PART 15.

MT

Confidential Filing

HOUSING POLICY

HOUSING BILL.

HOUSING

Part 1 : May 79

Part 15 : March 89

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~3-2-89~~							
~~7.3.89~~							
~~23.3.89~~							
~~28/4/89~~							
~~5.5.89~~							
~~12.5.89~~							
~~17.5.89~~							
~~26.5.89~~							
~~2.6.89~~							
30.6.89							

PREM 19/2730

PART ENDS

HMSO Dd8953031 6/88 C60 GP2265 CCN13412 (3932)

PART 15 ends:-

PG to PM 30-6-89

PART 16 begins:-

PG to Welsh Office 3-7-89

PRIME MINISTER

AN EXPERIMENTAL FLEXI-OWNERSHIP SCHEME IN WALES

You will recall that a flexi-ownership scheme has now been launched in Scotland. This is ring-fenced by being run through Scottish Homes, a central Government body.

You will also recall that Peter Walker has been very keen to launch an experiment in Wales. He persists in claiming that such an experiment was agreed at your last Ministerial meeting, although this is not the case. Hitherto he has not had a specific proposal to put forward, but with his latest minute at Flag A he is proposing a specific experimental scheme for Wales.

He proposes to operate it through the Development Board for Rural Wales at Newtown Powys. The size of the experiment is very small. He is keen for an early response.

Most other colleagues have now commented:

- Malcolm Rifkind (Flag B) supports the Welsh experiment.

- But Nick Ridley (Flag C) is opposed. His objections are:

  - The scheme cannot be ring fenced because the Development Board for Rural Wales (DBRW) has identical housing functions to the English new towns; and if it extends to them there is a risk of substantial lost receipts from Right to Buy.

  - There is not the same need for an experiment in Wales where home ownership is already higher even than in England.

- John Major has not yet commented, but I am told that he may well sympathise with Nick Ridley's objections.

Richard Wilson's brief at Flag D highlights the main issues to be considered. I think the most substantial objection is the worry about repercussions on to the English new towns. But against that you will want to consider what importance you attach to allowing Peter Walker to take credit for having promoted the original concept of flexi-ownership. It was his baby, and I would guess that he will not take a rejection of this latest modest experiment lying down.

(i) Do you want to support Nick Ridley's objections to Peter Walker's proposal?

or

(ii) Content for Peter Walker to proceed with the experiment in Wales?

I have some sympathy with this pilot scheme - it was P.W.'s idea I think we should let this one go ahead as no legislation is needed

RPCC.

PAUL GRAY
30 June 1989
KAYAWY

CC/PM

SCOTTISH OFFICE
WHITEHALL LONDON SW1A 2AU

NBM
PRO
19/7

The Rt Hon Nicholas Ridley MP
Secretary of State for the Environment
2 Marsham Street
LONDON
SW1P 3EB

29 June 1989

Dear Nick,

LOCAL GOVERNMENT AND HOUSING BILL: SCOTTISH COMMUNITY CHARGE PROVISIONS flo/P713

I wrote to you on 8 December last year suggesting a number of areas in which the opportunity presented by the Local Government and Housing Bill could be used to change or tidy up our community charge arrangements. Since then I have been mindful of your request that we should restrict ourselves to essential amendments and on this basis I am prepared to leave to one side all but one of the candidates for change which I put forward at that time and which have not already been included in the Bill. The remaining candidate is the proposal to allow local authorities and CCROs the power to revoke civil penalties, which for ease of reference, I have outlined again in the Annex to this letter.

I would be grateful, however for your agreement and that of members of E(LF) to the 4 additional proposals relating to the community charge described in the Annex to which we now consider to be necessary. They are all technical amendments, which could be tabled at any time during the Lords stages. We are also considering together possible amendments to the standard community charge arrangements but have yet to conclude what changes should be made and these would of course have a very high priority.

I would also like to make a number of technical changes to our water and sewerage provisions. There has already been agreement with you that we should provide relief from a proportion of the non-domestic sewerage rate for churches, charities and certain other organisations and our intention to do this has been announced. In addition I would like to make a number of minor clarificatory amendments; to ensure that no community water charge is payable where, prior to 1949 a free supply agreement existed and still exists; to ensure that those liable to pay non-domestic water or sewerage rates are those who would have been liable for the non-domestic rate, had it been levied; and to remedy the unintended loss of exemption for formula rated industries from the non-domestic water rate due to repeal provisions in the Local Government Finance Act 1988.

I understand that you intend to amend your provisions relating to the transitional arrangements for revaluation for non-domestic rates which will apply from 1990. It may be that I will also require to amend the Scottish provisions but, like you, I am still considering the details of the phasing arrangements.

None of these amendments will be controversial and again I would like to introduce them during the Lords stages. I would be grateful for colleagues' agreement to this.

Copies of this letter go to members of E(LF) and L Committees.

Yours ever,

MALCOLM RIFKIND

ANNEX

PROPOSED AMENDMENTS TO COMMUNITY CHARGE ARRANGEMENTS IN SCOTLAND

1. Provision of Information by Registration Officers

Similar powers are required in Scotland to those described in the Secretary of State for the Environment's minute of 9 May to the Prime Minister relating to the provision by registration officers of information for statistical purposes.

2. Amendment to the Local Government (Scotland) Act 1973 - Voting disabilities

It is highly desirable that a retrospective amendment be made to section 41(4) of the Local Government (Scotland) Act 1973 in order to ensure that a member of a local authority, who would be liable to pay the standard community charge in respect of property in the area of that local authority, is not and was not disabled from considering and voting on decisions relating to the standard community charge. There is some legal doubt as to whether or not such a councillor would be disabled under the law as it stands and the Lord Advocate's view is that such a member could be held by the courts to be so disabled. An amendment to make it quite clear that members with standard charge properties can vote on matters relating to the standard charge is therefore highly desirable.

3. Payment of Interest in respect of Backdated Period

Section 18(3)(a) of the Abolition of Domestic Rates Etc (Scotland) Act 1987 provides that interest at a prescribed rate (10%) will be payable on any sum which a person is liable to pay in respect of a backdated period, with the interest liability beginning one month after the community charge liability began. However, because of the backlog of notifications of change of circumstance which CCROs are having to deal with, many will not be dealt with before the 10% interest starts getting added on to the mount due. Thus through no fault of their own, people who have notified CCROs timeously of a change in their circumstances, face having to pay interest on community charges due for a backdated period. It is

highly desirable that the possibility of this happening should be removed and an amendment is required.

4. Hearing evidence in community charge appeals

Some doubt has arisen in a case in Orkney as to whether a Sheriff can hear evidence in relation to a community charge appeal which comes before him under the summary application procedure. Although there is obvious obstacles to prevent evidence being heard in such appeals under existing procedures, Scottish Ministers agreed during the Report Stage of the Bill to consider introducing an amendment to put the matter beyond doubt.

5. Power to revoke Civil Penalties (already agreed by E(LF)

Having taken the Lord Advocate's advice, it is clear that an amendment is required to allow CCROs and local authorities to revoke civil penalties once imposed. At present they cannot legally do this in Scotland even if, for example, new information became available which suggested that an individual had a reasonable excuse. The amendment would bring the Scottish position more closely into line with England and Wales.

6. Rate Relief for Church Properties

The powers taken in the Local Government Finance Act 1988 are inadequate to exempt from rates the same range of church property as in England and Wales. In order to bring the position in Scotland into line with that in England and Wales it is necessary to amend the Scottish provision.

7. Appeal to the Lands Tribunal

The decision as to whether valuation appeal should be referred to the Lands Tribunal for Scotland vests currently solely with the Valuation Appeal Committee. This has not proved wholly satisfactory and amending legislation is needed so that ratepayers can appeal against the decision of a Committee not to refer a case, and that that appeal should be to the Tribunal itself.

HOUSING : Policy PT 15



chex.ps/ds2/114 **CONFIDENTIAL**

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

27 June 1989

Rt Hon Nicholas Ridley MP
Secretary of State for the
Environment
Department of the Environment
2 Marsham Street
LONDON
SW1P 3EB

NBPM

RRcG
28/6

TAX RELIEF FOR LODGERS

At the meeting of E(LF) on 16 May, which discussed homelessness, I was asked to have another look at the possibility of tax relief for householders who take in lodgers.

As you know, I am more than happy to do what I sensibly can to help you bring more private rented accommodation onto the market. I entirely agree that this is a major priority; and I included a very substantial tax incentive in my 1988 Budget. All the evidence suggests that this is going well. The extension of the Business Expansion Scheme to private renting has already raised over £1/3 billion in just one year.

So I have looked at the rent-a-room proposal in the same positive spirit. I certainly see the attractions of making it easier for young people to live in family homes, if we can; and if I thought that a modest tax relief would help to get homeless people out of cardboard boxes and off the streets, I should propose the relief without any hesitation. As you know, I considered this very carefully before the Budget.

But having looked at it again, I have to say that, with the best will in the world, I do not believe that it would do much good. The plain fact is that most people who rent out a room or two pay little or no tax anyway; and most people who could rent out rooms but don't are simply reluctant to share with strangers. So giving tax relief would not make much difference.

I have considered whether it might nonetheless be a cheap concession - something which might not do much harm, and might do a bit of good. If so, we might be able to present it as a small

way of encouraging families to ease the country's social problems, rather than leaving them to the nanny state.

But the price of this would be yet another unwelcome complication in the tax system. I do not want to exaggerate it, but the rules would, I am afraid, be far from simple. The explanations, and the questions which would need to be asked in tax returns, could be quite off-putting to ordinary taxpayers. There would be all sorts of borderline problems, and constant pressure to extend the relief. And it would leave us that much more open to the steady drip of similar proposals to festoon the tax system with special exemptions and reliefs. I would gladly live with all this if I thought it would genuinely help to house the homeless; but, as I say, I do not believe that it would.

Moreover, I suspect that tax relief would be seen as an empty gesture. We could not pretend that it would be anything like as effective or well targeted as last year's extension of the Business Expansion Scheme to private renting. It could be presented by the Opposition as yet another tax break for well-off owner occupiers; and, worst of all, it might look like a gimmick. As I remember it, that was pretty much the reaction when the Alliance ran the idea at the last election.

I do not say any of this on doctrinal grounds. As you know, I have never argued the purist case that there should be no special tax reliefs; but I do believe that it has done the Government a power of good to establish the general presumption against them. In this case, I do not believe the benefits are sufficient to outweigh that presumption.

I attach an Inland Revenue paper which goes into more detail. I have now looked at the arguments carefully on more than one occasion, but the best judgement I can make is that rent-a-room would do little if anything to solve the problem of homelessness, and would have a significant cost in further complicating and fiddling around with the tax system. So I just do not think it is worth it.

I am sending copies of this letter to the Prime Minister and Sir Robin Butler.

NIGEL LAWSON

CONFIDENTIAL

TAX RELIEF FOR LODGERS: NOTE BY INLAND REVENUE

1. This note considers the arguments for and against a tax relief for householders who take in lodgers.

Tax treatment of income from lodgings

2. The present tax treatment is that -

   (a) where the landlord provides a certain level of service to the lodger (the rooms are cleaned, or breakfast offered etc) the rent is treated as "earned income";

   (b) in other cases it is treated in the same way as rent from property generally, that is as 'investment income'.

3. Where the landlord is a married couple and (as is probably normal) the 'services' are provided by the wife, she can set against her profit her wife's earned income allowance. In other cases, and in the case of investment income generally, the income is treated as the husband's for tax purposes.

4. From next year, Independent Taxation will make the tax treatment somewhat more favourable in this kind of case. The wife, in a married couple, will have her own personal allowance, to set against her share of any profit from letting lodgings, whether or not she provides the lodger with any level of services. For example, where the house is jointly owned by a husband and wife - and assuming that neither husband nor wife provides services to the lodger - the profit from lodgings would normally be treated as shared equally between the two, and each would have their own personal allowances to set against it.

Purpose of a new tax relief

5. The purpose of the relief would be to increase the supply of rooms available to let to homeless single people, particularly young people looking for work away from home; and to do so by encouraging householders who are not professional landlords, but who happen to have rooms available in their houses, to make them available for letting.

6. It would not be the intention to extend similar relief to the "professional landlord" who runs a bed and breakfast place, boarding house, or private hotel in which he and perhaps his family also live, or who lets rooms as bed-sitters or as self-contained (or partially self-contained) flats in a large Victorian house which is also his own home.

7. This note reviews -

- how a relief of this kind might be targeted; and
- what it would be likely to achieve.

Targeting

8. It would be necessary to have clear and simple rules to target the relief:

- clear: because to let in the 'professional' landlord could not only unbalance the cost of the relief, but also be indefensible on its merits (on the illustrative figures used in this note it could give the small hotel keeper a personal tax threshold at least twice as high as other self employed entrepreneurs);
- simple: because the target would be the small private householder - classically, indeed, a married woman or widow who would not otherwise have to submit any tax return to the Inland Revenue. It would be indefensible to have a scheme which required her to employ costly professional accountancy support.

9. There is no ready-made definition of "amateur lodgings", in tax or housing law, which adequately meets the objectives. Some obvious possibilities include conditions that:

(i) the accommodation should be furnished;

(ii) there should be some sharing of facilities eg a bathroom or a kitchen; and, possibly

(iii) the landlord should have to provide some services eg breakfast, cleaning or laundry.

10. But these would not of themselves be sufficient. For example, some facilities are commonly shared in private hotels, boarding houses and in houses partly let out as bed-sitters etc. And even if they were not, it would be a relatively easy matter to arrange a minimum degree of sharing (eg of storage, laundry or bathrooms) to get within the condition.

11. Thus, it seems clear that - as the Secretary of State for the Environment suggested - there would need to be a 'ceiling' on the relief. The question is 'what type of ceiling?" There are a number of options, none of them without problems.

A financial ceiling

12. For the sake of simplicity a financial ceiling ought clearly to be expressed in terms of a weekly/monthly gross rent rather than the net taxable amount after expenses. Otherwise the householder could not know whether she was within the tax-exempt limit unless and until she knew fairly accurately both the amount of her expenses and the extent to which they would be deductible for tax purposes.

13. The amount of the exemption could be determined later but would need to be set at a level which would make sense in London and other large cities as well as in the provinces. If at all possible it would be desirable to avoid regional variations; and we would also need to take account of housing benefit implications. The ceiling, purely by way of illustration, might be of the order of £75 per week. To keep the scheme simple (and prevent obvious abuse) the ceiling would need to apply to total payments by the lodger(s), ie there should not be an artificial tax incentive to charge separately for accommodation, heating, hot water, food, cleaning, laundry etc in order to bring the rent for the room, by itself, within the relief.

Marginal cases

14. The difficult questions arise in dealing with the case where the rent just exceeds the ceiling. In theory there are 3 possible approaches:

(a) A tax free slice; thus, the first (say) £75 of rent would be free of tax, and only the excess would be taxed. This, however, lets in the 'professional' landlord - see paragraph 8 above.

(b) A 'sudden death' cut off; thus, rent of up to £75 would be free of tax, but if rent exceeded £75, it would be taxed in full (subject of course to the usual relief for expenses). It is difficult to see that such a rule would make sense, or be defensible in practice. For example, suppose that a householder is letting lodgings for the maximum rent of (say) £75 a week; and suppose that the lodger asks her to provide lunch at the weekend for an extra £2. The householder could well be £10 or £15 a week worse off (at basic rate of 25%) because of the tax relief she would lose.

(c) Marginal relief: thus, there would be a rule to ensure that the effective marginal rate of tax never exceeded 100% on the additional net rent (after expenses). Annex A illustrates a possible formula. It would be disproportionately complex and difficult to operate in a scheme which would

need typically to be run by the widow in Clapham (as a taxpayer) and O level school leavers (in tax offices).

Numbers of rooms or lodgers

15. An alternative, or additional ceiling might be by reference to the number of rooms or lodgers. For example, relief might depend on there being not more than (say) 2 lodgers, and/or not more than (say) 2 living rooms being let. In principle, similar marginal questions would arise. For example, is relief lost if the householder partitions the second of her bed-sitting rooms? Or if married lodgers have a baby, or (alternatively) the elder child celebrates its, say, 16th birthday? Where the number of lodgers fluctuated, would each week or month be counted separately and relief given pro rata? The anomolies here recall the purchase tax debates which Sir Gerald Nabarro used to mount in the 1940s and 1950s.

Effects of relief

16. The likely benefits of a relief of this kind seem in the first instance to be largely presentational. It could provide a positive peg on which to hang the Secretary of State's proposed publicity campaign to encourage householders with spare rooms to make them available. The campaign could assure these potential "amateur landlords" that, provided they kept the rent they charged below the exemption limit, they would not need to have any dealings with the Inland Revenue at all if they took in lodgers. There is - at least at first sight - a deregulation argument here.

17. A relief might - at the margin - also be a way of encouraging owner-occupiers who were overstretched with mortgage payments, or elderly owner-occupiers who were contemplating leaving their houses because they could no longer afford to keep them in reasonable repair, to stay in the owner-occupier sector; though it could equally be argued that such people should be encouraged to move into smaller accommodation, releasing larger houses for younger families.

18. But it is far from clear that there would be much (if any) substance behind the presentation.

19. The first, simple, fact is that at present no - or very little - tax is in practice payable on rents, where the householder takes in one or two lodgers. This is partly because expenses are (of course) deductible from the gross rent; and there is inevitably a broad "grey area", in calculating and apportioning expenses etc, where taxpayers may give themselves the benefit of the doubt, and which busy tax offices will very seldom

question, where there are only one or two lodgers. Where the householders are a married or cohabiting couple, the woman's own personal allowance will often be available to cover any balance of "profit", over and above the personal allowance due to the man.

20. More generally, it seems doubtful whether worries about tax are to the forefront of many people's minds, when thinking about taking in lodgers. Other factors are likely to have much more influence. For example some people living alone will want lodgers because of the human contact; others will simply not want the bother of bringing strangers into their houses; and others again will be more concerned at the possible difficulties of getting rid of lodgers who turn out to be unsatisfactory tenants. The provisions in the Housing Act should be helpful here.

21. If the scheme had tapering provisions of the kind described in paragraph 14(b) - and the alternative looks intolerable - that would rob the scheme of any claim to simplicity and correspondingly weaken its presentational attraction. Thus -

- The direct effects would be compliance costs for taxpayers (for example, even the simple tax returns would have to have guidance notes, explaining the sort of calculations indicated in Annex A), as well as administrative costs for tax offices.

- Indirectly, there could be perverse consequences from both the publicity that would need to be given to the new rules, and the instructions and training that would need to be given to tax offices about how to work them. Inevitably, all this would focus new attention on the fact that there is a potential tax liability on income from lodgings. There is a not insignificant risk that the result could be to bring into question small tax liabilities which in practice neither householders nor tax offices commonly bother about, where there are only one or two lodgers in question.

22. Finally, it would be of the essence of this scheme that it would not extend to professional landlords who were involved on a larger scale than private householders in providing accommodation for single people, or other potentially homeless people. But they could be expected to mount continuous pressure to extend it. Indeed, in terms of housing policy it is by no means clear what the justification would be for denying professional landlords relief if the objective is to reduce homelessness; but bringing them in would change significantly the character and scope of the relief, and would involve a large deadweight cost.

Government's tax policy

23. The case for any new tax relief must be assessed against the Government's tax policy. The general policy is one of base broadening and rate reduction, and the Government has where possible removed unwarranted tax breaks. The general presumption is therefore against special tax reliefs. This is, however, not a rigid policy. The Chancellor has been prepared to introduce well-targeted tax reliefs where they can be justified on wider economic grounds. The BES for private renting is such a relief. Designed to complement the Government's deregulatory measures, it was well-targeted (drawing on the assured tenancy definitions); it was perceived as likely to stimulate new investment in the rented sector so having a significant impact on supply; and it would have little deadweight. Finally it was an extension of an already successful relief and could be introduced on a temporary basis.

24. The rent a room relief on the other hand is unlikely to make much difference to supply, it cannot be easily targeted and it would be likely to be a permanent feature of the tax system. The case against the relief on tax policy grounds is therefore strong.

Conclusion

25. Presentational attraction can be seen in a relief on these lines. Against that, however, -

(a) it runs against the grain of our tax reforms generally;

(b) it presupposes rules to target the relief which are likely to be not only arbitrary, but irrational, unfair, or disproportionately complex (or a mixture of each); and

(c) relief itself is likely to have little or no useful practical effect; indeed, there is a not insignificant risk of perverse side-effects.

26. The Government introduced last year a significant new tax relief for investment in housing - the Business Expansion Scheme for assured tenancies. The indications are that, up to April 1989, this has raised in the region of £350m for investment in housing.

27. These arguments against the new relief seem compelling.

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SCOTTISH OFFICE
WHITEHALL. LONDON SW1A 2AU

The Rt Hon Peter Walker MBE MP
Secretary of State for Wales
Gwydyr House
Whitehall
LONDON
SW1A 2ER

27 June 1989

Dear Peter,

AN EXPERIMENTAL FLEXI-OWNERSHIP SCHEME IN WALES

I have seen your minute of 20 June to the Prime Minister and for my interests I am content that you should proceed as you propose with a Welsh flexi-ownership scheme.

My officials will be happy to liaise with yours on our experience of operating the parallel Rents to Mortgages scheme in Scotland especially when the time comes for a full and careful evaluation of these initiatives.

A copy of this letter goes to the Prime Minister, John Major, Nicholas Ridley, Professor Brian Griffiths and Sir Robin Butler.

Yours ever,

MALCOLM RIFKIND

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Housing - Pdry Pris -



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D 295

MR GRAY

P 03486

AN EXPERIMENTAL FLEXI-OWNERSHIP SCHEME IN WALES

You asked for advice on the Secretary of State for Wales' minute of 20 June to the Prime Minister. He wants to announce a limited experimental flexi-ownership scheme in Wales.

BACKGROUND

2. At the Prime Minister's meeting on 25 January, Ministers decided not to introduce a general scheme of flexi-ownership while conventional Right-To-Buy (RTB) receipts in England and Wales were so buoyant. But they agreed that conditions in Scotland were different, because of the higher level of public renting and lower level of owner-occupation there, and invited Mr Rifkind to bring forward proposals for an experimental scheme to be operated by Scottish Homes. This he did on 25 April. Following discussion with the Treasury an amended scheme was announced at the Scottish Conservative Conference in early May.

3. After the Ministerial meeting on 25 January, Mr Walker indicated that he too would wish to bring forward proposals for an experimental scheme in Wales. Although this had not been agreed at the meeting, your letters of 3 February and 8 May noted that Mr Walker would be putting proposals to colleagues.

MR WALKER'S PROPOSALS

4. The details of Mr Walker's scheme are identical to those agreed for the Scottish experiment.

5. Mr Walker proposes that the Development Board for Rural Wales (DBRW) should operate the scheme. The Board is equivalent to an English new town development corporation, and has about 1400 dwellings. These are mainly at Newtown, Powys, but a small number provide housing for key workers under the Board's

responsibility for industrial development throughout mid-Wales. The Board is not a receiving authority for tenants' choice, so the scheme would apply only to the existing dwellings.

MAIN ISSUES

6. The experiment proposed by Mr Walker is modest, and effectively ring-fenced. Since the intention is to wind up the housing functions of the DBRW within about 3 years, it should also be limited in duration. The small number of dwellings involved and the financial figures quoted in the papers suggest that the risk of substantial adverse implications for public expenditure is slight. The legal doubts expressed by Mr Ridley about earlier proposals for experiments based on housing associations do not appear to apply to the DBRW. As the originator of flexi-ownership, Mr Walker will no doubt attach considerable importance to an experimental scheme in Wales, to match that in Scotland. <u>These are all arguments in favour of allowing him to proceed</u>.

7. I understand, however, that Mr Ridley may be opposed, for the following reasons.

i. <u>There might be pressure to extend the scheme to tenants of new towns in England</u>. He may argue that capital receipts from RTB sales in the new towns are buoyant, and could be put at risk.

ii. <u>There is no real justification for a Welsh experiment</u>. He may point out that owner occupation in Wales is higher and the council sector smaller than in England, a very different position from that in Scotland.

iii. <u>The scheme is so modest in scope that it will not provide a worthwhile test of the flexi-ownership concept</u>.

8. We do not know what view the Chief Secretary will take. But he may be advised to raise some of the same points.

CONCLUSION

9. The Prime Minister will wish to consider whether the arguments for letting Mr Walker proceed with this modest scheme are sufficiently strong to outweigh the objections of Mr Ridley (and perhaps the Chief Secretary).

R T J WILSON
26 June 1989

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SECRETARY OF STATE FOR THE ENVIRONMENT

Prime Minister

AN EXPERIMENTAL FLEXI-OWNERSHIP SCHEME IN WALES

Peter Walker copied to me his minute of 20 June.

I am concerned that the scheme could not be ring-fenced. The Development Board for Rural Wales has identical housing functions to the English new towns. We have been able to argue that there is no equivalent Scottish or Welsh body with the landlord functions of Scottish Homes, and thus resist pressure for extension of the Scottish experiment; but I can see no good answer to the inevitable pressure to offer the same terms to English new town tenants. If we did this we would risk deferring substantial receipts: sales to new town tenants over the next three years are expected to yield about £210m.

One of the objects of the proposed scheme would be to test the concept of flexi-ownership. For the latter purpose, however, we have agreed that Scottish Homes should run a scheme on a much larger scale, with some 50,000 eligible tenants. A further initiative limited to some 900 tenants in Powys does not seem likely to contribute significantly to our assessment of the potential for flexi-ownership or related schemes.

The Scottish Homes scheme was also, of course, agreed in recognition of the need to bring owner-occupation in Scotland to a level more in line with the rest of the UK and reduce the public rented housing stock. Only 45% of the housing stock in Scotland is owner-occupied, compared with 67% in England, and local authorities and new towns own 47% of the stock compared with 23% in England. In Wales, however, the position is slightly better than in England: 69% owner-occupied and 22% local authority and new town housing. It seems hard to justify a special scheme.

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SECRETARY OF STATE FOR THE ENVIRONMENT

For these reasons I regret that I cannot support the proposal. I am copying this to Peter Walker, and to Malcolm Rifkind, John Major, Professor Brian Griffiths and Sir Robin Butler.

BB N R
26 June 1989

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

Housing
Policy



10 DOWNING STREET

Prime Minister

You saw these papers over the weekend and agreed that the Chancellor should write to Mr. Ridley. But I notice you did not look at his actual draft at Flag B — you may want to glance at the letter itself.

Still content for him to write?

Yes
NB

Yes I did — and underlined it. It is a reasonable & very well-drafted letter NB

BRC6
20/6

CONFIDENTIAL

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

26 June 1989

Dear Jonathan,

TAX RELIEF FOR LODGERS

Thank you for Alex's letter of 16 June enclosing a note by the Inland Revenue and a draft letter from the Chancellor to the Secretary of State for the Environment. The Prime Minister was most grateful for this material and is content for the Chancellor to write to Mr. Ridley in the terms he proposes.

Yours,
Paul

(PAUL GRAY)

Jonathan Taylor, Esq.,
HM Treasury.

CONFIDENTIAL

SCOTTISH OFFICE
WHITEHALL. LONDON SW1A 2AU

The Rt Hon Nicholas Ridley AMICE MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
LONDON
SW1P 3EB

22 June 1989

Dear Nicholas,

LOCAL GOVERNMENT AND HOUSING BILL: LORDS STAGES
GOVERNMENT AMENDMENTS

I am writing to seek colleagues' agreement to the inclusion of a small number of further amendments in this Bill. All are connected with housing. For convenience Appendix 1 to this letter sets out the various provisions required. This letter highlights the main points. These proposals were also summarised at Annex 1 of my letter of 20 June to John Belstead.

The first four items are connected in policy or presentational terms with the right to buy. You have already agreed for your part to item 1 (sanctions against continuing default by local authorities), the need for which emerged in consequence of obstructive attitudes to the right to buy by local authorities. This provision will be somewhat contentious, but it should not lead to lengthy debate. I need to be able to ensure that authorities which are found to be in default in, for example, obstructing the right to buy, should not be able to repeat that default without simple and immediate sanction.

I wrote to you on 24 May about item 2 (RTB discounts for family members and joint tenants) and I understand that this causes you no difficulty. These will be popular provisions. Item 3 is a technical amendment on the RTB.

Item 4 (RTB for tenants whose landlords possess only a lessee's interest) also seeks to extend the benefits of RTB as widely as possible. It is directed at helping an important group of tenants who are debarred from exercising the right to buy because their landlord is not the owner but holds the land on a lease. The problem exists in several parts of Scotland and is the subject to increasing representations from tenants and their MPs. Short of legislation, all we can do is encourage authorities who are willing sellers to acquire the owner's interest or, if they fail, to seek my consent to their disposing of their leasehold interest at discounts commensurate with RTB entitlements. But this still leaves the tenants without a right to buy, which is not satisfactory. Accordingly I propose to extend an existing power (section 77 of the Housing (Scotland) Act 1987) to allow me to make an Order vesting the owner's interest in the local authority so that the tenant can then exercise his right to buy the ownership of the house from the authority. The owner and any other

lessee would of course be entitled to compensation (under the Land Compensation (Scotland) Act 1963) which would be added to the cost floor for the house in question. This could be achieved by relatively minor amendments to the existing provisions. The provisions will enable us to maintain the momentum of RTB sales, and hence the funding of housing investment programmes.

Item 5 (care and repair) relates to provisions already in the Bill about which I wrote on 8 June. My officials are consulting yours about the detailed policy.

Item 6 (power to approve local authority assistance to private landlords) addresses a problem which I understand has also emerged to a lesser extent in England. Sections 25 and 26 of the Local Government Act 1988, designed to enable us to control the amount and form of assistance given by housing authorities to private landlords, have inadvertently imposed a new control on certain forms of assistance given under existing statutes eg by social work authorities. Because of differences in other statutes, the position is Scotland is not on all fours with that in England. I understand your officials take the view that the power to issue general consents under Section 26 of the 1988 Act may be sufficient to overcome the difficulty. In the case of Scotland, however, the issue of general consents would not adequately deal with the range and nature of the assistance requiring to be de-controlled. Our officials have corresponded about the details of all this. In view of the differences in the Scottish and English legislative and administrative background here, my proposal to amend the 1988 Act provisions as they affect Scotland would not oblige you to follow suit. I am clear that the changes, which would be simple to draft, should be made in Scotland and I hope you can agree to my bringing forward amendments for Lords Committee stage.

The remaining items are essential in order to correct a small number of errors in legislation which have come to light following passage of the Housing (Scotland) Act 1988. They are summarised in Appendix 1 and additional explanation may be found in Appendix 2. Items 7 and 8 are required to clarify certain powers affecting Scottish Homes; item 9 is necessary to ensure that the statute reflects our intentions on rent setting under assured tenancies, bringing it into line with the equivalent provisions for England and Wales; and item 10 is necessary to enable us to move more quickly towards abolition of phasing of rent increases for housing association tenancies subject to registered rents.

I seek colleagues' agreement to the introduction of amendments as set out in this letter.

Copies of this letter go to members of E(LF) and L Committees.

Yours ever,

MALCOLM RIFKIND

APPENDIX 1

LOCAL GOVERNMENT AND HOUSING BILL 1989
SCOTTISH HOUSING-RELATED GOVERNMENT AMENDMENTS PROPOSED TO BE TABLED IN THE HOUSE OF LORDS

Provisions to be amended	Purpose of Amendment	Policy Clearance	Comments
1. Section 211 Local Government (Scotland) Act 1973	To provide an effective sanction against continuing default by a local authority	Agreed by S of S Environment subject to Bill managers views	
2. Housing (Scotland) Act 1987 Section 61(10)	To improve the Right to Buy discount entitlement rules for family members succeeding to tenancy and joint tenants	S of S Environment has no objection	Lords Committee stage. Popular and uncontroversial. The Long Title will require amendment.
3. Housing (Scotland) Act 1987 (Right to Buy)	To clarify that the selling price under the RTB is to be calculated at the date of service of the tenant's application to buy	Sought in accompanying letter	Clarification measure
4. Housing (Scotland) Act 1987 (Right to Buy)	To enable tenants, whose public sector landlord has only a lessee's interest, to obtain a right to buy	Sought in letter accompanying this schedule	Legally complex. Unlikely to be controversial despite compulsory purchase of private interest. An amendment may not be ready until Lords Report
5. Local Govt & Housing Bill Clause 141 (Care and repair)	New Scottish clause to cater for different circumstances	S of S Scotland proposed new Clause in letter of 8 June. Policy under consideration	Inclusion in Bill already agreed.

6. Local Govt Act 1988, Sect 25 and 26 (Assistance to private landlords)	Amend S of S control powers so as to exclude social work and other local authority activities which have inadvertently been caught within scope.	Sought in letter accompanying this schedule	Essential in order to avoid burdensome introduction of new approval mechanisms for unexceptionable activities. Uncontroversial. Unnecessary for DOE to follow suit unless they choose. to follow suit unless they choose.
7. Housing (Scotland) Act 1987 Section 239A (Improvement grant powers of Scottish Homes)	Correct error inadvertantly giving to Scottish Homes a duty (duplicating l.a. duty) to provide mandatory improvement grants	Sought in letter accompanying this schedule	Essential to safeguard Scottish Homes from challenge for refusing mandatory grants and/ or financial burdens of meeting an unintended obligation.
8. Housing (Scotland) Act 1988 Section 2 (Power to approve Scottish Homes' operations)	To remove a doubt whether S of S may approve disposals of housing by Scottish Homes	Sought in letter accompanying this schedule	Desirable, to enable S of S to fulfil undertakings on voluntary disposals by Scottish Homes. Subject to confirmation that it is within scope of Bill.
9. Housing (Scotland) Act 1988 Section 24 (Assured tenancies)	To remove unintended restrictions on the ability of landlords to raise rents under assured tenancies.	Sought in letter accompanying this schedule	Essential.
10. Rent (Scotland) Act 1984, Sect 58 (Phasing of rent increases)	To allow amendment by order of formula for phasing rent increases for housing association tenancies.	Sought in letter accompanying this schedule	Highly desirable to enable more rapid progress towards removal of phasing. Will require amendment to Long Title.

BACKGROUND TO AMENDMENTS

Item 3: PURCHASE PRICE UNDER RIGHT TO BUY

Recent cases have revealed that there is a need to make it clear that the price of a house purchased under the right to buy is to be calculated as at the date of service of the tenant's application to purchase. This is existing practice but the RTB legislation is not wholly clear on the point.

Item 6: ASSISTANCE TO PRIVATE LANDLORDS

The Secretary of State's powers to issue wide-ranging general consents under section 26(1) of the Local Government Act 1988 are limited by his responsibilities under section 26(2) to consider the financial burden and risks associated with the assistance which is the subject of the consent. It would involve excess costs and bureaucracy if we were to set up machinery to give large numbers of "individual" general consents.

The problem which the amendment addresses is that the requirement to obtain consents under section 25 of the Local Government Act 1988 affects local authority activities covered in other Scottish legislation (in certain social work and welfare areas, for example). This legislative duplication is specific to Scotland. Amending the Act for Scottish purposes thus does not compromise the DOE view that no amendment is necessary for England and Wales. Section 25 of the 1988 Act was originally intended to prevent local authorities abusing powers in the Local Government (Scotland) Act 1973 which allowed them to escape certain expenditure controls. Legislation unrelated to this intention has been affected, and so the amendment seems justified.

Item 7: IMPROVEMENT GRANT POWERS OF SCOTTISH HOMES

Scottish Homes is empowered to give improvement, repair and conversion grants by virtue of section 256A of the Housing (Scotland) Act 1987 (which applied Part XIII of that Act (except sections 253 to 255) to Scottish Homes as it applies to a local authority). Under section 239A of the 1987 Act, as inserted by section 2(8) of the Housing (Scotland)

Act 1988, the Secretary of State may give directions to local authorities (either generally or individually) and to Scottish Homes as to the exercise of their powers under Part XIII to prevent duplication in the making of grants. However, Part XIII also confers duties on local authorities (eg to give improvement grant for the provision of standard amenities). These duties apply also to Scottish Homes.

It was never intended that Scottish Homes should assume local authorities' responsibility for private house renewal or be open to applications for mandatory grants throughout Scotland. There is however an omission in section 239A of the 1987 Act which would prevent the Secretary of State from giving a direction which would deal comprehensively with the division of responsibilities between local authorities and Scottish Homes. Section 239A enables the Secretary of State to give directions only in relation to circumstances in which a local authority, local authorities generally and Scottish Homes may or may not exercise their powers. The Secretary of State is unable to give directions which cover the duties of local authorities and Scottish Homes. Directions would therefore be incomplete and would leave Scottish Homes open to application for mandatory grants throughout Scotland. The Direction-making power requires to be amended to enable the Secretary of State to set out clearly the respective roles of local authorities and Scottish Homes in relation both to their powers and duties under Part XIII.

Item 8: POWER TO APPROVE SCOTTISH HOMES' OPERATIONS

It is necessary to clarify the Secretary of State's position in respect of Scottish Homes' disposal of land. Under the Housing (Scotland) Act 1988, disposal of land comes within the ambit of Section 2(3)(b) which enables Scottish Homes to dispose of land only in accordance with arrangements made with the Secretary of State. This falls short of a power for the Secretary of State to approve individual transactions, such as disposal of blocks of houses to private landlords. We wish to ensure that, as with local authority disposals under Section 132 of the Housing Act 1988, Scottish Homes will require the Secretary of State's consent for the disposal of parts of its stock.

Item 9: ASSURED TENANCIES RENT INCREASES

The intention behind the provisions in section 24 of the Housing (Scotland) Act 1988 was to introduce some controls over the way in which rent increases could be achieved for assured tenancies once the original contractual period was over. During the contractual period, rent increases were to be governed by the terms of the tenancy agreement. This mirrors provisions in the Housing Act 1988 covering England and Wales if allowance is made for the different underlying law of landlord and tenant. Several housing organisations have taken the view on legal advice that, as drafted, section 24 requires an assured tenancy to be formally terminated (thus bringing the contract to an end but not requiring the tenant to leave) before <u>any</u> rent increase can be achieved. The proposed amendment would put beyond doubt that section 24 only applies once the contractual period of the assured tenancy is over, and that until that time, rent increases are governed by the terms of the tenancy agreement. Section 24(5) exempts from the provisions of section 24 rent increases imposed in accordance with certain formulae set out in the tenancy agreement. It is necessary to make clear that the formulae covered by the sub-section include amounts or percentages such as the RPI which are ascertainable at the time of the increase not just those which are explicitly specified within the tenancy agreement.

Item 10 PHASING OF RENT INCREASES FOR HOUSING ASSOCIATION TENANCIES

During the passage of the Housing (Scotland) Act 1988, Ministers announced their intention of moving towards abolition of phasing of rent increases on registered rents. Ministers have decided that the first stage should be to ensure that the full registered rent is reached in all cases in not more than two stages. To achieve this for registered rents for housing association tenancies requires an amendment of section 58(2) of the Rent (Scotland) Act 1984 which sets out how rent increases are to be phased. The power to amend that subsection is in subsection (7) of the same section. However that power allows the Secretary of State to vary "the sum specified" in subsection (2). The proposed amendment would put beyond doubt the Secretary of State's power to vary any part of the formula for rent increases set out in subsection (2).

~~LOCAL GOV. Statutes Pt 37~~

Housing Pt 13



Telephone
01-212 8001

DEPARTMENT OF THE
ENVIRONMENT
2 MARSHAM STREET
SW1P 3EB

Duty Clerk
No. 10

I understand the first copy went astray.

With the Compliments of the

Private Secretary to the Secretary of

State for the Environment

2 MARSHAM STREET
LONDON SW1P 3EB
01-276 3000

My ref:

Your ref:

22 June 1989

The Rt Hon Nigel Lawson MP
HM Treasury
Parliament Street
LONDON
SW1 3AG

Dear Chancellor

GOVERNMENT EMPTY DWELLINGS AND VACANT LAND

I must take up with you again the extent of empty dwellings in the Government stock, following my letter to you of 28 February, to which John Major replied on 24 April. George Younger also wrote on 6 April.

This issue is a major political embarrassment to us. We have had to field regular and consistent questions and comments about it, during the Local Government and Housing Bill, and also in First Order Questions. I must ask you to put more and urgent pressure on our colleagues, if only to provide better information than we now have.

John Major referred to his survey of empty dwellings and land planned for disposal. This and other more recent figures Departments have made available to us show the extent of the dwellings problem. For example, 20% of Ministry of Defence dwellings (ie nearly 16,000), lie empty; the figure is 62% for Home Office prison stock, 16% for the Department of Transport, 17% for the Police. At present, these percentages are not generally known. However, the Opposition have recently asked for a series of questions in the House and it will surely not be long before the true state of affairs is revealed. The pressure then on us to take some urgent and perhaps draconian action will surely be intense. I am sure I need hardly remind you that the proportion of empties in local authorities' stock is a mere 2.5% - and we are telling them regularly and consistently that this is intolerable.

You and John Major have taken a number of steps in the past. I fear they have not proved to be adequate. I suggest that you now write urgently to senior colleagues, in particular those with the significant numbers of dwellings in their Department's stock, asking them to do a very rapid investigation of the empty dwellings under their control, in order to explain why they continue to be empty and what their proposals are for either disposal or for letting. I believe that you should seek responses within a very short period, perhaps a week.

We must all now take this issue seriously, if we are to retain credibility in the new housing strategy we are propounding both generally and through the current Bill. In some cases, I am sure

there is a good story to tell; both the MOD and DTp are working at short term leasing schemes, for some of their empty dwellings. If property cannot be sold, and has to remain empty for a period, the benefits of leasing are obvious - the property is kept in reasonable order, the Department receives a useful income and short term accommodation is provided for people needing it. I am sure you agree that it is time Government Departments were pressed to acknowledge these benefits and to take urgent and positive decisions about their property.

Much the same applies on Departments' unused and underused land, though fortunately this subject has so far had a lower political profile.

There are clearly many waste assets here which could help to relieve land shortages in particular areas. We are bringing pressure to bear on local authorities, through the Audit Commission's 1988 report and the follow-up by auditors, but between us we have not yet succeeded in securing a more rigorous approach by Departments to their land assets. Our proposed shift of emphasis from a central land register to registers kept by individual public sector owners on the basis of a recommended code of practice should do something to encourage a more responsible approach by owners; but much still depends on Departments' willingness to co-operate. We will ensure we get as much related information on empty dwellings as we reasonably can, but I do not think it is practicable for the code and registers to cover all empty dwellings on the same basis as land as John Major suggested - rather we need the extra push from you on land as well as dwellings.

What we need is better information about why dwellings and land are empty, and stricter targeting for disposals. Although a push from the centre should give a useful further impetus this can be delivered only to a limited extent by the PES process; I suggest there is a strong case for an outside scrutiny of selected Departments with a doubtful record - whether using the Rayner Scrutiny approach, as I suggested earlier, or by commissioning outside consultants. Some interesting results have emerged for example from Arthur Young's look at MOD's married quarters.

A scrutiny or consultancy would focus both on the continuing systems that Departments have for identifying opportunities to dispose of or use vacant dwellings and land, and on the possibility of immediate action on some of the dwelling stock in key departments.

In short, I think that using the PES process alone will deliver too little, too late. We must immediately put colleagues on warning of the need for some urgent response and set up a means of delivering results quickly.

I am sending a copy of this letter to the Prime Minister and John Major.

Yours sincerely

P P NICHOLAS RIDLEY

(Approved by the Sec. of State & signed in his absence)

HOUSING: POL Pt 15

CONFIDENTIAL

Prime Minister

AN EXPERIMENTAL FLEXI-OWNERSHIP SCHEME IN WALES

As has been agreed I have now prepared a scheme for flexi-ownership in Wales. The details are given in the attached paper.

I intend to operate the scheme through the Development Board for Rural Wales at Newtown, Powys.

As you know I would personally have preferred rather different parameters than the ones that were agreed for Scotland but recognise the impossibility of having differences with that scheme. The details that I suggest are therefore the same as those for the Rents to Mortgages Scheme in Scotland.

The number of dwellings involved is small and the geographical boundaries are tight. Therefore there can be no doubt as to the experimental nature of the scheme. We will make a very careful evaluation of the scheme once it has been in operation for an appropriate time and I would want also to take full account of experience in Scotland. I would intend to seek Malcolm Rifkind's views as to how best to handle that, in due course.

May I know that the way is clear for me to press ahead? I wish to announce the scheme as soon as possible.

A copy of this minute goes to Malcolm Rifkind, John Major, Nicholas Ridley, Professor Brian Griffiths and Sir Robin Butler.

Keith Davies

20 June 1989

PW

Approved by the Secretary of State
and signed in his absence

CONFIDENTIAL

AN EXPERIMENTAL FLEXI-OWNERSHIP SCHEME IN WALES

Introduction

1. This paper sets out in broad terms the basis for an experimental scheme employing flexi-ownership principles in Newtown. These principles are enumerated in the attached Annex; they are based on the ones discussed by Ministers during their meeting on 25 January 1989 as 'Option 1' as amended during the recent discussions in respect of the Scottish Rents to Mortgage proposal.

The Development Board for Rural Wales

2. The intention would be to operate the experimental scheme within the confines of the Development Board for Rural Wales (DBRW). The Board is based in Newtown, Powys; it has two housing functions. First it carried out the conventional functions of a new town corporation in so far as Newtown itself is concerned. Second, it provides key worker housing as a necessary adjunct to its industrial development responsibilities throughout Mid-Wales. The Board's total housing stock is some 1400 dwellings. Just over 500 of the Board's tenants are currently in receipt of housing benefit; excluding them and others having received housing benefit during the 12 months prior to their application for flexi-ownership, the scheme will effectively apply to tenants in up to 900 properties.

3. DBRW is a public sector landlord body. Its tenants have the right to exercise Tenants' Choice but the Board cannot be a receiving landlord. The scheme can therefore be ring-fenced very precisely. In any event the Board will be required within the medium term to divest itself of its housing functions. Very preliminary work on this is already in hand on the expectation that the housing functions are likely to cease within the next two or three years. At that point the scheme, which will be on a voluntary (ie non-statutory) basis, can lapse with no carry-over into whichever body takes on the Board's housing.

Aims and Objectives

4. The experimental scheme would have the following general aims:

i to test the practicability and demand for flexi-ownership in Newtown and to assist the design of any general scheme which might later be considered appropriate;

ii to assess the extent to which there could be

switching from conventional Right to Buy into flexi-ownership;

iii to increase the extent of owner occupation in the Newtown area; and

iv to assist in the transfer of properties away from DBRW prior to the cessation of its housing functions.

Financial implications for DBRW

5. DBRW's housing functions are to be transferred out within the next two to three years in line with Government policies in respect of new town corporations. On that basis and assuming the continuity of existing disposal policies, the dwellings remaining with the Board at the time of wind-up would be transferred to relevant housing associations at tenanted market value, allowing for condition. Wales does not have any significant experience of tenanted market value transfers from which to draw very firm conclusions about the possible transfer value of DBRW homes. Provisional thinking by the Board has suggested a transfer value of £12,500 per unit. However, on the evidence of the valuations that have been made by the DV for possible voluntary transfers by authorities, the transfer price for DBRW homes could not reasonably be expected to exceed £7,500; it could well be somewhat less.

6. Based on the terms at paragraphs 5 to 7 of the attached Annex, the average flexi-owner will be making a capital payment to the Board of about £11,500. The tenanted market value is most unlikely to exceed this amount. Hence the main financial impact of the scheme on the Board's financial position will be to bring forward by a year or two the capital receipt, probably at a higher level than otherwise, which the Board would in any event be receiving. Insofar as the broader public sector position is concerned, there will be a further receipt at a later date which will result in the total public sector receipt being substantially higher than from disposal at tenanted market value. If there is some switching from RTB into flexi-ownership (which is not anticipated to any significant degree), the effect will be to defer part of the RTB receipt. This deferral might apply on average to about £6,500 per property since the current discounted RTB receipt by DBRW is £18,000. However the eventual public sector receipt under flexi-ownership remains comparable with the RTB receipt because the maximum flexi-ownership discount cannot exceed a level of 15% below the RTB maximum.

7. There will be minor consequences for running costs and staff numbers at DBRW which officials will need to clear separately with the Treasury. Thus in all respects the impact on public expenditure will be minimal.

Legal Position

8. The Department's lawyers have advised that they consider that there are sufficient powers within current legislation for DBRW to undertake a flex-ownership scheme on the basis now proposed.

Timing

9. The scheme would commence during autumn this year. It is proposed that it is operational for as long as DBRW have responsibility for their housing stock. On this basis it can be expected to lapse within about three years. However a full evaluation would be made within two years of commencement to assess the extent to which the aims and objectives set out above have been met.

MAIN ELEMENTS OF THE FLEXI-OWNERSHIP SCHEME TO BE OPERATED BY THE DEVELOPMENT BOARD FOR RURAL WALES (DBRW)

ELIGIBILITY

1. The scheme will be open to tenants who:
   - i occupy DBRW dwellings in Newtown; and
   - ii are eligible for conventional RTB; and
   - iii are in dwellings not excluded from RTB; and
   - iv have not been in receipt of housing benefit during the 12 months prior to their application for flexi-ownership.

2. There will be no special terms for elderly tenants.

DISCOUNT

3. Eligible tenants would be granted a discount on exactly the same basis as the RTB discount except that the flexi-discount would in all cases be 15 percentage points less than the equivalent RTB discount. On this basis the minimum and maximum flexi-discount for those in houses would be 17% and 45%, while for flats the corresponding figures would be 29% and 55%. Accrual of discount, as with RTB, would be 1% pa for houses and 2% pa for flats, after an initial two year public sector qualifying tenancy.

4. DBRW's tenants currently applying for RTB have an average discount of 39%. The average for flexi-ownership would therefore be expected to be about 24%; in value some £7,200 against the projected average freehold value of DBRW properties.

INITIAL PAYMENT

5. Eligible tenants would be required to pay to DBRW a capital sum equivalent to the amount which could be raised on a 25 year low start mortgage with interest and capital payments equating to their rent (including any maintenance charges but excluding any element of rates) enhanced by 10% but less an allowance of £5 pw as a national amount to cover insurance and maintenance. In the case of flats the allowance would be £7.50 pw because of the need to contribute to communal repairs, the charges for which would be determined in exactly the same way as for RTB.

6. Unlike RTB, any mortgage required by a flexi-owner must be raised through the private sector - DBRW will <u>not</u> lend in these circumstances, nor will any other public sector body, save for the residual charge (see below)

7. The average DBRW rent is currently £24.35 pw. On the basis outlined in paragraph 5 above this would buy a low start mortgage of nearly £11,500.

RESIDUAL PUBLIC SECTOR CHARGE

8. The residual amount (after applying the relevant discount entitlement and receiving the initial payment) would remain as a charge in favour of the public sector, to be redeemed either on the death of the flexi-owner (or joint flexi-owners) or on disposal of the property if earlier. This charge would be expressed as the percentage of the initial residual debt in relation to the undiscounted purchase price. Subject to reductions in this percentage as explained in paragraphs 9 and 10 below, the charge would be redeemed at the relevant time by reference to the then prevailing market value which would be determined by a valuation which ignored improvements made subsequently by the flexi-owner but which assumed that the dwelling was in reasonable state of repair.

9. The public sector charge would be reduced by 1% pa (2% pa for flats) for each year of continued occupation in the property up to the RTB maximum less 15%.

10. Flexi-owners will be entitled to buy out all or part of the residual charge at the prevailing market value assessed as in paragraph 8 above.

11. Because DBRW will not have any housing interests within about three years, the residual public sector charge will be passed to Housing for Wales as part of the flexi-ownership arrangements. Housing for Wales will be obliged to maintain the charge which will ensure that prudent conditions, such as insurance requirements, are met by the flexi-owner. Receipts from redemptions by flexi-owners will be used by Housing for Wales to meet housing need in the mid-Wales area.

FLEXI-OWNERS' RESPONSIBILITIES

12. The scheme envisages that on payment of the appropriate capital sum ownership of the property passes entirely to the flexi-owner, subject of course to the public sector charge. He therefore becomes fully responsible for repairing and maintaining the property. Since the value of the public sector debt will be assessed and redeemed on the assumption that the property is kept in good order, it will not be necessary for Housing for Wales to impose conditions concerning repairs or maintenance. Failure to carry out normal maintenance means that the value of the flexi-owner's share of the equity in the dwelling (essentially his discount) will be at risk.

OTHER ARRANGEMENTS

13. Wherever appropriate, other arrangements and terms and conditions would be determined by reference to existing RTB practices. This would include, for example, arrangements for claw-back of discount on early disposal; cost floor provisions; and the opportunity to appeal against valuations.

CCPM

2 MARSHAM STREET
LONDON SW1P 3EB
01-276 3000

My ref: 20867/89

Your ref:

The Rt Hon Tony Newton OBE MP
Minister of Trade and Industry
Department of Trade and Industry
1-19 Victoria Street
LONDON
SW1H OET

20 June 1989

Dear Minister

ESTATE AGENCY REVIEW

Thank you for sending me a copy of your letter of ~~14~~ May June to James Mackay, accompanied by a copy of Eric Forth's report on his review of estate agency.

I welcome the proposed moves to provide greater consumer protection for housebuyers and sellers. I look forward to the implementation of the Code of Practice which the Director-General of Fair Trading is to develop. I also support the proposal to strengthen the control over undesirable practices.

I am copying this letter to those who received yours.

Yours sincerely

NICHOLAS RIDLEY

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

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

19 June 1989

ESTATE AGENCY REVIEW

The Prime Minister has seen the Chancellor of the Duchy's letter of 14 June to the Lord Chancellor.

She welcomes the proposals, and in particular the proposed Order under Section 3 of the Act to empower the Director General of Fair Trading to issue an Order prohibiting persons engaging in undesirable practices from doing estate agency work. She is content for DTI Ministers to proceed as they propose with an announcement on 21 June.

