



Hansley

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

15 December 1980

Dear Nick

STATEMENT BY THE SECRETARY OF STATE FOR THE ENVIRONMENT ON
HOUSING - TODAY

I enclose a copy of the latest draft* of the proposed statement on
a range of housing issues to be made by my Secretary of State today.

I am copying this to Terry Mathews (Chief Secretary's Office),
Robin Birch (Chancellor of the Duchy's Office), Richard Prescott
(Paymaster General's office), Bernard Ingham, David Wright
(Cabinet Office), John Craig (Wales), Godfrey Robson (Scotland),
and Murdo McClean (Chief Whip's Office).

Yours ever

D A EDMONDS
Private Secretary

** now, almost final but subject to
minor drafting points*

PA
MS

ORAL STATEMENT: HOUSING

I wish to inform the House of a number of housing decisions. My Rt Hon Friend, the Secretary of State for Wales will be making a statement tomorrow.

Some of the issues I shall refer to were raised in the recent report of the Select Committee, a response to which the Government is publishing today.

Local authorities need to know now where they stand on housing subsidies, on capital allocations for next year and on the future of the moratorium affecting this year's housing capital expenditure.

As regards public expenditure in 1981/82 my Rt Hon Friend the Chancellor of the Exchequer referred in his statement on 24 November to a reduction of £158 million in the Department of the Environment's programmes.

I intend to provide £69 million of this from housing.

I wish to see current expenditure reduced rather than capital because I recognise the desirability of investment and the need where possible to help the construction industry.

£64 million of the housing savings will, therefore, fall on current expenditure and only £5 million will come from capital.

Regarding housing subsidies for 1981/82,

the Housing Act 1980 leaves local authorities with the responsibility for determining their own rents, but it introduces a new subsidy system from 1 April 1981 which requires me to determine the annual amount to be taken into account as the local contribution in calculating subsidy entitlement.

Following my consultation with the local authority associations,

I have now decided to set the increase in the local contribution at £2.95 pence per dwelling ^{per week} for 1981/82.

In addition, local authorities have to meet housing costs which fall outside the subsidy system and on average these may require rent income of a further 30 pence per dwelling. Since local authority rents currently average no more than 6.5% of adult male earnings, I do not think that the rises I have indicated are unreasonable.

Moreover, 45% of council tenants are protected from the full impact of rent increased through Supplementary Benefits or Rent Rebates.

Indeed an estimated well over 1 million tenants effectively will face no increase in rent at all.

It is also estimated that nearly a quarter of households living in council houses have household incomes in excess of £8,000 a year.

On capital account I have been able to provide £2,810 million at estimated 1981/82 out-turn prices for gross capital expenditure on housing.

I will give the House the break down of this figure.

The new towns will receive £118 million.

The Housing Corporation will receive £491 million at out-turn prices for distribution to housing associations.

This is the same in real terms as this year.

I am providing £2,201 million at out-turn prices for gross capital expenditure on housing by local authorities, including an allocation of £27 million for the homes insulation scheme. This is a reduction of 15.1% on this year's provision.

From 1 April under the new system of capital expenditure control, local authorities can undertake additional spend on the basis of their capital receipts.

I estimate that in 1981/82 they will be able to undertake £ 413 million of spending in addition to their allocations.

£2 million must be allowed for the administrative costs of the homes insulation scheme

The amount distributed as HIPs allocations will therefore be £1,786 million.

I have discussed the method of distributing HIPs with the local authority associations and today I am informing local

authorities of their individual allocations for 1981/82. Copies of the letter to authorities and of the schedule of allocations excluding their use of capital receipts are being placed in the library.

A number of adjustments will be necessary in the light of any overspending or underspending by authorities this year. As I informed the House on 25 November those authorities which underspend because of the moratorium will receive additional allocations and those who overspend will have their overspending deducted.

A net total of £55 million of tolerance was outside the cash limit for 1980/81 and will therefore have to be excluded from these adjustments.

