

THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT

C(84) 33

COPY NO 32

6 November 1984

CABINET

PUBLIC EXPENDITURE SURVEY 1984: HOUSING

Memorandum by the Secretary of State for the Environment

Our Manifesto commitment was "to make Britain the best housed nation in Europe". For most owner-occupiers, we have made major progress. But in the two main areas of public sector activity (new build for those who cannot afford to buy and public sector renovation) and also in the help we give poorer owner-occupiers with repairs and improvements, we are falling badly behind. Even my proposals will not prevent things getting worse, while the Ministerial Group on Public Expenditure (MISC 106) proposals will convert a not unsuccessful housing record into an indefensible one and will leave us highly vulnerable in the run-up to the next General Election.

2. The gross Housing Programme has been cut by 52 per cent in real terms between 1979-80 and the 1985-86 baseline. However, the picture now before us is one of rising homelessness and overcrowding; an ageing local authority housing stock beset by recently discovered major defects resulting from the system-building of the post-war decades; and a rising level of substantial disrepair in the private sector stock. These problems are already obvious and will become much more so over the next two or three years; the forthcoming National Economic Development Council (NEDC) report on infrastructure, the publication next year of the Inquiry into British Housing chaired by the Duke of Edinburgh and the English House Condition Survey 1986 will all make people acutely aware of what is happening.

NEW AND CONVERTED DWELLINGS

3. I am asked why the private sector cannot meet more of the need for new build. It is an illusion to think that the private sector can, or probably ever will, cater for all new households. The number of households is now rising at the historically very high rate of 190,000 a year, due partly to the high birth rate in the fifties and sixties. Most new households will, of course, look to the private sector which is building 120,000-130,000 houses a year. But about 30 per cent of all households are unable to afford owner-occupation whatever happens to interest rates and whatever the output of the private sector. Others have special needs which the private sector simply does not cater for. The private rented sector continues to decline. The numbers of those who have to look to the public sector



would justify a figure of 75,000 new starts a year. I am prepared to defend 40,000; MISC 106's proposals would mean only 19,000 starts or less. This would mean a massive reduction in the work of the voluntary housing sector as well as local authorities and would be so plainly inadequate to the problems they are trying to cope with. The level of new starts under each proposal is shown in the graph at Annex A.

4. The scope for bringing vacant dwellings into use needs to be seen in perspective; the average vacancy rate in the local authority sector is 2.3 per cent lower than in any other sector. Of the 25,000 dwellings vacant for more than a year, about two-thirds are undergoing or awaiting improvement and repair. I am considering urgently fresh initiatives to bring pressure on authorities either to let or sell long-term vacant dwellings. But lack of money for repairs, as well as bad management, is a significant cause of the problem; many vacancies occur in defective dwellings which need substantial renovation before they can be let.

#### RENOVATION AND REPAIR OF LOCAL AUTHORITY DWELLINGS

5. We have only recently begun to discover that many system-built homes of the 1950s and 1960s suffer from serious structural defects - up to a million are estimated to be affected. Further, many other inter-war houses and post-war houses and flats need renovation or major repairs if they are to remain habitable. Conditions on some local authority estates are appalling; there are dangers to safety (eg from falling wall panels) and to health (eg from penetrating damp). I am already giving every encouragement I can to the private sector to help with renovation for onward sale. But initiatives like Minster Court depend on the Urban Programme and I have been forced to make big cuts in that programme.

6. I cannot accept the argument that there is room for offsetting reductions in "ordinary" public sector renovation work. Local authorities are already having to divert resources to defective dwellings to the maximum extent possible. An indication of this is that they were proposing to spend £160 million in 1984-85 on such dwellings and their projected expenditure for 1985-86 was £300 million. We already know that the total repair bill for prefabricated reinforced concrete (PRC) dwellings alone is of the order of £1.5 billion. MISC 106 suggest that resources for this task could largely be found within the existing baseline for repair work: but this would mean an additional 30,000 other publicly-owned dwellings a year would fall into a dilapidated state - and some would cease to be habitable - because of the need to concentrate resources on defective system-built houses.

