

Ref A0977

PRIME MINISTERHOUSING BILL

An unresolved Treasury
DoF dispute threatens
publication of the Housing
Bill next week.

If the timetable is to be
maintained (and you told
1922 committee of it) the Bill
will have to be introduced
as drafted, with the Treasury
amendment introduced later if

A You will have seen from the letter from the Secretary of State for the Environment dated 14 December that there is an unresolved dispute with the Chief Secretary (his letter of 11 December, attached) about the right of a council house tenant to a local authority mortgage.

2. The Housing Bill as now drafted confers on tenants a right to a mortgage. The Chief Secretary's view has always been that the Government must seek the maximum injection of building society funds into this operation, in order to reduce the public sector borrowing requirement. Expenditure plans for later years provisionally assume that there will be £300 million a year of net receipts from council house sales. This will not materialise unless private finance is brought in. The Chief Secretary would therefore like to include in the Bill a provision which would oblige a tenant to seek a building society mortgage before he applied for a local authority mortgage.

3. The Secretary of State for the Environment, on the other hand, does not wish to oblige tenants under the Bill to seek a building society mortgage first. He fears that some Labour local authorities would use such a requirement as an excuse to frustrate the right to buy. He considers it necessary to include in the Bill an overt right to a local authority mortgage, so that local authorities cannot use the financial weapon as a means of stopping the sale of council houses. The problem has not arisen on the comparable Scottish Housing Bill, which avoids mentioning overtly the right to a mortgage.

4. The Bill is due to go to Legislation Committee on Tuesday, prior to introduction in the House before the Christmas recess. Unless the Secretary of State and the Chief Secretary reconcile their differences, the Committee will be unable to approve the Bill for immediate introduction. That would rule out the possibility of Second Reading until the last week of January. You yourself, I believe, have told the 1922 Committee that the Bill will be published next week.

5. Unless you are prepared to agree that the introduction of the Bill should be deferred until this issue is sorted out, there are only two possible ways forward. You could settle the matter in favour of the Secretary of State for the Environment; which would allow the Bill as drafted to be introduced; or, if you did not want finally to overrule the Chief Secretary without consultation when potentially there is such a large sum at stake, you could indicate that the Bill should be introduced as drafted, but hold open the probability of introducing amendments at Committee stage to meet the Chief Secretary's point. The Chief Secretary is not likely to regard this as a satisfactory solution: there are obvious difficulties about waiting to the Committee stage to introduce a provision which would qualify the tenant's right to a mortgage, and he might feel that the position had been prejudiced. But I am advised that it would not now be possible to agree that the Bill should be amended and to draft and insert the necessary amendments, without putting off the Bill's introduction until after the Recess.

6. I attach a draft letter to the Secretary of State for the Environment, copied to the Chief Secretary and the Lord Chancellor, and to other members of Legislation Committee.

Robert Armstrong

for

ROBERT ARMSTRONG

14 December 1979

DRAFT LETTER FROM THE PRIME MINISTER TO THE SECRETARY OF STATE
FOR THE ENVIRONMENT

Housing Bill

I have seen a copy of your letter of 14 December to the Chief Secretary about the right to a mortgage, and also a copy of his earlier letter of 11 December.

It is important that the Housing Bill should be introduced before Christmas. It fulfils one of our main election Manifesto commitments, and we shall need to make progress with what is a lengthy and controversial Bill as soon as possible after the House reassembles in the New Year.

I strongly urge you and the Chief Secretary to do everything possible to resolve the differences which exist between you on the right to a mortgage before the Bill comes to Legislation Committee next Tuesday. I share your concern that we must not allow hostile local authorities to frustrate our policy. Equally, we must do everything possible to achieve a substantial injection of private finance into the sale of council houses.

If, in the event, you and the Chief Secretary cannot reach an accommodation before Legislation Committee, then we shall have to face the prospect of the immediate introduction of the Bill with the matter unresolved, with a view to taking a policy decision as quickly as possible, and carrying through any necessary amendments to the Bill in Committee. But, if we are going to insist that a tenant who wants a mortgage should approach a building society in the first instance, we ought at least to say so when the Bill is introduced, even if we cannot get the provisions into the Bill in time. So it would be much better to resolve the difference now.



I am sending copies of this letter to the Chief Secretary, the Lord Chancellor and other members of Legislation Committee, and to Sir Robert Armstrong.



14 DEC 1989