I am copying this letter to Alex Allan (H.M. Treasury), Stephen Leach (Northern Ireland Office), David Crawley (Scottish Office), Roger Bright (Department of the Environment), Andrew Lean (Office of the Minister for Housing) and to Sheila James (Economic Secretary's Office).

PAUL GRAY

John Alty, Esq.,
Office of the Chancellor of the Duchy of Lancaster.

FROM THE RIGHT HONOURABLE THE LORD MACKAY OF CLASHFERN

O:O

CC/6.

HOUSE OF LORDS,
LONDON SW1A 0PW

NBPM
RLC
16 JUN 1989 12/6

Dear Tony,

ESTATE AGENCY REVIEW

WILL REQUEST IF REQUIRED / WITH PC?

Thank you for your letter of ~~14~~ June enclosing a copy of Eric Forth's report of his review of estate agency. I am content with the text as now drafted.

The objectives of the Code of Practice for estate agents are admirable, but their efficacy will no doubt depend to a large extent on the ambit of the proposed Order to be made under section 3 of the Estate Agents Act. I expect that your announcement on 21 June of the forthcoming Code and Order will generate much interest from those members of the public and others who have an interest in the house selling market. I would be grateful for the opportunity to see and comment on the drafts of both the Code and the Order in due course.

I am copying this letter the Prime Minister, the Earl of Caithness, Peter Lilley, Nigel Lawson, Nicholas Ridley, Tom King and Malcolm Rifkind.

Yours ever,
James.

The Rt Hon Tony Newton OBE MP
Chancellor of the Dutchy of Lancaster
and Minister of Trade and Industry
Department of Trade and Industry
1-19 Victoria Street
London SW1H 0ET

chex.ps/ds2/118 **CONFIDENTIAL**

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

16 June 1989

P R C Gray Esq
Private Secretary to
Prime Minister
10 Downing Street
LONDON
SW1

PA

Dear Paul

TAX RELIEF FOR LODGERS

At a meeting of E(LF) on 16 May, which considered Mr Ridley's proposals for dealing with homelessness, the Chancellor was invited to reconsider the possibility of tax relief for householders who take in lodgers, despite the fact that such a proposal had been ruled out for a number of reasons, including the risk of abuse, in the recent past.

... I attach a copy of the paper, prepared by the Inland Revenue, and covering letter which the Chancellor intends to send Mr Ridley. Before he does so, he would like an opportunity to discuss it with the Prime Minister at his bilateral.

Yours

A C S ALLAN
Principal Private Secretary

CONFIDENTIAL

A. A

TAX RELIEF FOR LODGERS: NOTE BY INLAND REVENUE

1. This note considers the arguments for and against a tax relief for householders who take in lodgers.

Tax treatment of income from lodgings

2. The present tax treatment is that -

   (a) where the landlord provides a certain level of service to the lodger (the rooms are cleaned, or breakfast offered etc) the rent is treated as "earned income";

   (b) in other cases it is treated in the same way as rent from property generally, that is as 'investment income'.

3. Where the landlord is a married couple and (as is probably normal) the 'services' are provided by the wife, she can set against her profit her wife's earned income allowance. In other cases, and in the case of investment income generally, the income is treated as the husband's for tax purposes.

4. From next year, Independent Taxation will make the tax treatment somewhat more favourable in this kind of case. The wife, in a married couple, will have her own personal allowance, to set against her share of any profit from letting lodgings, whether or not she provides the lodger with any level of services. For example, where the house is jointly owned by a husband and wife - and assuming that neither husband nor wife provides services to the lodger - the profit from lodgings would normally be treated as shared equally between the two, and each would have their own personal allowances to set against it.

Purpose of a new tax relief

5. The purpose of the relief would be to increase the supply of rooms available to let to homeless single people, particularly young people looking for work away from home; and to do so by encouraging householders who are not professional landlords, but who happen to have rooms available in their houses, to make them available for letting.

6. It would not be the intention to extend similar relief to the "professional landlord" who runs a bed and breakfast place, boarding house, or private hotel in which he and perhaps his family also live, or who lets rooms as bed-sitters or as self-contained (or partially self-contained) flats in a large Victorian house which is also his own home.

7. This note reviews -

- how a relief of this kind might be targeted; and
- what it would be likely to achieve.

Targeting

8. It would be necessary to have clear and simple rules to target the relief:

- clear: because to let in the 'professional' landlord could not only unbalance the cost of the relief, but also be indefensible on its merits (on the illustrative figures used in this note it could give the small hotel keeper a personal tax threshold at least twice as high as other self employed entrepreneurs);
- simple: because the target would be the small private householder - classically, indeed, a married woman or widow who would not otherwise have to submit any tax return to the Inland Revenue. It would be indefensible to have a scheme which required her to employ costly professional accountancy support.

9. There is no ready-made definition of "amateur lodgings", in tax or housing law, which adequately meets the objectives. Some obvious possibilities include conditions that:

(i) the accommodation should be furnished;

(ii) there should be some sharing of facilities eg a bathroom or a kitchen; and, possibly

(iii) the landlord should have to provide some services eg breakfast, cleaning or laundry.

10. But these would not of themselves be sufficient. For example, some facilities are commonly shared in private hotels, boarding houses and in houses partly let out as bed-sitters etc. And even if they were not, it would be a relatively easy matter to arrange a minimum degree of sharing (eg of storage, laundry or bathrooms) to get within the condition.

11. Thus, it seems clear that - as the Secretary of State for the Environment suggested - there would need to be a 'ceiling' on the relief. The question is 'what type of ceiling?" There are a number of options, none of them without problems.

A financial ceiling

12. For the sake of simplicity a financial ceiling ought clearly to be expressed in terms of a weekly/monthly gross rent rather than the net taxable amount after expenses. Otherwise the householder could not know whether she was within the tax-exempt limit unless and until she knew fairly accurately both the amount of her expenses and the extent to which they would be deductible for tax purposes.

13. The amount of the exemption could be determined later but would need to be set at a level which would make sense in London and other large cities as well as in the provinces. If at all possible it would be desirable to avoid regional variations; and we would also need to take account of housing benefit implications. The ceiling, purely by way of illustration, might be of the order of £75 per week. To keep the scheme simple (and prevent obvious abuse) the ceiling would need to apply to total payments by the lodger(s), ie there should not be an artificial tax incentive to charge separately for accommodation, heating, hot water, food, cleaning, laundry etc in order to bring the rent for the room, by itself, within the relief.

Marginal cases

14. The difficult questions arise in dealing with the case where the rent just exceeds the ceiling. In theory there are 3 possible approaches:

(a) A tax free slice; thus, the first (say) £75 of rent would be free of tax, and only the excess would be taxed. This, however, lets in the 'professional' landlord - see paragraph 8 above.

(b) A 'sudden death' cut off; thus, rent of up to £75 would be free of tax, but if rent exceeded £75, it would be taxed in full (subject of course to the usual relief for expenses). It is difficult to see that such a rule would make sense, or be defensible in practice. For example, suppose that a householder is letting lodgings for the maximum rent of (say) £75 a week; and suppose that the lodger asks her to provide lunch at the weekend for an extra £2. The householder could well be £10 or £15 a week worse off (at basic rate of 25%) because of the tax relief she would lose.

(c) Marginal relief: thus, there would be a rule to ensure that the effective marginal rate of tax never exceeded 100% on the additional net rent (after expenses). Annex A illustrates a possible formula. It would be disproportionately complex and difficult to operate in a scheme which would

need typically to be run by the widow in Clapham (as a taxpayer) and O level school leavers (in tax offices).

Numbers of rooms or lodgers

15. An alternative, or additional ceiling might be by reference to the number of rooms or lodgers. For example, relief might depend on there being not more than (say) 2 lodgers, and/or not more than (say) 2 living rooms being let. In principle, similar marginal questions would arise. For example, is relief lost if the householder partitions the second of her bed-sitting rooms? Or if married lodgers have a baby, or (alternatively) the elder child celebrates its, say, 16th birthday? Where the number of lodgers fluctuated, would each week or month be counted separately and relief given pro rata? The anomolies here recall the purchase tax debates which Sir Gerald Nabarro used to mount in the 1940s and 1950s.

Effects of relief

16. The likely benefits of a relief of this kind seem in the first instance to be largely presentational. It could provide a positive peg on which to hang the Secretary of State's proposed publicity campaign to encourage householders with spare rooms to make them available. The campaign could assure these potential "amateur landlords" that, provided they kept the rent they charged below the exemption limit, they would not need to have any dealings with the Inland Revenue at all if they took in lodgers. There is - at least at first sight - a deregulation argument here.

17. A relief might - at the margin - also be a way of encouraging owner-occupiers who were overstretched with mortgage payments, or elderly owner-occupiers who were contemplating leaving their houses because they could no longer afford to keep them in reasonable repair, to stay in the owner-occupier sector; though it could equally be argued that such people should be encouraged to move into smaller accommodation, releasing larger houses for younger families.

18. But it is far from clear that there would be much (if any) substance behind the presentation.

19. The first, simple, fact is that at present no - or very little - tax is in practice payable on rents, where the householder takes in one or two lodgers. This is partly because expenses are (of course) deductible from the gross rent; and there is inevitably a broad "grey area", in calculating and apportioning expenses etc, where taxpayers may give themselves the benefit of the doubt, and which busy tax offices will very seldom

question, where there are only one or two lodgers. Where the householders are a married or cohabiting couple, the woman's own personal allowance will often be available to cover any balance of "profit", over and above the personal allowance due to the man.

20. More generally, it seems doubtful whether worries about tax are to the forefront of many people's minds, when thinking about taking in lodgers. Other factors are likely to have much more influence. For example some people living alone will want lodgers because of the human contact; others will simply not want the bother of bringing strangers into their houses; and others again will be more concerned at the possible difficulties of getting rid of lodgers who turn out to be unsatisfactory tenants. The provisions in the Housing Act should be helpful here.

21. If the scheme had tapering provisions of the kind described in paragraph 14(b) - and the alternative looks intolerable - that would rob the scheme of any claim to simplicity and correspondingly weaken its presentational attraction. Thus -

- The direct effects would be compliance costs for taxpayers (for example, even the simple tax returns would have to have guidance notes, explaining the sort of calculations indicated in Annex A), as well as administrative costs for tax offices.

- Indirectly, there could be perverse consequences from both the publicity that would need to be given to the new rules, and the instructions and training that would need to be given to tax offices about how to work them. Inevitably, all this would focus new attention on the fact that there is a potential tax liability on income from lodgings. There is a not insignificant risk that the result could be to bring into question small tax liabilities which in practice neither householders nor tax offices commonly bother about, where there are only one or two lodgers in question.

22. Finally, it would be of the essence of this scheme that it would not extend to professional landlords who were involved on a larger scale than private householders in providing accommodation for single people, or other potentially homeless people. But they could be expected to mount continuous pressure to extend it. Indeed, in terms of housing policy it is by no means clear what the justification would be for denying professional landlords relief if the objective is to reduce homelessness; but bringing them in would change significantly the character and scope of the relief, and would involve a large deadweight cost.

Government's tax policy

23. The case for any new tax relief must be assessed against the Government's tax policy. The general policy is one of base broadening and rate reduction, and the Government has where possible removed unwarranted tax breaks. The general presumption is therefore against special tax reliefs. This is, however, not a rigid policy. The Chancellor has been prepared to introduce well-targeted tax reliefs where they can be justified on wider economic grounds. The BES for private renting is such a relief. Designed to complement the Government's deregulatory measures, it was well-targeted (drawing on the assured tenancy definitions); it was perceived as likely to stimulate new investment in the rented sector so having a significant impact on supply; and it would have little deadweight. Finally it was an extension of an already successful relief and could be introduced on a temporary basis.

24. The rent a room relief on the other hand is unlikely to make much difference to supply, it cannot be easily targeted and it would be likely to be a permanent feature of the tax system. The case against the relief on tax policy grounds is therefore strong.

Conclusion

25. Presentational attraction can be seen in a relief on these lines. Against that, however, -

(a) it runs against the grain of our tax reforms generally;

(b) it presupposes rules to target the relief which are likely to be not only arbitrary, but irrational, unfair, or disproportionately complex (or a mixture of each); and

(c) relief itself is likely to have little or no useful practical effect; indeed, there is a not insignificant risk of perverse side-effects.

26. The Government introduced last year a significant new tax relief for investment in housing - the Business Expansion Scheme for assured tenancies. The indications are that, up to April 1989, this has raised in the region of £350m for investment in housing.

27. These arguments against the new relief seem compelling.

ANNEX A

(i) When rent exceeds the exempt limit of [£75] per week but does not exceed [£150]

(ii) The following proportion of profits will be exempt from tax

$$\frac{A - (B-A)}{A}$$

when A is the exempt limit [£75] ((i) above) and B is the "rent".

(iii) Strictly, the sums should be done on a weekly/monthly basis (not an annual basis) - so no exemption due for a house let for £2,500 during Wimbledon fortnight or the Golf open. But a weekly or monthly test does not fit well with an annual tax and, when the final shape of the scheme was known, further consideration would need to be given to the possibility of adopting an annual limit* suitably modified to exclude Wimbledon and other short term/high price lettings.

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* An annual limit would of course make so much worse the cliff-edge effect of a "sudden death" basis (paragraph 14(b)), if there were not a marginal relief.

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B B

DRAFT

June 1989

Rt Hon Nicholas Ridley MP
Secretary of State for the
Environment
Department of the Environment
2 Marsham Street
LONDON
SW1P 3EB

TAX RELIEF FOR LODGERS

At the last meeting of E(LF), which discussed homelessness, I was asked to have another look at the possibility of tax relief for householders who take in lodgers.

As you know, I am more than happy to do what I sensibly can to help you bring more private rented accommodation onto the market. I entirely agree that this is a major priority; and I included a very substantial tax incentive in my 1988 Budget. All the evidence suggests that this is going well. The extension of the Business Expansion Scheme to private renting has already raised over £1/3 billion in just one year.

So I have looked at the rent-a-room proposal in the same positive spirit. I certainly see the attractions of making it easier for young people to live in family homes, if we can; and if I thought that a modest tax relief would help to get homeless people out of cardboard boxes and off the streets, I should propose the relief without any hesitation. As you know, I considered this very carefully before the Budget.

But having looked at it again, I have to say that, with the best will in the world, I do not believe that it would do much good. The plain fact is that most people who rent out a room or two pay little or no tax anyway; and most people who could rent out rooms but don't are simply reluctant to share with strangers. So giving tax relief would not make much difference.

I have considered whether it might nonetheless be a cheap concession - something which might not do much harm, and might do a bit of good. If so, we might be able to present it as a small way of encouraging families to ease the country's social problems, rather than leaving them to the nanny state.

But the price of this would be yet another unwelcome complication in the tax system. I do not want to exaggerate it, but the rules would, I am afraid, be far from simple. The explanations, and the questions which would need to be asked in tax returns, could be quite off-putting to ordinary taxpayers. There would be all sorts of borderline problems, and constant pressure to extend the relief. And it would leave us that much more open to the steady drip of similar proposals to festoon the tax system with special exemptions and reliefs. I would gladly live with all this if I thought it would genuinely help to house the homeless; but, as I say, I do not believe that it would.

Moreover, I suspect that tax relief would be seen as an empty gesture. We could not pretend that it would be anything like as effective or well targeted as last year's extension of the Business Expansion Scheme to private renting. It could be presented by the Opposition as yet another tax break for well-off owner occupiers; and, worst of all, it might look like a gimmick. As I remember it, that was pretty much the reaction when the Alliance ran the idea at the last election.

I do not say any of this on doctrinal grounds. As you know, I have never argued the purist case that there should be no special tax reliefs; but I do believe that it has done the Government a

power of good to establish the general presumption against them. In this case, I do not believe the benefits are sufficient to outweigh that presumption.

I attach an Inland Revenue paper which goes into more detail. I have now looked at the arguments carefully on more than one occasion, but the best judgement I can make is that rent-a-room would do little if anything to solve the problem of homelessness, and would have a significant cost in further complicating and fiddling around with the tax system. So I just do not think it is worth it.

I am sending copies of this letter to the Prime Minister and Sir Robin Butler.

NIGEL LAWSON

PRIME MINISTER

TAX RELIEF FOR LODGERS

At the latest E(LF) discussion on homelessness you asked Treasury Ministers to consider the possibility of a tax relief for people who take in lodgers.

The Inland Revenue has now done some further work on this and prepared the paper at Flag A attached. Also attached at Flag B is a draft of a letter the Chancellor is minded to send to Nick Ridley.

But before he takes any further action, the Chancellor would like to talk this through with you at a bilateral. Given other business I am not sure whether this can be fitted in next week. But in any event you may like to have a first look at these papers over the weekend.

The Revenue note is predictably negative. I have however discussed this at some length with the Treasury to seek to assess the manner in which they have assessed the case. My impression, as reflected in the draft minute at Flag B, is that the Chancellor has not approached it in a doctrinaire way. Indeed before the Budget this year he had in fact given serious consideration to a possibility along these lines. But he concluded then that it would be unlikely to have a significantly beneficial effect so he dropped the idea. Having looked at it again he reaches the same conclusion. I think there is force in the argument he puts.

You will want to consider how to handle this. If you were content for the Chancellor to write to Nick Ridley in the terms suggested I doubt if it is necessary for you to have an initial discussion with the Chancellor, but you may prefer to talk this over with him first.

i) Content for the Chancellor to write <u>now</u> to Nick Ridley as proposed?

Yes

<u>or</u>

ii) prefer to discuss this with the Chancellor at the next bilateral?

PR CB

P. GRAY
16 JUNE 1989

MRMAFZ

10 DOWNING STREET

Prime Minister

You saw last night, but did not comment on, the attached papers on estate agents.

Content with the DTI proposals?

RLC6
16/6

MRMAFP

PRIME MINISTER

ESTATE AGENCY REVIEW

I mentioned to you today during Questions briefing that the DTI had now submitted the results of Eric Forth's report on his review of estate agency. This is attached, under cover of a letter from Tony Newton.

There are two key proposals:

- the introduction of a voluntary code of practice;

- backing this up with action against a number of undesirable practices. This would be effected by introducing a new order under Section 3 of the Estate Agents Act under which the Director General of Fair Trading would have the power to prohibit a person engaging in the practices from doing estate agency work.

Amongst the prohibited undesirable practices would the the issue that has been getting particular publicity - namely "tie-in sales" where the estate agent declines to pass on bids unless the purchasers agree to buy financial services from the agent.

Policy Unit have looked at the report and are fully content with the proposed way forward, with announcement planned for 21 June.

I doubt if you need go through the whole document but I suggest you glance at Tony Newton's covering letter, the summary on the first page of the attached review report and, perhaps, sections 5-7 of the report.

Content for DTI to proceed as they propose? Yes pls

FRCC.

P. GRAY
15 JUNE 1989

dti

the department for Enterprise

CC/PU

The Rt. Hon. Tony Newton OBE, MP
Chancellor of the Duchy of Lancaster and
Minister of Trade and Industry

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Our ref
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Date 14 June 1989

Dear James,

ESTATE AGENCY REVIEW

flat

Thank you for your letter of 26 May (not copied to all). I understand that my officials have been in touch with yours on the draft of the paper you will be circulating later this month.

I enclose a copy of Eric Forth's report on his review of estate agency. We are aiming for an announcement on 21 June, and I would be grateful if you or copy recipients could let me know if you foresee any difficulties with the text by close of play this Friday 16 June. The text has, of course, been cleared at official level with other Departments.

You asked about the draft Code of Practice. As Eric says in Section 1.1 the Director General of Fair Trading has agreed to negotiate such a Code with the industry. I would not expect this to be fully worked up until early next year. Eric's report does, however, set out the objectives of the Code (Section 5) and the subjects we would expect to see it cover (Section 6). These include [Section 6.9] the problems of conflict of interest identified at the Inter-Departmental Meeting hosted by your Department on 9 May.

SB6ABC

Recycled Paper

dti

the department for Enterprise

Copies of this letter together with the Report goes to recipients of yours, and to Tom King and Malcolm Rifkind.

Yours ever.
Tony

TONY NEWTON

SB6ABC

Recycled Paper

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REVIEW OF ESTATE AGENCY

1. SUMMARY

1.1 The main objective of the review was to identify ways in which the practices of estate agents could be significantly improved to provide a better service. I have concluded that the best way to achieve this is through a combination of self-regulation and statutory provision. I have asked the Director General of Fair Trading to discuss and agree with the industry the introduction of a Code of Practice for estate agency to improve consumer protection and enhance standards of service. The Code will need to include some form of disputes procedure and a system for monitoring compliance with its provisions. This should create a strong incentive, not least on commercial grounds, for estate agents throughout the industry to comply to order to attract public confidence.

1.2 I have also concluded that we need to act against a number of undesirable practices identified in the review and in recommendations on the working of the Estate Agents Act 1979 published by the Director General of Fair Trading. These would include, for example, tie-in sales where the agent refuses to pass on bids unless the purchaser agrees to arrange finance or insurance with the agent or companies with which he is associated. I intend to do this by introducing an Order under Section 3 of the Act. If an agent is found to be engaging in practices cited in the Order the Director General will have the power to issue an order prohibiting that person from doing estate agency work. I have also asked the Director General to review the arguments for extending the Trade Descriptions Act 1968 to misdescriptions of property.

1.3 These proposals should enable those who comply fully with the Code of Practice to provide a better service to the consumer, to compete on the quality of services and to

encourage the spread of "best practice" or to have confidence that they will not be subject to unfair competition.

2. BACKGROUND

2.1 There was much publicly-expressed dissatisfaction during 1987-8 about estate agency services. A "Which?" survey for the year to July 1988 showed that around half of respondents who used estate agents thought they gave poor value for money. The principal areas of concern were gazumping, the length of time between an offer being accepted and exchange of contract, the level of fees and general quality of service. Much of the public concern relates to a perception of shortcomings in the property transfer system itself rather than estate agents. During the last 18 months there have been significant initiatives directed to simplifying and speeding up the transfer of property, most notably by the Lord Chancellor with the publication of the Green Paper on competition in Conveyancing.

2.2 Although this review was concerned with estate agency services the discussions of problems and potential solutions have gone wider than my areas of responsibility. My main concern has been to identify a means of improving practices and enhancing the protection of clients and prospective purchasers without imposing a stifling layer of regulation. The latter course of action would tend to slow the process of house sales and restrict competition. The Prime Minister affirmed to the House of Commons last year that the Government sees great benefits from voluntary codes of practice and self-regulation. The proposals in this report for a Code of Practice with statutory support have to be read together with the proposals of my Ministerial colleagues.

2.3 I have asked the DGFT to take forward with the industry the precise form and content of such a Code of Practice. This will provide flexible and effective control and a significant opportunity for those engaged in estate agency. I have been

greatly assisted by the DGFT's report on the operation of the Estate Agents Act 1979.

I have asked the Director General to let me have a report on progress for developing the Code by early 1990. I set out below my proposals for using S.3 of the Act to support a code of practice.

2.4 SCOPE OF THE ACT

The only legislation specifically directed to estate agency is the Estate Agents Act 1979 and Regulations made under it. The Act provides basic protection for consumers. It enables the Director General to prohibit unfit persons from engaging in estate agency, and prohibits bankrupts from carrying on estate agency businesses. The Act places several duties on an estate agent:- to maintain proper client accounts; to inform clients of the costs of selling their property; and to declare any personal interest in transactions. The working of this Act was reviewed by the Director General and he published the results of this review in December 1988.

3 THE CHANGING MARKET

3.1 The property market in the UK has in recent times undergone many changes. The massive growth in home ownership in the last 10 years means that many more people have become familiar with the property transfer system and its shortcomings.

3.2 In the boom market last summer the problem of gazumping reappeared and the sharp rise in house prices also made vendors query whether they were getting value for money from their estate agent particularly as agents' fees are often calculated as a percentage of the selling price. There are large regional differences in estate agents fees with sellers in the South East paying up to three times for a similar property as much as sellers in Yorkshire and Humberside. The

buoyancy of the market also varies from region to region, and of course there are also problems with a slow market such as the increase in "gazundering" (ie threatening to withdraw an offer unless the price is reduced). Following changes in the legislation governing banks and other large financial institutions, many High Street estate agency businesses have been subsumed into large financial businesses. This has raised the question - and I do not underestimate its importance - of whether the consumer is benefiting from these developments, or whether there is not a significant reduction of financial and legal advice that is truly independent.

4 SUMMARY OF REPRESENTATIONS

4.1 I have heard arguments from all of the interests involved with the transfer of property. In the course of my review, I met representatives of organisations listed at Annex A. There were also many written comments. I would also like to express my appreciation to the many organisations and individuals who contributed comments.

4.2 The clear overall message is that estate agents both need and want to act positively to improve their image and to convince the public that they offer a service that is competitive, efficient, and fair not only to their client the seller but also to the prospective buyer. I have been much impressed by the positive approach to these issues by those engaged in estate agency.

4.3 There is general agreement that the market conditions prevalent in the summer of 1988 were exceptional, and that the system was severely tested by unprecedented levels of demand. Although the market situation may have changed there is a strong consensus of the need for greater ease and speed in transactions. Discussions centred on the Estate Agents Act and how it might be used to bring about such a change.

4.4 - Most representations favoured a code of practice (see Section 6 below) for estate agents. The National Association of Estate Agents and the Royal Institute of Chartered Surveyors ~~[and a group of estate agents]~~ have produced interesting draft codes or proposals which the DGFT may wish to take into account.

- The industry pressed the Government to implement Section 22 of the Act to set professional standards for entry to the industry, and many participants had in mind compulsory licensing.

- There was general agreement that computerisation of the Land Registry and local authority property searches could speed up searches of title.

- There were mixed views on vendor surveys. While some parties thought they could prevent purchasers from wasting money, others felt that they would encourage "gazumping" and could in any case become outdated before completion.

- There was little support from the profession for the amendment of the Trade Desciptions Act 1968 to cover descriptions of property or for the introduction of housing logbooks.

- There was some support for introducing pre-contract deposits for both parties, and for the introduction of title insurance.

- Some parties expressed concern about the potential for conflicts of interest where estate agents sold financial services alongside their own services, or acted for more than one party in a "chain".

4.5 Against this background, I have prepared the proposals below with the aim of improving the quality of service and level of information available to consumers.

5. CODE OF PRACTICE

5.1 I am firmly of the view that the way forward is for the industry collectively to adopt a high minimum standard for its services. This should be achieved primarily through a self-regulatory code of practice.

5.2 The objectives of the code are:

(a) a better informed consumer

(b) more stringent standards of discipline

(c) a means of resolving consumer complaints

(d) prevention of undesirable practices.

5.3 A Code will apply only to members of those associations which agree on its terms with the DGFT. But I hope that non-members of the trade associations, and those who are not subject to the Estate Agents Act, (such as solicitors who are acting in the course of their profession) will follow the principles of the Code.

6. CONTENTS OF THE CODE

6.1 The detail of the Code can best be developed between the DGFT and the industry. However I would expect it to cover the subjects below.

6.2 BEST ADVICE

The Code should set out firmly that an agent owes his clients a duty to offer best advice at all times. It must be remembered the agent works for the person who instructs him usually the vendor.

6.3 BIDDING-UP

The Code will need to remind agents of their legal duty to pass on all bids. This will address the problem of agents holding back offers and encouraging the prospective purchaser to push up his offer further against some - possibly fictituous - alternative bid (so called bidding up).

6.4 TIE-IN SALES

The Law Society and others have highlighted the potential problems if the agent acting for a vendor also provides services, eg. a mortgage introduction to a purchaser. It would be in breach of his general duty for an agent to refuse to pass on offers unless the prospective purchaser agrees to arrange finance or insurance through the agent or an associated company. Tie-in sales are attracting increasing attention with the movement of finance providers and insurance companies into the industry. Where estate agents are providing advice on mortgage facilities, they should tell their client if they are "tied agents" of one mortgage supplier. They already have to do this if they recommend endownment mortgages, under the Financial Services Act. The Code should address itself to these issues.

6.5 DESCRIPTION OF PROPERTY

I see a role for the Code in setting standards of accuracy of descriptions of property. No one wants to stop estate agents using their marketing abilities to present property in an attractive light and there is inevitably an element of subjectivity in such descriptions. But there is no scope for poetic licence! When it comes to the material facts about the property - size, number of rooms, and so on - the prospective purchaser has a right to accuracy. The use of disclaimer clauses in particulars is a practice which needs to be considered in the preparation of this Code.

6.6 COSTS

Clients have a right to know where they stand on the matter of costs. Wherever possible, I would like to see the agent giving the client information on likely costs in writing rather than orally (which is the minimum requirement under S18 of the Act) so that the position is quite clear. The Code could also require agents to clarify in their contract terms those situations when commission will be payable even though the final sale has not been handled by the agent eg where the agent has sole or exclusive agency terms but the vendor sells his property through another agent. I suggest that what is needed is a requirement for a clear warning notice.

6.7 I would like the Code to promote better provision of information such as the publication of terms of business so that consumers can "shop around".

6.8 PERSONAL INTEREST OF ESTATE AGENT

Section 21 of the Estate Agents Act already includes a number of controls in this area when the agent has a personal interest in the transaction. The Director General has been advised that Section 21 does not catch all the situations where problems can occur. For instance, it does not require an estate agent to make disclosure of personal interests to his own client. The Code should extend the requirement of disclosure beyond the scope of Section 21.

6.9 The Code could also usfully require an agent to inform his client if it receives instructions to act for another party in the "chain". This happens when chains build up and for example the estate agent is acting for two vendor clients, in the same chain of transaction one of whom is bidding for the others property.

6.10 COMPLIANCE

If the Code is to command respect it is essential that there should be an effective dispute resolution procedure and a system for monitoring compliance. The form that this might take, for example, by the appointment of an Ombudsman or a Council of Arbitration, can best be developed by discussion between the DGFT and the industry. The Chartered Institute of Arbitrators and a group of corporate estate agents have made specific proposals which the Director General will have in mind.

6.11 GENERAL

6.11 More generally, I would like the Code to promote wider awareness of the flexibility of the transfer system to sellers and buyers of property. Many believe that improvements in the property transfer system in England and Wales are inhibited by legal requirements. It is quite possible for instance, provided both parties agree, to use pre-contract deposits (where a small deposit guards against the unreasonable withdrawal of either party, leading to "gazumping" or "gazundering"); or to adopt the "Scottish system" of offer and acceptance creating a binding contract. Indeed Conveyancing Standing Committee of the Law Commission have issued useful guidance on both these options which can be obtained from the The Law Commission, Conquest House, 37-38 John Street, Theobalds Road, London WC1N 2BQ.

6.12 Similarly the use of title insurance would enable the two parties to enter into a binding contract without waiting for local authority or Land Registry searches and this would enable speedy completion of the transaction. The details would vary from case to case but in principle both parties could, in return for a premium, insure themselves against the vendor not having marketable title to the property. Annex B reproduces an extract from a 1985 report on conveyancing which sets out the way title insurance can be used. An alternative way of speeding up the transaction would be for the vendor to make early pre-contract preparation for a sale.

6.13 There are other issues of common interest to estate agents which might also be covered by such a code and I would encourage the professional bodies to seek to make the Code as comprehensive as possible. Such issues might include other problems of conflict of interest and valuations.

7 CONTROL OF UNDESIRABLE PRACTICES

7.1 Section 3 of the Estate Agents Act allows the Director General to prohibit unfit persons from engaging in estate agency and under Section 4 to make a warning order. To underpin the Code of Practice I am proposing to introduce an Order under Section 3(1)(d) of the Estate Agents Act to declare certain practices "undesirable". Where the DGFT finds that estate agents have engaged in such practices (to the detriment of clients or prospective buyers) he will be able to take action to ban them from doing estate agency work.

7.2 The scope of such an Order will include undesirable practices that arise from failure to comply with crucial provisions in the Code of Practice and will therefore be developed in parallel with the DGFT's discussions on the Code but I would expect to see the following practices controlled:

- Unfair or misleading contract terms: it would be made clear to consumers what the effects can be of terms such as "sole selling rights" and "ready willing and able clauses"

- Disclosure of an interest in a transaction other than those covered by Section 21. An Order could cover disclosure of interests in a transaction

- in particular where the estate agent is receiving commission on any related transaction - eg mortgage or insurance which he has arranged.

- Misleading advertising. This would relate to significant mis-descriptions.

- Bidding-up prices.

- Tie-in sales (declining to pass on bids unless the purchaser agrees to buy financial or other services from the estate agent).

7.3 By means of an Order the Director General will be able to exercise control of estate agents if they engage in undesirable practices whether they are members of associations subscribing to the Code of Practice or, importantly, estate agents outside those associations. It will not apply to solicitors acting in the course of their profession, who are subject to the Law Society's or the Law Society of Scotland's practice rules.

8. DGFT'S REVIEW - SECTION 22

8.1 I must acknowledge the valuable contribution to my review of the DGFT's report on the operation of the Estate Agents Act. I share his judgement that the Government should <u>not</u> implement Section 22 of the Act.

8.2 Section 22 enables the Secretary of State to set minimum standards of competence for estate agents. This approach has been strongly argued for by most sectors of the industry. However, it would potentially restrict entry to the industry with potentially undesirable consequences for competition. The concern of the public with respect to estate agency is overwhelmingly about standards of ethics and fair dealing rather than competence. The proposals for a code of practice with statutory support are designed to meet these concerns. The responsibility for the adequate training of persons in estate agency must fall entirely upon the industry and it is clear from my review that a number of reputble estate agents fully recognise their duty to provide a competent service.

8.3 In reviewing the operation of the Act, the Director General has identified a number of areas where improvement is possible. He suggests amendment of Sections 3, 4 and 21 of the Act. The Government agrees that these amendments should be made at an appropriate legislative opportunity. The recommendation in relation to Section 2 and 14 will require further consideration.

9. WIDER ISSUES

9.1 Many of the criticisms which are directed at estate agents are in fact criticisms of the property transfer system more generally. Decisions in these areas are for my colleagues the Lord Chancellor, the Secretary of State for the Environment, and the Secretary of State for Scotland and the Secretary of State for Northern Ireland. The following comments refer particularly to the position in England and Wales, although some are also relevant to Scotland and Northern Ireland.

CONVEYANCING

9.2 The Lord Chancellor's Green Paper on competition in Conveyancing has been of great interest. The public would seem to favour the development of "one-stop shopping" in house purchase and the opening up of the conveyancing market. The DTI strongly support these proposals providing adequate arrangements are made to prevent the practice of "tying-in" by large commercial groups. The Lord Chancellor's proposed code of conduct should provide safeguards against such a practice as well as against conflicts of interest. The Office of Fair Trading has powers under the Competition Act to take action if the concentration of conveyancing work in the estate agency business becomes detrimental to the interests of consumers. The Lord Chancellor is committed to making a statement on the proposals announced in the Green Paper before the summer recess. The Secretary of State for Scotland is carrying out a separate review of the way conveyancing services are carried out in Scotland.

LAND REGISTRY

9.3 A major complaint is that buying and selling a house takes too long, and delays are often blamed on the time taken to ascertain title to the property. The Land Registry in the face of greatly increase workloads over the past few years, has continued to give priority to pre-contract work (which accounts for 70% of its workload) and is currently completing in excess of 75% of that within 72 hours, and the remainder within one week. Its major problem has been in completing post-contract work that becomes time-sensitive by virtue of the owner selling within a relatively short time of acquiring the property. Special arrangements are made for these situations if the Land Registry is advised of the urgency. The Land Registry's general situation has improved rapidly over the past five months as significant in-roads are made into its backlog of post-contract work. It is also a candidate to become a "Next Steps" agency with a view to improving the quality of its service to the public, given the benefits of the additional management freedom that this entails. In the meantime, its major objective will continue to be to improve the quality of its service, particularly by reducing the time taken to process work.

LOCAL AUTHORITY SEARCHES

9.4 Another serious complaint is the delay in obtaining local authority searches. I look forward with interest to the results of the pilot studies in computerised searches currently being undertaken in Wigan and Portsmouth. If successful these would enable consumers to get faster access to information, and no increased cost to the ratepayer.

"NATIONAL PROTOCOL" FOR CONVEYANCERS

9.5 Following its own review of conveyancing in England and Wales the Law Society has brought forward a proposal for the use of a "national protocol" which would do much to spread

good practice, for example by standardis- the types of information and documentation provided by solicitors. The use of local protocols has been successful in speeding up house purchase and I hope that the wider adoption of such schemes will help to quicken the transfer of property. The Law Society of Scotland is carrying out a review into some aspects of house transfer in Scotland.

VENDOR SURVEYS

9.6 One proposal which arose out of my review but which I am unable to endorse is the widespread introduction of vendor surveys. I accept that purchasers unfortunately lose money on surveys on properties which they fail to secure. However, such surveys will be fully valid only for a short time and many prospective buyers will still wish to commission their own survey so these seem to be of limited value. Although the Conveyancing Standing Committee of the Law Commission has yet to report on vendor surveys I am not persuaded from representations I received during my review that the industry should be urged to adopt this practice.

CONVEYANCING STANDING COMMITTEE REPORT ON CAVEAT EMPTOR

9.7 The Consultancy Standing Committee have issued a consultative document suggesting that vendors be placed under a general duty to disclose material facts about their property. At present the onus is on the purchaser to satisfy himself as to condition and legal use of the property. Reversal of the caveat emptor rule would obviously be a major change in the law on conveyancing, and it is not clear that the benefits to the buyer would outweigh the problems to the seller. I await with interest the Lord Chancellor's views.

TRADE DESCRIPTIONS

9.8 The Trade Descriptions Act 1968 does not apply to misdescriptions of property. The report by the late Sir John Methven Director General of Fair Trading published in1976 on

his Review of the Trade Descriptions Act recommended that the 1968 Act should be amended to cover such descriptions. This recommendation has not been implemented. This is a complex issue which was referred to in the Director General's review and in the comments I have received. I have concluded that this is a matter which merits further and detailed examination. I have therefore asked the Director General to consider this matter and to let me have this recommendations by early 1990.

ANNEX A

CONSULTEES

BUILDING SOCIETIES ASSOCIATION
CORPORATION OF ESTATE AGENTS
INCORPORATED SOCIETY OF VALUERS AND AUCTIONEERS
LAW SOCIETY
NATIONAL ASSOCIATION OF ESTATE AGENTS
ROYAL INSTITUTION OF CHARTERED SURVEYORS

BLACK HORSE AGENCIES
CARSON & COMPANY
ELLIS & CO
GENERAL ACCIDENT PROPERTY SERVICES
HAMPTONS
HOGG ROBINSON PROPERTY SERVICES
JACKSON-STOPS
NATIONAL HOMES NETWORK
PRUDENTIAL PROPERTY SERVICES
ROYAL LIFE HOLDINGS

OFFICE OF FAIR TRADING

Annex B

SECOND REPORT OF THE CONVEYANCING COMMITTEE

CONVEYANCING SIMPLIFICATIONS (1985)

I Uses of Insurance in Conveyancing

6.48 There are three main aspects of insurance in conveyancing transactions which are currently not used extensively; it is for consideration whether any or all of them could, if adopted widely, simplify conveyancing practice to any significant extent.

"Last Minute Hitch" Insurance

6.49 The first example is "Last Minute Hitch" insurance, which seeks to cover purchasers against losses incurred through vendors wilfully withdrawing from an agreement to sell (but before exchange of contracts); such policies have also tended to include a non-completion indemnity and cover against failure to gain vacant possession. While sporadic attempts have been made during the last few years to makret this type of insurance, there has been little interest shown by house-buyers, and most schemes are now dormant or defunct. These schemes have been offered in the past by small, entrepreneurial insurance companies; the larger insurers have shown no interest and, we understand, would need to carry out so many enquiries before providing this type of cover as to render the complication and cost of obtaining it unattractive for purchasers.

Restrictive Covenant/Defective Title Insurance

6.50 Indemnities in respect of breach of restrictive covenants and of defects in title are readily available from virtually all major insurers. They are not intended to cover what might be termed "live risks"; they are offered to purchasers after

investigation by the insurer to determine so far as possible that the risk is dormant. So, for example, restrictive covenant insurance is generally provided to land developers or purchasers where it is known that the development or the intended use of the property will be in breach of the terms of particular restrictive covenants imposed in earlier deeds but where it is believed that the covenants, for some reason, cannot or will not be enforced. Similarly, defective title indemnities are provided to purchasers where there is a known technical defect in the title, perhaps because the deeds have been lost. Investigation is carried out by the underwriters to assess the likely risk and, provided it appears minimal, insurance is offered for a small premium. Claims are very rare indeed but can be costly when they do arise. Insurers would not of course be able to offr similar cover at a similar cost where the risk was unquantifiable or great. In sum there appears little scope for extending this type of insurance and indeed if land registration is extended and restrictive covenants reduced or abolished, such insurance will largely cease to be necessary.

American Title Insurance

6.51 Another proposal from expected sources for the wholesale adoption of American Title Insurance (as opposed to defective title insurance). This has been available in England for some 10 years. The case for and against has been publicly canvassed and was dealt with in the Benson Report as follows:-

> "The main claim advanced in favour of title insurance was that it would compensate the client who suffered loss through a defect in title or a contested title which did not result from negligence by his solicitor, as where a local authority or the vendor is given inaccurate information. We do not, however, find the claims as to the merits of title insurance entirely convincing. Although there might have been a strong case for title insurance many years ago before the introduction of land

registration, the improvement in land law and the restriction of conveyancing to qualified persons, described earlier in this chapter, we can see little need for it now".

6.52 American title insurance may indeed have certain advantages but it seems unlikely that the house buying public will begin to adopt it as an alternative to conventional conveyancing on any greater scale than it has been adopted over the past 10 years. Whilst it is apparently bought quite extensively in the United States, so far as we know its success in this country has been very limited, although our request for precise information from one title insurance company about the size of the active market and claims record was turned down. In general, it appears to be bought in England to cover known defects in title, in the same way as discussed ante, paragraph 6.50.

CONFIDENTIAL

PRIME MINISTER

HOUSING SUBSIDY FOLLOWING DISPOSALS OF STOCK

I have seen Nicholas Ridley's minute to you of ~~9~~ 14 June 1989.

My Department has been kept in close touch with these revised proposals as they have been developed. I am happy to confirm that I am content both with the transitional arrangements proposed for the current year and the intention to deal with residual debt arising from disposals within the new capital and revenue regimes from 1990/91.

I am copying this to other members of E(LF), the Attorney General and Sir Robin Butler.

13 June 1989

PW

Housing: Police PTS



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CONFIDENTIAL

GCPU

Treasury Chambers, Parliament Street, SW1P 3AG

NBPm

AR 16
13/6

The Rt Hon Nicholas Ridley AMICE MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
London
SW1P 3EB

13 June 1989

Dear Secretary of State,

HOUSING SUBSIDY FOLLOWING DISPOSALS OF STOCK

Thank you for copying to me your minute of 9 June.

I am content with what you propose and with the line you intend to take during the debate at Report Stage on the Local Government and Housing Bill. I note that it is difficult to be precise about the cost of introducing a Residual Debt Subsidy for the current year only but I also note that you believe the cost of 100 per cent support, rather than the 90 per cent we have previously considered, will be less than £½ million. I would be content that we accept such a cost, on the condition, of course, that you will meet it within existing provision for housing subsidy.

I am copying this letter to the Prime Minister, other members of E(LF), Sir Patrick Mayhew and Sir Robin Butler.

Yours sincerely.

P Wales

PP JOHN MAJOR

[Approved by the Chief Secretary and signed in his absence.]

HOUSING: Policy
Pt 15



CONFIDENTIAL

cc BG

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

12 June 1989

Dear Roger,

EXCHEQUER SUPPORT FOR LOCAL AUTHORITY DISPOSALS OF HOUSING STOCK

The Prime Minister was grateful for your Secretary of State's minute of 9 June in which he set out his proposed line to take on the Opposition amendment to the Local Government and Housing Bill. She is content with the revised proposal for a 100 per cent rate of Exchequer subsidy for certain categories of local authority disposals of housing stock where the price obtained is insufficient to meet outstanding debt.

I am copying this letter to the Private Secretaries to members of E(LF), Michael Saunders (Law Officers Department) and Trevor Woolley (Cabinet Office).

Yours,
Paul

PAUL GRAY

Roger Bright, Esq.,
Department of the Environment

CONFIDENTIAL

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PRIME MINISTER

EXCHEQUER SUPPORT FOR LOCAL AUTHORITY HOUSING DISPOSALS

There were various exchanges in late '88 and early '89 about the detailed arrangements for Exchequer support to local authorities who disposed of their housing stock in cases where the proceeds were insufficient to meet outstanding debt.

Following advice from the Policy Unit, you favoured an arrangement whereby the Exchequer provided 100 per cent support for any deficiency - in order to ensure there was no disincentive to disposals. But you agreed that DOE could go out to consultation on the basis of a lower rate of subsidy, and review the position later.

Nick Ridley's minute (attached) reports on the outcome of that review. He attaches a detailed note by officials, which has been agreed by departments.

The outcome is:

- the final decisions on the new capital and revenue regimes have automatically resolved this problem post-1990.

- but there is still an issue concerning the appropriate level of subsidy during 1989-90. The review has concluded that subsidy should be at 100 per cent - ie in line with your original view.

Nick Ridley now seeks early agreement to proceeding on that basis, in time to respond to an Opposition amendment to the Local Government and Housing Bill, due for debate during Report Stage next Wednesday.

The Policy Unit support the proposal.

Content? Yes

PLG.

PAUL GRAY

9 June 1989

CONFIDENTIAL

PRIME MINISTER

We have been consulting local government on a provision in the Local Government and Housing Bill. There is an Opposition amendment on this for debate next Wednesday during Report Stage. I should like to clear with you and colleagues the line to take.

We had proposed to rationalise the Exchequer support to local housing authorities when they dispose of housing stock but are unable to raise a price sufficient to meet outstanding debt. Our package comprised a new "Residual Debt Subsidy" plus consequential changes in Main Housing Subsidy. The outstanding question in E(LF)'s eyes was the percentage rate for Residual Debt Subsidy (see my minute to you of 24 November last year and subsequent exchanges). You favoured 100% but there were arguments both ways and we finally agreed to consult on lower rates and review later.

Public consultations are now over and I believe our proposals should be substantially revised:

i) A Residual Debt Subsidy is no longer needed or appropriate from 1 April 1990. It has been overtaken by recent developments in our policies for new capital and revenue regimes in local government.

ii) The case for the new subsidy this year remains but I would now limit it to those authorities who are not eligible for Main Housing Subsidy in the present system and to cases of multiple sales. The subsidy would thus be available for Tenants' Choice and HATs, and also voluntary large scale disposals if they satisfy Government appraisal and receive consent.

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I suggest the rate of subsidy should be 100%. The additional cost (over a flat rate 90%) is thought to be less than £½ million and it would be hard on authorities (and might discourage sales) to give less than the full 100% that they will in any case get in the new regime from 1 April 1990.

I enclose a short note of explanation. Officials in my Department, Treasury and the Welsh Office have discussed the proposals and agreed upon them. I should be grateful if I could have colleagues' responses by midday Tuesday 13th.

I am copying this minute to other members of E(LF), the Attorney General and Sir Robin Butler.

pp NR

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

9 June 1989

CONFIDENTIAL

HOUSING SUBSIDY FOLLOWING DISPOSALS OF STOCK

A Memorandum by the Department of Environment

1. The Department published a consultation document on 17 January on a provision in the Local Government and Housing Bill and discussions have subsequently been held with officers of the local authority associations. In Committee Stage on the Bill it was explained that the responses to those consultations were being reviewed. Conclusions ought to be announced during Report Stage on 12 and 13 June.

2. The Government had proposed a new "Residual Debt Subsidy" (RDS) where local authorities sold dwellings but were unable to cover outstanding loan debt from the sale price. RDS would cover all kinds of sales, both this year and in the new financial regime for local authority housing to begin in April 1990. Members of E(LF) corresponded about the percentage rate of that new subsidy. It was finally agreed to consult on 90% in Wales and a two tier system in England of 75% following most sales but 90%, as an incentive to sell, in cases of voluntary large scale disposals. In both countries a separate safety net would, in effect, give 100% following transfers to Housing Action Trusts. Most disposals however were expected to raise a surplus and not qualify for subsidy. (See the minute from the Secretary of State to the Prime Minister of 24 November last year and subsequent exchanges).

3. It is now clear that our proposals should be substantially altered:

(i) Decisions already taken on the new capital and revenue systems for local authorities mean that a "Residual Debt Subsidy" is no longer needed, or appropriate, from 1 April 1990.

(ii) The consultations have shown that we should not now contemplate such a subsidy for individual sales (Right to Buy etc) this year, although it remains justified in the more limited cases of large scale disposals in 1989/90 only.

(iii) The rate of subsidy for those remaining cases should be reconsidered: there are persuasive arguments for 100%.

4. In summary the reasons for this change of heart, which have been discussed with officials of the Welsh Office and the Treasury, are as follows:

(a) New rules, from 1 April 1990, on the repayment of local authority debt will treat all debt in the housing revenue account as an aggregate. Authorities will not be encouraged to apportion debt to particular dwellings, and the calculation of any "residual debt" or profit on sales will be inappropriate. Instead authorities will have to meet new targets on the steady reduction of outstanding loan charges.

(b) The new Subsidy will in any case take loan charges 100% into account (provided new loan charges are admitted under value-for-money rules). It follows that authorities will receive Exchequer support where they are left with debt following sales.

(c) The new system will give a strong incentive to voluntary sales: 25% of housing receipts may be re-invested at the authority's discretion. In February we announced that if these receipts were not spent on new capital, then interest earned could be put to the community chargepayer's benefit.

Taken together these points mean that we do not now require RDS in the new regime.

5. The case for a new subsidy for this year alone has to be re-examined. In essence:

(a) Local authorities were too far advanced with their budget making, when we began the consultations to allow us without risk of legal challenge to impose a new system for 1989/90 that would reduce entitlements to subsidy. Some parts of our proposals would have had this effect and cannot therefore be introduced.

(b) The argument remains for extra Exchequer help where authorities have "made a loss" on enforced sales under Tenants' Choice or HATs legislation. There is currently no subsidy for most authorities (and effectively 75% for the one fifth in Housing Subsidy). Local authorities know however that the new subsidy regime from 1 April 1990 will give them 100% Exchequer support, at the margin, for any loan charges remaining in the account. There will be a sense of grievance therefore if Tenants' Choice disposals are forced on them this year with no compensation until 1.4.90. In the case of HATs we have already committed ourselves publicly to a 100% safety net.

(c) Large scale voluntary disposals are a special case. Without any Exchequer support authorities would be unlikely to give serious thought to such disposals if they expected the transfer price to be less than outstanding debt. RDS would encourage discussion (especially if the rate were 100%) but there is no question of any loss-making voluntary transfers taking place without agreement of the Treasury after an assessment of the full public expenditure implications.

6. A reasonable conclusion therefore is that RDS be introduced for the current year only, and for multiple sales only, with the rate of support at 100%. The cost of 100% compared with 90% is thought to be less than £½ million and the whole cost of RDS for 1989/90 is not expected to be more than £2 million (we cannot predict accurately where sales will occur or at what value; our estimating is consequentially very imprecise).

7. There is an obligation to announce the Government's conclusions as soon as possible, First, local authorities must not be left in continuing financial uncertainty. Second, the House has been told we are reviewing clauses 73 to 75 of the Bill. Government amendments will have to be tabled at a later stage; these could be left for Lords Committee but our intentions should be announced at Report in the Commons next week.

CCPU

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

The Rt Hon Nicholas Ridley, AMICE, MP
Secretary of State for the Environment
2 Marsham Street
LONDON
SW1P 3EB

8 June 1989

NBRM
PRC
9/6

Dear Nick,

LOCAL GOVERNMENT AND HOUSING BILL

I am writing to advise you of a change which I propose should be made to the provisions in the Bill clarifying the powers of the relevant Secretary of State and local authorities in respect of the provision of agency services to owners and occupiers of houses.

Following my letter of 22 December 1988 approval was given to the inclusion of Scotland within the scope of what is now clause 141 of the Bill. The intention of that clause is to introduce clear powers for local authorities in particular to fund agency services such as care and repair schemes. I understand that further consideration between officials of our Departments has pointed to a need to provide a more precise definition of the types of works which can be assisted, to avoid the possibility that the provisions of clause 141 would inadvertently enable local authorities' Direct Labour Organisations to undertake work in the private sector. I too would wish to avoid that possibility and accept readily that the scope of clause 141 should be suitably limited.

I understand that it is the intention to effect this limitation in scope by means of defining relevant works eligible for support in accordance with the terms of clauses 102, 103 and 117 of the Bill. These clauses set out works qualifying for a disabled facilities grant, works to put a house in reasonable repair, and minor works to houses. These particular clauses, however, do not extend to Scotland and are expressed in terms of a standard or requirement which is essentially English, both in legal and a geographical context. It will be necessary, therefore, to make separate reference to establish the type of works which Scottish local authorities can assist. I believe that this can best be achieved by means of a specific clause relating solely to Scotland. I propose, therefore, that clause 141 should be disapplied as regards Scotland and that a separate Scottish care and repair clause be brought forward at a later stage of the Bill.

Copies of this letter go to members of E(LF) and L Committee, the Prime Minister, David Waddington, the First Parliamentary Counsel and Sir Robin Butler.

Yours ever,

MALCOLM RIFKIND

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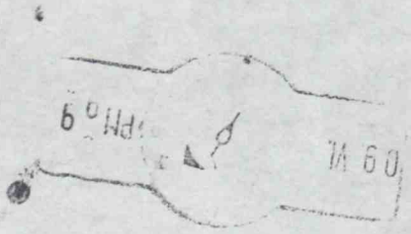
Housing: Policy pp 15.



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MRS PONSONBY

MEETINGS OF E(EP) AND E(LF)

We have a meeting of E(EP) scheduled for 14 June, currently limited to one hour from 1430 to 1530. Unfortunately, the agenda for this is now piling up and could be four items. So an hour looks very tight. Would it be possible to eat into lunch that day and start at, say, 1415? If so, could you please liaise with Cabinet Office?