My Department will advise local authorities shortly how these adjustments will be made.

I would now like to deal with the moratorium itself.

Following my statement to the House on 25 November I invited local authorities to give me their latest estimates of their commitments for this year.

Their figures are about the same as when I last reported to the House and show that on their forecasts the cash limit is likely to be taken up.

The Government have therefore no option but to continue the moratorium generally.

But having regard to the size of the local authority programme, it is, in my view, possible now to permit some small relaxation without jeopardising the cash limit. I have therefore decided to allow just the underspending authorities to approve discretionary grants and loans for home improvement.

Every improvement grant approved will attract an additional sum of private finance which will be of further help to the construction industry.

I am also proposing to lift the ban on the letting of new contracts before the end of the year where no additional expenditure will take place until after 1 April 1981.

I shall keep the situation under review to see whether further relaxations of the moratorium are possible.



cc Mr Lankester
Mr Sanders

2 MARSHAM STREET
LONDON SW1P 3EB

PA
PRIME MINISTER MS

My ref:
Your ref:

Here is the - still pretty raw - draft
of Mr Heseltine's housing statement. There is one policy issue
unresolved: whether he can announce the relaxation of the moratorium
described in his minute at the red flag. The Treasury have objected, and
Mr Heseltine and the Chancellor will be speaking to each other over

12 December 1980

Dear Nick

STATEMENT BY THE SECRETARY OF STATE FOR THE ENVIRONMENT ON HOUSING
MONDAY 15 DECEMBER 1980 the weekend. Are you content to wait for the next draft,

I enclose a copy of the latest draft of the proposed statement on a range of housing issues to be made by my Secretary of State on Monday. This is clearly subject to amendment by Ministers here over the weekend, but the broad format should not alter much.

I am copying this to Terry Mathews (Chief Secretary's Office), Robin Birch (Chancellor of the Duchy's Office), Richard Prescott (Paymaster General's Office), Bernard Ingham and to David Wright (Cabinet Office), John Craig (Wales), Godfray Robson (Scotland).

or have
you any
comments on
this one?
MS

12/12

The case for relaxation
in respect of improvement-
grants seems to be a good
one - especially in view
of the attractive low priced
money to be had.

Yours ever,
D A EDMONDS
Private Secretary

I think the
next version
should include
some reference
to the present
market -
also some space
for an. to the
viewer taken by
rest of the
increase.
not.

make a statement on

I wish to make the House aware of a number of decisions concerning the administration of housing policy.

Significant changes have taken place in the factors concerning housing policy following the expenditure of considerable revenues in this field since the war.

Many of these issues were raised in the recent report of the Select Committee, a response to which I am today publishing.

The present climate of public expenditure and the introduction of the Housing Act and Local Government Act require considerable adjustments to past expenditure practices.

Authorities need to know now where they stand on housing subsidies, and on capital allocations, and the government's decision about public expenditure.

Out of the £170 million saving I have to find, being % of the DOE spending, I intend to provide £7 million from housing.

I wish to see current expenditure reduced rather than capital, both to recognise the desirability of investment and to help the construction industry.

£64 million of the further savings will fall on current expenditure.

Only a further £15 million will come from capital.

I turn now to the question of subsidy and council house rents.

The Housing Act 1980 whilst leaving responsibility with local authorities to determine their own rents introduced a new subsidy system as from 1 April 1981 which requires me to determine the annual amount to be taken into account as the local contribution in calculating subsidy entitlement.

The Act requires consultation with the local authority associations and following that consultation I have considered carefully the views then put to me.

I have now decided to set the increase in the local contribution at £2.95 per dwelling per week for 1981/82, plus a further 30p per dwelling to meet additional housing costs which fell outside the subsidy system.

Posnet notated by notes?
Part not x 2 of an earnings? On some similar day
of public housing
On capital account I have been able to provide £ m at estimated 1981/82 outturn prices for gross capital expenditure on housing.

