12th November, 1965

CABINET

THE SCOTTISH HOUSING PROGRAMME: DRAFT WHITE PAPER

Memorandum by the Secretary of State for Scotland

Because our Scottish housing needs and objectives differ materially from those in England and Wales, I am proposing to present a separate White Paper. A draft is attached for my colleagues' approval.

2. As the new Scottish subsidies will take effect from the date of presentation of this White Paper, both Papers must be presented on the same day.

W.R.

Scottish Office, S.W.1.

12th November, 1965
1. The National Plan\(^{(1)}\) announced the Government's intention to give to housing a greater priority than it has had for many years: the rate of building will be increased with the initial aim of achieving a programme of half a million houses a year in the United Kingdom by 1970. Scotland's share of this total will be about 50,000 houses a year, an increase of 40 per cent. over the 1964 level.

The need

2. The number of new houses needed in Scotland cannot yet be estimated precisely\(^{(2)}\), but it is clear that by any standard a vast programme is essential if past deficiencies are to be overcome and present and future needs adequately met.

3. At present there are in Scotland about 1½ million houses. Although the need for replacement of a house cannot be related to its age - some very old houses have been or could be improved to modern standards - the mere fact that half a million are over eighty years old clearly indicates the need for a substantial programme of replacement. In their most recent slum clearance programmes, submitted in response to a circular from the Scottish Development Department of December 1964, the local authorities are proposing to accelerate the rate of clearance and to close or demolish some 45,000 unfit houses during the three years 1965 to 1967. They estimate that about the same number again are in such condition that they should be demolished as soon as resources permit. This is not, however, any real measure of the total need for replacement of unfit and obsolescent houses. A very high proportion of the older houses are in stone tenements and consist of only one or two rooms; and most have no fixed bath, hot water tap or separate w.c. or lack at least one of these essentials. Although many of them are solidly constructed and might well stand for many years, this solidity is the very factor which militates against attempts to bring them up to modern standards of size and amenity, and in most cases nothing short of replacement is practicable.

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(1) Cmnd. 2764, Chapter 17.

(2) See Appendix A
4. Each year it is necessary to demolish some houses which would have had a useful further life; this happens, for example, as a consequence of comprehensive redevelopment of slum areas or of new road schemes. There also remain some 18,000 temporary houses built after the Second World War which must be replaced soon.

5. In addition there is the need arising from the increase since the War in the number of families wanting a home of their own, an increase which largely reflects the trend towards earlier marriage, which is still continuing. The demand would have been greater if the net rate of migration from Scotland—now running at 40,000 persons a year—had not been so large. The Government's economic policies for Scotland, as they will be defined in a White Paper on the Scottish Economy 1965 to 1970, to be published shortly, will have as their aim the creation of more employment opportunities in Scotland, resulting in lower unemployment and higher activity rates and a substantial reduction in the loss of population by emigration. For all these purposes much will depend on a higher degree of mobility of labour and this, in turn, will call for new housing on a substantial scale in support of economic growth, particularly in Central Scotland.

6. Broadly, the requirement for new houses over the next few years is estimated as follows—

**existing now**

(i) up to 500,000 to replace houses already identified as slums or to replace old houses not capable of improvement;

(ii) at least 30,000 to meet present shortages;

**arising annually**

(iii) 3,000 a year to replace other losses;

(iv) 17,000 a year to keep up with the formation of new households;

(v) 5,000 a year to meet additional industrial requirements and reduce emigration.

A programme of 50,000 houses a year can be only a first step towards meeting all these requirements.
Of the 550,000 houses built in Scotland since the War only 75,000 were for private owners, almost exclusively for owner-occupation. The remaining 475,000 have been erected by public authorities - the local authorities, the new town corporations, the Scottish Special Housing Association and Government departments - almost exclusively for letting. The proportion of private housing has increased steadily since the War, but the number built for the private sector in any year has never exceeded about one-fifth of the total.

This is in marked contrast to many parts of the United Kingdom, in which more houses have been built for owner-occupation than by the public authorities. The Government consider that there is a large potential demand for owner-occupation in Scotland. In particular the building of many attractive houses for sale will be essential if industry is to be induced to grow in Scotland.

There is however an even greater need for new houses to let. The present shortages fall most heavily on those who are least able to pay an economic price for modern accommodation. These are the people who at present live in overcrowded and unsatisfactory conditions. The local authorities have so far done a commendable job in building houses for letting at moderate rents to people who cannot afford either to buy a house or to pay the full economic rent of a modern house. But in many parts of the country the demand is still formidable and the programme of building by public authorities must be accelerated.

