22nd January, 1953.

CABINET

HOUSES—OLD AND NEW

MEMORANDUM BY THE MINISTER OF HOUSING AND LOCAL GOVERNMENT

A.—The New Houses

Since we took office, we have devoted most of our energies in the Housing field to new Housing.

We have not been altogether unsuccessful. We have built just on 240,000 houses in 1952, as against 195,000 in 1951. We have 280,000 building. The programmes for 1953 and 1954 now chiefly depend on the supply of bricks, cement, and other materials.

We must save materials in every possible way for an expanding programme; this is as important as increasing supply.

2. The problem of unsubsidised and subsidised building remains. But we have made some advance. We have removed the obstacle of development charge. We have given a chance to private building. We are trying to find ways of popularising the means of assistance that can be given to private individuals under existing schemes.

3. We must watch the result of the new policy regarding private building. We may have to stimulate it in two ways—first, by extending the free licence to houses over 1,000 square feet; secondly, by considering some further encouragements.

B.—The Old Houses

INTRODUCTORY

4. In the climate of an expanding programme of new Housing, we can—and must—now turn our energies to the problem of the maintenance and repair of old houses.

5. We cannot, therefore, avoid the nettle of “rent restriction.”

But we must emphasise that this is not a question of giving a larger “net” return to the owners of house-property. We are concerned with preserving a great national asset.

6. Moreover, we ought to deny that rents or “rent restriction” has much to do with the clamour about the houses falling down; being abandoned by their owners; slums or near-slums. Most of the houses which are as bad as this are houses that ought to have fallen down or been pulled down long ago.

They cannot be repaired, improved or made fit for modern ideas of what the people need and are entitled to get.

No increase in rents, under any of the schemes suggested by anyone, would make them an economic proposition for the owner—except perhaps for the “worst” type of “slum landlord” or “speculator.”

Meanwhile, until enough new houses can be built both to re-house those who shelter in them and deal with the people on the Housing lists, these houses must be regarded as “transit camps.”
They are no doubt partly the inheritance of years when the public conscience was insufficiently aroused over these matters; but they are largely the result of war. For the war caused

(a) total destruction of 225,000 houses;
(b) severe damage to 550,000 more houses.

This led, owing to shortage of accommodation, to
(c) stopping of slum clearance for 13 years.

If there had been no war, the progress of "slum clearance"—at 1938 rates—would have got rid of 1 million such houses by now.

7. There are thus, broadly speaking, two different (though often overlapping) problems:

(a) There are the houses which can and ought to be maintained, repaired, improved—and show an economic return to their owners.
(b) There are the houses in varying stages of decay which ought to go, and therefore ought to pay no return to their owners.

There is also the problem of what might be called the Dilapidated House, dealt with in paragraph 20. But, in general, a large number of houses must be treated as temporary shelters, and nothing more. They are a burden, in the carrying of which we must all share.

THE REPAIR PROBLEM AND RENT RESTRICTION

8. It is generally admitted that costs of repairs cannot be met to-day out of that part of the rent, whether of privately or publicly owned houses, which is traditionally—and by statute—earmarked for the purpose.

9. Even local authorities are being forced, with increasing impetus, to raise the rents of the houses which they own. This is continually widening the gap between private and municipal rents.

10. But, it is argued, it is one thing to allow local authorities, which are non-profit making bodies, and—as it were—trustees for the people, to raise rents; it is quite another to allow private landlords, large or small, to do so.

11. Surely this argument cannot be sustained as to the economic need for a rise in rents, if repairs are to be done. It is only properly directed to the method.

12. Local authorities have, and ought to have a free hand. Other non-profit making bodies (if "profit" be the test) like Housing Associations should be in the same category. New Town Corporations could also be trusted with this power.

13. But—since there is still a great housing shortage and therefore the certainty of "profiteering" if the market were altogether freed—private landlords should only be allowed to raise rents in accordance with some fixed and legally enforced principles.

What should these be?

14. I think—pending a free market—they should be two. First, the maximum rent should be attached in some way to the rateable value—the only valuation that exists or can be made which is objective. Secondly, the house must be in "good tenantable repair"—that is, in a proper condition having regard to the kind of house it is.

(Improvements, apart from repairs, are already allowed for by the 8 per cent allowed.)

