband or others buying jointly with you have been secure tenants. You will get 33% off the valuation if you have been a secure tenant for three complete years. The discount then goes up by 1% for each complete year up to a maximum of 50% after 20 complete years as a tenant. The periods counting towards discount don't need to have been in the same house or flat or with the same landlord. Again, you may be able to count towards your discount time spent as a tenant by a husband, wife, or parent who has died, or time spent in the regular armed forces if you have recently left the services. The discount may be restricted in certain cases; for example so as not to exceed a maximum money value laid down by the Government or so as not to bring the purchase price of your home below the amount it cost your landlord to build, purchase or improve it if those costs have been incurred since 1 April 1974.

Q9. What date will be used for the valuation of my home?

A. If you apply on or before 3 April 1981, the valuation will be the market value of your home as at 8 August 1980, which was the date the Housing Act received Royal Assent. If you apply after 3 April 1981 the valuation will be as at the date of your application to buy.

Q10. Suppose I think the valuation isn't fair?

A. If you think your landlord's valuation is wrong you could take professional advice or discuss it with your landlord. You also have the legal right to a valuation by the District Valuer. He is independent, and his decision on value will be binding on both you and on your landlord.

Q11. What about a mortgage?

A. You can apply to a building society, for example, for a mortgage, and there may be advantages to you in getting a mortgage that way. However, you have a legal right to a mortgage from your landlord or, if you are a housing association tenant, from the Housing Corporation. The Secretary of State makes regulations which affect how large your mortgage from the landlord can be. Briefly these are that the amount you will be entitled to will be 2½ times the available annual income of one purchaser, plus 1 times the income of each other purchaser. If you are over 60, the multiplier will be lower. If you want a copy of the actual regulations you can buy a copy from Her Majesty's Stationery Office (or through a bookseller) or ask your landlord to let you see them.

You may be better off with an option mortgage rather than with income tax relief on your mortgage interest payments. Ask the person from whom you get your mortgage about this if you are not sure. Your landlord, the Housing Corporation or a building society can give you some idea of how much you would have to pay each month for whatever sum you borrow.

Q12. What happens if I cannot borrow enough to buy?

A. If you have sent in a Right to Buy Claim form and have asked your landlord or the Housing Corporation for a mortgage, and then find you don't qualify for a mortgage big enough to buy immediately, you will have the option to buy later. To get the option, you will have to pay a deposit of £100, but this will enable you to buy your home any time within two years of your first applying to buy and at the price your home was originally valued at (see Q9). If you decide to buy before the two years are up, the £100 will count towards the price. If you decide not to buy, it will be refunded in full. If you cannot afford to buy at the end of two years your landlord can, if he wishes, allow you to make a shared

ownership purchase, again at the price at which your home was originally valued. Under this arrangement you start by partly owning and partly renting your home, with the right to buy into full ownership later on at the time of your own choosing and with the discounts described under Q8.

Q13. What are the expenses of buying?

A. If you have your own surveyor and solicitor you will have to pay their fees. When your purchase is completed you will have to pay land registration fees and may have to pay Stamp Duty. In addition, there will be mortgage costs. Where the mortgage is provided by your landlord or the Housing Corporation fees are subject to a maximum that the Secretary of State can lay down. That is the only fee your landlord can pass on to you. You can get an idea of the buying expenses by talking to your landlord or your solicitor.

Q14. Will I need to have the property surveyed?

A. This is up to you, but it is recommended. You will have to pay for the services of your own surveyor, but you may regard it as money well spent. You will be making a big investment and you are advised to get expert opinion on the condition of the property you are buying. After the purchase is completed you will be responsible for the maintenance and repair of the property if it is a house. If it is a flat the position will be different. The landlord will normally remain responsible for external repairs and maintenance as well as for providing agreed services, and your lease may require you to make a reasonable contribution towards the costs involved. Where structural defects are concerned, the landlord will have full financial responsibility for putting them right unless they have either been notified to the tenant at the time he

is buying or they come to light 10 years or more after the sale; this applies only to flats, not to houses.

Q15. If I go ahead, should I get a solicitor?

A. This is also up to you. But buying a house is a major step and you may prefer to have the help of a qualified person who is there to protect your interests. Again, you will have to pay for the services of your own solicitor.

Q16. What happens if I want to resell later?

A. You can sell whenever you like and at the full current market value, but if you do sell within five years you will have to repay some of your discount, as follows:

If you resell in the first year after purchase, you repay 100% of the amount of your discount;

If you resell in the second year after purchase, you repay 80%.

If you resell in the third year after purchase, you repay 60%.

If you resell in the fourth year after purchase, you repay 40%.

If you resell in the fifth year after purchase, you repay 20%.

After five years are up you are free to resell without any repayment at all. But even during the first five years you can sell at the full current market value of your house at any time, subject to the discount repayment arrangement described here.

Example of a repayment of the amount of your discount

For instance, if your home was valued at £20,000 and you qualified for a 50% discount then your purchase price would be £10,000 and the value of your discount would be £10,000. If you resold in the first year after purchase you would repay £10,000

(100%) of your discount; if you resold in the second year after purchase you would repay £8,000 (80%); if you resold in the third year after purchase you would repay £6,000 (60%); if you resold in the fourth year after purchase you would repay £4,000 (40%); if you resold in the fifth year after purchase you would repay £2,000 (20%). After five years you may resell without repaying any of the £10,000.

Generally you can resell to anyone you like. There are, however, restrictions in some special rural areas, like National Parks and officially designated Areas of Outstanding Natural Beauty. If your home is in one of these your landlord may require you to sell only to someone who has been living or working in a specified region. If this restriction is imposed it will be taken into account in the valuation when you buy your home. In these special rural areas your landlord may also get permission from the Secretary of State, or the Housing Corporation where the landlord is a housing association, to buy your house or flat back if you want to resell within 10 years of buying. If this happened, however, your landlord would have to pay you the full current market value of your home at the time you resold less any discount you had to repay.

Q17. What if I have questions or difficulties?

A. Ask your solicitor, your landlord or your local Citizens' Advice Bureau. Once you have applied to buy, your landlord must reply to your application stating whether or not in his opinion you have the right to buy within four weeks of your application, or within eight weeks if part of your qualifying three-year period was with a different landlord. If your landlord does not make progress with your application, you (or your solicitor) may contact the Regional Office of the Department of the Environment for the area in which you live (or the Welsh Office if you live in Wales). The addresses are printed on the back of this booklet.

The Right to Buy procedure for council and new town tenants

1. This note outlines the procedure for buying your home under the right to buy if you are a council or new town tenant. The procedure for housing association tenants is given on page 12.
2. You send your Right to Buy Claim form to your landlord (see Q3). You will receive a Response Notice telling you whether or not in the landlord's opinion you have the right to buy. This should happen within four weeks, or eight weeks if you have been a tenant with another landlord in the last three years.
3. The landlord will then send you an Offer Notice which will tell you the valuation of your house (and about your right to query the valuation if you disagree with it), your discount, the price at which your house will be sold to you, the basic conditions of sale, and your right to obtain a mortgage from your landlord by filling in the Mortgage Notice which will be enclosed.
4. At that point you can apply for a mortgage, for example from a building society. Alternatively you can send your Mortgage Notice to your landlord if you want to take up your right to a mortgage from him. You will then get back a Mortgage Response Notice saying how large a mortgage you are entitled to.
5. Once all mortgage and sale matters have been agreed between you and your landlord, you will be ready to complete the purchase and your landlord can ask you to do so within 28 days except where you have claimed the option to complete the sale within two years at the original valuation. When the purchase is completed you will own your own home.

The Right to Buy for housing association tenants

1. There are different types of housing associations, and only the tenants of some of them will have the right to buy their homes. You will usually qualify for the right to buy if your housing association is:
 - a) registered with the Housing Corporation and
 - b) if it is **not**
 - a charity
 - an association which has not received public subsidy
 - a co-ownership or
 - a "fully mutual" co-operative.

However, all these forms of housing association have been given powers to sell to their tenants, if they wish.

2. Your association will be able to say whether or not you have the right to buy. But you can check with the Housing Corporation – their address is at the back of this booklet – or your solicitor.
3. You send your Right to Buy Claim form to your association (see Q3). You will receive a Response Notice telling you whether or not in the landlord's opinion you have the right to buy. This should happen within four weeks, or eight weeks if you have been a tenant with another landlord in the last three years.
4. The landlord will then send you an Offer Notice which will tell you the valuation of your home (and about your right to query the valuation if you disagree with it), your discount, the price at which your home will be sold to you, the basic conditions of sale, and your right to obtain a mortgage from the Housing Corporation by filling in the Mortgage Notice which will be enclosed.
5. At this point you could apply for a mortgage, for example from a building society. Alternatively you could send a Mortgage Notice to the Housing Corporation if you want to take up your right to a mortgage. You will then get back a Mortgage Response Notice setting out how much you are entitled to.

6. Once all mortgage and sale matters have been agreed, you will be ready to complete the purchase and your landlord can ask you to do so within 28 days except where you have claimed the option to complete the sale within two years at the original valuation. When the purchase is complete you will own your home.

The following will not be secure tenancies - the Right to Buy will therefore not apply

Tenancies of the following dwellings will not be secure tenancies:

1. Dwellings let as part of business or agricultural premises (for example public houses, farms, shops).
2. Dwellings on land which has been bought for redevelopment and which are only being used as temporary accommodation until the redevelopment takes place.
3. Dwellings which the landlord has leased from someone else and which have to be given up empty when the owner wants them.
4. Almshouses.
5. Dwellings which are let on a co-ownership or, in some cases, co-operative basis where the landlord is a registered housing association. Tenancies in management co-operatives **are**, however, secure.

Tenancies granted to the following tenants will not be secure tenancies:

- *6. Students given a tenancy to enable them to follow certain full-time courses at a university or college. The tenancy will become secure if it has not been brought to an end six months after the tenant stops attending such a course at the university or college.
- *7. People moving into the area from another district to take up a job and given housing temporarily while they seek a permanent home. The tenancy will become secure after one year if the tenant is still in occupation.
8. Homeless people given tenancies while inquiries are made by the local authority about their rights under the Housing (Homeless Persons) Act. The tenancy will become secure one year after the local authority's decision under the Housing (Homeless Persons) Act unless the tenant has already been given a secure tenancy.

*For these exclusions to apply, the tenant must be told before the start of a tenancy that it will not be a secure tenancy.

9. Employees required to occupy a particular dwelling under their contract of employment in order to carry out their job (for example caretakers, sheltered housing wardens).

10. Local authority employees granted a tenancy of a dwelling forming part of, or in the grounds of, such establishments as old people's homes and special schools, if the tenancy says that the dwelling is to be vacated when the employee leaves the job.

11. People who were originally squatters but who have since been given a licence to occupy a dwelling. (Other licensees will be secure tenants.)

The following types of tenancy will not be secure tenancies:

12. Long fixed-term leases (of over 21 years).
13. Temporary lettings to people who were not secure tenants in their previous homes which are being improved or repaired.

Department of the Environment Regional Offices

Northern

Wellbar House, Gallowgate
Newcastle upon Tyne NE1 4TX

North West

Sunley Building, Piccadilly Plaza
Manchester M1 4BE

Yorkshire and Humberside

City House, Leeds LS1 4JD

West Midlands

Five Ways Tower, Frederick Road
Edgbaston, Birmingham B15 1SJ

East Midlands

Cranbrook House, Cranbrook Street
Nottingham NG1 1EY

Eastern

Charles House, 375 Kensington High Street
London W14 8QH

South West

Froomsgate House, Rupert Street
Bristol BS1 2QN

South East

Charles House, 375 Kensington High Street
London W14 8QH

Greater London

GLH Division
2 Marsham Street, London SW1P 3EB

Welsh Office

Housing Division
Crown Offices
Cathays Park, Cardiff CF1 3NQ

Housing Corporation

Maple House
149 Tottenham Court Road
London W1P 0BN

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Housing Booklet Number 2.

Department of the Environment.
Welsh Office.

file

Housing

10 September 1980

Thank you for your letter of 3 September, enclosing a press release on the consent for the discretionary sale of council houses.

The Prime Minister has seen and noted this.

MA PATTISON

Mrs. Hazel Parker-Brown,
Office of the Minister for Housing
and Construction

G.



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

MINISTER FOR HOUSING AND CONSTRUCTION

3 September 1980

Mike Pattison Esq
PS/Prime Minister
No 10 Downing Street
London SW1

Prime Minister

Dear Mike,

MP 8/IX

The Minister thought that the Prime Minister might wish to see the attached press release on the new consent for the discretionary sale of council houses we have issued today as it reinforces what she said in Wales about the Government trying to help people to move for job reasons.

