

SUBJECT

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MJ

cc Master



bc Wasserman  
Mount

10 DOWNING STREET

*From the Private Secretary*

15 February 1983

Family Policy Group

The Prime Minister took a meeting of the Family Policy Group at 1700 today. The Chancellor of the Exchequer, Secretaries of State for Education, Transport, Social Services, Industry and Employment, the Lord Privy Seal, the Minister for Overseas Development, the Minister for Housing and Construction, Sir Robert Armstrong, Mr. Sparrow, Mr. Mount and Mr. Wasserman were present.

Opening the discussion of assured tenancies and building society powers, the Minister for Housing and Construction said that assured tenancies were an important initiative which had encouraged new building for rent in the private sector. So far more than sixty bodies had been approved as landlords under the arrangements for assured tenancies with the promise of many more. It was important however that the scheme retained the acquiescence at least of the Labour Party; an undertaking by the Opposition to convert assured tenancies into fair rent tenancies would quickly end the supply of landlords. He proposed three ways for extending the assured tenancy scheme; first, the extension of the scope of the scheme from newly built homes to newly improved and converted ones; second, the extension of the powers of the building societies so that they could participate directly as landlords of assured tenancies; and third, the extension of the existing capital allowances to shared ownership schemes in the private sector.

There was general acceptance of the first of these proposals although it was noted that the definition of improvement and conversion would have to be drawn tightly to avoid any suspicion that the scheme was merely a vehicle for the conversion of fair rent tenancies to assured rent tenancies. The group also welcomed the second proposal and it was noted that this might be included in the bill on building society powers which the Treasury had sought for the next session. There was however more difficulty about the third proposal. Although on the one hand it would encourage more private sector finance into the house building

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market, there were nevertheless wider taxation implications. It was noted therefore that the Minister for Housing and Construction would pursue this matter further with the Chancellor of the Exchequer.

On council house sales, the Minister for Housing and Construction said that since the Government came to office the number of owner occupied dwellings had increased by a million, half council house sales and half from new building. By May 1984 there would have been the largest single increase in owner occupation in any Parliament since the war. From now on however new incentives would be needed to encourage those who had not already bought their houses to do so. He proposed therefore first a reduction in the three year qualification period for the right to buy; and second an extension of the 1 per cent discount for each year of tenancy scheme above the maximum of 50 per cent for tenants of more than 20 years standing.

In discussion of these proposals considerable doubt was expressed about the proposal to reduce the qualifying period. The concept of a qualification period during which rent had been paid was widely understood and accepted; to reduce it to one year might encourage people to rent houses simply in order to buy them when they could easily buy in the private sector. To give a 30 per cent discount to tenants from the start of their tenancies would be seen as over-generous and unfair.

On the proposal to extend the 1 per cent discount scheme to tenants of more than 20 years standing, it was argued that such an arrangement would be seen as unfair by those who had already bought at the maximum 50 per cent discount. There was also some doubt about the extent of the market; those who had not bought their houses already at the extremely generous discount offered under the present scheme might well not be tempted even by more generous terms. There was also a danger that children of elderly parents might take advantage of extremely low prices simply in order to make a capital gain on resale, though opinions were divided as to whether this was altogether undesirable. In favour of the scheme however it was argued that it constituted a way of extending council house sales at a time when their impetus was in danger of slowing. At its previous meeting the group was concerned with making it easier for the elderly to remain in their own homes. This proposal constituted a means of their doing so.

Summing up the discussion, the Prime Minister said that most members of the group were against a reduction in the qualifying period for the right to buy but in favour of an extension of the 1 per cent discount scheme. The Minister for Housing and Construction was therefore invited to explore the possibility that such a proposal might be added to the Housing and Building Control Bill, currently in progress through the House of Commons, with colleagues as appropriate.

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The group noted that consideration was currently being given to the rising repayment mortgage scheme. It was agreed that the Government should await the response of the building societies to such schemes.

On the management of problem estates, the Minister for Housing and Construction said that the Department of the Environment were taking a range of measures to bring the private sector into estates which were difficult to manage and to give tenants greater control over their environment. Such measures were set out in the paper before the group. In discussion there was a general welcome for the approach set out in the paper. The possibility was raised that council house tenants should be given the right to manage the estates on which they lived and it was noted that similar schemes seemed to work in America. There was a possibility however that unrepresentative groups might exploit such a right, especially in estates where most tenants were inclined to apathy. The group however noted that the Department of the Environment already had powers to order councils to sell undeveloped land. There was a case for the use of that power and indeed for a power to direct councils to sell their empty housing. Summing up the discussion, the Prime Minister said that the group approved the approach set out in the paper by the Department of the Environment; it had clearly been something of a success story.

I am sending a copy of this letter to Tony Rawsthorne (Home Office), Imogen Wilde (Department of Education and Science), Jonathan Spencer (Department of Industry), Richard Bird (Department of Transport), David Clark (Department of Health and Social Security), Barnaby Shaw (Department of Employment), Mary Brown (Lord Privy Seal's Office), Alex Galloway (Chancellor of the Duchy of Lancaster's office), Pamela Hilton (Overseas Development Administration), David Edmonds (Department of the Environment), John Gieve (Chief Secretary's Office), John Henry (Mr. Stanley's office), Richard Hatfield (Cabinet Office), Gerry Spence (CPRS), and for information to Muir Russell (Scottish Office), Adam Peat (Welsh Office), and Derek Hill (Northern Ireland Office).

John Kerr Esq  
HM Treasury.

TIM FLESHER

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