

PRIME MINISTER

Overtake - PA
MJS

LOCAL GOVERNMENT BILL: DEFEATS IN THE HOUSE OF LORDS

I am sorry to have to tell you that the Government was defeated twice in the House of Lords this afternoon on the Local Government Bill.

The reason for the defeats was not a revolt by Government supporters, but the absence of several Peers at Lord Dilhorne's memorial service, together with a certain amount of illness. The majority in each Division was only three.

One of the amendments which has been carried is of considerable importance: it restricts the right of the Secretary of State for the Environment to require new towns to sell their assets. The effect of the amendment would be to provide that such sales could go ahead only where the proceeds would be used for the development of the new town in question. The second amendment is a technical one about powers of recovery of funds arising from sales of new town assets. DOE officials say that there are alternative ways of reaching the same objective within the Secretary of State's existing powers, and they are not concerned about this afternoon's ^{second} defeat. It will be necessary, however, to think hard about whether to try to reverse the first amendment in the Commons or, instead, to come to some sort of accommodation over it.

As I dictate this, the Lords Business Managers are discussing whether to try and complete the Committee stage tonight.

They *
didn't finish the
Bill; in my view,
postponement is
now inevitable
MJS

They doubt that they can. If they decide to use an extra day, then we must postpone the State Opening.

I will report to you further about what they decide on the handling of the Bill, but no doubt you will want Lord Soames and Mr. Heseltine to report briefly to colleagues in Cabinet on Thursday morning.

MJS

14 October 1980