The Government intend to keep both the total programme of house-building and its division in Scotland between the public and private sectors under constant review. Their present expectation is that in the years immediately ahead the Scottish private sector will provide one house for sale for every three or four provided by the public sector for letting. Representative building bodies of societies and builders have agreed to join in planning and programming building for owner-occupation throughout Great Britain along lines which are explained in the Paper "The Housing Programme 1965 to 1970" presented concurrently by the Secretary of State for Wales and the Minister of Housing and Local Government.

(3) see Appendix B.

(4) Cmnd. 2771
THE PLAN OF ACTION

10. The building of 50,000 houses a year will not be achieved easily. It will call for increased efficiency in the construction industry and the better use of the industry's resources; for more money from the taxpayer; for better organisation of the house-building authorities; and for the provision of enough land in the right places at the right times. At the same time a proper share of building resources must be devoted to the maintenance, repair and improvement of older houses.

House-building resources

11. A heavy additional load will be placed on the construction industry. It clearly will not be able, within the period to 1970, to secure a sufficient expansion of the skilled labour force to achieve the increased output required simply by employing more men. There must also be a substantial increase of productivity, so as to increase the industry's output without a proportionate increase of labour.

12. Much can be done by rationalisation of traditional building methods, and by better management at all levels, to secure reductions of time, labour and cost in house-building. There must also be rapidly increasing use of the newer methods of house-building by systems, involving the carefully planned assembly on site of factory-made components. The programme for 1970 will be within the capacity of the industry only if by then a considerably higher proportion of the houses erected for public authorities are being system-built.

Finance

13. The necessary expansion of house-building will not be achieved without more help from the taxpayer. In recent years the cost of house-building has risen markedly and for the last eight years interest rates have been at a persistently high level.

14. Together these two factors have created particular problems for the local authorities, for their loan charges on capital expenditure are the heaviest part of the annual costs of housing. These annual costs are shared by the
taxpayer, the ratepayer and the tenants of the houses. In recent years
the proportion met by the taxpayer through the Exchequer subsidies has been
insufficient to keep pace with rises in the costs. Rents charged to tenants
have on average more than doubled over a period of seven years, but still meet
only 40 per cent of costs. The share met by the local ratepayer (with, in
some cases, assistance from Exchequer equalisation grant) has been steadily
rising and was of the order of £20 million in 1964-65. It is greatly to the
credit of the local authorities that they have continued to build as fast as
they have done despite this very heavy burden on the rates. Nevertheless,
if they are to be able to carry out the expanded house-building programmes
which are essential, it is necessary to ease the rate burden by improving the
Exchequer subsidies and by pursuing sensible rent policies.

15. Because of the uncertainty caused by high and sometimes sharply fluctuating
rates of interest, the Government propose, after consultation with the Scottish
local authority associations, that the main Exchequer subsidy should be related
to a stable interest rate of 4 per cent. Each local authority will receive
a basic subsidy on newly-built houses, calculated so as to produce broadly
the same effect on its housing account as though the loans raised to finance
their construction had borne interest at 4 per cent per annum. Being related
to the capital cost of completed houses, the basic subsidy will vary with that
cost; and, of course, it will vary with the prevailing rates of interest.
Direct comparison with the present rates of subsidy is therefore not possible;
but the improvement over present rates will be substantial. Further details
of the basic subsidy and of the supplementary subsidies which will be paid for
certain purposes are given in Appendix C.

16. The Scottish Special Housing Association and the new town development
corporations are wholly Exchequer-financed, no part of their deficit falling
on the local ratepayers. It has been the practice to pay them broadly similar
subsidies to those payable to the local authorities, and they will receive the
basic subsidy and those of the additional subsidies which are relevant.
These improved subsidy arrangements will apply to all houses in respect of which tenders are submitted for the Secretary of State's approval on or after the date of presentation of this Paper.

The purpose of the new subsidies is to provide a proper amount of Government support to enable the expanded housing programme to be carried out without placing too heavy a burden on the local authorities. It is proper that rents of subsidised houses should be revised at frequent intervals to take account of changing circumstances, particularly rising incomes. The more generous subsidies now to be provided create an opportunity for all authorities to review their rent policies so as to ensure that reasonable levels of rents and adequate rent rebate schemes avoid hardship and unfairness to local authority tenants and ratepayers alike.

The problem of high cost and high interest rates affect not only the public authorities but also potential owner-occupiers, though for them the deterrent of high interest rates is lessened by income tax relief on their interest payments. The Government are anxious to encourage house ownership by as many as possible and as soon as the country's economic situation allows they will publish their plans for bringing owner-occupation within the reach of more families.

Improved Organisation.

