15TH SEPTEMBER, 1952

CABINET

RENT RESTRICTION AND HOUSING

Memorandum by the Minister of Housing and Local Government

At Cabinet I was asked about rents, (C.C.(52) 78th Conclusions, Minute 9). Here is a plan. If we are to act at all, we must act quickly.

2. "Rent restriction" and "Housing" are closely interlocked. But "rent restriction" can only (politically) be dealt with in a climate of expanding housing.

3. Nearly 9 million houses (some two-thirds of the total number) are occupied at artificially low rents, at about 6/- to 8/- a week. The economic rent of a typical new house today would be at least 30/- a week. Making the fullest allowance for differences in standards, the continued existence of this large pool of houses at frozen rents is a deterrent to unsubsidised new building and to house owning in general.

4. Some houses are falling out of use; many more houses are falling out of repair, since it is not worth while to repair houses when no recoupment can be obtained from any increase in rents to offset the great increase in the cost of repairs.

5. Many of the older houses are not worth repair; the proper fate for them is demolition. To this end we must as soon as possible resume our pre-war campaign for slum clearance and provide for "rehousing" as a part of our housing programme.

6. But there are much larger numbers of houses which, if properly maintained, will continue to provide good homes for many years to come. The maintenance of these houses by the owners in a proper state of repair must therefore be encouraged.

7. Increases in rents cannot be popular since there are more tenants than owners. But it is only reasonable for owners to receive and for tenants to pay rents which take account of the current costs of maintaining their houses in a proper state of repair.

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* About 4 million which have been continuously under rent control since 1915 are let at an average of 6/- per week; about 4 1/2 million which came out of control between 1919 and 1939 and were recontrolled in 1939 are let at an average rent of 8/- a week.
8. It is equitable therefore for rents to be fixed on this basis; but any increases should not be payable unless or until the houses are in fact in a proper state of repair.

9. Rating revaluation (owing to a fatal flaw in the 1948 Act) cannot be operative till 1956 or so. As a long term policy, rating valuation might well be taken as a basis for fair rents.

Meanwhile, as a short term policy, present rating valuation could serve as a measure for allowing some rent increases based on the allowance for repairs.

10. Under the existing law the figure on which rates are actually paid is arrived at by deducting from the gross value a figure based on the assumed cost of repairs. New legislation might authorise an increase of rent up to an amount representing some increase on this figure. For example on a house with a gross value of £21 the deduction at present allowable for determining the net rateable value is £7; if the house is at present let at £21, the allowable increase of rent might be £7, on the basis that the cost of repairs has certainly not been less than double the pre-war amount. I give these figures merely by way of illustration. I should like to reserve for further consideration the actual figure to be adopted.

It would be a condition that no increases in rent would be payable until the house had been certified by the Local Authority as being in a proper tenantable state of repair.

It would be a necessary part of the scheme that the additional rent allowed (being wholly for repairs) should not attract -

(a) any additional rating assessment and therefore increased rates, or

(b) any additional Schedule A assessment and therefore increased tax.

11. Naturally, under such legislation, increased rents would be payable forthwith (as soon as the houses were certified by the local authorities) for those houses which, despite the difficulties since 1939, have in fact been adequately maintained by the owners. My own expectation is that the number of these houses would be much larger than would be suggested by common report. Increased rents for other houses would no doubt be spread over a number of years, as and when owners found themselves able and willing to carry out repairs up to the standard necessary to obtain certificates.

12. If the Cabinet feel that it would be wise to deal with this problem in 1952/53 session, a short Bill on these lines could be rapidly drafted. I would leave over the many other complications of rent restriction till the 1953/54 session.

13. Such a rent policy should be accompanied by a gradual reorientation of the new house building programme which aimed at an expansion of private building and a concentration of subsidised housing on slum clearance.

Fair rents; more council houses than the Socialists built; more private building; renewed slum clearance - they all hang together.

Ministry of Housing and Local Government.

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H.M.