

Pine Minister

(2) To glance at it you have time; otherwise for the weekend box.

AT 27/11 27 November 1984

PRIME MINISTER

HOUSING POLICY

Following our discussion on Monday, I set out below the main issues, options and state of play.

Private Rented Sector

H is expecting new proposals. The Committee wanted a bold deregulatory set of proposals which would affect all new lettings, whether of single rooms or of complete houses or flats, to replace the current mish-mash of business, holiday and illegal lets which are the only signs of life in an otherwise dead rented market.

Patrick's proposals last summer were not proper deregulation. They would have failed to increase accommodation enough and increased Housing Benefit costs, because they would have higgled the market with more restrictions. Proper Property deregulation would bring a big increase in the supply of rented accommodation, which would serve to lower the costs in the new lettings market - where prices are high, reflecting the scarcity.

Particular problems with Patrick's proposals were:

- a. An extension of lifetime security of tenure for all new lettings: this would have further regulated the one partially deregulated sector of business and holiday

lets. Most landlords would have been terrified by the thought of continuing lifetime security.

- b. All the new tenancies were to have a link with fair rents. There needs to be a sector of the market where the rents are settled by free bargain between landlord and tenant.
- c. A lot of Patrick's proposals were spent "dealing" with loopholes. He was trying to prevent some of the more expensive fancy lets at the top end of the market, and in consequence produced more regulation.

A possible model for a deregulated private rented sector would be:

1. Keep in being the existing rent rules and legislation on existing protected tenancies, so that no vested interests are trampled underfoot.
2. All new tenancies in the private rented sector would be treated like any other contract, enforceable through the normal courts of law. The contract between landlord and tenant should specify the term of the lease and the rental payments and provision for rent reviews. There could be a clause that the calling of a General Election could also be a suitable point to terminate a tenancy, in view of the likelihood of any

future Government of a different persuasion wanting to stifle the rented sector again. (Annex A shows how "safehold" tenure could work.)

We should remember that what we are trying to do is to create a private rented market of reasonably-priced accommodation for people who will often not want to stay for more than 2 or 3 years. It is a market of particular importance in the big cities to students and young people leaving home for the first time, and wanting reasonable accommodation that they can afford from their first job. At the moment, we only have a private rented sector in London functioning at all well for the rich employees of foreign embassies and multinational companies.

Not more tax subsidies surely?

You could also consider an exemption of a certain amount of rental income for letting a room in a person's own prime residence from all tax and tax return complications. If, say, up to £60 a week of income from letting was entirely tax-free, you might get a flood of new people prepared to let out rooms in their houses who are deterred by the combination of existing rent legislation and tax complications. Treasury would have to work out how much could be afforded: they suggest a maximum of £20 million a year deadweight lost.

If we hit upon proposals that do genuinely increase the supply of rented accommodation, the price will fall. This

will tend to lower rather than increase Housing Benefit expenditures.

Disposal of Empty Properties and Land

E(DL) has now considered the need to dispose of more land from the public sector, much of which will be suitable for housing development. John Moore has written a good paper on this subject, and his officials should now be following it up. In particular, DoE have to use the powers and the information on the Land Registers which they already have, to see that it happens.

Empty houses in council ownership are now also in their sights. There are several options for dealing with these:

1. Auctions of separate houses to the best bidders, who will then renovate them and may live in them or sell them on to others.
2. Offering them on attractive terms to people prepared to do them up and live in them themselves under homesteading schemes.
3. Sale of whole terraces or streets of houses to developers who can restore them as a whole, if necessary converting them into other types of unit.

Council House Building

Building few ^e council houses becomes more feasible if the other policies are working. However, there still is a need for sheltered housing for the elderly, and more resources within a much reduced programme should be diverted to this end. This will then free family housing for other people to use.

Housing Improvement

As a result of the recent public expenditure reductions, the Housing Improvement Grant system has to be brought under some financial control following its explosive growth in the last 5 years.

