

NOTE FOR THE RECORD ON THE PRIME MINISTER'S DISCUSSION WITH  
THE SECRETARY OF STATE FOR THE ENVIRONMENT AT 10 DOWNING STREET  
AT 11.30 A.M. ON 25 MAY 1979

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Present

The Prime Minister  
Secretary of State for the Environment  
Minister of State for Housing (Mr. John Stanley)  
Sir John Garlick  
Mr. T. Heiser  
Mr. M.A. Pattison

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There was a wide ranging discussion of problems and prospects in the housing sector. The main themes of discussion only are noted below.

In response to the Prime Minister's invitation to state how the Government could begin to tackle the many problems in housing, the Secretary of State said the first legislation would come in the Housing Bill in the Autumn. This would deal primarily with council house sales, but also with a recasting of local authority housing subsidies. There should be a massive switch of resources into rehabilitation: the Government would use the project control mechanism for achieving this in the context of the public expenditure cuts.

The Secretary of State explained that, in preparing its strategy on housing, his Department had called in all major house building pressure groups and invited them to list the steps which they considered would help to increase the supply of housing. As a result of this, all conceivable Government initiatives were being examined. Over a period of a few weeks, a programme would be developed in each case. He then proposed to make a major speech showing that the requested steps had been set in hand, and

/requiring

requiring an equivalent response from the housing industry and housing groups.

The Prime Minister welcomed the promising start achieved by the Secretary of State in his Department. She drew attention to many individual problems. Should the older unsaleable blocks be demolished - and even some more recent ones. It seemed wise to sell empty houses, thus offering these as an alternative to those at present accommodated in unacceptable tower blocks etc. In recent years, an unhealthy environment had been created in many large scale public housing estates. Smaller units had much more chance of success. Local authorities must be persuaded to yield houses which had been bought and boarded up over a period of many years. Homesteading schemes should be encouraged more widely. Whilst the short leasehold scheme now being developed in the Department was a step in the right direction, this would not succeed on a large scale unless the court procedures for removing bad tenants could be expedited.

The Secretary of State drew attention to the limitation of current powers in some of these areas. He had the power to direct local authorities to release vacant land, but not to release vacant property at present. In respect of the request to speed the judicial procedure for tenancy violations, the responsibility would lie with the judiciary not his Department. He acknowledged the Prime Minister's idea that this should be built on to the small claims court principle.

In further discussion the Secretary of State drew the Prime Minister's attention to the steps proposed on the housing revenue account, the need to improve the information on housing waiting lists to produce real figures on housing need, and to consider the question whether private tenants should have first refusal on blocks of flats when the landlord chose to sell.

There was some discussion of the long term view of the private rented sector. The Secretary of State pointed to the

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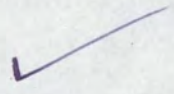
long term political uncertainty for the private landlords regardless of the measures taken by this Administration. He wondered whether some political guarantees could be offered by both parties. The Prime Minister saw no future in this approach.

The Prime Minister emphasised the long term objective of eliminating subsidies in housing for the great majority of people. At the same time, the rate of house price increases made it impossible for most young people to enter the market. The release of publicly owned housing must be sufficiently rapid to bring the lower end of the market back within the range of the majority of people.

Discussion turned to local authority finance, and local authority spending controls, in the context of the time taken to complete dwellings and the cost implications of this. The Secretary of State drew attention to the prospects on rates for next year, given the likelihood that local authorities would not cut current expenditure, but would load the rates. The Prime Minister agreed that it would be necessary to apply cash limits, and accepted the Secretary of State's advice that these would have to be set authority by authority to avoid strengthening the position of those who already controlled relatively large proportions of expenditure in their areas.

The Secretary of State drew attention to the rating revaluation exercise recently launched. The Prime Minister instructed that this should be suspended forthwith with legislation to be introduced if necessary. The Secretary of State said that this could be done in the forthcoming Miscellaneous Provisions Bill and that he would put it back to the Prime Minister. There followed a discussion of the principle of raising local finance through rates. The Prime Minister considered this to be a thoroughly unfair and unequitable system of taxation which she did not wish to perpetuate. The main burden of financing local authority expenditure should eventually be transferred to <sup>taxes on</sup> spending.

The meeting concluded with some discussion of the future use to be made of Somerset House, but no decision was reached.



Mr Chipperfield

RATING REVALUATION

At a meeting earlier today with the Secretary of State and Mr John Stanley, the Prime Minister said that she did not want the current rating revaluation to proceed. We suggested that legislation (possibly secondary) would be needed to stop the revaluation; the Secretary of State said that if need be a provision would be put in the Local Government Bill; otherwise we could proceed by making another Order. The Prime Minister had in mind that an early announcement should be made, so that people were not required to fill up the forms currently being distributed.

Obviously the colleagues generally must be told. But perhaps the first thing is to let the Treasury and Inland Revenue (and Scots and Welsh?) know. Thereafter a letter from the Secretary of State to colleagues generally will be needed.

This has implications for the future of the rating system generally, on which I will be separately in touch with you. Can you take this suspension of revaluation forward; the Secretary of State has asked that Mr King should consider this and put forward proposals as necessary.

J Garlick

25 May 1979

- cc. PS/Secretary of State
- PS/Mr Tom King
- PS/Mr John Stanley
- Mr Heiser
- Mr M Pattison (No 10) ✓

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10 DOWNING STREET

From the Private Secretary

25 May 1979

Your Secretary of State called on the Prime Minister today to discuss housing policy.

For the most part, the discussion was wide ranging and exploratory. I do not propose to circulate any detailed note. Your Secretary of State outlined some of the measures he intends to include in legislation this autumn, and explained the way in which he had been exploring the various prospects and possibilities in the housing field. The Prime Minister made it clear that she was most encouraged by the start that he had made in these responsibilities, and that she was aware of the complex problems yet to be faced. She strongly supported his intentions to minimise controls at local level which cause expensive delay in building, and also his proposals to switch the emphasis from spending on new building to spending on rehabilitation. The Prime Minister also expressed her enthusiasm for a considerable expansion of home-steading schemes.

In discussion of proposals for short leasehold arrangements, the Prime Minister emphasised that in her view these arrangements would only work if ways could be found to expedite court procedures. Mr. Stanley said that this was now under discussion with the Lord Chancellor's Office.

Discussion later turned to local authority finance. The Prime Minister instructed the Secretary of State to cancel the rating revaluation exercise currently in progress. She said that, if there were problems in doing this, she would be ready to have it discussed in Cabinet at an early stage. The Secretary of State agreed to report to her on this shortly. The Secretary of State drew attention to the problems that could arise over rates in 1980, and proposed that this should be tackled by setting up separate cash limits for each authority. The Prime Minister agreed with this approach.

I am sending copies of this letter to Martin Hall (HM Treasury) and Martin Vile (Cabinet Office).

M. A. PATTISON

David Edmonds, Esq.,  
Department of the Environment.

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