Yours sincerely,
Hazel Parker-Brown

MRS HAZEL PARKER-BROWN
Private Secretary

Press Notice 358

3 September 1980

NEW GENERAL CONSENT FOR SALE OF COUNCIL HOUSES WILL HELP MOBILITY

A new general consent for the disposal of land and houses by local authorities in England, other than under the right to buy provisions of the Housing Act, has been issued today. It applies to discretionary sales of houses and flats by councils, for example vacant dwellings or dwellings excluded from the right to buy.

Announcing the new consent, John Stanley, Minister for Housing and Construction, said:

"The new consent will help mobility in two ways.

"First, under previous consents council tenants who purchased their house or flat at a discount were required to offer them back to the council at the original purchase price for up to 8 years after the purchase. This could represent a significant impediment to purchasers who found they needed to move for employment or other reasons during the 8 year period. Under the new consent issued today, this requirement is replaced by the discount sharing arrangements as under the right to buy provisions of the Housing Act. This means that purchasers will always be able to resell their homes at the current market value, subject to the requirement to repay the value of their discount on a sliding scale diminishing by 20 per cent a year during the first 5 years after the purchase.

"Second, that part of the consent dealing with the sale of empty houses and flats specifically covers those who have a job offer in another area but no accommodation. Under the new consent, councils will have discretion to sell empty dwellings to priority groups of purchasers at a discount of up to 30 per cent. The priority groups include anyone with a firm offer of regular employment in the area of the local authority in which the house or flat is situated or in the area of any neighbouring authority. Thus a council will have the discretion to sell a vacant dwelling to someone who wants to move into their area for employment reasons and to give them a discount. This should help to get back into use both empty, and perhaps difficult to let, local authority dwellings and also help those moving into high cost areas to overcome the variations in house prices between different parts of the country."

NOTE TO EDITORS

NEW RESALE CONDITIONS

Under the previous general consents, sales at a discount were subject to a five or eight year right of pre-emption by the local authority at the original purchase price. The new consent introduces discount sharing arrangements similar to the provisions in the Housing Act 1980. If a purchaser resells his home within five years he will be able to sell at current market value but the discount will have to be repaid on a sliding scale reducing from 100 per cent in the first year to 20 per cent in the fifth, and no repayment thereafter.

SALES OF VACANT DWELLINGS

Local authorities will be able to offer a discount up to 30 per cent on vacant houses and flats to special groups of buyers. They include those people moving to take up a new job. This should encourage greater mobility. The other priority groups will be first-time buyers, and those who have recently left armed forces accommodation, tied accommodation or accommodation in a slum clearance area.

DISCOUNTS

Local authorities using their discretionary powers to sell to sitting tenants will be able to count for discount purposes any period the purchaser spent as a tenant of another local authority, a New Town or a housing association.

DISPOSAL OF LAND

Local authorities have also been given a general consent for the disposal of housing land.

GENERAL

This new general consent introduces terms very similar to those contained in the right to buy provisions of the Housing Act 1980 which came into force on 3 October (DOE PN No 330 of 11 August 1980). Further changes to the consent enabling it to reflect and complement the right to buy legislation more closely will be made following commencement of Part 1 of the Housing Act 1980 on 3 October.

On 7 March 1980 John Stanley referred to the eight different ways in which the Housing Act would help to achieve greater mobility. (DOE press notice no 84).

Telephone Nos: 01 212 3490/1/2/3/4/5/6
Night Calls (6.30 pm to 8.00 am)
Weekends and Holidays:
01-212 7071



2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

11 January 1980

MBM

Don't

R

SALE OF COUNCIL HOUSES:
FINANCIAL APPRAISAL

17/1

I think that the Prime Minister will wish to know that we intend to publish today our appraisal of the financial effects of council house sales. I attach a copy along with a copy of the press statement which my Secretary of State is issuing.

I am copying this to John Chilcot (Home Office), John Stevens (Leader of the House), Murdo McLean (Chief Whip), John Wilson (Scotland) and Bob Williams (Wales). A separate letter is going to the Chancellor.

May I ask that the paper be treated as confidential until it is published.

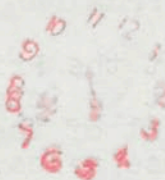
for you

David Edmonds

D A EDMONDS
Private Secretary

Tim Lankester Esq

11 JAN 1960



Press Notice

7

11 January 1980

SALE OF COUNCIL HOUSES

Michael Heseltine, Secretary of State for the Environment, has today published an appraisal of the financial effects of the sale of council houses.* Mr Heseltine said:

"The appraisal which we have published today represents a most rigorous, sophisticated and comprehensive attempt to assess the financial effects of the sale of council houses.

"To provide the fullest view of the effects, the appraisal has been made both from the standpoint of local authorities alone, and from the standpoint of local authorities and central Government taken together. To maintain objectivity a very wide range of alternative assumptions has been used.

"The appraisal shows that for the first 20 years, in all the assumptions examined in the appraisal, the sale of council houses would be financially beneficial to both local authorities and to the Exchequer.

"That takes us to the end of this century. Beyond that the assumptions, and therefore conclusions based on them, must be still more speculative.

"The appraisal reinforces our view that the sale of council houses should bring appreciable benefits, not only to council tenants, but to the community as a whole."

NOTE TO EDITORS

Mr Heseltine announced in the House of Commons on 23 October 1979 that he intended to publish an appraisal of the financial effects of the sale of council houses for Parliamentary consideration of the Housing Bill (Hansard(COL) 142 WA 23 OCT 1979).

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* "APPRAISAL OF THE FINANCIAL EFFECTS OF COUNCIL HOUSE SALES"
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APPRAISAL OF THE FINANCIAL EFFECTS OF
COUNCIL HOUSE SALES

Department of the Environment
Scottish Development Department
Welsh Office

January 1980

APPRAISAL OF THE FINANCIAL EFFECTS OF COUNCIL HOUSE SALES

Table of Contents

		Paragraphs
Part I	Introduction and Basis of Appraisal	1-12
Part II	The Elements of the Appraisals	13-15
Part III	Economic Assumptions	16-23
Part IV	Appraisal From the Standpoint of the Local Authority	24-56
Part V	Appraisal From the Standpoint of the Local Authority and Central Government Taken Together	57-66
Annex	Evidence about the Effects of Sales of Council Houses to Sitting Tenants on the Number of Re-Lets	

List of Tables

Table 1	Interest Rates and Prices
Table 2	Real Earnings in the Long Term
Table 3	Increases in Rents, Prices, and Earnings 1929-79
Table 4	Present Value of Rent Income Foregone by Selling
Table 5	Present Value of Rent Rebate Subsidy Foregone by Selling
Table 6	Present Value of Savings in Costs of Upkeep and Management
Table 7	Present Value of Costs of Renovation Avoided by Selling
Table 8	Present Value of Subsidy Withdrawn
Table 9	Financial Flows in the First Year (Local Authority)
Table 10	Example of Financial Effects 1970/71 to 1978/79 (Local Authority)
Table 11	Twenty Year Appraisal: Local Authority
Table 12	Fifty Year Appraisal: Local Authority
Table 13	Present Value of Tax Relief
Table 14	First Year Cash Flow Comparisons (Local Authority and Central Government)
Table 15	Example of Financial Effects 1970/71 to 1978/79 (Local Authority and Central Government)
Table 16	Twenty Year Appraisal (Local Authority and Central Government)
Table 17	Fifty Year Appraisal (Local Authority and Central Government)

PART ONE: INTRODUCTION AND BASIS OF APPRAISAL

1. The Housing Bill now before the House would confer on council, new town, and some housing association tenants of three years standing or more the right to buy the houses and flats in which they live. The Government's policy of selling council houses stems in the first instance from the importance it attaches to home ownership; but selling council houses does have financial effects for public funds. This paper attempts to assess those effects.

2. The basis of analysis in this paper and all the economic assumptions used are relevant in Scotland as well as in England and Wales. Some differences in the detailed application to Scotland must be expected, particularly because the subsidy system introduced there by the Housing (Financial Provisions) Scotland Act 1978 is only settling down and is not subject to proposals for major change and because the rent losses that may be expected to arise there, insofar as their tradition of relatively lower rents continued, would be smaller. A brief indication of the effects of these differences is given at the appropriate parts of the text (see paras 36 & 48). Certain other points, generally of more limited significance, which are made in the paper may not apply in Scotland in quite the way that they apply in England and Wales but in order to keep the general argument as simple as possible these points have not been detailed in the text.

3. No claim can be made to certainty in an appraisal of the financial effects of selling council houses. That the future is fraught with uncertainty is a commonplace. But it is nevertheless true. No service is rendered by conveying an impression of certainty where no such certainty exists; the best that can be done is to recognise uncertainty and show how sensitive are any conclusions to variations in any or all of the assumptions on which those conclusions rest. Ranges are given not to show the bounds within which the answer must necessarily lie, but only to give an indication of the sensitivity of the calculations to alternative assumptions.

4. The financial effects of sales are appraised from two standpoints: that of (i) the disposing local authority; and that of (ii) central government and local authority taken together, as in public expenditure surveys and in calculating the public sector borrowing requirement (PSBR). The two are very closely related; for instance when subsidy previously payable by the Exchequer to a local authority is terminated as a result of the house being sold, the loss to the local authority is matched by an exactly equal gain to the Exchequer, and in an appraisal from the standpoint of central government and a local authority taken together the gain and the loss net out.

5. There is no unique "correct" time period for analysing the financial effects of selling council houses. Account must be taken of both short term and longer term effects. Neither in isolation gives a complete picture. Consideration of the longer term effects however, means that present value (PV) calculations must be used.

6. The principles of present value (PV) calculations are now widely understood, but a brief reference to them may nevertheless be helpful. So long as money can be invested to earn interest, near at hand receipts and payments count for more than distant receipts and payments of the same money sum even when the value of money is stable from year to year. If the value of money is falling from year to year (as it has done in every year since 1933 in the United Kingdom), near at hand receipts and payments count for all the more relative to distant receipts and payments. The present values of future payments are subtracted from the present values of future receipts to arrive at net present value (NPV).

7. The rate of interest used to do the discounting is very important in a financial analysis that incorporates an NPV calculation; and the longer the period of time covered, the greater the difference made to the result by the discount rate used. The rate of interest that is appropriate is the cost of money to government, the individual, or the firm (as the case may be) and the yield at which it can invest money. For government, these rates will normally be the rate paid on newly borrowed money. Reduced payments/increased receipts reduce the amount to be borrowed; increased payments/reduced receipts have the opposite effect.

8. Where the sequence of payments or receipts being discounted to present value rises through time, for instance rents that rise because costs are increasing, or outlays for upkeep and management that rise owing to increases in pay not offset by increases in productivity, the present value depends on the difference between the rate of interest used to do the discounting and the annual increase in the sequence of payments being discounted. If rents rise at 6%, the present value, discounted back at 3% interest, is approximately the same as if the annual rate of increase was 10% and the rate of interest used to do the discounting 12%. The 2% difference is termed the "net rate of interest".

9. For parts of the appraisal, however, the concept of a net rate of interest cannot be applied. The Exchequer subsidy that is withdrawn when a council house is sold, for example, will be determined according to rules that will be laid under the Act. The present value of these subsidy payments will depend on the length of time they last, and the rate of interest used to discount them. The same is true of the present value of tax relief on mortgage interest. The

amount is governed by the mortgage interest rate, the tax rate, and the size of the mortgage. The last of these is fixed at the outset; so the concept of the net rate cannot be used here either. Assumptions about gross rates of interest are therefore indispensable. The assumptions about gross rates of interest have implications for what assumptions are appropriate for the rate of rise of the general price level and of earnings, ^{and so} have implications for the rate of rise of rents. For working out the present values of rents, the concept of the net rate of interest is used.

10. Paragraph 5 mentioned that there was no uniquely correct time period to take for the purpose of appraising the financial effects of council house sales. Several periods are therefore taken. For local authorities, for local authorities and central government taken together, the time periods are the first year; the first eight years; twenty years; and fifty years.

(a) The first year effects indicate the immediate cash flow effects.

These effects are important to central and local government because they affect the public sector borrowing requirement straight away.

(b) The first eight years are taken in order to show short term financial effects. The period 1970/71 to 1978/79 may be used to show what would have been the financial effects arising from a sale in 1970/71, using the actual figures for rents, interest rates, and prices. To go further back would take in part of a period when the course of interest rates and prices was very different.