Nonetheless, there remain many houses that need a lot of work on them to improve their condition, and there remain many people without access to the funds, or the skills, to be able to do the houses up.

A new Housing Improvement system needs:

- a. to harness the energies of those who can do things themselves, to lower the cost of the work;
- b. to avoid being over-regulatory so that high-cost work is done in the wrong way;

- c. to make sure that a large number of houses still benefit from this kind of treatment.

A possible way out is a scheme of Christopher Monckton's for Housing Improvement Loans. Under this scheme, an individual would apply for the money and be granted an interest-free loan which would only be repayable when the house is sold. If loans replaced grants, between £200m and £500m a year of public spending could be saved when the scheme matures.

It should also be possible for people to apply for money for the purchase of materials to do things themselves.

Alternatively, rationing, perhaps linked to incomes, or by reducing the number of qualifying purposes for which a grant can be made, has to be brought in. Both these solutions seem less desirable.

Encouraging the Private Sector

Many of the housing problems that we experience can be solved by private sector effort as well as council effort.

Some examples:

1. Home improvements. Building society and bank advances are a suitable mechanism for many for making improvements and renovations to their home.

2. Changing patterns of housing requirements during a person's life cycle. There are now schemes whereby an individual whose family has left home, who needs an income for retirement and a smaller property, can now sell his large house and with the proceeds buy a smaller property, perhaps with a warden and suitable services provided, and receive an income for life. Alternatively, he can carry on living in his old home, but sell it to an institution which will grant back the use of the property for his lifetime, plus a pension. At the other end of the market, there are now small starter homes within the range of many young couples, which can be extended quite easily as they gain more resources.

3. Builders need a ready supply of building land. That is why the auction of public land, particularly in inner urban areas, is of vital importance in lowering the price of development land, thereby helping to lower the price for all. Expediting planning is also vital.

4. Building societies' experimentation with different types of mortgage. There is now an impressive range of different types of mortgage from endowment and repayment through to index-linked, low-start and equity sharing. Some of the low-start schemes do need better marketing, but are important breakthroughs in making housing accessible to more people.

- D.R.
5. Council house sales. More impetus is meant to be given to the sales programme. Above all, we should spell out again the commonsense arithmetic of buying your own home, compared with living in rented accommodation in perpetuity - particularly where some of the new mortgage schemes lower the initial cost so dramatically. We also need to tackle the high sale price of some unattractive flats (only 20,000 of the 750,000 sales so far have been flats) and the problem of the high cost of keeping low income families in rented accommodation in perpetuity. 30 per cent of all present council tenants, according to DoE figures, will be unable to afford to buy under present policies.

The Building Societies Green Paper will be important in opening up the possibility of a comprehensive service for the home buyer, and in encouraging further competition in the housing market.

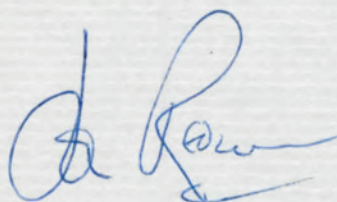
Conclusion

A great deal of work and thought has gone into all these different aspects of housing policy. A possible way of chasing them up would be:

1. Persuade Willie to set some deadlines for H to receive proposals for a deregulated private rented sector. The

Policy Unit could help Ian Gow write the paper if his own officials find it difficult.

2. Housing Improvement Grants has to come back soon following the MISC 106 cuts. Christopher Monckton is working with Ian Gow on possible schemes. There is a draft consultation document due for publication shortly.
3. Council houses sales programme: DoE are meant to be working on this. You could send a letter asking them to lay out their proposals and achievement for you.
4. Public wasteland: E(DL) has considered this matter, and has endorsed the policy. Treasury should be encouraged to keep it under constant review.
5. Presentation: DoE should produce a package of the key facts and the best schemes that need selling to the public, and these should be pumped out through the usual channels. David Young could help in selling this.