The next E(LF) is scheduled for the pre-Cabinet slot on 6 July. Amongst the items to be discussed is homelessness. At the last meeting the Prime Minister asked for this to be linked with a separate exercise on lone parents. Ideally, I would like the E(LF) meeting to be quickly followed by a separate meeting of a smaller group of Ministers carrying forward the more detailed discussions on lone parents. So would it be possible to organise the morning of 6 July so that we had:

- E(LF) at 0930;
- Cabinet at 1100;
- the smaller group on lone parents at, say, 1215?

If you think that would be okay, I will give you a list of names for the 1215 slot.

PAUL GRAY
2 June 1989

DS3AIV

HOUSE OF LORDS,
LONDON SW1A 0PW

26 May 1989

Dear Tony,

ESTATE AGENCY REVIEW

Thank you for your letter of 17 May 1989.

As you indicated in your letter, your officials have met mine and those of other colleagues interested in the property transfer system to look at the various initiatives which might need to be taken across Government to ensure that this system operates as well as possible. Both your estate agency review and my proposals about conveyancing are among these initiatives. I am hoping to be able to put a paper to colleagues at the same time as my proposals on the legal reforms, which will enable us to examine these initiatives as a whole. I enclose for your information a copy of the minutes of the first meeting of officials and the first draft of a paper which I might circulate, on which my officials are currently seeking comments from other departments to ensure it accurately reflects the current state of play.

You will see from these documents that some suggestions have already been made about proposals which might be included in your suggested Estate Agents Code. I would find it very helpful if I could see and have an opportunity to comment on a draft of the Code you might put forward in the light of these proposals.

A copy of this letter and its enclosures goes to the Prime Minister, the Earl of Caithness, Peter Lilley, Nigel Lawson and Nicholas Ridley.

Yours ever,

James

The Rt. Hon. Tony Newton OBE, MP
Chancellor of the Duchy of Lancaster
and Minister of Trade and Industry
The Department of Trade and Industry
1-19 Victoria Street
London SW1H OET

ANNEX 5: The Market for Domestic Property

Introduction

1. The proposals outlined in Section 7 will, when implemented, allow a wide range of organisations to compete in the domestic property market, each providing, if they wish, a full range of services from initial introduction of vendor to prospective purchaser to final conveyance, together with the arrangement of mortgage, or other, finance. It is noticeable that since the creation of the profession of licensed conveyancers in 1985 and the contemporaneous relaxation by the Law Society of many of the restrictions previously placed on the manner in which solicitors could advertise their services, conveyancing fees have fallen markedly. It is anticipated that relaxation of the restrictions which remain will bring further benefits to the consumer.

2. It is important to ensure that no one group providing these services should enjoy a competitive advantage over its peers merely by virtue of its form of organisation. There is, moreover, a body of evidence which suggests that the Financial Services Act is not completely effective across the whole of the domestic property market. This annex examines the way in which existing regulatory structures can be harmonised so that all those in the market can in future compete with each other on broadly equal terms.

Disclosure of commissions

3. Mortgages (other than simple repayment mortgages) are investments, dealings in which are subject to rules made by the Securities and Investments Board under the Financial Services Act 1986. At present, commissions for arranging such investments are required to be declared only by independent intermediaries. The Secretary of State for Trade and Industry has it in mind however to ask the SIB to change its rules, to require all commissions on mortgages which are "investments" to be declared, whether the broker is an independent intermediary or a tied agent. It is suggested that the DTI should ensure the SIB makes this change in its rules.

4. In addition to the full disclosure of commissions to clients, it is in any event desirable for clients to be informed of the charges they will incur by accepting any service, or combination of services, from each organisation offering them. It would be possible in the conveyancing code of conduct, to place a requirement on organisations providing conveyancing services to display the range of such charges in their offices but such a device would not address the substantial charges which might be incurred in accepting a combination of, say, estate agency and mortgage services. The obligation to display charges should instead be made

dependent upon the provision of financial services. The LCD will accordingly raise with SIB the possibility of its amending its rules so as to ensure that there is full disclosure of charges by both independent intermediaries and tied agents.

Conflicts of interest

5. It is fundamental to the Lord Chancellor's approach that conveyancing services should not be offered to more than one party to a transaction if an actual (as opposed to a purely theoretical) conflict of interest arises, unless the parties are made explicitly aware of the conflict in writing and approve the agent continuing to act. It is however important to ensure both that conveyancing services are not provided to one party where either estate agency or financial services are offered to another (and a conflict of interest exists because of this) and that estate agency and financial services themselves are not offered to more than one party unless there is no conflict of interest (subject of course to the parties' ability to consent to such arrangements, if they wish). This requirement should be included in the proposed estate agents' code (see para 8 below), and also will be raised with the SIB by the LCD with a view to securing a change in its rules.

Estate Agents

6. There has recently been some evidence that the conduct of estate agents in relation to house selling is often falling below an acceptable standard. Section 3 of the Estate Agents Act 1979 allows the Secretary of State to specify "undesirable practices", the use of which by estate agents would render them liable to a banning order by the Director General of Fair Trading. It is proposed now both to activate this section, and to agree a voluntary code of conduct with the organisations who represent estate agents.

The Order

7. It is envisaged that the undesirable practices which would be specified by the Secretary of State in an order under S.3 would include:

-The use of unfair or misleading contract terms.

This would be a failure to warn of the effect of such terms as "sole selling rights" and "ready willing and able" clauses. Such warning is to be in writing, if the contract is in writing; if the contract is oral, the burden of proof will fall on the estate agent.

-Transactions in which the agent has an undisclosed personal interest.

This would include the failure to inform the client either of the interest of an associate or of commission payments an estate agent had received in any related financial transaction (e.g. mortgage and/or insurance which he has arranged), as well as the failure to disclose to a vendor client any interest the estate agent had in an offer to purchase.

-misleading advertising.

-tying in.

This consists in making the offer of one service contingent upon the acceptance of another. It should certainly include declining to pass on bids unless the purchaser agrees to arrange finance or insurance with the agent.

The Code

8. This would set out the general principles of conduct to which estate agents should adhere. In particular it should cover conduct as regards:-

- A duty to offer best advice.

For instance an estate agent recommending a type of mortgage or policy could only do so if satisfied, having regard to all the relevant factors of which he could reasonably have known, that the product was the one best suited to the customer's needs and resources.

- A duty to encourage vendors to seek legal advice at an early stage, and to start searches; a duty to encourage purchasers to seek financial advice at an early stage.

These are aspects which would be covered also by the solicitors' Conveyancing Protocol - see para 18 below.

- Oral disclosure to clients of prospective liabilities.

Whenever possible disclosure of prospective costs should be in writing or at least with written confirmation.

- Bidding-up prices.

- A duty to draw a client's attention in writing to any conflict of interest of which the agent is aware.

Building societies

9. The SIB anticipates that within the next 12 months most building societies will become tied agents. If the SIB changes its rules to ensure general disclosure of commissions, this will not be a particular source of concern. The solicitors with whom they will be in competition are likely to remain independent intermediaries. In respect of the provision of conveyancing services, it seems likely that only the largest building societies (probably the top 5) would find it economic to set up conveyancing departments. As for the rest, it seems probable that they will continue to use local solicitors, though they might prefer to do this by means of the kind of formal arrangements which are presently prohibited by the Law Society's rules.

10. S.35 of the Building Societies Act 1986 provides that a Society shall not offer a class 1 advance conditional on the acceptance of the provision of other financial or land services by the society. Also, where in connection with a class 1 advance by a society, several services are available, the Society or its subsidiaries shall not make such services available except on terms which distinguish the consideration for each service. This provision prohibits the practice of tying-in.

11. Section 35 is not at present in force. The building societies instead operate a voluntary Code of Practice covering the same ground. The Building Societies Association has indicated that they wish to drop this voluntary code, but the Treasury are writing to the BSA indicating that they hope the Code will not be dropped, not least because it is intended that other lending institutions will in future be required to observe a similar Code. It is for consideration whether S.35 should not now be brought into force and the Code made a statutory one.

Banks

12. In contrast to building societies, banks are not currently subject even to a voluntary code of conduct. Furthermore, although U.K. banks fall under the general supervisory jurisdiction of the Bank of England by virtue of Section 1 of the Banking Act 1987, the regulatory regime to which this subjects them is narrower and less rigorous than that applicable to building societies. In particular, it is noticeable that the banking Ombudsman scheme is non-statutory, in particular contrast to the building society Ombudsman scheme.

13. Unfortunately, and again in contrast to the framework within which both building societies and estate agents operate, there exists no statutory provision which would allow the Government to impose a code of conduct upon banks. In respect of their dealings in investments (including endowment mortgages) they are, of course, subject to SIB rules, and banks providing conveyancing services will be bound by the statutory requirements of the forthcoming Courts and Legal Services Bill, and by the accompanying conveyancing code of conduct. In respect of the conduct of their general mortgage and estate agency services, however, it is suggested that banks should in due course be brought under a statutory scheme similar to that applicable to others operating in the market. The means of achieving this might be the Bill to be sponsored by Treasury Ministers in response to the Jack Report (Cm622).

Solicitors

14. In contrast to estate agency subsidiaries of banks and buildings societies, it is likely that solicitors who offer to arrange mortgages for their clients will continue to do so as independent intermediaries and not as tied agents. In providing such financial services it is likely also that solicitors will largely continue to subscribe to the Solicitors Property and Financial Services Company (which was set up in 1988 in order to provide financial advice for solicitors), and which now offers a range of products provided by Barclays Bank, the Mortgage Corporation and the Nationwide Anglia Building Society to subscribing solicitors.

15. In respect of the provision of conveyancing services, it is possible that much of the work will remain in solicitors' offices, though it is likely that both prices and margins will fall in response to the increased competition which will result from restrictions in the market being removed. This may result in some rationalisation of the existing network of firms.

16. In the light of this, it might be helpful to individual solicitors if the Law Society were to relax its existing rules prohibiting solicitors from entering into formal arrangements with banks, building societies and estate agents for the introduction of business. Such arrangements might allow solicitors to operate more effectively in the market for conveyancing services. It is thought that, in contrast to its public stance, the Law Society would be prepared to amend its rules in this way if the Green Paper proposals were implemented.

Delays

17. One of the principal sources of criticism of the current organisation of the house-buying process is the long delays at key stages. It is because of these delays that it would be unwise to require cooling-off periods in the negotiation of mortgages, as they would serve merely to add a further period of waiting before completion of the purchase of a property.

18. There exist a number of options for speeding up the time taken to buy and sell domestic property, including vendor surveys, title insurance and binding offers. It is not necessary to legislate in this area, as there is nothing to prevent the streamlining of house purchase in these ways under existing law. The Law Society is planning to introduce a new Conveyancing Protocol, to highlight how delays can be reduced, and it is intended also to include some of these measures in the code of conduct for estate agents (see para 8 above).

The Land Registry

19. The Land Registry exists to maintain a register both of title to land in England and Wales and of transactions involving that land. The register presently comprises some 12 million titles, and development towards a comprehensive register of over 20 million titles continues, with the extension of compulsory provisions to all areas planned by 1990.Against this background there have been rises in workload of some 2/3 since 1985, reflecting the exceptional and rapid growth both in the extent of owner-occupation, and the frequency with which both residential and commercial properties are changing hands.

20. This has caused some problems in the assessment of resource requirements, not least in obtaining new staff fast enough to keep pace. Both factors have tended to restrict the Registry's capacity to adjust quickly, and the result has been a backlog of unprocessed work. It must however be emphasised that this backlog has not itself contributed directly to any increase in overall delays in conveyancing. The Land Registry's backlogs are in the registration of property after completion. In addition there exist procedures for a property to be reconveyed even where its previous transfer has not yet been registered. It is, however, possible that some solicitors are unaware of these procedures.

21. In the face of this increased activity, the Land Registry has agreed with the Treasury that it should be allowed exemption from the normal but restrictive gross running costs financial regime. The flexibility this allows in enabling the Registry to meet customer demand more quickly is allowing the Registry to recruit and train more staff to process record levels of business and so to reduce the backlog of cases as quickly as possible.

22. In addition, the Lord Chancellor has announced that he is considering the Land Registry as an early candidate for executive agency status under the Next Steps initiative, and a policy and framework document setting out the terms under which this might take place is presently being drawn up. In addition, the possibilities of moving certain functions away from the South East are being actively considered, while computerisation of its operations continues.

Summary

23. In order to secure the changes discussed in this annex, action will be required on the part of three departments.

(1)	LCD	(a)	implementation of Green Paper proposals for conveyancing, including statutory requirements and conveyancing code of conduct;
		(b)	negotiation with SIB over rule change in respect of conflicts of interest and disclosure of charges;
		(c)	preparation of policy and framework document for the Land Registry.
(2)	DTI	(a)	Making of Order under Section 3 of the Estate Agents Act 1979;
		(b)	Agreement of voluntary code of conduct for estate agents (in liaison with OFT);
		(c)	Instruction to SIB to make rule change requiring disclosure of commission.
(3)	Treasury	(a)	Ensure Building Societies Association does not drop its voluntary code of conduct. Consider bringing Section 35 of Building Societies Act 1986 into force;
		(b)	Preparation of legislation in response to Jack Report.

24. It is suggested that the Lord Chancellor should, when announcing to Parliament the Government's intentions in relation to the conveyancing proposals in the Green Papers, refer also to the complementary initiatives discussed in this annex. The draft announcement has accordingly been phrased with this in mind. (See Annex 1, para _____).

CONFIDENTIAL

INTER-DEPARTMENTAL WORKING PARTY MEETING ON THE HOUSE-SELLING MARKET

Note of a Meeting held on Tuesday, 9 May, 1989 at 10.00.a.m. in Room 310, Trevelyan House

Present:

LCD	W. Arnold	Chairman
	Mrs C Hand	
	J Saunders	
	E. Adams	) Secretariat
	C. Williams	)
DTI	D. Jones	
	Mrs A Walker	
	H. Bailey	
	Ms M Harvey	
	D. Storey	
OFT	D Lightfoot	
HM Treasury		
	G Dickson	
	J Mortimer	
BSC	T Mathews	
DoE	G Cory	
Scottish Office		
	Mrs V Macniven	
NIO	W G Nabney	

THE LAW SOCIETY'S REPRESENTATIONS TO DTI

1. The meeting arose out of the Law Society seeing Mr Maude on 5 April. Mrs Walker's letter of 20 April to the Treasury summarised that discussion. Mrs Walker indicated that since then, Lord Young had seen the Bar Council, and would be seeing the Law Society. His view was that the Green Paper proposals on conveyancing should go ahead, notwithstanding the possible problems inherent in preventing tying-in. Consumer bodies and the DGFT had also come out in favour of the conveyancing proposals. Reference was made in turn to each of the points (a).- (d) made by the Law Society as outlined in Mrs Walker's letter of 20 April.

(a) An independent enquiry into the activities of conglomerate institutions which own estate agencies regarding their property transfer and financial services activities.

2. Mrs Walker stated that there was no need for an independent inquiry: the OFT had in effect already carried one out. However, DTI Ministers were concerned that any problems relating to house-selling that might occur in future should be anticipated. Arnold stated that the Lord Chancellor wanted the whole area of house-selling scrutinised.

3. The Building Societies Association (BSA) had written to Dickson stating that they wished to drop their voluntary section 35 - Code of Practice. The building societies argued that their Code had been adopted on the understanding that a similar Code would be imposed on other lending institutions. It was agreed that it would be more than unfortunate if the building societies reneged on their voluntary Code at this time, and both the Treasury and the Building Societies Commission said it was not their intention to agree to them abandoning the Code. It was agreed that there should be a Code of this kind covering all lenders. Careful consideration needed to be given to how to achieve this. The Estate Agents Act would not cover all house-transfer activities, such as the way an institution handled lending.

4. The BSA were trying to set up a "Committee of Mortgage Lenders" to represent the whole industry, including Banks and Insurance Companies. This initiative had arisen out of the Abbey's conversion decision, and had come separately from the Green Papers. Some of the banks were reluctant to join, and the BSA were looking for Government support for the proposed Committee.

5. It was, however, emphasised that care would be needed in drafting the long title of the Bill. It would be sensible to reduce the application of the Bill to building societies to as great an extent as possible, since there would otherwise be strong pressures to amend the Building Societies Act more substantially.

(b) Estate agencies should be regulated by a code having the force of law backed by sanctions for breach.

6. Jones outlined the action being taken on the DTI's review of estate agency: it had been proposed to Mr Forth that there should be a Code of Practice for estate agents, and that there should be an Order under section 3 of the Estate Agents Act. As to the Code, DTI envisaged that the DGFT would encourage the industry to co-operate in developing the Code. DTI reported that Mr Maude would like the obligation to give "best advice" strengthened. Best advice was not easy to define, and would probably be better included in a Code of Practice rather than statute or SI.

7. Under section 3 of the Estate Agents Act 1979, undesirable practices could be specified by an Order. The DGFT could then issue a banning order in respect of these practices. Not all the matters included in the Code would fall under the Order. It was, however, hoped that the Order could be developed in parallel with the Code. DTI outlined those matters which it was envisaged would be included in an Order:

(1) Unfair or misleading contract terms;
(2) Transactions in which the agent has a personal interest;
(3) Misleading advertising;
(4) Tying-in (ie estate agents pressurising clients to take one or more of their financial services as a condition of buying the property).

A draft would be circulated, and any suggestions for other items to be included should be sent to Room 509, 10-18 Victoria Street.

(c) Stricter controls over the sale of mortgages and a statutory cooling-off period.

8. It was noted that endowment mortgages were investments and already regulated under the FS Act. SIB rules already provided for a cooling-off period for investments sold to ordinary investors. It was agreed that a cooling-off period would not be appropriate. There was usually no mortgage contract until contracts were exchanged, which, given the general delays in house-purchase, should give plenty of time for would be mortgagors to withdraw. Furthermore, such a cooling-off period might be unpopular with purchasers.

(d) Disclosure of all insurance commissions or other remuneration received by an estate agency or lending institution.

9. It was noted that the present rules on disclosure applied only to endowment mortgages provided by independent advisors. SIB were proposing rule changes so as to require disclosure of all commissions by both tied and independent agents.

10. Arnold reported the views of the SIB put forward at a meeting the previous day with the Lord Chancellor. First, within the next 12 months SIB expected most building societies to become tied. Secondly, the value of commissions paid at present was £1500m per year, which contributed substantially to present building society profitability. SIB had proposed that if the Green Paper conveyancing proposals were implemented, each building society or other lender should be required to publish a scale of charges, making clear how much will be charged for each different service, such as conveyancing alone, conveyancing with an endowment policy, conveyancing with mortgage protection, etc. The scale of commissions paid

for endowment mortgage business was such (up to 175% of first year premiums) that, if the building societies chose to pass it all on to the customers, they might well be able to provide free conveyancing, although whether they would do this in practice might be doubted since these commissions were such a major source of their profits. There was, however, an obvious advantage for purchasers in going to a tied lender in that they would be likely to get their conveyancing done more cheaply than they would by an independent conveyancer. Thus there might in time be a move towards routine house-purchases being carried out by tied institutions, whilst those who needed a bespoke service would go to an independent conveyancer.

11. Arnold pointed out that the ban on solicitors becoming tied was a rule of the Law Society, not a rule of law. Lightfoot reported a meeting with Merricks [Assistant Secretary General of the Law Society] 10 days previously who had indicated that the Law Society were privately considering whether the Law Society might relax their rules on arrangements, although this would not be the Law Society's public stance.

12. Lightfoot doubted whether building societies would be able to corner the conveyancing market as a result of their tied arrangements. They had traditionally used commissions to keep down the difference between their lending and borrowing rates: it was likely that competitive pressures would not allow them to change this. Furthermore, since Austin Mitchell's Bill solicitors had strengthened their position; fees had fallen and could fall further. Tied agent status would mean a complete change in approach for solicitors: they might prefer instead to capitalise on their independence. Under their practice rules solicitors are required to account for commissions received. There was no longer a limit on the commissions solicitors could receive, the rule having been abolished on 1 May 1989, the effect of which on independent advice was as yet unclear. The financial services companies set up by the Law Society and its Scottish counterpart could perhaps obtain quantitative discounts from insurance companies in the same way as those obtained by the building societies.

13. It was suggested that only the largest building societies (say the top 5) would want to set up their own conveyancing operations, and then only in urban areas. Most building societies would want to use solicitors.

14. Arnold reported that the Lord Chancellor was considering whether it should be a requirement of the Conveyancing Code that the client was offered a personal interview, at a time and place reasonably convenient to him with a solicitor or licenced conveyancer.

15. Some of those present placed an emphasis on ensuring that any Code was enforced properly, the way to do this being through Ombudsman schemes. The problem of the insurance and banking ombudsman schemes being at present only voluntary could be met by making membership of those schemes a pre-requisite for undertaking conveyancing work.

16. It was suggested that the proposed legislation would generate pressure for fresh action on current delays at the Land Registry. LCD said that some of the past problems there had arisen because of Treasury accounting rules, and also because many solicitors apparently did not fully understand Land Registry procedures. Measures were, however, now being taken to cut delays, including the recruitment of more staff. Furthermore, the Land Registry was a candidate for conversion to agency status.

17. On gazumping, LCD stated that the Lord Chancellor's view was that a change in practice, not a change in the law was required. The Law Society were intending to publish a "Conveyancing Protocol" which would include a variety of options for speeding up house-selling. One proposal would be for estate agents to encourage vendors to seek legal advice at an earlier stage, and to start searches; also purchasers could be encouraged to seek financial advice earlier. Jones noted that the proposed Code of Practice for estate agents could be used to encourage good practice, as well as to discourage bad practice.

18. Jones noted that not all of the matters in the proposed Code of Practice for estate agents would fall within a section 3 Order. A complaints mechanisms for matters outside an Order would be needed. Whether this was an Ombudsman or some other mechanism would emerge from the discussions to be held by the DGFT with estate agents concerning the proposed Code of Practice.

19. The Building Societies Ombudsman scheme at present covered only matters occurring after completion. However, this could be changed (negative resolution procedure applied) to include pre-completion work. The Jack report had recommended that banks should be subject to an Ombudsman scheme akin to an extended Building Societies Ombudsman scheme.

House-Transfer Bill

20. The question was raised whether there was scope for a single Bill covering all aspects of house-selling. However, it was agreed that since there already existed section 3 of the EA Act, section 35 of the BS Act and a place for a LCD Bill in the next session, a piecemeal approach, within an overall strategy, would be more appropriate. Other elements of such a strategy could be any legislation following on from the Jack report, and measures in relation to surveyors (the EA Act excluded surveyors).

21. LCD were committed to produce at least initial Instructions to Counsel by 1 July. E(CP) would consider the policy at the end of June or beginning of July, with a paper going to full Cabinet thereafter. The Lord Chancellor would be making an announcement to Parliament before the summer recess.

22. As to DTI's present timetable in respect of estate agents, it was now not possible for Mr Forth to make an announcement on 2 June as had been envisaged; rather it was envisaged that a draft document would be given to Mr Forth by mid-June. A draft of this would be ready by the end of the next week [ie by 19 May] and would be circulated to members of the Working Party for comment.

23. The Scottish consultation period would end in mid-June. The Secretary of State would ideally like to make a statement, even if all the details were incomplete, before the recess. The Scottish Office would, therefore, need to be kept informed of developments south of the border.

24. It was agreed that E(CP), when considering the Lord Chancellor's proposals on the Green Papers at the end of June or beginning of July, should have a document setting out all the current proposals for action concerning the house-selling market. This would require contributions from colleagues, and could consist of two sections: those measures already in place, or planned under the LCD's Bill; and other measures which would need to be covered in due course. This document would form an annex to the paper for E(CP) being prepared by LCD, which would set out the Lord Chancellor's proposals in the light of the responses to the Green Papers.

25. It was agreed that LCD would circulate a note of the meeting and the first draft of the document for Ministers (discussed at para. 24 above) by Friday, 26 May, for comment by Monday, 5 June. A revised version would be circulated by Friday, 9 June. This would be considered, and, it was hoped, settled at a re-convened meeting on Wednesday, 14 June, at 10.00.a.m. in Room 310, Trevelyan House.

Charles Williams

Trevelyan House Room 414
210-8729

16 May 1989

HOUSING: Policy PTIG

dti

the department for Enterprise

The Rt. Hon. Tony Newton OBE, MP
Chancellor of the Duchy of Lancaster and
Minister of Trade and Industry

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Our ref 215 5147
Your ref
Date 17 May 1989

Dear James,

ESTATE AGENCY REVIEW

You will already be aware that my colleague Eric Forth has been carrying through a review of estate agency, originally started under his predecessor, John Butcher.

The objective of the review was to identify ways to improve the standards of estate agents. This had become necessary because the very active property market of some months ago had focussed attention on a number of unsatisfactory practices. In the course of the review, which involved a programme of meetings with the major estate agency bodies and other interested parties, a number of issues associated with the property transfer system but outside his direct remit for the regulation of estate agency were discussed. These include matters which are the responsibility of other colleagues including yourself.

In concluding his review he has decided to recommend a combination of self-regulation supported by some use of existing statutory provisions. He intends to ask the Director General of Fair Trading (DGFT) to discuss with the industry the introduction of a code of practice for estate agency to improve and maintain standards of service. This will clearly need to include some form of disputes procedure and a system for monitoring compliance with the Code.

TONABY

Recycled Paper

dti

the department for Enterprise



He has also concluded that we need to act against a number of undesirable practices identified in the review and in recommendations on the working of the Estate Agents Act published by the DGFT. He intends to do this by introducing an Order under Section 3 of the Act.

By means of such an Order the DGFT will be able to ban estate agents if they engage in undesirable practices even if they are not members of associations subscribing to the Code. The detailed coverage of the Order will need to be worked out in parallel with the discussions on the Code and he would like this to cover, for example, tie-in sales in which I know you have an interest.

Given the duration of this review, the amount of public attention which it has attracted, and the detailed consideration which he has given to the numerous representations, Eric Forth has decided to make a report of his findings available, probably early in June.

I think it is necessary for his report to comment on developments elsewhere which are contributing to improvements in the property transfer system. This will pick up on the various issues raised in his series of meetings and help to put the proposals in context.

I am thinking in particular of your Green Paper on Competition in Conveyancing, the work of the Conveyancing Standing Committee of the Law Commission, and the pilots for computerisation of local authority searches. But I am conscious that there are other ideas which were raised in discussion, and have been mooted in the press, like the possibility of vendor surveys, which we will need to comment on.

Our officials have met officials in your Department and others with an interest in the property transfer system on the drafting of the announcement and will continue to liaise closely. You may care to consider whether the proposed Code could usefully include provisions which support improvements you would like to see, for example promote wider consumer awareness of the flexibility of the property transfer system which would lead to speeding up the system. I would welcome comments from you and other colleagues on whether the proposed Code should include these, or any other provisions in the areas for which you and other colleagues are responsible.

A copy of this letter goes to the Prime Minister, the Earl of Caithness, Peter Lilley and Nicholas Ridley.

Yours ever.

TONABY

TONY NEWTON

Tony

Recycled Paper

10 DOWNING STREET

PRIME MINISTER

E(LF): 16 MAY

You looked at some of these papers over the weekend, but may like to have another look tonight. I think you may not have yet read the Cabinet Office brief at Flag B.

RLC6
1115

B

PRIME MINISTER

Ref: P 03442

HOMELESSNESS

[E(LF)(89)1]

DECISIONS

The Secretary of State for the Environment's paper seeks agreement to a package of proposals which would form the basis of an announcement about the Government's review of the homelessness legislation.

2. Mr Ridley's main proposals are:

i. first priority for the homeless in the allocation of permanent local authority homes (paragraph 8a). Other applicants in real housing need would have second priority;

ii. provision of hostels for young unmarried mothers and pregnant women, where they would have the necessary support and discipline (paragraph 5);

iii. action to encourage better use of the existing housing stock, by bringing empty houses into use, encouraging cooperation at local level and encouraging more people to take in lodgers (paragraph 8b and c);

iv. targeted investment in key areas, including support for local authorities on condition that they adhere to Government policies (paragraph 11);

v. action on mobility, by merging the three existing publicly funded bodies (paragraph 13);

vi. a revised statutory Code of Guidance for local authorities, to ensure that they operate the law in a tough, consistent and fair manner, and to impose a tighter application of the local connection rule (paragraph 15);

vii. action on voluntary bodies in two areas: first, to redirect the £0.7m per annum grant for advice services to create a comprehensive national facility based on Citizens Advice Bureaux; and second, to provide further resources for voluntary bodies who provide positive help to the homeless (paragraph 16).

3. Subject to E(LF)'s agreement, Mr Ridley proposes to publish the Policy Statement attached at Annex C to his paper as soon as possible; and to prepare a revised Code of Guidance for consultation and issue by the early autumn.

BACKGROUND

4. E(LF) met on 9 November (E(LF)(88)6th Meeting) to consider an earlier paper from Mr Ridley (E(LF)(88)14). At that stage he proposed a major change in the definition of homelessness in legislation, under which local authorities' obligations to provide housing would have been limited mainly to those who literally had no roof over their heads. He also proposed a package of measures to improve the supply of housing available to accommodate the homeless.

5. E(LF) saw serious political dangers in any attempt to change the definition of homelessness. They felt that it would be better to explore what could be achieved within the existing definition, eg by introducing a new scale of priorities to which local authorities should have regard, and applying a stronger "local connection" test. They also favoured action on the supply side. Mr Ridley was asked to do further work, in consultation with Mr Baker, Mr Moore and Mr Major.

MAIN ISSUES

Priorities for housing

6. Mr Ridley proposes that the homeless should have first priority in the allocation of permanent local authority housing. This is in line with E(LF)'s earlier conclusions. It would require "minor legislative change". The main disadvantage is that it may prove contentious with other applicants, some of whom may

have been on council house waiting lists for months or years, and may see priority for the homeless as a form of queue jumping. But on balance you will probably want to endorse this proposal. You should however note that it is hardly discussed at all in the draft policy document appended to the paper, beyond a mention in the conclusions (para 57 of the document). You may want to consider whether such an important change should have more emphasis.

7. E(LF) also envisaged going further and creating priorities within the group accepted as homeless, eg to give those who literally had no roof over their heads the highest priority. This may create legal problems since there is no such distinction in the existing statute. But there appears to be some hint in paragraph 5 of Mr Ridley's paper that he favours making this sort of distinction. You may wish to ask him whether something along these lines could be done, eg in the Code of Guidance.

Young unmarried mothers and pregnant women

8. E(LF) were concerned at the previous meeting that there was an incentive for young single women to become pregnant so that the State provided them with an income and accommodation. But Ministers were not convinced that Mr Ridley's proposal to provide purpose-built hostels with a spartan regime was the right way ahead: they noted that it would be expensive and run counter to moves elsewhere to cut back on hostels. You felt that a better approach would be to seek the cooperation of the churches and voluntary organisations to provide accommodation for this group.

9. Mr Ridley has nevertheless brought forward a revised version of his earlier proposal, under which there would be a modest extension of hostel provision : perhaps an extra 500 units per annum from 1990/91 compared with the extra 5-6000 extra hostel places which would be needed over the next three years to accommodate all young single parents likely to come within the homelessness rules (Annex B,para5). He hints that the churches and other voluntary organisations might be involved, and provide a structured and disciplined environment for young mothers and

their children. Such a proposal would need careful presentation to avoid sensationalised criticism from the Press and housing pressure groups. You will want to consider whether to accept Mr Ridley's revised proposal, despite E(LF)'s earlier misgivings. If so, you will want to ask him to discuss the financial implications with the Chief Secretary.

10. You may also wish to ask Mr Moore about progress with his review of lone parent families and dependency: in his minute of 25 January he said that officials had been asked to complete their work by Easter.

Better use of the existing housing stock

11. It is obviously right to make the best use of the existing housing stock. Mr Gray's letter of 6 February to Mr Ridley's Private Secretary asked him to consider the scope for bringing empty housing under sympathetic supervision in the voluntary sector (following the provision of funds to Mother Theresa's order in the past). There is a reference to voluntary bodies in paragraph 9 of the paper, but you might ask Mr Ridley to expand on what he has in mind in this area.

12. Mr Ridley also refers to the use of empty Government (mainly MOD and Home Office) dwellings by the homeless although he makes no specific proposals. You will want to ask him to agree any proposals in this area with the Ministers concerned.

Targeted investment in key areas

13. Mr Ridley suggests targeted investment (eg on refurbishment of local authority homes, payments to tenants to move out and buy their own homes, and some new building by housing associations) to ease homelessness in the areas of worst pressure. His policy document accepts (paragraph 50) that more help must be given to provide more houses for rent, and says that this requires 'extra resources'. This is an important statement. You will want him to agree the financial implications with the Chief Secretary. We understand that Mr Major has rejected proposals to switch resources from the Housing Action Trust programme to homelessness

this year (1989/90), but is willing to discuss provision for later years in the forthcoming PES round.

Mobility

14. Mr Ridley's proposal to merge the three existing mobility bodies seems right, and should lead to modest reductions in spending and public sector manpower.

Code of Practice

15. Mr Ridley proposes an amended statutory Code of Guidance which would require local authorities to adopt a tough but fair approach to assessing the homeless, bearing in mind the long-stop nature of the legislation. There would be a time limit of 30 days for assessment. A stronger "local connection" test would be applied, so that the homeless with no roots in, say, London would be directed back to their home authority. Local authorities would also be required to keep use of bed and breakfast accommodation to a minimum. You will probably want to endorse all these proposals.

CABx are not your favourite organisation; but it is difficult to see third national body is better placed. RRC6.

Voluntary bodies

16. Mr Ridley's proposes to redirect existing grants (£0.7m per annum) for housing advice from bodies like Shelter to the Citizens Advice Bureaux who can provide national coverage seems right. His proposal to grant aid voluntary bodies which provide positive help to the homeless is in line with the conclusions of the previous meeting. But again it has public expenditure implications, which need to be discussed with the Chief Secretary.

17. The policy document says (paragraph 26) that young single people are not generally covered by the homelessness legislation. They have attracted some public attention. You may want to consider the presentation on this point.

Next steps

18. Provided E(LF) can agree Mr Ridley's basic proposals, you will probably want to ask him to finalise his Policy Statement in

consultation with other Ministers and to announce the conclusions of the review in the near future; and to prepare the revised Code of Guidance to local authorities, for consultation and issue in the autumn.

VIEWS OF OTHER MINISTERS

19. The Chief Secretary, Treasury is likely to welcome the outcome of the further work. He will be concerned about the proposals to devote additional resources to the homeless, and has so far refused to allow money to be redirected in 1989/90. But I understand that he is likely to agree to the issue of the Policy Document, subject to minor redrafting to avoid the implication that there will be an increase in the overall resources made available for housing. The Secretary of State for Social Services has an interest in the benefits payable to the homeless, and also in the general issue of single parent families and dependency. He may be concerned about the position of young single homeless people, particularly those living rough in London and other big cities, who are not covered by the homelessness legislation. The Secretaries of State for Education and for Health also have departmental interests and may wish to comment.

RTJW.

R T J WILSON
Cabinet Office
12 May 1989

DEPARTMENT OF HEALTH AND SOCIAL SECURITY
Richmond House, 79 Whitehall, London SW1A 2NS
Telephone 01-210 3000

From the Secretary of State for Social ~~Services~~ Security

The Rt Hon Nicholas Ridley MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
London
SW1P 3EB

12 May 1989

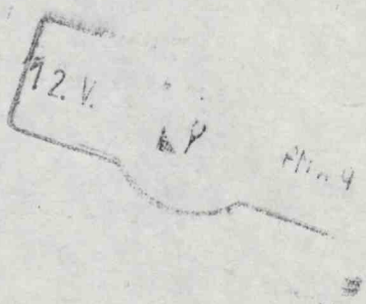
Dear Nicholas.

HOMELESSNESS

I read your paper of 5 May on homelessness with keen interest and am writing in advance of our discussion in E(LF) next Tuesday to mention a point about handling which I think it will be helpful for us to consider when we meet. Your proposals include a plan for provision of hostel accommodation for young unmarried pregnant women and lone parents, to be announced in your suggested Policy Statement. This proposal relates to an interest which we share, since, as you know, my officials have been carrying out a review of ways of reducing dependency among lone parent families, in discussion with various Departments. I expect to be reporting to the Prime Minister on this work within the next 3 to 4 weeks with a paper on which my officials will be consulting yours and other colleagues', and we will need to consider the content and timing of an announcement of the action we decide to pursue. Because of the significance of your proposal of hostels for young unmarried lone parents we clearly need to coordinate these announcements and so I think it would be useful to look at this on Tuesday.

I am copying this to the Prime Minister, John Major and Sir Robin Butler.

JOHN MOORE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PRIME MINISTER

12 May 1989

HOMELESSNESS

The Secretary of State's new proposals involve:

Demand

(a) no change in the definition of 'homelessness' but encouraging local authorities to tighten their assessment procedures bearing in mind the 'long-stop' intention of the Act.

Supply

(b) a limited increase in hostel accommodation for young single parent families;

(c) better management by local authorities of the existing rented housing stock;

(d) cash incentives to help mobility of tenants;

(e) bring empty property back into use;

(f) extra investment in housing association new build or rehabilitation;

(g) target existing resources to the voluntary sector more effectively

Underlying this approach is the view that the solution to homelessness lies in housing strategy - mainly because the problem is a manifestation of years of interference in the rented housing market.

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The publication of the Policy Statement as proposed is a definite step forward in tackling homelessness.

We still, however, have one nagging doubt.

If we do little to reduce the incentives or ability of people to declare themselves as homeless but increase the attractiveness of the supply of accommodation for homeless people, are we not in danger of making the situation worse?

There is a parallel here with child care.

E(LF) decided last November not to pursue fundamental change in the criteria for homelessness because of the sensitivity. But We recommend that the Policy statement should be carefully drafted so as to leave the door open to possible future change on the demand side.

This could be achieved by saying in para. 57 (second indent) of the Statement that:

> "There is no case at the present time for amending the definitions of homelessness."

rather than being categoric that there should be no amendment at all.

John Mills

JOHN MILLS

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cc Backup

PRIME MINISTER

MEETING OF E(LF): 16 MAY

E(LF) meets next Tuesday to consider a further paper from Nick Ridley on homelessness.

His paper is at Flag A. You will want to look mainly at the covering note. But if you have time I suggest you also flick through the draft policy statement at Annex C to the paper.

The Cabinet Office brief at Flag B raises a number of detailed points that you may wish to raise in the discussion.

The Policy Unit note at Flag C recommends that you can broadly accept the proposed package, subject to one point. They do not quarrel with the emphasis being placed (as agreed at the last meeting) on changes to the supply side. But they suggest that Nick Ridley's statement should leave open the possibility of amendments in future to definitions of homelessness, in case the new policy in practice leads to an increase in the attractiveness to people of declaring themselves as homeless.

John Moore's note at Flag D mentions the interconnection between Nick Ridley's proposals for provision of hostel accommodation for young unmarried pregnant women and his own review of ways of reducing dependency among lone parent families. He plans to report to you on that in the next few weeks.

RRCG.

(PAUL GRAY)

12 May 1989

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CONFIDENTIAL

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

8 May 1989

A SCHEME FOR RENTS TO MORTGAGES THROUGH SCOTTISH HOMES

The Prime Minister was grateful for your Secretary of State's minute of 5 May. She has also seen the Chief Secretary's letter of the same date and the minute from the Secretary of State for Wales of 4 May.

The Prime Minister is content for your Secretary of State to announce a Scottish experiment on the basis of the revised terms set out in the Chief Secretary's letter.

She has also noted the Secretary of State for Wales' intention, in addition to the points agreed at the 25 January meeting (my letter of 26 January to Roger Bright refers), to put proposals to colleagues for an experiment in Wales. She assumes that the Secretary of State, in preparing any proposals, will take into account the points raised in the 25 January discussion and the conditions applying to the experiment in Scotland.

I am copying this letter to Roger Bright (Department of the Environment), Stephen Williams (Welsh Office), Gill Littlehales (Department of Social Security), Carys Evans (Chief Secretary's Office) and Trevor Woolley (Cabinet Office).

PAUL GRAY

David Crawley, Esq.,
Scottish Office.

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CONFIDENTIAL

2 MARSHAM STREET
LONDON SW1P 3EB
01-276 3000

My ref:

Your ref :

The Rt Hon Malcolm Rifkind QC MP
Secretary of State
Scottish Office
Dover House
Whitehall
LONDON
SW1A 2AU

8 May 1989

Dear Secretary of State

A SCHEME FOR RENTS TO MORTGAGES THROUGH SCOTTISH HOMES

John Major's letter to you of 5 ~~May~~ WITH PC? sets out an alternative basis for a rents to mortgages scheme for Scottish homes following our meeting on 4 may.

Subject to the views of the Prime Minister and colleagues, I too should be content for you to proceed as set out in John's letter. I believe that the terms set out there represent a more satisfactory and modest basis for an initial limited experiment than your original proposal.

Ring fencing was an issue we discussed at some length. I understand the reasons why you wish the scheme to be extended to New Town tenants opting to transfer to Scottish Homes. I share John's view that it is likely to be difficult to defend including these tenants while excluding those of local authorities. That is, however, a judgement for you, and I should not wish to raise any objection to the scheme extending to this group if you feel that the position would be sustainable.

You may recall that I mentioned briefly at our meeting that I could see attractions in offering encouragement to tenants in England who were willing to move to a home in Scotland to buy on RTM terms, given your surplus of public sector dwellings. This would clearly not be right in the context of an initial limited scheme of the kind now proposed. But if, in the light of initial experience, you felt it appropriate to propose extending the scheme to a wider group of tenants in Scotland, I should be grateful if you could consider whether it would be possible to set up arrangements to allow English local authority tenants to transfer and participate in the way I have described. That could be of real practical help and would be a small step towards dispelling any resentment amongst tenants outside Scotland if Scottish tenants in general were to have what was perceived to be an advantageous deal.

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You will no doubt be giving careful consideration to the presentation of the scheme. I would strongly endorse John's point that you should underline in presentation that participants only enjoy the capital gain on their effective stakes, not on the whole value of the property. This is particularly important as the scheme proposed is not as easily comparable with the right to buy as would be the alternative approach for calculating initial discount mentioned in my minute of 28 April to the Prime Minister, allowing tenants to buy an initial stake exactly on RTB terms. I accept that the terms proposed in John's letter make RTM a clearly less attractive option than RTB, and do not wish to object to their application in Scotland. It may, however, be that the alternative model might be more appropriate if we were to consider similar arrangements for the rest of Britain in the future.

It would also help me if your presentation of the scheme could make strong reference to the number of empty publicly owned houses in Scotland, which is not the case in Southern England and Wales.

I am copying this letter to the Prime Minister, John Major, John Moore, Peter Walker, Professor Griffiths and Sir Robin Butler.

Yours sincerely

NICHOLAS RIDLEY

pp (approved by the Secretary of State and signed in his absence).

PRIME MINISTER

RENTS TO MORTGAGES

As you know, Malcolm Rifkind wants to make an announcement at the Scottish Party Conference next week of a Rents to Mortgages experiment in Scotland.

When you saw him earlier in the week you urged him to seek to reach agreement with John Major and Nick Ridley, and told him he would need to make concessions. You also emphasised the importance of effectively ring fencing the experiment to Scotland.

The trilateral discussions seem to have been successful. John Major's letter at Flag A sets out six conditions on which he (and I gather Nick Ridley) would be content for Malcolm Rifkind to proceed. Mr. Rifkind's minute at Flag B accepts these terms.

I imagine that, as the three of them have reached agreement, you will now be content for Malcolm Rifkind to make an announcement next week. But the one point you should consider, mentioned in both their notes, is the proposal that New Towns tenants who opt to transfer to Scottish Homes, but not local authority tenants, will be brought within the scope of the experiment. John Major questions whether the line can be drawn this way, but Malcolm Rifkind says he sees no difficulty about this.

The more tricky dimension, as I suggested earlier in the week, is Wales. Peter Walker has also sent in a minute (Flag C) in which he announces his intention to bring forward detailed proposals for a Welsh experiment very soon. His minute also states that in February your office (me) had "confirmed that they had noted that we had set in train the consideration of an experiment in Wales." The way in which Peter Walker's

minute is drafted is designed to imply I accepted that the last meeting of your Ministerial group had sanctioned further work on a Welsh experiment.

That is not the case. The minutes of the last meeting (Flag D) specifically restricted the remit for an experimental scheme to Scotland (marked 'x' on the record). Immediately after that meeting, Peter Walker's office wrote in to challenge the minutes and claimed you had also remitted work on a Welsh experiment; the note went on to say "I have already set in train the consideration of such an experiment within my Department". In response I did not make any change to the formal record of the meeting, but simply noted what Peter Walker had set in train.

From what you said earlier this week I think you are clear that you only had in mind a Scottish experiment. The worry about also having a Welsh one is the difficulty of ring fencing it. It may be, however, that if the Scottish experiment now proceeds ring fenced to limit it to Scottish Homes and tenants transferring from New Towns, Peter Walker may be able to come forward with a ring fenceable scheme limited to the Mid-Wales Development Corporation (ie his one main New Town which, confusingly, bears the name Newtown). But the onus is on him to come forward with his proposals, and for others then to comment on them.

You will want to consider how to handle this Welsh aspect. One approach would be for me now to minute out saying:

(i) You are content for Malcolm Rifkind to announce a Scottish experiment next week on the lines described in the Major and Rifkind notes at Flags A and B.

(ii) You have noted Peter Walker's proposal, subsequent to the conclusions reached at the 25 January meeting, to volunteer a possible experimental scheme in Wales. If he wishes to do so you assume he will put forward the details of his proposals for colleagues to consider in

the light of the conditions and restrictions applying to the experiment in Scotland.

This then leaves the onus with Peter Walker to see if he can make his experiment sufficiently watertight to satisfy John Major and Nick Ridley. He will also need to overcome the hurdle previously identified of whether there is an adequate legal basis in Wales for an experiment.

Content for me to minute out your views as at (i) and (ii)?

Yes - but the point about Scotland was Ind. (1) HMG is the landlord (2) no legislation was needed That is why we limited it to Scotland.

PAUL GRAY
5 May 1989

KAYAVG

cst.ps/3jm5.5/drft

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cc PX

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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Malcolm Rifkind QC MP
Secretary of State for Scotland
Scottish Office
Dover House
Whitehall
London
SW1A 2AU

5 May 1989

Dear Secretary of State,

A SCHEME FOR RENTS TO MORTGAGES (RTM) THROUGH SCOTTISH HOMES

After our meeting yesterday morning with Nick Ridley, officials were able to clarify certain aspects further. I am therefore writing now to suggest a basis on which, subject to the views of Nick and other colleagues, we might proceed.

First, ring-fencing. The proposed scheme would be available only to existing tenants with Scottish Homes at the time of announcement. This would be in keeping with the agreement at the Prime Minister's earlier meeting, reiterated in the No 10 letter of 10 May, that the scheme should be effectively ring-fenced. I understand that you feel strongly that the scheme should be available also to New Towns tenants who opt to transfer to Scottish Homes, since otherwise the total number of tenants who might be candidates for the scheme would be unacceptably small. I would see difficulties about drawing the line so as to include tenants who have transferred from New Towns but not those who have transferred from local authorities. If however you feel that this can be defended and sustained, I would not wish to stand in the way.

Second, housing benefit. The scheme would not be available to tenants who had been on housing benefit during the preceding twelve months.

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Third, the initial discount. This would, as you kindly offered yesterday, be set at the RTB discount less 15 percentage points. I am content with this on the basis that, if participants in the RTM scheme subsequently decided to buy their properties in full, the amounts they would have to pay to Scottish Homes would be calculated as the Scottish Homes initial loan as a percentage of the initial market value, multiplied by the market value at the time when the occupier bought the rest of the house, with due adjustment for annual RTB discount increments. The public presentation would need to underline the important point that participants in the scheme would enjoy the benefit of any capital gains only on their (effective) stakes in their properties, not on the whole of them.

Fourth, the subsequent annual discount. These annual increments of discount would, as you have suggested, be the same as for RTB, though the ceiling level would be 15 percentage points lower.

Fifth, the minimum weekly outgoings. I suggest that the RTM participants' minimum weekly obligations should be slightly (say 10 per cent) above their previous weekly rent obligations. The scheme could then be defended to non-participants on the basis that participants were having to increase their weekly outgoings in return for the benefits received (which would, incidentally, include avoidance of subsequent rent increases).

Finally, maintenance. The financial help which Scottish Homes provide would be on the basis that RTM participants would be responsible for maintenance, and the amount they would have to pay to Scottish Homes in order to buy the properties outright (or increase their effective stakes in them) would be increased if they had not been properly maintained.

If the Prime Minister and colleagues are content, I hope that the above may provide an acceptable way ahead.

I am copying this letter to the Prime Minister, Nick Ridley, John Moore, Peter Walker, Professor Brian Griffiths and Sir Robin Butler.

Yours sincerely,

P. Walker

pp JOHN MAJOR
(Approved by the Chief Secretary and signed in his absence)

CONFIDENTIAL

Prime Minister

A SCHEME FOR RENTS TO MORTGAGES (RTM) THROUGH SCOTTISH HOMES

Following our brief discussion on 2 May, John Major, Nick Ridley and I have met to consider the issues which have been raised over my proposed scheme for rents to mortgages through Scottish Homes. In the light of that discussion and subsequent work by officials, I am glad to say that we have made substantial progress and John Major has written today to suggest a basis on which we might proceed.

I would of course have preferred not to have qualified my scheme to the extent now suggested in John's letter. In particular I did feel that it would be possible satisfactorily to ring fence it without excluding tenants who transfer to Scottish Homes from local authorities. However, given that this will be an experimental scheme, I am content to proceed on the basis now suggested by John Major and, given the difficulties which both he and Nick Ridley saw, I am grateful to them both for their part in moving to a compromise which we can all accept.

It is I think particularly important that the scheme should be available also to New Towns tenants who opt to transfer to Scottish Homes and I am glad that John is content to accept my judgement on this matter. I see no practical difficulty in drawing a distinction between New Towns and local authority tenants in this respect given that, as with Scottish Homes tenants, the Government have a direct responsibility for the New Towns and their tenants. Moreover, New Towns tenants will in due course have to either buy their homes or move to other landlords once the New

Towns are wound up and it is in all our interests that we should encourage as many of them as possible to take the home ownership route.

I am copying this minute to John Major, Nick Ridley, John Moore, Peter Walker, Professor Brian Griffiths and Sir Robin Butler.

Lynn Shankland

MALCOLM RIFKIND

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

5 MAY 1989

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PRIME MINISTER

FLEXI-OWNERSHIP AND RENTS TO MORTGAGES

I have seen your Private Secretary's letter of 2 May including the reference to ring-fencing any experiment to Scottish Homes.

Following the meeting of 25 January we immediately informed your office that the minutes had failed to include your specific reference to the possibility of a similar experiment in Wales. On 3 February your office confirmed that they had noted that we had set in train the consideration of an experiment in Wales. Since then I have had confidential discussions with the Chairman of Mid-Wales Development about the possibility of a flexi-ownership experiment involving their 1,000 or so properties. It is my intention to bring forward detailed proposals very soon.

I am copying this to Malcolm Rifkind, John Major, John Moore, Nicholas Ridley and Sir Robin Butler.

4 May 1989

PW

housing Policy Pt 15



CONFIDENTIAL



10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

2 May 1989

Dear David,

A SCHEME FOR RENTS TO MORTGAGES THROUGH SCOTTISH HOMES

The Prime Minister was grateful for your Secretary of State's minute of 25 April and the attached paper. She has also seen the comments from the Secretaries of State for the Environment and Social Security and the Chief Secretary. The Prime Minister and your Secretary of State had a brief word about this earlier this evening.

The Prime Minister recognises your Secretary of State's wish to make an announcement of a Scottish experiment next week, but also considers there is substance in the doubts expressed about the details of the proposal by the Secretary of State for the Environment and the Chief Secretary. She invited your Secretary of State to discuss the matter with them and to see whether agreement could be reached on the details of an experiment that could be announced next week, and to report the outcome to her. The Prime Minister attaches particular importance to ensuring that any experiment is strictly and effectively ring-fenced to Scottish Homes.

I am copying this letter to Carys Evans (Chief Secretary's Office), Gill Littlehales (Department of Social Security), Roger Bright (Department of the Environment), Stephen Williams (Welsh Office) and Trevor Woolley (Cabinet Office).

Yours,
Paul

PAUL GRAY

David Crawley, Esq.,
Scottish Office

CONFIDENTIAL

From: R T J Wilson
28 April 1989

MR GRAY

Ref: P 03427

A SCHEME FOR RENTS TO MORTGAGES THROUGH SCOTTISH HOMES

You asked for advice on the Secretary of State for Scotland's minute of 25 April. He seeks urgent clearance of an experimental Rents to Mortgages (RTM) scheme for Scotland, run by Scottish Homes, to be announced at the Scottish Conservative Conference in the week commencing 8 May.

BACKGROUND

2. The Prime Minister held a series of meetings, starting in May 1988, to consider the Secretary of State for Wales' proposals on flexi-ownership. At the last meeting, on 25 January, Ministers agreed that it would not be right to introduce a general flexi-ownership scheme while conventional Right-To-Buy (RTB) receipts in England and Wales were so buoyant. But they agreed that conditions in Scotland were different, and invited Mr Rifkind to bring forward proposals for an experimental scheme operated by Scottish Homes to test the flexi-ownership concept. Mr Walker subsequently indicated that he too would wish to bring forward proposals for an experimental scheme in Wales.