(c) Twenty years is perhaps the maximum period for which economic assumptions can be regarded as having some degree of predictability, but even this is very questionable. For instance it is highly unlikely that any similar appraisal carried out twenty years ago would have predicted the economic conditions experienced in the 1970's.

(d) Fifty years is taken as an illustrative very long term case; though it must be stressed that economic assumptions that reach to the year 2030, and therefore any conclusions from them, must be largely if not wholly speculative.

11. The calculations are in terms of reasonably representative figures, which are considered to provide a fair picture but which do not apply to each and every instance. The use of average values (eg for selling prices, rents, and costs of upkeep) should not obscure the existence of wide variations around averages. The calculations presented can thus not show what would be the financial implications of selling any particular house, or of the financial effects for any

specific authority. In such instances, although the method of calculation would be applicable, the figures to feed into it would depend on the particular circumstances of the case.

12. At this stage, making the appraisals in terms of 'average' or 'representative' figures results in the appraisal being related to the sales of houses as distinct from flats. Thus far, sales have been predominantly of houses, though the right to buy will include tenants of flats. But when long leaseholds of flats are sold there will have to be financial arrangements not usually occurring in connection with sales of houses, especially about maintenance of the structure and the lighting and cleaning of common parts. There is not yet enough information about such arrangements to incorporate into a calculation; nor is there information about the relationship of the selling price of long leaseholds of flats to the rent payable for them. So the present appraisal refers to houses.

PART TWO: THE ELEMENTS OF THE APPRAISALS

13. This section outlines the structure of the appraisal from the standpoint of the disposing local authority; and local authorities and central government combined. The values for the elements in each appraisal, the evidence for them, and the numerical results, are considered in Parts Four and Five. This part sets out the outline of the two appraisals.

14. The elements in the appraisal from the local authority's standpoint are:

(i) Selling price

(ii) less the present value of the rent that the house would have produced in local authority ownership

(iii) plus the present value of expenditure on upkeep and management that would be avoided by selling

(iv) plus the present value of future expenditure on renovation avoided by selling

(v) less present value of Exchequer subsidies withdrawn when the house is sold.

Question may also be raised about (a) the cost of building a new house to replace the vacancy that the local authority would have had available (if it had retained the house for letting) to provide for an incoming tenant; and (b) about the value of the site when the house on it comes to the end of its useful life. Of these (a) is discussed in some detail in Part IV. For reasons set out there (and in the Annex), in a high proportion of instances the question of replacement could not arise until far into the future, too far off to judge now whether replacement would be needed or not. So it is not included along with (i) to (v) above, which have to be evaluated in every instance. These arguments apply equally to site values; for the representative house might not reach the end of its useful life until even further into the future than the end of the periods referred to in paragraph 10

15. The element in the appraisal from the standpoint of central government and local authorities taken together:

(i) Gain or loss to the local authority

(ii) plus present value of central government subsidy withdrawn

(iii) less present value of tax relief on mortgage interest, or option mortgage subsidy.

Of these (ii) simply nets out item (v) in the local authority's account. In a consolidated account for central government and local authorities taken together, the local authority's loss and the Exchequer's gain cancel out.

PART THREE: ECONOMIC ASSUMPTIONS

16. Part One outlined the importance of interest rates in the appraisal, and the reasons why assumptions were needed about the actual (or "gross") rate of interest. Assumptions are also needed about the course of incomes and of the general price level; for incomes affect both the demand for housing and ability to pay; and the rate of rise of the general price level has its effect on the rate of rise of the costs incurred if a house is retained in local authority ownership. The gross rate of interest and the rise in the general level of prices are related through the "real rate of interest" (ie the gross rate of interest less the annual rise in the general level of prices); and the rise in earnings and the rise in prices are related through the rise in real earnings.

17. The determination of the "real" rate of interest is a very complex subject about which there are differing views about both the underlying theory and about the interpretation of recent evidence. To comment on such controversies would be inappropriate here; but the assumption taken about the 'real' rate of interest has so great an effect on the present value of rents, and hence on the whole appraisal, that a reasoned justification is necessary for any assumptions made. The historical record is briefly summarised in Table 1.

Table 1. Interest Rates and Prices

	Annual rise of the price level (a)	Yield on Consols (b)	Real Rate Of Interest
1870-1913	+0.1	2.9	2.8
1913-24	+5.9	4.3	-1.6
1924-38	-0.6	3.9	4.5
1938-47	+6.6	3.1	-3.5
1947-55	+4.2	3.7	-0.5
1955-70	+3.5	6.1	2.6
1970-78	+12.8	11.9	-0.9

Note: (a) Measured by the consumers' expenditure deflator from national income accounts. (b) Used as a measure of the long term rate of interest that is available for a long run of years, consistently defined.

18. The war years were clearly exceptional and so (it could be argued) were the 1920's and early 30's when prices fell; and the emergence in the later 1950's and the 1960's of a "real" long term rate of interest of between 2½% and 3% could be interpreted as a return to the historic level of 3% or just under. Experience in the 1970's has been very different, but hard to interpret. That interest rates do not respond at once to an acceleration of inflation is generally accepted, as they are influenced by the expected rate of rise of the price level, which may not be the same as the actual rise in the price level. But the years since 1973 have seen a marked slackening of the growth of the economy, which if long lasting should bring down the real rate of interest. There are conflicting opinions about how to interpret the experience of the 1970's, so the best that can be done here is to take alternative assumptions. The higher is that the long term real rate of interest will average 3%, in effect a return to conditions in 1955-70 with experience in the years from 1973 to date regarded as a passing phase. The lower assumption is that the real rate of interest will average 1%, ie that the 1970's have seen a change of trend that will persist.

19. Somewhat similar considerations apply to real earnings, for which the historical record is set out in Table 2. The time periods are similar to those in Table 1, but with a break at 1973 to show the change of trend that occurred then.

Table 2. Real Earnings In the Long Term

	(percent a year)
1870-1913	+1.1
1913-24	+1.5
1924-38	+1.2
1938-47	+2.3
1947-55	+1.9
1955-70	+2.6
1970-73	+3.6
1973-78	+0.1

20. Part of the explanation lies in the adverse movement of the terms of trade, and particularly oil prices; but there has been since 1973 a sharp reduction in the rate of rise of productivity in virtually all sectors of the economy. Opinion is divided about how far this check to the rise of productivity is the result of a fall (relative to pre-1973 trends) in demand and output deeper and more prolonged than on any occasion since the war; and how far it is the consequence of more deep-rooted changes in the economy. Again, the best that

can be done is to take alternative assumptions. The higher is a 2% a year increase in real earnings (ie the 1955-70 period less the effect of the favourable movement of the terms of trade); the lower is 1% a year (ie conceding the possibility of a basic change during the 1970's but with some allowance for the rise in real earnings having been kept down by deflationary conditions.

21. Real interest rates and real earnings are also connected. A persisting rise of real earnings in excess of the real rate of interest is unlikely except when real interest rates are kept down by exceptional circumstances as in war. But when real interest rates are low, the difference from real earnings, will probably be small. So in the set of assumptions used here, a 3% real interest rate and the 2% a year rise in real earnings go together, as do the 1% a year rise in real earnings and 1% real interest rates. These assumed relationships between real interest rates and real earnings are not on the same basis as those in actuarial appraisals of pension rights, for instance, because pension funds invest in a wide range of assets including real property and ordinary shares, not just Government securities.

22. As assumption is finally required about the general price level, to turn the "real" rates into gross rates. The historical record (Table 1) reveals such marked disparities both between pre-war and post-war experience and before and after 1970 that there is no basis for determining from the historical record a reasonable range of possibilities over the next 20 or 50 years. The best that can be done is to take alternatives that are far enough apart to show how sensitive to the assumptions made about inflation. The working assumptions chosen are 9% and 4%. 4% would broadly represent a return to 1949-70 experience. A rate lower than 4% is of course both possible and desirable.

23. The economic assumptions are summarised below.

	Lower Inflation		Higher Inflation	
	Lower Earnings Growth	Higher Earnings Growth	Lower Earnings Growth	Higher Earnings Growth
Rise in general price level	4% pa	4% pa	9% pa	9% pa
Rise in earnings	5% pa	6% pa	10% pa	11% pa
Interest rate (for discounting)	5%	7%	10%	12%

PART FOUR. APPRAISAL FROM THE STANDPOINT OF THE LOCAL AUTHORITY

24. In paragraph 14 were listed five elements that would necessarily be included in any appraisal from the standpoint of the local authority, namely: (i) the selling price; (ii) the rent that would be foregone by selling; (iii) the expenditure on upkeep and management that would be saved; (iv) future expenditure that would be incurred on renovation if the house was retained for letting; and (v) the Exchequer subsidy that would be given up by selling. Two further items were referred to as the being subject to question, namely: (a) the cost of building a house to replace the "lost" re-let; and (b) the capital value of the site at the end of its useful life. These seven elements are considered in sequence.

(i) Selling Price

25. The average selling price depends partly on the market values of the houses sold (before deduction of discounts); and partly on the size of the discounts. The Bill provides for a right to buy at discounts varying from 33% for households who have been local authority tenants for three years, rising by 1% for each year as a tenant to a maximum of 50%. Sales may be made at 30% discount to tenants with less than 3 years standing. Broad estimates have been made of the total number of tenants with less than 3 years standing, between 3 years and 20, and 20 years or more, namely 15% (0.8 million); 55% (2.7 million), and 30% (1.5 million) respectively. This is not, of course, the same thing as the sizes of discounts for householders who actually buy, which could well be different. There is not the information to link total length of time as local authority tenants (as distinct from length of residence at the present address) to household characteristics relevant to whether the householder is likely to buy, in particular income, employment, and age. There is no way of forecasting the size of discounts to which actual purchasers will be entitled; the best that can be done is to take the 40% mid point, and comment on what difference would be made if the discount were 30% or 50%.

26. Market values (ie prices before discount) of houses sold by local authorities (excluding houses built for sale) in England and Wales were:

	Number of houses sold	Average Price before discount
1977/78	13,836	£8,750
1978/79	37,039	£10,450
1979/80 (first half)	13,500	£12,250

These figures do not necessarily indicate the rate of rise of market values of houses sold by local authorities, in a way that can be compared with house prices generally, as the authorities selling were not necessarily the same throughout, so the geographical mix of dwellings sold may have altered.

Nevertheless, the figures for the first half of 1979/80 are the best guide available to what house prices may be expected to be in 1980/81. Although the rise in mortgage rates announced by the Building Societies Association in November 1979 is likely to slow down the rise in house prices, the out-turn for house prices paid in the open market (the principal source of evidence for valuers putting market prices on the council houses) is likely to be higher for 1979/80 as a whole than for the first half of the year. A 10% increase between the two halves of 1979/80 followed by a level trend of prices during 1980/81 would give an average price before discount, of £13,500; a slow increase during the year could give £14,000. £14,000 is therefore taken as the national average price before discount in 1980/81. The central example of the 40% discount therefore has a disposal price of £8,400. With 30% and 50% discounts (the outer limits) the figures would be £9,800 and £7,000.

(ii) Rents

27. The rate of rise of rents is perhaps the most critical of all the assumptions in its effect on the long term financial effects of selling council houses. Rents are determined locally, subject to the statutory duty to make "reasonable charges" for accommodation let by local authorities, and the duty to finance from rents and a rate fund contribution outgoings not covered by subsidies available from central government. Loan charges are the largest item of outgoings, and are determined partly by interest rates and partly by the amount of capital expenditure. Rising interest rates affect not only the loan charges generated by new capital expenditure but also (via the re-financing of outstanding debt) loan charges on earlier expenditures. When rising interest rates coincide with a rising capital programme, as in 1964-68 and 1973-76, pressures on local authorities' housing accounts are at their highest. With an inflexible subsidy system as in 1964-68 heavy pressure is put on rents and rates. In 1973-76 the subsidy system resulted in much more of the increase being borne by the Exchequer. What will happen to rents in future will thus depend partly on costs (which in turn may be divided into those generated by the standing stock and those generated by adding to it); the subsidy system; and by local decision about how much to raise from rents and how much from rates. What will happen in the really long term cannot be forecast in the ordinary sense of the word; in particular, the amount of new building by local authorities will depend on policies about what constitutes "housing need", on demographic and economic changes, and on preferences as between owning and renting that are very hard to foretell. As to subsidy systems, the provisions in the Bill are the fourth major re-casting within two decades (the Housing Act 1961, the Housing Subsidies Act 1967, and the Housing Finance Act 1972 being the others; the Housing Rents and Subsidies Act 1975 was avowedly an interim measure), so what will happen in the next twenty years, let alone fifty is very hard to say.

