SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

①

Prime Minister

Content that Scottish local
authority Council House Rents should
rise by £1.20 a week?

MCS 12/11

CONFIDENTIAL

Yes p/s

PRIME MINISTER

COUNCIL HOUSE RENTS IN SCOTLAND

When Cabinet on 2 November approved Michael Heseltine's figure of 85p per week as the average increase next year for council house rents in England, I indicated that we should have to look separately at the position in Scotland.

My problem is that Scottish local authorities, in spite of all our efforts since 1979, have been very slow to increase their rents to realistic levels. The Scottish average standard rent is now £9 per week against the English figure of about £13.50 per week, and the differential between Scotland and England has actually increased in every year since 1979 (though the earnings differential between Scotland and England has disappeared).

If I were to follow Michael in applying a 6% increase now, that would have the effect of raising the Scottish average to £9.54, thus widening still further the differential below the new English level of £14.35. And the consequences within my PES figures for capital expenditure on housing in Scotland would be very unfortunate.

After consulting my colleagues here, and after a good deal of thought, I have come to the view that I ought to go boldly for a higher rent increase than Michael. The figure I propose is £1.20 a week. This is liable to be criticised as cutting across our anti-inflation policy. I believe it will be possible to rebut this on the grounds that the impact of my proposal on the RPI, which is compiled on a Great Britain basis, will be an increase of no more than about 0.05%.

1.

As regards the general impact in Scotland, I shall be drawing attention to the quite unreasonable attitude so far of Scottish local authorities. The figure of £1.20 can be presented as less than the increase actually delivered by local authorities this year (£1.25). It also has the advantage - which lower figures do not - of enabling me to operate again the special arrangements I have had in the last 2 years for putting pressure on Scottish local authorities to reduce the burdens they put on the ratepayers through excessive rate fund contributions to their housing revenue accounts. It will also enable me - as lower figures hardly do - to produce within my PES resources an outcome on the capital side which shows recognition of the problems of the construction industry.

In order to isolate Scottish local authorities, I shall arrange that the rent increases for the Scottish Special Housing Association and Scottish New Towns will not exceed 85p.
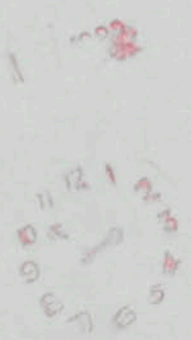
The figure of £1.20 is, of course, a national average and certain individual authorities (including some of our supporters) will not need to go for such a figure - as I shall make clear. Declaring £1.20 will have the advantage of making clear where our national priorities lie; but it will be open to any local authority to decide on its assessment of the evidence for its area, if it wants, to adopt a line different from what we believe right.

Because of the very low level of Scottish rents now, I do not believe my increase figure of £1.20 will embarrass colleagues. But I thought you would wish to know how, subject to your views, I would like to proceed.

I am sending copies of this minute to Geoffrey Howe, Leon Brittan, Michael Heseltine, Nick Edwards and Jim Prior; and to Sir Robert Armstrong.

G.Y.

G.Y.

11 November 1982

2.

LPo

HOUSING

10 DOWNING STREET

From the Private Secretary

15 November 1982

COUNCIL HOUSE RENTS IN SCOTLAND

The Prime Minister was grateful for your Secretary of State's minute of 11 November.

Mrs. Thatcher endorses Mr. Younger's approach in this matter.

I am sending copies of this letter to John Kerr (H.M. Treasury), John Gieve (Chief Secretary's Office, H.M. Treasury), David Edmonds (Department of the Environment), Adam Peat (Welsh Office), John Lyon (Northern Ireland Office) and Richard Hatfield (Cabinet Office).

M. C. SCHOLAR

Muir Russell, Esq.,
Scottish Office.