CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
MONDAY 2 APRIL 1973
at 5.00 pm

PRESENT

The Rt Hon Edward Heath MP
Prime Minister

The Rt Hon Lord Hailsham of St Marylebone
Lord Chancellor

The Rt Hon Lord Carrington
Secretary of State for Defence

The Rt Hon James Prior MP
Lord President of the Council

The Rt Hon Geoffrey Rippon QC MP
Secretary of State for the Environment

The Rt Hon Gordon Campbell MP
Secretary of State for Scotland

The Rt Hon The Earl Jellicoe
Lord Privy Seal

The Rt Hon Maurice Macmillan MP
Secretary of State for Employment

The Rt Hon Anthony Barber MP
Chancellor of the Exchequer

The Rt Hon Robert Carr MP
Secretary of State for the Home Department

The Rt Hon Sir Keith Joseph MP
Secretary of State for Social Services

The Rt Hon Margaret Thatcher MP
Secretary of State for Education and Science

The Rt Hon Peter Walker MP
Secretary of State for Trade and Industry

The Rt Hon Peter Thomas QC MP
Secretary of State for Wales

The Rt Hon Joseph Godber MP
Minister of Agriculture, Fisheries and Food

The Rt Hon Sir Geoffrey Howe QC MP
Minister for Trade and Consumer Affairs
THE FOLLOWING WERE ALSO PRESENT

Mr Paul Channon MP  Mr Patrick Jenkin MP
Minister for Housing and Construction  Chief Secretary, Treasury

The Rt Hon Francis Pym MP
Parliamentary Secretary, Treasury

SECRETARIAT

Mr J J B Hunt
Mr P Benner
Mr R L Baxter

SUBJECT

LAND AND HOUSE PRICES
HOUSING POLICY
The Cabinet considered a memorandum by the Secretary of State for the Home Department (CP(73) 46) reporting the conclusions of the Ministerial group on land and house prices (GEN 148). They also had before them a memorandum by the Secretary of State for the Environment (CP(73) 45) on the financial implications of the proposals.

THE HOME SECRETARY said that in paragraph 23 of the White Paper on the second stage of the programme for controlling inflation (Cmd 5205) the Government had undertaken to bring forward proposals to increase the availability of building land and reduce the extent to which disproportionately high profits could be made from transactions in land. The Ministerial group which had been set up under his chairmanship to consider the matter had however found it inevitable that they should review the whole of policy in the field of land and housing. Their recommendations fell under six headings -

i. Stabilisation of mortgage funds. This was to be discussed by the Cabinet at their next meeting.

ii. Supply of building land. The group had produced four main proposals: first, new guidelines for development control should establish a general presumption in favour of housing development, unless there were serious planning objections; secondly, land should be made available for housing in certain limited parts of Green Belt areas where there would be no loss of amenity; thirdly, there should be legislation to make possible the increased use of partnership schemes between local authorities and private enterprise; fourthly, developers should pay a share of the cost of providing essential services.

iii. Land hoarding charge. The intention to introduce a land hoarding charge had already been announced by the Chancellor of the Exchequer. A point for decision was whether the charge should be deductible for tax purposes. The majority view in the group was that it should not.

iv. Voluntary housing movement. The Housing Corporation and the National Building Agency should be reorganised and strengthened. This was the main area of additional expenditure.

v. Local authorities. The Government should continue to encourage local authorities to build for rent where necessary, to carry on with slum clearance and to sell council houses; and should also encourage them to build houses specifically for sale.
vi. Improvements. After mid-1974, when the existing arrangements for improvement grants, which had largely been designed to create employment in development areas, would come to an end, there should be a revised policy designed to concentrate resources in housing stress areas.

The Secretary of State for the Environment would find the net additional cost of the proposals from within his Department's existing allocations, largely by reductions in expenditure on trunk roads and miscellaneous local services; and corresponding savings would be found by the Secretaries of State for Scotland and for Wales. In the time available, it had not been possible to work out the proposals in full detail; but he was confident that they could be presented in a White Paper in a form which, although somewhat general, would appeal to public opinion and help to create confidence in the building industry.

THE CHANCELLOR OF THE EXCHEQUER said that he did not wish to object to the proposals on merits. On the other hand he could not agree to any further significant net increase in public expenditure, and he was obliged, therefore, to stipulate that the proposals, if accepted, must be financed by specific savings in expenditure. This must apply also to the proposed expenditure in Scotland and Wales. To the extent that the savings envisaged did not materialise, the proposals should not be proceeded with. Furthermore this shift of priorities within the programmes for which the Secretary of State for the Environment was responsible necessarily reduced his ability to contribute to the general savings on public expenditure, and would thus place a greater obligation on other spending Ministers.

