

COUNCIL HOUSE SUBSIDIES AND RENTS

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✓ *NAD*

OBJECTIVE

The Secretaries of State for the Environment and Wales today issued two consultation papers to the local authority associations on council house subsidies. One of these suggests a range (£2.50 to £3.00 per dwelling per week) for the additional financial contribution which authorities will have to raise locally in 1981/82 towards their housing costs. The finally agreed figure will be announced, after consultations, at the same time as the RSG settlement in early December. From today, it will be said that Government is trying to force up council house rents by some £3.00 per week. This note sets out factual background, and points that can be made in response.

BROAD TACTICS

On the one hand, the Government have not announced a view on council house rent increases. These remain the responsibility of local authorities, who must decide whether to raise their additional local contribution next year from rents or rates. On the other hand, the Secretary of State for the Environment has made it clear that rents should increase "in real terms", and it can be expected that the increase in the local contribution will in practice come overwhelmingly from rents. Most housing costs are taken into account in calculating housing subsidy - but not all. These also have to be met locally in addition to the local contribution. We need, therefore to create a climate in which average rent increases of something over £3.00 per week are seen to be reasonable.

FACTUAL BACKGROUND

The average council house rent this year is £8.10 per week. A further £3.00 would be an increase of some 37%.

POINTS THAT CAN BE MADE IF NECESSARY

Rent Assistance

a. Almost 2.3m (45%) of council house tenants in England and Wales will not have to meet all the increase. 1.3m (over 25%) on supplementary benefit will have it met in full. 1m (almost 20%) will have at least 60% met by rent rebate - more in some high rent areas.

b. We raised the maximum rent rebate this year to £25 per week in London, £23 elsewhere. It had previously stood at £13 and £10.

Better-off Tenants

c. Many tenants can well afford to pay much higher rents. 1.25m tenants (25%) have household incomes of £8,000 per year or more; 1.7m (33%) have household income of £7,000 or more. Average industrial earnings are now £125 a week, compared with the average council rent next year of, say, something over £11 a week.

Rents and Earnings

d. Under the last Labour Government, rents declined sharply as a proportion of earnings. Despite their professed policy of keeping rents in line with earnings, rents were 8% of earnings in 1974/75 and had fallen to only 6.4% of earnings by 1979/80.

Council Tenants and First Time Buyers

e. On buying, the average first time buyer has a more difficult time than his council house tenant counterpart. He spends almost 20% of his income on housing - the average council house tenant spends less than 7%.

Investment versus Subsidies

f. Excessive subsidies for council house rents eat into resources which might be used for capital investment. Under the last Labour Government, housing capital spending was halved in real terms, whilst spending on rent subsidies increased by a fifth in real terms.

Positive measures to give tenants greater housing choice

g. The Government has taken a series of steps to give those renting, or waiting to rent, the opportunity of low-cost home ownership instead - by introducing

1. the right to buy for sitting tenants
2. wide powers for local authorities to sell empty houses and flats at a discount
3. the improvement for sale scheme
4. a mortgage interest waiver for authorities that carry out homesteading
5. shared ownership (part-ownership and part-renting) whenever authorities sell a dwelling
6. a power for local authorities to guarantee building society mortgages on older and cheaper dwellings.

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