



(c) crown copyright

SECRET

C.P.(55) 155

COPY NO. 63

17th October, 1955

CABINET

HOUSING SUBSIDIES BILL

Memorandum by the Minister of Housing and Local Government

On 21st September the Cabinet discussed C.P.(55) 128 giving my broad proposals for cutting housing subsidies and for reducing the house-building programme of local authorities (C.M.(55) 32nd Conclusions, Minute 1). Subsequently the Prime Minister authorised me to open discussions on this basis with the local authority associations.

2. As was to be expected, the local authority associations expressed vigorous opposition to any reduction in subsidies. In fact, they argued that, in view of the rise in interest rates, the subsidies ought rather to be increased.

3. These protests have not altered my opinion that the proposed cuts in the subsidies are by no means unreasonable and will certainly not make it financially impossible for local authorities to build houses and let them at rents which the tenants can afford to pay. At the same time, I have little doubt that the cuts in the subsidies will have the effect of reducing the total number of council houses built.

4. The details of my proposals for amending the rates of subsidy are set out fully in the Annex to this paper. It will be seen that the new rates proposed are, in important respects, significantly lower than those which I suggested earlier to the Cabinet. For example, the new rate proposed for houses to replace slums (which may before long represent nearly three-quarters of the whole local authority house-building programme) is only £20, as compared with the £24 which I was authorised to offer.

5. I invite my colleagues to authorise me to submit forthwith to the Legislation Committee a Bill embodying the proposals set out in the Annex and to introduce it when Parliament reassembles.

D.S.

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

16th October, 1955.

ANNEX

PROPOSED CONTENTS OF HOUSING SUBSIDIES BILL

Houses (including flats in blocks of not more than 3 storeys)

1. The standard subsidy at present payable on all houses built by local authorities is £22, 1, 0, per house per year.

2. It is proposed to abolish this and replace it by new rates differentiated according to the purpose for which the houses are built, as follows:-

- (a) £10 per house for houses built for general needs (i.e. for purposes other than those specified below).
- (b) £20 per house for houses provided in connection with slum clearance.
- (c) £24 per house for houses provided by New Town Development Corporations or by Councils of "expanded" towns for the accommodation of "overspill" population from the big towns. (In this connection, power will be taken to enable the Minister, for a period not exceeding ten years, to recover from the Councils of "exporting areas" 50 per cent of any contribution paid by the Minister under existing powers, in lieu of a rate contribution).
- (d) £24 per house for houses built (with the Minister's approval) to accommodate incoming workers needed to man up important industries (e.g. for additional miners to work in expanding pits).
- (e) £19 per house for houses provided in small groups and in isolated areas for the agricultural population.

Flats in blocks of 4 storeys and upwards

3. At present a basic subsidy of £56, 8, 0, per flat per year and is payable on all flats with lifts, regardless of height.

4. It is proposed to replace this by new rates differentiated on the same basis as for houses, and varying according to the number of storeys, as follows:-

| | <u>4 storeys</u> | <u>5-8 storeys</u> | <u>Over 8 storeys</u> |
|---|------------------|--------------------|-----------------------|
| (a) Flats for general needs | £20 | £35 | £42 |
| (b) Flats for slum clearance, overspill, and approved industrial expansion. | £30 | £45 | £52 |

Expensive Sites

5. An additional subsidy is at present payable (on a scale related to the cost of the land) for flats built on sites costing £1,500 or more per acre, and for houses built on sites costing £3,000 or more per acre.

6. It is proposed that this additional subsidy should no longer be payable in either case until the site cost reaches £4,000. Otherwise the conditions governing the additional subsidy would remain unchanged.

Miscellaneous small subsidies

7. In addition, there are at present five other small subsidies payable on new houses. It is proposed to alter two of these as follows:-

- (a) The subsidy for privately-built houses for the agricultural population is to be reduced from £15 to £10.
- (b) The little used special subsidy for poor authorities in areas where rents are exceptionally low is to be abolished.

Assistance in exceptional cases

8. It is proposed to empower the Minister, at his discretion, to pay additional subsidy in exceptional cases where the provision of urgently needed houses would place an unreasonable financial burden on the local authority. This power will be limited by a proviso that the total subsidy may not be increased beyond a maximum of £30 for a house and £40 for a flat. (This will not apply to houses or flats built for purposes of overspill or approved industrial expansion, for which higher rates are in any case to be paid).

Power to reduce or abolish subsidies

9. It is proposed to take power to reduce or abolish any or all of the subsidies on new dwellings by Order subject to Affirmative Resolution.

Rate contributions by local authorities

10. At present local authorities are required by law to make a prescribed contribution from the rates for every house on which an Exchequer subsidy is paid. It is proposed to abolish this obligation in respect of all houses, whether already built or to be built in future, (subject to the exception in paragraph 11 below).

Special contributions by County Councils

11. In certain cases, (usually where houses are built by district councils for the agricultural population, with the help of the special subsidy from the Exchequer referred to in paragraph 2(e) above) county councils are required to make a prescribed contribution from the county rate. It is proposed that this obligation should be maintained.

Date of operation

12. It is proposed that the new rates of subsidy should apply to any dwellings for which tenders are approved by the local authority after the date on which these changes are announced to Parliament.