#### IMPROVEMENT AND REPAIRS GRANTS

7. In the private sector there is an unresolved difference of principle between the Chief Secretary, Treasury and myself. I do not believe that we can confine home improvement grants, as the MISC 106 proposal implies, only to dwellings which do not meet basic standards. In 1981, 2½ million owner-occupied dwellings in England needed at least £2,500 of repairs. Yet the gross incomes of two-thirds of the households affected were less than £80 a week (when average earnings were £120). Grants are needed



to prevent the private housing stock deteriorating more rapidly than it is, and to enable poor and often elderly people to live in decent conditions. The Home and Social Affairs Committee have agreed my proposals to concentrate the grants more effectively on people in need. But even with better targeting, £600 million a year would be needed to prevent a further deterioration in the stock. I am prepared to stick with the present baseline of £450 million for the time being. Politically, to reduce the improvement programme, as MISC 106 propose, to a quarter of its size two years ago would be fiercely criticised not least by our own supporters for whom this has been seen as a cost-effective and worthwhile programme. It would involve a moratorium throughout 1985-86 on new approvals of improvement and repair grants (other than mandatory grants). The resulting rates of deteriorations of the stock are shown in the graph at Annex B.

## GENERAL

8. Most of today's housing problems are concentrated in the urban areas running from the North down through the Midlands into London. The urban local authorities face our tough target and rate limitation regimes which are designed to squeeze out wasteful and extravagant current spending and to protect the ratepayer. But unless we can offer our own supporters, and moderate Labour councillors, policies with which they can identify and urge co-operation, they will have little choice but to join in confrontations which others are only too ready to foment. This is one major reason why it would be short-sighted to cut the Housing Programme as proposed.

9. It would also be politically inept to compound a demonstrably inadequate Housing Programme with restrictions on the right of local authorities to spend accumulated receipts. The Paymaster General has drawn our attention to the strong feeling in our Party on this point among our supporters in the Districts and Counties.

10. We should also consider the wider effects on the construction industry where employment has fallen by 250,000 or 18 per cent since 1979. The cuts proposed by MISC 106 could further reduce employment in this industry by 35,000 in 1985-86, with increasing numbers thereafter. It must be a matter of concern to all of us if our determination to stick to the overall planning total was once again to have a disproportionately severe effect on capital programmes and the construction industry.

## CONCLUSION

11. There are  $4\frac{3}{4}$  million houses and flats owned by local authorities and the voluntary housing movement overall. The condition of this housing stock - well over a quarter of the total - is deteriorating. Essential repairs postponed mean higher costs of repair next year or the year after. But increasing disrepair means, too, avoidable hardship for many families, mostly already the poorest in Britain. Even if my bid for next year were to be accepted there would still be an increase in homelessness, overcrowding, disrepair and unacceptable housing conditions. Public anger and that of our friends in the construction industry - will mount; and so will the human, the political, and before long the economic costs as well



12. I have therefore proposed additions to the gross capital line of £250 million in 1985-86, £350 million in 1986-87 and £400 million in 1987-88. However it is the net line which scores in the Public Expenditure Survey, and for 1985-86 my bid is more than offset by the additional £300 million of receipts which will be produced by our right to buy policy. The proposals by MISC 106 would mean that none of these extra receipts would benefit the local authorities' housing programmes; and we should be imposing a further cut on them and the voluntary housing movement of £380 million.