MR RIFKIND'S PROPOSALS

3. The main features of Mr Rifkind's proposed scheme are as follows:

i. eligibility would be the same as for Right to Buy: that is, 2 years as a public sector tenant. The scheme would be open to existing tenants of Scottish Homes and to tenants of local authorities and new towns who exercised their right under tenants' choice to move to Scottish Homes;

ii. the purchaser would get a discount, equal to his RTB discount minus 10 percentage points;

iii. he would take out a first mortgage with a building society, with repayments equal to his current rent, minus £5 per week rent maintenance (£7.50 in the case of flats);

iv. he would be granted a special second mortgage by Scottish Homes, equal to the balance of the purchase price after the discount and the first mortgage. This loan would be interest free, but would be expressed as a percentage of the full value of the house, which the purchaser would have to repay on sale;

v. the RTM purchaser would however be granted additional bonus equity points of 1% per annum for houses (2% for flats) for each year he remained, subject to the maximum RTB discount minus 10%. These bonus points would gradually reduce the size of the second mortgage.

4. This scheme is practically identical to Option I in the latest Cabinet Office paper. That was the option which Ministers favoured on 25 January, although they felt that both the initial discount and the bonus points might be too generous.

MAIN ISSUES

Implications for England and Wales

5. I understand that Mr Ridley is likely to minute saying that the proposed scheme is indeed too generous, and could create irresistible pressure for similar terms to be introduced in England and Wales. Given the possible implications for RTB receipts, he will say that that would be unacceptable, and that Mr Rifkind should reduce the initial discount and bonus points under his scheme. Mr Rifkind is likely to counter that his RTM discount is already 10 percentage points below the RTB discount; that Scottish house prices are well below English levels, so that the cash value of the discount is not high; and that a sufficiently generous scheme is essential if tenants are to find it attractive.

6. These are matters of judgement. The Prime Minister will

want to consider whether to accept Mr Rifkind's proposals as they stand. One option would be to ask him to adopt a less generous discount structure, at least initially. The discounts could always be raised subsequently if Mr Rifkind proved to be right about the need for an incentive for tenants to take up RTM. On the other hand, tenants who took up the scheme at the beginning might feel aggrieved if the terms were improved later.

Financial implications

7. I understand that the Chief Secretary will be advised to oppose Mr Rifkind's proposals, because of the risk of public expenditure costs. Mr Rifkind has exemplified the financial implications on four sets of assumptions (Cases A and B, and an "optimistic" and a "pessimistic" case). The first three cases show public expenditure savings in Net Present Value terms. But the pessimistic case, which incorporates Treasury officials' assumption about the need to replace 50% of dwellings sold under RTM, shows substantial public expenditure costs.

8. Mr Rifkind believes that it will not be necessary to replace dwellings sold under his scheme, at least until there has been a substantial further reduction in the size of the public rented sector in Scotland. He can control such investment by local authorities through the capital control system. Even if there are public expenditure costs, these will fall within the Scottish Block. For all these reasons, the financial implications of the scheme do not seem to provide strong arguments for rejecting Mr Rifkind's proposals

Other issues

9. The paper raises a number of other issues:

i. the Scottish Office now expect the majority of purchases under Mr Rifkind's scheme to come from local authority and new town tenants transferring to Scottish Homes under tenants' choice. Previously we had understood that they expected most takers to be existing Scottish Homes tenants. Given the complex two-stage procedure (tenants'

choice followed by the Rent-to-Mortgage scheme) which will apply to other tenants, it may not be realistic to expect many to become RTM purchasers. The note may therefore exaggerate the likely number of purchasers;

ii. the note says that the scheme will be marketed selectively to tenants on benefits to discourage those who could not cope with the responsibilities of ownership from becoming RTM purchasers. The possibility remains that some such tenants may take up Mr Rifkind's scheme, and get assistance through income support with their mortgage interest payments. I understand that the Department of Social Security are content. Nevertheless the Prime Minister may wish to consider whether more should be done to prevent benefit recipients taking up Mr Rifkind's scheme. One possibility which might be explored, for instance, would be Scottish Homes simply to refuse to sell to people on housing benefit.

CONCLUSIONS

10. Mr Rifkind's proposals are consistent with the most recent Ministerial discussion. Provided he accepts that any costs should be met within the Scottish Block, the public expenditure implications seem acceptable. After nearly a year of discussion they offer a prospect of progress. The Prime Minister will wish to consider whether he should go ahead despite Mr Ridley's likely criticism that the scheme could have unacceptable implications in England and Wales; or whether he should be asked to do more work on it.

11. Finally, you should be aware that Mr Walker may be preparing to bring forward his own proposals for a similar experimental scheme in Wales at very short notice. Any such scheme is likely to be resisted by Mr Ridley, on the grounds that it would be even more repercussive than a Scottish scheme. It also seems likely to be opposed by the Treasury. The Prime Minister will wish to consider whether, if Mr Rifkind is allowed to go ahead, Mr Walker should be allowed to do so.

RJW.

R T J WILSON

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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Malcolm Rifkind QC MP
Secretary of State for Scotland
Scottish Office
Dover House
Whitehall
London
SW1A 2AU

28 April 1989

Dear Secretary of State

A SCHEME FOR RENTS TO MORTGAGES THROUGH SCOTTISH HOMES file into PO

Thank you for sending me a copy of your minute of 24 April to the Prime Minister. I recognise the attractions of introducing a scheme specifically aimed at low home ownership in Scotland. But, in the light of the concerns expressed at our last meeting, I think we are agreed that such a scheme would need to be:

a) ring fenced to Scotland;

b) unlikely to divert tenants from the existing Right to Buy scheme either in Scotland or more widely.

Your scheme, as it stands, does not seem to me to meet those objectives.

First, I believe that your scheme would divert many tenants from Right to Buy just at the time when it has at last begun to take off in Scotland. We have recognised the need to be very cautious about considering schemes which might risk the success of Right to Buy and the receipts it generates. Your scheme retains all the incentives included in the original option I flexi-ownership scheme. As such I continue to believe that it will be extremely attractive to tenants. There would be very significant advantages to tenants who take up RTM and I believe that for many tenants on income levels which would enable them to exercise the Right to Buy

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those advantages would prove an overwhelming incentive. RTM would share with the Right to Buy the attraction of freeing the tenant from future rent increases. It would have the additional incentive for tenants, compared with the Right to Buy, of:

(a) much lower weekly outgoings; and

(b) a continuing transfer of equity in the house at 1 per cent a year (2 per cent for flats).

Second, we would not be able to limit the scheme within Scotland to tenants of Scottish Homes. The availability of Tenants' Choice would put local authority and new town tenants in a position to exercise RTM. And I do not believe we could restrict this to Scotland alone. Although neither the Housing Corporation nor Housing for Wales are currently landlords themselves and hence able to receive tenants from other landlords under Tenants' Choice, the existence of such a mechanism in Scotland would undoubtedly create pressures for us to amend legislation to enable a similar process to happen elsewhere. The pressure would be aggravated by the resentment which tenants outside Scotland would feel at being excluded from similar benefits.

In view of this, there must in my view be a high risk that the scheme now proposed would divert tenants from the Right to Buy scheme in England and Wales as well as in Scotland, thus putting at risk the RTB receipts which contribute so importantly to holding down the general government expenditure total. Tenants in England and Wales would tend to assume that a similar scheme is likely in short order to be extended throughout the country, and to hold back from the Right to Buy scheme accordingly. We could in principle try to prevent this by saying that the RTM scheme was an experimental scheme, confined to Scotland, and that there would not be any further such schemes during the three-year lifetime of the experiment. But I doubt very much whether colleagues would think it right to tie our hands in this way.

Third, I should like to comment on the public expenditure assessment annexed to your minute. The cost in public expenditure of the RTM scheme is crucially dependent upon the extent to which stock sold to tenants has in future to be replaced by new building of public sector housing to meet needs for subsidised housing. We have come under growing pressure in recent years, particularly in the light of rising homelessness statistics, to increase subsidised house building. The faster we reduce the size of the public sector stock, the more difficult it will be to deal with such pressures. So despite the much larger existing proportion of public housing stock in Scotland, I am not convinced by your assumption of a very low level of replacement. For that reason, I think that much more weight should be placed on what the Annex to your paper calls the pessimistic case in the public expenditure assessment, where 50% replacement is assumed. That replacement assumption is itself substantially less than the two-thirds replacement we assumed in our earlier calculations and makes the assessed public expenditure cost of over £400 million in net present value terms over 25 years a very plausible outcome.

Finally, for tenants on income levels which would not enable them to take up the Right to Buy, I see a strong risk that substantial numbers would simply take the cash advantage of the reduction in outgoings which you propose to allow for maintenance and would not set aside sufficient resources to meet their repair needs over time. This is a particularly significant concern since we know from experience that dereliction in any housing sector adds to pressure on government to provide additional resources, either through replacement of public sector housing or through Home Improvement Grants to owner-occupiers.

With regret therefore, and only after much consideration, I have reached the conclusion that it would be premature to introduce a scheme along the lines you propose, which would be very difficult to ring fence to Scottish Homes. I continue to think that it is too soon to introduce such a scheme , and that an experimental scheme would carry great risks for the RTB receipts throughout the country. I believe that we would do better to concentrate on working up the much more carefully targeted scheme which the Prime Minister commissioned a the last meeting, for possible introduction nationally as and when the existing Right to Buy arrangements cease to attract substantial numbers of tenants into home ownership.

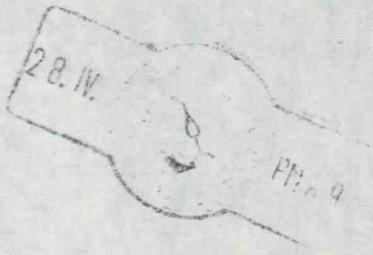
I am copying this letter to the Prime Minister, John Moore, Nicholas Ridley, Peter Walker, Professor Brian Griffiths (Policy Unit) and Sir Robin Butler.

Yours sincerely

Carys Evans

JOHN MAJOR
(Approved by the Chief Secretary
and signed in his absence)

HOUSING - Policy PT15



SECRETARY OF STATE FOR THE ENVIRONMENT

CONFIDENTIAL

PRIME MINISTER

A SCHEME FOR RENTS TO MORTGATES THROUGH SCOTTISH HOMES

file with PG -

Malcolm Rifkind copied to me his minute to you of 25 April seeking comments on his proposals for a scheme for rents to mortgages for tenants of Scottish Homes.

At your meeting on 25 January we accepted that there might be a case for a special scheme to be operated through Scottish Homes in view of the low level of home ownership in Scotland. It seems important, however, that we should be able to present a pilot scheme confined to one part of the country as being an experiment in the mechanics of sale, and not as representing a substantially new deal. Otherwise tenants who are not allowed to benefit from the scheme will have a grievance, and there will be pressure to extend it.

Malcolm's scheme is closely modelled on one of the alternatives which was considered at our meeting in January. It was suggested then that it would probably be too generous, and that there was a case for looking again at the differential between RTM and RTB discount and at the free increments of equity. Malcolm proposes that tenants should be credited with their RTB discount less 10% and that the outstanding debt should be reduced thereafter by free increments of equity of 1% a year for houses and 2% for flats.

The 10% discount differential is designed to make the proposed scheme less generous than the right to buy. In fact the discount offered would be more generous, for most tenants, if one considers what the tenant gets in return for the purchase price. This is because the amount of discount credited to the tenant would not be linked to the amount paid. Perhaps I could illustrate the point with an example, using the figures in annex A to Malcolm's paper.

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A tenant of 15 years' standing is entitled to an RTB discount of 45% and so can buy a house worth £26,000 for £14,300 under the right to buy. Another way of putting this is that for every £1 the tenant in question pays under the right to buy, the state contributes 82p in discount.

If the same tenant took advantage of the proposed RTM scheme instead, he would pay £9,510 in return for an initial stake in the property worth £18,610. Thus for every £1 paid by the tenant, the state would contribute a further 96p in discount.

In the case of a tenant of ten years standing, with a 40% RTB discount entitlement, exercising the right to buy would mean that each £1 paid was matched by 66p in discount. Under Malcolm's proposal, the tenant's £1 would be matched by discount worth 82p.

For the tenant of 30 years' standing on maximum discount, Malcolm's scheme would be less generous than the right to buy: the tenant's £1 would be matched by £1.37 rather than £1.50.

It is surely wrong in principle to offer a limited group of tenants different terms for the purchase of the initial stake in the property than under the right to buy. A way round this would be to adopt the alternative approach of enabling the tenant to buy the initial stake on RTB terms, getting untrammelled ownership of whatever share of the property corresponded to the proportion of the RTB price paid. Thus if the tenant paid half the RTB price he would get an initial stake of 50% and owe the rest.

It would in any case seem wise for an experimental scheme to start off cautiously. The proposal to review it after three years is welcome, but in practice it would be difficult to withdraw it or make it less generous if it proved popular. Malcolm's paper argues that less generous terms would reduce take-up, but no evidence for this is offered. If the scheme

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started off on terms designed to be neutral vis a vis the right to buy we could consider the case for offering better terms in the light of the response.

Malcolm proposes that the scheme should be open to former local authority and new town tenants who have transferred to Scottish Homes. I can see that it would be difficult to exclude them from any new scheme; Malcolm will no doubt have considered the danger that giving Scottish Homes this selling point would reduce the prospects of transfers under Tenants' Choice to genuinely independent landlords. But if RTM was open through this route to tenants of Scottish local authorities, the case for beginning cautiously becomes even stronger. It was agreed at your meeting on 25 January that a scheme might be needed in England and Wales when right to buy sales started to decline, and it would be difficult to argue that local authority tenants in England and Wales should be offered terms less favourable than those available to their Scottish counterparts. Yet the scheme proposed entails an increased risk of an unfavourable financial outcome in England and Wales, not only because of tenants switching from RTB, but also because the larger number of sales would make demands for increased public expenditure on replacement dwellings much harder to resist. Even with a scheme confined to Scotland, it would be important to be able to tell local authority tenants outside Scotland that it represented no better terms than the right to buy, and I do not think that we could do this as the proposal stands.

Copies of this minute go to Malcolm Rifkind, John Major, John Moore, Peter Walker, Professor Griffiths and Sir Robin Butler.

N R

28 April 1989

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

Answing Policy - Pr 14



Prime Minister

A SCHEME FOR RENT TO MORTGAGE SUBSIDY THROUGH SCOTTISH HOMES

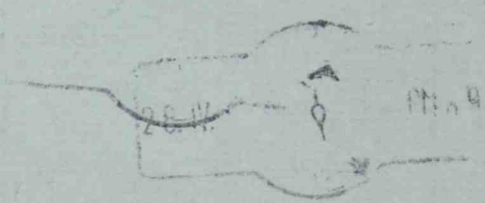
I have seen Malcolm Rifkind's note of 25 April and am content with what he proposes.

Copies to Malcolm Rifkind, John Major, Nicholas Ridley, Peter Walker, Professor Brian Griffiths and Sir Robin Butler.

JM

28 April 1989

Housing Policy P115.



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PRIME MINISTER

SCOTTISH RENTS TO MORTGAGES EXPERIMENT

Malcolm Rifkind mentioned to you the other day his wish to make an announcement at the Scottish Party Conference of a rents to mortgages experiment.

Papers on this are now available. You will remember that all the variants of flexi-ownership schemes are pretty complex, and I do not suggest you attempt to plough through the attached papers this weekend. At this stage you may like to concentrate on the handling of this issue.

The choice lies between

(i) resisting the proposed early announcement of a Scottish experiment and deferring consideration until later in the summer;

(ii) agreeing to convene a meeting between now and the Scottish Conference to consider the proposal for an early announcement on its merits.

The last meeting of your flexi-ownership group in January agreed in principle that a Scottish experiment would be useful. But no decision was taken on the timing of such an experiment. It was agreed that it would not be right to introduce a general flexi-ownership scheme while conventional Right-to-Buy receipts remain buoyant.

The papers now available are:

Flag A minute from Malcolm Rifkind advocating an announcement at the Scottish Conference;

Flag B note from John Moore agreeing to this;

Flag C note from Nicholas Ridley arguing that the proposed

terms of the experiment are too generous;

Flag D note from John Major raising similar arguments to Nicholas Ridley, and urging that it would be premature to introduce a scheme now;

Flag E note from Richard Wilson summarising the issues.

Also for background are earlier papers:

Flag F last December's Cabinet Office paper considered at the last meeting;

Flag G record of the last meeting.

If you want quickly to familiarise yourself with the issues I suggest you just read Richard Wilson's note at Flag E.

Case for an early announcement

As I see it the case for an early announcement is essentially the Scottish political one. You will obviously want to consider how much weight you attach to that.

Arguments against an early announcement

There are a number of points to bear in mind here

- both Nicholas Ridley and John Major are resisting an early announcement, at any rate on the terms Malcolm Rifkind proposes;

- the key difficulty is whether the Scottish experiment can be effectively ring-fenced. There must be doubts about that, and if they were realised there could be a substantial adverse effect on RTB receipts;

- as Richard Wilson indicates, if Malcolm Rifkind is given the go-ahead, Peter Walker will come forward with a

We agreed at the last meeting that it could only be tried in Scotland.

proposal for an experiment in Wales. There is an argument for resisting that in that only in Scotland is there a central government landlord in the form of Scottish Homes. But there would undoubtedly be political difficultues in resisting Peter Walker's proposal.

Taken together, I think these points add up to a strong case for resisting an early Scottish announcement. You could present such a decision to your colleagues in terms of the need to consider further the doubts raised by Nicholas Ridley and John Major, and suggest that the issue of an experiment can be considered later in the summer.

Conclusion

(i) do you want to resist the proposed announcement on the lines indicated above? I have no choice but to resist. The opposition is valid & we must find an answer if the scheme is to go ahead at all. no

OR

(ii) do you want me to arrange a meeting just before the start of the Scottish Conference in the week beginning 8 May (I do not see any diary possibility of fixing a meeting next week)?

PRCG

(PAUL GRAY)
28 April 1989

CONFIDENTIAL

Prime Minister

A SCHEME FOR RENTS TO MORTGAGES THROUGH SCOTTISH HOMES

Following our meeting on housing policy on 25 January it was accepted that I should develop for consideration proposals which would enable tenants of Scottish Homes to benefit from a Rents to Mortgages (RTM) scheme at an early date to enhance our policies of increased home ownership in Scotland. I am minuting now to seek urgent clearance for such a scheme which I hope could be introduced by autumn this year. There would be substantial political advantage in announcing these proposals at the Scottish Conservative Conference in the week beginning 8 May.

The scheme is fully described in the Appendix to this minute. I would draw your attention to the following points:

My proposal is firmly based on the "flexi-ownership" (option I) scheme referred to in the Cabinet Office report of 2 December 1988 but it excludes any special scheme for the elderly.

Arrangements for applying the scheme to tenants of flats are included.

The scheme is described as a "Rents into Mortgages" scheme. This helps tenants understand what is involved. The arrangements are described in the non technical language of Scots Law which avoids the use of such concepts as "flexi-ownership" or "equity stakes".

The scheme is designed to be less attractive than RTB but it must be more attractive than continued renting. I propose therefore to retain the combination of incentives (of initial discount and extra "bonus points") previously included in the original Option I scheme.

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Lower incentives than those I propose (in relation to the total discount entitlement and the rate of accrual of bonus points), would not encourage sufficient take up. That would nullify our objective of increasing the rate of transfer out of the still dominant public sector which you recognised puts Scotland in a fundamentally different position to other parts of Great Britain. To introduce a scheme which failed to take off would be politically damaging.

The closer relationship between market prices and public sector rents in Scotland means that there would be no risk of any public sector tenants in Scotland obtaining excessive cash benefits from RTM. The combination of the initial discount and extra "bonus points" would result, in practice, in tenants gaining a maximum benefit of just over £20,000 at prevailing property values for public sector housing in Scotland (compared with £24,000 under RTB).

The Scottish scheme reflects Scottish Homes unique position as a public sector landlord. But it is also a receiving landlord under Tenants Choice and clearly there are substantial benefits in allowing those tenants who transfer to Scottish Homes to participate in RTM. This will increase the potential take up of the scheme.

The scheme might, in my judgement, attract up to ~~50,000 additional~~ purchasers (net of those switching from RTB) over the next 3 years with a possible take up of around 100,000 by the end of the seventh year. These estimates are heavily dependent on take-up by existing local authority and New Town tenants via Tenants' Choice but assume a very low take-up by those currently receiving rent rebates or who might be entitled to help with their mortgage payments.

Our assessment of the likely public expenditure impact of this proposal, suggests to us that the scheme is unlikely to involve major public expenditure costs, and could yield public expenditure savings over time. However the Treasury with whom my officials consulted during this assessment have drawn attention to the substantial risks to public expenditure on assumptions which they regard as very plausible and to the impossibility of predicting the outcome.

My officials have discussed the assumptions some of which are necessarily speculative and the public expenditure effects of the suggested scheme with their opposite numbers in the Treasury and DSS and the material in the Annex on the wide range of possible outcomes incorporates a number of agreed assumptions. Where major differences occurred on specific assumptions the opposing views were incorporated into the relevant cases "pessimistic" and "optimistic". The reason for the largest element of difference between these cases is my view that little replacement of subsidised housing would be needed (in Scotland). That is where the "optimistic" case differs fundamentally from previous assessments of flexi-ownership where substantial replacement was anticipated. The Treasury was particularly concerned that the cost of replacement in response to pressure for subsidised housing (through eg homelessness) could turn my optimistic assumption, suggesting positive effects on public expenditure into a very negative one.

I invite your agreement to my proposals for a RTM scheme to be operated through Scottish Homes so that detailed discussions can now commence with Scottish Homes on the operation of the scheme and the timing of its introduction.

I propose that the principles of the RTM scheme to be operated by Scottish Homes should be announced very soon. The aim will be to clarify that the scheme will be complementary to RTB, being less generous than it, but more within the reach of the bulk of existing tenants. I would like to do so at the Scottish Conservative Conference in early May and would wish to put my proposals to the 8 May meeting of the Scottish Homes Board so that I have their agreement in principle to operate the kind of scheme I have in mind. In the light of this timetable, I would be most grateful for clearance, or comments, by noon on Thursday, 27 April.

Copies of this minute and the attached paper go to John Major, John Moore, Nicholas Ridley, Peter Walker, Professor Brian Griffiths (Policy Unit) and Sir Robin Butler.

MR

MR

Scottish Office
25 April 1989

RENTS TO MORTGAGES SCHEME AS OPERATED THROUGH SCOTTISH HOMES

Note by the Scottish Office

Introduction

1. This note describes a Rents to Mortgages scheme for Scotland to be operated through Scottish Homes. It is designed to reduce the Government's own role as a landlord and to increase home ownership in Scotland. The Prime Minister's meeting on housing policy on 25 January 1989 agreed that there should be further consideration of a scheme with these objectives, for introduction at an early date to take advantage of the special circumstances which applied in Scotland.

2. The proposed Scottish scheme takes advantage of Scottish Homes' powers under the Housing (Scotland) Act 1988, enabling it to dispose of its houses in accordance with arrangements made with the Secretary of State and, subject to the approval of the Secretary of State and the Treasury, to give loans. These powers are sufficiently wide to encompass all aspects of the proposed scheme (Option 1) which was favoured on 25 January.

3. The immediate target group will be those tenants inherited by Scottish Homes from SSHA (approximately 75,000). Scottish Homes, however, unlike its counterparts in England and Wales, also has the status of a receiving landlord for the purposes of public sector tenants' right to exercise Tenants' Choice. This means that if the scheme is successful, there could be pressure from tenants of local authorities and new towns to use Tenants Choice in favour of Scottish Homes to participate in the RTM scheme. Paragraphs 8 and 9 discuss this further and demonstrate the balance of advantage of including such tenants within the scheme.

General features of the proposed RTM scheme

4. The main features of the RTM scheme, as it will apply in Scotland, can be described in simple terms, namely:-

4.1 Purchase: A tenant who has the minimum entitlement to exercise RTB, (ie at least 2 years as a tenant of a public landlord) will be entitled to buy his house from Scottish Homes under the RTM scheme. The purchase price will be the market value at the time of the purchase less a reduced RTB discount (RTB discount - 10%) subject to the cost floor rule.

4.2 Repayment of Discount on Sale of the Property: As with RTB it will be a condition of the purchase that, if the purchaser sells the property within 3 years, he will repay to Scottish Homes a proportion of the difference between the market value at the date of purchase and the price at which he bought the house.

4.3 First mortgage: The purchaser will pay part of the purchase price by means of mortgage from a building society or other lending institution. The size of this mortgage will be such that his monthly repayments would involve a minimum outlay equal to his rent immediately prior to his date of purchase less £5 per week (in the case of houses) to allow for maintenance. The maintenance reduction for those purchasing flats will be £7.50 a week and includes an element for communal repairs in respect of which, as already applies for RTB, all RTM purchasers will be required to participate in a scheme operated by Scottish Homes. For those on income support assistance with mortgage interest may not always be less than help with rents would have been through the rebate scheme. Because interest payments may rise after purchase in some cases it may indeed be greater than the corresponding rent increase.

4.4 Second mortgage: The balance of the purchase price will be met by a mortgage from Scottish Homes, which will be subordinate to the first mortgage. This second loan will be interest free. It will however have certain conditions to reflect the agreed principles of the RTM scheme:-

- There will be a standard condition requiring the property to be insured and kept in good repair.

- The borrower will be obliged to repay to Scottish Homes, whenever he sells the house, a proportion of the price he obtained for it. This proportion will be expressed as a percentage of the market value. This will initially be the same as the proportion the second loan bears to the original undiscounted price.

- The above proportion will however diminish at the rate of 1% (or 2% in the case of flats) for each year the purchaser continues to live in the house until the maximum RTB discount minus 10% is reached.

- The borrower will also be able to repay at any time the amount outstanding, whether in whole or in part, by making appropriate payments to Scottish Homes. These however will be calculated by reference to the market price of the house prevailing at the time of the loan redemption.

4.5 Repairs and Maintenance: The purchaser will be responsible for repairs and maintenance of the property and standard conditions relating to insurance will be applied as part of the loan agreement with the financial institutions and Scottish Homes. Scottish Homes may be able to encourage RTM purchasers, to take out special insurance arrangements against the cost of major repairs, bearing in mind the allowances for maintenance proposed at 4.3 above.

5. We have examined carefully the case for offering lower incentives through discounts to these set out at paragraph 4.1 and 4.4 above (eg by reducing the total discount to the RTB entitlement less 20% and cutting by half the rate at which the proportion of the second loan repayable to Scottish Homes is due to be repaid - ie to only 0.5% for houses or 1% in the case of flats). Annex A discusses this in more detail. Because of the relationship between market prices and rents in Scotland reduced incentives would substantially thwart the objectives of the scheme. Retaining the incentives at the level proposed in paragraph 4 offers a genuine encouragement to tenants to purchase earlier than they would otherwise have done, without offering tenants

excessive gains in cash terms under the scheme because of the modest open market prices for public sector houses which currently pertains in Scotland.

6. Scottish Homes, once the scheme becomes public knowledge, will be invited to consider the prospects of negotiating low start mortgage schemes with potential lenders of the first mortgage. If this proves impossible or unattractive, variable rate mortgages will apply and Scottish Homes will be invited to devise ways of encouraging purchasers to make further purchases of equity when interest rates fall.

7. The scheme will operate under existing benefit rules as they apply respectively to tenants and owner occupiers. RTM purchasers will for benefit purposes be treated as owner occupiers. Thus:

7.1 they will not be eligible for rent rebates;

7.2 those on income support will generally be eligible to have the interest charges on their mortgages met from benefit - but not the capital repayment element although generally this will be a small amount;

7.3 but those on income support will not necessarily enjoy the help received by tenants on housing benefit towards the cost of common repairs in flats, etc.

Scottish Homes will follow the practice, operated successfully by the SSHA in regard to outright sales, of marketing the scheme selectively with benefit recipients so as to discourage those benefit recipients who could not reasonably and properly cope with the responsibilities of ownership from pursuing their application for RTM.

RTM Through The Operation of Tenants' Choice in Favour of Scottish Homes

8. The arguments in favour of including Scottish Homes tenants who transfer under the Tenant's Choice provisions are compelling.

8.1 To limit the scheme to those tenants Scottish Homes inherited from SSHA (ie by providing that only those tenants of Scottish Homes at 1 April 1989 would be eligible to apply) will be seen as arbitrary. There would be major political difficulties in defending such a scheme favouring one group of tenants transferring to Scottish Homes (ie those transferred from SSHA) against those transferring later say under Tenants' Choice.

8.2 To limit the scheme thus would also severely limit its impact. Our analysis of the background of the groups of tenants who have not yet exercised RTB shows that in practice there is only a limited market within existing SSHA tenants. There is a much larger market, amongst tenants of new towns and particularly local authorities in the potential overall take-up of the RTM schemes.

8.3 The use of RTM as a Tenants' Choice option with appropriate marketing may give a significant boost overall to the popularity of Tenants' Choice as a means to securing diversification of tenure.

8.5 In the case of New Towns the scheme can be targeted towards a specific objective of diversifying tenure as part of the process of New Towns wind-up, thus reducing the pressure for substantial additional numbers of tenants transferring to local authorities.

8.6 If local authority tenants exercising Tenants' Choice are included this would mean RTM could be used in securing improvements and diversification of tenure in the peripheral estates as part of our urban regeneration policy.

9. We have looked at the suggested disadvantages of including Tenants Choice applicants and these can be substantially discounted. While this would widen the experiment in ways which arguably might make it more generally known in other parts of Great Britain, Scottish Homes is unique in its landlord function. There may be some concerns and criticism by Scottish local authorities of the use of RTM as a Tenants' Choice

incentive in their case. Scottish Homes, however, is already conscious of the need to develop its relationship as a partner with local authorities, and Scottish Homes will wish to avoid an aggressive marketing stance on RTM to local authority tenants in the first instance.

Financial Effects

10. The possible financial effects of the scheme are illustrated in Annex B. This suggests that on assumptions discussed and agreed with the Treasury we would argue that the public expenditure impact of the Scottish scheme proposed is unlikely to be significant and more likely to be favourable than unfavourable.

Period of Scheme

11. There is no reason in principle why a RTM scheme should not become a permanent feature of Scottish Homes' range of strategies to secure the Government's housing objectives in Scotland. It would however seem prudent for the introductory scheme to be time limited to 3 years, with a review of its impact being carried out at the end of the second year of the scheme. This inter alia may inform discussion on the timing administration and content of any potential statutory national scheme.

Timing of Introduction

12. Assuming that the above general principles are agreed, it will be necessary to work up the operational details of the scheme with Scottish Homes officials. The target for introducing the scheme and marketing it with tenants will be October 1989 with the first RTM purchases being concluded by no later than 1 April 1990.

Scottish Office
April 1989

RENTS TO MORTGAGES SCHEME AS OPERATED THROUGH SCOTTISH HOMES

The attached worked examples demonstrate the effect of changes in the discount arrangements, from the proposed initial discount (RTB minus 10%) and extra discount points (1% per annum for a house). We believe that a further reduction in either initial discount or extra discount points would have a detrimental effect on take-up which should have to be compensated by additional benefits of some nature.

As the tables demonstrate, there is no change in the annual outgoings by the occupier of the house, and as a consequence, no change in the level of initial capital receipts which will accrue to Scottish Homes.

However, a reduced discount ceiling significantly increases the loan outstanding to Scottish Homes and the amount due to be repaid on redemption, with no further, voluntary take-up of equity is almost doubled.

A reduction in the value of extra discount points has the obvious effect of extending the time taken to reach maximum discount, and the amount of loan to be redeemed at any time up to that point is correspondingly higher.

Thus while there would certainly be some public expenditure benefit to a further reduction in discount available under RTM, this would not accrue until redemption of Scottish Homes loan. Against this must be set the very real danger of the prospective purchaser's perception of the impact of the larger loan and or the very slow build up of additional discount.

We therefore conclude that there would be little to be gained, and much to lose from an increased curtailment of discount over the 10% below RTB as proposed in the main paper.

Table I Initial Discount of RTB minus 10% ie 50%:

Years as Tenant	10 Years	15 Years	30 Years
Market Value of House	£26,000	£26,000	£26,000
Initial discount available (RTB minus 10%)	30%	35%	50%
Therefore discounted price equals	£18,200	£16,900	£13,000
Rent of £17.50 per week will service a mortgage of	£ 9,510	£ 9,510	£ 9,510
Therefore required Scottish Homes loan	£ 8,690	£ 7,390	£ 3,490
Extra discount points available	20% (or £5,200)	15% (or £3,900)	Nil
Therefore Scottish Homes loan may reduce to	£ 3,490	£ 3,490	£ 3,490

Table II Initial Discount of RTB minus 20% ie 40%:
Extra Discount Points of 1% per annum

Years as Tenant	10 years	15 years	30 years
Market Value of House	£26,000	£26,000	£26,000
Initial discount available (RTB minus 20%)	20%	[illegible]%	40%
Therefore discounted price equals	£20,800	£19,500	£15,600
Rent of £17.50 per week will service a mortgage of	£ 9,510	£ 9,510	£ 9,510
Therefore Required Scottish Homes loan	£11,290	£ 9,990	£ 6,090
Extra discount points available at 1% per annum	20% (or £5,200)	15% (or £3,900)	NIL
Therefore Scottish Homes loan may reduce to	£ 6,090	£ 6,090	£ 6,090

Table III Initial Discount of RTB minus 10% ie 50%: Extra Discount points of ½% per annum

Years as Tenant	10 years	15 years	30 years
Market Value of House	£26,000	£26,000	£26,000
Initial discount available (RTB minus 10%)	30%	35%	50%
Therefore discounted price equals	£18,200	£16,900	£13,000
Rent of £17.50 per week will service a mortgage of	£ 9,510	£ 9,510	£ 9,510
Therefore Required Scottish Homes loan	£ 8,690	£ 7,390	£ 3,490
Extra discount points available at ½% per annum	20% (or £5,200) over further 40 years	15% (or £3,900) over further 30 years	NIL
Therefore Scottish Homes loan may reduce to	£ 3,490	£ 3,490	£ 3,490

Table IV Initial Discount of RTB minus 20% ie 40%: Extra Discount points of ½% per annum

Years as Tenant	10 years	15 years	30 years
Market Value of House	£26,000	£26,000	£26,000
Initial discount available (RTB minus 20%)	20%	25%	40%
Therefore discounted price equals	£20,800	£19,500	£15,600
Rent of £17.50 per week will service a mortgage of	£ 9,510	£ 9,510	£ 9,510
Therefore Required Scottish Homes loan	£11,290	£ 9,990	£ 6,090
Extra discount points available at ½% per annum	20% (or £5,200) over further 40 years	15% (or £3,900) over further 30 years	NIL
Therefore Scottish Homes loan may reduce to	£ 6,090	£ 6,090	£ 6,090

ANNEX B: EXEMPLIFICATION OF POSSIBLE PUBLIC EXPENDITURE EFFECTS OF SCOTTISH RTM SCHEME

I. Introduction and Cases

1. Various estimates of the possible public expenditure impact of RTM and flexi-ownership schemes in England, Wales and Scotland were set out in Cabinet Office papers prepared for the Prime Minister's meeting on 25 January. The material in this Annex follows on from that work, but has been extended at the request of Treasury in order to cover a wider range of assumptions and a number of key parameters. As a result of this extension 4 cases are now covered in the calculations that follow.

2. Cases A and B are based on the 2 sets of hypotheses which were developed for the previous work, and exemplified in previous Cabinet Office papers. Case A is based on the hypothesis that the main objective of RTM, from the viewpoint of existing tenants, is to attain home ownership and a stake in the long-term capital appreciation of their property. Given this assumption few of those who at present plan to take up RTB are expected to switch to RTM, but the take-up (from those who can afford it) of those who do not plan RTB will be significant. Under the Case B scenario the main motivating factor is seen as a reduction in personal outgoings. This leads to an expectation of relatively high switching from RTB, and more limited additional take-up. The 2 extra cases are labelled "optimistic" and "pessimistic". These labels reflect the way in which we have combined a number of assumptions on key parameters, not because we expect the values used to be attained in practice, but primarily to test the sensitivity of the public expenditure calculations to such eventualities. Given the limited basis for deriving estimates of these parameters, partially due to the limited understanding of the motivation of those tenants who might be attracted by this form of home purchase, it seems highly appropriate that a wide range of assumptions should be deployed. We have developed the new scenarios following discussions with Treasury.

3. In what follows we provide results in 2 forms. First, we show the estimated Net Present Value (on varying assumptions) of the public expenditure impact of introducing the proposed scheme, in constant 1989 prices. Second, we estimate the total public expenditure net cash flows in each of Years 1-4 and Year 7, in current prices (ie prices of the year concerned).

4. In each instance the analysis has been terminated at the end of 25 years. This truncation is seen as reasonable, given that discounting would reduce substantially the present value of any costs and benefits falling after this period, and given that the costs and benefits omitted are seen as largely offsetting one another.

II. Assumptions

5. The calculations have been undertaken separately for Scottish Homes, the Scottish New Towns and the local authorities tenants, and in each case separately for flats and houses. In each instance the first step has been to project related public expenditure costs and revenues on a "policy off" basis. For this purpose it has been necessary to draw together data on stocks, and to make use of information and assumptions on the expected level of RTB, rental trends, property values, etc. The

public expenditure impact of RTM has been estimated on the basis of variations from this "policy off" projection.

6. A number of general assumptions have been deployed. For example, we have assumed that 100% of the mortgages required for RTM will be provided by the private sector, whilst for RTB we have extrapolated the present position of 98% private sector mortgage provision. We have assumed that all those taking up RTM will no longer be eligible for housing benefit receipts, and calculated the housing benefit savings on this basis. We have not assumed any further impact on other relevant expenditures, such as income support from DSS. It has also been necessary to produce estimates of the 're-lets' arising from the death of those taking up RTM, or the sales of these properties for one reason or another. Each re-let leads to immediate public expenditure receipts, but no future income flows. For the NPV calculation we have used a 5% discount rate*. Finally, it has been necessary to make some assumption about the extent to which those in New Towns and local authority property might take up the RTM option via tenants choice. For the purpose of this exercise it has been assumed that 50% of those who (on the basis of the Scottish Homes assumptions) would have switched to or taken up RTM (given direct access to a scheme) will do so if they have to make that move via tenants choice. However, the calculations for these 2 agencies are shown separately, and the effects of their inclusion, and of this assumption, are readily identifiable. The sensitivity of the results to variations in this assumption is discussed below.

7. In addition a number of assumptions have been derived which relate to the individual cases. These assumptions are shown in tabular form in Table 1. The definitions used of these factors are as follows:-

i. switching relates to those who would have taken up RTB in the absence of a new scheme now opting instead for RTM;

ii. take-up refers to the extent to which those who had not been planning to buy their house via RTB now opt for the new scheme. The extent of such take-up is expected to vary according to ability to pay, as proxied by housing benefit eligibility;

iii. further equity purchases can be made at any time, but on the basis of the full market value of the property. We have assumed that there might be differential rates for switchers and non-switchers, with the former being more likely to take up the further equity option;

iv. renovation savings are likely for the landlords, related not only to the properties sold but to general expenditures within the relevant estates; with costs falling due to a reduced share of public sector ownership in these areas. The estimates of wider savings

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*Given recently announced changes in discount rates 6% might be seen as more appropriate. A change in that rate would marginally reduce all the NPVs: ie make all positive numbers smaller and the negative ones less negative.

have been based on a portion of the average expenditure on non-specific renovation expenditure in Scotland, which is put at £360 per property for flats and £260 per property for houses; and

v. replacement refers to new public sector build in order to add to the public sector stock as a result of leakages from that stock due to RTM. Given the relatively large scale of public sector involvement in the housing stock in Scotland, it has been assumed Cases A, B and "optimistic" that replacement will be lower in Scotland than might be the case in England and Wales, but a revised assumption of higher replacement has been incorporated into the "pessimistic" case analysis.

8. As indicated above there is relatively limited factual information let alone sustainable theories and models, which permit production of wholly reliable estimates of any of these key parameters. However, we have examined the costs and benefits of the RTM scheme from the existing tenants' viewpoint, as contrasted both with RTB and continued renting. The results vary according to the eligibility of tenants for RTB discounts, and assumptions on likely general price inflation, relative growth in real house prices, etc. On the basis of the analysis we anticipate the extent of switching to be considerably below the levels used for the Case B and "pessimistic" case analyses.

9. Before moving on to a discussion of the results of these calculations, it is important to re-emphasise the uncertainties involved. As indicated in previous Cabinet Office papers the decision on schemes such as that proposed for Scotland should be primarily taken on the basis of policy considerations. These public expenditure calculations will however be of value in that context, and in particular the revised calculations and new cases will help to demonstrate the range of possible public expenditure outcomes (both overall and for the initial years) and the "risks" associated with its introduction. None of the cases should be treated as central, or providing best estimates or forecasts.

III. **The Results**

10. The main results of these calculations are set out in Tables 2-4. Table 2 provides the figures for houses only, Table 3 for flats and Table 4 for all dwellings. In each instance figures are provided separately for Scottish Homes, New Towns, local authorities and the total of these 3. In the case of New Towns and local authorities it is assumed that the level of take-up will only be 50% of the level that would have been projected if there had been specific RTM schemes for those bodies. As indicated above figures are provided for the NPVs and for the annual cash flows for Years 1-5 and Year 7. The results for each of the 4 cases are set out in the Tables.

11. Taking the NPVs first, the overall totals range between a public expenditure gain of £989 million (for the optimistic case) and a public expenditure cost of £423 million (for the pessimistic case). The results for both Cases A and B show public expenditure gains, of £333 million and £97 million respectively. The reasons for these variations will be discussed below. For the pessimistic case the preponderance of the

public expenditure cost is due to houses, whereas for the optimistic case the public expenditure gain is relatively equally split between houses and flats. In all cases the scale of the public expenditure impact of the local authority analysis dominates all others. Even with the 50% assumption described above, over £300 million of the public expenditure cost in the pessimistic case is due to the local authorities, and over £840 million of the public expenditure gain in the optimistic case.

12. Given that the scheme as proposed is primarily directed at Scottish Homes tenants, it is worth highlighting the results for that element of the analysis alone. For Scottish Homes in the pessimistic case the public expenditure cost is estimated at £91 million overall. In the optimistic case a public expenditure gain is estimated of £110 million. The public expenditure gains in the NPV for Cases A and B for Scottish Homes alone are £28 million and £6 million respectively. It can be seen that these possible gains and losses are orders of magnitude smaller than the totals referred to above, which are dominated by the local authority effects.

13. Turning to the cash flows, in the pessimistic case significant public expenditure costs are predicted for each of the years shown - going up to over £40 million per annum. The Case B annual cash flows are small and variable, but in Cases A and the optimistic case substantial public expenditure gains are produced in each of the early years. In the optimistic case the gains come close to £200 million per annum in some years.

14. Again these effects are dominated by the local authorities. For Scottish Homes alone the losses in the pessimistic case remain around £10 million per annum, whereas in the optimistic case the annual gains reach around £17 million.

IV. **Sensitivities**

15. Given the substantial uncertainties surrounding each of the key estimates for the calculations that have been undertaken, it is considered important not only to provide the range of cases discussed but also to assess the sensitivity of the key results to variations in the main assumptions. As will be evident from the above discussion one of these key sensitivities is the extent of take-up that might be expected, via Tenant's Choice, from local authority tenants. Other sensitivities discussed below relate to the assumptions on further equity, renovation savings and replacement expenditure.

16. Taking the local authorities issue first, it is broadly correct to test the sensitivity by varying the results in proportion to the assumption on the extent of take-up via Tenant's Choice as compared to the level expected with a scheme specifically for the local authorities. In Tables 2-4 we have assumed (on the basis of no firm evidence) that take-up would be at half the level that would have been expected with a specific local authority scheme. It is quite possible that this substantially over-states the likely degree of take-up from existing local authority tenants. In Table 5 we have set up some results demonstrating the

position in each of the 4 cases exemplified if the 50% assumption is changed to 10%**.

17. The marked impact that this change in assumption has on the annual cash flows and the NPVs should be noted. The estimated negative NPV in the pessimistic case declines from £423 million to £176 million. In the optimistic case the NPV falls from £989 million to £314 million. The estimated NPVs in Cases A and B are £96 million and £24 million respectively. The scale of the possible cash flow effects are correspondingly smaller. For example in the pessimistic case the annual cost is estimated at between £9 million and £16 million. The estimated gains in the optimistic case vary between £15 million and £62 million per annum.

18. For the other sensitivity tests we have reverted to the 50% local authority take-up assumption. Taking renovation savings first, the key change in the assumption relates to the optimistic case. The impact of this one assumption is largely responsible for the substantial increase in the NPV as compared to Cases A and B. The differences between the public expenditure impact of renovation savings under the optimistic case assumption and that used in Cases A and B are £615 million and £721 million respectively. This helps to demonstrate that if the disposal via RTM of a substantial element of the public sector stock can reduce the indirectly related expenditures of the public sector landlords, then the beneficial impacts can be very large. Again however it should be noted that the main beneficiary would be the local authorities tenants. Something like 85%-90% of the renovation savings in the optimistic case accrue to local authorities. In that case the renovation savings for Scottish Homes (houses plus flats) are estimated at £81.5 million, compared to an equivalent figure for local authorities at 50% of £715 million.

19. Just as the change in the renovations assumption leads to the major swing in the optimistic case, so the change in the replacement assumption is the main factor lying behind the dramatic increase in the negative NPV for the pessimistic case. The NPV of the cost of replacement under the pessimistic assumption is £324 million higher than for Case A, and £359 million higher than in Case B. Once more the great preponderance of the absolute and relative effects of replacement expenditure assumptions fall upon local authorities rather than Scottish Homes. For the latter the total cost of replacement expenditure (houses and flats) even under the pessimistic scenario only reaches an NPV of £76.8 million, with expenditures below £3.5 million per annum in each of Years 1-4 and 7.

20. Finally, we have considered the sensitivity of the analysis to the assumption on further equity purchase. For the pessimistic case we have assumed that non-switchers will purchase no further equity, whereas switchers will only deploy 25% of their "savings" on such purchases. The

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** It should be noted that a reduction in that level of take-up would not produce exactly pro rata effects as we have assumed; the impact on the NPVs would in practice tend to be more favourable - ie a less marked reduction of the positive NPVs in some cases and a greater reduction of the negative NPVs in others - because of the inter-related effect on replacement.

impact of this is to reduce the beneficial public expenditure effect of further equity purchases from £153 million in Case B to £86 million in the pessimistic case. (The beneficial effect of further equity purchases in the optimistic case and in Case A is very low, because of the limited amount of switching assumed, and because it is switchers who are the key players so far as further equity purchases are concerned.) It might be assumed that a reduction in the further equity purchase assumption to zero for all would remove the £86 million positive effect in the pessimistic case just referred to. However, it is not as straightforward as this, because of an inter-related effect on re-lets. As the share of the dwelling owned on re-let falls (with less voluntary equity having been purchased) so the public sector's income from such re-lets rises. Thus the maximum potential sensitivity in the pessimistic case to a removal of all further equity assumptions is £86 million. Dependant upon the impact on re-lets, the net effect of removing the assumption of any equity purchase would be proportionately below that level.

V. Conclusions

21. On the basis of the calculations set out in the attached Tables, and the above discussion, the following tentative conclusions can be drawn about the possible public expenditure effects of a new scheme of RTM for Scotland:-

i. under certain assumptions there could be significant public expenditure costs, both overall and in the early years of a scheme. On other assumptions there could be substantial public expenditure gains, again overall and in each of the early years. On other assumptions, which relate to those used in the earlier Cabinet Office papers, the magnitude of both the total effects and the effects in individual years would be markedly smaller;

ii. in terms of their scale, these calculations are dominated by the local authority effects. If it is assumed that the take-up by local authorities tenants would be substantially smaller than assumed for the main analysis, then the scale of the public expenditure effects, both overall and in the early years, would be markedly less substantial. The order of magnitude of the potential public expenditure effects for Scottish Home tenants alone is very much more restricted than when allowance is made for substantial take-up via Tenant's Choice by local authority tenants;

iii. the other key sensitivities are to the assumptions on renovation savings and replacement expenditure. Particularly if substantial take-up from local authority tenants is expected, an "optimistic" assumption about renovation savings yields major public expenditure benefits. On the other hand, "pessimistic" assumptions regarding expenditure on replacement of the public sector stock of dwellings leads to very large public expenditure costs, broadly throughout the period of operation of the scheme. The extent of replacement is likely to be a policy decision. The overall public expenditure effects are also sensitive - but less so - to other key parameters, including assumptions on further equity purchase by those attracted into the scheme.

SCOTTISH OFFICE
21 April 1989

Table 1: Assumptions for Public Expenditure Calculations

		Case A	Case B	Optimistic	Pessimistic
Switching		5%	75%	5%	85%
Take-up	A[1]	5%	0	10%	0
	B[2]	20%	5%	30%	0
	CD[3]	65%	40%	75%	30%
Further Equity[4]	Switchers	50%	50%	75%	25%
	Non-Switchers	50%	50%	75%	0
Renovating Savings	Flats	£180	£180	£360	£180
	Houses	£130	£130	£260	£130
Replacement		Scottish Assumption[5]			Revised DOE Assumption[6]

1 Full housing benefit tenants.

2 Partial housing benefit tenants.

3 Non-housing benefit tenants.

4 %'s are of 'savings' ie RTB payment less RTM payment; and rental payment less (RTM + £5).

5 No replacement until 20% of stock sold via RTM plus RTB: then 5% replaced with a 3 year lag at cost of £39,940 per unit (1989 prices).

6 50% of lost re-lets replaced at £39,940.

Table 2: Public Expenditure Impact Estimates (Houses Only)

NPV in constant prices. Annual cash flows in current prices

All figures in £m

	1	2	3	4	7	NPV
1. Scottish Homes						
Case A	0.8	3.2	3.0	2.8	0.7	14.3
Case B	(10.1)	(9.3)	(7.8)	(5.8)	(2.8)	1.5
Optimistic Case	2.4	7.3	7.3	7.3	5.2	62.6
Pessimistic Case	(9.6)	(10.4)	(10.1)	(9.1)	(3.0)	(68.1)
2. New Towns @ 50%						
Case A	3.0	7.9	7.0	5.5	(0.7)	6.9
Case B	0.2	2.4	1.9	2.1	0.3	0.0
Optimistic Case	4.0	10.3	8.6	6.9	2.4	25.9
Pessimistic Case	(0.2)	0.8	(0.1)	0.0	(1.1)	(17.0)
3. LA's @ 50%						
Case A	15.2	44.0	39.4	34.7	(21.8)	113.5
Case B	(28.1)	(11.2)	(9.7)	(6.8)	(5.8)	23.8
Optimistic Case	25.5	70.5	66.6	62.8	(8.8)	398.6
Pessimistic Case	(31.2)	(21.3)	(23.3)	(23.2)	(31.0)	(211.7)
4. SH plus NT @ 50% and LA's @ 50%						
Case A	19.0	55.1	49.4	43.0	(21.8)	134.7
Case B	(38.0)	(18.1)	(15.6)	(10.5)	(8.3)	25.6
Optimistic Case	31.9	88.0	82.5	77.0	(1.3)	487.1
Pessimistic Case	(41.0)	(30.9)	(33.5)	(32.3)	(35.1)	(296.8)

Figures in Parenthesis: public expenditure cost

Positive figure: public expenditure gain

Table 3: Public Expenditure Impact Estimates (Flats Only)

NPV in constant prices. Annual cash flows in current prices

All figures in £m

		1	2	3	4	7	NPV
1.	Scottish Homes						
	Case A	2.3	6.2	5.5	4.7	0.8	14.2
	Case B	(0.2)	1.7	1.4	1.3	0.1	4.5
	Optimistic Case	3.6	9.5	8.8	8.2	1.5	47.2
	Pessimistic Case	(0.4)	0.7	0.1	(0.3)	(2.2)	(23.0)
2.	New Towns @ 50%						
	Case A	0.6	1.7	1.5	1.2	(0.7)	1.1
	Case B	(0.2)	0.7	0.7	0.7	(0.3)	0.1
	Optimistic Case	0.7	1.9	1.8	1.7	0.2	10.1
	Pessimistic Case	(0.3)	0.1	0.1	0.0	(0.5)	(5.7)
3.	LA's @ 50%						
	Case A	24.9	65.5	56.6	48.1	13.9	183.3
	Case B	8.2	30.5	25.9	21.5	3.4	67.3
	Optimistic Case	36.2	95.4	86.8	77.6	39.5	444.7
	Pessimistic Case	5.4	21.8	15.8	10.1	(10.2)	(97.2)
4.	SH plus NT @ 50% and LA's @ 50%						
	Case A	27.8	73.4	63.6	54.0	14.0	198.6
	Case B	7.8	33.9	28.0	23.5	3.2	71.6
	Optimistic Case	40.5	106.8	97.4	87.5	41.2	502.0
	Pessimistic Case	4.7	22.6	16.0	9.8	(12.9)	(125.9)

Figures in Parenthesis: public expenditure cost

Positive figure: public expenditure gain

Table 4: Public Expenditure Impact Estimates (Total)

NPV in constant prices. Annual cash flows in current prices

All figures in £m

		1	2	3	4	7	NPV
1.	Scottish Homes						
	Case A	3.1	9.4	8.5	7.5	1.5	28.5
	Case B	(10.3)	(7.6)	(6.4)	(4.5)	(2.7)	6.0
	Optimistic Case	6.0	16.8	16.1	15.5	6.7	109.8
	Pessimistic Case	(9.9)	(9.7)	(10.0)	(9.4)	(5.2)	(91.1)
2.	New Towns @ 50%						
	Case A	3.6	9.6	8.5	6.7	(1.4)	8.0
	Case B	0.0	3.1	2.6	2.8	0.0	0.1
	Optimistic Case	4.7	12.2	10.4	8.6	2.5	35.9
	Pessimistic Case	(0.6)	1.0	0.0	0.0	(1.5)	(22.7)
3.	LA's @ 50%						
	Case A	40.1	109.5	96.0	82.8	(7.9)	296.8
	Case B	(19.9)	19.3	16.2	14.7	(2.4)	91.1
	Optimistic Case	61.7	165.9	153.5	140.4	30.6	843.4
	Pessimistic Case	(25.8)	0.4	(7.6)	(13.1)	(41.3)	(308.9)
4.	SH plus NT @ 50% and LA's @ 50%						
	Case A	46.8	128.5	113.0	97.0	(7.8)	333.3
	Case B	(30.2)	14.8	12.4	13.0	(5.1)	97.2
	Optimistic Case	72.4	194.8	180.0	164.4	39.8	989.0
	Pessimistic Case	(36.2)	(8.3)	(17.6)	(22.5)	(48.0)	(422.7)

Figures in Parenthesis: public expenditure cost

Positive figure: public expenditure gain

Table 5: Sensitivity Test to LA Take-Up at 10%

All figures in £m

	1	2	3	4	7	NPV
1. Houses Only						
Case A	6.8	19.9	17.9	15.2	(4.4)	43.9
Case B	(15.5)	(9.1)	(7.8)	(5.1)	(3.7)	6.2
Optimistic Case	11.5	31.7	29.2	26.8	5.8	168.2
Pessimistic Case	(16.0)	(13.8)	(14.9)	(13.7)	(10.3)	(127.5)
2. Flats Only						
Case A	7.9	21.0	18.3	15.5	2.9	52.0
Case B	1.2	8.5	7.3	6.3	0.5	18.1
Optimistic Case	11.5	30.5	28.0	25.4	9.6	146.2
Pessimistic Case	0.4	5.2	3.4	1.7	(4.7)	(48.1)
3. Total						
Case A	14.7	40.9	36.2	30.7	(1.5)	95.9
Case B	(14.3)	(0.6)	(0.5)	1.2	(3.2)	24.3
Optimistic Case	23.0	62.2	57.2	52.2	15.4	314.4
Pessimistic Case	(15.6)	(8.6)	(11.5)	(12.0)	(15.0)	(175.6)

Figures in Parenthesis: public expenditure cost

Positive figure: public expenditure gain

Housing Policy Part 15.