If the public house-building authorities are to accomplish their tasks, with the full co-operation of the construction industry, it will be necessary to plan much further ahead than in the past. Some 80 - 90 per cent of the houses in the public sector will be built by about fifty major local authorities, the Scottish Special Housing Association and the new town development corporations. The Scottish Development Department will work out with all these authorities (as they have with several) provisional programmes for a period of about five years ahead. In doing so the Department will take account of the substantially differing needs of the various areas and of the rate of house-building which each authority can reasonably be expected to achieve. The proportion of system building to be used will be a major factor in determining the practicable size of these programmes.
21. In the existing major centres of population - and particularly in the Glasgow conurbation - the land available for housing development is rapidly diminishing and the emphasis must increasingly be placed on the redevelopment of existing areas. Many of the houses which will be replaced are so small and crowded together that it will be impossible with reasonable standards of planning and amenity to replace them with the same number of modern houses. Furthermore, the growth of industry in Scotland will require a substantial provision of houses in places where the existing stock is inadequate for such growth. The existing New Towns will have an increasing contribution to make, and the Government are considering whether another should be designated. Elsewhere the programme of housing required may well be beyond the capacity of the local authority or authorities concerned and the Government consider it appropriate that they should provide additional assistance in such areas, through the agency of the Scottish Special Housing Association.

22. The carrying out of the expanded programme, and particularly the wider adoption of system building, will require a new outlook on the part of all the public authorities concerned. Substantial productive capacity already exists, or is being provided, in Scotland by a number of manufacturers of various house-building systems. In most instances the initial costs of providing this capacity are heavy, and prices which are competitive with the cost of the more traditional forms of building can be offered only if the manufacturers can be assured of sizeable orders, and a steady run of work. It is therefore of the utmost importance that public authorities should be prepared to join together in the arrangement of group programmes which will make full use on a planned basis of the systems which are available. The Scottish Development Department, in collaboration with the National Building Agency, will seek to identify with the authorities the projects which might be included in such group programmes; to assist them in the programming of projects; and to help them to choose the systems best suited to their needs. Group programmes of this sort can make the best use
of productive capacity and keep costs down to a reasonable level only if the authorities concerned are prepared to limit variations on points of detail in the planning of individual houses. The range of house-types and variety of finishes which the manufacturers can offer, together with attention to good layout and planning of each estate as a whole, can ensure that dullness and uniformity do not mar the estates built under these programmes.

Land.

23. A rising housing programme can be sustained only if sufficient building land is available. To be able to plan building programmes, both public authorities and private builders need to know, well in advance, where and when they will be able to build. The necessary steps must therefore be taken in good time to allocate and acquire the land, to clear it if necessary and to provide the services it will need. As well as the forward planning of building in the public sector, already referred to in paragraph 20, there must be a forward programme of land identification and acquisition by local authorities. The Scottish Development Department will maintain and develop their existing consultations with the local authorities to ensure that these programmes keep well ahead of the start of house-building.

24. Local authorities and New Town Corporations have power to buy land, compulsorily if need be, for house-building whether by themselves or by private development. In order to ensure a balanced house-building programme the local authorities will be asked to use their powers, where necessary, to ensure that private builders as well as the local authorities can acquire land in good time.

25. The Land Commission which has already been announced (4), with power to buy land where this is necessary to secure its early development or redevelopment, is an essential part of the Government's Plans for housing. The Commission's powers will ensure that land is forthcoming as and when needed for housing purposes, and the Commission will be able, in appropriate cases, to

(4) Cmd. 2771
dispose of land for houses for owner-occupation on concessionary terms.

Improvement and maintenance

26. The foregoing paragraphs have been concerned mainly with the building of new houses. But the present stock of 1½ million houses includes many which cannot be replaced for a long time to come, although they are not up to modern standards. It is of the greatest importance that both local authorities and private owners should make vigorous efforts to take advantage of the Exchequer assistance which is available under present legislation to enable improvements to be made to these houses. The maintenance and repair of houses must also not be neglected. For the public sector this is one aspect of the whole question of management of houses which the Secretary of State has remitted for consideration by the recently-reconstituted Scottish Housing Advisory Committee. As for rented houses in the private sector, the new form of rent control introduced by the Rent Act 1965 is designed to be more flexible and fair, both to landlords and to tenants, than previous controls and ought to encourage landlords to maintain adequately the houses they own.

Conclusion

27. The first part of this Paper sets out the Government's aim, and describes the circumstances in which they have decided to accord priority to an expanded house-building programme. In Scotland a programme rising to 50,000 houses a year by 1970 is projected. This is only the first stage of a developing plan; as more information becomes available it will be carried forward with increasing momentum and precision.