15. The first principle can only be made universally fair and logical after a complete valuation has been made by the Inland Revenue of all the houses. But a fatal flaw in the Act of 1948 means that the valuation which should have come into force in April 1953, must be postponed till 1955 or 1956.

16. Nevertheless, valuation is the key. Therefore we must have a new Valuation Bill (we have got to have one anyway). The details are given in C. (53) 25.

17. When the valuation is complete, it will be possible to relate maximum permitted rents to the new valuations. These will be brought up to date
by the next valuations and every five years thereafter. There will, of course, be variables, but they will be of general application.

A national valuation will make it possible to operate a fair system of rent control, so long as it may be necessary, without the present unfair variations between

(a) old-controlled and new-controlled houses;
(b) one area and another.

18. Meanwhile, we must have a “rent and repair” Bill to fill the gap before a long-term legislation (based on valuation) is possible. The broad principles of such a Bill were approved by the Cabinet on 14th October, 1952 (C.C. (52) 85th Conclusions, Minute 7).

Generally speaking, the proposal is to allow an increase of rent to a landlord in certain conditions, such increase to be based on the repair element in the gross rateable value.

The details are given in Paper No. C. (53) 26 being circulated separately.

19. In presenting the Rent and Repair Bill we shall argue as follows:—

(i) We frankly admit that there can be no completely logical or equitable system without re-valuation.

If the Act 1948 had not broken down, we would have had this by April 1953.

(ii) This is therefore a stop-gap.

It’s the best we can do, with all the illogical variations in rents, under which two identical houses in the same street may be rented at widely differing figures.

(iii) But if the millions of houses which must serve the nation for many years to come are to be maintained in good condition, we cannot allow the position to slide.

This scheme (with the various safeguards) seems to be in present circumstances the best we can do.

(iv) But it will not deal, and is not intended to deal, with the “houses that are falling down” nor with what I may call the dilapidated house, i.e., the house which landlords will have no incentive to repair even with the permitted increase.

(v) My proposals for these two classes are described in the following sections.

C.—Operation “Rescue”

THE DILAPIDATED HOUSE

20. There are some houses which cannot absolutely be condemned as slums; which the owner could not spend enough money on to put them into the category of “good tenantable repair” (and thus qualify for increased rent), and yet are capable of being made “habitable.”

Local authorities should be able to serve a notice on owners of such houses requiring them to maintain their property in reasonable order (“habitable”).

If the owner cannot or will not comply with this notice, the local authority should be empowered to do the work themselves.

The ownership of the house (unlike that of a slum or condemned house) will remain with the owner.

But the local authority can recoup itself

(a) by charging the owner,
(b) by taking the rent until the expenditure is repaid.

We believe that there are quite a number of houses which are approaching, but haven’t reached the condemned standard, to which such treatment might be applicable and effective.

THE CONDEMNED HOUSES

21. The number of these houses is not known. It can only be a matter of conjecture. It may be 1 million, it may be more.

Some are in rural areas. Most of them are in towns.
Some are in areas—(e.g., in slums, where most are equally bad) which can only be redeveloped as a whole, even including the demolition of houses in fairly decent repair.

Some are scattered about in areas where the majority of the houses can be kept in repair by the proposals in paragraphs 18 and 19 (Rent and Repair Bill), or at least dealt with under paragraph 20.

22. These houses are not easily defined.

Perhaps the easiest definition—for our purposes—would be this. They are houses which the owner cannot put into a decent state of repair even with aid of the additional rents proposed, and cannot even be made "habitable" by the local authorities.

23. What are we to do about these houses? As they are unfit, they ought to be pulled down as soon as possible and local authorities should be asked to make a start.

24. But owing to the shortage, most of these houses cannot be demolished for years. They must last at least ten years—in some cases fifteen, or perhaps even twenty.

It is sad, but inevitable.

25. Since this is inescapable, it is surely a national duty to see that the condition of the people who have to live in them is made as tolerable as possible until something better can be provided for them.

If you cannot build barracks for all your army, you give them huts—or, at least, tents. You don’t ask them to sleep in the open while the barracks are building. You don’t say “Oh! huts and tents are substandard. I’ll have nothing to do with them!”

26. Whose job is it to do this? It seems natural that the local authorities should do it. The Exchequer will have to help them.

