

CP(71) 36

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22 March 1971

CABINET

DATE OF RENT INCREASES UNDER THE REFORM OF
HOUSING FINANCE

Memorandum by the Secretary of State for the Environment

1. On 29 October the Cabinet approved proposals for the reform of housing finance in CP(70) 95 on the basis that the resultant rent increases in the public sector should be limited to an average of 50p a week with a maximum of 75 p a week for any one dwelling (CM(70) 34th Conclusions, Minute 9).
2. The necessary Bills can hardly be enacted before June or July 1972. In view of the required statutory notice, this means that we could not compel local authorities to put up their rents before October 1972. This would reduce prospective public expenditure savings in England and Wales by £60 million in 1972-73, £55 million in 1973-74, £45 million in 1974-75, £35 million in 1975-76 and reducing amounts thereafter. The local authorities would, of course, like us to do this but it is plainly unacceptable from our point of view.
3. The local authorities are, in any case, reluctant for understandable electoral reasons to bring in rent increases in April every year ie just before the local elections.
4. I have been seeking for a solution which would enable Central Government to achieve the full savings we have in mind throughout and which would avoid bringing in rent increases in April for those authorities who prefer October. In agreement with the Chief Secretary, Treasury, I now recommend the following formula:-

In so far as fair rent levels permit every authority would be required to raise its rents by £1 in October 1972 unless it had previously raised its rents by the required amount in October 1971 or April 1972. Thus a co-operative authority which preferred October increases and had raised its rents by 25p in October 1971 would only have to bring in a further increase of 50p in October 1972. A co-operative authority which preferred April increases and had raised rents by 50p in April 1972 would need to make no further increase in October. An unco-operative authority, however, would have to raise its rents by £1 in October 1972.

5. Our enquiries suggest that most local authorities in England and Wales would be likely to co-operate. Even those who would like to embarrass us would not normally do so by imposing on their tenants larger increases than would otherwise be necessary. The Secretary of State for Scotland foresees that many Scottish authorities would for political reasons delay raising rents and would then maintain publicly that rent increases in excess of 50p a week had been forced on them by the Government. The new proposals would then necessitate some local authorities raising their average rents by £1 per week (and consequently certain individual rents by more than this). This would expose the Government to the accusation that the new system in Scotland was beginning with unreasonably large rent increases; and it could have serious cost of living implications for 1972-73 in Scotland.

6. The matter has been discussed by the Home Affairs Committee but, in view of the Secretary of State for Scotland's dissenting opinion, and the fact that my proposal involves a change in the decision taken by the Cabinet last October, I have been asked to bring the matter back to Cabinet.

7. I invite the Cabinet to agree that rent increases under the reform of housing finance should be governed by the formula summarised in paragraph 4 of this memorandum. The Chief Secretary, Treasury, agrees with this recommendation.

P W

Department of the Environment SW1

22 March 1971

