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HOUSING SUBSIDIES

Memorandum by the Minister of Housing
and Local Government

I was invited by my colleagues to submit a memorandum on the question of housing subsidies (C. M. (55) 21st Conclusions, Minute 7).

2. At present 40 per cent of the cost of the typical Council house is paid for out of subsidy (three-quarters by the Exchequer and one-quarter by the local authority). This year the Exchequer subsidy on permanent houses in England and Wales amounts to nearly £50 millions, and is increasing at the rate of £5 millions each year.

3. The large subsidy has encouraged local authorities to charge unjustifiably low rents. In many areas the rent (exclusive of rates) for a post-war three-bedroomed house is no more than 12/- a week, and in some cases the rent for a similar pre-war house is as little as 7/-. With the average worker in industry to-day earning over £10 a week, it is evident that the majority of Council tenants could well afford to pay more than they do and that an increasing number have no need to be subsidised at all.

4. There is, therefore, a clear case for a substantial reduction in the Exchequer contribution to local authority housing.

5. We will, of course, have to continue to pay subsidy on houses already built or approved.

6. As regards house-building, I am in process of working out proposals which would have the effect of reducing the number of new houses on which subsidy was payable to about 100,000 a year, as compared with about 180,000 at present. This would be achieved by concentrating the subsidy on the most important objectives, namely slum clearance and the relief of urban congestion.

7. The curtailment of subsidy would no doubt lead to some reduction in house-building by local authorities in areas where the need is no longer great. On the other hand, in districts where there is still a serious shortage of accommodation, it should not prevent Councils from maintaining a high rate of construction.

8. The number of new dwellings built each year normally represents only a small proportion of the total pool of Council houses in the area. The loss of subsidy could, therefore, usually be offset by small increases

in rents spread over the whole pool. As an alternative, it could be offset by introducing one or other of the differential rent schemes, under which tenants are required to pay as much as they can reasonably afford.

9. The Cabinet will obviously not wish to take any final decision on this important matter without a good deal of further thought. Meanwhile, the raising of the interest rates of the Public Works Loan Boards, with the resultant increase in the costs of local authority house-building, is bound to lead to Questions in Parliament as to whether we intend to increase the housing subsidy.

10. If my colleagues approve, I should like to take this opportunity to say:-

- (a) that the Government definitely do not intend to increase the housing subsidy;
- (b) that, in fact, we are at present examining the rates of the housing subsidy and the purposes for which it is allocated, with a view to considering whether any changes are desirable;
- (c) that I shall shortly be having discussions with Local Authority Associations on this subject and that a further statement will be made after the recess.

11. A statement of this kind would have two advantages. First, it would begin to prepare the minds of all concerned for some reduction of the housing subsidy. Secondly, it would enable me to discuss the problem, in general terms, with the Local Authority Associations and to obtain from them the information and advice which I need before I can formulate firm proposals.

12. I accordingly ask my colleagues to authorise me to reply to Questions on the lines indicated in paragraph 10 above.

D.S.

Ministry of Housing and Local
Government, S. W. 1.

11th July, 1955.