P J

Department of the Environment

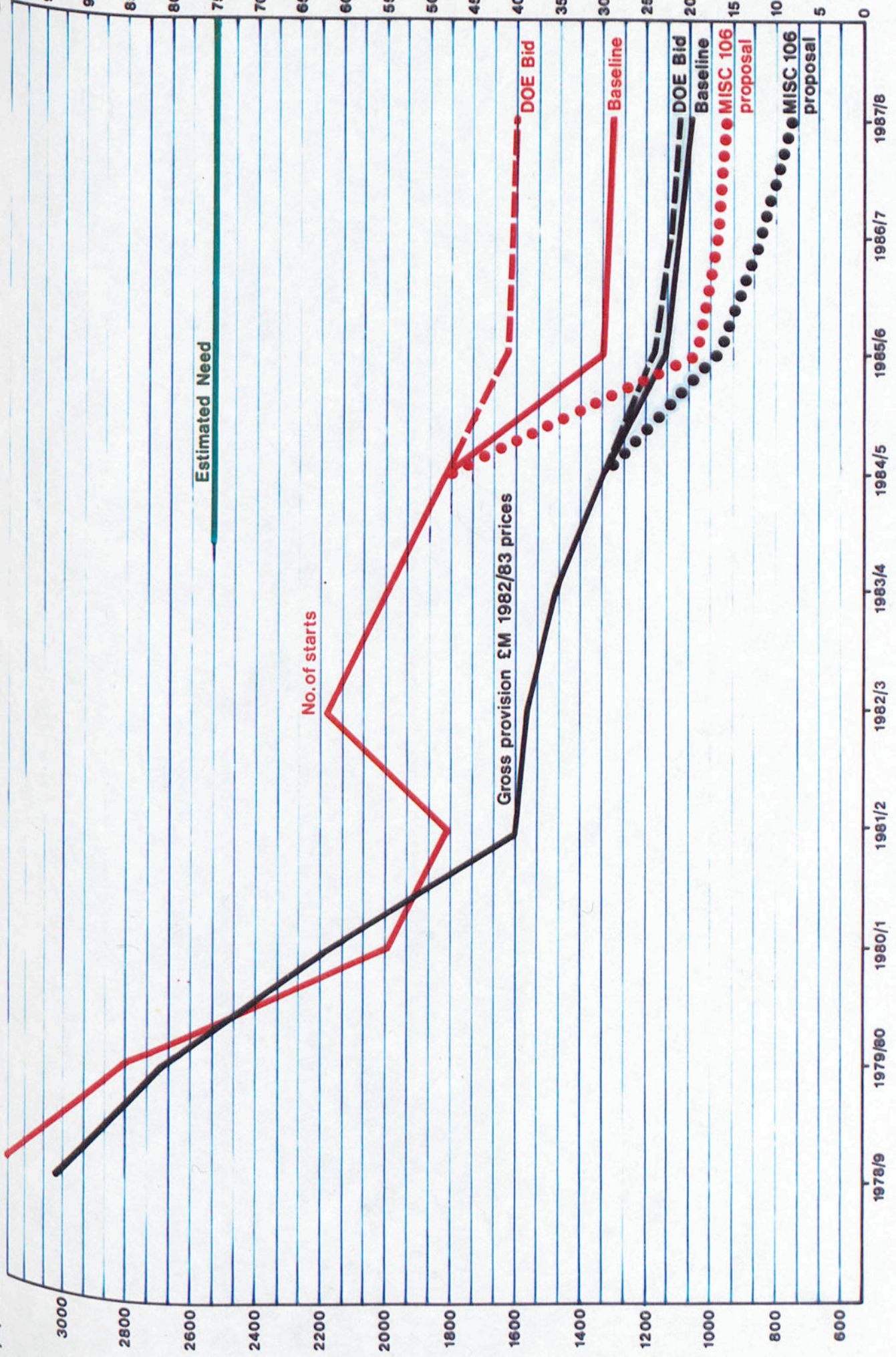
6 November 1984



EM Cost terms  
1982/3 prices

PUBLIC SECTOR NEW PROVISION