JOHN REDWOOD



file

10 DOWNING STREET

Note

12pdc to John Ballard about
how N Jenkin would achieve
the higher figure for council
house sales agreed in PES

(i) The higher figure was based
on the top end of the ranged
estimates.

(ii) No res means are
currently being worked on

(iii) There is a fear that reducing
the proportion of receipts that
councils may keep will
reduce incentive to sell

AT

12/12



10 DOWNING STREET

From the Private Secretary

Prime Minister ②

The position on the private rented sector is complicated. Mr Jenkins original proposals were rejected because the costs via Housing Benefit would be too great. DoE have been looking at alternatives but this work has ground to a halt as they feel further development of proposals must wait upon the outcome of the HB Review. John Redwood does not agree that HB costs will be excessive and hence believes work can go ahead. I have suggested to John and Ian Gow that they get together to argue this out.

Until that is done I do not think we should involve Lord Whitelaw in setting deadlines for H Committee.

I am seeing Ian Gow next week: increasing the supply of something does not usually raise its price.

AT

30/11

JK

SAFEHOLD TENURE : AN OUTLINE

The problem: The private rented sector is declining because potential landlords are deterred by Labour's "fair" rent and security-of-tenure laws, notably the Rent Act 1974. Yet a healthy private sector is essential a) to keep rents down; b) to help students and young, single people; c) to increase labour mobility; d) to make the best possible use of the housing stock. However, Labour has ideological objections to the existence of the private rented sector and will oppose almost any reform designed to free the market.

One solution: Overcome all reasonable objections to a healthy private rented sector by Safehold tenure:

A) Leave all existing tenancies alone. For all new tenancies, use a standard form of lease (~~draft by John Pugh-Smith, editor of the standard textbook on landlord and tenant law, attached~~) which gives landlord and tenant the freedom to negotiate the term of the tenancy and the amount of rent.

b) Write in the lease the choice of three kinds of tenancy:

- 1) life tenancy, with right of succession for one or more named successors;
- 2) fixed-term tenancy, for a specified period of any agreed length from a week to several years;
- 3) rolling tenancy, by which, at a specified interval before the end of the term, landlord and tenant may meet to agree the extension of the tenancy by an agreed period, a process which could be repeated as frequently as both parties desired.

In all three types, the landlord would have immediate right of repossession either at the end of the specified term or earlier on breach of the usual conditions by the tenant.

Also, the price index or other method of calculating rent reviews would be specified in the lease, to avoid subsequent exploitation of one party by the other.

Stringent provisions against harassment of one party by the other would be written into the lease and enforced by law.

These provisions would ensure fairness, prevent Rachmanism and make the private rented sector acceptable to all but those with an ideological objection to it. The Labour Party would initially promise repeal but, once the system had been seen to be fair, the objection would be withdrawn. The public expenditure implications would be minimal in the short run: in the long, savings could be expected from more efficient use of the housing stock.

CM, 27 Nov 84

Household

1984

SAFEHOLD
DRAFT SPECIMEN AGREEMENT
(PRESCRIBED FORM)

CM/JPS

~ SAFEHOLD ~
DRAFT SPECIMEN AGREEMENT
(PRESCRIBED FORM)

DATE 19

1. PARTIES: (1) The Landlord:
(2) The Tenant:

2. PROPERTY: That set out in Appendix One hereto.

3. TENURE: That set out in Part I of Appendix Two hereto.

4. TERM: That set out in Part II of Appendix Two hereto.

5. RENT: That set out in Appendix Three hereto.

6. TENANT'S BASIC OBLIGATIONS:
[e.g.]

(a) Pay the Rent at the times and in the manner specified

(b) Pay for all gas and electric light and power which shall be consumed or supplied on or to the Property during the tenancy and the amount of the water rate charged in respect of the Property during the tenancy and the amount of

all charges made for the use of the telephone (if any) on the Property during the tenancy or a proper proportion of the amount of the rental or other recurring charges to be assessed according to the duration of the tenancy

