

SUBJECT

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Handwritten initials and signature: JS, Housley a/c

CP

10 DOWNING STREET

From the Principal Private Secretary

7 May 1981

HOUSING LEGISLATION: DEREGULATION OF RENTS

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

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

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

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

G. A. WHITMORE

John Halliday, Esq.,
Home Office.

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Handwritten initials: Rb



No need to circulate to rest

10 DOWNING STREET

Prime Minister.

Cabinet's
note.

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

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

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

ALM T.S.-87,

PRIME MINISTER

Legislative Programme

Housing
Top Copy
Parliament [P] Legislation

On
Parliament
Legislation

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

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

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

MAQ

6 May 1981

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Prime Minister

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

PRIME MINISTER

HOUSING LEGISLATION: DEREGULATION OF RENTS

MAJ 6/v

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

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

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

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

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

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

hwj

5 May 1981

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- 6 MAY 1981

[Weekend]

Housing



10 DOWNING STREET

PRIME MINISTER

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

Some of the attached proposals tidy up gaps in the Right to Buy legislation. But the suggestions on deregulation of rents will be controversial. There may be some resistance to inclusion of this in the Housing Bill, given that it will make its passage much more difficult. It seems likely that H will fail to reach agreement about what Mr. Heseltine should include in the Bill.

They may have two goes at it, but the issue will probably not get finally resolved until Cabinet looks at the legislative programme.

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

spoke C.O.

re MAF 5/5

MAF

30 April 1981

They will find deregulation difficult because of rent in London. Intention not to include in regulation areas will not, prevent a fear campaign.

1. RAIFF was not such a burden. MAF