This breaks down as £ million to the new towns, and £ million gross capital expenditure on housing by local authorities, including an allocation of £ million for the Homes Insulation Scheme.

These figures represent a total reduction of % of this year's programme.

The HIPs allocation issued to individual authorities will reflect our assumptions about capital receipts this year in the past.

I have discussed the method of distributing HIPs with LAs and today I am informing local authorities of their individual Housing Investment Programme allocations for 1981/82. Copies of the letter to authorities and of the schedule of allocations have been placed in the Library.

I turn now to the moratorium on local authority housing capital expenditure this year.

Following my statement to the House on 25 November and consultations with the local authority associations, I invited local authorities to let me know their latest estimate of their commitments for 1980/81.

My latest returns reveal a position broadly in line with that I have already reported to the House.

Local authorities still consider that their commitments already exceed the cash limit by £7 million, on the assumption of no further expenditure authorisation this financial year. Further estimates that they have provided show that if the moratorium were lifted from the underspending authorities they would be likely to spend a further £57 million this year or an additional £27 million if new commitments were

restricted to rehabilitation and improvement grants.

The Government have therefore no option but to continue the moratorium.

But we intend to permit a small relaxation to enable underspending authorities to approve discretionary grants and loans for housing improvement.

Our best estimate is that this should not cost more than £7 million in the rest of this year.

Every improvement grant approved will attract an additional sum of private finance which will be of further help to the construction industry.

I shall keep the situation under review to see whether further relaxations of the moratorium are possible.

The House will know that the allocations to housing authorities this year was £2186 million.

That is the cash-limited figure.

Authorities may spend a tolerance of £55 million brought forward from last year,

if it does not breach their cash limit.

In view of the tightness of the present cash limit system and the introduction of a new capital system of control in 1981 there is no purpose in carrying forward this tolerance figure which has never represented potential expenditure above the published cash limit.

~~stopped, because it could be positively dangerous to the health of these children?~~

Mr. Whitelaw: The hon. Gentleman's remarks indicate the wisdom of my determination not to be drawn into detailed medical analysis. As a doctor, he understands these matters whereas, manifestly, I do not. It is important for me not to be drawn. We should consider all these matters extremely carefully and maintain our sensible medical arrangements. We should not be panicked by anything that is said. We should continue as before, but consider carefully the various recommendations.

Mr. Ivor Stanbrook (Orpington): Will my right hon. Friend make it clear that the exemption from medical examinations will apply only to spouses and young children—that is, those who have a right to enter this country—and not, contrary to what the right hon. Member for Birmingham, Sparkbrook (Mr. Hattersley) said, to other dependent relatives?

Mr. Whitelaw: I have made it abundantly clear in what I said in the statement. I shall repeat plainly what I said. We do not propose, as a result of the report, to make the entry into this country of spouses and dependent children of those settled here dependent on the passing of a medical examination. I stand by that position.

Mr Alfred Dubs (Battersea, South): Does the Home Secretary's statement refer only to persons coming to this country for settlement or does it have any bearing on the position of visitors? I am particularly concerned about elderly dependent visitors coming to see their children who might have difficulty getting in.

Mr. Whitelaw: What I have said about entry is entirely connected with people coming here for settlement.

Mr. Hattersley: May I press the Home Secretary on the interpretation of the second major paragraph in his statement, which is open to a little doubt as a result of supplementary questions? It refers to the spouses and dependent children of those settled here. May we be assured that the right hon. Gentleman does not mean those already settled here and that if the few people who are allowed here ~~as primary immigrants in future do settle,~~

~~the same rules—that is, the right of their spouses and children to enter this country—will be observed as it is for people settled here today?~~

Mr. Whitelaw: When I use the words "settled here" I mean exactly what I say, namely, "settled here".

HOUSING

The Secretary of State for the Environment (Mr. Michael Heseltine): With permission, Mr. Speaker, I wish to make a statement.