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cc PM

NBPM
at this stage.
PRCG
24/4

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Nicholas Ridley AMICE MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
London
SW1P 3EB

24th April 1989

Dear Nick,

SURPLUS LAND AND DWELLINGS

WILL REQUEST IF REQUIRED

Nigel Lawson has asked me to reply to your letter of 28 February. We thought it preferable to respond when I was in a position to write to colleagues on the surplus land and dwellings exercise in the 1989 Survey. You will now have seen my letter of 24 April to Geoffrey Howe. I have also seen a copy of George Younger's letter to you of 6 April and I found the information both you and he provided helpful.

I agree that more effort is needed to ensure that all departments have satisfactory management systems for land and dwellings under their control. The adequacy of departmental systems will now be considered specifically in the Survey exercise.

Given that as in previous years our intention is that the information we are gathering from departments should be available for discussion in the Survey, Nigel agrees with me that for him to take a general meeting with colleagues is probably not necessary at this stage. We would, of course, be happy to consider holding such a meeting once Survey discussions are complete should departments' responses prove disapponting. We could consider that if necessary in the Autumn.

Your suggestion that we might consider a Rayner scrutiny of departmental practices is one to which we might return then. But on balance I would prefer to approach the improvement of management systems department by department. In my separate letter I have proposed that officials consider the possibility of employing the PSA, subject to your views and where they are not already involved, or outside consultants to review and make recommendations on monitoring systems and disposal procedures. I believe we should consider the outcome of that initiative before thinking further about a Rayner scrutiny.

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One possibility I would like to take forward now would be to extend the scope of guidelines which you are issuing on the publication of land holdings by Government departments, among others, to cover holdings of vacant dwellings. I appreciate that it may be awkward to return with a further request to those who have already agreed the guidelines, but I would certainly be willing to support an approach. I believe your initiative on these guidelines will be helpful and will complement the exercise I am launching, and I hope my officials and yours will keep one another in touch with progress.

I am copying this letter to Nigel and George Younger.
In view of your Private Secretary's letter of 9 March to the Prime Minister's office on a Rayner scrutiny, I am also copying this for information to the Prime Minister.

Yours Ever, John

JOHN MAJOR



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ccpp

Treasury Chambers, Parliament Street, SW1P 3AG

MBEM

PRCC 2574

The Rt Hon Sir Geoffrey Howe QC MP
Secretary of State for Foreign Affairs
Foreign & Commonwealth Office
King Charles Street
London
SW1A 2AH

Dear Geoffrey,

at flap on part 14

SURPLUS LAND AND EMPTY HOUSING

You will have seen my minute of 6 February to the Prime Minister reporting on the results of our discussions in the 1988 Survey exercise to identify surplus land and empty housing held by Government Departments and to set targets for disposal. You will also have seen the Prime Minister's comment, in her private secretary's letter of 10 February that Departments should make maximum efforts to improve on this position over the 1989 Survey.

We are all aware of the importance of cost-effective asset management generally in encouraging efficient use of public resources. Land and dwelling holdings make up a significant proportion of the Government's asset base and it is right that we should continue to give particular emphasis to their proper management. The annual exercise which we have conducted during recent Surveys has represented an important opportunity to enhance our collective performance. We need now to continue this work by establishing a more comprehensive information base, identifying all cases where assets are being under used, and improving the systems we have for ensuring the prompt disposal of surpluses. Efficiency in this context must require surplus assets to be made available quickly where ever possible for more productive use elsewhere in the economy and potential receipts to be maximised to offset the burden of gross public expenditure.

I am writing to you and to other Ministers in charge of Departments to set work in hand for the forthcoming Survey. I should be grateful if you would continue to take a personal interest in ensuring that property which is surplus to operational requirements is identified and that targets for disposal are set rigorously. A PESC paper will be circulated to your officials shortly with detailed proposals on how the information should be returned to the Treasury so that the results of departmental

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scrutiny can be collated and discussed. I expect that in some cases the resulting information will be relevant to our bilateral discussions in the Survey.

For this year's exercise there are three points to which I draw particular attention:

(i) This year the exercise is intended to cover NHS holdings as well as those of departments. Departments with NHS responsibilities are asked to submit separate returns for NHS and non-NHS holdings respectively.

(ii) A brief account will be needed (unless already supplied to the Treasury, in which case a cross-reference will be adequate) of how your Department monitors its land and dwelling holdings in reaching an underlying judgement of what is surplus. It is of course relevant to the Treasury's co-ordination of the work going on separately on the development of asset management accounting systems to know how departments approach this task so that the Treasury can assess progress and, if necessary, give advice on best practice. Officials can take discussions forward once the information is received here.

(iii) One of the deficiencies in the 1988 Survey exercise was the lack of information on the location of surplus land and dwellings. Location is particularly relevant to the prospects of early disposal, and the contribution that might make to relieve regional land or housing shortages. My officials will be seeking a breakdown by location in this year's exercise.

We need to set a good example to the rest of the public sector in property management, and this exercise will help to spread good practice within central government. In the Survey, we will be able to discuss disposal targets and receipt forecasts at our bilaterals and we may need in that context to consider improvements in management systems. One further possibility which the PESC paper will mention and which I hope your officials will be able to discuss with mine is the use of the PSA or consultants to review and make recommendations on monitoring systems and disposal procedures.

I am copying this letter to the Prime Minister, Ministers in charge of Departments, and Sir Robin Butler.

Yours Ever, John

JOHN MAJOR

FILE KAYATR

SUBJECT
cc MASTER.

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

5 April 1989

Dear Roger,

COUNCIL HOUSE RENTS

The Prime Minister held a meeting on Tuesday 4 April to discuss your Secretary of State's minutes of 17 March and 3 April, and the Secretary of State for Wales' minute of 15 March. Those present were your Secretary of State, the Secretaries of States for Wales and Scotland, the Chief Secretary, Treasury, the Ministers of State for Housing and for Social Security, Professor Brian Griffiths (Policy Unit) and Richard Wilson, Anthony Langdon and Andrew Wells (Cabinet Office).

I should be grateful if you and copy recipients would ensure that this record of the discussion is seen only by those with a clear need to know.

Your Secretary of State said that his two minutes reflected the outcome of the further work commissioned at the Prime Minister's meeting on 22 February. They discussed two separate schemes for setting guideline rent increases within the new financial regime for council housing which was due to come into effect on 1 April 1990. His minute of 3 April discussed a possible system based partially on the fair rents which applied to many existing lettings in the private rented sector. In his view, such a system had a number of serious shortcomings: the Government had abolished fair rents for new lettings in the private rented sector; fair rents were based on a definition which explicitly excluded the effects of scarcity, and therefore ignored a major factor in true market values; and reliable data on fair rents were not available below the regional level. For these reasons he could not recommend this option to colleagues.

His preferred option was set out in his minute of 17 March. It had three main features. First, a national average rent guideline increase would be determined in the Public Expenditure Survey (PES) each year. Second, each authority's average Right To Buy (RTB) sale price would be used to distribute the resulting total rent bill between authorities. Finally, damping factors would be used to restrict the resulting changes in rents within a band: the illustrative figures attached to his minute assumed that no authority would be allowed a real reduction in rents, or be

required to make a real increase greater than 16 per cent. This system would link rents to the market in housing, as reflected in RTB prices. It would also bear less hard on districts where higher rents were already being charged and require those authorities with unreasonably low rents to make real increases. He sought colleagues' agreement to adopt this basis for setting guideline rent increases under the new financial regime and to announce this during the Commons Committee Stage on the Housing and Local Government Bill.

In discussion the following points were made:

a. The system proposed by the Secretary of State for the Environment would involve major intervention by the Government in the setting of council rents. There was a case for a much less interventionist approach, which also recognised that council tenants had done far less well financially than owner occupiers in the post-war period. Such an approach might require most authorities to increase rents only in line with inflation. Those authorities which had subsidised council housing from rates in the past might be expected to make real increases to remove this element of subsidy.

b. However, such an approach would continue the existing link between rents and the historic costs of providing council housing. There were strong arguments against that. Rents would remain unreasonably low in many areas, creating undue demand for council housing, particularly in areas of housing stress. Tenants would have little or no incentive to move into owner occupation, and there would be pressure for new building in the council sector, contrary to Government policy. It would also make the task of bringing inflation down more difficult.

c. In contrast, the Secretary of State for the Environment's proposals had substantial advantages. They would link rents to the market demand for housing, particularly in the stress areas such as London. At the same time they would require those authorities which had kept their rents unreasonably low to make progressive real increases until a more equitable pattern of rents was established. The Government would retain the flexibility to decide how far and how fast rents should move in the annual PES round .

d. Real rent increases might however bring more tenants within the scope of housing benefit. Within the new financial regime for council housing the overall effect on Exchequer spending would still be favourable, because the additional revenues generated would be set off against Government subsidies towards housing benefit costs. There could nevertheless be an unwelcome increase in the housing benefit caseload. This was a consequence of the Government's general policy of favouring subsidies to people over subsidies to bricks and mortar. But there might be a case for arrangements to ensure that all the

Ministers with an interest were involved in the annual discussions of the rent guidelines.

The Prime Minister, summing up the discussion, said that the meeting accepted that a system of rent guidelines based on fair rents would have a number of drawbacks and should not be pursued. Ministers had considered an alternative system which would require most authorities to increase rents only in line with inflation, with larger increases for the minority of authorities which had subsidised council housing from the rates in the past. But this approach would maintain the existing link between rents and the historic costs of providing housing, with the serious disadvantages set out in the discussion. The proposals put forward by the Secretary of State for the Environment on 17 March, based on RTB sale prices, avoided these disadvantages. They would also link rents to the market demand for housing, and require the highest increases from those authorities which had kept their rents at unreasonably low levels in the past. At the same time, the Government would retain the flexibility to take decisions annually in the PES round. Ministers therefore approved the proposals put forward by the Secrtary of State for the Environment, which were the best of the options which the group had considered, and agreed that he should announce them during the Commons Committee Stage on the Housing and Local Government Bill. It was particularly important that the presentation was right: the Secretary of State would need to give thought to this.

I am copying this letter to the Private Secretaries to the other Ministers present at the meeting, to the Private Secretary to the Secretary of State for Social Security, to the others who attended, and to Trevor Woolley (Cabinet Office).

Yours,
Paul

PAUL GRAY

Roger Bright, Esq.,
Department of the Environment

COPIED TO [13] File + 2nd.

Sec State for Wales

Sec State for Scotland

Chief Secretary, Treasury

Minister for Social Security

Minister for Housing

Brian Griffiths

Richard Wilson
Anthony Langdon
Andrew Wells
} Cabinet Office

Sec of State for Social Security

Trevor Woolley, Cabs office

Original to Roger Bright, DOE,

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DRAFT LETTER FOR PAUL GRAY TO SEND TO ROGER BRIGHT, PRIVATE SECRETARY, SECRETARY FOR THE ENVIRONMENT

COUNCIL HOUSE RENTS

The Prime Minister held a meeting on Tuesday 4 April to discuss your Secretary of State's minutes of 17 March and 3 April. Those present were your Secretary of State, the Secretaries of States for Wales and Scotland, the Chief Secretary, Treasury, the Ministers of State for Housing and for Social Security, Professor Brian Griffiths (Policy Unit), and Richard Wilson, Anthony Langdon and Andrew Wells (Cabinet Office).

I would be grateful if you and copy recipients would ensure that this record of the discussion is seen only by those with a clear need to know.

Your Secretary of State said that his two minutes reflected the outcome of the further work commissioned at the Prime Minister's meeting on 22 February. They discussed two separate schemes for setting guideline rent increases within the new financial regime for council housing which was due to come into effect on 1 April 1990. His minute of 3 April discussed a possible system based on the fair rents which applied to many existing lettings in the private rented sector. In his view, such a system had a number of serious shortcomings: the Government had abolished fair rents for new lettings in the private rented sector; fair rents were based on a definition which explicitly excluded the effects of scarcity, and therefore ignored a major factor in true market values; and reliable data on fair

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rents were not available below the regional level. For these reasons he could not recommend this option to colleagues.

His preferred option was set out in his minute of 17 March. It had three main features. First, a national average rent guideline increase would be determined in the Public Expenditure Survey (PES) each year. Second, each authority's average Right To Buy (RTB) sale price would be used to distribute the resulting total rent bill between authorities. Finally, damping factors would be used to restrict the resulting changes in rents within a band: the illustrative figures attached to his minute assumed that no authority would be allowed a real reduction in rents, or be required to make a real increase greater than 16 per cent. This system would link rents to the market in housing, as reflected in RTB prices. It would also bear less hard on districts where higher rents were already being charged and require those authorities with unreasonably low rents to make real increases. He sought colleagues' agreement to adopt this basis for setting guideline rent increases under the new financial regime and to announce this during the Commons Committee Stage on the Housing and Local Government Bill.

In discussion the following points were made -

a. The system proposed by the Secretary of State for the Environment would involve major intervention by the Government in the setting of council rents. There was a case for a much less interventionist approach, which also recognised that council tenants had done far less well financially than owner occupiers in the post-war period. Such an

approach might require most authorities to increase rents only in line with inflation. Those authorities which had subsidised council housing from rates in the past might be expected to make real increases to remove this element of subsidy.

b. However, such an approach would continue the existing link between rents and the historic costs of providing council housing. There were strong arguments against that. Rents would remain unreasonably low in many areas, creating undue demand for council housing, particularly in areas of housing stress. Tenants would have little or no incentive to move into owner occupation, and there would be pressure for new building in the council sector, contrary to Government policy.

It would also make the task of bringing inflation down more difficult.

c. In contrast, the Secretary of State for the Environment's proposals has substantial advantages. They would link rents to the market demand for housing, particularly in the stress areas such as London. At the same time they would require those authorities which had kept their rents unreasonably low to make progressive real increases until a more equitable pattern of rents was established. The Government would retain the flexibility to decide how far and how fast rents should move in the annual PES round.

d. Real rent increases might however bring more tenants within the scope of housing benefits. Within the new financial regime for council housing the overall effect on Exchequer spending would still be favourable, because the additional revenues generated would be set off against Government subsidies towards housing benefit costs. There

could nevertheless be an unwelcome increase in the housing benefit caseload. This was a consequence of the Government's general policy of favouring subsidies to people over subsidies to bricks and mortar. But there might be a case for arrangements to ensure that all the Ministers with an interest were involved in the annual discussions of the rent guidelines.

The Prime Minister, summing up the discussion, said that the meeting accepted that a system of rent guidelines based on fair rents would have a number of drawbacks and should not be pursued. Ministers had considered an alternative system which would require most authorities to increase rents only in line with inflation, with larger increases for the minority of authorities which had subsidised council housing from the rates in the past. But this approach would maintain the existing link between rents and the historic costs of providing housing, with the serious disadvantages set out in the discussion. The proposals put forward by the Secretary of State for the Environment, based on RTB sale prices, avoided these disadvantages. They would also link rents to the market demand for housing, and require the highest increases from those authorities which had kept their rents at unreasonably low levels in the past. At the same time, the Government would retain the flexibility to take decisions annually in the PES round. Ministers therefore approved the proposals put forward by the Secretary of State for the Environment and agreed that he should announce them during the Commons Committee Stage on the Housing and Local Government Bill. It was particularly important that the presentation was right: the Secretary of State would need to give thought to this.

I am copying this letter to the Private Secretaries to the other Ministers present at the meeting, to the Private Secretary to the Secretary of State

, which were the best of the options which the group had considered,

for Social Security, to the others who attended, and to Trevor Woolley (Cabinet Office).

DFTLTR.CHR

PRIME MINISTER

COUNCIL RENTS

Tomorrow's meeting is to take forward the discussions you had before Easter. We now have some further papers in addition to those you saw over the weekend; Nick Ridley has now produced material on a "fair rents" alternative, and Richard Wilson and Brian Griffiths have provided further briefing.

The full list of papers is:

- Immediately below this minute I have attached the earlier note I let you have before Easter, which reminds you of some of the earlier developments.

  Flag A - Nick Ridley's paper you have already seen advocating a system linked to Right to Buy data;

  Flag B - a new note from Nick Ridley providing material on a fair rents alternative. As in the earlier paper, he attaches a detailed schedule showing the implications for rent increases in each authority; to enable you to compare this with his earlier proposal, we have marked in red the rent increases implied by that RTB based system where they differ from the new fair rents alternative;

  Flag C - Peter Walker's earlier note setting out his views based on historic costs;

  Flag D - a new briefing by Richard Wilson taking account of all the latest papers;

  Flag E - Brian Griffiths' latest note, in which he sympathises with Nick Ridley's objections to a "fair rents" alternative, but continues to advocate adoption of a "fair framework" for rent increases. I have attached to this latest note Brian's earlier minute of 22 March in case you wanted to refer back to that.

PAUL GRAY

3 April 1989

PM3ALV

CC/BJP

PRIME MINISTER

COUNCIL RENTS

You had a meeting a month ago to consider the best arrangements for setting guideline rent increases within the new housing finance régime. You rejected Nick Ridley's original proposal for a system to move towards capital values, and asked for further work to be done on a scheme which:

- avoided setting long-term targets for rent levels which would create undue alarm;

- built on the history of "fair rents" in the private sector.

The Department of the Environment has now done further work in consultation with other Departments. Nick Ridley is anxious for early decisions because he wants to be able to say more about the Government's approach in the standing committee on the Housing and Local Government Bill - likely to be around 11 April. We have fixed a meeting on 4 April to consider the latest papers. But you might like to glance at them before Easter to see if there is any additional work you want to commission in advance of the meeting.

The papers are:

Flag A - minute from Nick Ridley setting out his latest proposals;
~~Flag B~~ (now Flag C) - minute from Peter Walker;
Flag C - comments from Richard Wilson;
Flag D - comments from Brian Griffiths.

(now subsumed in late minutes.)

I suggest you work through the papers in that order.

Both Richard Wilson and Brian Griffiths raise the possibility of your asking for some further analysis of a "fair rents"

approach before the next meeting; Brian also suggests asking for exemplifications of Peter Walker's preferred approach.

My own views are:

- Peter Walker's wish to gear the system entirely to historic costs should be discounted.

- Nick Ridley's proposals for a system that allows for some movement towards relative capital values has merit; particularly, as Richard Wilson points out, because it could be helpful later in developing flexi-ownership schemes.

- Nick Ridley says his proposal is different from a "fair rents" approach, but I'm not sure he is right to do so. It is certainly not the traditional fair rents policy, but it could be presented under a similar banner or (Brian's suggestion) a "fair framework".

- Before the 4 April meeting, it would be helpful to have some exemplifications of a more traditional "fair rents" alternative ((c) on page 3 of Brian's note and paragraph 10 of Richard Wilson's note).

Conclusion

(i) Do you want to leave things as they stand until the 4 April meeting?

OR

(ii) Do you want to commission some further work before 4 April on:

(a) a "fair rents" alternative? Yes

(b) the Peter Walker historic costs approach? No

RRCG.

PAUL GRAY

22 March 1989

DS2APX

Debt

Manag.

Maintenance

x millio-
rent.

Subsidy.

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SECRETARY OF STATE FOR THE ENVIRONMENT

CCPD B
B/01.
cc Richard Wilson

Prime Minister

COUNCIL HOUSE RENTS: A "FAIR RENTS" ANALOGUE

Your private secretary wrote to mine on 23 March, asking if further work could be done in advance of our meeting on 4 April on how a system of council house rents based on fair rents might operate.

WITH PG

My Department has developed an outline scheme for setting guideline rent increases for council housing by reference, in part, to existing fair rent levels. The scheme has a number of drawbacks, arising from the lack of adequate data on fair rents and the abandonment of the fair rents principle in the 1988 Housing Act; and in my view these outweigh any presentational advantages from the use of fair rents. It has no particular benefit in terms of the overall impact on rents which remains a matter for the annual PES round. Nonetheless, colleagues may wish to consider this scheme, alongside my earlier proposals and Peter Walker's, at our meeting on 4 April.

The new scheme has the same special features as my earlier proposals.

(a) It links rents to the market in housing, differentiating between districts.

(b) It bears less hard on districts where higher rents are already being charged.

(c) It does not refer to, or imply the existence of, any kind of target for rents.

(d) As in the existing system, local authorities remain free to determine their own rent levels. We set guideline rents for each authority, but the final decision on the level of rent needed to balance the Housing Revenue Account remains theirs.

As with my earlier proposals, we would start each year with a decision, which we would take as part of the normal PES process, about the increase which we wanted to achieve in the national total of council rent income. We would then assume that each council contributed a proportion of the total national increase, and would base our subsidy determinations on those assumptions. However, instead of relying on right to buy prices to determine each council's share of the national rent increase, we would also take fair rents into account.

Guideline rent increases are required for each individual local housing authority. Unfortunately, fair rent figures are not available at that level; so we can only use fair rents in addition to, and not in full substitution for, right to buy prices. Even at county level, fair rents allow some of the quirks of individual rent officers and rent assessment panels to show through. We can only safely rely on fair rent data down to regional level. Annex A provides a brief description of the fair rents system.

It is the essence of fair rents that they exclude the effects of scarcity on rent levels. But this does not make it easy to "add back" an element to reflect scarcity. Fair rents are not calculated by determining market rents and making a reduction for the effects of scarcity, but by periodic review which takes account of changes in costs and inflation, and of rents of "comparable" properties. A scarcity factor could only now be added back by reference to an external analogue: in practice this would have to be capital values, whether determined from right to buy prices or by some other means. We would then be back very close to my earlier proposals.

I therefore suggest that a scheme which incorporated reference to fair rents should operate in two stages. The fair rent analogue would be used, without any further adjustment for scarcity, to distribute the national rent increase to individual regions. Right to buy prices would then be used to distribute the regional shares to individual authorities. So scarcity would be taken into account at the level of the individual authority.

The results of this scheme are illustrated in Annex B. For ease of comparison, the tables follow a similar format to my earlier proposals. The same assumption is made of a 2% real increase plus a 5% increase for inflation in the national total rent income. In both cases, damping is applied to ensure that every authority's rent is assumed to increase at least in line with inflation. This creates headroom which allows the most extreme rent increases that would otherwise be indicated by the formula to be scaled down.

Comparisons between the two schemes should be made with care. One scheme does not necessarily lead to larger or smaller rent increases than the other. The size of individual authorities' rent increases in each case depends also on the national rent increase which we determine as part of the PES round, and on the damping factors which are applied to remove the most extreme effects.

The difference between the two schemes is mainly in the regional distribution. By comparison with my earlier proposal, a scheme based on fair rents at regional level would require relatively lower rent increases in London and the South East and higher increases elsewhere in the country.

I can see that there would be some presentational advantage in using the fair rents analogue to whatever extent is possible. But the absence of any fair rent data at district level and of

usable data at county level is a serious, and unavoidable, drawback which tends to undermine the presentational advantages. And in the long term our abandonment of the fair rents principle in the 1988 Act will inevitably bring even the regional data into question. I am also not sure that the distributional effects are very satisfactory.

So far as the implications for rent levels overall are concerned, there is nothing to choose between this scheme and my earlier proposals. In either case, the key decision which will determine the size of the annual rent increase will be the annual decision which we make in PES. And in each case we can use the damping mechanism to scale down rent increases at the top of the range which would otherwise seem too large. These decisions will be left to be made each year, allowing wider circumstances to be taken into account.

I am copying this minute to Peter Walker, Malcolm Rifkind, John Moore, John Major, and to Sir Robin Butler and Sir Brian Griffiths.

pp NR

3 April 1989

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

Annex A

FAIR RENTS

Fair rents were introduced for most unfurnished private accommodation by the Rent Act 1965. This was the incoming Labour Government's reaction to the de-control of about 800,000 lettings under the Rent Act 1957.

The concept of fair rents, which has changed only marginally since, was of individual determinations based on the age, character, location and state of repair of the property, on the assumption that there was a balanced market in the locality between the number of available lettings and the number of people wishing to rent. Determinations were by Rent Officers, with appeals going to Rent Assessment Committees. The most weighty evidence in the determinations came to be a comparison with registered rents for similar local property.

During the late 1960s the effect of fair rents was to narrow the distribution of rents, by reducing those in the upper end of the distribution. But on average registered fair rents appear actually to have been higher than the average of for de-controlled lettings under the 1957 Act, though about 20% below market levels.

The incoming Conservative Government sought to move council rents to private sector fair rent levels in the Housing Finance Act 1972. The Act also extended fair rents to housing associations and to the remainder of the private rented sector. The move to fair rents in the council sector was halted by the Labour Government's Housing Rents and Subsidies Act 1975.

While at the beginning of the 1970s fair rents were high enough in relation to costs and values to serve the purpose of the 1972 Act, increases in inflation and house prices in particular soon led to fair rents falling well behind the market. Fair rents were originally reviewed every three years. By the mid 1970s the increases needed to catch up with inflation were

large enough to cause the Government to provide for their phasing in three stages (over two years). In 1980 the interval after which fair rents could be reviewed was changed to two years, with phasing in two stages. Setting rents in relation to those for similar properties in an inflationary period was another reason why fair rents fell in relation to market values. This constant lag behind the market reduced the return to landlords and gave them an incentive to under maintain and to sell.

More recently, the house price boom from 1983 has so far failed to feed through into fair rents. Between 1982 and 1988 fair rents rose in real terms by about 25%, compared with a 60% increase in house prices. The rate of return on capital to landlords has therefore fallen.

In response to this continued depression of regulated rents below market levels, the 1988 Housing Act abolished from 15 January fair rents for new private and housing association tenancies. The number of regulated tenancies will therefore decline over time. Under new assured tenancies, rents in the private sector can be expected to move up to market levels; those in housing associations are expected to stay below market levels because of the availability of Government grants.

Attempting to relate council rents to fair rents directly would therefore be increasingly difficult to operate as evidence diminished. Moreover, although fair rents reflect to some extent the spread of capital values around the country, the implied rate of return has fallen to levels where is some cases it is insufficient even to cove necessary maintenance. Fair rents as presently understood would not therefore form a reliable analogue for council rents, but they could play a part in a scheme for dividing a national total rent provided their limitations were recognised.

Annex B

EXEMPLIFICATION OF TWO-TIER RENT UPDATE SYSTEM

1. In this table, columns 1 and 2 show authorities' existing rent levels. Columns 3 and 4 show fair rent levels, which are used to calculate factors to divide the national gross rent (updated by 2% in this case) down to regional shares. Columns 5 and 6 show capital values, which are used to divide the regional shares of gross rent down to district shares. Column 7 compares this district share of gross rent with each council's existing rent bill in column 2, and shows the differences. These changes are damped in column 8, and column 9 calculates the damped changes in terms of rent per dwelling per week.

2. An allowance of 5% for inflation is added in at column 10, and the total increase is shown in cash terms in column 11 and in percentage terms in column 13. Column 12 shows the new total rent (ie column 11 plus column 1).

2-Tier Rent Update System: Fair rents at REGIONAL level; Cap Values at DISTRICT level
Data used: 1986/7/8 Fair Rent Data,1985/6/8/9 Cap Values

REGION/ County	Authority	Average Council Rent per Dwellng in April 1988	Total Rent Bill per Council (£M)	NON-H.A. Fair Rent	National to Regional factors based on NON-H.A. Fair Rent	avg cap value for each L.A. (£)	Regional to District factors bsd on divsn of stock value	Change in Total Rent Bill implied (£M)	Damped to 19% of any incr and 0% of any decr (£M)	implied REAL chnge in Rent per Week	plus 5% for INFL	CASH INCR in Rent per Week	Revsd Rent per Week	CASH RENT INCR in % terms
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
NORTH	Hartlepool	20.89	12.1	19.13	0.072	18033	0.02	-4.1	0.0	0.00	1.04	1.04	21.93	5.0%
Cleveld	Langbaurgh	20.05	17.6	19.13		18010	0.04	-5.6	0.0	0.00	1.00	1.00	21.05	5.0%
	Middlesborough	24.57	22.8	19.13		16831	0.04	-10.9	0.0	0.00	1.23	1.23	25.80	5.0%
	Stockton-On-Tees	20.38	19.8	19.13		16984	0.04	-7.3	0.0	0.00	1.02	1.02	21.40	5.0%
Cumbria	Allerdale	19.18	6.3	15.87		22066	0.02	-0.8	0.0	0.00	0.96	0.96	20.14	5.0%
	Barrow-in-Furness	19.19	4.7	15.87		22066	0.01	-0.6	0.0	0.00	0.96	0.96	20.15	5.0%
	Carlisle	13.25	8.2	15.87		21217	0.03	1.8	0.3	0.54	0.66	1.20	14.45	9.1%
	Copeland	17.23	5.6	15.87		20515	0.02	-0.5	0.0	0.00	0.86	0.86	18.09	5.0%
	Eden	17.32	2.3	15.87		27030	0.01	0.4	0.1	0.61	0.87	1.47	18.79	8.5%
	South Lakeland	17.87	5.3	15.87		29768	0.02	1.4	0.3	0.89	0.89	1.79	19.66	10.0%
Durham	Chester-Le-Street	19.39	7.6	17.24		21107	0.02	-1.3	0.0	0.00	0.97	0.97	20.36	5.0%
	Darlington	15.97	6.8	17.24		20615	0.02	-0.1	0.0	0.00	0.80	0.80	16.77	5.0%
	Derwentside	17.70	11.4	17.24		18020	0.03	-2.6	0.0	0.00	0.89	0.89	18.59	5.0%
	Durham	17.80	10.3	17.24		19632	0.03	-1.7	0.0	0.00	0.89	0.89	18.69	5.0%
	Easington	19.96	19.2	17.24		16663	0.04	-7.0	0.0	0.00	1.00	1.00	20.96	5.0%
	Sedgefield	18.78	14.5	17.24		18110	0.03	-3.9	0.0	0.00	0.94	0.94	19.72	5.0%
	Teesdale	15.93	1.1	17.24		24243	0.00	0.2	0.0	0.47	0.80	1.27	17.20	7.9%
	Wear Valley	18.24	7.7	17.24		17700	0.02	-2.0	0.0	0.00	0.91	0.91	19.15	5.0%
Nthmbld	Alnwick	19.15	2.9	17.85		24264	0.01	-0.1	0.0	0.00	0.96	0.96	20.11	5.0%
	Berwick-Upon-Tweed	15.72	3.0	17.85		20899	0.01	0.0	0.0	0.03	0.79	0.82	16.54	5.2%
	Blyth Valley	18.33	9.4	17.85		21559	0.03	-1.0	0.0	0.00	0.92	0.92	19.25	5.0%
	Castle Morpeth	19.30	4.1	17.85		24007	0.01	-0.2	0.0	0.00	0.97	0.97	20.27	5.0%
	Tynedale	15.47	3.8	17.85		19773	0.01	-0.1	0.0	0.00	0.77	0.77	16.24	5.0%
	Wansbeck	16.80	8.3	17.85		22270	0.03	0.1	0.0	0.02	0.84	0.86	17.66	5.1%
Tyne/Wr	Gateshead	18.90	34.7	16.88		21480	0.09	-4.7	0.0	0.00	0.95	0.95	19.85	5.0%
	Newcastle upon Tyn	19.76	47.3	16.88		20263	0.12	-10.4	0.0	0.00	0.99	0.99	20.75	5.0%
	North Tyneside	15.02	22.4	16.88		19590	0.07	-0.2	0.0	0.00	0.75	0.75	15.77	5.0%
	South Tyneside	16.28	25.1	16.88		21247	0.08	-0.2	0.0	0.00	0.81	0.81	17.09	5.0%
	Sunderland	14.73	40.4	16.88		16492	0.11	-6.0	0.0	0.00	0.74	0.74	15.47	5.0%
YK/HUMB	Beverley	14.16	4.0	21.05	0.107	25586	0.01	2.4	0.5	1.61	0.71	2.32	16.48	16.4%
Humbs	Boothferry	17.36	4.2	21.05		18008	0.01	-0.3	0.0	0.00	0.87	0.87	18.23	5.0%
	Cleethorpes	18.42	3.3	21.05		19001	0.01	-0.3	0.0	0.00	0.92	0.92	19.34	5.0%
	East Yorkshire	19.26	4.9	21.05		23972	0.01	0.5	0.1	0.38	0.96	1.34	20.60	7.0%
	Glanford	14.94	2.9	21.05		17374	0.01	0.1	0.0	0.09	0.75	0.84	15.78	5.6%
	Great Grimsby	18.86	8.1	21.05		17214	0.01	-1.5	0.0	0.00	0.94	0.94	19.80	5.0%
	Holderness	16.93	2.2	21.05		21277	0.01	0.3	0.0	0.37	0.85	1.22	18.15	7.2%
	Kingston upon Hull	17.55	42.3	21.05		21046	0.09	2.8	0.5	0.21	0.88	1.09	18.64	6.2%
	Scunthorpe	18.18	8.8	21.05		18430	0.02	-0.9	0.0	0.00	0.91	0.91	19.09	5.0%
N Yorks	Craven	17.78	2.1	22.91		23157	0.01	0.3	0.1	0.52	0.89	1.41	19.19	7.9%
	Hambleton	16.78	4.2	22.91		20828	0.01	0.4	0.1	0.32	0.84	1.16	17.94	6.9%
	Harrogate	17.16	5.4	22.91		23883	0.01	1.3	0.2	0.76	0.86	1.62	18.78	9.4%
	Richmondshire	20.02	2.9	22.91		24362	0.01	0.2	0.0	0.30	1.00	1.30	21.32	6.5%
	Ryedale	17.62	3.5	22.91		23305	0.01	0.6	0.1	0.58	0.88	1.46	19.08	8.3%
	Scarborough	16.29	6.3	22.91		23264	0.02	1.7	0.3	0.82	0.81	1.64	17.93	10.0%
	Selby	17.13	4.9	22.91		25529	0.01	1.6	0.3	1.04	0.86	1.90	19.03	11.1%
	York	13.83	7.5	22.91		24395	0.02	4.3	0.8	1.47	0.69	2.16	15.99	15.6%
S Yorks	Barnsley	15.93	25.6	18.44		19411	0.06	2.1	0.4	0.25	0.80	1.04	16.97	6.5%
	Doncaster	14.37	25.6	18.44		18271	0.06	3.3	0.6	0.35	0.72	1.07	15.44	7.4%
	Rotherham	14.55	25.5	18.44		17653	0.06	2.0	0.4	0.21	0.73	0.94	15.49	6.5%
	Sheffield	21.73	100.3	18.44		20040	0.17	-18.2	0.0	0.00	1.09	1.09	22.82	5.0%
W Yorks	Bradford	18.73	35.1	19.55		18168	0.06	-4.9	0.0	0.00	0.94	0.94	19.67	5.0%
	Calderdale	18.53	14.9	19.55		16467	0.02	-3.1	0.0	0.00	0.93	0.93	19.46	5.0%
	Kirklees	18.06	32.9	19.55		18365	0.06	-3.2	0.0	0.00	0.90	0.90	18.96	5.0%

	Leeds	14.74	70.3	19.55		15422	0.14	-5.0	0.0	0.00	0.74	0.74	15.48	5.0%	
	Wakefield	16.03	37.0	19.55		20263	0.09	4.5	0.9	0.37	0.80	1.17	17.20	7.3%	5.0
E MIDS	Amber Valley	16.35	6.4	19.75	0.074	22061	0.02	0.1	0.0	0.04	0.82	0.86	17.21	5.3%	5.0
Derbys	Bolsover	18.30	7.7	19.75		20283	0.02	-1.3	0.0	0.00	0.92	0.92	19.22	5.0%	
	Chesterfield	16.71	11.8	19.75		21399	0.03	-0.4	0.0	0.00	0.84	0.84	17.55	5.0%	
	Derby	16.10	17.2	19.75		16935	0.04	-3.6	0.0	0.00	0.81	0.81	16.91	5.0%	
	Derbyshire Dales	17.67	3.7	19.75		27192	0.01	0.6	0.1	0.52	0.88	1.40	19.07	7.9%	5.0
	Erewash	16.00	6.9	19.75		22339	0.02	0.3	0.1	0.15	0.80	0.95	16.95	5.9%	5.0
	High Peak	17.93	5.7	19.75		25697	0.02	0.4	0.1	0.26	0.90	1.15	19.08	6.4%	5.0
	North East Derbysh	17.48	10.1	19.75		20690	0.03	-1.1	0.0	0.00	0.87	0.87	18.35	5.0%	
	South Derbyshire	17.71	4.3	19.75		21703	0.01	-0.3	0.0	0.00	0.89	0.89	18.60	5.0%	
Leics	Blaby	12.77	2.1	20.33		27094	0.01	1.3	0.2	1.43	0.64	2.06	14.83	16.2%	7.8
	Charnwood	15.52	6.7	20.33		26889	0.03	2.0	0.4	0.88	0.78	1.66	17.18	10.7%	5.3
	Harborough	18.11	3.0	20.33		26655	0.01	0.3	0.1	0.36	0.91	1.27	19.38	7.0%	5.0
	Hinckley & Boswort	17.45	4.5	20.33		19260	0.01	-0.8	0.0	0.00	0.87	0.87	18.32	5.0%	
	Leicester	21.17	37.2	20.33		22291	0.09	-7.8	0.0	0.00	1.06	1.06	22.23	5.0%	
	Melton	17.44	2.4	20.33		28086	0.01	0.5	0.1	0.69	0.87	1.56	19.00	8.9%	5.0
	North West Leicest	18.02	5.6	20.33		26531	0.02	0.6	0.1	0.36	0.90	1.26	19.28	7.0%	5.0
	Oadby & Wigston	14.48	1.3	20.33		27690	0.01	0.6	0.1	1.19	0.72	1.91	16.39	13.2%	6.5
	Rutland	15.08	1.5	20.33		32670	0.01	0.9	0.2	1.78	0.75	2.53	17.61	16.8%	8.1
Lincs	Boston	16.22	4.9	19.90		23091	0.02	0.3	0.1	0.21	0.81	1.02	17.24	6.3%	5.0
	East Lindsey	17.19	5.2	19.90		23703	0.02	0.2	0.0	0.12	0.86	0.98	18.17	5.7%	5.0
	Lincoln	16.89	9.2	19.90		24918	0.03	1.0	0.2	0.34	0.84	1.19	18.08	7.0%	5.0
	North Kesteven	18.53	5.0	19.90		25069	0.02	0.1	0.0	0.06	0.93	0.98	19.51	5.3%	5.0
	South Holland	17.98	5.1	19.90		25716	0.02	0.4	0.1	0.25	0.90	1.15	19.13	6.4%	5.0
	South Kesteven	17.49	8.3	19.90		31917	0.03	3.1	0.6	1.22	0.87	2.09	19.58	12.0%	5.9
	West Lindsey	17.66	4.5	19.90		19625	0.01	-0.7	0.0	0.00	0.88	0.88	18.54	5.0%	
Nhants	Corby	15.63	7.8	21.15		25834	0.03	1.9	0.4	0.71	0.78	1.49	17.12	9.5%	5.0
	Daventry	17.15	4.3	21.15		29550	0.02	1.3	0.2	0.95	0.86	1.81	18.96	10.5%	5.3
	East Northants	15.00	4.1	21.15		28892	0.02	1.8	0.3	1.26	0.75	2.01	17.01	13.4%	6.5
	Kettering	20.10	6.1	21.15		28832	0.02	0.5	0.1	0.29	1.01	1.30	21.40	6.5%	5.0
	Northampton	18.37	17.3	21.15		30650	0.07	4.4	0.8	0.88	0.92	1.79	20.16	9.8%	5.0
	South Northants	15.00	3.5	21.15		27554	0.01	1.3	0.3	1.07	0.75	1.82	16.82	12.1%	6.0
	Wellingborough	18.95	6.7	21.15		29783	0.02	1.2	0.2	0.64	0.95	1.59	20.54	8.4%	5.0
Notts	Ashfield	16.46	9.2	22.05		16788	0.02	-2.2	0.0	0.00	0.82	0.82	17.28	5.0%	
	Bassetlaw	15.87	8.2	22.05		18689	0.02	-0.9	0.0	0.00	0.79	0.79	16.66	5.0%	
	Broxtowe	19.90	6.9	22.05		23070	0.02	-0.9	0.0	0.00	1.00	1.00	20.90	5.0%	
	Gedling	17.26	5.1	22.05		24405	0.02	0.3	0.1	0.20	0.86	1.06	18.32	6.2%	5.0
	Mansfield	19.36	10.4	22.05		17338	0.02	-3.4	0.0	0.00	0.97	0.97	20.33	5.0%	
	Newark & Sherwood	16.27	6.8	22.05		23747	0.02	0.7	0.1	0.29	0.81	1.11	17.38	6.8%	5.0
	Nottingham	19.01	45.0	22.05		24053	0.13	-2.2	0.0	0.00	0.95	0.95	19.96	5.0%	
	Rushcliffe	17.82	4.1	22.05		25577	0.01	0.3	0.1	0.26	0.89	1.15	18.97	6.5%	5.0
E ANGLIA	Cambridge	18.31	10.2	23.61	0.038	43835	0.08	4.1	0.8	1.39	0.92	2.31	20.62	12.6%	9.5 →
Cambs	East Cambridgeshir	18.09	4.5	23.61		33074	0.03	0.3	0.1	0.25	0.90	1.15	19.24	6.4%	5.9
	Fenland	15.42	4.2	23.61		25213	0.02	-0.2	0.0	0.00	0.77	0.77	16.19	5.0%	
	Huntingdonshire	17.20	7.7	23.61		36534	0.06	1.9	0.4	0.80	0.86	1.66	18.86	9.6%	7.8
	Peterborough	17.56	8.7	23.61		27580	0.05	-0.7	0.0	0.00	0.88	0.88	18.44	5.0%	
	South Cambridgeshi	17.02	6.8	23.61		43309	0.06	3.4	0.6	1.58	0.85	2.43	19.45	14.3%	10.4 →
Norfolk	Breckland	17.38	6.7	25.05		30827	0.04	0.3	0.1	0.13	0.87	1.00	18.38	5.8%	5.6
	Broadland	17.10	3.5	25.05		38847	0.03	1.2	0.2	1.07	0.86	1.93	19.03	11.3%	5.7
	Great Yarmouth	16.30	6.7	25.05		31024	0.04	0.8	0.1	0.36	0.82	1.17	17.47	7.2%	6.4
	Kings Lynn & W.N.	16.05	7.9	25.05		29150	0.05	0.5	0.1	0.20	0.80	1.00	17.05	6.2%	5.9
	North Norfolk	17.12	5.6	25.05		31438	0.04	0.4	0.1	0.25	0.86	1.11	18.23	6.5%	6.0
	Norwich	19.48	23.3	25.05		39144	0.16	4.2	0.8	0.66	0.97	1.63	21.11	8.4%	7.1
	South Norfolk	19.68	5.9	25.05		31262	0.03	-0.4	0.0	0.00	0.98	0.98	20.66	5.0%	
Suffolk	Babergh	17.35	4.7	22.92		34747	0.03	0.8	0.2	0.57	0.87	1.44	18.79	8.3%	7.0
	Forest Heath	17.44	4.0	22.92		35055	0.03	0.7	0.1	0.59	0.87	1.46	18.90	8.4%	7.1
	Ipswich	17.71	10.6	22.92		39120	0.08	3.1	0.6	0.99	0.89	1.87	19.58	10.6%	8.3
	Mid Suffolk	20.18	5.0	22.92		33314	0.03	-0.2	0.0	0.00	1.01	1.01	21.19	5.0%	
	St. Edmundsbury	14.65	6.7	22.92		34849	0.06	2.6	0.5	1.09	0.73	1.82	16.47	12.4%	9.4
	Suffolk Coastal	16.34	5.0	22.92		38313	0.04	1.9	0.4	1.15	0.82	1.97	18.31	12.1%	9.2
	Waveney	18.78	6.2	22.92		29529	0.03	-0.5	0.0	0.00	0.94	0.94	19.72	5.0%	
LONDON	BARKING	15.15	24.9	22.56	0.222	42829	0.03	5.8	1.1	0.67	0.76	1.43	16.58	9.4%	12.2 →
	BARNET	26.07	23.3	31.49		52654	0.02	-2.8	0.0	0.00	1.30	1.30	27.37	5.0%	7.1
	CITY OF LONDON	24.26	3.1	46.49		104300	0.01	2.7	0.5	4.00	1.21	5.22	29.48	21.5%	21.4 →
	BEXLEY	18.34	10.5	29.34		52409	0.01	2.6	0.5	0.85	0.92	1.77	20.11	9.7%	12.4 →

	BRENT	17.10	19.1	26.15		50687	0.03	5.6	1.1	0.95	0.86	1.80	18.90	10.5%	13.1
	BROMLEY	26.74	21.9	28.01		52891	0.02	-3.0	0.0	0.00	1.34	1.34	28.08	5.0%	6.9
	CAMDEN	21.34	39.1	43.24		61287	0.05	9.9	1.9	1.02	1.07	2.09	23.43	9.8%	12.5
	CROYDON	25.33	25.6	29.41		55212	0.02	-1.2	0.0	0.00	1.27	1.27	26.60	5.0%	8.1
	EALING	21.99	23.2	29.25		41017	0.02	-4.3	0.0	0.00	1.10	1.10	23.09	5.0%	6.2
	ENFIELD	25.16	26.8	23.60		55221	0.03	-1.1	0.0	0.00	1.26	1.26	26.42	5.0%	8.2
	GREENWICH	18.06	34.5	28.39		54375	0.05	10.8	2.0	1.07	0.90	1.97	20.03	10.9%	13.4
	HACKNEY	15.17	38.8	25.77		56862	0.06	24.7	4.7	1.82	0.76	2.57	17.74	17.0%	18.0
	HAMMERSMITH	27.06	27.0	29.10		59357	0.03	-1.1	0.0	0.00	1.35	1.35	28.41	5.0%	8.2
	HARINGEY	17.80	22.9	26.82		56862	0.03	9.1	1.7	1.32	0.89	2.21	20.01	12.4%	14.5
	HARROW	25.46	10.9	28.30		59392	0.01	0.2	0.0	0.09	1.27	1.36	26.82	5.4%	9.1
	HAVERING	22.49	19.3	24.24		55030	0.02	1.3	0.2	0.29	1.12	1.41	23.90	6.3%	9.8
	HILLINGDON	21.26	19.4	27.31		55030	0.02	2.5	0.5	0.52	1.06	1.58	22.84	7.5%	10.7
	HOUNSLOW	19.71	20.6	28.12		55030	0.03	4.5	0.8	0.81	0.99	1.80	21.51	9.1%	12.0
	ISLINGTON	19.22	41.6	26.79		63823	0.06	18.7	3.5	1.63	0.96	2.59	21.81	13.5%	15.3
	KENSINGTON & CHELS	35.30	16.1	44.77		72707	0.01	-1.6	0.0	0.00	1.77	1.77	37.07	5.0%	7.4
	KINGSTON UPON THAM	23.78	8.0	27.55		56420	0.01	0.3	0.1	0.16	1.19	1.35	25.13	5.7%	9.3
	LAMBETH	18.69	48.0	26.32		37603	0.04	-5.8	0.0	0.00	0.93	0.93	19.62	5.0%	7.1
	LEWISHAM	20.65	45.2	22.80		56206	0.05	8.5	1.6	0.73	1.03	1.76	22.41	8.5%	11.3
	MERTON	23.42	15.7	27.56		42492	0.01	-3.3	0.0	0.00	1.17	1.17	24.59	5.0%	5.8
	NEWHAM	19.73	32.7	18.26		52354	0.04	5.2	1.0	0.59	0.99	1.58	21.31	8.0%	11.1
	REDBRIDGE	27.18	15.5	22.86		49969	0.01	-3.1	0.0	0.00	1.36	1.36	28.54	5.0%	6.0
	RICHMOND UPON THAM	23.02	11.8	28.30		59456	0.01	1.5	0.3	0.55	1.15	1.70	24.72	7.4%	10.7
	SOUTHWARK	20.39	65.7	23.30		55960	0.08	13.1	2.5	0.76	1.02	1.78	22.17	8.7%	11.7
	SUTTON	23.67	14.5	26.67		62424	0.02	2.2	0.4	0.68	1.18	1.86	25.53	7.9%	11.0
	TOWER HAMLETS	19.11	48.6	20.86		56862	0.06	14.5	2.7	1.08	0.96	2.03	21.14	10.6%	13.1
	WALTHAM FOREST	19.76	21.6	20.32		48474	0.02	1.5	0.3	0.26	0.99	1.25	21.01	6.3%	9.9
	WANDSWORTH	32.27	55.2	28.43		50173	0.04	-17.7	0.0	0.00	1.61	1.61	33.88	5.0%	
	WESTMINSTER	28.41	34.2	58.90		55769	0.03	-4.9	0.0	0.00	1.42	1.42	29.83	5.0%	6.8
S EAST	Luton	20.66	12.7	20.90	0.184	42456	0.02	-0.4	0.0	0.00	1.03	1.03	21.69	5.0%	7.4
Beds	Mid Bedfordshire	16.22	6.6	20.90		44753	0.01	2.0	0.4	0.91	0.81	1.72	17.94	10.6%	11.8
	North Bedfordshire	18.77	7.9	20.90		39553	0.01	-0.1	0.0	0.00	0.94	0.94	19.71	5.0%	7.7
	South Bedfordshire	20.63	8.4	20.90		43720	0.01	0.0	0.0	0.00	1.03	1.03	21.66	5.0%	7.8
Berks	Bracknell	20.41	10.8	25.23		44637	0.01	0.3	0.1	0.11	1.02	1.13	21.54	5.5%	8.2
	Newbury	19.51	8.0	25.23		49029	0.01	1.5	0.3	0.67	0.98	1.64	21.15	8.4%	10.2
	Reading	19.30	9.8	25.23		44617	0.01	0.9	0.2	0.32	0.97	1.28	20.58	6.6%	9.0
	Slough	18.56	10.1	25.23		51071	0.02	3.0	0.6	1.03	0.93	1.96	20.52	10.5%	11.7
	Windsor & Maidenhe	19.43	7.6	25.23		83348	0.02	7.7	1.4	3.72	0.97	4.69	24.12	24.1%	21.4
	Wokingham	20.99	4.0	25.23		50025	0.01	0.5	0.1	0.48	1.05	1.53	22.52	7.3%	9.4
Bucks	Aylesbury Vale	17.24	9.8	24.02		46396	0.02	2.6	0.5	0.86	0.86	1.72	18.96	10.0%	11.3
	Chiltern	18.31	4.8	24.02		56782	0.01	2.2	0.4	1.58	0.92	2.49	20.80	13.6%	13.9
	Milton Keynes	18.85	7.0	24.02		38412	0.01	-0.3	0.0	0.00	0.94	0.94	19.79	5.0%	7.2
	South Bucks	20.07	3.8	24.02		59891	0.01	1.5	0.3	1.52	1.00	2.53	22.60	12.6%	13.2
	Wycombe	17.57	9.0	24.02		54880	0.02	4.2	0.8	1.55	0.88	2.43	20.00	13.8%	14.1
E Sussex	Brighton	21.52	13.0	28.20		40519	0.01	-1.5	0.0	0.00	1.08	1.08	22.60	5.0%	6.3
	Eastbourne	20.89	5.6	28.20		44197	0.01	0.0	0.0	0.00	1.04	1.04	21.93	5.0%	7.7
	Hastings	18.58	4.8	28.20		42171	0.01	0.3	0.1	0.24	0.93	1.17	19.75	6.3%	8.2
	Hove	21.54	5.0	28.20		40057	0.01	-0.6	0.0	0.00	1.08	1.08	22.62	5.0%	6.1
	Lewes	20.04	4.5	28.20		43228	0.01	0.1	0.0	0.06	1.00	1.06	21.10	5.3%	8.0
	Rother	16.28	3.4	28.20		36449	0.00	0.2	0.0	0.16	0.81	0.98	17.26	6.0%	8.5
	Wealden	22.64	5.0	28.20		41353	0.01	-0.7	0.0	0.00	1.13	1.13	23.77	5.0%	5.9
Essex	Basildon	20.89	6.5	23.99		42710	0.01	-0.2	0.0	0.00	1.04	1.04	21.93	5.0%	7.3
	Braintree	18.26	10.9	23.99		42779	0.01	1.1	0.2	0.35	0.91	1.26	19.52	6.9%	9.2
	Brentwood	20.74	4.0	23.99		43060	0.00	-0.1	0.0	0.00	1.04	1.04	21.78	5.0%	7.5
	Castle Point	21.05	2.6	23.99		39553	0.00	-0.3	0.0	0.00	1.05	1.05	22.10	5.0%	6.2
	Chelmsford	18.16	9.2	23.99		43060	0.01	1.1	0.2	0.39	0.91	1.30	19.46	7.2%	9.3
	Colchester	19.11	9.1	23.99		36109	0.01	-1.0	0.0	0.00	0.96	0.96	20.07	5.0%	6.3
	Epping Forest	19.23	9.2	23.99		55750	0.02	3.4	0.6	1.31	0.96	2.28	21.51	11.8%	12.4
	Harlow	16.10	14.5	23.99		46645	0.02	5.2	1.0	1.10	0.81	1.90	18.00	11.8%	12.6
	Maldon	19.33	2.5	23.99		39406	0.00	-0.1	0.0	0.00	0.97	0.97	20.30	5.0%	7.3
	Rochford	22.22	2.9	23.99		45525	0.00	-0.1	0.0	0.00	1.11	1.11	23.33	5.0%	7.3
	Southend-On-Sea	24.78	10.4	23.99		37997	0.01	-2.9	0.0	0.00	1.24	1.24	26.02	5.0%	
	Tendring	19.71	4.4	23.99		33206	0.00	-0.9	0.0	0.00	0.99	0.99	20.70	5.0%	
	Thurrock	18.85	14.7	23.99		49762	0.02	3.5	0.7	0.86	0.94	1.80	20.65	9.5%	11.6
	Uttlesford	19.55	4.1	23.99		49432	0.01	0.8	0.1	0.70	0.98	1.67	21.22	8.6%	10.3
Hants	Basingstoke	20.70	12.6	23.79		47392	0.02	1.0	0.2	0.30	1.04	1.33	22.03	6.4%	8.8