28. In face of these uncertainties, two ways have been adopted of selecting assumptions about the future rise of rents. One is to use conventional or 'commonsense' assumptions that rents will rise in line with prices or earnings. The second is to refer back to the historical record, and show what would happen to rents if they moved in the same way, relative to earnings or prices, as in selected past periods. Since ^{the} appraisals include cash flows that reach far into the future, it is appropriate to look at the historical record over an equally long run of years.

Table 3. Increases In Rents, Prices, and Earnings 1929-79

	(annual percentage rates of increase)				
	Rents	Earnings	Prices	"Real" Rents	"Real" Earnings
1929-79	5.8	6.9	5.0	0.8	1.9
1959-79	9.7	10.2	7.8	1.9	2.4
1969-79	11.6	15.0	12.3	negative	2.7
1974-79	11.1	16.4	15.0	negative	1.4

Notes: (i) Increases in rents refer to average rents; the composition of the stock has changed through time, so the figures represent only approximately the increases in rent of the same house.

(ii) The 1929 rent figure is only approximate, and was based on the 1936 survey data.

29. From this historical record four rent assumptions have been derived:

1929-79: Rents rise (in real terms) at 40 percent of the growth of real earnings;

1959-79: Rents rise (in real terms) at 80 percent of the growth of real earnings;

1969-79: Rents rise at a rate equal to 95% of the rise in the general price level;

1974-79: Rents rise at a rate equal to 75% of the rise in the general price level.

These assumptions, together with the conventional assumptions of increases in line with (a) earnings or (b) prices are illustrated in the next paragraph in terms of the rates of increase in rents in money terms that they imply. To make the figures easier to follow, the rent assumptions are listed in descending order of rates of increase:

(i) Rents increasing in line with pre-tax earnings

(ii) Rents increasing in line with prices

- (iii) Rents increasing as over the last 50 years
- (iv) Rents increasing as over the last 20 years
- (v) Rents increasing as over the last 10 years
- (vi) Rents increasing as over the last 5 years

30. These assumptions were turned into annual average percentage rates of increase by reference to the description at the start of paragraph 29, and the assumptions about earnings and prices specified in paragraph 23. The average rates of increase were rounded to one place of decimals, eg with inflation assumed to run at 9%, a rise equal to 75% of the inflation rate is 6.8% a year; and with real earnings increasing by 2% a year an increase 80% as fast as the growth of real earnings is equal to 1.6% a year in real terms, ie 10.6% a year if the assumed rate of inflation is 9% a year. To make the figures easier to follow the rent assumptions are shown in descending order of rate of increase. The terms lower and higher inflation and lower and higher earnings growth refer to paragraph 23.

	Lower Inflation		Higher Inflation	
	Lower Earnings Growth	Higher Earnings Growth	Lower Earnings Growth	Higher Earnings Growth
Interest rate for discounting (%)	5	7	10	12
<hr/>				
<u>Increase in rents</u> (percent a year)				
(i) With earnings	5	6	10	11
(ii) 1959-79	4.8	5.6	9.8	10.6
(iii) 1929-79	4.4	4.8	9.4	9.8
(iv) With prices	4	4	9	9
(v) 1969-79	3.8	3.8	8.6	8.6
(vi) 1974-79	3	3	6.8	6.8

31. In calculating the present value of the rent foregone by selling a council house, provision must be made for the fact that for part of the time the rent that would be received would be less than the standard (ie un-rebated) rent. Although a tenant who exercised the right to buy would be unlikely to be entitled at the time to a rent rebate, he might well have become entitled to a sizeable rebate after retirement (see paragraph 33 below). Moreover, a small proportion of local authority houses are unoccupied at any one time, and so not producing rent.

32. Rent rebate subsidy reimburses a local authority for part of the cost of rent rebates. Under present law rent rebate subsidy is payable at 75% of rebates granted in accordance with the standard scheme; the provisions of the Bill would raise this proportion to 90%. Moreover, local authorities would no longer, under the provisions of the Bill, reimburse the Department of Health and Social Security (DHSS) for the cost of payments made to tenants receiving Supplementary Benefit in lieu of rebates. When a house that has been sold would otherwise have been occupied by a tenant receiving rent rebate, the income foregone by the local authority is the rebated rent, plus rent rebate subsidy equal to 90% of the rebate. If at a future date it would have been let to a tenant in receipt of Supplementary Benefit, the income lost then is equal to the full un-rebated rent.

33. As noted, hardly any tenants exercising the right to buy are likely to be entitled to a rebate at the time they buy. Such evidence as there is about the age of sitting tenant purchasers (see Annex) suggests that in the typical instance the household head would have fifteen to twenty years ahead of him before retiring. But after retirement, circumstances change. Under the present rent rebate system a married couple paying rent of £8 a week could have £25 a week of other income (eg from an occupational pension, or invested savings) as well as a National Insurance retirement pension and still qualify for a £2 a week rebate. With an income of £13 a week over and above the National Insurance retirement pension a couple paying £8 a week rent would be entitled to a rebate equal to one-half the un-rebated rent. The evidence of the Family Expenditure Survey and the General Household Survey indicates that a substantial proportion (perhaps in the region of three-fifths) of householders that own their houses outright and have retired from employment would be eligible for rent rebates if they were tenants paying an average local authority rent. It is therefore reasonable to assume that the representative householder buying as a sitting tenant would have become entitled to a rent rebate on retirement

if he had remained a tenant. His surviving widow would also be likely to have been entitled to a rent rebate. The assumption is therefore made that for the first fifteen years no rebate would have been due; but in the next twenty years the purchaser, and then his widow, would have been entitled to a rent rebate had he remained a tenant. The rent rebate is taken to be one-half of the un-rebated rent (not the three-fifths maximum, to allow for occupational pensions and income from invested savings). Subsequently the house might be let to anybody. In 1979 about one-fifth of all tenants had rent rebates (excluding Supplementary Benefit tenants, from whom local authorities will under the provisions of the Bill receive unrebated rents without any offsetting reimbursement to DHSS). On average the ratio of rebate to un-rebated rent is probably about one-half; so the deduction for rebates in the last 15 years of a fifty year appraisal is taken to be one tenth of the standard rent.

34. Under the provisions of the Bill, 90% of rent rebates are met from rent rebate subsidy paid by the Exchequer; so the income foregone by the local authority is equal to the rent that would have been collected (ie net of any rebates) plus rent rebate subsidy equal to 90% of rebates granted.

35. Voids may next be considered, ie rent not collected because the dwelling is unoccupied. When a house is vacated otherwise than by arrangements well in advance, it is bound to be vacant for a time, eg while the personal representative of a deceased tenant removes the former tenant's effects. Moreover, many authorities re-decorate a house and carry out minor repairs in between tenants; and it takes time to find a fresh tenant, even with a first come first served letting system. These "turnover" voids, however, are unlikely to amount to very much in terms of length of time. Survey evidence indicates that the proportion of purpose-built local authority houses (ie excluding acquired dwellings that are vacant is about 1%. A 1% deduction from gross rents is therefore made for voids.

36. The present value of rent foregone by selling is shown in Table 4. The starting point is a standard rent of £8 a week, ie the 1979 average of £6.50 plus the announced guideline increase for 1980 of £1.50 a week. In Scotland, the equivalent starting point is a standard rent of about £6.40 a week. If Scottish rents continued at this relatively lower level, the present values of income foregone in Scotland would be lower than the figures in Table 4.

Table 4. Present Value of Rent Income Foregone by Selling

	Lower Inflation		Higher Inflation	
	Lower Earnings Growth	Higher Earnings Growth	Lower Earnings Growth	Higher Earnings Growth
Assumption about rate of increase of rentsTwenty Year Period.....			
Earnings	7,207	6,608	7,207	6,608
1959-79	7,083	6,390	7,083	6,390
1929-79	6,841	5,984	6,841	5,984
Prices	6,607	5,614	6,607	5,614
1969-79	6,487	5,528	6,390	5,443
1974-79	6,081	5,200	5,528	4,768
Fifty Year Period.....			
Earnings	15,808	12,620	15,808	12,620
1959-79	15,160	11,621	15,160	11,621
1929-79	13,801	9,943	13,801	9,943
Prices	12,620	8,615	12,620	8,615
1969-79	12,077	8,347	11,621	8,075
1974-79	10,305	7,354	8,347	6,336

Notes: Figures are shown to whole numbers to avoid rounding errors accumulating. As rents are received throughout the year, the discount factors used are the means of those that would be applicable if payment were made at the start of the year and the end of the year.

37. The present values of rent rebate subsidy foregone are shown in Table 5.

Table 5. Present Value of Rent Rebate Subsidy Foregone by Selling

	Lower Inflation		Higher Inflation	
	Lower Earnings Growth	Higher Earnings Growth	Lower Earnings Growth	Higher Earnings Growth
Assumption about rate of increase of rentsTwenty Year Period.....			
Earnings	936	783	936	783
1959-79	904	729	904	729
1929-79	841	634	841	634
Prices	783	550	783	550
1969-79	767	532	729	514
1974-79	655	463	532	377

Table 5. Continued

Fifty Year Period			
Earnings	4,306	3,276	4,306	3,276
1959-79	4,080	2,948	4,080	2,948
1929-79	3,654	2,391	3,654	2,391
Prices	3,276	1,946	3,276	1,946
1969-79	3,151	1,853	2,948	1,762
1974-79	2,515	1,518	1,853	1,229

(iii) Expenditure on Upkeep and Management That the Local Authority Saves

38 Direct evidence has never been collected about the savings in expenditure on upkeep and management that local authorities have achieved as a result of selling council houses. For an individual local authority to do this it would need very detailed records of work done, and the costs. Comparisons between authorities, particularly those that sold houses in 1971-73 and those that did not, could show the effect of sales only if "other things remained equal", or could be allowed for. Studies of expenditure on upkeep and management of local authority houses have found that only part of the variation of expenditure per dwelling between authorities can be explained by measurable factors (eg the proportion of flats), which means that identifying the effect of sales would be very difficult indeed. Comparisons over time, which if they could be done might show how quickly the savings come through, are made virtually impossible by the break in the figures caused by local government reorganisation in 1974. So recourse must be had to inference, deduction, and assumption in the absence of direct evidence.

39. The estimate required is of the amounts that local authorities would save by selling houses, which is a considerably more complicated matter than just taking average expenditure per dwelling in the stock, locally or nationally. Management and maintenance can best be considered separately.

40. Management comprises "special" and "general" supervision and management. "Special" supervision and management comprises costs of such services to tenants as central heating, lighting and cleaning of common parts, lifts, wardens for 'sheltered' accommodation, and caretaking. Central heating when provided by the council is charged for separately; the charges are accounted for on the income side of the account, the costs on the outgoings side. Where central heating was still provided after sale, there would be an offsetting receipt, as before. Services of wardens are irrelevant to houses that might be sold. Lighting and cleaning of common parts, and lifts are relevant only to flats. In assessing likely savings, "special" supervision and management can probably be set aside without introducing serious error. "General" supervision and management is the cost of management in the ordinary sense, including rent collection and accounting, recovery of arrears, dealing with applications for tenancies and making lettings. The question here is how much of these costs are overhead costs that would be reduced in proportion to a reduction in the number of dwellings being managed. Some savings there would clearly be; fewer rents to collect means less rent accounting to do and less expenditure on postages and bank charges. But unless the sales were a large proportion of the stock, the saving would be unlikely to be proportional, except in the long run. Savings would take time to realise, for reorganisation could hardly take place at once. Note has also to be taken of

the fact that the national average of expenditure on "general" supervision and management is pulled up by the high expenditure of the inner London boroughs, where the proportion of flats is high. For England as a whole average expenditure per dwelling in 1977/78 was £36.7; excluding London £31.4 (Housing and Construction Statistics No 28, Table XVII). Variant assumptions are therefore made. The first is that savings will start at 10% of average expenditure on "general" supervision and management and build up to 50% after 5 years; the second is that the savings start at 20% and build up to 75% after 5 years; the third is the upper boundary, a pro-rata saving.