27. But, since the landlords have not done their job, and cannot do it even with the increased rent to be allowed, in my view the landlords have lost all continuing rights in the house. Such a house is worth nothing at all. Nothing should be paid for it.

Property has rights only proportionate to the extent it carries out its obligations. These houses—most of them over 75 years old and many of them 100 years old—ought to have been repaired and brought up to date, or written off.

If the equity holders in a business do not continually preserve to the value of the business by ploughing back the profits, replacing the machinery and modernising the stock, the shares will become worth nothing.

So it is with house property.

To deny this is to defend usury.

This is true Tory democracy.

28. These houses, therefore, should be taken over without paying anything for the house.

To do this, the slum-clearance procedure may have to be modified and simplified.

29. But site value will have to be paid. This may cost quite a lot; I refer to finance later.

30. Thus the local authorities will have the houses—free of charge.

They will also have the site; when the time comes, they can use it for development. What do they do with the house meanwhile?

I believe they can at least do better for the unfortunate occupiers of these houses than the present system.

But I don’t think they ought to be asked (or allowed) to do too much.

31. They would of course make a plan of campaign. It would be called Operation Rescue. Some houses would go in 5 years or less; some in 10; some in 15.

32. They would do more work on the 15 years’ category, of course, than on the 5 years.

In all cases, the local authorities can keep out the weather; produce some kind of water supply; and some kind of sanitation.
Anything they do will be better than what is not being done to-day. But it should be clearly laid down as part of the scheme that these houses are condemned houses. They ought to have gone before now. They are Hitler’s legacy. Therefore, local authorities should only be expected or allowed to do the minimum.

33. No doubt some local authorities may feel unwilling to carry the odium of nominally owning this property. (Yet they are really liquidators or trustees, not owners.) This squeamishness must be overcome. For it is the policy of the Levite.

34. How will the purchase of the site and the minimum repair of these houses be financed?
A good deal of money must be spent on them. Some of it may have to be amortised over 10 years; some over 15. Where is it to come from?
It can come partly from rents. Presumably the occupiers are paying some rent to the present landlords. The houses should be regarded as “out of rent restriction” and the local authorities should get what rents seem to them fair and reasonable having regard to (a) the previous rent, (b) the money spent.
Of course, there will be—in most, if not in all, cases—a deficit.

35. How should the deficit be shouldered?
My Department are already discussing this and other relevant questions with the Treasury.
In any case, all this expenditure will not happen at once. It will take time to organise so great an undertaking.
But it will cost less than one might suppose, if we cast the account boldly.
On one side, the expense. On the other, the savings—savings in sickness, disease, human degradation, crime.

D.—House Ownership

36. At the present moment there are about 13½ million individual dwellings in Great Britain (houses and flats).
Of these, 3½ millions are lived in by owner-occupation;
2½ millions are rented from local authorities, New Towns, Housing Associations, &c.;
7½ millions are rented from Landlords, large and small.

37. From every point of view, the owner-occupier should be encouraged. Politically, he forms a stabilising element in the State. Economically, he is an automatic saver, while he is buying his house; he has a “stake in the country” (as the saying is) when he has bought it. Financially, in present circumstances, the new owner-occupier presents a sharp contrast to the tenant of a new Council house. For he costs nothing to Exchequer or the Rates, as against a tax and rate subsidy of £770 capital on every new subsidised house.

38. I have tried to support owner-occupation in three ways:—

(a) By encouraging local authorities to sell old Council houses to their tenants. It is too early to see what response there will be. Many Councils, and practically all Socialist Councils, have refused to operate the permission given to them. Present rates of interest and the general shortage of money will deter many tenants from buying.

(b) By first altering the ratio of new private building from 1 in 5 to 1 in 2; and recently, by offering private licences as of right (if of 1,000 square feet or less) to individuals and in blocks of 12 to speculative builders.

(c) By allowing local authorities and New Towns to sell freehold sites which they have got or may acquire.

We are studying further inducements to private enterprise. But I should be against any new step until we see what private building comes along under the plan so recently announced.

39. Nevertheless, however much we may be able to encourage the owner-occupier, a great proportion—probably the great majority—of ordinary folk will require houses to rent.
In the past these have mainly been provided by private enterprise, large and small. Up till quite recently local authorities have only been expected to provide Council houses as a result of slum clearance or for the working classes.