	East Hampshire	21.10	5.3	23.79		48111	0.01	0.4	0.1	0.29	1.06	1.34	22.44	6.4%	8.8
	Eastleigh	20.51	5.6	23.79		41626	0.01	-0.3	0.0	0.00	1.03	1.03	21.54	5.0%	7.2
	Fareham	20.66	3.6	23.79		38779	0.00	-0.4	0.0	0.00	1.03	1.03	21.69	5.0%	6.2
	Gosport	19.32	5.8	23.79		37033	0.01	-0.6	0.0	0.00	0.97	0.97	20.29	5.0%	6.5
	Hart	19.95	5.9	23.79		56948	0.01	2.0	0.4	1.29	1.00	2.28	22.23	11.4%	12.4
	Havant	22.06	4.5	23.79		38482	0.00	-0.8	0.0	0.00	1.10	1.10	23.16	5.0%	5.4
	New Forest	22.48	8.2	23.79		46477	0.01	-0.2	0.0	0.00	1.12	1.12	23.60	5.0%	7.4
	Portsmouth	22.36	26.3	23.79		36012	0.02	-6.4	0.0	0.00	1.12	1.12	23.48	5.0%	
	Rushmoor	21.86	7.0	23.79		51920	0.01	0.8	0.2	0.48	1.09	1.57	23.43	7.2%	9.4
	Southampton	19.86	22.1	23.79		41158	0.03	-0.6	0.0	0.00	0.99	0.99	20.85	5.0%	7.5
	Test Valley	23.04	8.8	23.79		41131	0.01	-1.4	0.0	0.00	1.15	1.15	24.19	5.0%	5.7
	Winchester	20.80	7.2	23.79		49711	0.01	0.9	0.2	0.49	1.04	1.53	22.33	7.3%	9.5
Herts	Broxbourne	21.75	5.7	22.30		57324	0.01	1.4	0.3	0.98	1.09	2.07	23.82	9.5%	11.0
	Dacorum	17.30	14.3	22.30		50043	0.02	5.2	1.0	1.17	0.87	2.04	19.34	11.8%	12.6
	East Hertfordshire	19.16	8.4	22.30		51405	0.01	2.2	0.4	0.94	0.96	1.90	21.06	9.9%	11.3
	Hertsmere	20.52	8.3	22.30		50822	0.01	1.4	0.3	0.64	1.03	1.66	22.18	8.1%	10.0
	North Hertfordshir	17.44	10.7	22.30		43186	0.02	1.8	0.3	0.54	0.87	1.41	18.85	8.1%	10.0
	St. Albans	16.13	6.6	22.30		50619	0.01	3.1	0.6	1.44	0.81	2.25	18.38	14.0%	14.2
	Stevenage	14.30	10.1	22.30		45398	0.02	5.0	0.9	1.33	0.72	2.04	16.34	14.3%	14.4
	Three Rivers	19.33	6.0	22.30		53786	0.01	1.8	0.3	1.12	0.97	2.09	21.42	10.8%	11.9
	Watford	17.46	6.0	22.30		53664	0.01	2.7	0.5	1.46	0.87	2.34	19.80	13.4%	13.8
	Welwyn Hatfield	16.82	12.6	22.30		54326	0.02	6.5	1.2	1.64	0.84	2.48	19.30	14.8%	14.2
IoWight	Medina	23.69	4.0	22.98		34126	0.00	-1.3	0.0	0.00	1.18	1.18	24.87	5.0%	
	South Wight	20.32	2.5	22.98		40024	0.00	-0.2	0.0	0.00	1.02	1.02	21.34	5.0%	6.8
Kent	Ashford	22.93	10.2	30.22		38907	0.01	-2.1	0.0	0.00	1.15	1.15	24.08	5.0%	5.1
	Canterbury	20.02	7.3	30.22		37974	0.01	-0.8	0.0	0.00	1.00	1.00	21.02	5.0%	6.4
	Dartford	20.82	7.0	30.22		48453	0.01	0.7	0.1	0.37	1.04	1.41	22.23	6.8%	9.1
	Dover	20.49	8.4	30.22		36969	0.01	-1.3	0.0	0.00	1.02	1.02	21.51	5.0%	5.8
	Gillingham	23.97	5.4	30.22		37057	0.00	-1.5	0.0	0.00	1.20	1.20	25.17	5.0%	
	Gravesham	16.81	7.2	30.22		43851	0.01	1.6	0.3	0.72	0.84	1.56	18.37	9.3%	10.8
	Maidstone	16.32	7.5	30.22		45894	0.01	2.4	0.5	0.99	0.82	1.81	18.13	11.1%	12.1
	Rochester-o-Medway	21.76	11.4	30.22		39733	0.01	-1.6	0.0	0.00	1.09	1.09	22.85	5.0%	5.9
	Sevenoaks	19.72	7.5	30.22		49229	0.01	1.3	0.2	0.65	0.99	1.63	21.35	8.3%	10.1
	Shepway	24.03	5.6	30.22		37819	0.01	-1.4	0.0	0.00	1.20	1.20	25.23	5.0%	
	Swale	19.36	8.3	30.22		38549	0.01	-0.5	0.0	0.00	0.97	0.97	20.33	5.0%	7.0
	Thanet	18.38	7.1	30.22		35943	0.01	-0.6	0.0	0.00	0.92	0.92	19.30	5.0%	6.7
	Tonbridge & Mallin	19.09	6.7	30.22		47048	0.01	1.1	0.2	0.57	0.95	1.53	20.62	8.0%	9.9
	Tunbridge Wells	18.39	6.1	30.22		54124	0.01	2.3	0.4	1.33	0.92	2.25	20.64	12.2%	12.9
Oxon	Cherwell	17.43	7.4	26.58		41705	0.01	0.9	0.2	0.41	0.87	1.28	18.71	7.4%	9.5
	Oxford	16.36	8.6	26.58		49304	0.01	3.6	0.7	1.28	0.82	2.10	18.46	12.9%	13.4
	South Oxfordshire	19.53	7.8	26.58		50583	0.01	1.7	0.3	0.80	0.98	1.78	21.31	9.1%	10.7
	Vale Of White Hors	17.62	5.7	26.58		46700	0.01	1.4	0.3	0.82	0.88	1.70	19.32	9.6%	11.1
	West Oxfordshire	18.67	4.8	26.58		44170	0.01	0.5	0.1	0.40	0.93	1.33	20.00	7.1%	9.3
Surrey	Elmbridge	21.37	6.4	29.36		59474	0.01	2.0	0.4	1.24	1.07	2.31	23.68	10.8%	11.9
	Epsom & Ewell	21.88	2.5	29.36		53232	0.00	0.4	0.1	0.59	1.09	1.69	23.57	7.7%	9.7
	Guildford	21.30	8.1	29.36		49643	0.01	0.8	0.1	0.39	1.07	1.45	22.75	6.8%	9.1
	Mole Valley	17.83	4.3	29.36		71384	0.01	3.8	0.7	2.96	0.89	3.85	21.68	21.6%	19.6
	Reigate & Banstead	17.00	6.4	29.36		51601	0.01	2.7	0.5	1.37	0.85	2.22	19.22	13.0%	13.3
	Runnymede	21.27	4.7	29.36		60632	0.01	1.6	0.3	1.36	1.06	2.43	23.70	11.4%	12.4
	Spelthorne	24.04	5.5	29.36		51289	0.01	0.0	0.0	0.02	1.20	1.22	25.26	5.1%	7.8
	Surrey Heath	21.97	4.0	29.36		50000	0.01	0.3	0.1	0.29	1.10	1.39	23.36	6.3%	8.7
	Tandridge	18.78	4.0	29.36		53450	0.01	1.3	0.3	1.20	0.94	2.14	20.92	11.4%	12.3
	Waverley	20.90	7.4	29.36		60203	0.01	2.6	0.5	1.39	1.05	2.44	23.34	11.7%	12.5
	Woking	20.46	5.2	29.36		61192	0.01	2.1	0.4	1.56	1.02	2.59	23.05	12.6%	13.2
W Sussex	Adur	19.03	3.8	26.61		45444	0.01	0.5	0.1	0.44	0.95	1.39	20.42	7.3%	9.4
	Arun	23.03	6.2	26.61		37570	0.01	-1.4	0.0	0.00	1.15	1.15	24.18	5.0%	
	Chichester	20.84	7.7	26.61		47166	0.01	0.5	0.1	0.25	1.04	1.30	22.14	6.2%	8.7
	Crawley	19.53	12.5	26.61		51055	0.02	2.9	0.5	0.84	0.98	1.82	21.35	9.3%	10.9
	Horsham	20.67	6.6	26.61		53295	0.01	1.4	0.3	0.83	1.03	1.86	22.53	9.0%	10.2
	Mid Sussex	20.41	5.2	26.61		50762	0.01	0.9	0.2	0.65	1.02	1.67	22.08	8.2%	10.1
	Worthing	23.21	3.6	26.61		36170	0.00	-1.0	0.0	0.00	1.16	1.16	24.37	5.0%	
S WEST	Bath	19.72	7.7	28.30	0.083	40255	0.03	3.0	0.6	1.45	0.99	2.44	22.16	12.3%	7.3
Avon	Bristol	16.94	36.1	28.30		29112	0.11	6.2	1.2	0.54	0.85	1.39	18.33	8.2%	5.2
	Kingswood	15.80	4.2	28.30		33770	0.02	1.9	0.4	1.36	0.79	2.15	17.95	13.6%	7.9
	Northavon	18.56	5.6	28.30		34775	0.02	1.6	0.3	0.97	0.93	1.89	20.45	10.2%	6.2
	Wansdyke	16.11	4.4	28.30		37274	0.02	2.5	0.5	1.75	0.81	2.55	18.66	15.8%	9.0

	Woodspring	22.05	10.2	28.30		30662	0.03	-0.5	0.0	0.00	1.10	1.10	23.15	5.0%		
Cornwall	Caradon	19.53	4.6	27.39		33099	0.01	0.7	0.1	0.57	0.98	1.54	21.07	7.9%	5.1	
	Carrick	16.16	4.3	27.39		30717	0.02	1.3	0.2	0.90	0.81	1.70	17.86	10.5%	6.4	
	Isle of Scilly	20.94	0.1	27.39		43713	0.00	0.1	0.0	1.66	1.05	2.71	23.65	12.9%	7.6	
	Kerrier	18.28	3.9	27.39		26713	0.01	0.0	0.0	0.00	0.91	0.91	19.19	5.0%		
	North Cornwall	20.63	4.8	27.39		27546	0.01	-0.4	0.0	0.00	1.03	1.03	21.66	5.0%		
	Penwith	19.49	4.0	27.39		33929	0.01	0.7	0.1	0.68	0.97	1.66	21.15	8.5%	5.4	
	Restormel	17.20	4.0	27.39		30517	0.01	0.8	0.2	0.68	0.86	1.54	18.74	8.9%	5.6	
Devon	East Devon	16.50	5.1	27.14		37125	0.02	2.7	0.5	1.65	0.83	2.48	18.98	15.0%	8.6	
	Exeter	14.51	6.0	27.14		36306	0.03	4.3	0.8	1.92	0.73	2.65	17.16	18.3%	10.2	
	Mid Devon	19.41	4.8	27.14		27862	0.01	-0.1	0.0	0.00	0.97	0.97	20.38	5.0%		
	North Devon	18.42	4.1	27.14		34611	0.01	1.1	0.2	0.97	0.92	1.89	20.31	10.3%	6.2	
	Plymouth	18.29	21.4	27.14		32336	0.07	4.4	0.8	0.70	0.91	1.62	19.91	8.8%	5.6	
	South Hams	19.22	4.0	27.14		31688	0.01	0.5	0.1	0.45	0.96	1.41	20.63	7.3%	5.0	
	Teignbridge	20.49	5.6	27.14		33823	0.02	0.7	0.1	0.48	1.02	1.50	21.99	7.3%	5.0	
	Torbay	24.64	5.6	27.14		35095	0.01	-0.2	0.0	0.00	1.23	1.23	25.87	5.0%		
	Torridge	20.04	2.6	27.14		31143	0.01	0.2	0.0	0.22	1.00	1.22	21.26	6.1%	5.0	
	West Devon	21.93	2.1	27.14		34526	0.01	0.2	0.0	0.30	1.10	1.40	23.33	6.4%	5.0	
Dorset	Bournemouth	23.74	8.2	25.22		37066	0.02	0.5	0.1	0.28	1.19	1.47	25.21	6.2%	5.0	
	Christchurch	22.08	2.0	25.22		44204	0.01	0.7	0.1	1.51	1.10	2.62	24.70	11.8%	7.0	
	North Dorset	18.26	3.3	25.22		39931	0.01	1.6	0.3	1.68	0.91	2.60	20.86	14.2%	8.2	
	Poole	21.68	7.2	25.22		40280	0.02	1.9	0.4	1.08	1.08	2.17	23.85	10.0%	6.1	
	Purbeck	18.66	2.2	25.22		40128	0.01	1.0	0.2	1.63	0.93	2.57	21.23	13.7%	8.0	
	West Dorset	18.79	5.8	25.22		36468	0.02	1.9	0.4	1.14	0.94	2.08	20.87	11.1%	6.6	
	Weymouth & Portlan	21.12	4.4	25.22		37883	0.01	1.0	0.2	0.88	1.06	1.94	23.06	9.2%	5.7	
	Wimborne	22.87	3.0	25.22		38186	0.01	0.4	0.1	0.59	1.14	1.74	24.61	7.6%	5.0	
Gloucs	Cheltenham	17.08	6.2	27.85		36692	0.02	2.9	0.5	1.49	0.85	2.34	19.42	13.7%	7.9	
	Cotswold	19.62	5.3	27.85		39740	0.02	2.0	0.4	1.40	0.98	2.38	22.00	12.1%	7.2	
	Forest Of Dean	18.73	5.2	27.85		29640	0.02	0.4	0.1	0.28	0.94	1.21	19.94	6.5%	5.0	
	Gloucester	18.17	6.2	27.85		30672	0.02	0.9	0.2	0.51	0.91	1.42	19.59	7.8%	5.1	
	Stroud	16.76	6.4	27.85		32045	0.02	1.9	0.4	0.95	0.84	1.79	18.55	10.7%	6.5	
	Tewkesbury	19.24	4.2	27.85		37553	0.02	1.4	0.3	1.19	0.96	2.16	21.40	11.2%	6.7	
Somerset	Mendip	18.40	6.1	25.57		33831	0.02	1.5	0.3	0.87	0.92	1.79	20.19	9.8%	6.0	
	Sedgemoor	18.68	6.3	25.57		29221	0.02	0.4	0.1	0.23	0.93	1.17	19.85	6.2%	5.0	
	South Somerset	16.18	10.0	25.57		31879	0.04	3.4	0.6	1.04	0.81	1.85	18.03	11.4%	6.8	
	Taunton Deane	17.78	7.9	25.57		31928	0.03	1.8	0.3	0.75	0.89	1.64	19.42	9.2%	5.7	
	West Somerset	20.07	2.2	25.57		33590	0.01	0.3	0.1	0.53	1.00	1.53	21.60	7.6%	5.0	
Wilts	Kennet	20.85	6.3	23.63		38366	0.02	1.6	0.3	0.99	1.04	2.04	22.89	9.8%	6.0	
	North Wiltshire	18.42	7.2	23.63		35858	0.03	2.4	0.4	1.13	0.92	2.05	20.47	11.1%	6.7	
	Salisbury	17.12	7.3	23.63		41194	0.03	4.7	0.9	2.06	0.86	2.91	20.03	17.0%	9.6	
	Thamesdown	18.71	13.8	23.63		31389	0.04	2.0	0.4	0.50	0.94	1.44	20.15	7.7%	5.0	
	West Wiltshire	19.63	7.0	23.63		36396	0.02	1.8	0.3	0.97	0.98	1.95	21.58	9.9%	6.1	
W MIDS	Bromsgrove	14.64	3.3	23.43	0.114	25887	0.01	1.5	0.3	1.24	0.73	1.97	16.61	13.5%	5.6	
Hf/Worcs	Hereford	13.63	3.6	23.43		31431	0.01	3.2	0.6	2.29	0.68	2.97	16.60	21.8%	8.9	
	Leominster	17.80	1.9	23.43		26623	0.00	0.4	0.1	0.76	0.89	1.65	19.45	9.3%	5.0	
	Malvern Hills	21.44	6.0	23.43		29670	0.01	0.8	0.2	0.55	1.07	1.62	23.06	7.5%	5.0	
	Redditch	19.01	9.9	23.43		25204	0.02	0.9	0.2	0.31	0.95	1.26	20.27	6.6%	5.0	
	South Herefordshir	17.79	2.1	23.43		25009	0.00	0.3	0.1	0.51	0.89	1.40	19.19	7.9%	5.0	
	Worcester	17.85	6.0	23.43		24123	0.01	0.6	0.1	0.36	0.89	1.26	19.11	7.0%	5.0	
	Wychavon	16.11	6.8	23.43		32331	0.02	4.4	0.8	1.96	0.81	2.76	18.87	17.2%	9.1	
	Wyre Forest	19.25	7.8	23.43		26639	0.02	1.1	0.2	0.49	0.96	1.45	20.70	7.5%	5.0	
Salop	Bridgnorth	13.96	2.7	24.58		24702	0.01	1.2	0.2	1.19	0.70	1.88	15.84	13.5%	5.6	
	North Shropshire	16.97	1.7	24.58		22856	0.00	0.2	0.0	0.33	0.85	1.18	18.15	7.0%	5.0	
	Oswestry	16.74	2.4	24.58		22361	0.01	0.2	0.0	0.30	0.84	1.14	17.88	6.8%	5.0	
	Shrewsbury & Atcha	16.31	6.1	24.58		24868	0.01	1.5	0.3	0.77	0.82	1.58	17.89	9.7%	5.0	
	South Shropshire	18.51	1.8	24.58		25573	0.00	0.2	0.0	0.46	0.93	1.39	19.90	7.5%	5.0	
	The Wrekin	21.78	12.6	24.58		22022	0.02	-2.2	0.0	0.00	1.09	1.09	22.87	5.0%		
Staffs	Cannock Chase	18.94	8.6	19.74		18694	0.01	-1.6	0.0	0.00	0.95	0.95	19.89	5.0%		
	East Staffordshire	17.74	6.5	19.74		21549	0.01	0.0	0.0	0.00	0.89	0.89	18.63	5.0%		
	Lichfield	15.72	5.2	19.74		22787	0.01	1.0	0.2	0.56	0.79	1.35	17.07	8.6%	5.0	
	Newcastle-Under-Ly	15.03	9.5	19.74		20585	0.02	1.2	0.2	0.35	0.75	1.10	16.13	7.3%	5.0	
	South Staffordshir	17.90	6.0	19.74		22832	0.01	0.3	0.1	0.16	0.90	1.05	18.95	5.9%	5.0	
	Stafford	15.32	6.7	19.74		23895	0.02	1.9	0.4	0.81	0.77	1.57	16.89	10.3%	5.0	
	Staffs Moorlands	13.83	3.0	19.74		22161	0.01	0.9	0.2	0.82	0.69	1.51	15.34	10.9%	5.0	
	Stoke-On-Trent	17.44	26.1	19.74		18145	0.04	-3.8	0.0	0.00	0.87	0.87	18.31	5.0%		
	Tamworth	19.93	7.9	19.74		21099	0.01	-1.0	0.0	0.00	1.00	1.00	20.93	5.0%		

Warks	North Warwickshire	17.07	4.3	19.01		25049	0.01	0.9	0.2	0.65	0.85	1.51	18.58	8.8%	5.0
	Nuneaton	20.53	9.8	19.01		20854	0.02	-1.6	0.0	0.00	1.03	1.03	21.56	5.0%	
	Rugby	19.36	5.5	19.01		22575	0.01	-0.2	0.0	0.00	0.97	0.97	20.33	5.0%	
	Stratford-On-Avon	15.44	5.8	19.01		33457	0.02	4.5	0.9	2.26	0.77	3.03	18.47	19.6%	8.1
	Warwick	19.41	7.9	19.01		31558	0.02	2.6	0.5	1.22	0.97	2.19	21.60	11.3%	5.0
W Mids	Birmingham	18.77	119.5	21.15		22022	0.23	-4.5	0.0	0.00	0.94	0.94	19.71	5.0%	
	Coventry	22.28	29.2	21.15		19823	0.04	-7.9	0.0	0.00	1.11	1.11	23.39	5.0%	
	Dudley	16.35	30.9	21.15		20692	0.06	1.2	0.2	0.12	0.82	0.93	17.28	5.7%	5.0
	Sandwell	17.80	50.9	21.15		22161	0.10	1.1	0.2	0.07	0.89	0.96	18.76	5.4%	5.0
	Solihull	19.48	16.0	21.15		24241	0.03	0.3	0.1	0.08	0.97	1.05	20.53	5.4%	5.0
	Walsall	16.84	33.5	21.15		21745	0.07	2.0	0.4	0.19	0.84	1.03	17.87	6.1%	5.0
	Wolverhampton	20.89	42.4	21.15		16590	0.05	-14.8	0.0	0.00	1.04	1.04	21.93	5.0%	
N WEST	Chester	16.16	7.1	15.94	0.106	21601	0.02	0.0	0.0	0.00	0.81	0.81	16.97	5.0%	
Cheshire	Congleton	16.12	4.2	15.94		22483	0.01	0.2	0.0	0.12	0.81	0.93	17.05	5.8%	5.0
	Crewe & Nantwich	15.75	7.0	15.94		18250	0.01	-0.9	0.0	0.00	0.79	0.79	16.54	5.0%	
	Ellesmere Port	11.99	5.5	15.94		19176	0.01	1.1	0.2	0.44	0.60	1.04	13.03	8.6%	
	Halton	17.19	8.6	15.94		19029	0.02	-1.5	0.0	0.00	0.86	0.86	18.05	5.0%	
	Macclesfield	15.03	6.5	15.94		22260	0.02	0.7	0.1	0.30	0.75	1.05	16.08	7.0%	
	Vale Royal	15.74	8.0	15.94		23234	0.02	0.8	0.2	0.30	0.79	1.09	16.83	6.9%	5.0
	Warrington	16.07	10.9	15.94		19340	0.02	-1.1	0.0	0.00	0.80	0.80	16.87	5.0%	
Lancs	Blackburn	21.12	15.3	20.38		16526	0.02	-6.4	0.0	0.00	1.06	1.06	22.18	5.0%	
	Blackpool	18.60	7.1	20.38		19986	0.01	-1.4	0.0	0.00	0.93	0.93	19.53	5.0%	
	Burnley	17.32	6.5	20.38		14796	0.01	-2.3	0.0	0.00	0.87	0.87	18.19	5.0%	
	Chorley	16.73	3.7	20.38		19336	0.01	-0.5	0.0	0.00	0.84	0.84	17.57	5.0%	
	Fylde	19.50	2.6	20.38		22061	0.00	-0.4	0.0	0.00	0.98	0.98	20.48	5.0%	
	Hyndburn	21.09	5.0	20.38		17542	0.01	-1.9	0.0	0.00	1.05	1.05	22.14	5.0%	
	Lancaster	19.31	5.4	20.38		20547	0.01	-1.1	0.0	0.00	0.97	0.97	20.28	5.0%	
	Pendle	20.13	5.3	20.38		17906	0.01	-1.8	0.0	0.00	1.01	1.01	21.14	5.0%	
	Preston	19.11	10.9	20.38		18124	0.02	-3.2	0.0	0.00	0.96	0.96	20.07	5.0%	
	Ribble Valley	19.12	1.8	20.38		21161	0.00	-0.3	0.0	0.00	0.96	0.96	20.08	5.0%	
	Rossendale	20.50	6.3	20.38		18188	0.01	-2.1	0.0	0.00	1.03	1.03	21.53	5.0%	
	South Ribble	19.84	4.3	20.38		20422	0.01	-1.0	0.0	0.00	0.99	0.99	20.83	5.0%	
	West Lancashire	18.55	10.5	20.38		18687	0.02	-2.6	0.0	0.00	0.93	0.93	19.48	5.0%	
	Wyre	17.10	3.4	20.38		20444	0.01	-0.4	0.0	0.00	0.86	0.86	17.96	5.0%	
G Manch	Bolton	17.51	23.6	16.63		15605	0.03	-7.9	0.0	0.00	0.88	0.88	18.39	5.0%	
	Bury	17.23	10.4	16.63		17915	0.02	-2.3	0.0	0.00	0.86	0.86	18.09	5.0%	
	Manchester	15.63	79.6	16.63		21549	0.17	2.3	0.4	0.09	0.78	0.87	16.50	5.6%	5.0
	Oldham	19.32	25.4	16.63		15676	0.03	-10.0	0.0	0.00	0.97	0.97	20.29	5.0%	
	Rochdale	19.07	21.2	16.63		17982	0.03	-6.3	0.0	0.00	0.95	0.95	20.02	5.0%	
	Salford	18.52	39.6	16.63		21549	0.07	-5.2	0.0	0.00	0.93	0.93	19.45	5.0%	
	Stockport	16.85	14.3	16.63		22977	0.03	0.3	0.0	0.06	0.84	0.90	17.75	5.3%	5.0
	Tameside	19.40	21.2	16.63		19224	0.03	-5.5	0.0	0.00	0.97	0.97	20.37	5.0%	
	Trafford	17.35	12.3	16.63		24234	0.03	0.5	0.1	0.14	0.87	1.01	18.36	5.8%	5.0
	Wigan	17.55	30.8	16.63		19225	0.05	-5.6	0.0	0.00	0.88	0.88	18.43	5.0%	
Mersyd	Knowsley	22.46	30.4	16.02		19000	0.04	-11.2	0.0	0.00	1.12	1.12	23.58	5.0%	
	Liverpool	17.34	59.9	16.02		18038	0.10	-13.4	0.0	0.00	0.87	0.87	18.21	5.0%	
	Sefton	18.33	16.7	16.02		20321	0.03	-2.9	0.0	0.00	0.92	0.92	19.25	5.0%	
	St. Helens	18.88	20.0	16.02		17699	0.03	-6.0	0.0	0.00	0.94	0.94	19.82	5.0%	
	Wirral	22.67	28.6	16.02		18999	0.04	-10.7	0.0	0.00	1.13	1.13	23.80	5.0%	

SUMMARIES FOLLOW . . . . . .

	Average Council Rent per Dwellng in April 1988	Total Rent Bill per Council (£M)	NON-H.A. Fair Rent	National to Regional factors based on NON-H.A. Fair Rent	avg cap value for each L.A. (£)	Regional to District factors bsd on divsn of stock value	Change in Total Rent Bill implied (£M)	Damped to 19% of any incr and 0% of any decr (£M)	implied REAL chnge in Rent per Week	plus 5% for INFL	CASH INCR in Rent per Week	Revsd Rent per Week	CASH RENT INCR in % terms
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
NORTHERN	18.04	385	17.28	0.072	20705		-68	1	0.03	0.90	0.94	18.98	5.2% 5.0
YORKS/HUMBS	17.11	485	20.93	0.107	20565		-9	5	0.19	0.86	1.04	18.16	6.1% 5.1
EAST MIDLANDS	17.21	326	20.61	0.074	24607		1	5	0.26	0.86	1.12	18.33	6.5% 5.3
EAST ANGLIA	17.46	144	23.87	0.038	34308		24	5	0.60	0.87	1.47	18.93	8.4% 7.0
GreaterLONDON	22.52	885	28.83	0.222	55792		96	27	0.70	1.13	1.82	24.34	8.1% 10.5
S EAST+LONDON	20.56	1614	26.59	0.405	48937		182	50	0.63	1.03	1.66	22.22	8.1% 9.7
SOUTH WEST	19.10	299	26.55	0.083	34697		70	13	0.86	0.95	1.81	20.91	9.5% 6.2
WEST MIDLANDS	17.72	510	21.64	0.114	23939		-3	6	0.23	0.89	1.11	18.83	6.3% 5.3
NORTH WEST	18.11	580	17.82	0.106	19489		-110	1	0.03	0.91	0.94	19.05	5.2% 5.0
METS	18.00	1293	18.07		19456		-150	4	0.05	0.90	0.95	18.95	5.3% 5.0
SHIRES	18.56	2163	23.28		33294		142	56	0.48	0.93	1.41	19.97	7.6% 6.9
NATIONAL	18.86	4342	23.27	1.000	33962		87	87	0.38	0.94	1.32	20.18	7.0%
LABOUR HELD	18.32	2313	20.96		28144		-52	37	0.29	0.92	1.21	19.53	6.6% 6.8
CONSERVATIVE HELD	19.68	1130	25.12		39538		84	29	0.50	0.98	1.49	21.17	7.6%
SLD HELD	18.59	139	23.43		40959		25	5	0.66	0.93	1.59	20.18	8.5% 8.7
OTHER	18.80	59	25.54		35582		14	3	0.88	0.94	1.82	20.62	9.7% 6.9
NO OVERALL CONTROL	18.46	711	22.79		31136		17	13	0.34	0.92	1.27	19.73	6.9% 6.3
LABOUR in London	19.45	505	26.48		52848		106	22	0.85	0.97	1.82	21.28	9.4% 11.8
CONSERVATIVE in Lo	27.03	240	32.51		55640		-33	1	0.06	1.35	1.41	28.44	5.2% 7.7
Cleveld	21.47	72.3	19.13	0.012	17464		-27.9	0.0	0.00	1.07	1.07	22.55	5.0%
Cumbria	17.34	32.5	15.87	0.006	23777		1.7	0.7	0.36	0.87	1.23	18.57	7.1% 5.0
Durham	17.97	78.7	17.24	0.014	19511		-18.4	0.0	0.01	0.90	0.91	18.88	5.0%
Nthmbld	17.46	31.5	17.85	0.006	22129		-1.3	0.0	0.01	0.87	0.88	18.34	5.1% 5.0
Tyne/Wr	16.94	169.8	16.88	0.033	19814		-21.6	0.0	0.00	0.85	0.85	17.78	5.0%
Humbs	17.30	80.8	21.05	0.019	20212		3.0	1.1	0.24	0.86	1.11	18.40	6.4% 5.1
N Yorks	17.08	36.8	22.91	0.010	23590		10.4	2.0	0.91	0.85	1.76	18.84	10.3% 5.1
S Yorks	16.65	177.1	18.44	0.035	18844		-10.8	1.4	0.13	0.83	0.96	17.61	5.8% 5.0
W Yorks	17.22	190.2	19.55	0.044	17737		-11.6	0.9	0.08	0.86	0.94	18.16	5.4% 5.0
Derbys	17.14	73.8	19.75	0.017	22033		-5.4	0.3	0.06	0.86	0.92	18.06	5.4% 5.0
Leics	16.67	64.5	20.33	0.013	26352		-2.3	1.2	0.30	0.83	1.14	17.81	6.8% 5.3
Lincs	17.42	42.2	19.90	0.009	24863		4.3	1.0	0.39	0.87	1.26	18.69	7.3% 5.1
Nhants	17.17	49.9	21.15	0.012	28728		12.4	2.3	0.80	0.86	1.66	18.83	9.7% 5.4
Notts	17.74	95.8	22.05	0.023	21708		-8.4	0.2	0.05	0.89	0.93	18.68	5.3% 5.0
Cambs	17.27	42.1	23.61	0.011	34924		8.8	1.8	0.75	0.86	1.61	18.88	9.3% 7.3
Norfolk	17.59	59.7	25.05	0.016	33099		6.9	1.4	0.41	0.88	1.29	18.87	7.3% 6.4
Suffolk	17.49	42.2	22.92	0.011	34989		8.6	1.7	0.72	0.87	1.59	19.09	9.1% 7.3
LONDON	22.52	885.3	28.83	0.222	55792		95.7	27.4	0.70	1.13	1.82	24.34	8.1% 10.5
Beds	19.07	35.6	20.90	0.007	42621		1.5	0.4	0.20	0.95	1.15	20.22	6.0% 8.6
Berks	19.70	50.2	25.23	0.013	53788		13.8	2.6	1.02	0.99	2.00	21.70	10.2% 11.2
Bucks	18.41	34.4	24.02	0.009	51272		10.3	2.0	1.06	0.92	1.98	20.39	10.8% 12.0
E Sussex	20.21	41.2	28.20	0.011	41139		-2.3	0.1	0.05	1.01	1.06	21.28	5.3% 7.3
Essex	19.86	104.8	23.99	0.025	43214		9.4	2.8	0.54	0.99	1.53	21.39	7.7% 8.4
Hants	21.13	122.8	23.79	0.027	44214		-5.5	1.0	0.16	1.06	1.22	22.35	5.8% 7.7
Herts	18.02	88.7	22.30	0.022	51057		31.1	5.8	1.19	0.90	2.09	20.11	11.6% 12.4

IoWight	22.01	6.5	22.98	0.001	37075	-1.5	0.0	0.00	1.10	1.10	23.11	5.0%	5.9
Kent	20.15	105.7	30.22	0.031	42254	-0.3	1.8	0.34	1.01	1.35	21.49	6.7%	8.0
Oxon	17.92	34.3	26.58	0.010	46492	8.2	1.5	0.80	0.90	1.70	19.62	9.5%	10.8
Surrey	20.62	58.4	29.36	0.016	56555	17.6	3.3	1.17	1.03	2.20	22.82	10.7%	11.9
W Sussex	20.96	45.7	26.61	0.011	45923	3.7	1.2	0.53	1.05	1.58	22.54	7.5%	8.5
Avon	18.20	68.2	28.30	0.021	34308	14.6	2.9	0.76	0.91	1.67	19.87	9.2%	6.8
Cornwall	18.89	25.7	27.39	0.007	32319	3.2	0.7	0.50	0.94	1.44	20.33	7.6%	5.7
Devon	19.35	61.3	27.14	0.017	33452	13.7	2.6	0.83	0.97	1.80	21.14	9.3%	6.1
Dorset	20.90	36.0	25.22	0.008	39268	9.0	1.7	0.99	1.05	2.03	22.93	9.7%	6.5
Gloucs	18.27	33.4	27.85	0.010	34390	9.5	1.8	0.98	0.91	1.89	20.16	10.4%	6.4
Somerset	18.22	32.6	25.57	0.009	32090	7.5	1.4	0.79	0.91	1.70	19.92	9.3%	5.7
Wilts	18.95	41.6	23.63	0.010	36641	12.4	2.3	1.07	0.95	2.01	20.96	10.6%	6.7
Hf/Worcs	17.50	47.4	23.43	0.012	27435	13.3	2.5	0.92	0.88	1.80	19.30	10.3%	8.2
Salop	17.38	27.3	24.58	0.007	23730	1.2	0.6	0.40	0.87	1.27	18.65	7.3%	5.1
Staffs	16.87	79.5	19.74	0.018	21305	-1.3	1.0	0.21	0.84	1.05	17.92	6.2%	5.0
Warks	18.36	33.3	19.01	0.007	26698	6.2	1.5	0.83	0.92	1.75	20.11	9.5%	5.6
W Mids	18.92	322.5	21.15	0.071	21039	-22.6	0.9	0.05	0.95	1.00	19.91	5.3%	5.0
Cheshire	15.51	57.8	15.94	0.011	20672	-0.8	0.5	0.14	0.78	0.91	16.42	5.9%	5.8
Lancs	19.14	88.1	20.38	0.018	18980	-25.4	0.0	0.00	0.96	0.96	20.10	5.0%	
G Manch	17.84	278.3	16.63	0.052	19594	-39.7	0.6	0.04	0.89	0.93	18.77	5.2%	5.0
Mersyd	19.94	155.5	16.02	0.025	18811	-44.1	0.0	0.00	1.00	1.00	20.93	5.0%	

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P 03403

PRIME MINISTER

COUNCIL RENTS

[Minutes from the Secretary of State
for the Environment of 17 March and 3 April;
and from the Secretary of State for Wales of 15 March]

DECISIONS

The meeting has been arranged to carry forward your discussion of the basis for setting guideline rent increases within the new financial regime for council housing.

2. There are three main options:-

i. rent guidelines based on the average Right-to-Buy (RTB) sale price of each authority's council houses. This is Mr Ridley's preferred option, described in his minute of 17 March;

ii. rent guidelines based on fair rents. Ministers saw considerable attractions in this approach at your previous meeting. But Mr Ridley has serious reservations, set out in his minute of 3 April;

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iii. rent guidelines based on increases in line with inflation, plus the elimination of any historic rate fund contributions to council housing. This approach was proposed by Mr Walker in his minute of 15 March.

3. You will want to consider whether you can now agree on one of these three options, so that Mr Ridley can announce proposals during the Committee Stage of the Housing and Local Government Bill, probably on 11 or 13 April. Alternatively you may wish to commission further work urgently for another meeting, perhaps early next week.

not easy in diary terms. PRCB.

BACKGROUND

4. At your meeting on 22 February you considered proposals from Mr Ridley for guidelines based on "capital-value" rents. You concluded that there were strong objections to these proposals on both technical and presentational grounds, and that they would be inconsistent with the Government's long-standing opposition to capital-value rating. Mr Ridley was asked to devise an alternative system which would be equitable, give tenants a chance to adjust, and avoid creating undue alarm. You suggested that such a system should build on the long history of "fair rents" in the private rented sector. Other Ministers were invited to write to Mr Ridley with their own suggestions.

5. The Chief Secretary's letter to Mr Ridley of 27 February outlined a pragmatic system for setting guideline rents. The Government would decide on an overall rent increase which would be distributed between authorities on the basis of factors such as the existing level of their rents. Councils with low rents would be expected to make the largest increases, while those with the highest rents would get away with increases in line with inflation.

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The Chief Secretary recognised that further work was necessary to turn this proposal into a detailed scheme. Mr Walker's minute of 15 March contained further proposals, discussed below.

MAIN ISSUES

Mr Ridley's new proposal: RTB sale prices

6. Mr Ridley's new proposal is similar to the Chief Secretary's suggestion, but uses each authority's average Right-to-Buy (RTB) sale price (before any RTB discount) as the factor which would determine what its rents should be relative to the national average. The main features would be:

i. a national average rent guideline increase which would be determined in the Public Expenditure Survey (PES) round. Mr Ridley's figures are based on an illustrative increase of 7% (2% in real terms plus 5% for inflation);

ii. the use of each authority's average RTB sale price multiplied by its housing stock to distribute the resulting total rent bill between authorities;

iii. damping factors to restrict the resulting changes in rent levels within a band. The illustrative figures assume that no authority is allowed any real reduction in rents or is required to make a real increase greater than 16%.

7. This system has a number of advantages compared with the earlier proposals:

i. it is more flexible. All the decisions - the average increase and the upper and lower limits - would be determined annually in the PES round;

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ii. there are no long-term targets for rent increases which could be used by opponents to alarm tenants and undermine the system;

iii. the proposal nevertheless relates rents to market values. Councils with high capital values and low rents would be obliged to make the sharpest increases, while those with low values and relatively high rents would be allowed a freeze in real terms.

8. But the new proposal also has disadvantages:

i. the rent system would still be based on capital values, albeit less explicitly than was proposed earlier;

ii. the undamped rents implied by the scheme would show large increases in high-price areas (eg. over 50% in London, and nearly 160% in the City), and large cash cuts in low-price areas (eg. over 50% in the Cleveland county area). These undamped figures might be misused by critics (although it is not yet clear whether they could get hold of them: that would depend on the technical details of the scheme);

iii. it might eventually lead to a distorted system of rents across the country, because it is based only on the capital values of council houses (which are very variable, for instance as between the North and London) with no allowance for maintenance costs (which are much less variable).

9. You will want to decide whether Mr Ridley's new proposal is an acceptable way forward. It certainly appears to be a pragmatic solution to some of the problems raised by his earlier proposal. Perhaps the key judgement is whether the use of RTB sale prices can be justified and defended, given the drawbacks of any system based on capital values.

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10. If you did accept Mr Ridley's proposal, one interesting question would be whether it was possible to develop a presentation based on coherent choices for tenants between renting, full purchase through RTB and, if you ultimately decide to go that way, partial purchase through flexi-ownership.

Alternative proposal based on fair rents

11. Mr Ridley's minute of 3 April responds to your request for an alternative scheme of rent guidelines based on fair rents. The main features would be:

i. a national average increase (as under Mr Ridley's preferred option). The figures are again based on the illustrative figure of 7%;

ii. the use of average fair rents to distribute the resulting total rent bill to each region of the country. Mr Ridley says that the information on fair rents is not sufficiently good to extend this approach even to county level, much less district level;

iii. the use of some other indicator (Mr Ridley suggests RTB sale prices) to distribute the regional totals between the district housing authorities;

iv. damping factors to limit changes in rents, eg. to ensure that no authority has a real reduction or an excessive real increase.

12. At the last meeting you saw considerable advantages in building on the 30-year history of fair rents in the private rented sector. The detailed proposal which Mr Ridley has put forward is

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a hybrid, which uses fair rents only at regional level and RTB prices below that. Mr Ridley argues against such a system for two main reasons:

i. fair rents are set by rent officers and assessment panels who are required to ignore the effects of scarcity. They do not therefore reflect true market values, and could not easily be adjusted to do so;

ii. more important, the Government have abolished fair rents for new lettings in the private sector. It would be odd now to adopt them as the basis for setting rents in the public sector.

14. You will wish to consider whether these arguments of principle are sufficiently strong to rule out the use of fair rents despite their presentational advantages. If so, you will need to decide between the other two proposals (from Mr Ridley and Mr Walker). But if you still favour the use of fair rents if at all possible, you might ask Mr Ridley to explore whether the problems with the fair rent data can be overcome. One possibility might be to collect new figures. There are 1.4 million private lettings in England. They are not all subject to fair rents, but there might be a sufficient sample to provide robust figures at county level if not at district level.

Mr Walker's proposal: rents based on historic costs.

15. Mr Walker's minute of 15 March proposed an alternative basis for setting rent guidelines:

i. most authorities would be expected to increase rents only in line with inflation; but

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ii. those authorities which had subsidised housing from rates in the past (only 7 authorities in Wales) would be expected to make real increases to remove this element of subsidy.

16. This proposal has the advantage that it is less interventionist, and would dispel fears that the Government intended to put rents up in real terms. But it has serious disadvantages:

i. it appears largely to ignore the new financial regime for local authority housing, which will require councils to charge housing benefit costs to their housing accounts. This will remove the existing historic cost accounts on which his scheme is based;

ii. it fails to link rents to the market, a key aim of Mr Ridley, strongly supported by the Chief Secretary. Low rents will stay low, except in those few areas where rate fund contributions have been made, and high rents will stay high;

iii. there is very little flexibility, for instance to take decisions on the appropriate level of rent increases in the PES round.

17. It seems clear that this scheme would not meet Mr Ridley's objectives in England, where many authorities already have the scope to make substantial surpluses on the historic accounting basis. The main issue is whether it would be acceptable for Mr Walker to adopt his approach in Wales, on a different basis from the rest of the country. This would be likely to attract comment. If Mr Walker were nonetheless to be allowed to adopt a separate approach, there would need to be a decision on whether he should bear the costs of his rent decisions within the Welsh Block. His letter of 20 March to the Chief Secretary suggests that he is not willing to accept that.

I have not troubled you with this correspondence.

RHCB.

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TIMING

18. Mr Ridley wishes to be in a position to set out Government policy during the discussion of the relevant clauses in Commons Committee on the Housing and Local Government Bill. That is likely to be on Tuesday 11 or Thursday 13 April. He will therefore want a decision at this meeting, or shortly thereafter.

HANDLING

19. You might ask the Secretary of State for the Environment to speak first, perhaps followed by the Secretary of State for Wales. You might then ask the Chief Secretary, Treasury to comment: he is likely to support Mr Ridley. The Secretary of State for Scotland may wish to comment. So may the Secretary of State for Social Security, although, given the new financial regime for council housing, any housing benefit costs of higher council rents should be contained within local housing accounts.

RJW.

R T J WILSON
Cabinet Office
3 April 1989

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PRIME MINISTER

3 April 1989

COUNCIL HOUSE RENTS: FAIR RENTS

Nicholas Ridley has now produced the details of a fair rents scheme.

As a basis for determining rent increases, a fair rents scheme suffers from four disadvantages:

(a) data on fair rents are not available at the district level and their quality would be questionable even at the county level: good data is available only at regional level;

(b) the absence of any objective test would create interminable dispute over what constituted fair rents;

(c) by comparison with earlier proposals, a fair rents scheme would mean lower rents in London and the South East and higher in the rest of the country;

(d) reintroducing fair rents explicitly would go against the 1988 Housing Act.

The data problems mean that this scheme is effectively unworkable. In addition, it is highly questionable whether the distribution of rent increases to which they give rise - namely lower rent increases in London and higher rent increases elsewhere - is in the long term national interest.

Fair Rents or a Fair Framework for Rent Increase

Even though "fair rents" may not be workable, the idea of fairness

c[redacted] still be retained. A Fair Framework for rent increases would involve:

1 Removal of subsidy from rates.

2 A general increase in line with inflation.

3 A real increase of say 2% above inflation to cover maintenance.

4 A redistribution of subsidy away from areas where rents have been held artificially low - but subject to a ceiling.

Under Nicholas Ridley's proposals, rent increases come out at between 5%-18%. If you wished, you could put a ceiling on rent increases to reflect a greater element of fairness, so that no rents increased by more than say 12%.

Conclusion

- Peter Walker's approach which involves only elements (1) and (2) above is too hands-off; it fails to nudge the system sufficiently in the right direction; but its concern with fairness is important.

- Presentationally it is possible to develop a framework for rent increases which would be generally agreed as fair - and which would consist of the above four points.

- Council house rent increases for the past two years have been averaged 5% in real terms. It would be perfectly possible to continue the same policy or go for something less - say 3% real increase; in either case it would be possible to present the result as derived from a fair framework.

Brian Griffiths

BRIAN GRIFFITHS

PRIME MINISTER

22 March 1989

A FAIR FRAMEWORK FOR COUNCIL HOUSE RENTS

In summing up the discussion at the last meeting, you emphasised the need for a continuing element of 'fairness' in the determination of council house rents: a market approach by itself is not sufficient.

Nicholas Ridley and Peter Walker have now put in separate papers for the next meeting. It would be difficult to develop a policy which made "fair" rents the centre-piece in a new approach, but I believe that these papers contain sufficient common ground for the government to develop "A Fair Framework for Council House Rents." (Although not mentioned, housing benefit would also be a crucial part of a fair framework).

All of the schemes put forward so far have two elements in common:

1 Removal of Subsidy from Rates to Rents

The Housing Revenue Account set up by the 1988 Act will force up rents in those authorities which have for political reasons kept rents low but maintained higher rates.

Removing such a subsidy by the rate payer can readily be presented as part of a fair framework. Nicholas Ridley and Peter Walker both accept this.

2 Rent Increases in Line with Inflation

As the average earnings of people increase faster than inflation, and as benefits are increased by government in line with inflation,

it is not difficult, on grounds of fairness, for the government to propose that council house rents should increase by the rate of inflation.

Once again, this would be something readily understood by the public, and hopefully accepted on grounds of fairness: it is common to the schemes put forward by Nicholas Ridley and Peter Walker.

These two elements of a fair framework for council house rents are common ground and could be easily presented to the public as part of a new fair framework for determining rents.

It is at this point that diferences emerge.

3 Across the Board General Rent Increase above Inflation

Nicholas Ridley proposes that the general council house bill across the country should increase by more than the rate of inflation. In his example, he suggests a figure of 2%.

This could be justified because of the false accounting which arises within housing departments by using historic costs as the basis for determining rents. It could also be justified as a source of extra revenue needed by local authorities for maintenance and improvements which is very labour-intensive. If there is no explicit mention of a commitment by local authorities to improved maintenance, it is very tempting for local authorities within a new ring-fenced HRA to increase rents by the barest minimum, and finance the emerging deficit by reduced expenditure on maintenance.

There may therefore be a case for a very small increase here, if only as a way of signalling to council house tenants the importance the government attaches to improved maintenance.

4 Redistribution of the Council House Subsidy

This is the area in which there is real disagreement. Even when (1)-(3) have been taken into account, should the government attempt to force up rents in some areas?

There are three options.

a) existing rents are the cumulative effect of "fair rents" over the years: at the very least both Nicholas Ridley and Peter Walker propose that they be increased by the inflation increase and the withdrawal of subsidy from the rates. The argument of Peter Walker is that the government should do no more than this: this, however, is a refusal to face up to the distortions introduced by historic costs.

b) Nicholas Ridley wishes to go further: he proposes a redistribution of the general council house subsidy away from those areas in which rents have been held artificially low - but suggests limiting rent increases in all areas in this way to 11% and also putting a floor to prevent rents from falling. He would do this by using capital values based on right-to-buy data. This means that nearly all rent increases would be between a minimum of 5% and a maximum of 18%.

c) An alternative and much more subjective approach would be to start with fair rents as determined by rent officers and add an element based on scarcity to these rent levels. This formula would result in lower increases than under (b) but higher than under (a) eg the maximum increase in inner London would be say 10 or 12% but again with a minimum increase of 5% because of inflation.

Recommendation

1 I believe that there is sufficient common ground to develop a new approach emphasising the framework for rent determination as being fair: such an approach would represent continuity from the past but also show the way forward.

2 It is worth accepting points 1 (removal of rate subsidy) and 2 (general increase in line with inflation) as part of this new framework.

3 Point 3 (a real rent increase) is more difficult to defend in terms of fairness, but an increase of a very small amount, say 1%, would make an important point which could be built on in the future: to reject it would be to throw away a valuable card.

4 Before making a judgement on the final element in a fair framework, Point 4 (redistribution because of scarcity), why not ask the DOE to prepare examples of the three options outlined and then to bring them together in one table, so that you can see at a glance the rent increases from different approaches. This could be done before the next meeting.

Brian Griffiths

BRIAN GRIFFITHS

PRIME MINISTER

COUNCIL HOUSE RENTS: MEETING ON 4 APRIL

You have a further meeting of the small Ministerial group on council house rents on Tuesday.

You saw some papers for this meeting before Easter; my minute below together with Flags A - D. You decided then you wanted DOE to do some further work on a "fair rents" alternative before the meeting, and I commissioned that in my letter of 23 March (Flag E). DOE have been unable to circulate this before the weekend, but it will be coming round on Monday; I will put it in that evening's box.

Regs.

(PAUL GRAY)

31 March 1989

DA1AAU

cc PU

NBPM at this stage.

RAC 6

30/3

CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Peter Walker MBE MP
Secretary of State for Wales
Welsh Office
Gwydyr House
Whitehall
LONDON SW1A 2ER

28 March 1989

Dear Secretary of State,

HOME IMPROVEMENT GRANTS

Thank you for your letter of 13 March.

The level of resources to be devoted to private sector improvements will of course be a matter which Nicholas Ridley and I will be discussing in the coming Survey and provision within your block will reflect Survey decisions on provision for England. However, I agree that it would be sensible for our officials to get together to discuss the basis for your figures. Nicholas Ridley's officials will also need to be involved as I understand further work needs to be done on costings for England.

The results of the consultation exercise on the details of the means test have, of course, not yet been assessed and we may need to adjust thresholds for payment of grant in the light of the detailed costings. I would not expect the new arrangements to require an increase in provision of themselves since means testing should mean that substantially more renovation is undertaken entirely privately. If changes to the thresholds proposed would be insufficient to make the impact of the new arrangements neutral in terms of annual costs, it may be necessary to consider an amendment to the Local Government and Housing Bill to introduce formal queues for mandatory grant. I should therefore be grateful if Nicholas Ridley's officials and yours could provide mine with detailed costings (taking account of extra private investment) as soon as possible. Perhaps you would ask your officials to contact mine.

HOUSING: Policy Pt 15

Copies of this letter go to the Prime Minister and to Nicholas Ridley.

Yours sincerely,

P. Wakeham

pp JOHN MAJOR
Approved by the Chief Secretary and signed in his absence.