The following points were made in discussion of the financial implications of the proposals -

a. There was a particular difficulty in Scotland arising out of the assurance that the Government had given, to support the development of North Sea gas and oil, that there would be increased expenditure on the improvement of trunk roads, ports and the infrastructure generally. It would be politically difficult to cut these programmes, and necessary in consequence to look elsewhere for the savings. Similarly in Wales it might also be necessary to find savings in different fields than those proposed for England.

b. The proposed cuts in the expenditure of the Department of the Environment, particularly that on roads, would pre-empt one of the main possibilities for reconstitution of the contingency reserve and, as the Chancellor of the Exchequer had indicated, would make it more likely that cuts would have to fall on other
programmes. Some of these were highly sensitive, and it was arguable that the Government should not restrict its freedom of manoeuvre in this way without fuller knowledge of what would be involved.

c. The major item of expenditure, apart from the proposals for mortgage finance which were to be considered the following day, arose out of the proposal for expanding the role of the voluntary housing movement. Comparatively little of that expenditure would fall in 1973-74 and 1974-75 and the question arose whether it was necessary at this stage for the Government to commit themselves to the heavy expenditure proposed for the subsequent years.

In further discussion it was argued that the Government would be very severely criticised if they allowed the level of house building to fall substantially. The proposals in the paper were expressed in too general terms to make much impact, and few of them were calculated to secure short-term results. In the short run it seemed likely that land prices would continue to rise; speculators would continue to make high profits; and the Government would bear the blame. It was suggested that too many three-bedroomed houses were occupied by elderly couples, who should be provided with more suitable accommodation, so that the larger houses could be used by those who most needed them. Attention ought also to be given to the substantial hardships borne by young married couples who were forced into expensive furnished accommodation, but who would be glad to buy if accommodation of the right size and price were available. More ought to be done to encourage the conversion of large properties for the use of two or more families, since this was one of the few courses of action that could yield quick results. So far as the land hoarding charge was concerned, if it was based on the value of the land when the planning permission was granted, a subsequent steep rise in the value could make the charge ineffective as a deterrent, and from that point of view there might be merit in basing it on a current valuation. Finally it might be desirable to say something in the White Paper about the problem of empty office accommodation, which was linked in the public mind with the housing shortage.

On the other hand it was argued that housing was a field in which it was not possible to secure dramatic short-term results. The current rate of private building starts was the highest achieved since the war, and (leaving aside the question of mortgage finance) it would not be unduly difficult to ensure that they did not fall back. The steps now proposed were all in the right direction and most of them could be taken without legislation. It was urgently necessary to set them in motion as quickly as possible.
THE PRIME MINISTER, summing up the discussion, said that there was no doubt about the political importance of housing and the need to maintain the impetus of the housebuilding programme. The proposals for mortgage finance would be considered at the meeting the following day and a draft White Paper should be circulated to show the remaining proposals in more detail. The Cabinet were broadly in agreement with the proposals for increasing the supply of land, although it would be important to show that the use of Green Belt land would have little effect on amenity and also that larger areas were being added to the Green Belts. It would also be necessary to consider further the basis of the land hoarding charge. As regards the proposals for housing, the alternatives were to maintain the level of starts in the private sector at roughly its present high level or to take steps to increase it even further by expanding the role of the voluntary housing movement. It would be worth considering further whether the second course could be taken without committing the Government at this stage to the high levels of expenditure envisaged for the years 1975-78. It might also be useful to consider whether, from the expenditure point of view, the stabilisation of mortgage finance and the expansion of the housing programme could be regarded as alternatives; and, if they could, which merited the greater priority. If it were decided that the housebuilding programme should be expanded, it would be necessary to take account of the limited capacity of the construction industry; and this might call for compensating reductions, on a selective basis, of other types of new building requiring broadly similar skills and resources. This was something which should if necessary be considered by the Secretaries of State for the Environment and for Employment. These, however, were matters to which it would be necessary for the Cabinet to return in the light of their forthcoming discussion about mortgage finance.

The Cabinet -

1. Took note, with approval, of the summing up of their discussion by the Prime Minister.

2. Invited the Secretary of State for the Environment to circulate a revised draft of the White Paper on the following day.

3. Invited the Secretary of State for the Environment, in consultation with the Chief Secretary, Treasury, to consider the basis of the land hoarding charge.

Cabinet Office

3 April 1973