



2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

21 February 1980

Dear Alistair

HOUSING STATEMENT

I attach a revised version of my Secretary of State's statement this afternoon, which I hope you will find reflects the points made by Treasury.

I am copying this for information to Tim Lankester (No 10), John Stephens (Chancellor of the Duchy's Office), George Craig (Wales), Godfrey Robson (Scotland) and Murdo MacClean (Chief Whip's Office). I will, of course, be letting Murdo have six copies of the final version, with any minor last minute amendments, by 3 pm.

Yours sincerely
David

D A EDMONDS
Private Secretary

Alistair Pirie
PS/The Rt Hon John Biffen MP



21 FEB 1980

HOUSING: STATEMENT BY THE SECRETARY OF STATE FOR THE ENVIRONMENT
21 FEBRUARY 1980

With permission, Mr Speaker, I will make a statement on housing public expenditure.

The background to the decision I am announcing today is well known to the House.

This Government faces the task of setting public expenditure at levels which the nation can afford.

If we fail, the problem with which we are all familiar will continue - a public sector consuming a disproportionate share of the nation's resources, high interest rates and declining investment in the private sector.

The harmful effects of the policies of recent years can be clearly seen in housing.

By 1979, for the average new council house, taxpayers and ratepayers were contributing towards a subsidy of £30 per week.

Council rents had fallen to an average of 6.4% of income - despite a commitment in the last Government's Green Paper to increase rents in line with earnings.

The net results of Labour's housing policy was to make new building for local authorities so expensive that in every year after 1976 local authorities of both political complexions responded by reducing their programmes.

And the rent policies of the last government have been a major factor in the inability of local authorities adequately to meet housing costs, finance investment and maintain their stock.

Against this background, we have reassessed our housing policy. The government's expenditure plans for 1980/81 and later years will be published in a White Paper next month but the local authorities, the Housing Corporation and the New Towns need to settle their programmes now.

For these reasons, this year, I am, exceptionally, making an oral statement.

Our reassessment of objectives must recognise the significant general improvement of housing conditions in the last 30 years. Home ownership has grown from 31% to 55% over that period, and we recognise the desire of most people to own their own home. In national terms, the supply of housing and demand are in better balance.

Needs and problems have become increasingly specific and local. The emphasis of public sector housing policy now must be to meet particular needs, such as those of the elderly and the

handicapped. We have to concentrate on modernising, improving and making better use of the existing stock, rather than on the general provision of new houses.

And we must encourage home ownership and the private rented sector.

We need therefore to adopt new priorities - priorities which are reflected in the Housing Bill and which are critical given the economic background.

I come now to the programme for 1980/81.

The housing investment programmes for local authorities in 1980/81 will be allocated £2,199 million at expected outturn prices. The Housing Corporation will be allocated £420 million for the work of housing associations.

And the New Towns building for rent programme will be £151 million. In new town development, the proportion of owner occupation is below the national average, yet the demand is high.

In future, growth must be based increasingly on the private sector and homes for sale.

Taken together, these three housing capital allocations for 1980/81 will in real terms, at 1979 Survey Prices, be about £540 million or 21% lower than the forecast outturn for 1979/80.

These figures are for England.

My Scottish and Welsh colleagues are making separate announcements.

In the new circumstances, it is even more important that local authorities should use available resources in the most effective way to meet local needs.

In order to encourage this, the housing allocation to each authority from April 1980 will be in a single block and they will have much greater ability to decide their own priorities. They will also have the new opportunities opened up by the Housing Bill.

There is a range of ways to promote low cost home ownership - selling council houses; securing land release for builders; encouraging starter homes; low-cost building for sale, especially for tenants and those on the waiting lists; schemes for improving and selling houses such as acquisition, improvement and sale (AIMS) and homesteading; promoting shared ownership; and by helping priority home buyers with mortgages.

In these ways people can be helped to become owners.

Full details are in the allocation letter to authorities, copies of which are in the Vote Office.

The priorities now must be value for money and concentration, under the more flexible arrangement, on the problem areas.

In the private sector, the introduction of shortholds and the other provisions in the Housing Bill will improve the availability of rented accommodation without additional public expenditure.

Exchequer subsidy to local authorities for housing last year amounted to £1,148 million in 1979 Survey Prices.

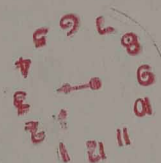
The rent levels of recent years have not only prejudiced the abilities of local authorities to maintain adequately their housing stock but have contributed to the enormous burden of public expenditure.

I have therefore concluded that it would be right to issue a supplementary rent increase guideline of 60p a week on average over the second half of 1980/81.

Mr Speaker, I have announced today a reappraisal which reflects our assessment of national economic and housing priorities.

This is a necessary response to a situation in which the scale of housing subsidies increased under the previous government to levels far beyond those the nation could afford.

From now on we shall concentrate resources where they are needed;
and I have today set out realistically what the nation can
afford.



21 FEB 1980