I wish to inform the House of a number of housing decisions. My right hon. Friend the Secretary of State for Wales will be making a statement tomorrow. Some of the issues that I shall refer to are relevant to the recent report of the Select Committee, a response to which the Government are publishing today.

Local authorities need to know now where they stand on housing subsidies, on capital allocations for next year and on the future of the moratorium affecting this year's housing capital expenditure.

As regards public expenditure in 1981-82 my right hon. and learned Friend the Chancellor of the Exchequer referred in his statement on 24 November to a reduction of £158 million in the Department of the Environment's programmes. I intend to provide £69 million of this from housing. I wish to see current expenditure reduced rather than capital, because I recognise the desirability of investment and the need where possible to help the construction industry. Therefore, £64 million of the housing savings will fall on current expenditure and only £5 million will come from capital.

Regarding housing subsidies for 1981-82, the Housing Act 1980 leaves local authorities with the responsibility for determining their own rents, but it introduces a new subsidy system from 1 April 1981 which requires me to determine the annual amount to be taken into account as the local contribution in calculating subsidy entitlement.

Following my consultation with the local authority associations, I have now decided to set the increase in the local contribution at £2.95 per dwelling per week for 1981-82. In addition, local authorities have to meet housing costs which

[Mr. Heseltine.]

fall outside the subsidy system and on average these may require rent income of a further 30p per dwelling. Since local authority rents currently average no more than 6.5 per cent. of adult male earnings, I do not think that the rises that I have indicated are unreasonable. Moreover, 45 per cent. of council tenants are protected from the full impact of rent increases through supplementary benefits or rent rebates. Indeed, an estimated well over 1 million tenants effectively will face no increase in rent at all. It is also estimated that nearly a quarter of households living in council houses have household incomes in excess of £8,000 a year.

On capital account I have been able to provide £2,810 million at estimated 1981-82 outturn prices for gross capital expenditure on housing. I shall give the House the breakdown of this figure. The new towns will receive £118 million. The Housing Corporation will receive £491 million at outturn prices for distribution to housing associations; this is the same in real terms as this year.

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From 1 April, under the new system of capital expenditure control, local authorities can undertake additional spend on the basis of their capital receipts. I estimate that in 1981-82 they will be able to undertake £413 million of spending in addition to their allocations. Two million pounds must be allowed for the administrative costs of the homes insulation scheme. The amount distributed as HIPs allocations will therefore be £1,786 million.

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because of the moratorium will receive additional allocations and those who overspend will have their overspending deducted. A net total of £55 million of tolerance was outside the cash limit for 1980-81 and will therefore have to be excluded from these adjustments. My Department will advise local authorities shortly how these adjustments will be made.

I should now like to deal with the moratorium itself. Following my statement to the House on 25 November, I invited local authorities to give me their latest estimates of their commitments for this year. Their figures are about the same as when I last reported to the House and show that, on their forecasts, the cash limit is likely to be taken up. The Government have therefore no option but to continue the moratorium generally, but, having regard to the size of the local authority programme, it is, in my view, possible now to permit some small relaxation without jeopardising the cash limit. I have therefore decided to allow just the underspending authorities to approve discretionary grants and loans for home improvement. Every improvement grant approved will attract an additional sum of private finance which will be of further help to the construction industry.

I am also proposing to lift the ban on the letting of new contracts before the end of the financial year where no additional expenditure will take place until after 1 April 1981. I shall keep the situation under review to see whether further relaxations of the moratorium are possible.

~~Mr. Gerald Kaufman (Manchester, Ardwick):~~ This is one of the most disgraceful and contemptible statements about housing ever made to the House—contemptible in its dishonesty, and disgraceful in its content.

Is the right hon. Gentleman aware that the moratorium on new house building and council improvement schemes is to continue indefinitely despite his own admission in the debate on 25 November that his investigations reveal that at worst there may be a net overspend of £7 million? Is he aware that the building employers told me last week of the devastating effect that his moratorium is having on the industry where the right hon.