41. Repair costs are also partly overhead costs, in the short term. A local authority has to have an organisation to get repairs done, whether by directly employed labour or private contractors. To start with, a small reduction in the number of houses to be dealt with may well result not in a reduction in expenditure, but in other tenants getting a slightly quicker service when they need repairs. In time, adjustments can be made; but they will not be instantaneous. If, for example, external repainting is done every five years (a very common arrangement), some of the houses sold might not be due for re-painting for another four years, so not until then would the full saving result. A further point is that flats appear to be considerably more expensive to maintain than are houses. The difference has not been measured with precision, but there are indications of a difference of as much as 3:1 as between high rise flats and houses and maisonettes. About 5% of the local authority housing stock consists of high rise flats. So the average of expenditure of £94 per dwelling on repair and maintenance in 1977/78 probably an average of about £85 per house. About two thirds of the cost of repair work is thought to consist of labour, one third materials. As with supervision and management, variant assumptions are made about savings of expenditure on repair and maintenance. The first is that the savings start at one third of the average (the cost of materials) and build up over 5 years to 75%; the second is that savings start at two-fifths of the average and build up over 5 years to a full, pro-rata saving; the third (likewise an upper boundary) is that the full pro-rata savings start straight away.

42. Repair work and management are both labour-intensive services, and even with gains in efficiency some rise in unit costs relative to the general price level can be expected. This rise is taken to be half of the annual increase in real earnings. The present values are shown in Table 6. The present value is not affected by whether the higher or the lower inflation assumptions are used, because the difference in inflation is offset by the difference in the rate of interest used to discount to present value. But earnings growth makes a difference to the rise in unit cost relative to the general price level.

Table 6. Present Value of Savings in Costs of Upkeep and Management

	Lower Earnings Growth		Higher Earnings Growth	
	20 years	50 years	20 years	50 years
Low variant (a)	1,908	4,712	1,603	3,225
Second variant (b)	2,574	6,359	2,160	4,359
Upper variant (c)	3,084	7,169	2,655	5,103

Notes: (a) 'Low variant' is that savings comprise 10% of average 'general' management expenditure building up to 50% after 5 years; and 33 percent of repairs expenditure, building up to 75% after 5 years.

(b) 'Second variant' is 20% of 'general' supervision and management at outset, building up to 75% after 5 years; and 40% of repairs expenditure, building up to 100% after 5 years.

(c) 'Upper variant' is pro-rata saving throughout.

Figures in the table are at 1980/81 prices, assumed to be 40% higher than in 1977/78.

43. It is important to recall that, for reasons discussed in paragraph 38 above, the figures in Table 6 are founded on hypotheses only. They may therefore be superseded by direct evidence about the speed with which savings come through; and of course it is not to be expected that the savings in these costs will be realised at the same rate everywhere.

44. There are, however, administrative costs of selling council houses. The amount and duration will depend on whether the purchase is financed by a mortgage from the disposing authority, or whether the finance comes from external sources (eg a building society, or the purchaser's own savings). Where there is no local authority mortgage the administrative costs of the sale are once-and-for-all, but where a local authority mortgage finances the sale, there is a continuing cost of administering the mortgage account. Local authorities will, however, be entitled to add $\frac{1}{4}$ percent for administrative costs to their pool rate when determining the rate of interest to charge on mortgages. They will also be able to charge the purchaser for such costs as surveys. Rather than put in such fees and the present value of the $\frac{1}{4}$ percent on the income side and the costs of selling and mortgage administration on the outgoings side, the two are taken to be mutually offsetting, and are therefore netted out and excluded.

(iv) Expenditure on Renovation Avoided by Selling

45. Renovation by local authorities of their purpose built houses has become an increasingly important part of their capital expenditure. The amount of information collected about it is, however, very limited. The total number of houses and flats improved is known, so too is average cost. But it is generally not possible to distinguish between purpose built and acquired houses, still less between the different "vintages" of the houses in the purpose built stock. The average cost per dwelling of improvement work completed in 1978 on dwellings owned by local authorities was £3,200. Separate figures are not available for improvement of purpose built dwellings. It is these improvements that are most relevant to an appraisal of the effects of selling council houses, for most of the houses sold are likely to be purpose built. Since the cost is in general rather lower than the cost of improvement to acquired dwellings, the figure just cited is probably rather higher than that for purpose built houses only.

46. In the decade 1969-78 (inclusive) the number of local authority owned dwellings improved was 540,000. If acquired dwellings are excluded, the total would be about 450,000 (approximately), about 9 percent of the local authorities' purpose built stock.

47. To estimate the amount of expenditure on renovation that a local authority avoids as a result of selling council houses, assumptions are required about the amount that would have been spent, and when. The answers are likely to depend partly on policy (how much public expenditure can be made available for up-grading local authority houses) partly on technical developments, and partly (perhaps) about how much tenants are prepared to pay. Again, all that can be done is to make assumptions. One assumption is that the amount spent on each purpose built house renovated would remain as now (rather under £3,000 at 1978 prices, say £3,500 - approximately - at 1980 prices). An alternative is that it would increase as more modern houses are improved, with more complex improvements than installing a bathroom or modernising a 1930's kitchen. Moreover rising standards might well be demanded and provided; so an upper figure of £5,500 might be taken. How distant in time the renovation would be must also be considered. At the 1969-78 average rate, just over one-half of the houses in the present stock not yet renovated would have been renovated by the end of fifty years, which would put the renovation of the 'representative' house between 40 and 50 years away. But local authorities' housing investment programme (HIP) bids show an increasing concern for the renovation of their present stock, so 1969-78 experience is likely to under-estimate the probability of an individual house being renovated in the future. So it is reasonable to take an alternatives renovation after 15 and 30 years. Provision must also be made for the probability (though not certainty)

that the unit cost of improvement work will rise relative to the general price level owing to limited scope for productivity growth. Unit costs are therefore taken to rise at a rate half way between the rise in the general price level and the rise in earnings, in the same way as the costs of repair work.

Table 7. Present Value of Costs of Renovation Avoided by Selling

	Lower Earnings Growth	Higher Earnings Growth
<u>Renovation takes place</u>		
15 years hence	3,208/5,104	2,601/4,087
30 years hence	3,014/4,736	1,932/3,037

(v) Exchequer Subsidy Withdrawn as a Consequence of Sale

48. Rent rebate subsidy paid by the Exchequer to local authorities was discussed in paragraphs 32-33 above, and estimates of the amount shown in Table 5. The effect that sale has on rent rebate subsidy depends, of course, on when and for how long the house would have been let at a rebated rent if it had not been sold. Subsidy is also withdrawn when the house is sold. Apart from new capital cost element payable under the Housing Rents and Subsidies Act 1975, individually identifiable amounts of subsidy have not been paid in respect of individual dwellings since the Housing Finance Act 1972 took effect. In/ ^{England and Wales the} Bill provides for consolidation of the 1975 Act subsidies along with the other subsidies, so withdrawal of subsidy as a consequence of sale cannot be made on the basis of identifiable subsidies in payment for the houses sold. The amount of subsidy withdrawn has therefore to be determined by means of a formula. Estimating the effect is difficult, however, both on account of the subsidy system itself and because important details of the system are still the subject of consultation. Subsidy will be payable by reference to the deficit shown in a notional account, so sales will influence subsidy by the consequent effects on amounts deemed to be debited or credited to this account. Loan charges debited will be reduced, under the Government's proposals, by an amount equal to loan charges on the historic cost of the house sold plus one-half of the excess of historic cost over sale price. The average historic cost of the whole stock is probably about £4,500; so with a disposal price of £8,400, loan charges on £4,500 minus $\frac{1}{2}(\text{£8,400 minus } \text{£4,500}) = \text{£6,450}$ would be withdrawn. The assumed method of determining the amount of expenditure on management and maintenance debited to the notional account (a per dwelling sum times the number of houses in the local authority's housing revenue account) would result in a pro-rata reduction in those costs being assumed for purposes of subsidy. The approximate effect on the notional account would be:

Income	Outgoings
Reduced by rent of the house sold (£416 in first year, but rising)	Reduced by loan charges on £6,450 (£774 at 12%) Reduced by average expenditure on upkeep and management (£160 in first year - more if "special" supervision and management included)
Balance £518 withdrawn in first year.	

The figure shown is no more than tentative, as several important aspects are still the subject of consultation and consideration. In Scotland, the subsidy consequences have to be determined in the light of the provision of the 1978 Act. The general effect will be that loan charges will be reduced following the sale of a house by the amount attributable to the price paid, and the aggregate of housing support grant, if nothing else changes, will be reduced accordingly.

49. What would happen in subsequent years would depend on the course of rents, interest rates, and the "local contribution". With so many variables, what would happen is hard to assess, not least because with most of the sets of assumptions (see paragraph 23) a fall from the 1980/81 interest rates would occur. To project the paths would be impossible. So what is done is to take the 12% interest rate assumption, and work out the year by year sequence. Such a calculation, however, gives the amount of subsidy withdrawn when the notional account as a whole is in deficit so that subsidy is paid. When subsidy is not payable to an authority because the "local contribution" exceeds reckonable outgoings, withdrawal of subsidy has no effect. Whether or when subsidy will cease to be payable will vary from one authority to another, according to the amount of loan charges generated by capital expenditure, other outgoings, and the amount of subsidy at the outset. No single calculation can be representative for all authorities. A period of 20 years is taken, to reflect a combination of the circumstances of local authorities with small capital programmes in relation to their resources, and other authorities of which the opposite is true. The length of time that will elapse before the reduction in the "local contribution" resulting from a sale exceeds the reduction in loan charges and in costs of upkeep and management (which is the length of time for which subsidy is reduced by selling, provided always that the authority is in receipt of subsidy) depends on the rate or rise of the local contribution. Separate estimates of the present value of the subsidy withdrawn (Table 8) are therefore required for each assumption about the rate of rise of rents (taken to be determined by the rate of rise of the local contribution). The slower the rate of rise of rents the slower the diminution of the effect on subsidy and the longer the effect lasts.

Table 8. Present Value of Subsidy Withdrawn

Rate of rise of rents

With earnings	£2,127
1959-79	£2,196
1929-79	£2,344
With prices	£2,533
1969-79	£2,640
1974-79	£3,294

Notes: (i) See paragraph 30 for details of the rent assumptions

(ii) The figures above are calculated on the basis of Exchequer subsidy being equal to 100% of the notional deficit. But this assumption is not, of course, a statement of policy.

The Cost of Replacement Building

50. Selling a council house to a sitting tenant affects the number of new tenants that can be provided for only at the time when the purchaser would have left local authority housing altogether. A transfer or exchange within the local authority stock would not release a house for letting to a new tenant. So the question relevant here is not 'how long would elapse before the purchaser moved' but 'how long before the purchaser would have left local authority housing altogether, if he had remained a tenant'. Such information as is available that is relevant to this question is assembled in the Annex and indicates that in the representative instance (though not, of course, in each and every instance) very many years would elapse before the householder, and his widow, would have left. For few households that buy as sitting tenants would be likely to otherwise move away; nearly all would have remained local authority tenants for the rest of their lives, or until they had to go and live with relatives, or in a home for the elderly. Given that most married men are survived by their widows, who normally succeed to the tenancy, some 30-40 years would typically elapse before there is an effect on the number of houses vacant and available for letting to new tenants.

51. If the distance is anything like as great as that, then whether there will be a consequential effect on the need for new building becomes very doubtful. In England there are already 30 percent of all households renting from public landlords, a higher proportion than in any other Western European country. In Scotland, the proportion is more than one half. Whether this will still need to be so in fifty years on is very doubtful. So no provision is made in this appraisal for replacement building.

(vii) Residual Value of the Site

52. The long physical life of houses, and the probability that most of the houses that sitting tenants would buy would be unlikely to go out of use before the end of their physical lives, means that the value of the site could not be realised until well beyond 50 years. What would be the demand for such sites that far away (in the middle of the twenty-first century) is considered too uncertain and too distant to quantify.

The Constituent Items of the Local Authority Appraisal Drawn Together

53. The time periods and reasons for selecting them were discussed in the introduction:

- (a) First year
- (b) First eight years (not discounted)
- (c) Twenty years
- (d) Fifty years

First Year

54. First year financial effects do not depend on subsequent increases in rents or on the future build up of savings of costs of upkeep and management, nor are they affected by assumptions about interest rates that "take one year with another"; only interest rates in the year of disposal are relevant. The proportion of the purchase money paid in cash (ie private sector mortgages or the purchaser's own savings), however, has a very great effect. The proportion has varied from year to year, but recently has been in the region of 30%, 27.2% in 1977, 32.4% in 1978 and 30.1% in the first half of 1979 (Housing and Construction Statistics No 30, Table 41). The assumption is therefore made that 30% of the purchase money is paid in cash (perhaps partly borrowed from other lenders). On the remaining 70%, interest at 12 $\frac{1}{2}$ % is received.