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CC BCP

dc BG

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

23 March 1989

Dear Roger,

COUNCIL HOUSE RENTS

The Prime Minister has seen your Secretary of State's minute of 17 March, together with the Secretary of State for Wales' minute of 15 March.

I should be grateful if you and copy recipients would ensure that this letter is seen only with a need to know basis.

We have now arranged a meeting to discuss these papers on 4 April. In advance of that meeting the Prime Minister would however be grateful if your Secretary of State could arrange for further work to be done on how a system based on fair rents might operate, so that this can be compared with the proposals in your Secretary of State's minute. This alternative approach might start with fair rents as determined by rent officers and add an element based on scarcity to these rent levels. The Prime Minister assumes that such a formula might result in lower rent increases than implied by your Secretary of State's proposals, but rather higher increases than implied by the Secretary of State for Wales' suggestion.

I am copying this letter to Stephen Williams (Welsh Office), David Crawley (Scottish Office), Gill Littlehales (Department of Social Security), Carys Evans (Chief Secretary's Office), and to Sir Robin Butler.

Yours,

Paul

PAUL GRAY

Roger Bright, Esq.,
Department of the Environment

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SECRETARY OF STATE FOR THE ENVIRONMENT

PRIME MINISTER

COUNCIL RENTS

Peter Walker has copied to me his minute to you of 15 March in which he advances a different thought on this subject. If we were to keep rents tied to historic costs, then many rents will have to come down. But we ought to consider his letter together with the proposals in the paper I sent you on Friday and I hope we might have a discussion at the earliest possible opportunity.

I am copying this to Peter Walker and other members of E(LF) and to Sir Robin Butler.

NR

21 March 1989

Local Govt. Returns Pt 36.

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Oddi wrth Ysgrifennydd Gwladol Cymru

CT/6068/89

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
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01-270 (Direct Line)

From The Secretary of State for Wales

20 March 1989

Dear Secretary of State

NEW FINANCIAL REGIME FOR LOCAL AUTHORITY HOUSING - RENTS

I was surprised to receive your letter of 21 February in which you indicated that you will want me to absorb within my block any additional costs arising from variation in rent policy between Wales and England.

You will recall that in my minute to the Prime Minister of 20 July 1988 I expressed my concern that my public expenditure block should not suffer as a result of the transfer of rent rebate PES into the Welsh Office programme. In your response of 27 July you said that neither the DoE nor the Welsh Office would be taking the relevant PES provision.

However, I understand from my officials that you have since changed your mind, and that it is now your intention that the appropriate baselines for rent rebates should be transferred from DSS to the Housing Departments. I accept the logic of this, and therefore agree in principle to the necessary PES transfer to the Welsh Office - though clearly the details including the effects on Departmental Running Costs over the next 3 years will need to be agreed between officials.

For the reasons I set out in my minute of 20 July, however, I do not accept that future adjustments to this baseline should be derived by means of the block formula. You will recall that my agreement last July to the issue of the consultation paper was conditional upon acceptance that the PES implications would be considered year by year for Wales. I understand your officials have acknowledged that it would be more appropriate for Housing Revenue Account Subsidy provision to be held within the Wales block but for changes to that provision to be agreed by means of a separate negotiation. I should be grateful for your confirmation of this.

The Rt Hon John Major MP
Chief Secretary to the Treasury
HM Treasury
Parliament Street
LONDON SW1P 3AG

/As for the

Housing: Policy Pt 15

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As for the question of costs which could arise from a different application of rents policy in Wales, I cannot agree to your proposals that these should be absorbed from within my block. This is an aspect that should be addressed each year as part of our separate PES negotiations on rent rebates as a whole.

I am copying this letter to the Prime Minister and other members of EL(F).

Yours sincerely

Keith Davies

Approved by the Secretary of State
and signed in his absence

cc PM

ELIZABETH HOUSE
YORK ROAD
LONDON SE1 7PH
01-934 9000

NBPM
RRCB
2013

The Rt Hon John Wakeham MP
Lord President of the Council
Privy Council Office
Whitehall
London
SW1A 2AT

20 MAR 1989

LOCAL GOVERNMENT AND HOUSING BILL

I am writing to record that the proposals in Nicholas Ridley's letter to you of 8 March for extending the Audit Commission's powers to certify grant claims and other financial returns by local authorities have my full support. Certification of returns of teachers' superannuation contributions will enable my Department to improve the efficiency and effectiveness of its systems for collecting these contributions, with substantial savings in running costs.

* Copies to members of E(LF) and L.

RA

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From: R T J Wilson
17 March 1989

P 03392

MR GRAY

COUNCIL RENTS

You asked for advice on the Secretary of State for the Environment's revised proposals for setting guideline rent increases within the new financial regime for council housing.

BACKGROUND

2. The Prime Minister's meeting on 22 February concluded that there were strong objections to "capital-value" rents on both technical and presentational grounds, and that it would be inconsistent with the Government's long-standing opposition to capital-value rating. Mr Ridley was asked to devise an alternative system which would be equitable, give tenants a chance to adjust and avoid creating undue alarm. The Prime Minister suggested that such a system should build on the long history of "fair rents" in the private rented sector.

3. The Chief Secretary's letter to Mr Ridley of 27 February outlined a more pragmatic system for setting guideline rents. The Government would decide on an overall rent increase which would be distributed between authorities on the basis of factors such as the existing level of their rents. Councils with low rents would be expected to make the largest increases, while those with the highest rents would get away with increases in line with inflation. The Chief Secretary recognised that further work was necessary to turn this proposal into a detailed scheme.

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4. The Secretary of State for Wales's minute of 15 March proposed a continued to link between rents and historic costs. Most authorities would be expected to increase rents only in line with inflation. But those which had subsidised housing from rates in the past (only 7 authorities in Wales) would be required to make real increases to remove this element of subsidy. However this proposal seems largely to ignore the new financial regime for council housing, which will require authorities to charge housing benefit costs to their housing accounts in future. That will remove the existing historic cost accounts on which his scheme is based.

MR RIDLEY'S NEW PROPOSAL

5. Mr Ridley's new proposal is similar to the Chief Secretary's suggestion, but uses each authority's average Right-to-Buy (RTB) sale price (before any RTB discount) as the factor which determines what its rents should be relative to the national average. The main features would be:

i. a national average rent guideline increase which would be determined in the Public Expenditure Survey (PES) round. Mr Ridley's figures are based on an illustrative increase of 7% (2% in real terms plus 5% for inflation);

ii. the use of each authority's average RTB sale price multiplied by its housing stock to distribute the resulting total rent bill between authorities;

iii. damping factors to restrict the resulting change in rent levels within a band. The illustrative figures assume that no authority is allowed any real reduction in rents or is required to make a real increase greater than 16%.

6. This system has a number of advantages compared with the earlier proposals:

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i. it is more flexible. All the decisions - the average increase and the upper and lower limits - would be determined annually in the PES round;

ii. there are no long-term targets for rent increases which could be used by opponents to alarm tenants and undermine the system;

iii. the proposal nevertheless relates rents to market values. Councils with high capital values and low rents would be obliged to make the sharpest increases, while those with low values and relatively high rents would be allowed a freeze in real terms.

7. But the new proposal also has disadvantages:

i. the rent system would still be based on capital values, albeit much less explicitly than was proposed earlier;

ii. the undamped rents implied by the scheme would show large increases in high-price areas (eg. over 50% in London, and nearly 160% in the City). These undamped figures might be misused by critics although it is not clear whether they could get hold of them;

iii. at the same time, the undamped rents for low-price areas would show large cash cuts (eg. over 50% in the Cleveland county area). Tenants in these areas might be aggrieved that their rents were still required to rise in line with inflation.

8. The Prime Minister will want to consider the pros and cons of the new proposal, in discussion with colleagues, and decide whether it represents an acceptable way forward. One interesting question is whether it would be possible to develop a coherent policy approach which embraced not only rents but also ownership through the Right-to-Buy Scheme and, if Ministers ul timately decide to go that way, flexi-ownership.

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FAIR RENTS

9. Mr Ridley rejects the idea of a system based on fair rents, for two main reasons:

i. fair rents are set by rent offices and assessement panels who are required to ignore the effects of scarcity. They do not therefore reflect true market values;

ii. the Government has abolished fair rents for new lettings in the private sector. It would be odd now to adopt them as the basis for setting rents in the public sector.

10. The Prime Minister will wish to consider whether these arguments are conclusive. If she feels they are not, she might want to ask Mr Ridley to produce a further short note for the meeting on 4 April explaining how a system based on fair rents might operate. This could then be discussed alongside Mr Ridley's own preferred solution.

TIMING

11. You have provisionally arranged a meeting to discuss this subject on Tuesday 4 April. I think it is desirable to try to stick to this. Mr Ridley will want to be able to say more about the Government's approach when this subject is reached in the Standing Committee on the Housing and Local Government Bill, which is likely to be on or around 11 April.

RTJW.

R T J WILSON
Cabinet Office
20 March 1989

CONFIDENTIAL

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

17 March 1989

Further to my telephone call this morning, I am writing to confirm that there will be a meeting on council housing rents from 1630 to 1730 here at No. 10 on Tuesday, 4 April.

I am copying this letter to the Diary Secretaries to the Chief Whip, Secretary of State for Wales, Secretary of State for Scotland, Mr. Nicholas Scott (Minister for Social Security), Lord Caithness (Minister for Housing, Environment and Countryside) and to Richard Wilson (Cabinet Office).

AMANDA PONSONBY (MRS)

Miss Michelle Cameron,
Department of the Environment.

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cc P.U
A
cc BUP

SECRETARY OF STATE FOR THE ENVIRONMENT

Prime Minister

COUNCIL RENTS

at flap (Pt 14).

Since our meeting on 22 February I have thought further about how we could set guideline rent increases in our annual subsidy awards to local authorities. I have been helped in this by John Major's encouraging letter of 27 February. I should now like to try out on colleagues a scheme on the lines below.

In essence we want to give authorities guidelines which as John Major said:

a. link rents to the market in housing, differentiating between districts; and

b. bear less hard on districts where higher rents are already being charged.

We do not want to set targets beyond the annual guideline.

The answer I believe is to start with a decision each year about the increase we want to see in the total national council rent bill (a PES decision). We would then need a way of distributing that to local housing authorities. As we all recognise, much depends upon that method of distribution.

Clearly it must have something to do with the differentials in rents that a market would produce. The options for analogues include:

i. market rents;

ii. capital value rents (but no longer as targets of any kind);

iii. fair rents; and

iv. capital values themselves.

Market rents are not yet generally available in sufficient numbers outside a few areas of London, so we will not be able to use them as an analogue in the first few years of the new regime. I believe it is important, however, to keep our options open on feeding them into the system as our policies to free up the private rented sector take effect, and the evidence becomes available.

Capital value rents are an artificial construction which I used as a proxy for real market rents in my description of the earlier scheme we looked at last time. I do not think we need consider them any further.

We have good information on fair rents, at least down to Regional level, but since there is an express statutory requirement that, in setting them, rent officers and rent assessment panels should ignore the effects of scarcity of supply, they cannot, by definition, make a satisfactory market analogue. There would, in any event, be something odd in basing a new system of rent determination explicitly on an old one we have just abandoned as unsatisfactory.

Capital values are undoubtedly the best indicators we have of relative scarcity between areas, but at our earlier discussion, you and colleagues were worried that a system based on them would require a major valuation exercise, with all the problems which have been associated with the old rating system. However, I think we can avoid this. There is useful and relevant information readily available at the right level in councils' own right to buy sales. If we used right to buy evidence, we could thus avoid the need for a major valuation exercise, and if we used a rolling average of, say, three years, the system would effectively update itself.

I therefore propose that we should use councils own right to buy prices to distribute the national rent bill to individual housing authorities.

This scheme has the advantage that it includes no targets at all. There is a single, major decision to take each year about the size of the national rent increase we want to see, and the subsequent calculations do no more than distribute it between authorities to reflect the pattern displayed by their house sale prices. The system acknowledges each authority's present position, and each year, the decision we took about the national rent increase would be entirely independent of the previous year's decision. We need declare no goal, and give no hostages to fortune.

I enclose tables that exemplify the effects of such a system on each authority in the first year. For illustration, these set the guideline increase in the national rent total at 7% (2% real increase plus 5% inflation).

In some cases the first results would allow large cash reductions in rents, while in others very steep increases would be called for. I have therefore introduced a damping factor. This would ensure, first, that no council got a guideline implying a real rent reduction (no council rents are at the moment above market levels, and we do not want to encourage any of them to fall further behind the rents for the private sector or housing association properties we hope to see coming forward). It would also protect authorities from a real increase in the guideline above 16%. The average increase would remain 2% real, or 7% cash.

I think the system is practicable. It satisfies our objectives of bringing some kind of market influence into the differentials between authorities, and of having regard to their current rent levels. It sets no targets, and like my previous proposals would

run on an annual cycle; rent increases and Housing Benefit implications would be assessed together as part or the Public Expenditure Survey.

I do hope we might discuss this in a day or two. Standing Committee on the Bill could reach this subject not long after Easter and, meanwhile, work has begun on the 1989 PE Survey.

I am copying this minute to Peter Walker, Malcolm Rifkind, John Moore, John Major, and also to Sir Robin Butler and Professor Brian Griffiths.

PP N R
17 March 1989

(Approved by the Secretary of State & signed in his absence)

Rent Update System using LRight to Buy prices as weights to divide the NATIONAL rent bill to DISTRICT level
Data used: 1985/6/8/9 Right to Buy prices

REGION/ County	Authority	Average Council Rent per Dwellng in April 1988	Total Rent Bill per Council (£M)	avg RTB price for each L.A. (£)	Change in Total Rent Bill implied (£M)	Damped to 11% of any incr and 0% of any decr (£M)	implied REAL change in Rent per Week	plus 5% for INFL	CASH INCR in Rent per Week	Revsd Rent per Week	CASH RENT INCR in % terms
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
NORTH	Hartlepool	20.89	12.1	18033	-5.9	0.0	0.00	1.04	1.04	21.93	5.0%
Cleveld	Langbaurgh	20.05	17.6	18010	-8.2	0.0	0.00	1.00	1.00	21.05	5.0%
	Middlesborough	24.57	22.8	16831	-13.5	0.0	0.00	1.23	1.23	25.80	5.0%
	Stockton-On-Tees	20.38	19.8	16984	-10.0	0.0	0.00	1.02	1.02	21.40	5.0%
Cumbria	Allerdale	19.18	6.3	22066	-2.0	0.0	0.00	0.96	0.96	20.14	5.0%
	Barrow-in-Furness	19.19	4.7	22066	-1.5	0.0	0.00	0.96	0.96	20.15	5.0%
	Carlisle	13.25	8.2	21217	-0.4	0.0	0.00	0.66	0.66	13.91	5.0%
	Copeland	17.23	5.6	20515	-1.6	0.0	0.00	0.86	0.86	18.09	5.0%
	Eden	17.32	2.3	27030	-0.2	0.0	0.00	0.87	0.87	18.19	5.0%
	South Lakeland	17.87	5.3	29768	0.0	0.0	0.00	0.89	0.89	18.76	5.0%
Durham	Chester-Le-Street	19.39	7.6	21107	-2.7	0.0	0.00	0.97	0.97	20.36	5.0%
	Darlington	15.97	6.8	20615	-1.6	0.0	0.00	0.80	0.80	16.77	5.0%
	Derwentside	17.70	11.4	18020	-4.5	0.0	0.00	0.89	0.89	18.59	5.0%
	Durham	17.80	10.3	19632	-3.5	0.0	0.00	0.89	0.89	18.69	5.0%
	Easington	19.96	19.2	16663	-9.7	0.0	0.00	1.00	1.00	20.96	5.0%
	Sedgefield	18.78	14.5	18110	-6.2	0.0	0.00	0.94	0.94	19.72	5.0%
	Teesdale	15.93	1.1	24243	-0.1	0.0	0.00	0.80	0.80	16.73	5.0%
	Wear Valley	18.24	7.7	17700	-3.3	0.0	0.00	0.91	0.91	19.15	5.0%
Nthmbld	Alnwick	19.15	2.9	24264	-0.7	0.0	0.00	0.96	0.96	20.11	5.0%
	Berwick-Upon-Tweed	15.72	3.0	20899	-0.6	0.0	0.00	0.79	0.79	16.51	5.0%
	Blyth Valley	18.33	9.4	21559	-2.8	0.0	0.00	0.92	0.92	19.25	5.0%
	Castle Morpeth	19.30	4.1	24007	-1.1	0.0	0.00	0.97	0.97	20.27	5.0%
	Tynedale	15.47	3.8	19773	-0.9	0.0	0.00	0.77	0.77	16.24	5.0%
	Wansbeck	16.80	8.3	22270	-1.7	0.0	0.00	0.84	0.84	17.64	5.0%
Tyne/Wr	Gateshead	18.90	34.7	21480	-11.2	0.0	0.00	0.95	0.95	19.85	5.0%
	Newcastle upon Tyne	19.76	47.3	20263	-18.4	0.0	0.00	0.99	0.99	20.75	5.0%
	North Tyneside	15.02	22.4	19590	-5.0	0.0	0.00	0.75	0.75	15.77	5.0%
	South Tyneside	16.28	25.1	21247	-5.6	0.0	0.00	0.81	0.81	17.09	5.0%
	Sunderland	14.73	40.4	16492	-13.5	0.0	0.00	0.74	0.74	15.47	5.0%
YK/HUMB	Beverley	14.16	4.0	25586	0.3	0.0	0.11	0.71	0.82	14.98	5.8%
Humbs	Boothferry	17.36	4.2	18008	-1.6	0.0	0.00	0.87	0.87	18.23	5.0%
	Cleethorpes	18.42	3.3	19001	-1.3	0.0	0.00	0.92	0.92	19.34	5.0%
	East Yorkshire	19.26	4.9	23972	-1.3	0.0	0.00	0.96	0.96	20.22	5.0%
	Glanford	14.94	2.9	17374	-0.9	0.0	0.00	0.75	0.75	15.69	5.0%
	Great Grimsby	18.86	8.1	17214	-3.7	0.0	0.00	0.94	0.94	19.80	5.0%
	Holderness	16.93	2.2	21277	-0.6	0.0	0.00	0.85	0.85	17.78	5.0%
	Kingston upon Hull	17.55	42.3	21046	-12.1	0.0	0.00	0.88	0.88	18.43	5.0%
	Scunthorpe	18.18	8.8	18430	-3.5	0.0	0.00	0.91	0.91	19.09	5.0%
N Yorks	Craven	17.78	2.1	23157	-0.5	0.0	0.00	0.89	0.89	18.67	5.0%
	Hambleton	16.78	4.2	20828	-1.1	0.0	0.00	0.84	0.84	17.62	5.0%
	Harrogate	17.16	5.4	23883	-0.9	0.0	0.00	0.86	0.86	18.02	5.0%
	Richmondshire	20.02	2.9	24362	-0.8	0.0	0.00	1.00	1.00	21.02	5.0%
	Ryedale	17.62	3.5	23305	-0.7	0.0	0.00	0.88	0.88	18.50	5.0%
	Scarborough	16.29	6.3	23264	-0.9	0.0	0.00	0.81	0.81	17.10	5.0%
	Selby	17.13	4.9	25529	-0.6	0.0	0.00	0.86	0.86	17.99	5.0%
	York	13.83	7.5	24395	0.4	0.0	0.07	0.69	0.76	14.59	5.5%
S Yorks	Barnsley	15.93	25.6	19411	-7.0	0.0	0.00	0.80	0.80	16.73	5.0%
	Doncaster	14.37	25.6	18271	-6.2	0.0	0.00	0.72	0.72	15.09	5.0%
	Rotherham	14.55	25.5	17653	-7.1	0.0	0.00	0.73	0.73	15.28	5.0%
	Sheffield	21.73	100.3	20040	-45.3	0.0	0.00	1.09	1.09	22.82	5.0%
W Yorks	Bradford	18.73	35.1	18168	-14.8	0.0	0.00	0.94	0.94	19.67	5.0%
	Calderdale	18.53	14.9	16467	-7.0	0.0	0.00	0.93	0.93	19.46	5.0%
	Kirklees	18.06	32.9	18365	-13.0	0.0	0.00	0.90	0.90	18.96	5.0%

	Leeds	14.74	70.3	15422	-26.5	0.0	0.00	0.74	0.74	15.48	5.0%
	Wakefield	16.03	37.0	20263	-9.2	0.0	0.00	0.80	0.80	16.83	5.0%
E MIDS	Amber Valley	16.35	6.4	22061	-1.3	0.0	0.00	0.82	0.82	17.17	5.0%
Derbys	Bolsover	18.30	7.7	20283	-2.6	0.0	0.00	0.92	0.92	19.22	5.0%
	Chesterfield	16.71	11.8	21399	-2.8	0.0	0.00	0.84	0.84	17.55	5.0%
	Derby	16.10	17.2	16935	-6.4	0.0	0.00	0.81	0.81	16.91	5.0%
	Derbyshire Dales	17.67	3.7	27192	-0.3	0.0	0.00	0.88	0.88	18.55	5.0%
	Erewash	16.00	6.9	22339	-1.2	0.0	0.00	0.80	0.80	16.80	5.0%
	High Peak	17.93	5.7	25697	-0.8	0.0	0.00	0.90	0.90	18.83	5.0%
	North East Derbyshir	17.48	10.1	20690	-3.0	0.0	0.00	0.87	0.87	18.35	5.0%
	South Derbyshire	17.71	4.3	21703	-1.2	0.0	0.00	0.89	0.89	18.60	5.0%
Leics	Blaby	12.77	2.1	27094	0.6	0.1	0.35	0.64	0.99	13.76	7.8%
	Charnwood	15.52	6.7	26889	0.2	0.0	0.05	0.78	0.83	16.35	5.3%
	Harborough	18.11	3.0	26655	-0.4	0.0	0.00	0.91	0.91	19.02	5.0%
	Hinckley & Bosworth	17.45	4.5	19260	-1.6	0.0	0.00	0.87	0.87	18.32	5.0%
	Leicester	21.17	37.2	22291	-13.9	0.0	0.00	1.06	1.06	22.23	5.0%
	Melton	17.44	2.4	28086	-0.1	0.0	0.00	0.87	0.87	18.31	5.0%
	North West Leicester	18.02	5.6	26531	-0.7	0.0	0.00	0.90	0.90	18.92	5.0%
	Oadby & Wigston	14.48	1.3	27690	0.2	0.0	0.21	0.72	0.94	15.42	6.5%
	Rutland	15.08	1.5	32670	0.4	0.0	0.46	0.75	1.21	16.29	8.1%
Lincs	Boston	16.22	4.9	23091	-0.7	0.0	0.00	0.81	0.81	17.03	5.0%
	East Lindsey	17.19	5.2	23703	-0.9	0.0	0.00	0.86	0.86	18.05	5.0%
	Lincoln	16.89	9.2	24918	-1.1	0.0	0.00	0.84	0.84	17.73	5.0%
	North Kesteven	18.53	5.0	25069	-1.0	0.0	0.00	0.93	0.93	19.46	5.0%
	South Holland	17.98	5.1	25716	-0.8	0.0	0.00	0.90	0.90	18.88	5.0%
	South Kesteven	17.49	8.3	31917	0.7	0.1	0.16	0.87	1.03	18.52	5.9%
	West Lindsey	17.66	4.5	19625	-1.5	0.0	0.00	0.88	0.88	18.54	5.0%
Nhants	Corby	15.63	7.8	25834	-0.1	0.0	0.00	0.78	0.78	16.41	5.0%
	Daventry	17.15	4.3	29550	0.1	0.0	0.05	0.86	0.90	18.05	5.3%
	East Northants	15.00	4.1	28892	0.6	0.1	0.23	0.75	0.98	15.98	6.5%
	Kettering	20.10	6.1	28832	-0.9	0.0	0.00	1.01	1.01	21.11	5.0%
	Northampton	18.37	17.3	30650	-0.1	0.0	0.00	0.92	0.92	19.29	5.0%
	South Northants	15.00	3.5	27554	0.3	0.0	0.15	0.75	0.90	15.90	6.0%
	Wellingborough	18.95	6.7	29783	-0.4	0.0	0.00	0.95	0.95	19.90	5.0%
Notts	Ashfield	16.46	9.2	16788	-3.6	0.0	0.00	0.82	0.82	17.28	5.0%
	Bassetlaw	15.87	8.2	18689	-2.5	0.0	0.00	0.79	0.79	16.66	5.0%
	Broxtowe	19.90	6.9	23070	-2.1	0.0	0.00	1.00	1.00	20.90	5.0%
	Gedling	17.26	5.1	24405	-0.8	0.0	0.00	0.86	0.86	18.12	5.0%
	Mansfield	19.36	10.4	17338	-4.9	0.0	0.00	0.97	0.97	20.33	5.0%
	Newark & Sherwood	16.27	6.8	23747	-0.9	0.0	0.00	0.81	0.81	17.08	5.0%
	Nottingham	19.01	45.0	24053	-11.1	0.0	0.00	0.95	0.95	19.96	5.0%
	Rushcliffe	17.82	4.1	25577	-0.6	0.0	0.00	0.89	0.89	18.71	5.0%
E ANGLIA	Cambridge	18.31	10.2	43835	4.3	0.5	0.82	0.92	1.74	20.05	9.5%
Cambs	East Cambridgeshire	18.09	4.5	33074	0.4	0.0	0.17	0.90	1.07	19.16	5.9%
	Fenland	15.42	4.2	25213	-0.1	0.0	0.00	0.77	0.77	16.19	5.0%
	Huntingdonshire	17.20	7.7	36534	2.0	0.2	0.48	0.86	1.34	18.54	7.8%
	Peterborough	17.56	8.7	27580	-0.6	0.0	0.00	0.88	0.88	18.44	5.0%
	South Cambridgeshire	17.02	6.8	43309	3.5	0.4	0.92	0.85	1.77	18.79	10.4%
Norfolk	Breckland	17.38	6.7	30827	0.4	0.0	0.10	0.87	0.97	18.35	5.6%
	Broadland	17.10	3.5	38847	1.2	0.1	0.64	0.86	1.49	18.59	8.7%
	Great Yarmouth	16.30	6.7	31024	0.9	0.1	0.23	0.82	1.04	17.34	6.4%
	Kings Lynn & W.N.	16.05	7.9	29150	0.6	0.1	0.14	0.80	0.94	16.99	5.9%
	North Norfolk	17.12	5.6	31438	0.5	0.1	0.17	0.86	1.02	18.14	6.0%
	Norwich	19.48	23.3	39144	4.6	0.5	0.40	0.97	1.38	20.86	7.1%
	South Norfolk	19.68	5.9	31262	-0.3	0.0	0.00	0.98	0.98	20.66	5.0%
Suffolk	Babergh	17.35	4.7	34747	0.9	0.1	0.35	0.87	1.22	18.57	7.0%
	Forest Heath	17.44	4.0	35055	0.8	0.1	0.36	0.87	1.23	18.67	7.1%
	Ipswich	17.71	10.6	39120	3.3	0.4	0.59	0.89	1.47	19.18	8.3%
	Mid Suffolk	20.18	5.0	33314	-0.1	0.0	0.00	1.01	1.01	21.19	5.0%
	St. Edmundsbury	14.65	6.7	34849	2.8	0.3	0.64	0.73	1.38	16.03	9.4%
	Suffolk Coastal	16.34	5.0	38313	2.0	0.2	0.68	0.82	1.50	17.84	9.2%
	Waveney	18.78	6.2	29529	-0.4	0.0	0.00	0.94	0.94	19.72	5.0%
LONDON	BARKING	15.15	24.9	42829	17.0	1.8	1.09	0.76	1.85	17.00	12.2%
	BARNET	26.07	23.3	52654	4.7	0.5	0.56	1.30	1.86	27.93	7.1%
	CITY OF LONDON	24.26	3.1	104300	4.9	0.5	3.99	1.21	5.20	29.46	21.4%
	BEXLEY	18.34	10.5	52409	7.4	0.8	1.36	0.92	2.27	20.61	12.4%

	BRENT	17.10	19.1	50687	14.6	1.5	1.38	0.86	2.23	19.33	13.1%
	BROMLEY	26.74	21.9	52891	3.9	0.4	0.50	1.34	1.84	28.58	6.9%
	CAMDEN	21.34	39.1	61287	27.7	2.9	1.60	1.07	2.66	24.00	12.5%
	CROYDON	25.33	25.6	55212	7.6	0.8	0.79	1.27	2.06	27.39	8.1%
	EALING	21.99	23.2	41017	2.6	0.3	0.26	1.10	1.36	23.35	6.2%
	ENFIELD	25.16	26.8	55221	8.2	0.9	0.81	1.26	2.07	27.23	8.2%
	GREENWICH	18.06	34.5	54375	27.3	2.9	1.51	0.90	2.41	20.47	13.4%
	HACKNEY	15.17	38.8	56862	47.8	5.0	1.97	0.76	2.73	17.90	18.0%
	HAMMERSMITH	27.06	27.0	59357	8.3	0.9	0.87	1.35	2.23	29.29	8.2%
	HARINGEY	17.80	22.9	56862	20.7	2.2	1.69	0.89	2.58	20.38	14.5%
	HARROW	25.46	10.9	59392	4.2	0.4	1.04	1.27	2.32	27.78	9.1%
	HAVERING	22.49	19.3	55030	8.8	0.9	1.08	1.12	2.21	24.70	9.8%
	HILLINGDON	21.26	19.4	55030	10.5	1.1	1.21	1.06	2.28	23.54	10.7%
	HOUNSLOW	19.71	20.6	55030	13.6	1.4	1.38	0.99	2.36	22.07	12.0%
	ISLINGTON	19.22	41.6	63823	40.6	4.3	1.98	0.96	2.94	22.16	15.3%
	KENSINGTON & CHELSEA	35.30	16.1	72707	3.6	0.4	0.84	1.77	2.61	37.91	7.4%
	KINGSTON UPON THAMES	23.78	8.0	56420	3.3	0.3	1.03	1.19	2.22	26.00	9.3%
	LAMBETH	18.69	48.0	37603	9.5	1.0	0.39	0.93	1.32	20.01	7.1%
	LEWISHAM	20.65	45.2	56206	28.0	3.0	1.35	1.03	2.38	23.03	11.5%
	MERTON	23.42	15.7	42492	1.3	0.1	0.20	1.17	1.37	24.79	5.8%
	NEWHAM	19.73	32.7	52354	19.0	2.0	1.21	0.99	2.19	21.92	11.1%
	REDBRIDGE	27.18	15.5	49969	1.5	0.2	0.27	1.36	1.63	28.81	6.0%
	RICHMOND UPON THAMES	23.02	11.8	59456	6.3	0.7	1.30	1.15	2.46	25.48	10.7%
	SOUTHWARK	20.39	65.7	55960	41.6	4.4	1.36	1.02	2.38	22.77	11.7%
	SUTTON	23.67	14.5	62424	8.3	0.9	1.42	1.18	2.61	26.28	11.0%
	TOWER HAMLETS	19.11	48.6	56862	37.4	3.9	1.55	0.96	2.51	21.62	13.1%
	WALTHAM FOREST	19.76	21.6	48474	9.9	1.0	0.96	0.99	1.95	21.71	9.9%
	WANDSWORTH	32.27	55.2	50173	-4.1	0.0	0.00	1.61	1.61	33.88	5.0%
	WESTMINSTER	28.41	34.2	55769	5.8	0.6	0.50	1.42	1.93	30.34	6.8%
S EAST	Luton	20.66	12.7	42456	2.8	0.3	0.49	1.03	1.52	22.18	7.4%
Beds	Mid Bedfordshire	16.22	6.6	44753	4.3	0.4	1.10	0.81	1.91	18.13	11.8%
	North Bedfordshire	18.77	7.9	39553	2.0	0.2	0.50	0.94	1.44	20.21	7.7%
	South Bedfordshire	20.63	8.4	43720	2.2	0.2	0.57	1.03	1.60	22.23	7.8%
Berks	Bracknell	20.41	10.8	44637	3.3	0.3	0.65	1.02	1.67	22.08	8.2%
	Newbury	19.51	8.0	49029	4.0	0.4	1.02	0.98	2.00	21.51	10.2%
	Reading	19.30	9.8	44617	3.7	0.4	0.77	0.97	1.73	21.03	9.0%
	Slough	18.56	10.1	51071	6.4	0.7	1.25	0.93	2.18	20.74	11.7%
	Windsor & Maidenhead	19.43	7.6	83348	11.8	1.2	3.18	0.97	4.16	23.59	21.4%
	Wokingham	20.99	4.0	50025	1.7	0.2	0.93	1.05	1.98	22.97	9.4%
Bucks	Aylesbury Vale	17.24	9.8	46396	5.9	0.6	1.09	0.86	1.96	19.20	11.3%
	Chiltern	18.31	4.8	56782	4.0	0.4	1.63	0.92	2.55	20.86	13.9%
	Milton Keynes	18.85	7.0	38412	1.5	0.2	0.42	0.94	1.37	20.22	7.2%
	South Bucks	20.07	3.8	59891	2.9	0.3	1.64	1.00	2.65	22.72	13.2%
	Wycombe	17.57	9.0	54880	7.8	0.8	1.59	0.88	2.47	20.04	14.1%
E Sussex	Brighton	21.52	13.0	40519	1.6	0.2	0.27	1.08	1.35	22.87	6.3%
	Eastbourne	20.89	5.6	44197	1.5	0.2	0.57	1.04	1.62	22.51	7.7%
	Hastings	18.58	4.8	42171	1.7	0.2	0.69	0.93	1.62	20.20	8.7%
	Hove	21.54	5.0	40057	0.5	0.1	0.24	1.08	1.32	22.86	6.1%
	Lewes	20.04	4.5	43228	1.3	0.1	0.60	1.00	1.60	21.64	8.0%
	Rother	16.28	3.4	36449	1.1	0.1	0.57	0.81	1.39	17.67	8.5%
	Wealden	22.64	5.0	41353	0.4	0.0	0.21	1.13	1.34	23.98	5.9%
Essex	Basildon	20.89	6.5	42710	1.4	0.1	0.48	1.04	1.52	22.41	7.3%
	Braintree	18.26	10.9	42779	4.3	0.5	0.76	0.91	1.67	19.93	9.2%
	Brentwood	20.74	4.0	43060	0.9	0.1	0.52	1.04	1.55	22.29	7.5%
	Castle Point	21.05	2.6	39553	0.3	0.0	0.26	1.05	1.32	22.37	6.2%
	Chelmsford	18.16	9.2	43060	3.8	0.4	0.79	0.91	1.70	19.86	9.3%
	Colchester	19.11	9.1	36109	1.1	0.1	0.25	0.96	1.21	20.32	6.3%
	Epping Forest	19.23	9.2	55750	6.7	0.7	1.47	0.96	2.43	21.66	12.7%
	Harlow	16.10	14.5	46645	10.5	1.1	1.23	0.81	2.04	18.14	12.6%
	Maldon	19.33	2.5	39406	0.5	0.1	0.44	0.97	1.40	20.73	7.3%
	Rochford	22.22	2.9	45525	0.6	0.1	0.51	1.11	1.63	23.85	7.3%
	Southend-On-Sea	24.78	10.4	37997	-0.9	0.0	0.00	1.24	1.24	26.02	5.0%
	Tendring	19.71	4.4	33206	0.0	0.0	0.01	0.99	0.99	20.70	5.0%
	Thurrock	18.85	14.7	49762	8.4	0.9	1.14	0.94	2.08	20.93	11.0%
	Uttlesford	19.55	4.1	49432	2.1	0.2	1.04	0.98	2.02	21.57	10.3%
Hants	Basingstoke	20.70	12.6	47392	4.6	0.5	0.79	1.04	1.83	22.53	8.8%

	East Hampshire	21.10	5.3	48111	1.9	0.2	0.80	1.06	1.85	22.95	8.8%
	Eastleigh	20.51	5.6	41626	1.2	0.1	0.45	1.03	1.48	21.99	7.2%
	Fareham	20.66	3.6	38779	0.4	0.0	0.26	1.03	1.29	21.95	6.2%
	Gosport	19.32	5.8	37033	0.8	0.1	0.29	0.97	1.25	20.57	6.5%
	Hart	19.95	5.9	56948	4.1	0.4	1.47	1.00	2.47	22.42	12.4%
	Havant	22.06	4.5	38482	0.2	0.0	0.09	1.10	1.19	23.25	5.4%
	New Forest	22.48	8.2	46477	1.9	0.2	0.55	1.12	1.67	24.15	7.4%
	Portsmouth	22.36	26.3	36012	-1.1	0.0	0.00	1.12	1.12	23.48	5.0%
	Rushmoor	21.86	7.0	51920	2.9	0.3	0.95	1.09	2.05	23.91	9.4%
	Southampton	19.86	22.1	41158	5.2	0.5	0.49	0.99	1.48	21.34	7.5%
	Test Valley	23.04	8.8	41131	0.6	0.1	0.15	1.15	1.30	24.34	5.7%
	Winchester	20.80	7.2	49711	3.1	0.3	0.93	1.04	1.97	22.77	9.5%
Herts	Broxbourne	21.75	5.7	57324	3.3	0.3	1.30	1.09	2.39	24.14	11.0%
	Dacorum	17.30	14.3	50043	10.4	1.1	1.32	0.87	2.18	19.48	12.6%
	East Hertfordshire	19.16	8.4	51405	5.0	0.5	1.21	0.96	2.16	21.32	11.3%
	Hertsmere	20.52	8.3	50822	3.9	0.4	1.03	1.03	2.05	22.57	10.0%
	North Hertfordshire	17.44	10.7	43186	5.1	0.5	0.87	0.87	1.74	19.18	10.0%
	St. Albans	16.13	6.6	50619	5.7	0.6	1.48	0.81	2.28	18.41	14.2%
	Stevenage	14.30	10.1	45398	9.0	1.0	1.34	0.72	2.06	16.36	14.4%
	Three Rivers	19.33	6.0	53786	3.9	0.4	1.34	0.97	2.30	21.63	11.9%
	Watford	17.46	6.0	53664	5.0	0.5	1.53	0.87	2.40	19.86	13.8%
	Welwyn Hatfield	16.82	12.6	54326	11.6	1.2	1.64	0.84	2.48	19.30	14.7%
IoWight	Medina	23.69	4.0	34126	-0.6	0.0	0.00	1.18	1.18	24.87	5.0%
	South Wight	20.32	2.5	40024	0.4	0.0	0.37	1.02	1.39	21.71	6.8%
Kent	Ashford	22.93	10.2	38907	0.1	0.0	0.02	1.15	1.17	24.10	5.1%
	Canterbury	20.02	7.3	37974	0.9	0.1	0.27	1.00	1.27	21.29	6.4%
	Dartford	20.82	7.0	48453	2.7	0.3	0.85	1.04	1.89	22.71	9.1%
	Dover	20.49	8.4	36969	0.6	0.1	0.16	1.02	1.18	21.67	5.8%
	Gillingham	23.97	5.4	37057	-0.4	0.0	0.00	1.20	1.20	25.17	5.0%
	Gravesham	16.81	7.2	43851	4.0	0.4	0.98	0.84	1.82	18.63	10.8%
	Maidstone	16.32	7.5	45894	5.1	0.5	1.16	0.82	1.98	18.30	12.1%
	Rochester-o-Medway	21.76	11.4	39733	1.0	0.1	0.20	1.09	1.29	23.05	5.9%
	Sevenoaks	19.72	7.5	49229	3.6	0.4	1.01	0.99	2.00	21.72	10.1%
	Shepway	24.03	5.6	37819	-0.4	0.0	0.00	1.20	1.20	25.23	5.0%
	Swale	19.36	8.3	38549	1.5	0.2	0.38	0.97	1.35	20.71	7.0%
	Thanet	18.38	7.1	35943	1.2	0.1	0.32	0.92	1.24	19.62	6.7%
	Tonbridge & Malling	19.09	6.7	47048	3.1	0.3	0.94	0.95	1.89	20.98	9.9%
	Tunbridge Wells	18.39	6.1	54124	4.6	0.5	1.46	0.92	2.38	20.77	12.9%
Oxon	Cherwell	17.43	7.4	41705	3.1	0.3	0.78	0.87	1.65	19.08	9.5%
	Oxford	16.36	8.6	49304	6.8	0.7	1.37	0.82	2.19	18.55	13.4%
	South Oxfordshire	19.53	7.8	50583	4.2	0.4	1.12	0.98	2.09	21.62	10.7%
	Vale Of White Horse	17.62	5.7	46700	3.3	0.3	1.07	0.88	1.95	19.57	11.1%
	West Oxfordshire	18.67	4.8	44170	2.0	0.2	0.80	0.93	1.74	20.41	9.3%
Surrey	Elmbridge	21.37	6.4	59474	4.2	0.4	1.48	1.07	2.55	23.92	11.9%
	Epsom & Ewell	21.88	2.5	53232	1.1	0.1	1.03	1.09	2.13	24.01	9.7%
	Guildford	21.30	8.1	49643	3.1	0.3	0.87	1.07	1.94	23.24	9.1%
	Mole Valley	17.83	4.3	71384	5.9	0.6	2.60	0.89	3.49	21.32	19.6%
	Reigate & Banstead	17.00	6.4	51601	5.1	0.5	1.45	0.85	2.30	19.30	13.5%
	Runnymede	21.27	4.7	60632	3.3	0.3	1.56	1.06	2.63	23.90	12.4%
	Spelthorne	24.04	5.5	51289	1.5	0.2	0.68	1.20	1.89	25.93	7.8%
	Surrey Heath	21.97	4.0	50000	1.4	0.1	0.82	1.10	1.92	23.89	8.7%
	Tandridge	18.78	4.0	53450	2.8	0.3	1.38	0.94	2.31	21.09	12.3%
	Waverley	20.90	7.4	60203	5.3	0.6	1.58	1.05	2.62	23.52	12.5%
	Woking	20.46	5.2	61192	4.0	0.4	1.68	1.02	2.71	23.17	13.2%
W Sussex	Adur	19.03	3.8	45444	1.6	0.2	0.85	0.95	1.80	20.83	9.4%
	Arun	23.03	6.2	37570	-0.2	0.0	0.00	1.15	1.15	24.18	5.0%
	Chichester	20.84	7.7	47166	2.7	0.3	0.76	1.04	1.81	22.65	8.7%
	Crawley	19.53	12.5	51055	7.0	0.7	1.15	0.98	2.12	21.65	10.9%
	Horsham	20.67	6.6	53295	3.6	0.4	1.17	1.03	2.20	22.87	10.6%
	Mid Sussex	20.41	5.2	50762	2.5	0.3	1.03	1.02	2.05	22.46	10.1%
	Worthing	23.21	3.6	36170	-0.3	0.0	0.00	1.16	1.16	24.37	5.0%
S WEST	Bath	19.72	7.7	40255	1.6	0.2	0.45	0.99	1.43	21.15	7.3%
Avon	Bristol	16.94	36.1	29112	0.8	0.1	0.04	0.85	0.89	17.83	5.2%
	Kingswood	15.80	4.2	33770	1.1	0.1	0.45	0.79	1.24	17.04	7.9%
	Northavon	18.56	5.6	34775	0.6	0.1	0.23	0.93	1.15	19.71	6.2%
	Wansdyke	16.11	4.4	37274	1.7	0.2	0.64	0.81	1.45	17.56	9.0%

	Woodspring	22.05	10.2	30662	-1.8	0.0	0.00	1.10	1.10	23.15	5.0%
Cornwall	Caradon	19.53	4.6	33099	0.0	0.0	0.02	0.98	0.99	20.52	5.1%
	Carrick	16.16	4.3	30717	0.6	0.1	0.22	0.81	1.03	17.19	6.4%
	Isle of Scilly	20.94	0.1	43713	0.0	0.0	0.54	1.05	1.58	22.52	7.6%
	Kerrier	18.28	3.9	26713	-0.5	0.0	0.00	0.91	0.91	19.19	5.0%
	North Cornwall	20.63	4.8	27546	-1.0	0.0	0.00	1.03	1.03	21.66	5.0%
	Penwith	19.49	4.0	33929	0.1	0.0	0.07	0.97	1.05	20.54	5.4%
	Restormel	17.20	4.0	30517	0.2	0.0	0.10	0.86	0.96	18.16	5.6%
Devon	East Devon	16.50	5.1	37125	1.7	0.2	0.59	0.83	1.42	17.92	8.6%
	Exeter	14.51	6.0	36306	3.0	0.3	0.75	0.73	1.47	15.98	10.2%
	Mid Devon	19.41	4.8	27862	-0.7	0.0	0.00	0.97	0.97	20.38	5.0%
	North Devon	18.42	4.1	34611	0.5	0.1	0.23	0.92	1.15	19.57	6.2%
	Plymouth	18.29	21.4	32336	1.1	0.1	0.10	0.91	1.02	19.31	5.6%
	South Hams	19.22	4.0	31688	-0.1	0.0	0.00	0.96	0.96	20.18	5.0%
	Teignbridge	20.49	5.6	33823	-0.1	0.0	0.00	1.02	1.02	21.51	5.0%
	Torbay	24.64	5.6	35095	-0.9	0.0	0.00	1.23	1.23	25.87	5.0%
	Torridge	20.04	2.6	31143	-0.2	0.0	0.00	1.00	1.00	21.04	5.0%
	West Devon	21.93	2.1	34526	-0.1	0.0	0.00	1.10	1.10	23.03	5.0%
Dorset	Bournemouth	23.74	8.2	37066	-0.6	0.0	0.00	1.19	1.19	24.93	5.0%
	Christchurch	22.08	2.0	44204	0.4	0.0	0.45	1.10	1.55	23.63	7.0%
	North Dorset	18.26	3.3	39931	1.0	0.1	0.58	0.91	1.49	19.75	8.2%
	Poole	21.68	7.2	40280	0.8	0.1	0.24	1.08	1.33	23.01	6.1%
	Purbeck	18.66	2.2	40128	0.6	0.1	0.55	0.93	1.48	20.14	8.0%
	West Dorset	18.79	5.8	36468	0.9	0.1	0.31	0.94	1.25	20.04	6.6%
	Weymouth & Portland	21.12	4.4	37883	0.3	0.0	0.15	1.06	1.21	22.33	5.7%
	Wimborne	22.87	3.0	38186	0.0	0.0	0.00	1.14	1.14	24.01	5.0%
Gloucs	Cheltenham	17.08	6.2	36692	1.7	0.2	0.50	0.85	1.36	18.44	7.9%
	Cotswold	19.62	5.3	39740	1.1	0.1	0.43	0.98	1.41	21.03	7.2%
	Forest Of Dean	18.73	5.2	29640	-0.3	0.0	0.00	0.94	0.94	19.67	5.0%
	Gloucester	18.17	6.2	30672	0.0	0.0	0.01	0.91	0.92	19.09	5.1%
	Stroud	16.76	6.4	32045	0.9	0.1	0.24	0.84	1.08	17.84	6.5%
	Tewkesbury	19.24	4.2	37553	0.7	0.1	0.33	0.96	1.29	20.53	6.7%
Somerset	Mendip	18.40	6.1	33831	0.6	0.1	0.18	0.92	1.10	19.50	6.0%
	Sedgemoor	18.68	6.3	29221	-0.4	0.0	0.00	0.93	0.93	19.61	5.0%
	South Somerset	16.18	10.0	31879	1.7	0.2	0.29	0.81	1.10	17.28	6.8%
	Taunton Deane	17.78	7.9	31928	0.5	0.1	0.13	0.89	1.02	18.80	5.7%
	West Somerset	20.07	2.2	33590	0.0	0.0	0.00	1.00	1.00	21.07	5.0%
Wilts	Kennet	20.85	6.3	38366	0.6	0.1	0.21	1.04	1.25	22.10	6.0%
	North Wiltshire	18.42	7.2	35858	1.1	0.1	0.31	0.92	1.23	19.65	6.7%
	Salisbury	17.12	7.3	41194	3.2	0.3	0.78	0.86	1.64	18.76	9.6%
	Thamesdown	18.71	13.8	31389	0.0	0.0	0.00	0.94	0.94	19.65	5.0%
	West Wiltshire	19.63	7.0	36396	0.7	0.1	0.21	0.98	1.20	20.83	6.1%
W MIDS	Bromsgrove	14.64	3.3	25887	0.2	0.0	0.08	0.73	0.81	15.45	5.6%
Hf/Worcs	Hereford	13.63	3.6	31431	1.4	0.1	0.54	0.68	1.22	14.85	8.9%
	Leominster	17.80	1.9	26623	-0.2	0.0	0.00	0.89	0.89	18.69	5.0%
	Malvern Hills	21.44	6.0	29670	-1.1	0.0	0.00	1.07	1.07	22.51	5.0%
	Redditch	19.01	9.9	25204	-2.1	0.0	0.00	0.95	0.95	19.96	5.0%
	South Herefordshire	17.79	2.1	25009	-0.3	0.0	0.00	0.89	0.89	18.68	5.0%
	Worcester	17.85	6.0	24123	-1.2	0.0	0.00	0.89	0.89	18.74	5.0%
	Wychavon	16.11	6.8	32331	1.3	0.1	0.33	0.81	1.14	17.25	7.1%
	Wyre Forest	19.25	7.8	26639	-1.4	0.0	0.00	0.96	0.96	20.21	5.0%
Salop	Bridgnorth	13.96	2.7	24702	0.1	0.0	0.08	0.70	0.78	14.74	5.6%
	North Shropshire	16.97	1.7	22856	-0.3	0.0	0.00	0.85	0.85	17.82	5.0%
	Oswestry	16.74	2.4	22361	-0.5	0.0	0.00	0.84	0.84	17.58	5.0%
	Shrewsbury & Atcham	16.31	6.1	24868	-0.6	0.0	0.00	0.82	0.82	17.13	5.0%
	South Shropshire	18.51	1.8	25573	-0.3	0.0	0.00	0.93	0.93	19.44	5.0%
	The Wrekin	21.78	12.6	22022	-5.0	0.0	0.00	1.09	1.09	22.87	5.0%
Staffs	Cannock Chase	18.94	8.6	18694	-3.6	0.0	0.00	0.95	0.95	19.89	5.0%
	East Staffordshire	17.74	6.5	21549	-1.8	0.0	0.00	0.89	0.89	18.63	5.0%
	Lichfield	15.72	5.2	22787	-0.7	0.0	0.00	0.79	0.79	16.51	5.0%
	Newcastle-Under-Lyme	15.03	9.5	20585	-1.7	0.0	0.00	0.75	0.75	15.78	5.0%
	South Staffordshire	17.90	6.0	22832	-1.4	0.0	0.00	0.90	0.90	18.80	5.0%
	Stafford	15.32	6.7	23895	-0.5	0.0	0.00	0.77	0.77	16.09	5.0%
	Staffs Moorlands	13.83	3.0	22161	-0.1	0.0	0.00	0.69	0.69	14.52	5.0%
	Stoke-On-Trent	17.44	26.1	18145	-9.9	0.0	0.00	0.87	0.87	18.31	5.0%
	Tamworth	19.93	7.9	21099	-2.9	0.0	0.00	1.00	1.00	20.93	5.0%

Warks	North Warwickshire	17.07	4.3	25049	-0.5	0.0	0.00	0.85	0.85	17.92	5.0%
	Nuneaton	20.53	9.8	20854	-3.9	0.0	0.00	1.03	1.03	21.56	5.0%
	Rugby	19.36	5.5	22575	-1.7	0.0	0.00	0.97	0.97	20.33	5.0%
	Stratford-On-Avon	15.44	5.8	33457	1.7	0.2	0.47	0.77	1.24	16.68	8.1%
	Warwick	19.41	7.9	31558	-0.3	0.0	0.00	0.97	0.97	20.38	5.0%
W Mids	Birmingham	18.77	119.5	22022	-36.0	0.0	0.00	0.94	0.94	19.71	5.0%
	Coventry	22.28	29.2	19823	-13.8	0.0	0.00	1.11	1.11	23.39	5.0%
	Dudley	16.35	30.9	20692	-7.6	0.0	0.00	0.82	0.82	17.17	5.0%
	Sandwell	17.80	50.9	22161	-13.2	0.0	0.00	0.89	0.89	18.69	5.0%
	Solihull	19.48	16.0	24241	-4.1	0.0	0.00	0.97	0.97	20.45	5.0%
	Walsall	16.84	33.5	21745	-7.8	0.0	0.00	0.84	0.84	17.68	5.0%
	Wolverhampton	20.89	42.4	16590	-22.4	0.0	0.00	1.04	1.04	21.93	5.0%
N WEST	Chester	16.16	7.1	21601	-1.5	0.0	0.00	0.81	0.81	16.97	5.0%
Cheshire	Congleton	16.12	4.2	22483	-0.7	0.0	0.00	0.81	0.81	16.93	5.0%
	Crewe & Nantwich	15.75	7.0	18250	-2.2	0.0	0.00	0.79	0.79	16.54	5.0%
	Ellesmere Port	11.99	5.5	19176	-0.3	0.0	0.00	0.60	0.60	12.59	5.0%
	Halton	17.19	8.6	19029	-2.9	0.0	0.00	0.86	0.86	18.05	5.0%
	Macclesfield	15.03	6.5	22260	-0.8	0.0	0.00	0.75	0.75	15.78	5.0%
	Vale Royal	15.74	8.0	23234	-1.0	0.0	0.00	0.79	0.79	16.53	5.0%
	Warrington	16.07	10.9	19340	-3.1	0.0	0.00	0.80	0.80	16.87	5.0%
Lancs	Blackburn	21.12	15.3	16526	-8.2	0.0	0.00	1.06	1.06	22.18	5.0%
	Blackpool	18.60	7.1	19986	-2.6	0.0	0.00	0.93	0.93	19.53	5.0%
	Burnley	17.32	6.5	14796	-3.2	0.0	0.00	0.87	0.87	18.19	5.0%
	Chorley	16.73	3.7	19336	-1.1	0.0	0.00	0.84	0.84	17.57	5.0%
	Fylde	19.50	2.6	22061	-0.8	0.0	0.00	0.98	0.98	20.48	5.0%
	Hyndburn	21.09	5.0	17542	-2.5	0.0	0.00	1.05	1.05	22.14	5.0%
	Lancaster	19.31	5.4	20547	-2.0	0.0	0.00	0.97	0.97	20.28	5.0%
	Pendle	20.13	5.3	17906	-2.5	0.0	0.00	1.01	1.01	21.14	5.0%
	Preston	19.11	10.9	18124	-4.7	0.0	0.00	0.96	0.96	20.07	5.0%
	Ribble Valley	19.12	1.8	21161	-0.6	0.0	0.00	0.96	0.96	20.08	5.0%
	Rossendale	20.50	6.3	18188	-3.0	0.0	0.00	1.03	1.03	21.53	5.0%
	South Ribble	19.84	4.3	20422	-1.7	0.0	0.00	0.99	0.99	20.83	5.0%
	West Lancashire	18.55	10.5	18687	-4.2	0.0	0.00	0.93	0.93	19.48	5.0%
	Wyre	17.10	3.4	20444	-1.0	0.0	0.00	0.86	0.86	17.96	5.0%
G Manch	Bolton	17.51	23.6	15605	-11.1	0.0	0.00	0.88	0.88	18.39	5.0%
	Bury	17.23	10.4	17915	-4.0	0.0	0.00	0.86	0.86	18.09	5.0%
	Manchester	15.63	79.6	21549	-14.3	0.0	0.00	0.78	0.78	16.41	5.0%
	Oldham	19.32	25.4	15676	-13.1	0.0	0.00	0.97	0.97	20.29	5.0%
	Rochdale	19.07	21.2	17982	-9.3	0.0	0.00	0.95	0.95	20.02	5.0%
	Salford	18.52	39.6	21549	-12.2	0.0	0.00	0.93	0.93	19.45	5.0%
	Stockport	16.85	14.3	22977	-2.7	0.0	0.00	0.84	0.84	17.69	5.0%
	Tameside	19.40	21.2	19224	-8.7	0.0	0.00	0.97	0.97	20.37	5.0%
	Trafford	17.35	12.3	24234	-2.1	0.0	0.00	0.87	0.87	18.22	5.0%
	Wigan	17.55	30.8	19225	-10.7	0.0	0.00	0.88	0.88	18.43	5.0%
Mersyd	Knowsley	22.46	30.4	19000	-15.1	0.0	0.00	1.12	1.12	23.58	5.0%
	Liverpool	17.34	59.9	18038	-22.8	0.0	0.00	0.87	0.87	18.21	5.0%
	Sefton	18.33	16.7	20321	-5.7	0.0	0.00	0.92	0.92	19.25	5.0%
	St. Helens	18.88	20.0	17699	-8.8	0.0	0.00	0.94	0.94	19.82	5.0%
	Wirral	22.67	28.6	18999	-14.3	0.0	0.00	1.13	1.13	23.80	5.0%

SUMMARIES FOLLOW . . . . . .

