

PRIME MINISTER

REPORT OF THE OFFICIAL GROUP ON HOUSING POLICY

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After the recess ^{Tuesday 4 June} you will chair a meeting of Ministers to consider the report of the official group on housing policy, of which I was a member. Peter Gregson's introduction (pp. i-xi) gives a full summary of the analysis and conclusions. The Annex to this brief gives a shorter summary of the recommendations.

Housing policy: salient facts from the report

There is no housing shortage generally, though there are local shortfalls (eg in London) and there is a shortage of cheap housing for the poorest.

Our housing conditions compare favourably with those in Western Europe, but there is growing concern about the need for repairs.

The growth in owner-occupation continues at 1% per year and is now at 60% in Great Britain.

The private rented sector is still tightly regulated and has continued to decline: it is now only 9% of all GB dwellings.

There has been a fall in public expenditure on housing from £5.5bn in 1979-80 to £3bn in 1985-86. But the cost of housing benefit has risen from £1.2bn to £4.3bn (because housing allowances have been phased out, real council rents have risen and rates have gone up) and the tax loss from mortgage interest relief has risen from £1.4bn to £4.5bn (because there are more owner-occupiers and interest-rates are higher).

Recommendations deserving support

Most of the recommendations in the report deserve support. Taken with the major housing policies already in the pipeline, notably full deregulation of new private renting and replacement of some home improvement grants by loans, they could be the basis of a radical but practical housing policy.

In the owner-occupied sector, many of the recommendations are aimed at helping people to buy their homes more easily: for instance, those public-sector tenants who do not have the right to buy should be allowed the right to buy in the private sector; the artificial "cost-floor" limitation on sale prices should be removed; and there should be reasonable limits to service-charges for buyers of flats. There would be plenty of votes in this.

In the local authority sector, the thrust of the recommendations is that housing management should, as far as possible, be taken out of the public sector and put into the hands of tenants and companies bidding competitively for the business of running council estates. Group purchase by tenants should be encouraged and the law should restrict the scope for obstruction by reluctant councils. And the law should give people the right to demand that vacant council dwellings should be sold on the open market - what Patrick Jenkin calls "the citizen's right of compulsory purchase". We like this idea - and we think it should be coupled with early action to dispose of the 10,000-25,000 acres or so of public-sector land suitable for housing which are sitting on the DoE registers.

To encourage housing mobility, planning restrictions should be reduced (the Sainsbury review supports our contention that the presumption against planning permission now enshrined in many local and structure-plans should be removed and the legal presumption in favour restored); house-buying should be simplified in accordance with recent proposals on conveyancing and building societies; and stamp duty on house purchase should be cut again.

Rate-of-return council rents are recommended in the report. Real rent levels have risen steeply in recent years: and this rise should, in our view, continue. Of course, housing benefit rises as rents rise: but, on the other side of the equation, subsidies to the housing revenue account dwindle. Overall, there is a big saving: and the true extent of housing subsidy to each household is made more visible.

Some radical proposals not in the report

Poorer people's Right to Buy is one proposal which would save public money and give even those on very low incomes or on SB the chance to buy their council houses. DoE have estimated that about one-third of council tenants would never be able to afford to buy their homes on the present basis. Most members of the group felt that poorer people should not be given the right to buy; but we think the right of poorer people to buy is entirely consistent with the Government's policy and that the poor should be given the chance to own their homes in all cases where a saving of public money, or at least no net public cost, can be reasonably demonstrated.

Building no more council houses: DoE officials told the group that there was a need to build an extra 25,000 council houses a year, at an annual cost of £750m. We and the Treasury strongly disputed this need. We think councils should build no new houses from now on: the building and management of new properties can and should be left to the private sector. The first step towards making the public sector smaller is to ensure that it cannot get any bigger.

Other than
for special
needs.

The infrastructure problem

Because the overall housing budget has been cut, some of the Opposition's onslaught on us for our alleged failure to maintain the country's crumbling infrastructure is being concentrated on housing. Items are appearing in the Press and on television with increasing frequency pointing out how bad some of our housing is and suggesting that the Government is to blame. Between now and the next Election, we shall need what Ron Reagan calls a "continuing campaign" to get across the facts (eg the steady improvement in the standard of the housing stock - 50% of homes unfit or inadequate in 1951: less than 10% in 1981; Government expenditure on private-sector home improvement up fourteenfold since 1977/8).

The homelessness problem

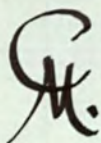
We should deregulate the private rented sector in the 1985/6 session of Parliament. This measure would do more than any other to reduce homelessness. It would make available private homes which now stand empty or under-used because of the rent acts. And it would encourage landlords to invest in building for rent.

for new lets.

We should put a lot of pressure on local authorities (particularly in London, where homelessness is worst and where the most public-sector stock is standing empty). This is where Patrick Jenkin's citizen's compulsory purchase comes in.

In a few places where the urban magnet has attracted very poor people whom councils have been forced to house in expensive and substandard bed-and-breakfast accommodation, we should think about making extra cash available for new building and renovation of council housing by the private sector.

But we should not fall for any of the specious DoE figures which suggest that there is a need for many more council houses to be built each year. In general there is no such need, as we and the Treasury pointed out in the Committee. In some specific locations (eg London) and for some specific special needs (eg the elderly or disabled) there is still a need for more building. But there is no general need for new build, and we think that such new build as does take place should henceforth be done by the private sector. Local authorities have proved to be disastrously inefficient builders and managers of housing and their role should continue to be reduced as, under this Government, it has been.



CHRISTOPHER MONCKTON

21 May, 1985.

ANNEX : OFFICIAL GROUP ON HOUSING POLICY : SUMMARY OF PROPOSALS

Service charges for flats should be broadly in line with the estimate given to the tenant at the time of purchase.

Owner-
Occup.
Sector

Flat-buyers' payments for structural defects should be limited.

✓ The scope for cutting the sale-price of council flats and removing the "cost-floor" for council-house sales should be examined.

Right-to-Buy buyers have to repay all or part of their discount if they sell within five years: this should be cut to three.

The majority recommended against measures to give people on SB the chance to buy their homes. The Policy Unit questioned this.

? Schemes to give some council tenants the right to buy in the private sector should be considered.

The Homeloan scheme to lend £600 interest-free for five years helps only 1% of first-time buyers and should be wound up.

The feasibility of a Government-financed training and support scheme for tenant management co-operatives should be studied.

Local
Auth.
Sector

Housing management should be included in the new competitive regime to be applied to other local authority services.

The public expenditure implications of group purchase of estates by tenants should be examined.

Councils should set up tenant buyouts, and there should be last-resort powers of compulsion for obstructive councils.

Legislation giving people the right to demand that vacant council dwellings be sold on the open market should be considered.

} Council rents should be put up to yield an economic return. *Housing level 47*

Rental policy in the voluntary sector should be rethought in the light of decisions on local authority rate-of-return rents.

Volunt.
Sector

More private finance should be attracted to housing associations.

In areas where jobs are being created, restrictions on building new houses should be removed (eg structure-plan restrictions).

Mobil-
ity

Recent proposals to simplify house-buying should be implemented.

The structure of stamp duty on housing sales should be rethought.

Deregulating the private rented sector would help labour mobility and employment and would lead to a freer market.

Current
Issues

Home improvement loans rather than grants would lead to less public spending and more personal responsibility.