

promote the sale of local authority housing to private developers. The Unit should be in place before the end of June.

Developers wishing to take over blocks of flats for estates for renewal faced a number of difficulties. First, the local authorities were often reluctant to sell and at present he had no powers of direction. He suggested that he might be given powers to direct that estates which had been empty for more than six months should be offered for sale, except where the estate was part of a current renovation plan. This would be modelled on the powers he already had to direct sales of unused land. Secondly, estates were often partially occupied and it was difficult to sell them with sitting tenants. One possibility was to allow those tenants to transfer the cash value of any discount they had earned to the purchase of a private sector property. Efforts should continue to be made to promote the transfer of flats and estates to tenants' cooperatives or to private trusts which could provide better management than the local authorities.

The Minister for Housing and Construction said the RTB initiative had been very successful but had been confined largely to houses. Only about 20,000 flats had been sold. One of the difficulties was that the valuation put on flats was frequently in excess of the market value as measured by what people were actually prepared to pay. Valuers appeared to take no account of the fact that the first flats in a block to be sold would command a much lower price than later sales. At present, sales of local authority housing could be made below historic cost provided the price covered costs incurred since 31 March 1974. This date could be brought forward in order to provide more scope for selling very low value properties.

The Minister for Housing and Construction said he planned to launch a new initiative in September to promote RTB. For this to be successful action was needed on the problem of valuation and to ensure that service charges were not excessive and represented no more than a true cost of services rendered. It was for consideration whether there should be further improvement in the existing incentives for RTB such as the qualification period, the amount of discount earned, or an easing of the claw-back provisions.

Summing up the discussion on these issues, the Prime Minister said the emphasis should be on encouraging private sector developers to take over inner city estates for renovation and repair. The Secretary of State for the Environment should investigate powers to direct councils to put unoccupied property up for sale. In such a system preference might be given to purchasers who wanted to buy for their own occupation. A general provision to allow tenants to apply discounts earned to private sector purchases should not be pursued. This would be unfair to those who had saved for their deposits and it could encourage people to seek council accommodation solely to earn the discount. The possibility of a limited scheme in

areas of special housing stress could be considered. On RTB, it was agreed that no further improvement should be made for the incentives but ways of ensuring that the valuation of flats reflected what the market would actually pay and ensuring that service charges were not excessive should be investigated. A provision to allow estate or blocks of flats to be transferred to co-ops or trusts where a majority of tenants voted in favour should be considered.

The meeting then considered a number of other questions raised by the report of MISC 113. The following points were agreed.

- (i) The Government's aim should be, as far as possible, to adopt a market-related approach to housing policy.
- (ii) The Government should not seek to promote home ownership by those on state income support.
- (iii) The question of moving to economic rents could be examined further though it was noted that adoption of a target rate of return could add substantially to the costs of housing benefit.
- (iv) Efforts should be made to secure more competition in management of local authority properties.
- (v) Discussions about additional finance to enable renovation of the local authority housing stock to be given a higher priority should be conducted as part of the public expenditure round.
- (vi) The issue of private finance for housing associations should be examined further. This should consider whether index-linked borrowing by housing associations from the private sector would be more expensive than borrowing from the Exchequer and whether this would add to the subsidies which Government already paid to housing associations.
- (vii) It was noted that the Secretary of State for the Environment would be circulating proposals for dealing with the problem of homelessness and for reducing the costs incurred in providing bed and breakfast accommodation. The obligations imposed on local authorities under the 1977 Act should be re-examined.
- (viii) The Secretary of State for the Environment should seek to ensure that structure plans, especially in the South East, took full account of market demand and provided adequately for employment growth and labour mobility. It was noted that there was strong opposition to this from Government supporters both in the House and in local authorities.
- (ix) Ministers should present the Government's record on housing in as positive a way as possible before the publication of the Inquiry into British Housing.

This should seek to emphasise the importance of good management of the housing stock as an antidote to pleas for greater resources.

I am copying this letter to Janet Lewis-Jones (Lord President's Office), John Graham (Scottish Office), Colin Williams (Welsh Office), Steve Godber (DHSS), Richard Broadbent (Chief Secretary's Office), Leigh Lewis (Office of the Minister without Portfolio), Neil Kingham (Office of the Minister for Housing and Construction), Christopher Evans (Office of the Minister for Social Services) and Richard Hatfield (Cabinet Office).

Yours sincerely

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