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CABINET

## HOUSING POLICY

Memorandum by the Secretary of State  
for the Home Department

1. Paragraph 23 of the White Paper "The Programme for Controlling Inflation: Second Stage" (Cmnd 5205) said: "The Government ... therefore intend before the next stage of the policy comes into operation to bring forward proposals which will increase the availability of building land and reduce the extent to which it is possible for people to make disproportionately high profits from transactions in land." In his Budget Statement, the Chancellor of the Exchequer indicated that a statement would be made before the end of March; but in the course of a debate on land and housing on 14 March the Secretary of State for the Environment said only that he would be putting forward proposals "shortly".
2. A group of Ministers under my chairmanship has been formulating policy proposals for early announcement; and as part of their task they were invited by the Cabinet to consider possible measures for the stabilisation of mortgage finance. They have come to the conclusion that the Government's proposals should be announced by means of a White Paper, and hope to circulate a draft text for approval by the Cabinet at their meeting on 5 April. The Secretary of State for Scotland will at the same time be circulating a draft Scottish White Paper, and I hope that both documents can be published on 9 April.

## MAIN PROPOSALS

3. The main matters which we have discussed are as follows:-

A. Stabilisation of Mortgage Funds. The Cabinet have already had a preliminary discussion about the very serious situation which has arisen as a result of the recent substantial outflow of funds invested with Building Societies, in consequence of which the rate of interest payable by borrowers is liable to be increased next week to at least 10 per cent. The Chief Secretary, Treasury inclines to the view that, provided that sufficient mortgage finance is available, an increase in the

rate of interest to this level may have little effect on the output of houses. Other members of the Group foresee two possible dangers: first, that the consequent increase in existing mortgage payments will threaten counter-inflationary policies; and second, that, notwithstanding the availability of adequate mortgage finance, there would be a loss of confidence in the building industry which would lead to a sharp down-turn in the house building programme. This would have incalculable social and political consequences. The immediate question is whether, to avert these dangers in the short term, some form of subsidy should be given to the Building Societies. One possible means of doing this would be to reduce the composite rate of tax payable by the Building Societies. A limited reduction could be made by administrative means, but would make possible only the lowering by  $\frac{1}{2}$  per cent for a period of 6 months of the interest rate charged to borrowers. Action on these lines would have to be taken without any publicity. Anything further would involve legislation, and an overt subsidy. The cost to the Exchequer of a reduction of 1 per cent in the rate of interest would be about £10 million per month. If such action were taken, it could be accompanied by measures directed towards ensuring that the assistance provided by the Government was used to increase the number of houses built rather than to force up house prices. Such measures, which would have to be discussed with the Building Societies, might include:-

- a. A temporary cessation of special advances (ie advances exceeding £13,000) so as to allow a greater concentration of the available funds on cheaper houses.
- b. Intensification of the preference already being given to first borrowers.
- c. Intensification of the existing policy of concentrating advances on new houses.

For the long term, the Group of Ministers considered that there should be discussions with the Building Societies about the possibility of a stabilisation scheme which would not require financial support by the Governments.

B. Supply of Building Land. It is proposed that there should be new guidelines for development control which would provide that, in relation to the granting of planning permission by local authorities and the determination of appeals by the Secretary of State, there would be a general presumption in favour of housing development unless there were serious planning objections. It is also proposed that land should be made available for housing development in certain limited parts of green belt areas where there would be no loss of genuine amenity, on the basis that such action would be wholly offset by continuing additions and improvements to the green belts. (For example, the Group believes that there is about 2,000 acres of land in London suburbs and the Home

Counties where the boundary of the green belt encloses land which public opinion would not recognise as green belt.) The Group also propose increased use of partnership schemes between local authorities and private enterprise - this would require legislation - and the payment by developers of a share of the cost of the provision of essential services by local authorities.

C. Land Hoarding Charge. The intention that there should be a land hoarding charge has already been announced by the Chancellor of the Exchequer in his Budget Statement. It is proposed that the White Paper should give further details of how it will operate. To counteract the danger that there may be hoarding of land on which planning permission has not been obtained, the White Paper will indicate the compulsory powers which are available and will make plain that the Government will encourage local authorities to use them. A point for decision is whether the charge should be deductible for tax purposes. The majority view was that it should not.

D. Expansion of the Role of the Voluntary Housing Movement. It is intended that the Housing Corporation and the National Building Agency should be reorganised and strengthened and given the means substantially to increase the scale of their support for the efforts of the housing associations.

E. Provision by Local Authorities. The Government should continue to encourage local authorities to build for rent where necessary, to pursue energetically schemes for the clearance and early rebuilding of slums, and to sell council houses; and should also encourage them to build specifically for sale.

F. Improvement of Existing Houses. New measures should be worked out, and announced later this year, to facilitate the comprehensive improvement of older housing by a concentration of resources in stress areas. The existing arrangements will, however, in practice have to be allowed to continue until mid-1974.

**FINANCIAL IMPLICATIONS**

4. The Secretary of State for the Environment and the Chief Secretary, Treasury estimate that, excluding the cost of any measures agreed in connection with mortgage stabilisation, the additional net cost of the proposals described in the White Paper will be:-

					£ million
<u>1973-74</u>	<u>1974-75</u>	<u>1975-76</u>	<u>1976-77</u>	<u>1977-78</u>	
14	44	74	110	120	



The Secretary of State has undertaken to find these sums - the major part of which would be required for expanding the role of the voluntary housing movement - from within his Department's existing PESC allocations, largely by reductions in expenditure on Roads and Miscellaneous Local Services; and he recognises that these reductions do not obviate the question of a contribution over the whole range of his Department's programmes to the reductions in public expenditure as a whole which the Government have made their objective. Corresponding savings will be found by the Secretaries of State for Scotland and for Wales. There has not yet been time to itemise precise savings but they will be worked out in time to be reflected in the 1973 report of the Public Expenditure Survey Committee. The Secretaries of State have however circulated separately a memorandum indicating more clearly the general nature, scale and effects of the necessary reductions.

#### FORM OF WHITE PAPER

5. The White Paper describes some of the proposals only in general terms, leaving the details to be worked out subsequently following consultations with local authorities and the building industry. This is not ideal, but in the time available it has not been possible to take matters further. I believe however that the policies described will prove attractive, and in particular that the increased priority proposed for housing will be welcomed by the public and is fully justified on both social and political grounds.

#### CONCLUSION

6. Subject to the views of the Cabinet on the proposals outlined in this memorandum, the Secretaries of State for the Environment and for Scotland will circulate draft White Papers for consideration at the next meeting.

R C

Home Office

30 March 1973

