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CABINET

HOUSING SUBSIDIES

Memorandum by the Minister of Housing  
and Local Government

I submit below my proposals for lightening the burden of the housing subsidies and for reducing the total volume of house building. Owing to the absence abroad of the Chancellor of the Exchequer I have been unable to agree these proposals in detail with him. However, they follow closely those which I outlined to the Cabinet at its meeting on 5th September, and on which there appeared to be general agreement.

2. In our election manifesto, we undertook to maintain a high rate of house building and to concentrate especially on slum clearance and the relief of urban congestion. A substantial subsidy should therefore continue to be paid in respect of houses built -

- (i) for the re-housing, directly or indirectly, of slum dwellers;
- (ii) in New Towns, or as part of expansion schemes under the Town Development Act to accommodate excess population from overcrowded cities; and
- (iii) in approved cases, to accommodate workpeople coming into an area to meet the urgent needs of industry (e.g. coal mining).

3. For such houses I recommend an Exchequer subsidy of £24. This represents a slight increase of about £2 on the present Exchequer subsidy (£22 1s. 0d.). However, it falls short by nearly £11 of the amount which, under the existing practice, would be required from the Exchequer to make good the increase in interest rates and other costs since the subsidy was fixed a year ago.

4. The subsidy on houses for other purposes should be abolished altogether as soon as possible; but it would be unwise to effect this drastic change all at once. The first and immediate step should be to cut the subsidy on houses built for "general needs". I would like if possible to reduce it from the present level of £22 to about £10. However, if we are not to lose the essential co-operation of the Local Authorities, it may be necessary to make some advance on this figure. They have reacted most strongly to the latest increase in the interest rates on public works loans, and when they learn that on top of that the Government are proposing drastically to cut the subsidy, they will certainly protest violently. In fact, they may adopt the attitude that they are not disposed to build any

substantial number of houses with so low a subsidy. I am meeting the representatives of the Local Authority Associations on 3rd October to discuss the position, after which I will be better able to advise my colleagues on this point.

5. Other housing subsidies (e.g. for flats) would be adjusted proportionately.

6. Most Local Authorities will probably decide to meet all or part of the cut in subsidy by raising rents. I would propose to advise them to spread any such rent increases over all their houses, new and old, and to consider adopting differential rent schemes, as has already been done by quite a number of Councils.

7. Local Authorities should be absolved of their statutory obligation to pay subsidy out of rates on any of their houses, old or new. At the same time they should be left free to do so to such extent as they may think fit. This would give Local Authorities a further incentive to raise Council house rents to something more nearly approaching what the tenants can afford to pay.

8. These new rates of subsidy would apply to any dwellings built in pursuance of tenders approved by a Local Authority after the date of the announcement. Subsidies payable in respect of houses previously approved would, of course, not be affected.

9. The existing system, under which the Government fixes the house-building programme of each Local Authority by the issue of housing allocations, should be brought to an end so that authorities would be free to build as many houses as they wish with subsidies at the revised rates.

10. Our aim should be to reduce progressively the number of subsidised houses completed by Local Authorities and New Towns in England and Wales down to (but not below) 120,000 a year, and the total rate of completions in Great Britain down to (but not below) 270,000 a year. It is reasonable to expect that the reduction in the general needs subsidy and the "credit squeeze" will produce something approaching this result, though it is impossible to forecast with accuracy the precise effect of either of these measures. The position should, therefore, be closely watched. If it should be found either that the rate of house building is still too high, or that it is falling away too rapidly, further action may have to be considered.

11. If they are approved by the Cabinet, I would propose to announce to the House the changes proposed in paragraphs 2 to 9 above and to say that a Bill to give effect to them will be introduced as soon as possible. I would not specify the precise figures for the new subsidy rates, pending the outcome of my meeting with the representatives of the Local Authorities on 3rd October.

Conclusion

12. Accordingly, I ask my colleagues -

- (a) to approve the proposals outlined in paragraphs 2 to 10 above;

- (b) to agree that I should make a statement to the House on the lines indicated in paragraph 11; and
- (c) to authorise the preparation of the necessary Bill, with a view to its early introduction.

D.S.

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

19th September, 1955.