	Average Council Rent per Dwellng in April 1988	Total Rent Bill per Council (£M)	avg cap value for each L.A. (£)	Change in Total Rent Bill implied (£M)	Damped to 11% of any incr and 0% of any decr (£M)	implied REAL chnge in Rent per Week	plus 5% for INFL	CASH INCR in Rent per Week	Revsd Rent per Week	CASH RENT INCR in % terms
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
NORTHERN	18.04	385	20705	-136	0	0.00	0.90	0.90	18.94	5.0%
YORKS/HUMBS	17.11	485	20565	-166	0	0.01	0.86	0.86	17.98	5.1%
EAST MIDLANDS	17.21	326	24607	-67	0	0.04	0.86	0.90	18.11	5.3%
EAST ANGLIA	17.46	144	34308	27	3	0.33	0.87	1.21	18.67	7.0%
GreaterLONDON	22.52	885	55792	452	48	1.14	1.13	2.26	24.78	10.5%
S EAST+LONDON	20.56	1614	48937	754	80	0.92	1.03	1.94	22.50	9.7%
SOUTH WEST	19.10	299	34697	23	3	0.22	0.95	1.17	20.27	6.2%
WEST MIDLANDS	17.72	510	23939	-142	0	0.04	0.89	0.93	18.65	5.3%
NORTH WEST	18.11	580	19489	-205	0	0.00	0.91	0.91	19.02	5.0%
METS	18.00	1293	19456	-450	0	0.00	0.90	0.90	18.90	5.0%
SHIRES	18.56	2163	33294	85	39	0.35	0.93	1.27	19.84	6.9%
NATIONAL	18.86	4342	33962	87	87	0.38	0.94	1.33	20.19	7.0%
LABOUR HELD	18.32	2313	28144	-157	43	0.32	0.92	1.24	19.56	6.8%
CONSERVATIVE HELD	19.68	1130	39538	205	27	0.50	0.98	1.48	21.16	7.6%
SLD HELD	18.59	139	40959	50	6	0.70	0.93	1.63	20.22	8.7%
OTHER	18.80	59	35582	8	1	0.41	0.94	1.35	20.15	6.9%
NO OVERALL CONTROL	18.46	711	31136	-16	10	0.25	0.92	1.18	19.64	6.3%
LABOUR in London	19.45	505	52848	328	35	1.27	0.97	2.24	21.69	11.8%
CONSERVATIVE in Londo	27.03	240	55640	43	5	0.67	1.35	2.02	29.05	7.7%
Cleveld	21.47	72.3	17464	-37.5	0.0	0.00	1.07	1.07	22.55	5.0%
Cumbria	17.34	32.5	23777	-5.7	0.0	0.00	0.87	0.87	18.21	5.0%
Durham	17.97	78.7	19511	-31.5	0.0	0.00	0.90	0.90	18.87	5.0%
Nthmbld	17.46	31.5	22129	-7.9	0.0	0.00	0.87	0.87	18.33	5.0%
Tyne/Wr	16.94	169.8	19814	-53.7	0.0	0.00	0.85	0.85	17.78	5.0%
Humbs	17.30	80.8	20212	-24.6	0.0	0.01	0.86	0.88	18.17	5.1%
N Yorks	17.08	36.8	23590	-5.2	0.0	0.01	0.85	0.86	17.94	5.1%
S Yorks	16.65	177.1	18844	-65.6	0.0	0.00	0.83	0.83	17.48	5.0%
W Yorks	17.22	190.2	17737	-70.5	0.0	0.00	0.86	0.86	18.08	5.0%
Derbys	17.14	73.8	22033	-19.6	0.0	0.00	0.86	0.86	18.00	5.0%
Leics	16.67	64.5	26352	-15.2	0.1	0.12	0.83	0.95	17.62	5.8%
Lincs	17.42	42.2	24863	-5.3	0.1	0.02	0.87	0.89	18.32	5.1%
Nhants	17.17	49.9	28728	-0.5	0.1	0.06	0.86	0.92	18.09	5.4%
Notts	17.74	95.8	21708	-26.5	0.0	0.00	0.89	0.89	18.63	5.0%
Cambs	17.27	42.1	34924	9.6	1.1	0.40	0.86	1.26	18.53	7.3%
Norfolk	17.59	59.7	33099	7.9	0.9	0.24	0.88	1.12	18.71	6.4%
Suffolk	17.49	42.2	34989	9.3	1.0	0.38	0.87	1.25	18.74	7.3%
LONDON	22.52	885.3	55792	451.7	48.1	1.14	1.13	2.26	24.78	10.5%
Beds	19.07	35.6	42621	11.3	1.2	0.66	0.95	1.62	20.69	8.6%
Berks	19.70	50.2	53788	30.8	3.2	1.30	0.99	2.28	21.98	11.7%
Bucks	18.41	34.4	51272	22.2	2.3	1.28	0.92	2.20	20.61	12.0%
E Sussex	20.21	41.2	41139	8.1	0.9	0.45	1.01	1.46	21.67	7.3%
Essex	19.86	104.8	43214	39.7	4.3	0.64	0.99	1.63	21.48	8.4%
Hants	21.13	122.8	44214	25.6	2.8	0.55	1.06	1.61	22.74	7.7%
Herts	18.02	88.7	51057	62.8	6.6	1.30	0.90	2.21	20.23	12.4%

IoWight	22.01	6.5	37075	-0.1	0.0	0.18	1.10	1.29	23.29	5.9%
Kent	20.15	105.7	42254	27.7	3.0	0.55	1.01	1.56	21.71	8.0%
Oxon	17.92	34.3	46492	19.4	2.0	1.03	0.90	1.92	19.85	10.8%
Surrey	20.62	58.4	56555	37.8	4.0	1.38	1.03	2.41	23.03	11.9%
W Sussex	20.96	45.7	45923	16.8	1.8	0.71	1.05	1.76	22.72	8.5%
Avon	18.20	68.2	34308	4.2	0.6	0.30	0.91	1.21	19.41	6.8%
Cornwall	18.89	25.7	32319	-0.5	0.1	0.14	0.94	1.08	19.97	5.7%
Devon	19.35	61.3	33452	4.2	0.7	0.17	0.97	1.13	20.48	6.1%
Dorset	20.90	36.0	39268	3.3	0.4	0.28	1.05	1.33	22.23	6.5%
Gloucs	18.27	33.4	34390	4.1	0.5	0.25	0.91	1.16	19.43	6.4%
Somerset	18.22	32.6	32090	2.4	0.3	0.12	0.91	1.03	19.25	5.7%
Wilts	18.95	41.6	36641	5.6	0.6	0.30	0.95	1.25	20.20	6.7%
Hf/Worcs	17.50	47.4	27435	-3.4	0.3	0.11	0.88	0.98	18.48	5.7%
Salop	17.38	27.3	23730	-6.6	0.0	0.01	0.87	0.88	18.26	5.1%
Staffs	16.87	79.5	21305	-22.7	0.0	0.00	0.84	0.84	17.72	5.0%
Warks	18.36	33.3	26698	-4.7	0.2	0.09	0.92	1.01	19.37	5.6%
W Mids	18.92	322.5	21039	-104.9	0.0	0.00	0.95	0.95	19.86	5.0%
Cheshire	15.51	57.8	20672	-12.4	0.0	0.00	0.78	0.78	16.28	5.0%
Lancs	19.14	88.1	18980	-38.1	0.0	0.00	0.96	0.96	20.10	5.0%
G Manch	17.84	278.3	19594	-88.1	0.0	0.00	0.89	0.89	18.74	5.0%
Mersyd	19.94	155.5	18811	-66.7	0.0	0.00	1.00	1.00	20.93	5.0%

Housing

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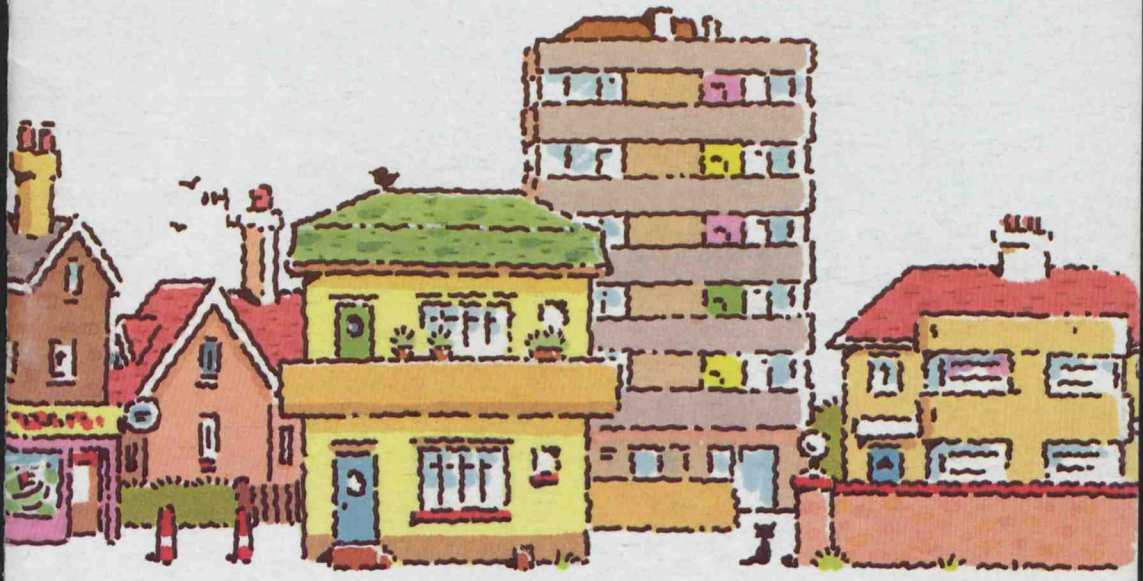
TENANTS' CHOICE



Department of the Environment
and the Welsh Office

INTRODUCTION

This booklet is about a new scheme called Tenants' Choice. If you are council tenants, or tenants of some other public landlords, Tenants' Choice gives most of you a new opportunity to change landlord while staying in your present homes.

The scheme works by putting you in touch with alternative landlords. These landlords will often be non-profit-making housing associations. Some may be commercial concerns. There is special help, too, if you and your neighbours want to set up a co-op or something similar as your new landlord.

But all alternative landlords will have to meet high standards, and agree to offer a number of guarantees to tenants, to be allowed to take part in the scheme at all. They will all have to be vetted and approved by an independent body called the Housing Corporation (or in Wales by a different independent body called Housing for Wales).

You can look at the options without commitment. Where there is significant interest, the alternative landlord with most support from you, the tenants, can apply to the council or other public landlord to buy and run your homes.

You would be given a firm offer of rents and other tenancy terms by the alternative landlord and would vote on the transfer. Collectively, you and your neighbours' votes would decide whether the transfer went ahead at all. Unless you were a commercial tenant or a flat owner, you could choose to stay with your existing landlord by voting against transfer. This would apply even if most of your neighbours transferred.

The rest of the booklet describes the scheme in more detail.

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WHY CHANGE?

You may be content with the service that you get as a tenant at the moment. Or you may feel that you aren't getting the best service you could.



- You might want better and faster maintenance and repairs.



- Better value in other ways for your rent.



- Or more say in how your homes are run.

Changing to another landlord, or to a body set up by you and other tenants yourselves, might be able to provide these.

PUTTING YOU IN TOUCH

This booklet describes Tenants' Choice in England and Wales. In England, the people with the job of putting you in touch with alternative landlords are the staff of the Housing Corporation. The Housing Corporation is a national body, set up by Parliament in 1964. It works with non-profit-making housing associations to provide good homes for rent to people who need them using grants financed by the Government.

In Wales, the job is done by Housing for Wales (Tai Cymru), another national body which took over the Housing Corporation's functions there in early 1989.

By law, the Housing Corporation and Housing for Wales have power to provide free information, advice and help to tenants in connection with Tenants' Choice.

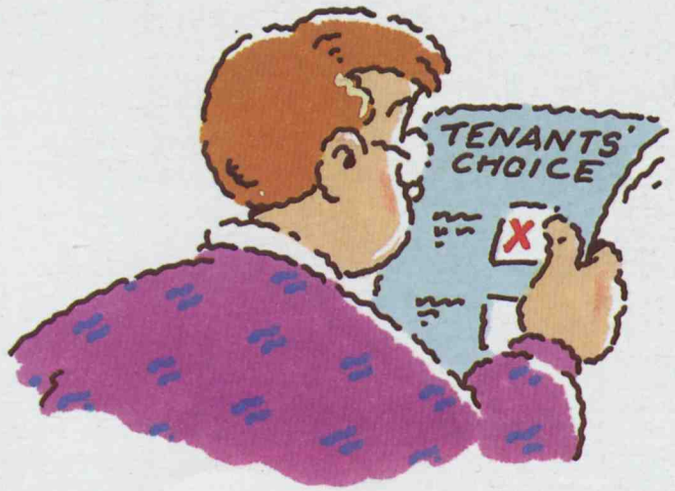


WHO CAN CHOOSE TO CHANGE?

Tenants' Choice is **open to you if you are a secure tenant of a local council, a New Town, the Development Board for Rural Wales or a new Housing Action Trust set up under the Housing Act 1988.** Most tenants of councils and other landlords within the scheme are secure tenants and will be eligible for the scheme. If you are not sure whether you are a secure tenant or not, you could find out from your landlord. But as a rule of thumb, any tenant who has the right to buy will have Tenants' Choice too.

There are some exceptions which might prevent you from having Tenants' Choice. These apply if you are a tenant of:

- housing for elderly, disabled or handicapped people and you do not have the right to buy;
- housing that you occupy under your contract of employment as part of your job;
- housing in a mainly non-residential building such as a school or office;
- housing where your landlord only has a lease and not the freehold;
- housing owned by a county council.



WHO COULD THE NEW LANDLORDS BE?

All new landlords must be vetted and approved by the Housing Corporation or Housing for Wales before they can apply to take on housing through Tenants' Choice. As part of a strict approval process, they will have to show that they are up to the job of owning and managing rented housing in a responsible and financially sound way. As a condition of getting (and keeping) approval, they must commit themselves:

- to using their housing for long-term renting to people in need at affordable rents; and
- to meeting strict standards of housing management and repairs.

If they don't meet these standards, the Housing Corporation and Housing for Wales won't approve them. These standards have been published: you can get (free) details from the Housing Corporation or Housing for Wales at the addresses listed inside the back cover.

New landlords will include registered housing associations, commercial landlords and specially formed tenants' bodies.

Registered housing associations

Registered housing associations do not trade for profit; they are run by voluntary committees. Most employ professional staff to manage and maintain their housing. They are regulated by the Housing Corporation and Housing for Wales.

Commercial landlords

Commercial landlords will be committed to providing the high standards of service required while operating as a normal business concern.

Tenant controlled bodies

Tenant-controlled bodies could be non-profit-making companies, or new locally-based housing associations or co-operatives. The Housing Corporation and Housing for Wales will be able to help set them up.



SECURITY, RENTS AND HOUSING BENEFIT

If you change landlords under Tenants' Choice you will have an **assured tenancy** with the new landlord. This is a new kind of tenancy which the Housing Act 1988 introduced.

Some of the details of assured tenancies are different from those of most council tenancies. The main difference is that most of the tenancy terms are agreed in a contract between the landlord and tenant, rather than being set by law. You may have fewer, exactly the same or improved rights with an assured tenancy – you will want to check the details carefully. This is an important area which you may want to discuss with the applicant, the Housing Corporation or Housing for Wales, and other independent advisers.

Security

Like most council tenancies, the assured tenancies on offer under Tenants' Choice will give **long-term security of tenure** which cannot be taken away except by a Court order. As with council tenancies, an order can be granted by the Court **only** on grounds laid down by law.

Rents

Among the things that the alternative landlord's offer must include are the levels of rent he proposes to charge straight after transfer and the arrangements he proposes for reviewing them in future. You will obviously want to consider these proposals very carefully, taking into account all aspects of the deal that the landlord is offering in return.

Agreeing your tenancy terms

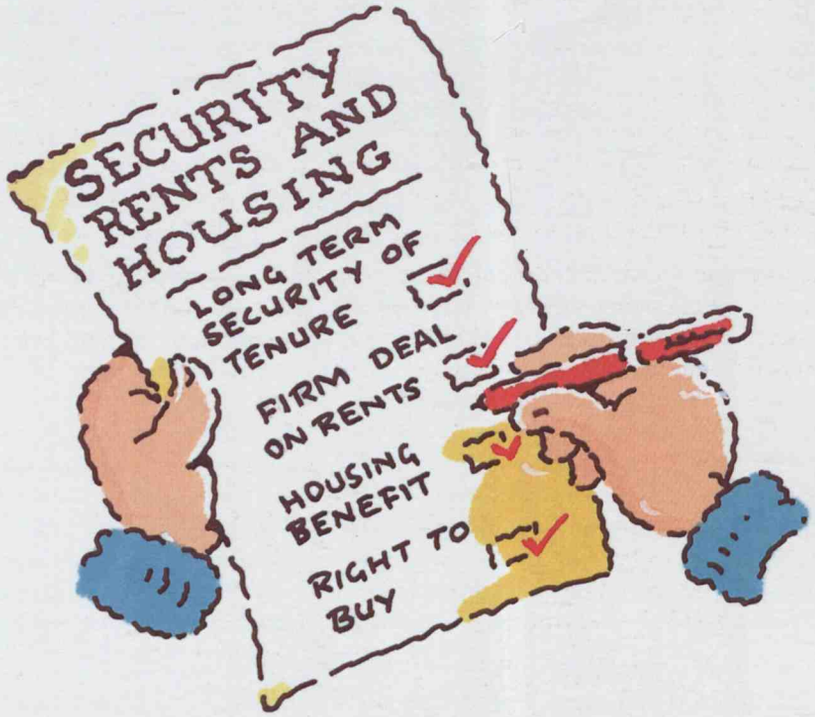
Under Tenants' Choice, a contract with the new landlord is made at the voting stage. The landlord sets out details of an offer for you to vote on. The offer has to include a number of terms which are set (in tenants' interests) in the conditions that landlords have to meet to get approval. It will also include any special terms that you and your neighbours have negotiated with the landlord. If the transfer goes ahead, and you transfer, the landlord's offer then becomes a binding contract between the two of you.

You and the landlord could agree to change the terms of this contract later on if you both wanted, but one of you could not change it if the other didn't want it changed.

The Tenants' Choice voting arrangements mean that all secure tenants are able to stay with their present landlord if they do not want to accept the deal on offer, even if most of their neighbours transfer. They are explained more fully on page 14.

Housing benefit and Right to Buy

Council tenants who qualify for **housing benefit** will still qualify if they change landlords, though who pays it, and how it is paid, will be different. And tenants who change keep their **Right to Buy** (unless they choose certain kinds of co-operatives as their new landlord).



If you think Tenants' Choice could apply to you and you are interested in finding out more about it, please contact the Housing Corporation or, in Wales, Housing for Wales. Addresses and phone numbers are listed on page 19. Sometimes a potential alternative landlord may want to start the process by contacting the Corporation or Housing for Wales to express interest in particular homes.

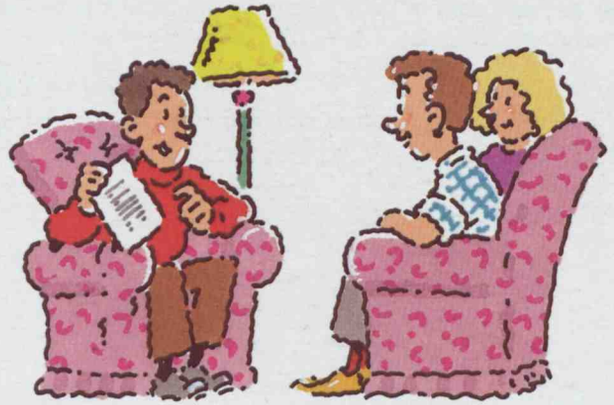
Finding out about the options

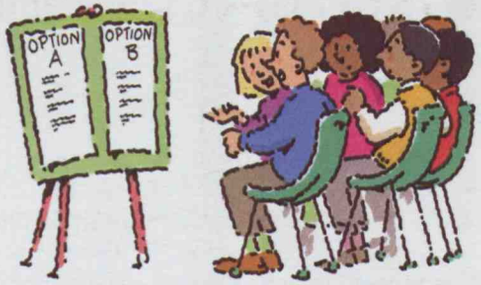
In either case, if you are affected, the Corporation or Housing for Wales will send you information about all the possible alternative landlord options. If you wish, the Corporation or Housing for Wales can attend meetings and answer your questions, and will be happy to talk with your local tenants' association, if you have one, right from the start.

Meeting alternative landlords

If you are interested in particular types of landlord, the Corporation or Housing for Wales will contact possible landlords of those types and introduce them to you and your neighbours. Their aim will be to give you more than one choice to look at if they can (and if you want them to). You will be able to question them without committing yourself at all.

At this stage, landlords will probably not be ready to make detailed offers about rents and repairs, etc. But, with the Corporation's or Housing for Wales' help, you will be able to find out from them about their record, their policies and their management practices.





If you are mainly interested in setting up a new tenant-controlled co-operative or housing association, the Corporation or Housing for Wales will be able to advise you on how to do this.

Narrowing things down

The next step is to establish which, if any, alternative landlord you would like to see proceed further. Only landlords with the most support from tenants will be allowed to go forward. And if there is **no** landlord with enough tenant support, the process will not go forward at all.

The Corporation and Housing for Wales have the job of sorting this out. How they assess tenant opinion will vary. Often the tenants will have an obvious front runner. If only a small number of homes are involved, the Corporation and Housing for Wales might be able to get a very clear view of tenants' preferences from an open meeting. But in some cases, particularly on large estates, there will be a fuller opinion survey.

'In principle' support

The landlord preferred by the tenants has to show the Corporation or Housing for Wales that they have the support in principle of at **least 10%** of tenants, otherwise no further action can be taken.

But no tenant would be asked to commit himself or herself at this stage. Even if tenants give support in principle now they will still be free to vote either way in the main ballot later on.



CARRYING THINGS THROUGH

If an alternative landlord gets enough support, and has met the Corporation's and Housing for Wales' other requirements for approval (see page 8), it can now make a formal Tenants' Choice application. Before the proposal comes to you for decison, there are a number of details to be worked out.

Landlord meets landlord

First, precisely which homes and property are to be included and the price to be paid by the alternative landlord are sorted out. The current landlord will tell the alternative landlord details of all the tenants who could be affected and other details about the property.

The alternative landlord will also find out what repairs and improvements are needed, costs, etc. It will also be able to ask the current landlord for other information it needs – such as what is known about the need for repairs and improvements, what the record of arrears is like, etc. The alternative landlord will have to treat this information in confidence: it will **not** be able to pass on information about you to any of your neighbours or to anyone not involved in the proposed sale.

Throughout the process, the alternative landlord must **keep all tenants informed** of progress. It will do the same for the Housing Corporation or Housing for Wales so that they know how things are going.



The alternative landlord's offer

Once it has all the necessary information, the alternative landlord will write to tenants setting out in detail the deal on offer – rents, rent review arrangements, repairs, local management arrangements, and much more. This offer will provide the facts you need to make your final decision. You will want to look at this with any independent advisers you have. In addition the Corporation or Housing for Wales will look at the offer before it goes out to make sure that it covers the ground required by the law and by their requirements. In Wales the offer will have to be described in Welsh as well as in English. If the transfer goes ahead, and you change landlord, the alternative landlord will be under a legally binding contract to keep each of the promises made in the offer.

FINAL DECISIONS

You then vote on the offer: there is one vote for each home.

You will be sent a ballot paper and a Freepost return envelope shortly after the alternative landlord sends you his offer. The alternative landlord must pay an independent body – 'the teller' – which must be approved by the Housing Corporation or Housing for Wales, to send you the ballot material. If you know that you will be away from home for any reason, you can have the ballot paper sent to the address you want.

Returning the ballot paper

The teller will then allow three weeks or more for you to return the ballot paper. Then he will spend another three weeks following up anybody who hasn't voted, to try to ensure that they understand the importance of the vote and to give them another chance to vote if they wish. Special arrangements can be made for elderly or disabled people and for tenants whose first language is not English. In Wales ballot papers will be in English and Welsh.

The ballot result

Whether the transfer can go ahead will depend on you and your neighbours who have the right to vote. If

- more than half of you vote to stay with your present landlord, **or**
- less than half of you vote at all,

then, by law, no one transfers.

Otherwise, the alternative landlord can go ahead if it is still prepared to do so. It will tell you whether it is going ahead or not.

Who transfers?

If the transfer happens, whether you personally transfer or not depends on how you voted. Special arrangements apply to commercial tenants and flat-owners – see page 17 – but otherwise

- if you voted yes – **or did not vote at all** – you will transfer to become a tenant of the alternative landlord;
- if you voted no, you will stay a tenant of your present landlord.

AFTER TRANSFER

New landlords must honour their promises to you on rents, repairs, improvements, etc, made in the contract.

But what if they don't? All Tenants' Choice landlords must offer binding arbitration if there is a dispute so that you and your landlord could agree to abide by the decision of an independent third party. But you could of course also take landlords to Court if their promises were broken. If disputes arose which raised an issue of principle or were too complicated for you to cope with without help, you could ask the Housing Corporation or Housing for Wales to help: they could negotiate with the landlord for you and perhaps pay for legal representation. And if the landlord is a registered housing association, the Housing Corporation and Housing for Wales have special powers, in addition to those that you will have in any case under your tenancy agreement, to make it honour its commitments.

SOME QUESTIONS ANSWERED

If I transferred, would I still have security of tenure?

Yes. You would be an assured tenant, with long-term security of tenure (see page 9). You could only be evicted after your landlord had obtained a Court order.

Would I still have the Right to Buy?

Yes, unless you had chosen to transfer to certain kinds of housing co-operative – the Housing Corporation or Housing for Wales can explain which kinds if you wish.

Would I lose my entitlement to housing benefit?

No. Tenants who qualify for housing benefit will still qualify if they change landlords.

How would my rent be affected?

This would depend. When the time to vote comes, the alternative landlord must make you an offer of the rents he proposes to charge and the arrangements he proposes for reviewing rent levels in future (see page 13). If you don't like this offer, you can vote to stay with the council. If you do stay with the council, they will continue to be responsible for setting your rent as they are at present.

Do new landlords have to meet any special requirements?

Yes. They have to meet strict requirements set and published by the Housing Corporation and Housing for Wales (see page 8).

Can tenants use Tenants' Choice to take over their homes themselves?

Yes, this may be possible. Where tenants want their own tenant-controlled landlord, the Housing Corporation or Housing for Wales will offer help, including advice about grants, training and other support which may be available.

How will the rules for the conduct of the vote be set?

By regulations approved by Parliament and by requirements set by the Housing Corporation and Housing for Wales as conditions of approval for alternative landlords. They are designed to make sure that arrangements for consulting tenants work smoothly and fairly, and that tenants get all the information they need.

Who will have a vote?

You will have a vote if you qualify for Tenants' Choice at the time when the new landlord makes its formal application (see page 7). You will also have a vote if you had already bought a long lease of your flat by then, or if you buy it after the formal application.

The Secretary of State has powers to widen the entitlement to vote and some other tenants will be given a vote in this way, subject to Parliament's approval. The Housing Corporation or Housing for Wales can explain the details.

What if I'm a joint tenant?

Joint tenants have to decide between them who they want the future landlord of their home to be. They have a shared vote, which they need to decide between them how to cast.

Who remains with the council if the change goes ahead?

In general, anyone who qualifies to vote continues as a tenant of the council if he or she votes 'no'. The exceptions are long leaseholders who have bought their flats, and commercial tenants (of shops, etc): they have a vote on the proposal for transfer, but will become long leaseholders and tenants of the alternative landlord if the transfer goes ahead.

Others who will remain with the existing landlord are tenants of flats who are not secure tenants; tenants who had a dated Possession Order against them on the date of the application which their landlord has decided not to enforce, so that they are still in occupation at transfer; tenants with leases other than long leases (like a Short Life User Group); and tenants who occupy flats exempted from the Right to Buy (like those specially adapted for use by the elderly). Tenants in all of these categories who occupy **houses** will have been excluded from Tenants' Choice right from the start.

How do I stay with the council if the rest of my block of flats transfers?

The new landlord leases your flat back to the council. You stay the secure tenant of the council, just as before.

Can I change my mind after the vote?

No. If the transfer goes ahead, and you have either voted 'yes' or not cast your vote, **you will not be able to change your mind and stay with the existing landlord or opt to go back to it later.**

Can my new landlord sell my home to anyone else?

Not without the consent of the Secretary of State. Should a new landlord wish to do so for some reason, it would have to ask you for your views, and the Secretary of State would have to take them into account.

IF YOU ARE INTERESTED

If you are interested in Tenants' Choice, the Housing Corporation and Housing for Wales are here to help you: please contact them at the addresses on the opposite page. They will not try to persuade you to change, or to 'sell' you any particular new landlord. But they will try to give the kind of help and information you need to reach your decision.



ADDRESSES

OFFICES OF THE HOUSING CORPORATION AND AREAS COVERED

London and Home Counties (South)
Pembroke House, Wellesley Road
Croydon, Surrey CR9 2BR
Tel: 01-688 9866

Kent, Surrey, East Sussex, West Sussex and all London boroughs south of the Thames including the London Borough of Richmond

London and Home Counties (North)
Waverley House, 7-12 Noel Street
London W1V 4BA
Tel: 01-287 5005

Bedfordshire, Buckinghamshire, Essex Hertfordshire, City of London and London boroughs north of the Thames excluding the London Borough of Richmond

West
35a Guildhall Centre
Exeter EX4 3HL
Tel: 0392 421551

Avon, Berkshire, Cornwall, Devon, Dorset Gloucestershire, Hampshire, Isle of Wight Oxfordshire, Somerset, Wiltshire

East Midlands
Phoenix House, 16 New Walk
Leicester LE1 6TF
Tel: 0533 545466

Cambridgeshire, Derbyshire Leicestershire, Lincolnshire, Norfolk Northamptonshire, Nottinghamshire Suffolk

West Midlands
Norwich Union House, Waterloo Road
Wolverhampton WV1 4BP
Tel: 0902 714414

Hereford and Worcester, Shropshire Staffordshire, Warwickshire West Midlands

North East
St. Paul's House, 23 Park Square South
Leeds LS1 2ND
Tel: 0532 428858

Cleveland, Durham, Humberside Northumberland, Tyne & Wear Yorkshire

Merseyside
6th Floor, Corn Exchange Buildings
Fenwick Street, Liverpool L2 7RD
Tel: 051-255 0575

Merseyside and West Lancashire Warrington, Halton, Ellesmere Port and Neston District Councils

North West
Elisabeth House, 16 St Peter's Square
Manchester M2 3DF
Tel: 061-236 0450

Cheshire, Cumbria, Greater Manchester Lancashire

THE WHOLE OF WALES

HOUSING FOR WALES (Tai Cymru)
Custom House, Customhouse Street
Cardiff CF1 5AP
Tel: 0222 384611

TENANTS' CHOICE: A SUMMARY

Tenants who are interested should get in touch with the Housing Corporation or Housing for Wales.

They arrange for tenants to look, without commitment, at alternative landlords. Alternative landlords must be able to meet high approval standards: **if they can't, they can't take part.** There is help and advice for tenants who want to be their own new landlord.

Only the landlord with most tenant support can apply to take on homes under Tenants' Choice. And if there is no landlord with enough support, no one goes ahead.

Where an application goes ahead, tenants are kept informed of progress while the existing and alternative landlords sort out details of what is in the package and its price.

Next, the alternative landlord makes tenants an offer of rents and other tenancy terms. Tenants have time to think about this, then vote.

An independent body counts the votes. If more than half the tenants with a vote say they want to stay with the council, or if less than half of them vote at all, no one transfers.

If the transfer happens, special arrangements apply to commercial tenants and flat-owners. But otherwise,

- tenants who voted yes – **or did not vote at all** – transfer to become tenants of the alternative landlord; but
- tenants who voted no stay as tenants of the council.



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PRIME MINISTER

COUNCIL RENTS

We recently agreed that Nicholas Ridley's proposals to set council rents in the context of market values were unacceptable. We agreed instead to consider a more equitable system.

I must say that I have become increasingly concerned at the prospect of adopting a role in relation to local authority rents which is at all interventionist. The discussion we had on the capital value proposals pointed up only too clearly the political difficulties we will face in linking rents to any particular external reference point and the scope it will give our opponents to misrepresent our intentions.

As it is, there remains a widespread notion that we intend to drive up local authority rents precisely to bring about wholesale defections from local authorities to other landlords. I do not see how we can expect to dispel these fears if we are seen to be the major influence on local authority rents. In short, I believe that we should stand as far back as possible. The new financial regime will exert cost disciplines over local authority housing operations.

Clearly however we shall need to make a general rent determination each year for subsidy purposes and I propose that this should be limited to two factors:

(a) an increase in line with inflation; and

(b) the elimination of the benefit of rate fund contributions in the case of local authorities who have used the rates to keep rents below the average.

/In Wales

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In Wales only 7 authorities come into the category covered by (b) and only modest rent increases would be required (in addition to any general increase for inflation) to enable the rate fund contribution element to be eliminated in the first year for those authorities.

For other low rent authorities where the HRA is in balance or in surplus and has no recourse to the rate fund, I think it would be unfair to deny tenants the benefit of rents linked to historic costs when the growing number of owner occupiers continue to benefit from historic costs - including those who have secured a large discount under the Right to Buy - and with tax relief in many cases. I do not see any need to seek to equalise rents throughout the country.

Welsh rents are already higher on average than those in England. My proposal would avoid the political hazards of overt involvement in decisions on local authority rents. It would be simple and easily understandable. The reason for pushing up rents a little faster for a relatively small number of authorities would be seen as fair by both authorities and tenants.

I am copying this to John Major and other members of E(LF).

15 March 1989

PW

RCPU.

Y SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-270 3000 (Switsfwrdd)
01-270 (Llinell Union)
Oddi wrth Ysgrifennydd Gwladol Cymru

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-270 3000 (Switchboard)
01-270 (Direct Line)
From The Secretary of State for Wales

The Rt Hon Peter Walker MBE MP

CT/6059/89

13 March 1989

NBPM will
Treasury expend.
PRC6 14/3

Minutes attached

I know that at L Committee on 31 January, Wyn Roberts pointed out how the new mandatory housing grant regime will give rise to a very considerable requirement for increased funding in Wales.

The Government have agreed a policy whereby the money will be concentrated on those on low incomes with bad housing. There is therefore the need to see that the funds are directed according to that policy. I gather that the effects of new system will be broadly neutral in England because of the balance between low incomes and bad housing. In Wales it will certainly result, as indeed the policy wishes it to result, in very substantial increased expenditure. Wales as you know has proportionately more unfit dwellings and also more people on low earnings. It is that combination which will result in the new policies being of considerable benefit in improving the housing of low income families in Wales.

My officials have made preliminary estimates of the implications of the new system, and the grant cost in respect only of those dwellings which fall in the category of being entitled to mandatory grants will be in the region of £520m at December 1988 prices. In reaching this assessment, my officials have applied the DOE methodology to the distinctively Welsh data.

/Allowing for

Rt Hon John Major MP
Chief Secretary
H M Treasury
Parliament Street
LONDON SW1P 3EB

Allowing for the cost in 1990/91 for the renovation grants still to be paid under the existing system and the need to make at least some allowance for the provision of discretionary grants, the likely profile of expenditure will be as follows:-

£million (December 1988 prices)

1990-91	1991-92	1992-93	Later
142	171	93	195

Perhaps you would like your officials to examine these figures with mine but I thought it was important for you to recognise the implications of the Government's policy as far as expenditure in Wales is concerned.

I am sending a copy of this letter to the Prime Minister and Nicholas Ridley.

CONFIDENTIAL

cc PS

2 MARSHAM STREET
LONDON SW1P 3EB
01-276 3000

My ref: 4870

Your ref:

The Rt Hon Anthony Newton MP
Chancellor of the Duchy of Lancaster
Department of Trade and Industry
1-19 Victoria Street
LONDON
SW1H OET

NBPM
RLG
9/3

7 March 1989

Dear Chancellor,

HOUSING ACTION TRUSTS

Thank you for your letter of ~~13~~ February.

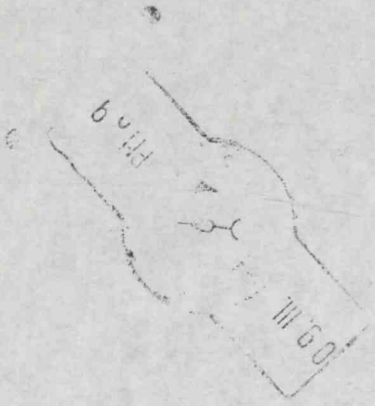
I am certainly keen to encourage Councils beyond the present list to make a case for a HAT. We have begun discreet discussions with Bradford on how we handle an announcement therefore. If we were to go for a very early anouncement we would risk provoking another confrontation with tenants which I, and Bradford, wish to avoid. By taking a step-by-step approach - with a HAT emerging from Bradford's own consultation with tenants as the one vehicle that could fulfil local expectations over a short period of time - I believe that we will enhance our chances of success.

Yours sincerely

NICHOLAS RIDLEY

(Approved by the Secretary of State
and Signed of in his Absence)

HOUSING : POLICY PTIS.



GVERNING CONFIDENTIAL

Secretary of State for the Environment

Sorry — there should have been a copy list for this letter : the Prime Minister, members of E(LF), Lord Young and Sir Robin Butler.

Carl Taylor

cst.ps/5jm7.3/lets

CONFIDENTIAL

CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Nicholas Ridley AMICE MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
London
SW1P 3EB

7 March 1989

Dear Secretary of State,

RIGHT TO BUY: MAXIMUM DISCOUNT

Thank you for your letter of 1 March.

I agree with you that the maximum cash amount for the RTB discount is an important safeguard, but like you I appreciate the force of the case for a substantial increase in recognition of the sharp rise in house prices, particularly in the south. I should be content with the maximum limit of £50,000 you propose, and for you to announce on 9 March your intention to make the necessary order.

I am copying this letter to the Prime Minister, Malcolm Rifkind, Peter Walker, Tony Newton and Sir Robin Butler.

Yours sincerely,

P. Warless

pp JOHN MAJOR

[Approved by the Chief Secretary and signed in his absence.]

CCPU.

2 MARSHAM STREET
LONDON SW1P 3EB
01-276 3000

My ref:

Your ref:

The Rt Hon John Major MP
Chief Secretary
HM Treasury
Parliament Street
LONDON
SW1

7 March 1989

NBPM
RRC
8/3

Dear Chief Secretary

Flag pt 14

HOUSING ACTION TRUSTS

Thank you for your letter of 14 February about Housing Action Trusts.

As you say, the current estimate of £372m over 10 years is provisional. It will remain so until individual HATs are established following ballots and have prepared detailed proposals for their areas, in accordance with the statutory requirements of the Housing Act 1988. No final commitments on the expenditure involved can be made until then. Transfer costs are, of course, neutral in public expenditure terms, save for loan charges.

Suitable financial and management regimes will need to be put in place before the first Trusts are set up. I am happy to agree that our officials should discuss these controls in due course. The corporate planning process will be the vehicle for setting and reviewing targets for individual HATs. But, as I have explained before, realistic targets cannot be set until we know the areas we are proceeding with and what form the work of each Trust will take.

As to the question of further HAT candidates, I do not propose to open the door to an unlimited number. I would certainly not expect to exceed the total of 5-10 for the first tranche which E(LF) agreed in discussion in September 1987. And I have already said that I will discuss with colleagues any further candidates beyond the present 5 before taking them any further. You will have seen that the Prime Minister and the Chancellor of the Duchy believe we should give positive encouragement to other Councils who may wish to make a case for a Trust.

You also asked about the treatment of any capital receipts which may arise when estates are transferred from local authorities to Trusts. For any transfers taking place before April 1990, my officials agreed with yours last year a reduction in the total of local

authority capital allocations for 1989/90 to reflect our estimate of transfer costs. That done, the normal capital controls would apply to any receipts which accrue to individual authorities on transfer. Where receipts arise after April 1990, they will be treated in the same way as other receipts, with 75% going to redeem debt and the remaining 25% being available for capital expenditure. We shall be able to take account of these "usable" receipts when we issue basic credit approvals to individual authorities.

I am copying this letter to the Prime Minister, members of E(LF), David Young and Sir Robin Butler.

Yours sincerely

pp

NICHOLAS RIDLEY

(Approved by the Secretary of State
and Signed in his Absence)

HOUSING: Policy Pt 15



CONFIDENTIAL

cc P.V.

2 MARSHAM STREET
LONDON SW1P 3EB
01-276 3000

My ref:

Your ref:

The Rt Hon John Major MP
Chief Secretary
HM Treasury
Parliament Street
LONDON
SW1P 3AG

7 March 1989

Dear John

COUNCIL HOUSING RENTS

I am grateful for your letter of 27 February setting out your thoughts on this subject. I shall put forward another paper very shortly but, in the meantime, let me respond to your letter.

We have agreed that there would be substantial difficulties in setting rent guidelines by reference to capital values rents. And also that we should avoid publishing any medium term targets. That means we must concentrate on annual changes, and on ways of differentiating authorities. In this context, I am very glad that you support the twin aims of linking rents to the market in housing (by whatever means) and of bearing less hard on authorities where rents are already higher.

I am exploring a number of ideas which have something in common with your particular suggestions. As you recognise, any method of grouping authorities produces injustices at the margin but it is one way of introducing local differentiation and indeed we are looking at it here; a finer differentiation can be achieved with any system that produces individual scores for authorities (by one means or another) and I am hopeful that this might be a practicable approach.

Whether we distinguish authorities by groups or by individual scores, there is a common need to find suitable criteria. Fair rents were suggested and I will report back on these. We can also look again at how much evidence might be available from market rents. But as you say, there are a number of alternatives to be considered.

An attractive feature of your scheme is that it differentiates authorities not only by reference to the normative judgements that we would have to make each year but also by reference to their current rent levels. I agree that this should be an essential feature of our new system. Your own suggestion was that

we might look at the difference between a rate of return on private housing in an area and the rate of return implied by the actual rent, which would give evidence of values a continued place in the scheme, albeit in a modified form. I will think further about this along with a number of other possibilities.

I am copying this letter to the Prime Minister, to Peter Walker, Malcolm Rifkind and John Moore, and to Sir Robin Butler.

NICHOLAS RIDLEY

Housing Policy Pt 15



dti

the department for Enterprise

CONFIDENTIAL

The Rt. Hon. Tony Newton OBE, MP
Chancellor of the Duchy of Lancaster and
Minister of Trade and Industry

Rt Hon Nicholas Ridley MP
Secretary of State for
the Environment
2 Marsham Street
LONDON
SW1P 3EB

Department of Trade and Industry

1-19 Victoria Street
London SW1H 0ET

Switchboard
01-215 7877

Telex 8811074/5 DTHQ G
Fax 01-222 2629

Direct line 215 5147
Our ref
Your ref
Date 7 March 1989

Dear Nick.

RIGHT TO BUY: MAXIMUM DISCOUNT

Thank you for sending me a copy of your letter of 3 March to John Major. Your proposal to lift the maximum discount to £50,000 seems very desirable in view of the movement which has taken place in house prices, and it would fit well with our announcement of 9 March if this could be arranged.

Copies of this go to the Prime Minister, John Major, Malcolm Rifkind, Peter Walker and Sir Robin Butler.

Yours ever,
Tony.

TONY NEWTON

PETABW

Housing - Policy

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

6 March 1989

PRIVATISATION OF COUNCIL HOUSING: TERMS OF SALE

The Prime Minister has seen your Secretary of State's letter of 8 February to the Chief Secretary, together with the responses from the Chief Secretary of 27 February and the Secretary of State for Wales of 28 February. The Prime Minister has noted that officials are now carrying out further work on the issues raised.

I am copying this letter to Gill Littlehales (Department of Social Security), David Crawley (Scottish Office), Stephen Williams (Welsh Office) and Trevor Woolley (Cabinet Office).

Paul Gray

Roger Bright, Esq.,
Department of the Environment.

CONFIDENTIAL

2 MARSHAM STREET
LONDON SW1P 3EB
01-276 3000

My ref:

Your ref:

The Rt Hon John Major MP
Chief Secretary
HM Treasury
Parliament Street
LONDON
SW1

3 March 1989

Dear Chief Secretary,

RIGHT TO BUY: MAXIMUM DISCOUNT

You will be aware that there is a limit, currently £35,000, to the cash value of the discount enjoyed by a tenant exercising the right to buy. I am writing to seek your agreement to increasing it to £50,000.

The purpose of the limit is to keep the cash value of discounts within reasonable bounds, and to ensure that tenants of valuable houses do not receive discount out of all proportion to that on a cheaper property. The limit was set at £25,000 in 1980, and increased to £35,000 in January 1987. For the last year I have been under strong pressure from MPs representing constituencies in London and the south east, led by John Wheeler, for a further increase to keep pace with house prices. The limit can be increased by negative order.

I think it is right to be cautious about increasing a limit of this kind, which is an important safeguard. That is why I have not come to you earlier. I am now persuaded, however, that there is a good case for an increase on grounds of equity. The complaint repeatedly made is that tenants in places like central London are effectively losing their right to buy, because prices have run so far ahead of discount. The cases we see are typically tenants on maximum discount in houses and flats worth £60,000 - £80,000, by no means unusual prices these days: it is not a question of tenants complaining because they cannot get full discount on a luxury house.

There is no very scientific way of determining what a revised limit should be. If we uprated the original £25,000 by the index of UK house prices the new limit would be £51,000 - £56,000. Uprating the original £25,000 in line with London house prices would give a figure of £63,000. I think £50,000 would be about right.

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Increasing discount would incur a deadweight cost, because some tenants who would have bought at the present discounts would pay less. An analysis which has been agreed between our officials shows, however, that capital receipts would be unaffected if there were some 400 to 500 extra sales each year. There is no way of knowing how many extra sales would in fact take place, so a conventional appraisal of the effects on Government expenditure would be a hypothetical exercise. It is clear, however, that the chances of losing receipts are slight, given that there are thought to be between 80,000 and 100,000 tenants in London whose homes would go down in price by about £5,000 if the limit were raised to £50,000. It is difficult to believe that the 400-500 extra sales needed to avoid a loss in capital receipts cannot be achieved.

Given its special interest for tenants in London, I should like to be able to announce this increase as part of the concerted campaign on the anniversary of Action for Cities on 9 March. This move will be specially helpful to London council tenants and fits particularly well with our other urban policy objectives. I am sorry to ask you for an urgent response, but the figures at least are agreed between officials. It would be very helpful to have a response by Tuesday evening.

Copies of this go to the Prime Minister, Malcolm Rifkind, Peter Walker, Tony Newton and Sir Robin Butler.

Yours sincerely,

Deborah Lamb

pp NICHOLAS RIDLEY

(approved by the Secretary of State & signed in his absence.)

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PRIME MINISTER

PRIVATISATION OF COUNCIL HOUSING: TERMS OF SALE

You will recall that Nick Ridley mentioned to you about a month ago his wish to consider the possibility of Councils making grants to the purchasers in the case of large-scale disposals of tenanted Council housing. You responded that you were happy for him to pursue this with the Chief Secretary.

You may now like to see the exchange that has taken place between them. Nick Ridley's letter of 8 February (Flag A) sets out his case. John Major's response of 27 February (Flag B) raises a number of doubts, but suggests that officials should consider the matter further and prepare a joint report. Peter Walker has also written (Flag C) supporting Nick Ridley's idea.

Content simply to note that further work is now being done on this proposal?

Yes MT

PAUL GRAY
2 March 1989

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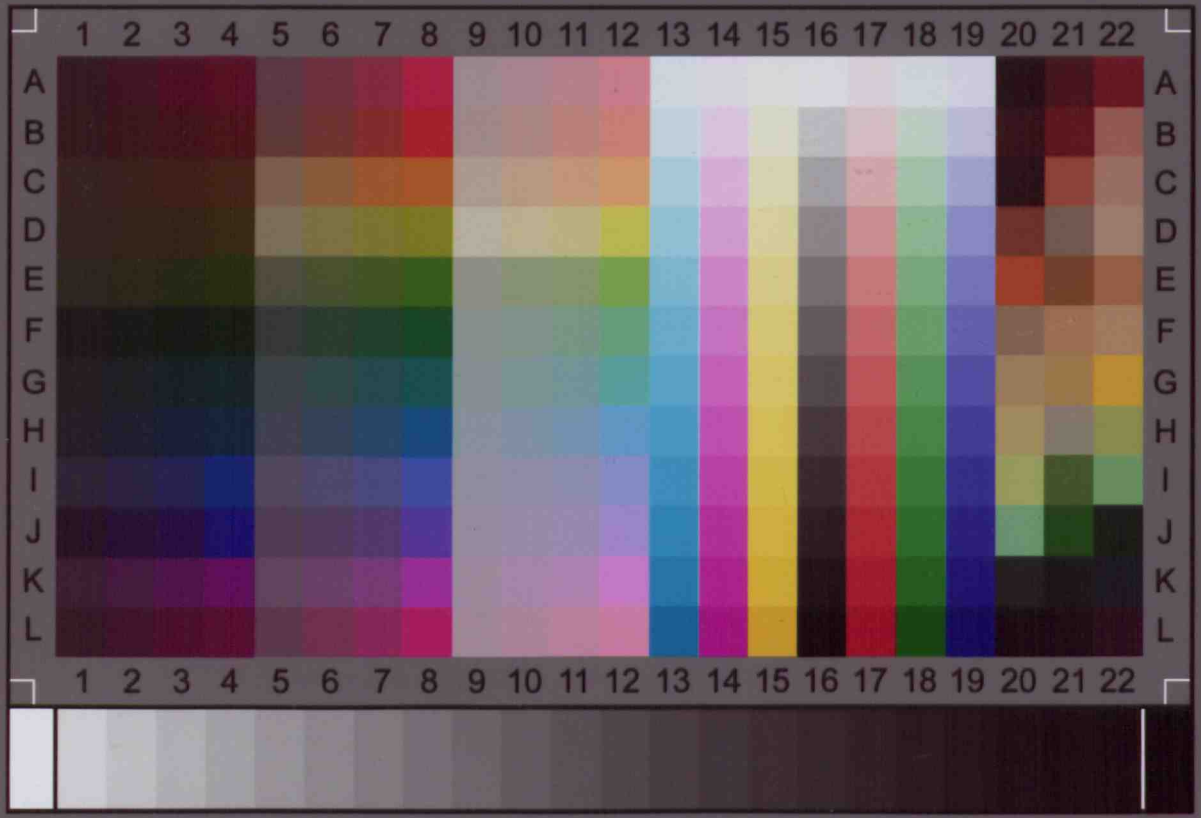
PART 14 ends:-

CST to SS/DOE 27-2

PART 15 begins:-

PG to PM 2-3.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