But private enterprise cannot, in my view, do the job in the future. Whatever we may do about rents will only help to keep existing houses in repair. I doubt if it will encourage genuine private building to let on any great scale.

The days of the great landlords are finished. Taxation, by income tax, surtax and death duties, has brought these estates to an end.

The small investor, who used to regard bricks and mortar as the only safe investment, has been caught twice. I doubt if he will be caught again. Two wars, two periods of inflated costs, coupled with rent restrictions, may have warned him off for good.

Who then is to build and own working-class (or for that matter, middle-class) houses to let?

It would be very regrettable if the whole of this function were to fall into the hands of local authorities.

It would be bad for them in every way—not least because of its political effect. Many of the men most interested in local government are aware of this danger.

The bodies to do this job must be—

(a) non-dying,
(b) not subject to surtax, and
(c) (except for some element of tenant co-partnership) non-profit making.

Of course, we can and should encourage great industries, whether nationalised or not, to play their part. The Coal Board, the Railways, the Docks, and some of the great industrial undertakings can and are beginning to do so, whether directly or indirectly (through Housing Associations). We have 20,000 houses building or arranged for the Coal Board.

The Housing Association, whether in its present or in an extended form, must play an important rôle. “Co-ownership” has a possibly great future in this field. Much is being done in other countries on these lines.

I have appointed a strong Committee, with some of the leading practical experts in this field, to study the problem and report to me.

E.—Time-Table

We have to introduce a Bill, if it is to leave the House of Commons before the August adjournment, soon after Easter (5th April).

3 Parliamentary Days in House of Commons would be necessary: 1 would do for 2nd Reading; 2 for Report and 3rd Reading—or 2 for 2nd Reading and 1 for Report and 3rd Reading.

The Committee stage would have to be risked in Standing Committee upstairs.

We have to carry into law, as part of a comprehensive Housing policy, two Bills as soon as we can. One might be this session; the other, as early as possible next session.

These are a “rent and repair” Bill and a new “valuation” Bill.

Their precise proposals are set out in C. (53) 26 and C. (53) 25 (the valuation proposals are jointly by the Chancellor of the Exchequer and myself).

Of course, it would be quite possible to introduce a Rent and Repair Bill without reference to the plan as a whole.

This I trust the Cabinet will not require me to do. It would be fatal from every point of view. It would be politically dangerous and morally indefensible.

The problem must be treated as a whole, if the short-term measures are to be acceptable.

I should therefore propose to repeat the Town and Country Planning Act manoeuvre, in reverse. (We should be doing the unpopular bit first!) We could publish a White Paper setting out our whole policy—of course, some bits would be more advanced than others (e.g., Valuation Bill). Some bits would be little more than cartoons for the final picture (e.g., Co-ownership). Some would be in an intermediate stage (e.g., Operation Rescue).
But the White Paper would set it all out. That’s what the country would be asked to consider and judge as a whole. If necessary, we could have a two-day Debate about it (and include in that Debate the formal 2nd reading of the short-term Rent Bill).

Thus the unpopular—but admittedly necessary—raising of rents to meet repairs, within the limits of our plan, would fall into place as part of a wider design. “A racket to suit Tory Landlords” might still be the cry of the Daily Herald. But it would be rather ashamed of it. The Opposition in the House would be in some difficulty. Of course, the Socialist street canvassers would exploit the position to the full.

But our canvassers would have two answers:—

(1) The rise in Local Authority rents; and the rent book showing what the rise in private rents was for.

(2) Whatever they could get over of the wider story—repair and rescue, and co-ownership—a not ignoble theme.

47. I ask for—

(a) General approval of the design set out in this paper.

(b) Authority for Parliamentary draftsmen to begin work on both the Rent and Repair Bill and the Valuation Bill, so that we can have room to manoeuvre and introduce whichever Bill we finally decide upon after Easter. (Details in C. (53) 26 and C. (53) 25.)

Meanwhile, my Department continues discussions with the Treasury and I will produce a draft White Paper for the Cabinet as soon as possible. At this stage, I only want authority to draft the two Bills. Final decision remains with the Cabinet as to how or when we shall proceed.

H. M.

Ministry of Housing and Local Government, S.W. 1.
22nd January, 1953.