28. The second part describes the action proposed to attain the initial objective. It will call for whole-hearted cooperation between all concerned - house-builders, local and central house-building authorities and many other agencies and individuals. With this concerted effort, which they intend to bring about, the Government believe that in the next few years great progress can be made towards housing the people of Scotland decently and well.
1. The problem of obtaining, and still more of keeping up-to-date, adequate basic information about housing conditions and progress is being carefully studied and steps are being taken both to make good the immediate deficiencies in knowledge and also to provide a continuous flow of information.

2. The 1961 Census contained a wider range of information about housing than previous censuses. A further sample census, covering a similar range of housing information, is to be taken in 1966. These, taken together, will materially improve knowledge of the number of houses in Scotland, their condition, tenure and occupancy and of how these factors are changing, but the time between censuses, even if reduced to five years, is too long to give an entirely satisfactory picture of the changing situation.

3. Census results must therefore be supplemented. For this reason a sample survey has recently been carried out in Scotland on behalf of the Scottish Development Department and a similar sample survey has been carried out in Glasgow for the Corporation. The results of these two surveys, which have been closely co-ordinated, will be available early in 1966. Further regular surveys will be undertaken in the future on a scale sufficient to provide indications of the most important trends.

4. Perhaps the most difficult gap in information concerns the condition of houses. One reason for this is the absence of any common standard by reference to which assessments can be made of fitness for habitation and of potentiality for improvement. The Scottish Housing Advisory Committee has set up a sub-committee to examine the formulation of such standards and their work should enable the state of Scotland's housing to be more precisely evaluated.

5. More information is needed also on the way in which the stock of houses is used. The sample survey will give current information about occupancy. But an important aspect of this question is the way in which tenants are chosen for houses available for letting. This is of particular importance in relation to the need in Scotland for greater stability of labour. As most houses for letting are owned by local authorities, a sub-committee of the Scottish Housing Advisory Committee has been set up to examine the methods by which the authorities allocate
their houses. At the same time the Scottish Housing Advisory Committee itself is considering the whole question of providing houses to meet the needs of industry.

6. It is important that as much as possible of the new information collected in these ways should be generally available. The results of the sample survey will be published and the possibility of publishing a wider range of housing statistics is being examined.
NEW SUBSIDIES FOR LOCAL AUTHORITY HOUSING

1. The Bill. A Bill will be introduced during the present Session of Parliament to provide for a new subsidy structure in Scotland. The broad framework is set out in the following paragraphs.

2. Basic and supplementary subsidies. The new subsidies will comprise:

   (a) A basic subsidy
   (b) Supplementary subsidies where appropriate for
       (i) expensive sites
       (ii) high flats
       (iii) overspill
       (iv) building in special materials
       (v) precautions against subsidence.
       (vi) special needs

3. Period of subsidies and review. The new subsidies will apply to houses for which tenders are received for approval by the Secretary of State following the date of presentation of the Paper. Except for the overspill supplement (paragraph 5(b)) they will be payable for 60 years, subject to provision for possible review from time to time.

4. The basic subsidy. An entirely new form of basic subsidy will take the place of the unit subsidy (normally £32 a house but less or more in some instances) payable under existing legislation.

   It will be calculated in respect of all approved dwellings completed in any financial year and will take the form of a contribution towards the loan charges incurred in financing their capital cost (including land). The subsidy will be calculated as the difference between loan charges payable on loans of the amount of the capital costs at current rate of interest and at 4 per cent. For these purposes the current rate of interest for any year's subsidy calculation will be determined by the Secretary of State as representing the average rate of interest paid on new loans raised by local authorities in the preceding year.

      (1)
5. **Supplementary subsidies**

(a) The subsidies for expensive sites, high flats, precautions against subsidence and building in special materials will be on the same general lines as those payable for those purposes under existing legislation but there will be some detailed changes in the formulae for calculating them and in the qualifying conditions.

(b) Dwellings built by receiving authorities under overspill agreements will qualify for additional Exchequer subsidy of £12 per year for a period of 10 years. This will match the contribution by the exporting authority which is required under the Housing and Town Development (Scotland) Act 1957.

(c) **Special needs**

(i) Some authorities which are remote from centres of supply of building labour and materials qualify for additional subsidy under existing legislation. This is of particular value to the Highlands and Islands. The subsidy will continue with adjustments to take account of the assistance towards higher costs which will be given through the basic subsidy.

(ii) For authorities whose existing commitments for housing necessarily create an exceptional financial burden, the new rates of subsidy will be specially supplemented.

(iii) The Bill will also enable additional subsidy to be paid to local authorities who provide housing accommodation urgently required to meet the needs of incoming workers, where it cannot be provided without imposing a heavy financial burden on the local authority.

6. **Hostels grant.** The maximum grant payable under Section 99 of the Housing (Scotland) Act 1950 will be increased from £7 to £15 per bedroom.