Table 9. Financial Flows in the First Year

Part of purchase price received in cash	+2,520
Mortgage interest	+735
Saving on costs of management and upkeep (a)	+43/56/160
Rent foregone	-416
Subsidy withdrawn	-518
<u>Balance</u>	<u>+2,364/2,481</u>

Note: (a) The range in the balance is between the sum of smallest pluses/largest minuses and the sum of the largest pluses/smallest minuses.

Early Years (First Eight)

55. To show what might happen in the years immediately following disposal, a constructed example is taken of a house sold in 1970/71. Figures collected by IMTA (subsequently CIPFA). Rents are actual average rents; savings on upkeep and management are on the assumption of a five year build up to 50% of management and 75% of management expenditure (see paragraph 40 and 41). Interest on the disposal proceeds are at the pool rate for the year, as interest charges is generally linked to pool rates. The subsidy withdrawn is taken as £8 (Housing Act 1961), though a wide range of subsidies were in payment in 1970/71; which would be relevant would depend on when the house was built. This withdrawal of subsidy would have been carried forward by the consolidation by the Housing Finance Act 1972 of subsidies payable under earlier Acts into "residual subsidy"; and then through the consolidation by the Housing Rents and Subsidies Act 1975 of subsidies in payment under the 1972 Act into "basic element". Table 10 is on the same basis as Table 9 in being a "cash flow" table, and in assuming 30% of the price to have been paid in cash at the outset.

Table 10. Example of Financial Effects: 1970/71 to 1978/79

	Receipts of principal and interest	Savings on upkeep and management	Subsidy	Rent	Balance
1970/71	+1,034	+8	-8	-120	+914
1971/72	+169	+12	-8	-129	+44
1972/73	+169	+17	-8	-143	+35
1973/74	+187	+22	-8	-186	+15
1974/75	+209	+37	-8	-197	+41
1975/76	+213	+58	-8	-223	+40
1976/77	+224	+67	-8	-255	+28
1977/78	+225	+80	-8	-290	+7
1978/79	+228	+90	-8	-307	+3

Twenty Year and Fifty Year Appraisals

56. Tables 11 and 12 show (respectively) the appraisals for a twenty and a fifty year period. The ranges shown for the balance are the ranges between the sum of the smallest pluses/largest minuses, and the sum of the largest pluses/smallest minuses.

Table 11. Twenty Year Appraisal: Local Authority

	<u>Lower Earnings Growth</u>						<u>Higher Earnings Growth</u>					
 Rise in Rents Rise in Rents					
	With earnings	1959-79	1929-79	With prices	1969-79	1974-79	With earnings	1959-79	1929-79	With prices	1969-79	1974-79
Sale price	+8,400	+8,400	+8,400	+8,400	+8,400	+8,400	+8,400	+8,400	+8,400	+8,400	+8,400	+8,400
Rents foregone (*)	-7,207	-7,083	-6,841	-6,607	-6,487/ -6,390	-6,081/ -5,528	-6,608	-6,608	-5,984	-5,614	-5,528/ -5,443	-5,200/ -4,768
Rent rebate subsidy foregone (*)	-936	-904	-841	-783	-767/ 729	-655/ 532	-783	-729	-634	-550	-532/ 514	-463/ 377
Savings in cost of upkeep and management	+1,908/ 3,084	+1,908 3,084	+1,908 3,084	+1,908 3,084	+1,908 3,084	+1,908 3,084	+1,603 2,655	+1,603 2,655	+1,603 2,655	+1,603 2,655	+1,603/ 2,655	+1,603/ 2,655
Renovation costs avoided	0/+3,208	0/+3,208	0/+3,208	0/+3,208	0/+3,208	0/+3,208	0/+2,601	0/+2,601	0/+2,601	0/+2,601	0/+2,601	0/+2,601
Subsidy withdrawn	-2,127	-2,196	-2,344	-2,533	-2,640	-3,294	-2,127	-2,196	-2,344	-2,533	-2,640	-3,294
<u>Balance</u>	+38/ +4,422	+125/ +4,509	+282/ +4,666	+385/ +4,769	+414/ +4,933	+278/ +5,338	+485/ +4,138	+688/ +4,341	+1,041/ +4,694	+1,306/ +4,959	+1,303/ +5,059	+1,046/ +5,217

Note: (*) Two values are shown because in these two cases, the rise in rents is linked to prices, not real earnings, and so are different according to whether the higher or the lower inflation assumption is taken.

Table 12. Fifty Year Appraisal: Local Authority

	<u>Lower Earnings Growth</u>						<u>Higher Earnings Growth</u>					
	Rise in Rents						Rise in Rents					
	With earnings	1959-79	1929-79	With prices	1969-79	1974/79	With earnings	1959-79	1929-79	With prices	1969-79	1974-79
Sale price	+8,400	+8,400	+8,400	+8,400	+8,400	+8,400	+8,400	+8,400	+8,400	+8,400	+8,400	+8,400
Rents foregone (*)	-15,808	-15,160	-13,801	-12,620	-12,077/ -11,621	-10,305/ -8,347	-12,620	-11,621	-9,943	-8,615	-8,347/ -8,075	-7,354/ -6,336
Rent rebate subsidy foregone (*)	-4,306	-4,080	-3,654	-3,276	-3,151/ -2,948	-2,515/ -1,853	-3,276	-2,948	-2,391	-1,946	-1,853/ -1,762	-1,518/ -1,229
Savings in cost of upkeep and management	+4,712/ +7,169	+4,712/ +7,169	+4,712/ +7,169	+4,712/ +7,169	+4,712/ +7,169	+4,712/ +7,169	+3,225/ +5,103	+3,225/ +5,103	+3,225/ +5,103	+3,225/ +5,103	+3,225/ +5,103	+3,225/ +5,103
Renovation costs avoided	+3,014/ +5,104	+3,014/ +5,104	+3,014/ +5,104	+3,014/ +5,104	+3,014/ +5,104	+3,014/ +5,104	+1,932/ +4,087	+1,932/ +4,087	+1,932/ +4,087	+1,932/ +4,087	+1,932/ +4,087	+1,932/ +4,087
Subsidy withdrawn	-2,127	-2,196	-2,344	-2,533	-2,640	-3,294	-2,127	-2,196	-2,344	-2,533	-2,640	-3,294
<u>Balance</u>	-6,115/ -1,568	-5,310/ -763	-3,673/ +874	-2,303/ +2,244	-1,742/ +3,464	+12/ +7,179	-4,466/ -433	-3,208/ +825	-1,121/ +2,912	+463/ +4,496	+717/ +5,113	+1,391/ +6,731

Note: (*) See note to Table 11.

PART FIVE

Appraisal From the Standpoint of the Local Authority and Central Government Taken Together

57. The elements of this appraisal were set out in paragraph 15, namely (i) the net gain or loss to the local authority plus (ii) the subsidy discontinued as a consequence of sale less (iii) the present value of the tax relief on mortgage interest, or option mortgage subsidy. Of these, (i) was shown in Tables 8, 9, 10 and 11 above; (ii) is the subsidy element in those calculations; but (iii) must be estimated specially. How different is the balance for central government and local authorities taken together from the balance for the local authority alone depends on whether the cost of tax relief exceeds, in present value terms, and the subsidy withdrawn and the rent rebate subsidy foregone.

58. The amount of tax relief depends on the ratio of mortgage advance to purchase price as well as on the purchase price itself. Provision will be made for 100% mortgages where needed but such evidence as is available (see Housing Policy Technical Volume, Chapter 6, paragraphs 65-66) indicates that for the most part house purchasers do not mortgage themselves more heavily than they have to, so that it is reasonable to assume that purchasers with sufficient savings to enable them to complete the purchase with only a 80% or 90% mortgage will generally do so, even though a 100% mortgage was obtainable. The average ratio of advance to price for first time purchasers from building societies is usually in the region of 80%; the median ratio is, however, about 90%. There have been instances reported of local authority tenants buying their houses and paying wholly or mainly from their own savings; but in an appraisal relating to the representative case, the building society median ratio (90%) may reasonably be used, though 80% may usefully be shown as an alternative. These percentages refer, of course, only to the sale to the sitting tenant; what happens when the house is re-sold is not affected.

59. What provision to make for tax relief on interest on subsequent mortgages on the same house is a very difficult question. When houses bought by sitting tenants are re-sold, the transaction is on the open market, and is in no way special. The analytical point, however, is that the amount of tax relief to bring to account that on the interest on the extra mortgage debt that is in the system as a result of the house having been sold to the sitting tenant. If when the house is re-sold, the additional second-hand house on the market reduces the demand for new houses, then the effect of the sale of a council house on the size of the owner-occupied stock and on mortgage indebtedness is limited to the mortgage that finances the first sale. If the increase in the owner-occupied housing stock (relative to what would have happened if the sale had not taken place) is

permanent, then interest on mortgages financing subsequent sales, and the tax relief on it, has to be brought to account. The reasoning in paragraphs 51-52 (about replacement building) implies that the effect on home ownership is likely to be permanent; so the estimate of the cost of tax relief is made on that basis.

60. The tax relief calculations also depend, of course, on assumptions about the basic rate of income tax. The assumption used is the present rate of 30%. Not many households able to afford house purchase would be paying tax at the 25% reduced rate; and it is unlikely that many would be paying tax at rates above the basic rate. A reduction in income tax rates would reduce the cost of tax relief; if the basic rate were 25%, for example, the present values of tax relief would be one-sixth lower than shown in Table 13.

61. The historical evidence about the rate of rise of house prices in relation to incomes and the general price level points to the trend rate of rise of house prices being between the rise in incomes and the rise in the general price level, though nearer the former than the latter. Accordingly, the assumption is made that a 1% a year rise in real incomes is accompanied by a $\frac{3}{4}$ % a year rise in house prices (relative to the general price level); and that a 2% a year rise in real incomes is accompanied by a $1\frac{1}{2}$ % a year rise in house prices in real terms.

62. As well as the rise in house prices, assumptions are also required about when the house is re-sold (and a fresh mortgage starts) and for what length of time the house is owned outright. The average life of a building society mortgage is between 6 and 7 years; but the frequency with which owner-occupiers move house is much less than once every 6-7 years. The Department of the Environment's Movers Survey suggests that for owner-occupiers aged 45-69 the average annual rate of movement in 1967 was between 3.5 and 4 percent; the same source suggests 8-8.5% for owner-occupiers under age 45; and for all owner-occupiers taken together (including those aged 70 and over, who move very infrequently), 5.2%. So one assumption about the sitting tenant purchaser is that he stays where he is and pays off the mortgage; and that the house does not come onto the market until after the death of his widow, 30-40 years hence. It is then re-sold. An alternative may be taken of the house being re-sold after 10 years, then again after 30 years. Over two-fifths of owner-occupied houses are owned outright (though the proportion is falling slowly), so the house should not be assumed to be mortgaged all the time. Any assumptions have to be no more than illustrative but the following are taken. In the first example (A) the house is owned on mortgage for 25 years, then owned outright for 15. It is sold at the end of year 40, on a 65% mortgage (the average for all transactions) and owned on mortgage for the rest of the period (ie 10 years). In the alternative, example (B) the house is owned on mortgage for 10 years; sold at the end of year 10 and owned on mortgage for 12 years outright for 8; at the end of year 30 it is sold again, and owned mortgaged for 12 years and outright for 8. The present value of tax

relief (at 30%) are shown in Table 13; there are two values (A) and (B) for each of the four interest rates specified in paragraph 24 (plus $\frac{1}{4}\%$ over pool rate for cost of administration). The tax relief does not of course depend on whether the mortgage is raised from the local authority or from another source.

Table 13. Present Value of Tax Relief

	20 Years		50 Years	
	Initial Mortgage 80%	Initial Mortgage 90%	Initial Mortgage 80%	Initial Mortgage 90%
Interest rate and re-sale assumptions				
5% Assumption A	1,038	1,167	1,920	2,054
Assumption B	1,723	1,816	2,888	2,981
7% Assumption A	1,291	1,453	2,063	2,229
Assumption B	2,077	2,196	3,139	3,258
10% Assumption A	1,564	1,759	3,108	3,308
Assumption B	2,813	2,965	4,647	4,798
12% Assumption A	1,692	1,903	2,785	3,001
Assumption B	2,943	3,112	4,403	4,572

63. The figures in Table 13 reflect the inter-acting effects of higher mortgage rates which increase mortgage outgoings (and hence tax relief) at the outset, and of higher discount rates that cut down the present value of tax relief in more distant years. The present value of the tax relief is very sensitive to how frequently the house is re-sold, and when re-sale takes place. Such re-sales are not, of course, inconsistent with the purchaser being unlikely to have left the local authority sector during his lifetime if he had remained a tenant; selling and moving within the owner-occupied sector correspond in this respect to transfers and exchanges within the local authority sector.