No. of starts  
'000



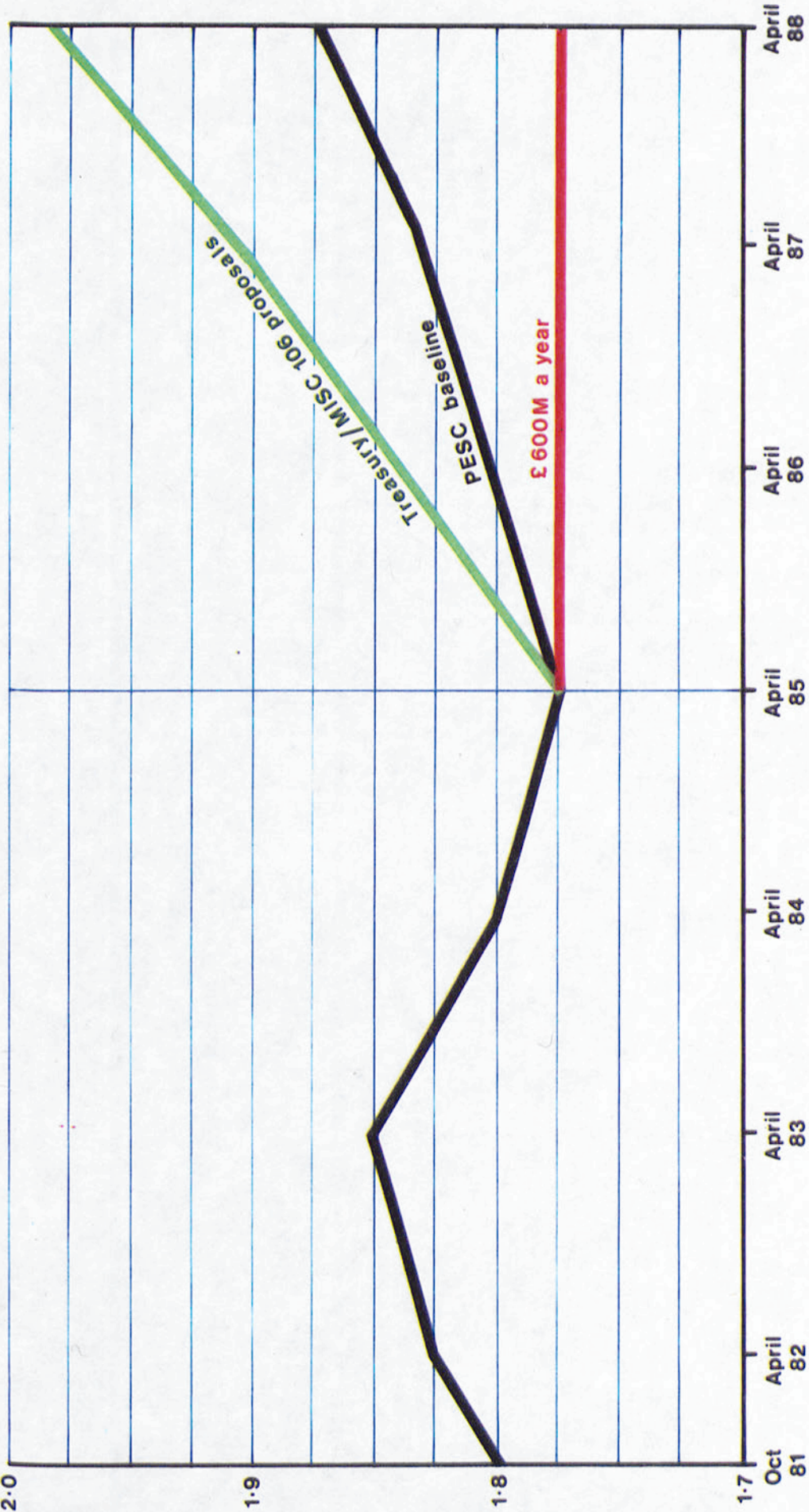
CONFIDENTIAL



CONFIDENTIAL

### DISREPAIR IN PRIVATE SECTOR HOUSING

No. of dwellings (M)



CONFIDENTIAL