

(THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT)

C. (62) 148

COPY NO. 63

2nd October, 1962

CABINET

HOUSING

Memorandum by the Chief Secretary to the Treasury
and Paymaster-General

The Minister of Housing and Local Government, in his paper C. (62) 145, raises a large number of important points which, as he says, will require working out with the Departments concerned. At this stage the only point on which I wish to comment is his proposal to increase the total level of house-building to 350,000 a year.

2. The total (Great Britain, public and private) has recently been just over 300,000 a year; the additional allocation of resources to housing would be of the order of £110 million a year.
3. We must consider the factors involved in becoming committed to an objective, the implementation of which is outside our control (about 60 per cent of house-building is private).
4. The question is whether we afford to devote such substantially increased resources to housing, given the other prospective claims upon the national resources. We cannot decide in favour of housing without in effect deciding the competing claims too.
5. This must be considered first in relation to the prospective resources of and demands upon the construction industries. New housing is well over one-third of this, and new housing plus other public sector work represent well over 60 per cent. There is much to be done to foster increased productivity, but we must take a realistic long-term view on how much we can really count on; and compare this with the prospective claims.
6. The Minister of Public Building and Works and I have been considering how we could act most effectively together to keep the demands on the construction industries in step with the prospective resources; and this review of the prospect over the next four or five years is the most urgent thing to do. Until it is done it is difficult to decide on a long-term objective for housing, or for the other outstanding building programmes.
7. But the demand on the construction industries is only one aspect of the competition between housing and other things for a share in the growing national output. There are all the other public programmes, current and capital, clamouring for a share of the increasing resources - defence, education, health, roads, pensions, etc. There is wide agreement that private investment needs more

resources (to press forward growth) and exports need more: and at the end of the chain is the question of the extent to which we shall be able to allow private consumption to expand. We know that, looking four years ahead, the claims exceed the growth of resources on which it is permissible to count.

8. In the next few weeks, we shall have to decide:-

- (i) the education and other public service investment expenditure (besides housing) for 1964-65 and 1965-66 - it is necessary to authorise now starts in 1963-64 and these determine the expenditure two years later;
- (ii) a proposal for a large increase in the electricity programme;
- (iii) the size of the general grant to the local authorities for 1963-64 and 1964-65 - in effect the rate of growth of local authorities' educational and other relevant expenditure on which the Government are prepared to base the grant;
- (iv) we shall also shortly have to take decisions on National Insurance pensions and assistance.

9. The decision on the long-term housing objective must be a part of this series of decisions, which will in effect settle our priorities.

10. I propose therefore:-

- (i) that the Minister of Public Building and Works and I should make a review of prospective demands and resources on the construction industries for the period to 1966;
- (ii) that the decision on the 350,000 housing proposal be deferred until the review in (i) is available and until the Cabinet have before them the other major issues for decision in paragraph 8. It is my intention to bring all of these forward as quickly as possible.

J. A. B. -C.

Treasury Chambers, S. W. 1.

1st October, 1962.