64. Comparisons may now be made for the local authority and central government combined. Table 14 shows the first year cash flow comparison:

Table 14. First Year Cash Flow Comparisons

Local authority balance	+2,364/+2,481
Subsidy saving to central government	+518
Tax relief (a)	-278
<u>Combined balance</u>	+2,604/+2,721

Notes (a) 90% mortgage assumed, at $12\frac{1}{4}\%$ interest

65. The eight year comparison is shown in Table 15. To estimate tax relief, the mortgage rate paid by the purchaser, on which he gets his tax relief is taken to be equal to the pool rate plus $\frac{1}{4}\%$. The purchaser is taken to get tax relief at the basic rate (standard rate less earned income relief before 1973/74). The amount of relief, at any given interest rate, drops slowly as more of the instalments consist of principal. When interest rates rose, mortgage payments are assumed to have been increased.

Table 15. Example of Financial Effects: 1970/71 to 1978/79: Central and Local Government Combined

	Local authority balance	Subsidy withdrawn	Tax	Combined balance
1970/71	+914	+8	-58	+864
1971/72	+44	+8	-54	-2
1972/73	+35	+8	-53	-10
1973/74	+15	+8	-61	-38
1974/75	+41	+8	-78	-29
1975/76	+40	+8	-83	-35
1976/77	+28	+8	-88	-52
1977/78	+7	+8	-82	-67
1978/79	+3	+8	-79	-68

66. Tables 16 and 17 show the 20 and 50 year comparisons.

Table 16. Twenty Year Appraisal: Local Authority and Central Government Combined

	Local authority balance	Subsidy Withdrawn	Rent rebate subsidy	Tax relief	Combined balance
<u>4% Inflation, 5% Rise in Earnings, 5% Interest</u>					
Rents rise with earnings	+38/+4,422	+2,127	+936	-1,038/-1,816	+1,285/+6,447
Rents rise as in 1959-79	+125/+4,509	+2,196	+904	-1,038/-1,816	+1,409/+6,571
Rents rise as in 1929-79	+282/+4,666	+2,344	+841	-1,038/-1,816	+1,651/+6,813
Rents rise with prices	+385/+4,769	+2,533	+783	-1,038/-1,816	+1,885/+7,047
Rents rise as in 1969-79	+414/+4,798	+2,640	+767	-1,038/-1,816	+2,005/+7,167
Rents rise as in 1974-79	+278/+4,662	+3,294	+655	-1,038/-1,816	+2,411/+7,573
<u>4% Inflation, 6% Rise in Earnings, 7% Interest</u>					
Rents rise with earnings	+485/+4,138	+2,127	+783	-1,291/-2,196	+1,199/+5,757
Rents rise as in 1959-79	+688/+4,341	+2,196	+729	-1,291/-2,196	+1,417/+5,975
Rents rise as in 1929-79	+1,041/+4,694	+2,344	+634	-1,291/-2,196	+1,823/+6,381
Rents rise with prices	+1,306/+4,959	+2,533	+550	-1,291/-2,196	+2,193/+6,751
Rents rise as in 1969-79	+1,303/+4,956	+2,640	+532	-1,291/-2,196	+2,279/+6,837
Rents rise as in 1974-79	+1,046/+4,699	+3,294	+463	-1,291/-2,196	+2,607/+7,165
<u>9% Inflation, 10% Rise in Earnings, 10% Interest</u>					
Rents rise with earnings	+38/+4,422	+2,127	+936	-1,564/-2,965	+136/+5,921
Rents rise as in 1959-79	+125/+4,509	+2,196	+904	-1,564/-2,965	+260/+6,045
Rents rise as in 1929-79	+282/+4,666	+2,344	+841	-1,564/-2,965	+502/+6,287
Rents rise with prices	+385/+4,769	+2,533	+782	-1,564/-2,965	+736/+6,521
Rents rise as in 1969-79	+549/+4,933	+2,600	+729	-1,564/-2,965	+953/+6,738
Rents rise as in 1974-79	+954/+5,338	+3,294	+532	-1,564/-2,965	+1,815/+7,600

Table 16. Continued

	Local authority balance	Subsidy Withdrawn	Rent rebate subsidy	Tax relief	Combined balance
<u>9% Inflation, 11% Rise in Earnings, 12% Interest</u>					
Rents rise with earnings	+485/+4,138	+2,127	+783	-1,692/-3,112	+283/+5,356
Rents rise as in 1959-79	+688/+4,341	+2,196	+729	-1,692/-3,112	+501/+5,574
Rents rise as in 1929-79	+1,041/+4,694	+2,344	+634	-1,692/-3,112	+907/+5,980
Rents rise with prices	+1,306/+4,959	+2,533	+550	-1,692/-3,112	+1,278/+6,350
Rents rise as in 1969-79	+1,406/+5,059	+2,640	+514	-1,692/-3,112	+1,448/+6,521
Rents rise as in 1974-79	+1,564/+5,217	+3,294	+377	-1,692/-3,112	+2,123/+7,196

Table 17. Fifty Year Appraisal: Local Authority and Central Government Combined

	Local authority balance	Subsidy Withdrawn	Rent rebate subsidy	Tax relief	Combined balance
<u>4% Inflation, 5% Rise in Earnings, 5% Interest</u>					
Rents rise with earnings	-6,115/-1,568	+2,127	+4,306	-1,920/-2,981	-2,663/+2,945
Rents rise as in 1959-79	-5,310/-763	+2,196	+4,080	-1,920/-2,981	-2,015/+3,593
Rents rise as in 1929-79	-3,673/+874	+2,344	+3,654	-1,920/-2,981	-656/+4,952
Rents rise with prices	-2,303/+2,244	+2,533	+3,276	-1,920/-2,981	+525/+6,133
Rents rise as in 1969-79	-1,742/+2,805	+2,640	+3,151	-1,920/-2,981	+1,068/+6,676
Rents rise as in 1974-79	+12/+4,559	+3,294	+2,515	-1,920/-2,981	+2,840/+8,448
<u>4% Inflation, 6% Rise in Earnings, 7% Interest</u>					
Rents rise with earnings	-4,466/-433	+2,127	+3,276	-2,063/-3,258	-2,321/+2,907
Rents rise as in 1959-79	-3,208/+825	+2,196	+2,948	-2,063/-3,258	-1,322/+3,906
Rents rise as in 1929-79	-1,121/+2,912	+2,344	+2,391	-2,063/-3,258	+356/+5,584
Rents rise with prices	+463/+4,496	+2,533	+1,946	-2,063/-3,258	+1,684/+6,912
Rents rise as in 1969-79	+717/+4,750	+2,640	+1,853	-2,063/-3,258	+1,952/+7,180
Rents rise as in 1974-79	+1,391/+5,424	+3,294	+1,518	-2,063/-3,258	+2,945/+8,173
<u>9% Inflation, 10% Rise in Earnings, 10% Interest</u>					
Rents rise with earnings	-6,115/-1,568	+2,127	+4,306	-3,108/-4,798	-4,480/+1,757
Rents rise as in 1959-79	-5,310/-763	+2,196	+4,080	-3,108/-4,798	-3,832/+2,405
Rents rise as in 1929-79	-3,673/+874	+2,344	+3,654	-3,108/-4,798	-2,473/+3,764
Rents rise with prices	-2,303/+2,244	+2,532	+3,276	-3,108/-4,798	-1,292/+4,945
Rents rise as in 1969-79	-1,083/+3,464	+2,640	+2,948	-3,108/-4,798	-293/+5,944
Rents rise as in 1974-79	+2,632/+7,179	+3,294	+1,853	-3,108/-4,798	+2,981/+9,218

Table 17 (Continued)

	Local authority balance	Subsidy withdrawn	Rent rebate subsidy	Tax relief	Combined balance
<u>9% Inflation, 11% Rise in Earnings, 12% Interest</u>					
Rents rise with earnings	-4,466/-433	+2,127	+3,276	-2,785/-4,572	-3,635/+2,185
Rents rise as in 1959-79	-3,208/+825	+2,196	+2,948	-2,785/-4,572	-2,636/+3,184
Rents rise as in 1929-79	-1,121/+2,912	+2,344	+2,391	-2,785/-4,572	-958/+4,862
Rents rise with prices	+463/+4,496	+2,533	+1,946	-2,785/-4,572	+370/+6,190
Rents rise as in 1969-79	+1,080/+5,113	+2,640	+1,762	-2,785/-4,572	+910/+6,730
Rents rise as in 1974-79	+2,698/+6,731	+3,294	+1,229	-2,785/-4,572	+2,649/+8,469

EVIDENCE ABOUT THE EFFECTS OF SALES OF COUNCIL HOUSES TO SITTING TENANTS ON
THE NUMBER OF RE-LETS

1. The number of houses that would have become available for re-letting to new tenants but for sales to sitting ^{tenants} (and hence the effect of such sales on the number of new tenants that could be provided for) can only be estimated; it cannot be measured directly, even in principle. For what an individual householder who bought would have done if he had remained a tenant is undiscoverable. Only approximate estimates can be made; the purpose of this Annex is to bring together the available evidence.
2. What is being estimated is the effect on the number of new tenants that can be provided for, not (in this instance) the number of moves within the stock and hence the opportunities for households that are already tenants to transfer. When a house becomes vacant because the tenant has left the local authority sector altogether, the house is not necessarily let to a newcomer to the local authority sector; it may be let to a householder who is already a tenant but who wants a transfer. But if the house is re-let as a transfer, the re-letting will normally initiate a chain of moves analogous to chains of sales in the owner-occupied sector; at the end of the chain of moves is a new tenant.
3. The number of new tenants that can be accommodated depends on new building and on the number of departures. The effect of sales to sitting tenants on the number of new tenants who can be accommodated depends on the effect on the number of tenants departing from local authority accommodation. To estimate that effect, it is necessary to assess how soon and in what numbers those householders who buy, and only those who would have left the local authority sector if they had remained tenants.
4. The most recent year for which the number of households leaving the local authority sector can be estimated is 1977. The Re-Lets Enquiry for that year shows that in England 169,000 new tenants were accommodated, excluding those in new or newly acquired dwellings, or in dwellings vacated as by households already tenants who moved to new houses. There was as well an increase of 11,000 in the number of vacant dwellings (5,000 available for letting, 6,000 undergoing or awaiting repair or modernisation). The number of households leaving the sector altogether was thus 180,000 if none of the increase in vacant dwellings were new or newly acquired. Some may have been; so a range of 175,000-180,000 may be taken, ie 3.7%-3.8% of all dwellings in local authorities Housing Revenue Accounts.
5. The figures of 175-180,000 in total and 3.7-3.8% of the whole stock refer to departures from the local authority stock for all reasons. The reasons include:

- (a) Death
- (b) Going to live as a member of someone else's household
- (c) Going to live in an old people's home or similar
- (d) Moving away to buy an owner-occupied house
- (e) Moving away to a house rented from a private landlord, employer, or housing association
- (f) Emigration
- (g) Marriage or re-marriage that results in the matrimonial home being somewhere else

Of these (a), (b), and (c) may conveniently be termed "old age" re-lets; (d) and (e) "change of tenure" re-lets. Emigration is a distinct reason for departure; but marriage or re-marriage (eg a widow who is a local authority tenant who marries a widower who is an owner-occupier, and they make their home at his residence) is probably fairly rare as a reason for departure. The distinctions drawn are important in the present context because they show that the probability of an individual tenant leaving the local authority sector within a specified period of time is strongly influenced by his age. For a man aged 40, for example, the "old age" departures will not be relevant for many years.

6. Approximate estimates (which are provisional and subject to revision in the light of further work) are shown in Table 1.

Table 1. Departure (Including Dissolution) Of Households from the Local Authority Sector, England 1977

(a) Deaths		75,000
(b) Dissolution of households due to moves to live with another household	}	20,000
(c) Moves to old people's homes, etc		
(d) Moves to owner-occupation		50,000
(e) Moves to tenancies rented from private landlords, employers, housing associations		20,000
(f) and (g) Emigration, re-marriage, etc		10,000
<u>Total</u>		<u>175,000</u>

7. The "old age" departures take place (by definition) at the higher ages. A rough estimate is that of the households dissolved by death, two-thirds are men and women (mainly women, most of them widows) aged 75 and over. From what is known of the age of residents in old people's homes it is safe to conclude that a high proportion of the "old age" departures from local authority tenancies for reasons other than deaths are of householders aged 75 or over.