- (c) Not damage or injure the Property or make any alteration in or addition to it
- (d) Preserve the Fixtures Furniture and Effects from being destroyed or damaged and not remove any of them from the Property
- (e) Yield up the Property at the end of the tenancy in the same clean state and condition as it was in at the beginning of the tenancy and make good pay for the repair of or replace all such items of the Fixtures Furniture and Effects as shall be broken lost damaged or destroyed during the tenancy (reasonable wear and tear and damage by fire excepted)
- (f) Leave the Furniture and Effects at the end of the tenancy in the rooms or places in which they were at the beginning of the tenancy
- (g) Pay for the washing (including ironing or pressing) of all linen and for the washing and cleaning (including ironing and pressing) of

all counterpanes blankets and curtains which shall have been soiled during the tenancy (the reasonable use thereof nevertheless to be allowed for)

- (h) Permit the Landlord or the Landlord's agents at reasonable hours in the daytime to enter the Property to view the state and condition thereof
- (i) Not assign sublet or part with possession of the Property without the previous consent in writing of the Landlord which shall not be unreasonably withheld
- (j) Not carry on on the Property any profession trade or business or let apartments or receive paying guests on the Property or place or exhibit any notice board or notice on the Property or use the Property for any other purpose than that of a strictly private residence
- (k) Not do or suffer to be done on the Property anything which may be or become a nuisance or annoyance to the Landlord or the tenants or occupiers of any adjoining premises or which may vitiate any insurance of the Property against fire or otherwise or increase the ordinary premium for such insurance

- (1) Permit the Landlord or the Landlord's agents at reasonable hours in the daytime within the last twenty-eight days of the tenancy to enter and view the Property with prospective tenants

7. LANDLORD'S BASIC OBLIGATIONS:

[e.g.]

- (a) To pay and indemnify the Tenant against all rates taxes assessments and outgoings in respect of the Property (except the water rate and except charges for the supply of gas or electric light and power or the use of any telephone)
- (b) That the Tenant paying the Rent and performing the agreements on the part of the Tenant may quietly possess and enjoy the Property during the tenancy without any lawful interruption from the Landlord or any person claiming under or in trust for that party
- (c) To return to the Tenant any rent payable for any period while the Property is rendered uninhabitable by fire the amount in case of dispute to be settled by arbitration

8. ADDITIONAL OBLIGATIONS AND CONDITIONS:

Those set out in Appendix Four hereto [and/or]

[e.g.]

- (a) The Landlord/Tenant shall keep in good repair the structure and exterior of the Property [but] [and] will [not] be liable to carry out any repair necessitated through the neglect or default of the Tenant a member of his family or household or any person visiting the Property at his invitation
- (b) The Landlord/Tenant shall keep in good repair and proper working order installations for the supply of water gas and electricity for sanitation and for space and water heating serving the Property [but] [and] will [not] be liable to repair any installation if the repair has become necessary through the neglect or default of the Tenant or if the installation was fitted by the Tenant.
- (c) In buildings containing flats or maisonettes the Landlord shall take all reasonable care to keep the common entrances halls stairways passages and other common parts in reasonable repair and clean safe and fit for use by the Tenant members of his family and visitors
- (d) The Landlord/Tenant will keep the exterior of the Property in a good state of decoration and

will decorate the exterior at approximately five yearly intervals [together with all communal parts of any buildings containing flats and maisonettes]

9. RECOVERY OF POSSESSION:

[e.g.]

