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Ref. A09612

MR. LANKESTER

Housing

You asked this afternoon for a quick brief for the Prime Minister's use when she sees Mr. Heseltine tomorrow to discuss housing. You have also asked in parallel for material from the CPRS.

Factual Background

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2. The Prime Minister may care to glance at the most readily available sources of factual material. The most useful of these is the public expenditure White Paper issued in January this year (Cmnd 7439). The relevant pages are Nos. 90-102. The key table is that to be found on pages 90-94 which shows past and forecast expenditure on housing by both central and local government.

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3. Other sources are the CSO's monthly digest of statistics where the tables on pages 100 and 101 of the April 1979 issue analyse, in detail, progress on the construction of houses over the past four years.

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4. Finally the fifth report of the PAC published last month deals with Housing Associations and the Housing Corporation. This is an area which absorbs a lot of money and where the administration of the funds has attracted a good deal of recent criticism. The conclusions of the PAC are to be found on pages xii and xiii.

Topics for Discussion

5. A list of possible "chapter headings" for the discussion is set out below. It incorporates points which we know DOE intend to raise but goes beyond their list in some respects:

- (a) Supply and demand for housing: national surplus and local shortages.

The table on page 95 of the public expenditure White Paper is relevant here. We now have a 3 per cent surplus of dwellings over households nationally and have reduced the number of households "unsatisfactorily housed" by nearly half in the past eight years. It could be argued that we are near the point of breaking the back of the "housing shortage" which was so prominent in the decades immediately after the war. The problems now are of ownership and quality with absolute shortage a local phenomenon.

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- (b) Home ownership: the sale of council houses; provision of mortgage funds (a matter in which the Chancellor has a close interest); house prices; the general encouragement of private ownership through tax relief on mortgages, help for first-time buyers etc.; funds and land for private housebuilding.
- (c) The private rented sector: what can be done to increase the willingness of private owners to let property? The "shorthold" scheme?
- (d) Public sector housing: the overwhelming questions are cost and value for money. The public expenditure provision (local and national) in 1978-79 is £5 billion. Where can the savings be made? Other questions include direct labour; the effectiveness of the Housing Corporation and the letting policies of local authorities which put a major drag on labour mobility.
- (e) Quality: public sector housing policy - particularly in the "high rise" era - was an environmental disaster. The move to rehabilitation of older dwellings is welcome. How can local authority performance be improved?
- (f) The problems of the construction industry: construction for private owners has been remarkably stable over the past four years. Local authority construction has plummeted. In the light of the overall housing situation is the contraction of the industry inevitable or will the non-housing sector take up the slack?
- (g) Non-housing points: you may also, if time allows, want to go on to deal with other non-housing issues in the DOE field. The main area is of course local authority finance. Points which could be made are:-
- (i) Expenditure. Cabinet is about to set new guidelines for the Public Expenditure Survey. Final decisions will be taken in July. How do we make them stick in the local authority area - especially if there is to be a bonfire of controls? Are there functions which local authorities should now either leave to the private sector (e.g. waste collection) or hand over to central Government (e.g. police, of which central Government already pays 80 per cent)?

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- (ii) RSG. The main instrument of control. Is it enough? Should it be modified or supplemented? Are there workable alternatives e.g. should Ministers contemplate direct controls either over the totality of expenditure or over revenue-raising or should they fix RSG for a period ahead as a finite cash contribution to local authority finances and leave the authorities free to cope thereafter as they wish (subject only to their statutory duties)?
- (iii) Rates. The Manifesto firmly puts reform of the system into second place, with priority given to tax reform. But is it time to start thinking about longer-term alternatives?
- (iv) Structure. The previous Government talked of "organic change" - ~~i.e.~~ going back to single-tier authorities (the old county boroughs). Can all this be shelved again?
- (v) Water. The major industry for which DOE is responsible (Waterways and Canals barely count). Labour was planning a reorganisation to strengthen central control. Does this still go ahead?
- (vi) Transport. Do any problems remain on the boundary line with the now independent Department of Transport?
- (vii) Waste. What plans has Mr. Heseltine in the PSA - and is he yet in touch with Sir Derek Rayner?



for JOHN HUNT

22nd May, 1979