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NOTE FOR THE RECORD

HOUSING

The Prime Minister held a meeting today to discuss the housing programme. Present were the Lord President, the Secretary of State for the Environment, Mr Gow and Mr Gregson.

Mr Jenkin set out why he felt compelled to bring the housing programme to Cabinet. Against a background of past cuts in the housing programme, increasing housing need and rising unemployment, the MISC 106 proposals were, in his view, not politically acceptable. It would be better to allow a small increase in the public expenditure totals, which could be financed by a moderate tax increase.

Research had shown that the formation of new households was running at a rate of 190,000 a year. A large part of this would be met by the private sector but there would always be a significant part of the population which could not meet its own housing needs from the private sector, particularly since the private rented sector was in decline. It was estimated that an additional 75,000 new houses needed to be built in the public sector to cater for those who could not afford to provide for themselves in the private sector and for those such as the aged and disabled who had special needs. Mr Jenkin said he was prepared to finance a figure of around 40,000 but MISC 106's proposals would mean only half that number of starts would be possible. On housing improvements, there were many owner/occupiers on low incomes who needed assistance with repairs. While he could make some savings by applying a means test to the issue of improvement grants, MISC 106s proposals would involve a moratorium throughout 1985-86 on new approvals. Finally additional sums were needed to cope with the growing problem of defective public sector dwellings. MISC 106's proposals

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would mean rising homelessness and deteriorating housing stock. Such a housing policy would be impossible to defend.

The Prime Minister said the proportion of the population in public sector dwellings - 27-28 per cent, was higher than almost any other industrial country. The Government's policy needed to take account of those on low incomes and those who had retired with a small occupational pension. Both these groups were paying far too much tax at present. The Government's aim should be to leave people with enough money in their pockets to provide for themselves. The Prime Minister pointed to the danger that accepting an application to provide subsidised housing to all who demanded it would create a large dependent sector. Only about one-third of council tenants paid the full rents. The Government's aim should be to reduce the extent of public sector housing. The public sector should limit new construction to provision for the aged and disabled. The Prime Minister pointed to the very poor maintenance of public sector housing and the fact that 130,000 public sector houses were unoccupied, of which 25,000 had been vacant for more than a year.

The Prime Minister said other colleagues had accepted very tough measures. Mr Jenkin acknowledged this though he pointed out that he was implementing much larger price rises for water than appeared to be under consideration for electricity and gas. He said he could not meet MISC 106's demands in full but was prepared to go part of the way to meet them. In 1985-86 he was prepared to reduce his bid by £200 million. This could be presented as a reduction of his additional bid from £250 million to £50 million or as a willingness to surrender £200 million of the estimated additional receipts. No specific figures were suggested for later years and Mr Jenkin indicated that they would be smaller. (While attempting to clarify these figures after the meeting, Mr Gregson was told that, on reflection,

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Mr Jenkin wished to offer only £150 million).

Summing up the discussion, the Prime Minister thanked Mr Jenkin for setting out his views and for indicating that there was some room for movement on his side. She said she was sure there would also be some room for movement on the other side also but gave no indication of its extent.

After Mr Jenkin had left, Mr Gregson pointed out that Mr Jenkin's offer of £200 million would close one-third of the gap in year one. If, as indicated in the previous meeting, the Treasury were prepared to yield £250 million, the gap in 1985-86 would be £180 million.

Andrew Turnbull

7 November 1984

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