- (i) If the Rent or any instalment or part thereof shall be in arrear for at least fourteen days after the same shall have become due (whether legally demanded or not) or if there shall be a breach of any of the foregoing obligations by the Tenant the Landlord may re-enter on the Property and immediately thereupon the tenancy shall absolutely determine without prejudice to the other rights and remedies of the Landlord
- (ii) By one/three months notice in writing given by the Tenant to the Landlord before the expiry of the term
- (iii) By service of a notice to recover possession under [(e.g.) Grounds 1 to 8 of Schedule 4 of the Housing Act 1980 and/or Cases 1 to 16 and 20 (suitably amended as to relevant dates) of Schedule 15 to the Rent Act 1977] and/or Special Notice under Appendix Five hereto and

- (vi) An order for possession by the local County Courts

INTERPRETATION

Where the context admits -

- (a) "The Landlord" includes the persons for the time being entitled in reversion expectant on the tenancy
- (b) "The Tenant" includes the persons deriving title under the Tenant
- (c) References to the Property include references to any part or parts of the Property and to the Fixtures Furniture and Effects or any of them

APPENDIX ONE

("The Property")

The dwellinghouse/flat/suit of rooms consisting of [] rooms numbered [] on the [] floor forming part of [the building] [the dwellinghouse] known as [

]

[Together with the use of the forecourt entrance hall and lift (if any) staircase outer door and vestibule of the said building in common with the other tenants and occupiers thereof]

[And the garden thereof (if any)]

[And the furniture and effects therein (which are more particularly described in the Inventory (Appendix Six) hereof)]

APPENDIX TWO

(Delete as applicable)

PART I (Tenure)

- (i) Life Tenancy
- (ii) Fixed-Term Tenancy
- (iii) Rolling Tenancy

PART II (Term)

1. Life Tenancy

- (a) Commencement Date: [] [19]
- (b) Number of Successors: One/Two
- (c) Names: (i) (Relationship
& Addresses: (ii) to Tenant)
- (d) Qualifying Conditions:
 - (i) Three/Six/Twelve Months continuous occupation of the Property as only or main residence prior to the death of the Tenant
 - (ii) None applicable

2. Fixed-Term Tenancy:(a) Commencement Date: [] [19](b) Termination Date: [] [19](c) Death Provision: (i) Not Applicable
(ii) Applicable(a) Number of Successors: One/Two(b) Names: (i) (Relationship
& Addresses: (ii) to Tenant)(c) Qualifying Conditions:

(i) [As above]

(ii) None Applicable

3. Rolling Tenancy:(a) Commencement Date: [] [19](b) Earliest Termination Date: [] [19](c) Renewal Conditions:The period of [] [weeks] [months] [years]
starting on [] [19] and ending on
[] [19] ("the first expiration date") AND(i) From [week] [month] to [week] [month]
[each subsequent year] until service
of a Notice of Termination/Notice of
Intention to Recover Possession under
Appendix hereof

(ii) The further period of [] starting on [] [19] upon service of a "notice to continue" by the Tenant/Landlord not more than [26] weeks and not less than [13] weeks before the first expiration date

(iii) Such further periods as will be agreed between the Landlord and the Tenant upon service of a notice to continue before each subsequent expiration date

APPENDIX THREE

(Rent)

1. Quantum

(i) (a) The sum of £[] per week/month/annum [by equal] payments on] inclusive/exclusive of rates

(b) The First Payment to be made on the day of 19

(ii) The additional sum of £ per week/month/annum/Such additional sums as the Landlord shall expend in fulfilment of its obligations under paragraph 8 and Appendix hereto

2. Renew

(i) On each/third/fifth anniversary of the commence-

Furniture and Effects set out in Appendix hereto

APPENDIX FOUR

(Additional Obligations and Conditions)

e.g. Service Charges/User, etc.

APPENDIX FIVE

(Recovery of Possession)

1. Special Requirements:

- (a) Occupation by another Employee
- (b) Owner-Occupier and/or member of family
- (c) Retirement
- (d) Other

2. Period of Special Notice:

[] weeks/months before proposed termination date

APPENDIX SIX

(Inventory of Fixtures and Fittings)

Signed Landlord

Witness

..... Tenant

Witness