8. Evidence of the age of heads of households moving from local authority tenancies to owner-occupation is given by the DOE's Movers Survey (Table 2). Owing to sampling variation, the margins of uncertainty are considerable.

Table 2. Age of Heads of Households Moving From Local Authority Tenancies to Other Tenures: England 1977

Age	Moves to Owner-Occupation		Moves to Renting from Private Landlords, Employers, HA's	
	Number	Percent	Number	Percent
Under 30	14,000	28	7,000	34
30-44	24,000	48	3,000	17
45-59	10,000	19	5,000	26
60-69	2,000	4	3,000	13
70 or over	...	1	2,000	10
<u>Total</u>	50,000	100	20,000	100

Notes: The figures are shown to the nearest 1,000 to avoid rounding discrepancies, but are not as precise as that.

Source: DOE, Movers Survey

9. The movers to owner-occupation are heavily concentrated in the younger age ranges; some three quarters were under age 45. Mortgage statistics (the DOE/BSA building society mortgage survey) show an even heavier concentration in the younger age groups; of the first-time purchasers in 1977 with building society mortgages who were local authority tenants before they bought, some 85% were under age 45.

10. Movers to accommodation rented from private landlords, etc, appear to be more evenly spread between age groups.

11. Outward migrants, other than dependent children, are predominantly young adults. Of emigrants aged 15 or over, some 85% are (on the evidence of the International Passenger Survey) under age 45.

12. In summary, departures from the local authority sector appear to be concentrated at the high ages ("old age" departures) and at below middle age (most who move out to owner-occupation, and emigrants), with comparatively few departures by householders between the mid-40's and mid-60's in age (perhaps 11,000 to owner-occupation, 7,000 movers to private renting, a few older emigrants and a few re-marriages, making 20,000 or so in total). Only about 20,000 or so out of a total of 175,000 departures (about 11%) are in this middle (mid-40's to mid-60's) age range; but within this age range are some 2 million out of the total 5 million local authority (and new town) tenant households.

13. The significance of the estimates of the age of households departing from the local authority sector lies in the comparison with what is known about the age of tenant householders who bought their houses from the local authority. Evidence here is not plentiful, and consists of data extracted from local authority records in Halesowen, Stafford, Warley, West Bromwich, and Wolverhampton (Miss P Niner, Local Authority Housing Policy and Practice, Centre for Urban and Regional Studies, Birmingham University, 1975); and collected in Birmingham by interview survey (A Murie, The Sale of Council Houses, Centre for Urban and Regional Studies, Birmingham University 1975). This evidence, which relates to sales in 1973 or earlier, was summed up by Murie as: "... a clear picture emerges of the 'typical' council house purchaser household. The householder has been a long established tenant, is in middle age with a fairly large family growing up. He is earning above average wages, usually in a skilled manual occupation. The family has often reached the stage in the family cycle where more than one wage earner is living at home" (A Murie, op cit, p103). The ages of heads purchasing households in Birmingham according to Murie's survey are shown in Table 3.

Table 3. Age of Birmingham Householders Buying As Sitting Tenants

	Percent
Under 30	1
30-39	19
40-49	30
50-59	37
60-69	9
70 and over	4
	<u>100</u>

Source: A Murie, The Sale of Council Houses (1975), Table 6.2

14. Murie's survey also found (A Murie, op cit, Table 6.8) that of his sample of purchasers 7% had considered buying elsewhere, and 93% had not. Since the sample was drawn from households that had bought within the previous 5 years, it is possible that a few purchasers may have moved in the meantime, but the proportion was probably small in view of the pre-emption clause. So even if those who had moved already were more likely to have considered buying (possible but not necessarily so), the 93% who had not otherwise considered house purchase is unlikely to have been much of an over-statement. Murie's survey is the only evidence on this point. It refers to Birmingham, and to purchasers in the 5 years before 1973, so there must be some uncertainty about how far it applies to purchasers at other times and other places. No contrary evidence, however, has been reported thus far. The conclusion that follows is an important one: that very few of the 50,000 or so local authority tenant households that moved away to buy a house would have bought instead as sitting tenants if they had had the opportunity.

15. Most sitting tenant purchasers are not old enough for many of them to die, or have to go to live with relatives, or go into a home for old people, in the near future. Moreover, before a vacancy occurs which will enable a new tenant to be accommodated, not only must the death of the householder take place, but that of his widow as well, or a move by her to live with relatives, or to an old people's home. In about 70% of marriages the husband pre-deceases the wife; and on average, wives are about two years younger than their husbands. The expectation of life for females is higher than for males, which further lengthens the interval before a vacancy would occur as a result of death.

16. Sitting tenant purchasers in the early 1970's appear to have been concentrated by age in the forties and fifties. Murie's data for Birmingham (Table 3) shows rather more in their fifties and fewer in their forties than did the data collected by Miss Nines (due partly, perhaps, to Murie's figures relating to age at time of interview and Miss Niner's to age at date of purchase). So the life expectations of purchasers both in their forties and their fifties are relevant. For householders aged 40-49 the expectation of life, including that of a surviving widow two years younger, is between 31 and 42 years; for householders aged 50-59 it is about 30 years. If the two groups are combined the average interval before both the tenant and his widow are gone would be about 36 years. This was rounded down to 35 years, as some people, widows especially, give up living on their own and go to live with relatives or in a home for old people before they die.

17. In short, nearly all sitting tenant purchasers would otherwise have remained tenants until their death, when the widow would take over the tenancy. Not until she ceases to live as a tenant is there any effect on the number of new tenants that can be accommodated.



DEPARTMENT OF THE ENVIRONMENT

2 MARSHAM STREET
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01-212 7601

30 November 1979

MINISTER FOR HOUSING AND CONSTRUCTION

M A Pattison Esq
Private Secretary to the Prime Minister
No 10 Downing Street
London SW1

Dear Mike

The Prime Minister expressed an interest in our Department's list of forthcoming events which included a reference to the issue of a revised general consent to council house sales.

We propose to issue on Wednesday next, 5 December, an amendment to the existing general consent in order to incorporate two points that will be helpful to tenants buying their homes and that are going to be included in the Right to Buy legislation.

The amendment will:

- i. allow local authorities to give credit, for discount purposes, to any period in which a purchaser had lived with a spouse who was a council (or new town) tenant. Under the present general consent, it is only the tenant himself who can count the period of his tenancy for discount purposes, which can be very unfair on widows and those who are divorced or separated.
- ii. allow authorities to take into account, in assessing the price of a council house, the value of improvements made by the occupier, thus avoiding the tenant having to pay twice for his own improvements.

At the same time we shall make similar changes in the general consent for new towns.

An inspired PQ on the amendment to the general consent is
being put down for Answer on Wednesday.

Yours sincerely

Hyder Thomas

MRS L A THOMAS
Private Secretary

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3-DEC-1979

11 12 1
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DAVID A. J. SMITH
1111

David A. J. Smith
1111

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Housing

Treasury Chambers, Parliament Street, SW1P 3AG

17 May 1979

The Rt Hon Michael Hesletine MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
LONDON
SW1P 3EB

Michael Hesletine

COUNCIL HOUSE SALES

You copied to the Chief Secretary your letter to the Prime Minister in which you stated your intention to announce this afternoon your revised Ministerial consent to local authorities to offer discounts consistent with the manifesto for sales of council houses. This may involve departure from the general principle incorporated in the Town and Country Planning Act 1959 that local authorities should secure the best price on disposal of assets and, although I am advised that you are empowered to authorise such departures, it is essential, in terms both of public expenditure and of presentation, that the financial benefits from council house sales are maximised. In this context, this would mean:

- a. increasing as much as possible the proportion of private mortgage finance. Any reference to 100% mortgages should not be to local authority mortgages since that will greatly reduce the immediate and much needed public expenditure benefits. Any such reference should be consistent with the Prime Minister's careful qualification in her speech on the Debate on the Address when she stated that

"We will give to every council tenant the right to purchase his own home at a substantial discount on the market price and with 100 per cent mortgages for those who need them."

(Hansard 15 May Col 80).

- b. avoiding any public commitment to replacement building. It will make no sort of economic sense if stock sold at a discount is replaced by new building.

I am copying this letter to the recipients of yours.


Prime Minister

Prime Minister

16.4.79 2


To be announced this afternoon. Training (Flag A) are content subject to two points.

1. When I wrote to you on 11 May about the sale of council houses I said that I would let you know the details of the discounts which I would enable local authorities to give. We cannot, of course, as yet compel local authorities to sell. That will come in our legislation giving tenants a right to buy. But for those local authorities who are willing to sell we can go a very long way to giving effect to our Manifesto commitment, particularly in relation to discounts. I propose forthwith to enable local authorities to allow discounts to tenants of 3 years standing in line with those in the Manifesto.

2. The Manifesto sets out a range of discounts for people who have been tenants for 3 years or more. We have to decide also what to do about tenants of less than 3 years' standing. On that I propose to allow discounts to be given based on the most generous discounts available by general or special consents during the period from 1970 up till March 1979 when Mr Shore revoked the consent then in force.

3. The overall effect is, therefore, to introduce discounts as set out below.

a. People who have been tenants for up to 3 years may receive 30% discount; tenants of up to 4 years may receive 33% discount with an additional 1% for every complete year of tenancy rising to a maximum of 50% for a tenant of 20 years or more; and




b. People who are not tenants but are buying a council house for their own exclusive use may receive discounts of either 20% or 30% depending upon whether they opt for a 5 year or an 8 year period (the pre-emption period) during which they will be unable to resell at a profit.

4. We were always preoccupied in devising our Manifesto scheme that people might make a killing by buying a house at a discount and selling it quickly. Our solution in the "right-to-buy" legislation will be a 5 year profit-sharing scheme whereby the local authority take the lion's share of any profit (probably 80%) if a house is sold in the first year and then declining to 20% in the 5th year. For various legal reasons, it is easier now to preserve the sort of safeguard contained in consents over the past 10 years than to go for our prospective form of safeguard. Until we have fresh legislation there will be a condition on sale that if an authority has granted a discount it shall have the right to buy the house back at sale price within a period of 5 years if the house is sold by a tenant; or 8 years if it is sold at a 30% discount by someone who has not been a tenant.

5. I shall consider whether in our forthcoming legislation we can apply our proposed profit sharing arrangements retrospectively, since I think these are likely to be more favourable to the individual than the pre-emption system. It will certainly be my intention to do so unless we hit major snags.

6. I will be open to the question why we have introduced fresh arrangements now when there is the prospect of legislation. The answer is that many authorities will have



been frustrated from selling houses to willing buyers by Mr Shore's arrangements and we ought to encourage them to go ahead now. By doing so they will be safeguarding themselves against possible future price rises. We shall, too, be giving a possible boost to increased mobility by doing so.

7. I shall announce the essential features of the scheme in tomorrow's debate.

8. I am copying this to Cabinet colleagues and to Sir John Hunt.

WJH

MH

176 MAY 1979



cc to Walter
Mr Pyde
Mr James

Prime Minister Housing 2



PRIME MINISTER

It is all right -
discounts are 2/4 14/5
market value
and the result will
be below cost price

To note. On the new discounts, I have warned DOE that you will want to have the Chief Secretary's views.

11/5

The Prime Minister will remember that on 16 March Mr Shore introduced measures which restricted the right of local authorities to sell council houses. We gave an immediate commitment that we would repeal this provision. I intend to do that forthwith.

The Prime Minister will also be glad to know that under existing legislation we can proceed at once to a partial implementation of the manifesto commitment. We can authorise those authorities that wish to do so, to sell homes to existing tenants at the more generous discounts set out in our manifesto. It may prove possible to proceed with our plans for the sale of homes in the New Towns simply by instruction. I am still awaiting advice on this. We shall, of course, have to wait for legislation to give tenants the right to buy in those areas where local authorities will not agree to sell.

I plan to announce the reversal of Mr Shore's measures on Saturday to coincide with George Younger's speech. I will make another announcement very soon on the precise nature of our new discounts, and will ensure that your Office are informed beforehand.

I am copying this to Cabinet colleagues and Sir John Hunt.

Mr Younger will be announcing the same reversal for

use of
MH

Scotland. I have also warned his office not to go firm on lower

discounts without first consulting the Chief Secretary.

ant.

11 May 1979

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