

PRIME MINISTER

LOCAL AUTHORITY FINANCE AND HOUSING: RECENT PROPOSALS FROM
MR. RIDLEY

This week Mr. Ridley has submitted three papers proposing either amendments or announcements concerning the current Local Authority Finance and Housing Bills. I asked the Cabinet Office to pull these issues together which they have helpfully done in Richard Wilson's note below; this note also reports the state of play on a number of other related issues. You may find it helpful to look at these papers as a batch.

The papers are organised in three folders below:

- (1) Non-domestic rate transition ~~to~~ the proposal for an announcement of the Government's position next week in the Standing Committee on the Local Government Finance Bill.
- (2) Privatisation of local authority housing - proposed amendments to the Housing Bill.
- (3) Cash incentives to tenants to move out - a further amendment to the Housing Bill.

Non-domestic rate transition

Mr. Ridley is looking for comments on his proposal by lunchtime on 29 February. The Cabinet Office note gives a very clear summary of the background. Treasury Ministers have not yet considered the papers, but if they accept the advice put to them will be raising objections by Monday.

The Policy Unit's note enclosed suggests there is no major reason to object to Mr. Ridley's proposal, but recognises that there is a major (and political) judgement to be made.

Are you content to try to clear this in correspondence next

week, or would you like us to arrange an E(LF) discussion in the week beginning 7 March? (Given your NATO commitments next week, I think it would be very difficult to fit in a meeting then.) *Calling a meeting would imply deferring an announcement in Committee and possibly leaving it until the Lords or Report Stage.*

Privatisation of local authority housing

You saw Mr. Ridley's note and the Policy Unit's comments earlier in the week. The Cabinet Office suggest that this raises major issues and ~~suggest~~^{that} there should be an E(LF) discussion. You wanted to see colleagues' comments and were a little worried about the sweeping nature of the proposed power "to take into account any matters whatsoever" when Mr. Ridley decides whether or not to give consent.

Mr. Walker has now commented in his letter of 26 February, strongly supporting Mr. Ridley's proposals. I am told that the Chief Secretary is also being advised to accept the package. Most other departments do not propose to comment, although there may be reactions from the Lord President and the Scottish Office.

Although the Cabinet Office are right to say this is a major issue, I am not sure it is sufficiently contentious to warrant a meeting. Would you be content to clear this ~~with~~ *through* correspondence on the basis of:

- (i) raising your doubt about "whatsoever";
- (ii) rejecting the Policy Unit's concerns, mainly the need for safeguards to ensure that councils do not use indirect means to control new landlords;
- (iii) question the restriction to "social landlords";
- (iv) no need for local authorities to continue to control waiting lists once their stock has been transferred;

- (v) ensuring proper competition in the rented housing market?

Cash incentives to tenants to move out

Mr. Ridley seeks comments on his proposals by 3 March. As the Cabinet Office indicate, the Chief Secretary is being advised to agree to the package.

Are you content to agree in correspondence?

There is no need at this stage to focus on the other issues mentioned in the Cabinet Office note.

PRG.

PAUL GRAY

26 February 1988

PMMASU